



2023

Omani

**Listed Insurance Industry
Performance Analysis – Year
End 2023**

Date: March 20, 2024



Vision

Solution architects strengthening our partners to optimize performance

Mission

We help our clients be the best version of themselves by fostering partnerships, challenging norms and providing cutting edge solutions. We inspire our people to constantly evolve and chase excellence with integrity in a diverse, exciting and growth-oriented culture.

Core Values



Integrity

Chasing Excellence

Fostering Partnerships

Breeding Excitement

Growth-Centric



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Year End 2023 – Omani Listed Insurance Companies

10th Middle East Insurance Industry Awards 2023

Newest Award on our shelf:
Strategic Partner to the Industry
BADRI Management Consultancy



Awards & Achievements

Award winning strategic partner to the insurance industry with our 150+ talented staff in UAE, KSA and Pakistan drive innovation and provide cutting edge solutions to our business partners across the globe. We strive to ensure that we provide the best quality solutions, turning our experience and industry knowledge into value for our clients.

Our Awards

- Strategic Partner to the Industry 2023, 2022, 2021 & 2020 by MIIA
- Best Actuarial/Risk Consultancy Firm of 2023, 2018 & 2016 by MENAIR
- Corporate Risk Manager of the Year 2023 by InsureTek





About **BADRI**

BADRI over the years has emerged to be a global consulting company that provides diverse sets of services to clients across Middle East and other regions.

Today, our **150+** talented staff spread across UAE, KSA & Pakistan drive innovation and provide cutting edge solutions to our business partners across the globe. We strive to ensure that we provide the best quality solutions, turning our experience and industry knowledge into value for our clients.

We specialize in all range of actuarial services and have also been able to integrate to provide services in other segments including Financial Services, Strategic HR consulting, Data Governance and Business Intelligence to our clients.

What We Can Do For You!

Actuarial Consultancy

- Appointed Actuary
- End of Services
- Actuarial Support for General & Life Insurance
- IFRS 17
- Pricing, Reserving & Capital Modelling
- Actuarial Support for Motor & Medical Insurance

Strategic Consultancy

- Financial Services
- Strategic HR Consultancy
- ERM
- Product Development
- Merger and Acquisition
- Compliance and Forensics
- Advisory & Risk Management

Technology Consultancy

- Digitalization
- Business Intelligence
- Data Governance
- Big Data & Analytics
- IFRS 17 Systems



ACE-17

ACE-17, our flagship IFRS 17 calculation engine, provides a seamless and cost-effective solution to generate the IFRS 17 financials and disclosures, saving your time and effort in your IFRS 17 reporting processes. Users can move through an intuitive, fully transparent, and flexible calculation process that is built to generate all the reporting requirements to deliver the IFRS 17 financial statements.



Financial Services

Our professional and dedicated team possess the expertise in financial services domain and offer wide range of services. Our core services are:

- IFRS Implementation
- Reconciliation Services
- MIS Reporting
- Backlog Accounting
- Loan Staff (Outsource)

Reconciliation Services

- Improve collections from insurance companies/ brokers and customers by reconciling the statement of account on regular basis.
- Accurate reporting of LRC and LIC balances. As currently most businesses struggled to isolate their receivables, payables, and commission from their net position.
- Reduce risk of error and compliance with regulation/ standard.

Loan Staff

- Availability of Qualified and competent staff immediately.
- No lengthy hiring process as no change in the headcount.
- Benefit from a consultant’s knowledge of the market.
- Cost containment.



Invest In Your Team

métier – a BADRI Group Company is a renowned boutique Executive search and HR solutions consulting firm that works with teams across the globe, to develop a tailored HR plan and resolve your business challenges.

We take a personalized approach in ensuring that the solutions provided to you are in line with your company strategy to help you achieve your business goals through sustainable HR practices.

Since our inception in 2014, we have been recognized as Executive search leaders across multiple industries in the MENA region. métier's seasoned professionals focus on your HR transformation, while you focus on your business.

Our Competitive Edge

- Improving Workplace Productivity
- Increasing Value Through People
- Inspiring Partnerships

Our Service Offerings

- Strategic HR Consulting
- Digital HR Solutions
- Talent Acquisition Services
- Training Solutions

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2023 Year End Industry Analysis

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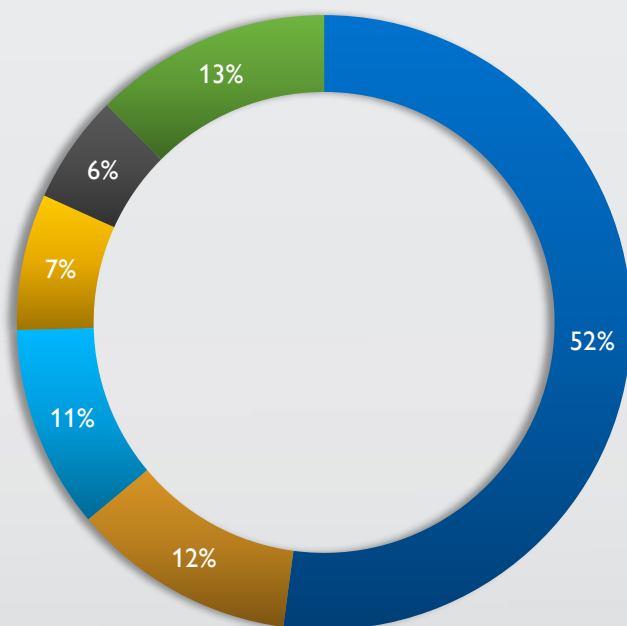
Finance Income / LIC comparison

Risk Adjustment / LIC



2023 Highlights

Revenue 2023



■ LIVA ■ DICS ■ OQIC ■ AMAT ■ TAOI ■ Other

**Insurance Revenue
(Conventional Companies)**

2023: **RO 519** million
2022: RO 385 million
Growth: 35%

**Gross Contribution
(Takaful Companies)**

2023: **RO 77** million
2022: RO 76 million
Growth: 1%

**Insurance Service Results
(Conventional Companies)**

2023: **RO 12.3** million
2022: RO 9.8 million
Growth: 26%

**Profit After Tax
(Conventional Companies)**

2023(IFRS 17): **RO 19.5** million
2022(IFRS 17): RO 15.2 million
Growth: 28%
2022(IFRS 4): RO 14.0 million

**Profit After Tax
(Takaful Companies)**

2023: **RO 2.0** million
2022: RO -0.06 million



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Year End 2023 - Omani Listed Insurance Companies

01

Revenue

Insurance Revenue - Listed Companies

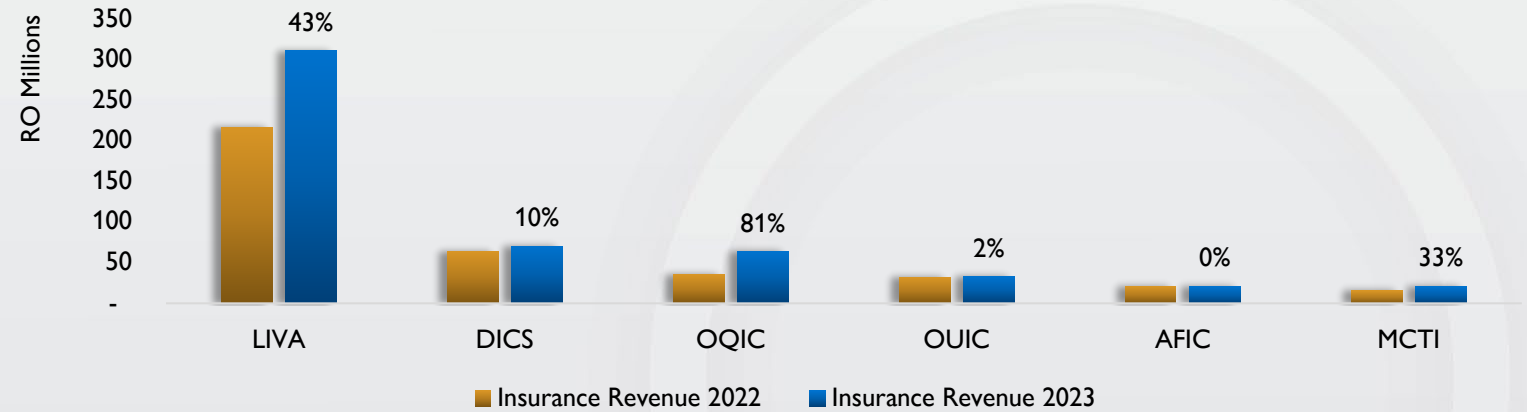


Insurance Revenue for the 6 listed conventional companies analyzed surged by 35%, reaching RO 519 million in 2023, up from RO 385 million recorded in the same period last year. For 2 listed takaful companies the gross contribution increased 1% from RO 76 million in 2022 to RO 77 million in 2023. Formerly, the focus was on Gross Written Premiums (GWP) as a source of pride and industry rivalry in the Omani insurance sector; however, after adopting IFRS 17 this metric is no longer disclosed in conventional companies. Instead, the spotlight is now on Insurance Revenue, which can be likened to Earned Premiums. Notably, this figure is presented net of any Expected Credit Losses (akin to provisions for doubtful debts). For takaful companies, gross contribution is still being used as their top line measure.

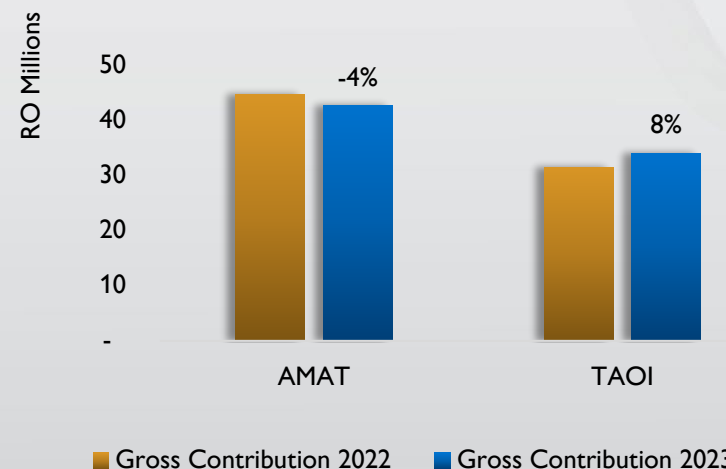
LIVA (formerly known as NLIF and AINS) is the current market leader, representing 52% of the overall market, with its revenue valued at RO 311 million. However, it should be noted that this figure includes a proportion from overseas subsidiaries. As only the consolidated financial statements are reported, we have used these figures for our analysis. LIVA experienced the highest absolute growth rate of 43% in insurance revenue from RO 217 million in 2022 to RO 311 million in 2023, driven by their non-life portfolio. This growth is attributed to its acquisition of RSA Middle East operations in Q3 2022.

There were two major M&A transactions which understates the comparatives and hence overstates the growth. LIVA includes only second half of 2022 of RSA ME and OQIC includes values for Vision Insurance for 2023 only and not for 2022.

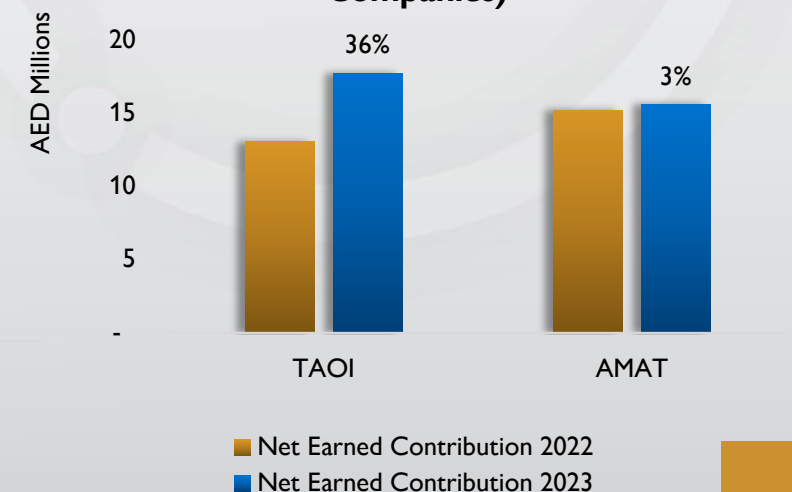
Insurance Revenue (Conventional Companies)



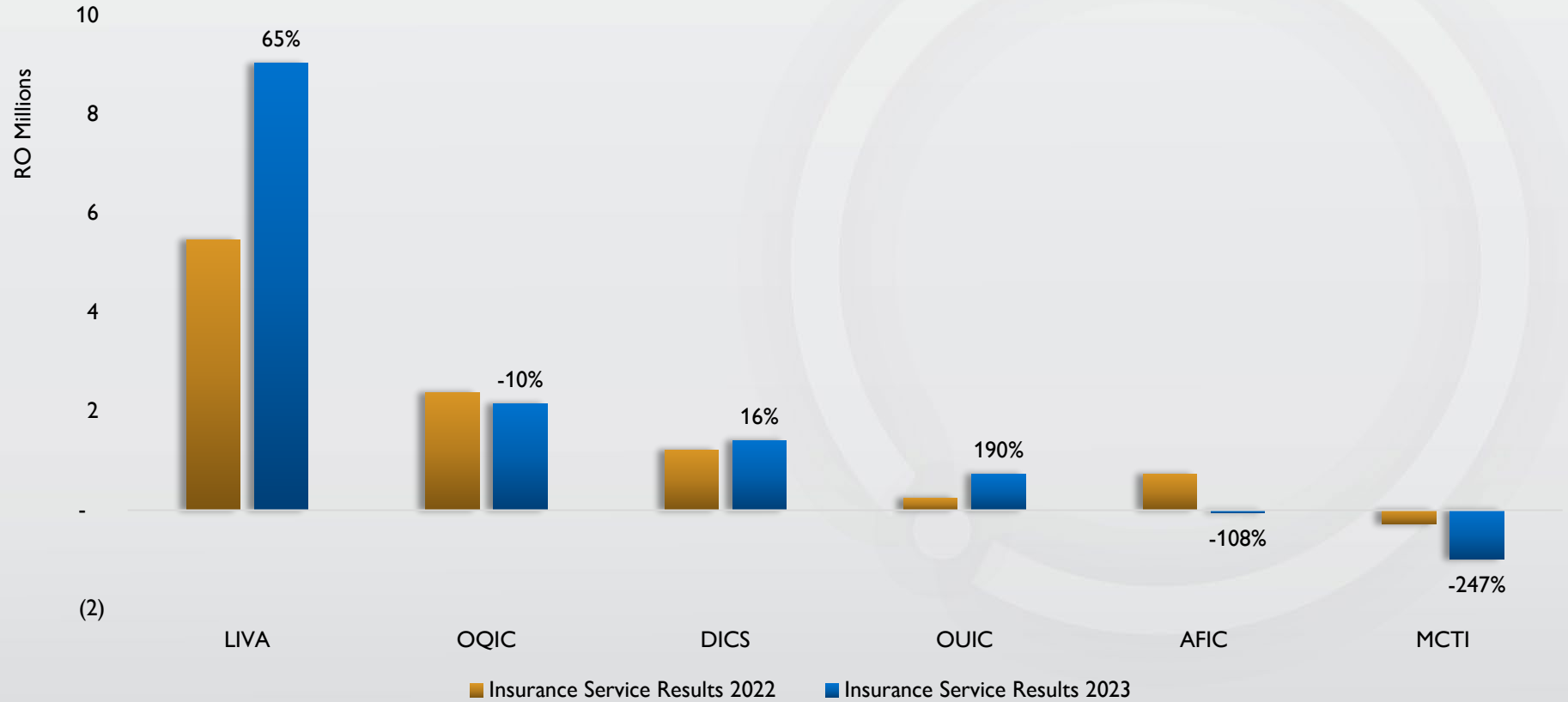
Gross Contribution (Takaful Companies)



Net Earned Contribution (Takaful Companies)



Insurance Service Result



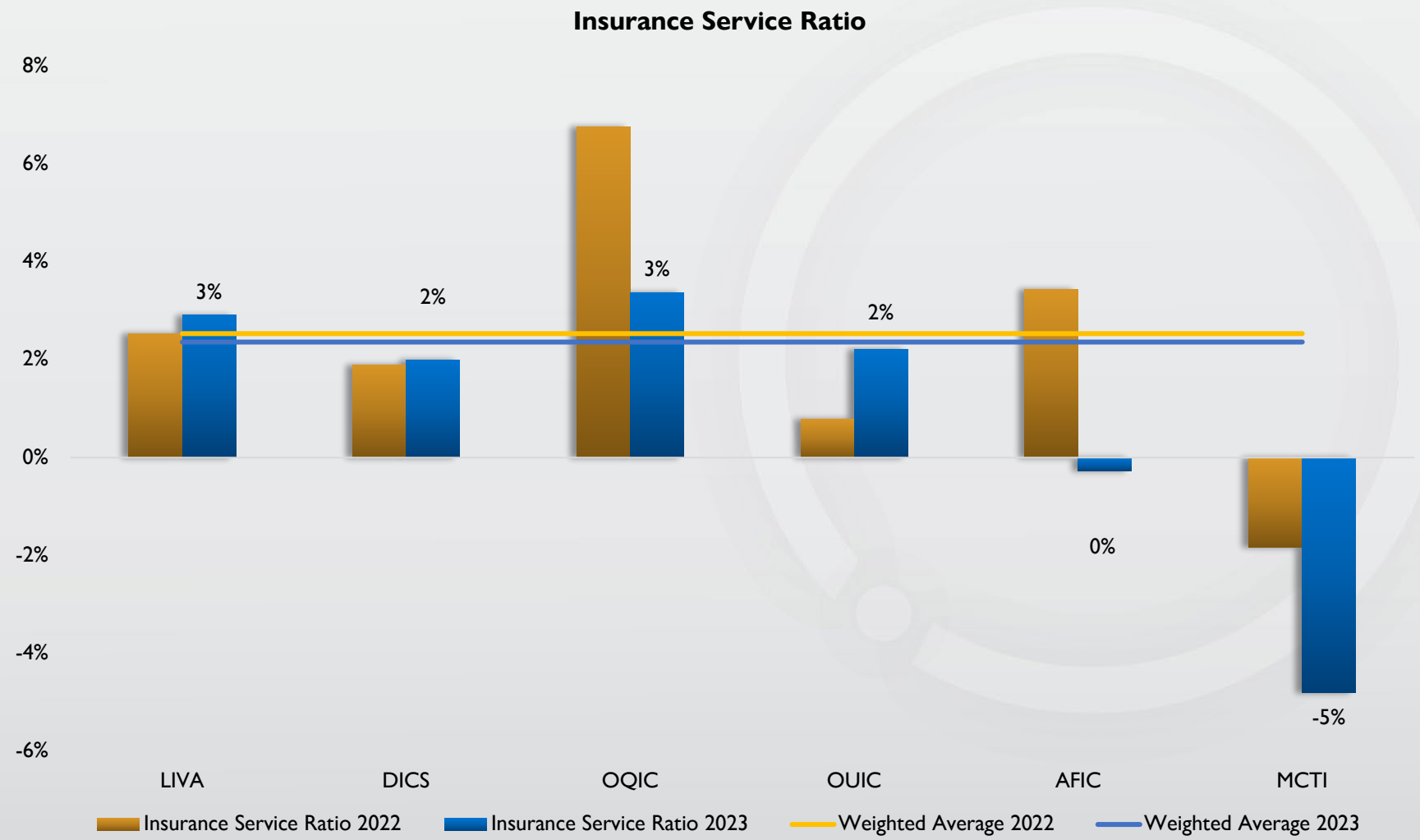
Insurance Service Results for the analyzed 6 listed conventional companies experienced a 26% increase, from RO 9.8 million to RO 12.3 million in 2023. The leading 3 companies in this regard, encountered a 39% increase collectively, moving from RO 9.1 million to RO 12.6 million during the same period last year. Notably, LIVA achieved the highest absolute growth of RO 3.6 million, AFIC faced the most significant decrease, with a drop of RO 0.8 million. Percentage wise OUIK depicted the highest growth of 190% where as MCTI showed the highest decline of 247%

Insurance Service Ratio – Listed Companies



The Insurance Service Ratio for the examined companies declined from 3% in the previous year to 2% in 2023. OQIC has the highest ratio at 3%, while MCTI displayed the lowest at -5%.

It's worth noting that the Insurance Service Ratio (calculated as Insurance Service Results divided by Insurance Revenue) can be interpreted as 100% minus the Combined Ratio under IFRS4. However, a notable distinction lies in our approach of considering Net Results and contrasting them against a value analogous to Gross Earned Premium. In the context of IFRS4, Insurance Service Results can be conceptualized as Underwriting Profits after accounting for expenses.



Out of 8 listed insurance companies, 2 operate as Takaful Insurers in the Omani market.

The business by the Takaful companies contributed 13% of the total business by the listed insurance companies in Oman in 2023.

The revenue for conventional insurers depicted growth of 35% where as the takaful companies have shown an increase of 1% when compared with the corresponding period of 2022.

Due to implementation of IFRS 17, for conventional companies the top line comprises of Insurance revenue where as for takaful companies it is depicted by gross contribution.

Takaful & Conventional Business Distribution





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Year End 2023 - Omani Listed Insurance Companies

Profitability

Net Profit - Listed Companies Trend



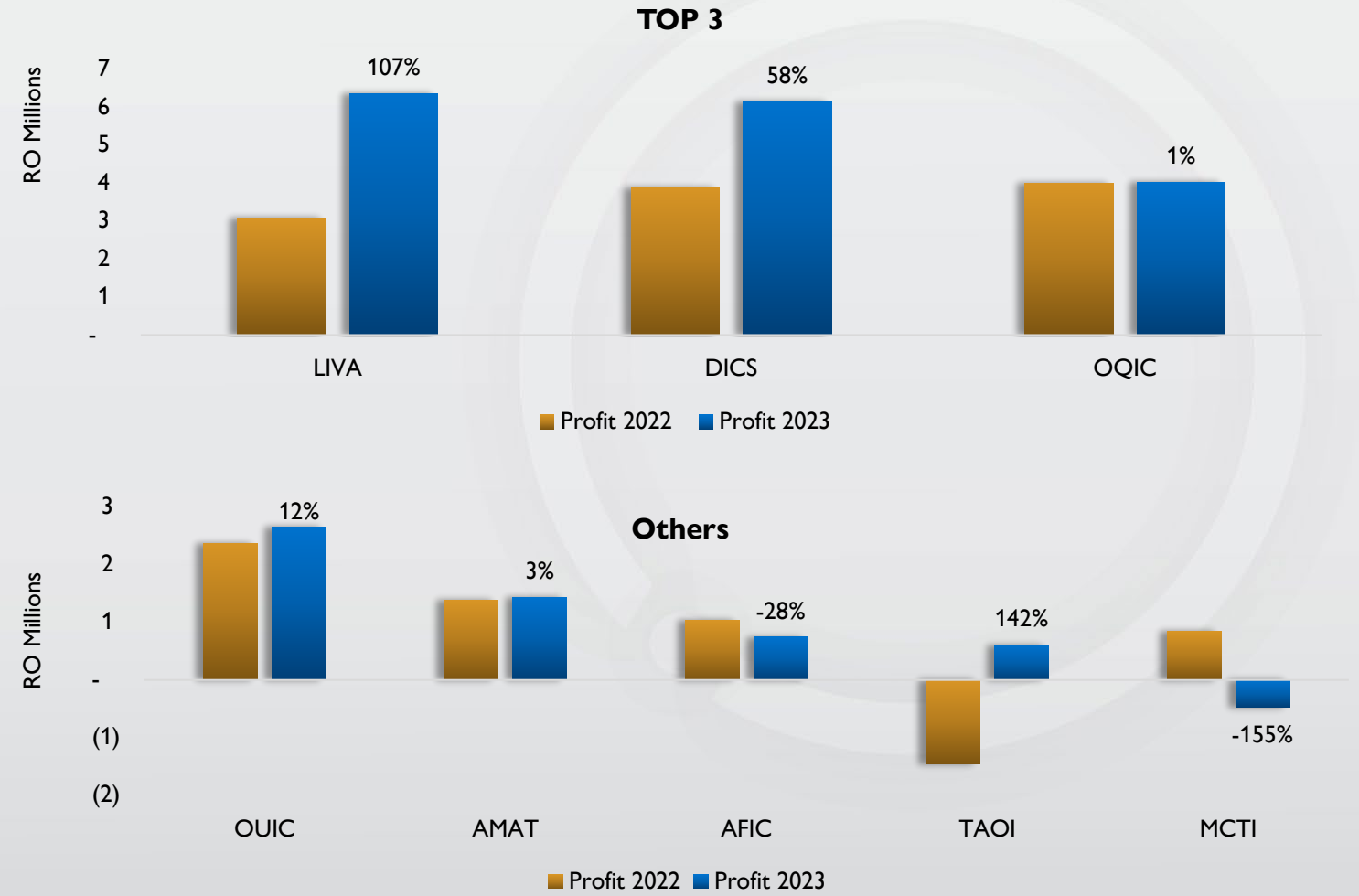
The recorded profit (after tax) for the analyzed group of 8 listed companies experienced an increase from RO 15.2 million in 2022 to RO 21.5 million in 2023, marking a 42% increase.

However, if LIVA is excluded from this analysis, the profitability stands at 25% for 2023 from the corresponding period of previous year. LIVA has booked the highest profit amounting to RO 6.4 million, indicating a 107% increase from the previous year (2022: RO 3.1 million). LIVA contributes 30% of the overall profit recorded by industry in 2023.

The Highest profit growth is recorded by TAOI of 142% (from RO -1.4 million in 2022 to RO 0.6 million in 2023) while MCTI has recorded the largest decline of 155% (from RO 0.85 million in 2022 to -0.47 million in 2023) for the period.

For TAOI's 2022 profit the Hibah (gift) adjustments in the income statement of RO 15.6 million has been removed and the profit depicted in the report are after the subtraction of this value. It is important to note that for Takaful companies, net profits on policyholder and shareholder accounts are consolidated for comparative purposes.

In a comparison with IFRS 4, the 6 conventional companies recorded a profit of RO 14.0 million according to their 2022 financials. This amount has been restated to RO 15.2 million for the same period i.e., 2022, under the IFRS17 framework.

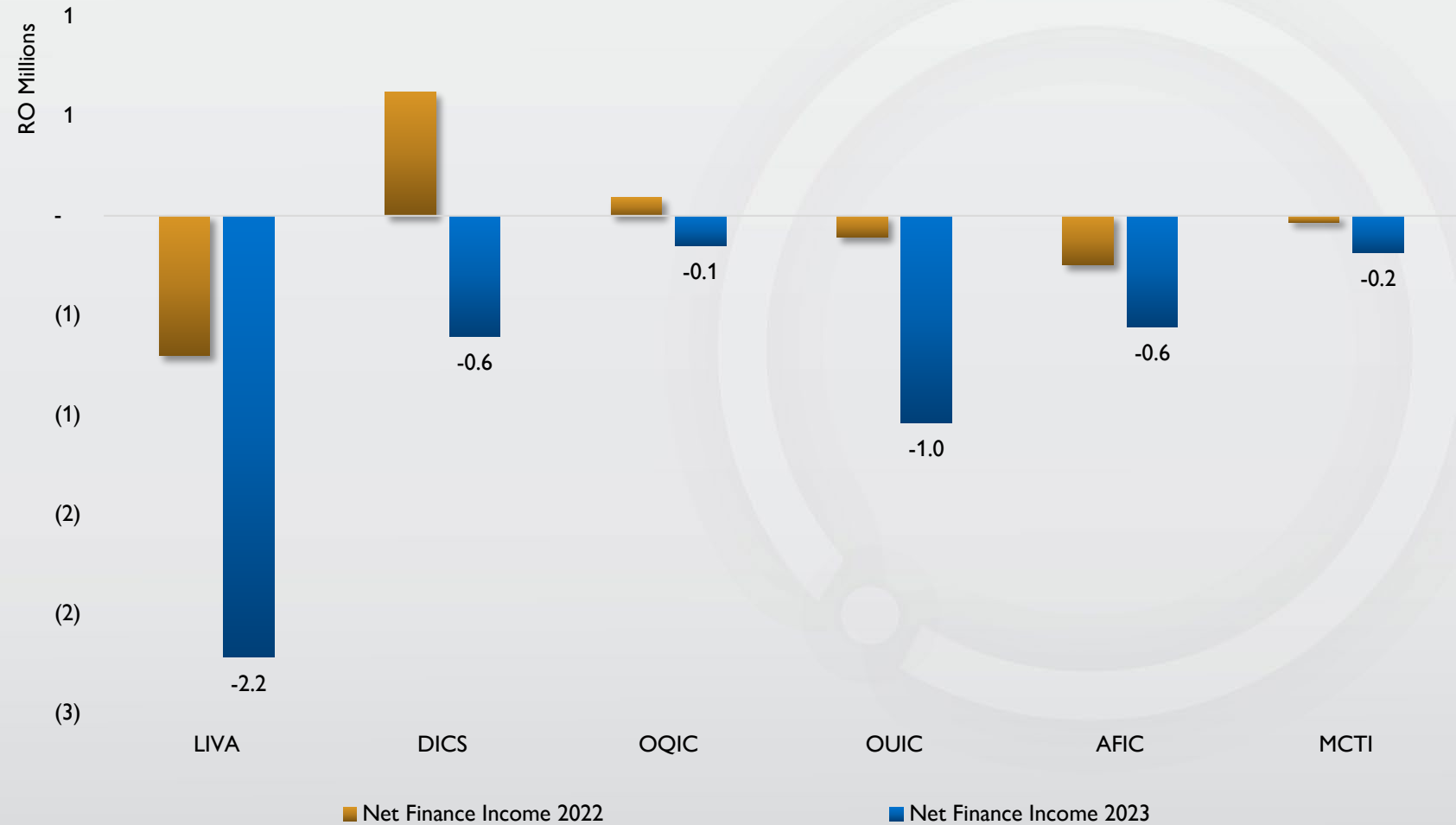


Net finance income, as stipulated by IFRS 17, encompasses both the interest income acquired from the contractual service margin (CSM) and the interest expense generated by the unwinding of the discount rate applied to insurance liabilities. This amalgamation reflects the cumulative financial effects of the time value of money and shifts in the present value of forthcoming cash flows.

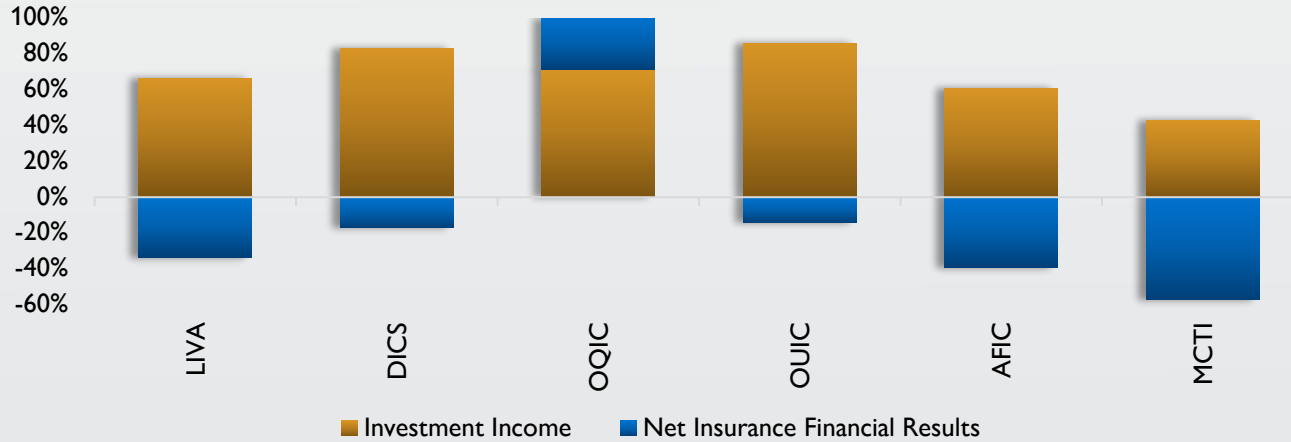
During 2022, the discount rates experienced an upswing, while in 2023, they underwent a decline. Consequently, this year's expenses have surpassed the previous year's expenses for the majority of companies.

LIVA showcases the highest net finance loss, in contrast to OQIC, which displays the least net finance loss.

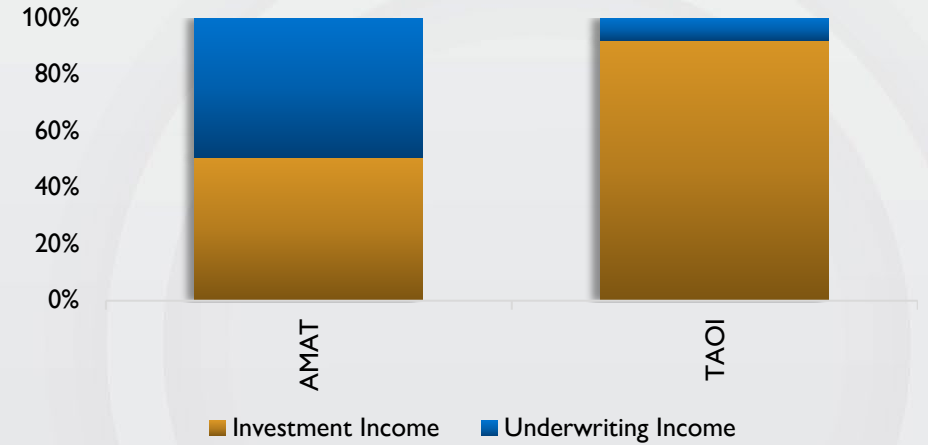
Net Finance Income



Profit Composition IFRS 17



Profit Composition IFRS 4



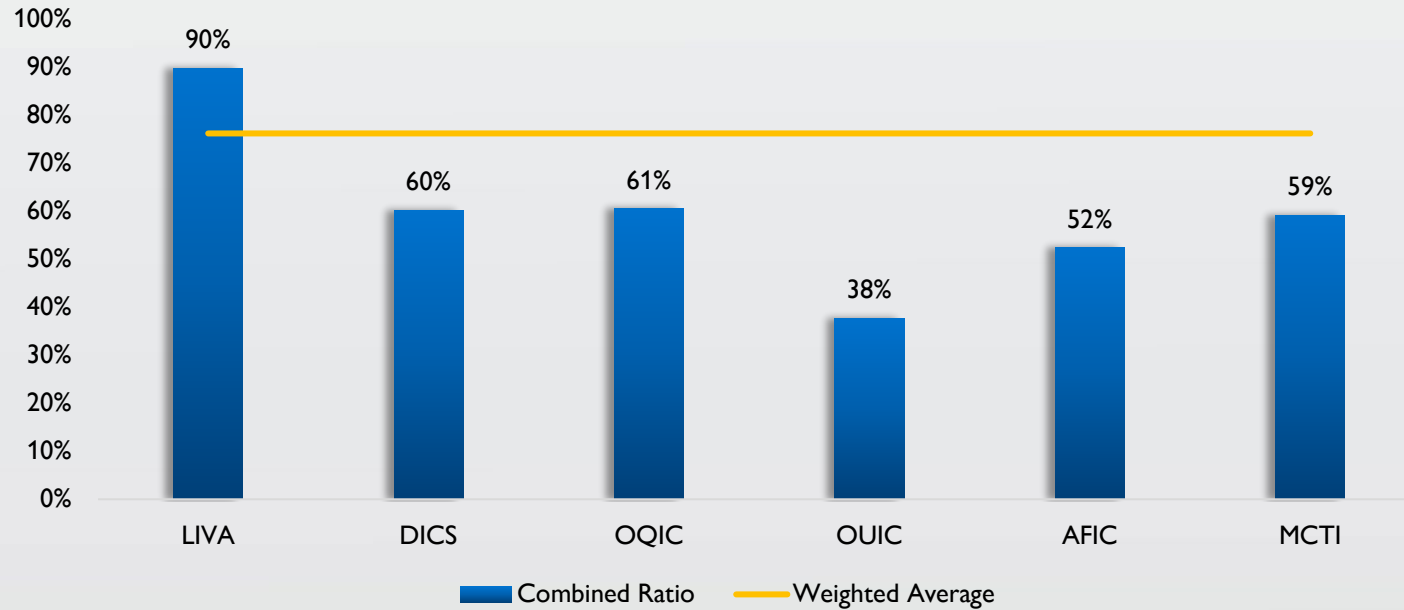
According to the analysis, the profit for listed companies in Oman for 2023 is a combination of net financial result for conventional companies (underwriting income for Takaful companies) and investment income. In 2023, the total Net financial result for conventional companies / underwriting income for takaful companies and investment income earned were RO -9.9 million and RO 31.5 million, respectively. This marks a decline in underwriting income and increase in investment income from the previous year.

Interestingly, the analysis shows that investment income is a key contributor to the overall profitability of listed companies in Oman. Despite some companies experiencing losses from their net insurance financial results/underwriting activities, they were able to recover these losses and generate profits through their investment income.

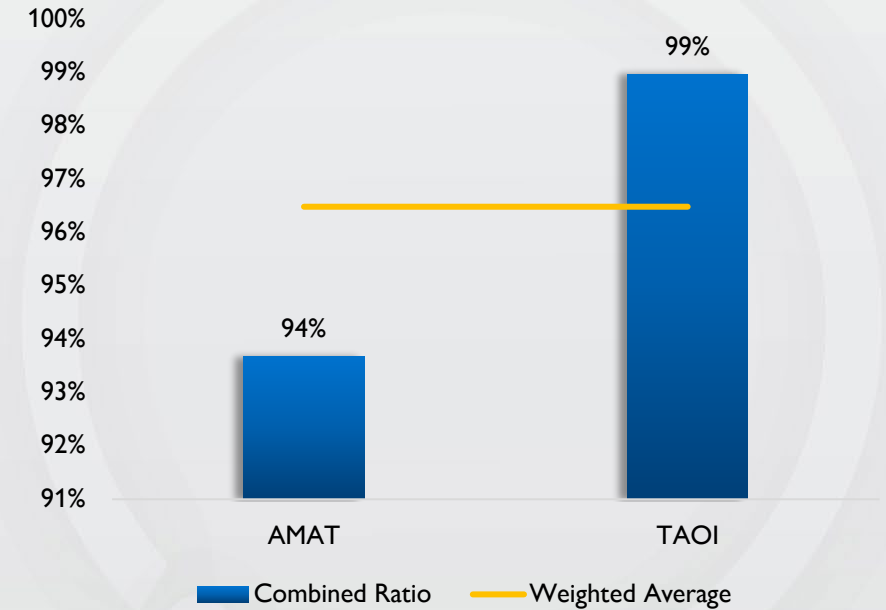
Due to the implementation of IFRS 17 for conventional companies the underwriting income KPI has been substituted with net insurance financial results

The analysis presented here is sorted by 2023 Profit of conventional companies.

Combined Ratio IFRS 17



Combined Ratio IFRS 4

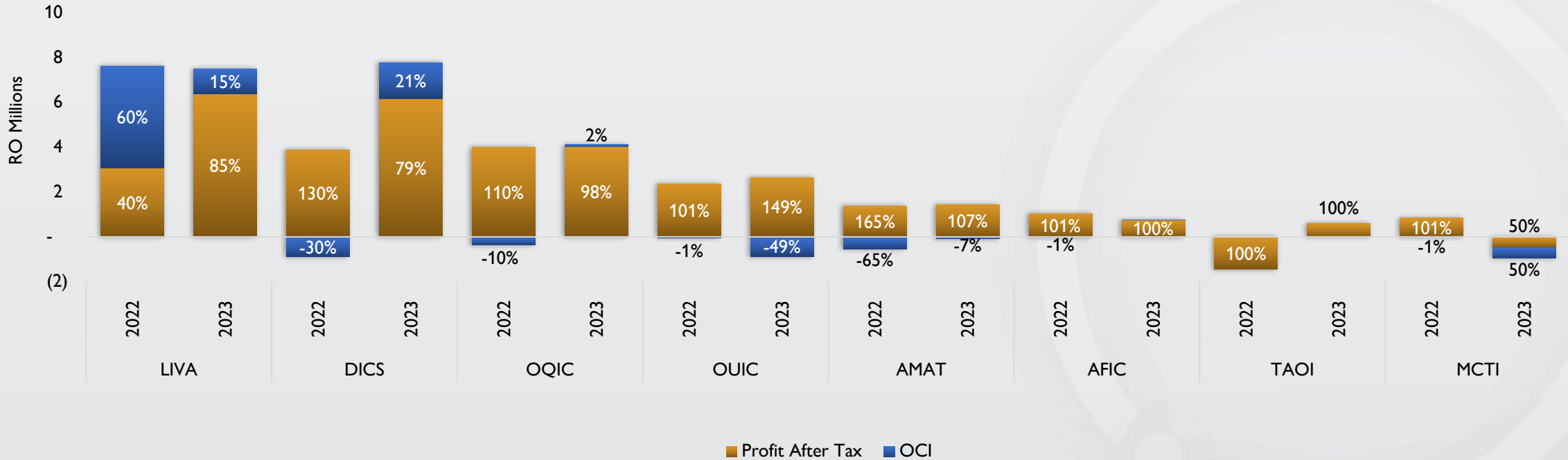


The weighted average combined ratio stood at 76% for conventional companies and 96% for takaful companies.

A company is considered profitable in terms of underwriting when its combined ratio is under 100%.

Combined ratio for conventional companies is computed as net insurance service expenses over insurance revenue and for takaful companies it is the sum of expense and loss ratio.

Total Comprehensive Income



In 2023, the Total Comprehensive Income experienced an increase of 32% compared to the corresponding period in 2022.

3 out of 8 companies in this analysis have shown losses in their OCI, as compared to 6 companies having losses on their OCI statements in 2022.

For Takaful companies we have consolidated the Policyholders and Shareholders P&L for comparative purposes.

The Total Comprehensive Income is the sum of the Profit After Tax and the Other Comprehensive Income (OCI).



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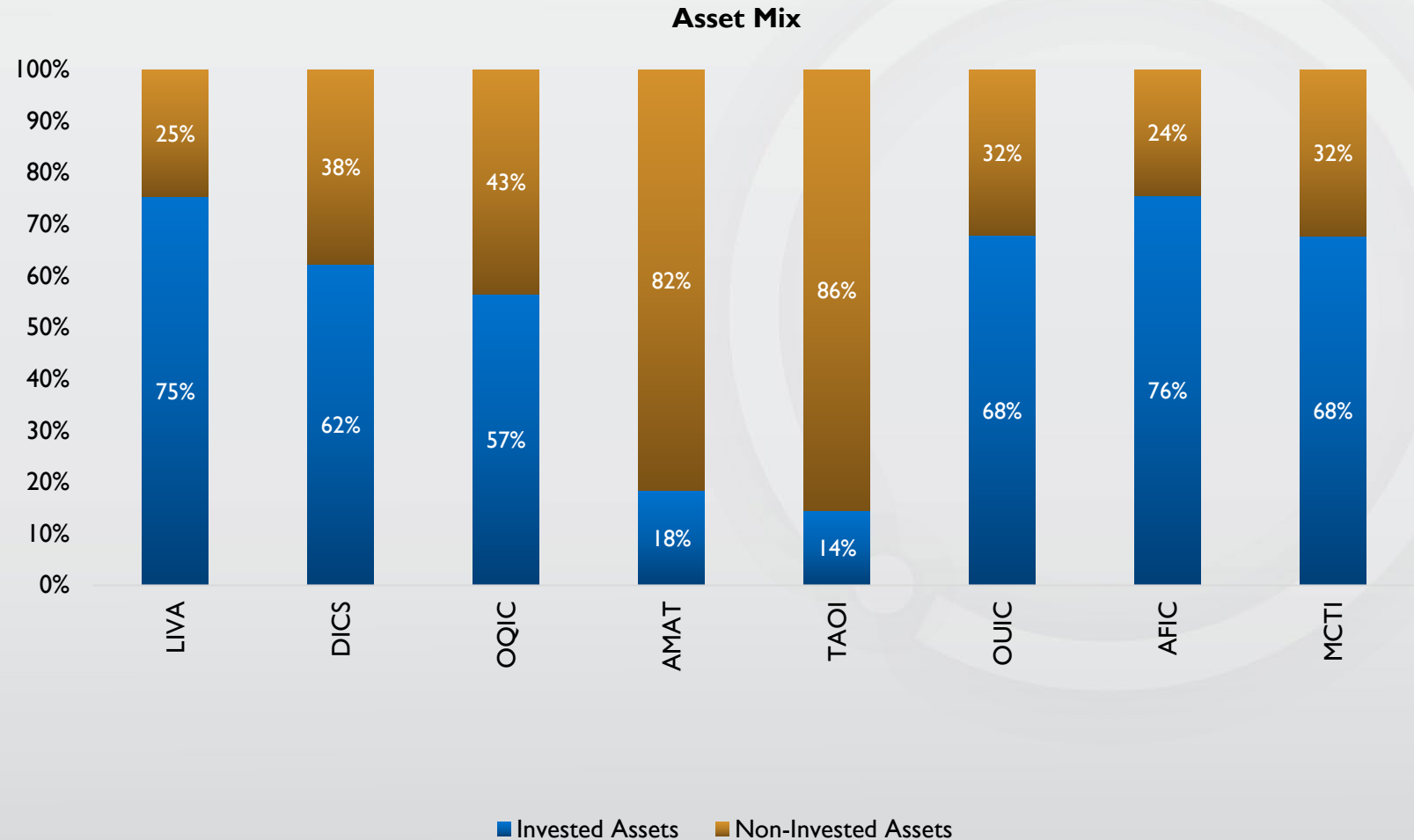
Year End 2023 - Omani Listed Insurance Companies

03

Asset Mix

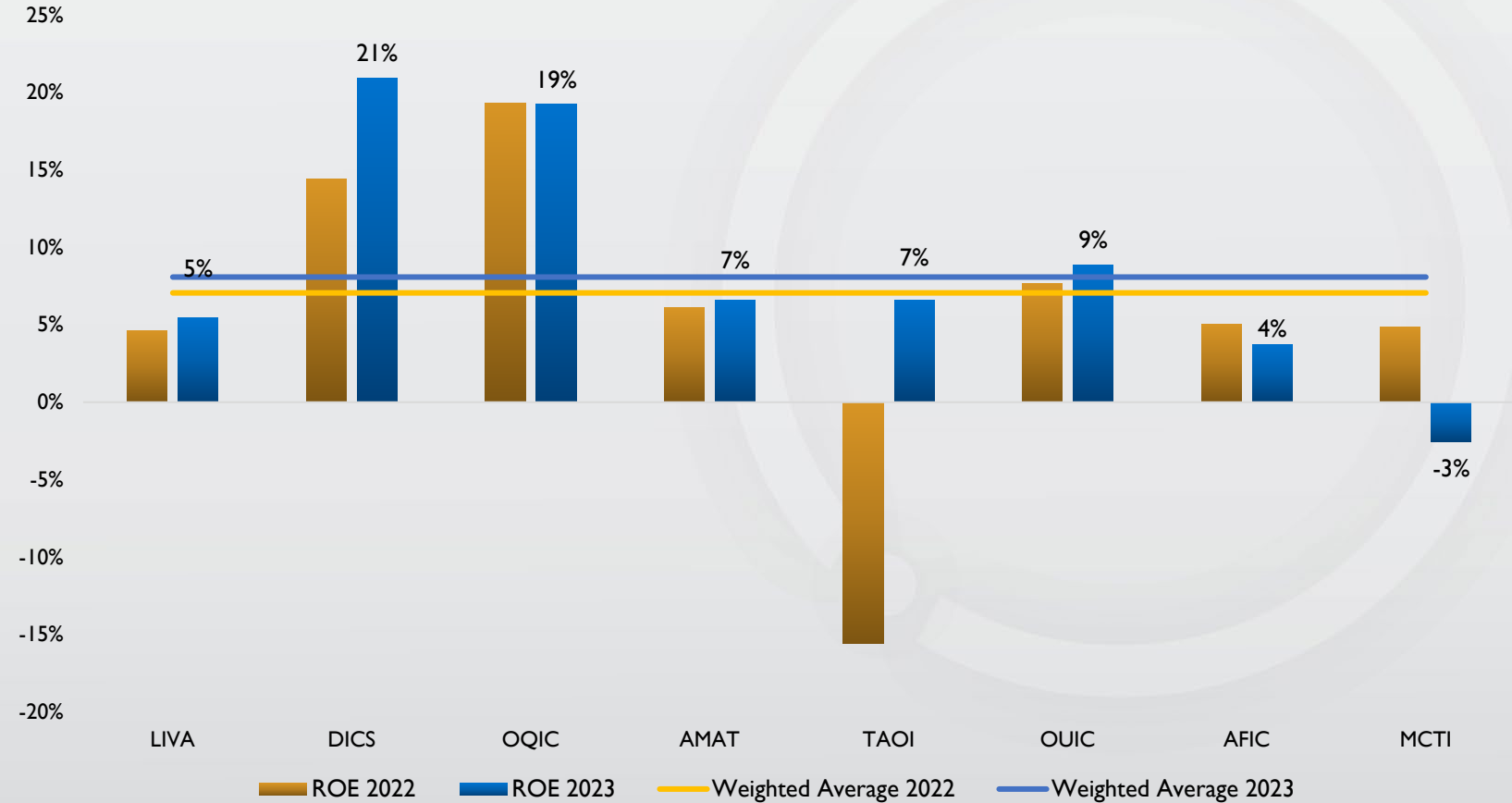
The Asset Mix compares the proportion of invested assets and non invested assets (such as insurance & reinsurance receivables) of the companies in Oman insurance industry as at Dec 31, 2023. AFIC has the highest proportion (76%) of invested assets, Whereas TAOI has the lowest proportion (14%) of assets invested. The market proportion of invested assets to total assets has been computed to be 60% (2022: 53%). The industry average is driven by LIVA, followed by DICS which have the highest amount of overall assets.

The above chart is sorted in descending order of insurance revenue / gross contribution of 2023.



The weighted average Return on Equity (ROE) for the Insurance companies in Oman was recorded at 8% (2022: 7%). This increase can be attributed to the substantial increase in profits. DICS has the highest return on equity of about 21% whereas MCTI has recorded the lowest return of -3%. The Return on Equity is calculated as a ratio of rolling 12 months net profit (after tax) to total of shareholder's equity at the beginning of the period 2023.

Return on Equity



Company

EPS 2022

EPS 2023

LIVA

0.010

0.014

DICS

0.038

0.060

OQIC

0.040

0.025

AMAT

0.006

0.007

TAOI

-0.008

-0.007

OQIC

0.024

0.027

AFIC

0.010

0.007

MCTI

0.077

-0.043

Earnings per share (EPS) indicates how profitable a company is. EPS is directly related to a company's profits; the higher the realized/unrealized profits, the higher the EPS value.



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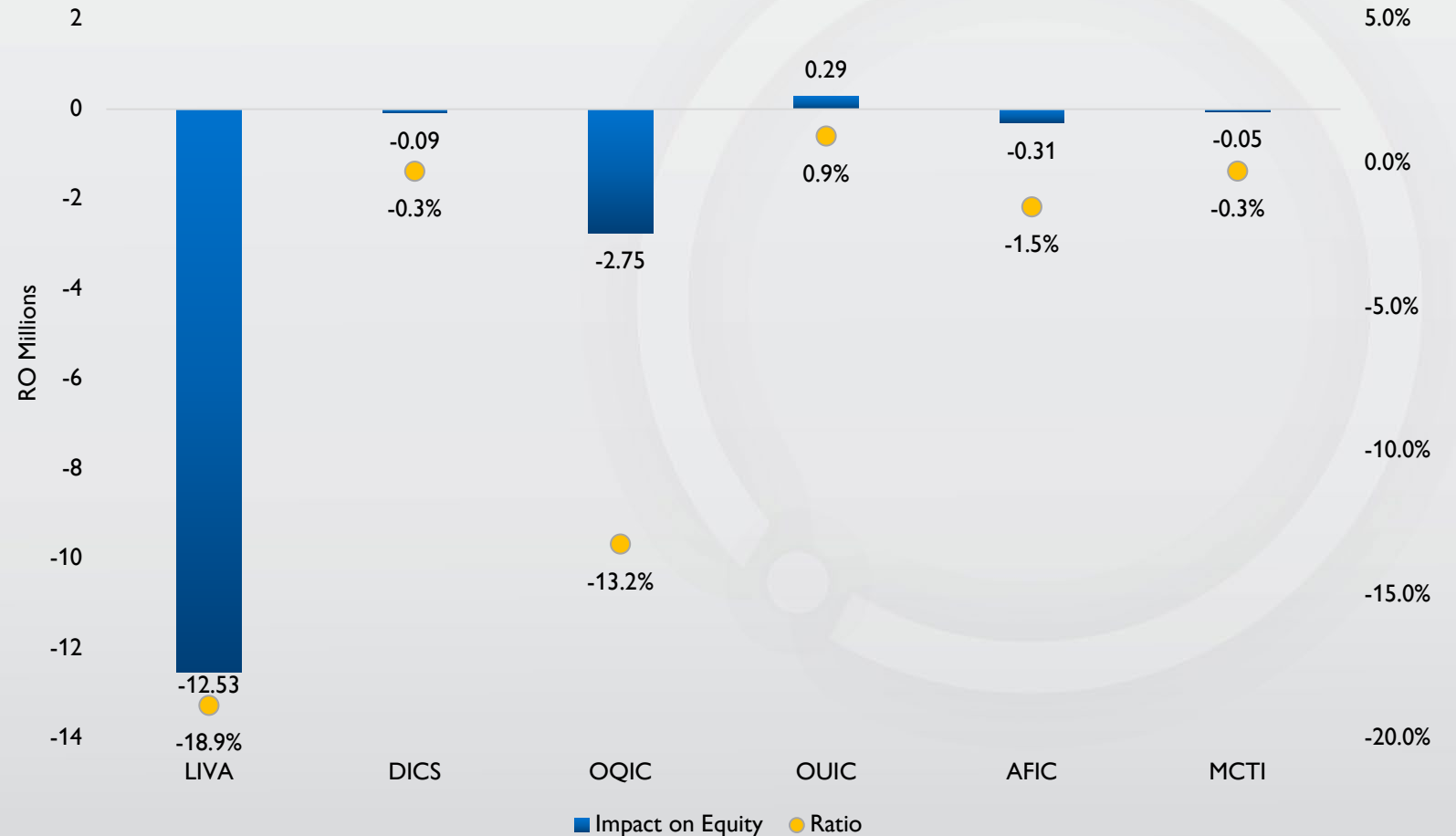
Year End 2023 - Omani Listed Insurance Companies

04

IFRS 17 Comparison

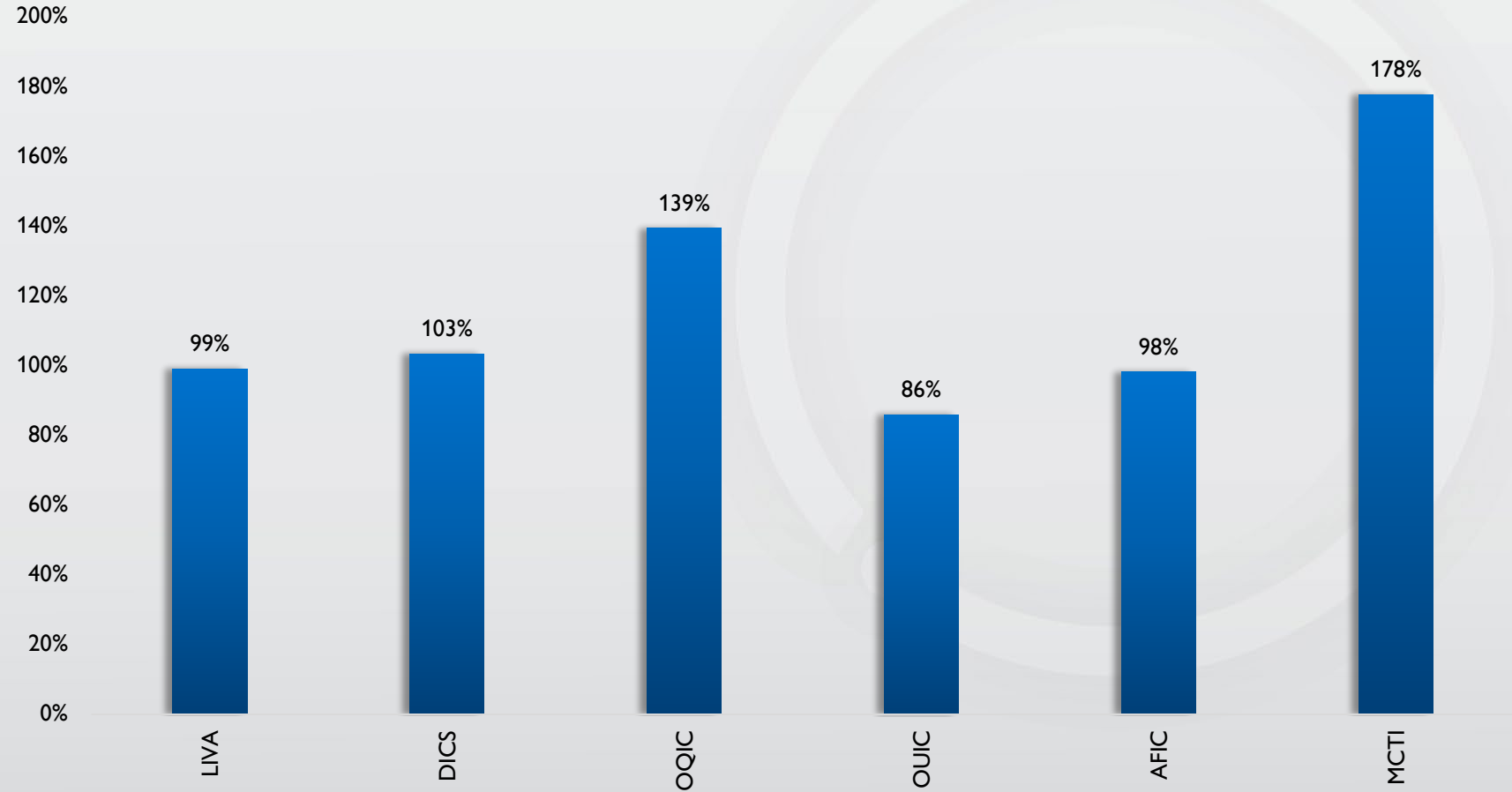
The effective date of IFRS17 is January 1, 2023 and for comparative purposes this required the companies to estimate the impact on transition as at January 1, 2022. Impact at time of transition needs to be accounted for in Equity as that point in time. Since most of the market is short term the impact was limited. Overall impact for the 6 conventional companies analyzed was RO -15.4 million and as percentage of equity it comes to -8%.

Equity Transitional Impact



The Profit Transition Ratio compares the 2022 profit as reported last year under IFRS 4 with the profits shown as 2022 as per the IFRS 17 financials published this quarter. At a total level the impact is 9% as the profits for these 6 conventional companies last year totaled RO 14.0 million and this increased to RO 15.2 million under IFRS 17. OQIC saw the highest absolute growth in 2022 profit under IFRS 17 as compared to IFRS4. MCTI depicts the highest percentage wise growth of 178%

Profit (2022) Transition Ratio



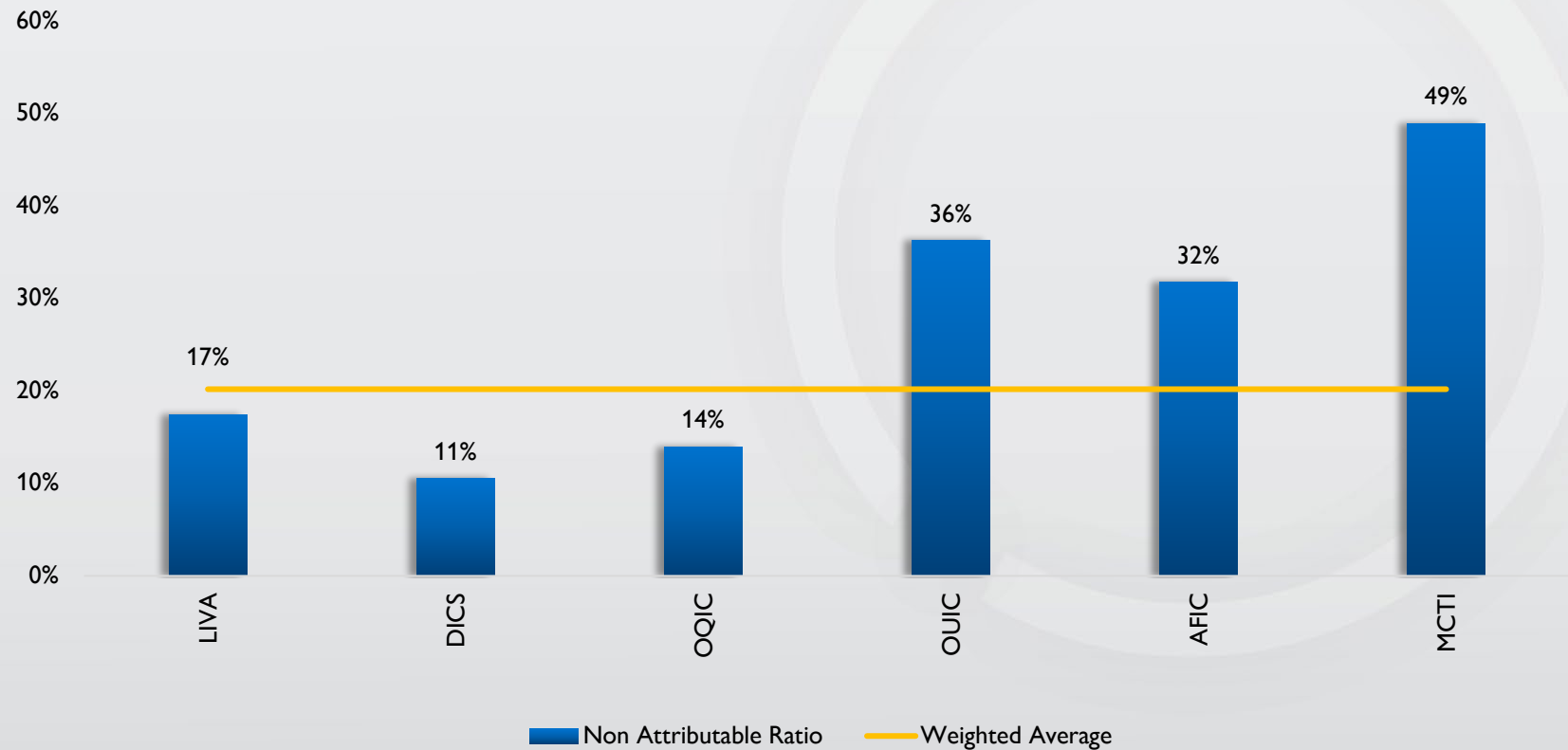
Percentage Non-Attributable Expenses



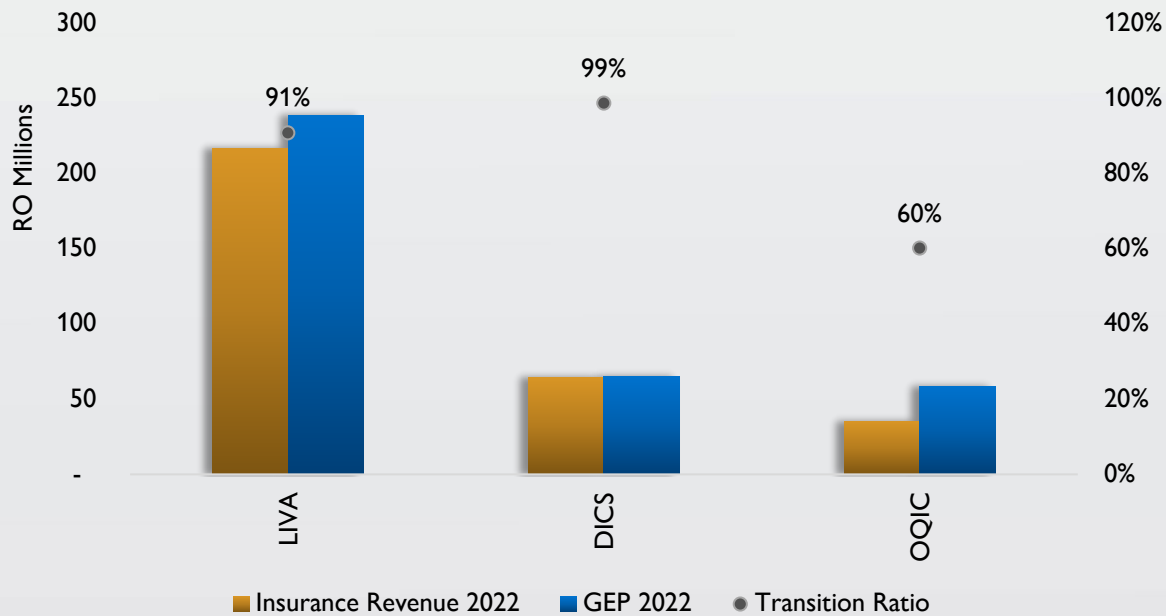
While computing Premium Deficiency Reserves, we had to account for all expenses of the company. IFRS 17's equivalent to PDR is Loss Component. However, for computing loss component companies have to consider Attributable Expenses. While it is not straight forward to determine how much of the expenses are attributable, we compared the non-attributable expenses mentioned for 2022 in this year's financials vs what the company had shown as total expenses in IFRS4 financial statements published last year. This is a crude estimation that we have done.

The higher the percentage of expenses which are non-attributable, the lower is the Loss Component. We expect some consistency to come in this area over time.

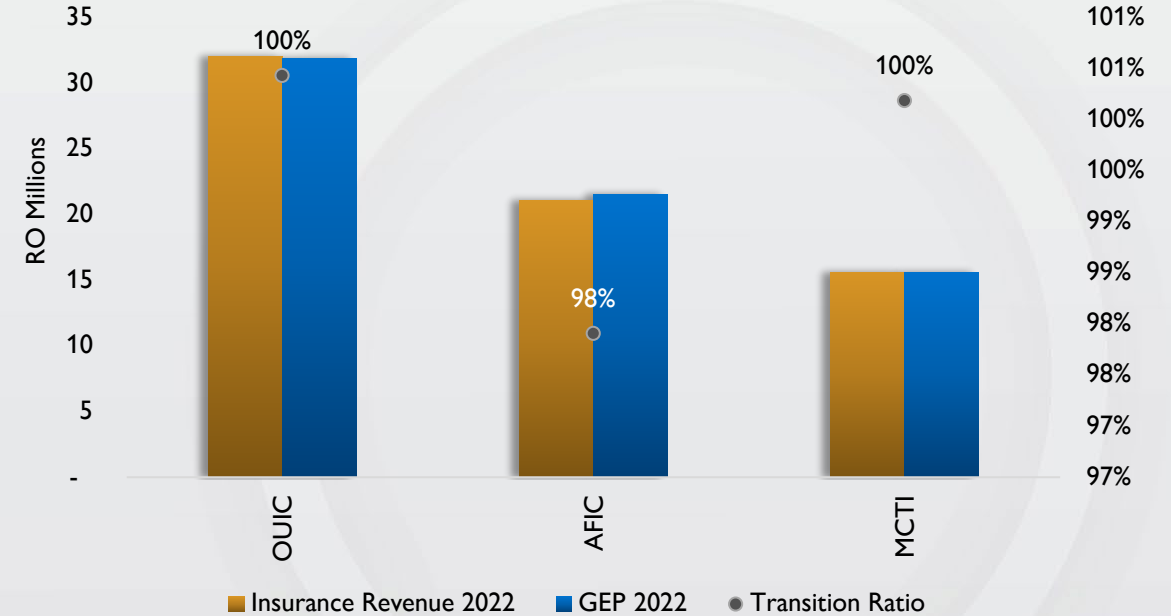
Non-Attributable Expense Ratio (2022)



Insurance Revenue to GEP Transition (2022) Top 3



Insurance Revenue to GEP Transition (2022) Others



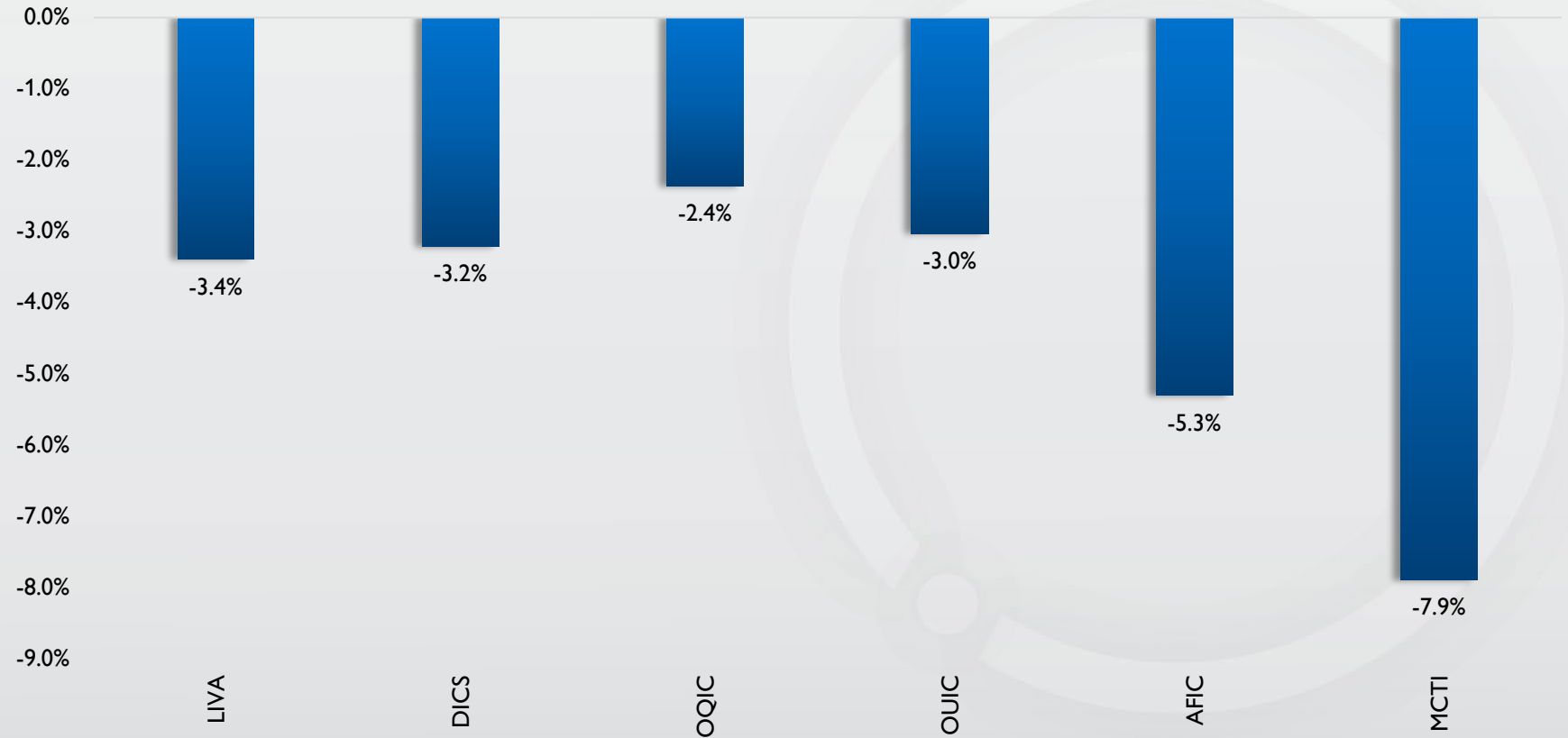
Under IFRS 17, Insurance Revenue would be akin to Gross Earned Premium. A key difference is that in IFRS17 (or due to IFRS9) the Expected Credit Losses (ECL) are deducted from the Insurance Revenue. To show the impact of the change in standards, we have compared the Gross Earned Premium shown in 2022 financials to Insurance Revenue shown for 2022 this time.

The graphs here depicts the transition impact of the same. Due to impact of ECL, the ratio should be below 100%. Companies having ratio above 100% shows that the revenue has increased for 2022 as a result of transition. This is possible due to changes in revenue recognition, updated measurement methods, enhanced contract boundaries, and improved data quality.

Finance income (or expenses) directly impact the valuation of the liability for incurred claims through the discounting process in IFRS-17.

Since most of the companies are using PAA we have computed this KPI as being divided by LIC. The graph presents the proportion of financial expenses/(income) relative to the amount of claim liabilities

Finance Cost as a % of LIC

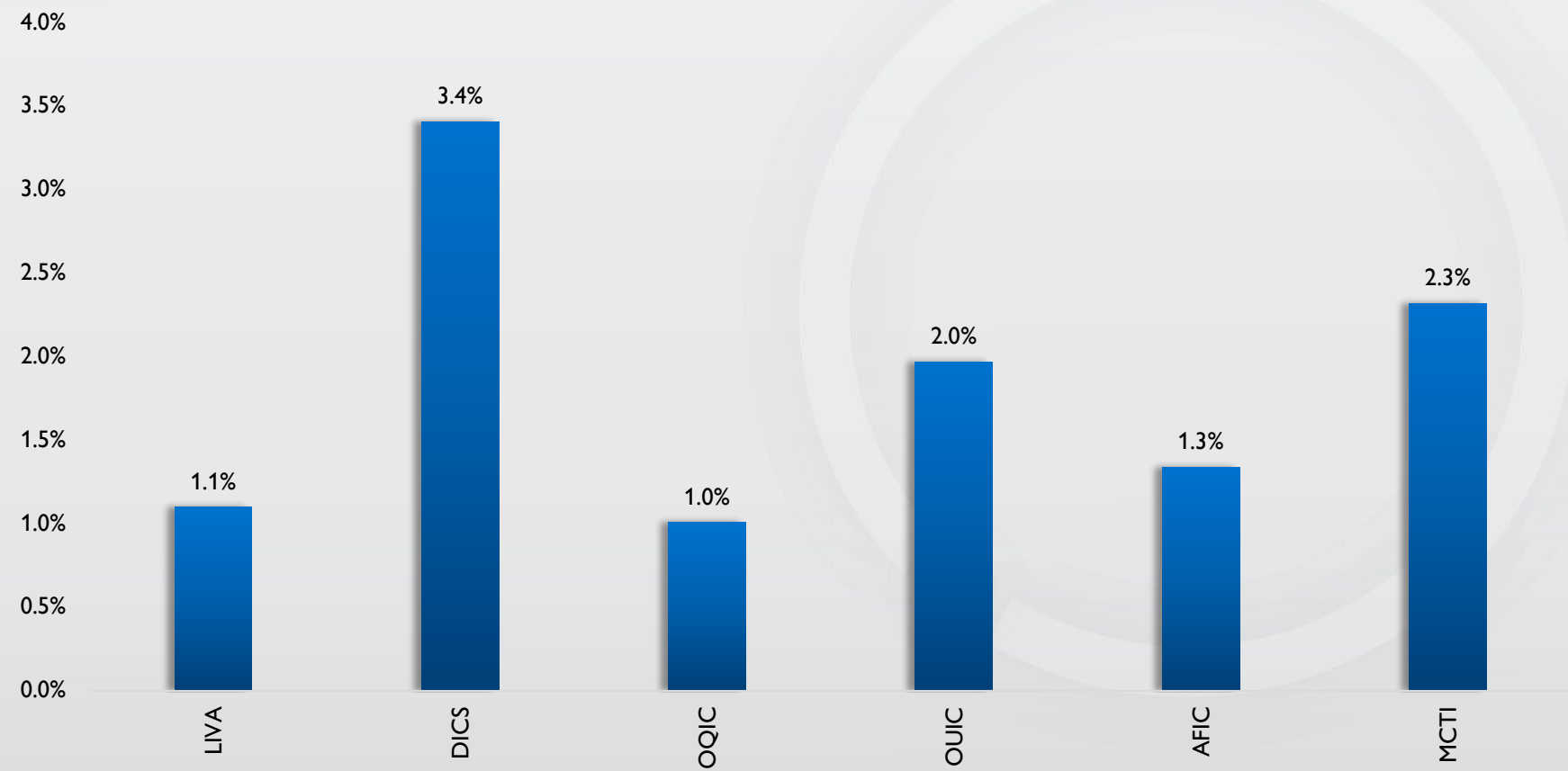


The relationship between the loss component and insurance revenue is crucial for determining the overall profitability and financial performance of an insurance company. By analyzing the ratio of the loss component to insurance revenue, stakeholders can assess the efficiency of the company's underwriting activities and the adequacy of premium pricing in covering expected losses.

Hence, a lower percentage depicts the adequacy of reserves and ability to accurately estimate and cover expected losses in insurance contracts.

OQIC portrays the lowest loss component proportions of insurance revenue.

Loss Component as a % of Insurance Revenue

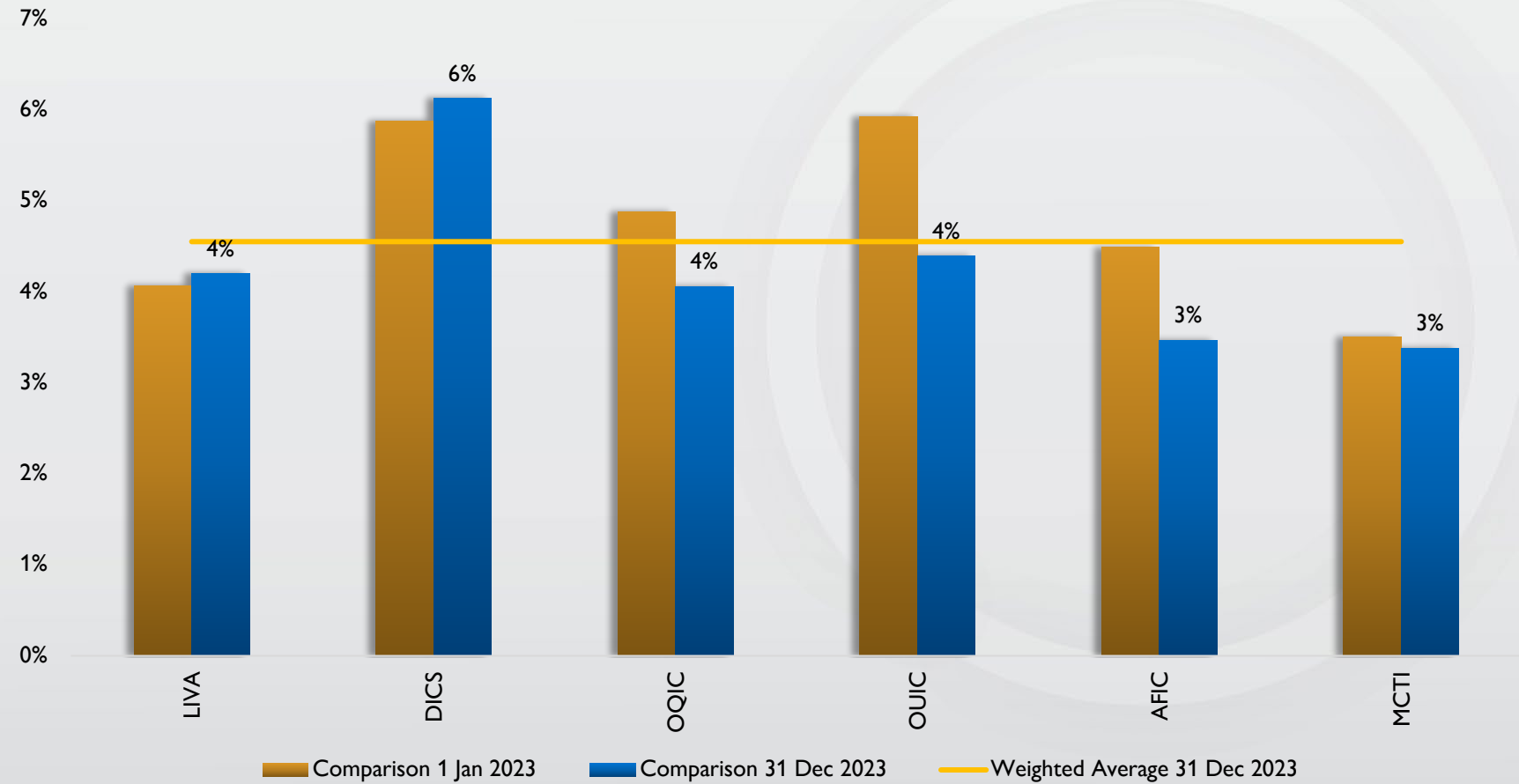


The graph depicts the relationship between risk adjustment and liability for incurred claims and provide insights into the Company's risk assessment and their diligence in accounting for these risks. It is an important KPI for stakeholders to evaluate the Company's prudence and risk management practices in financial reporting under IFRS-17.

The weighted average proportion of Risk Adjustment in LIC for the period of 1 Jan 2023 is 4.9% and 31 December 2023 is analyzed to be 4.6% respectively.

The Highest Ratio is depicted by DICS of 6% whereas the lowest is shown by MCTI of 3% as at 31 December 2023.

Risk Adjustment as a % of Estimates LIC





Conclusion

IFRS 17 has led to transformations, shifting conventional companies from reporting Gross Written Premium (GWP) to solely highlighting Insurance Revenue. This new metric encompasses Gross Earned Premium along with Expected Credit Losses (ECL). With a rise in Credit Risk, the industry anticipates increasing hurdles due to the amplified influence of ECL. Notably, for conventional companies there was a 35% increase in Insurance Revenue, reaching RO 519 million in 2023, compared to RO 385 million in the same period last year. For takaful companies, gross contribution is still being used as their top line measure. The gross contribution increased 1% from RO 76 million in 2022 to RO 77 million in 2023.

Insurance Service Results for conventional companies saw a 26% increase to RO 12.3 million from RO 9.8 million in the previous year.

The recorded profit (after tax) for the analyzed group of 8 listed companies experienced an increase from RO 15.2 million in 2022 to RO 21.5 million in 2023, marking a 42% increase. It's crucial to highlight that Takaful companies consolidate net profits across policyholder and shareholder accounts for comparison.

In contrast to IFRS 4, the 6 conventional companies reported a profit of RO 14.0 million based on their 2022 financials. However, under the IFRS 17 framework, this figure has been adjusted to RO 15.2 million for the same period, specifically year-end 2022.

For 6 conventional insurance companies, the transition to IFRS17 had an impact of RO -15.4 million or -8% on the opening equity as at January 1, 2022. OUIIC had the highest positive equity impact of RO 0.3 million while LIVA had the highest negative impact of RO 12.5 million. If we omit LIVA's effect the transitional impact becomes RO -2.9 million or -2%.

Two significant M&A deals occurred recently. NLGIC's acquisition of RSA Middle East in July 2022 resulted in the rebranding of the entity to LIVA, while OQIC acquired Vision Insurance effective January 2023. Both transactions understates comparatives, thereby overstating growth. LIVA incorporates only the second half of 2022 for RSA ME, and OQIC includes values for Vision Insurance solely for 2023, excluding 2022.

While conventional companies have successfully disclosed their financials under IFRS 17, the transition has not been without challenges. Takaful companies are still in the process of adoption. While progress is evident, many firms have faced obstacles. We anticipate improved financial reporting quality as companies refine their data and operations. Specifically, reconciling Account Receivables/Payables and addressing associated Credit Risk implications has posed challenges for some companies, prompting an expectation of increased provisions for write-offs due to this factor.



Disclaimer

We have undertaken an analysis of the Key Performance Indicators (KPIs) of the listed insurance companies in Oman for year end 2023. The data has been extracted from the financial statements of those companies which were publicly listed and available till the compilation of this report.

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The inclusion of the IFRS-17 analysis in our reports for the first time introduces the possibility of encountering errors. This likelihood primarily stems from the inconsistency observed in the treatment of accounts within the financial statements across various companies. These disparities can pose significant analytical challenges and impede accurate interpretation of the data.

While reasonable care has been taken in preparing this document and data obtained from sources believed to be reliable, no responsibility or liability is accepted for errors of fact or for any opinion expressed herein. Badri accepts no liability and will not be liable for any loss or damage arising directly or indirectly (including special, incidental or consequential loss or damage) from your use of this document, howsoever arising, and including any loss, damage or expense arising from, but not limited to, any defect, error, imperfection, fault, mistake or inaccuracy with this document, its contents or associated services, or due to any unavailability of the document or any thereof or due to any contents or associated services.

All the conventional companies have published their data in accordance with IFRS 17 standards where as takaful companies are still following IFRS 4 methodology.

Due to availability of limited information, we were unable to segregate further. Once all companies start publishing reports with uniform level of segregation, this can be done.



Company Logos	Company Name	Ticker Name
 المدينة تكافل Al Madina Takaful	Al Madina Takaful	AMAT
 Arabia Falcon Insurance التأمين العربية مناخون	Arabia Falcon Insurance Company	AFIC
 شركة ظفار للتأمين ش.م.ع.ع DHO FAR INSURANCE COMPANY (S.A.O.G)	Dhofar Insurance	DICS
 مسقط للتأمين mic	Muscat Insurance	MCTI
 liva	Liva Group formerly known as NLIF and AINS	LIVA
 Oman United Insurance Co. S.A.O.G	Oman United Insurance Company	OUIIC
 QIC	Oman Qatar Insurance Company	OQIC
 تكافل عمان TAKAFUL OMAN	Takaful Oman Insurance	TAOI

Companies Included in the Analysis



About Our Team

	Directors	5 Staff
UAE/ Oman Actuarial	38 Staff	Medical 6 Staff
KSA Actuarial	37 Staff	IFRS 17 15 Staff
Business Intelligence	11 Staff	HR Consultancy 3 Staff
End of Services	4 Staff	Financial Services 6 Staff
Support & Admin	25 Staff	Data Science 2 Staff

Total Strength **152**



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Year End 2023 – Omani Listed Insurance Companies

Our Feedback

BADRI Management Consultancy is proud to present Omani Insurance Industry Performance analysis year end 2023. We have a dedicated team that is working to bring you research reports. Our doors are open for feedback, and we welcome them. Feel free to inquire about the report.

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