

# Omani

## Listed Insurance Industry Performance Analysis – First Quarter 2024

Date: June 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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Q1 2024 – Omani Listed Insurance Companies

# InsureTek Golden Shield Excellence Awards 2024

Newest Award on our shelf:  
**Best Actuarial Company of the Year**  
**BADRI Management Consultancy**



## Awards & Achievements

Award winning strategic partner to the insurance industry with our 170+ talented staff in UAE, KSA, Pakistan and Egypt 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 **170+** talented staff spread across UAE, KSA, Pakistan & Egypt 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 Management 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

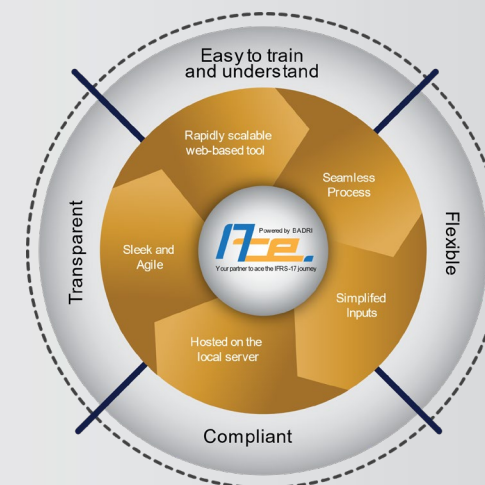
- Digitalization
- Business Intelligence
- Data Governance
- Big Data & Analytics
- IFRS-17 Systems





## 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

**métier**

a  BADRI group company



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## Q1 2024 Industry Analysis

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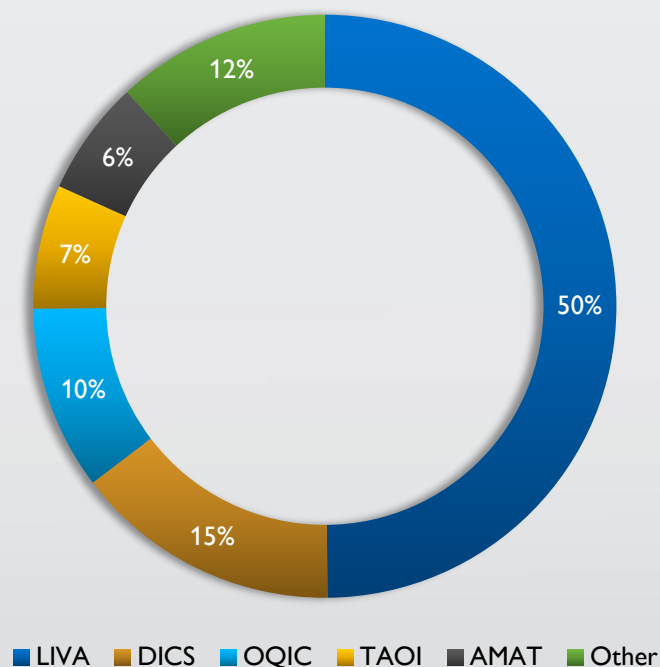
Risk Adjustment / LIC





# Q1 2024 Highlights

Revenue Q1 2024



## Insurance Revenue (Conventional Companies)

Q1 2024: **RO 136** million  
Q1 2023: RO 127 million  
Growth: 7%

## Gross Contribution (Takaful Companies)

Q1 2024: **RO 21** million  
Q1 2023: RO 18 million  
Growth: 13%

## Insurance Service Results (Conventional Companies)

Q1 2024: **RO -0.34** million  
Q1 2023: RO -0.49 million  
Growth: 29%

## Profit After Tax (Conventional Companies)

Q1 2024(IFRS-17): **RO 1.93** million  
Q1 2023(IFRS-17): RO -1.11 million  
Growth: 274%  
Q1 2023(IFRS 4): RO -0.40 million

## Profit After Tax (Takaful Companies)

Q1 2024: **RO 0.66** million  
Q1 2023: RO 0.66 million



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Q1 2024 – Omani Listed Insurance Companies

# 01

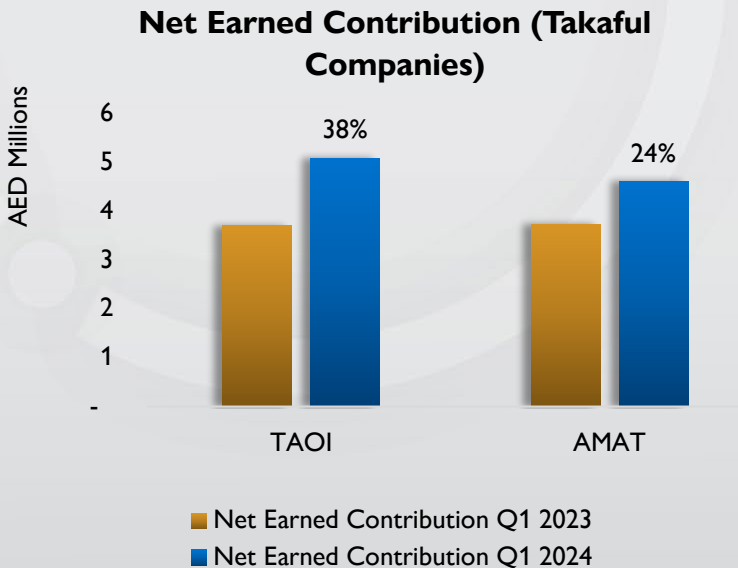
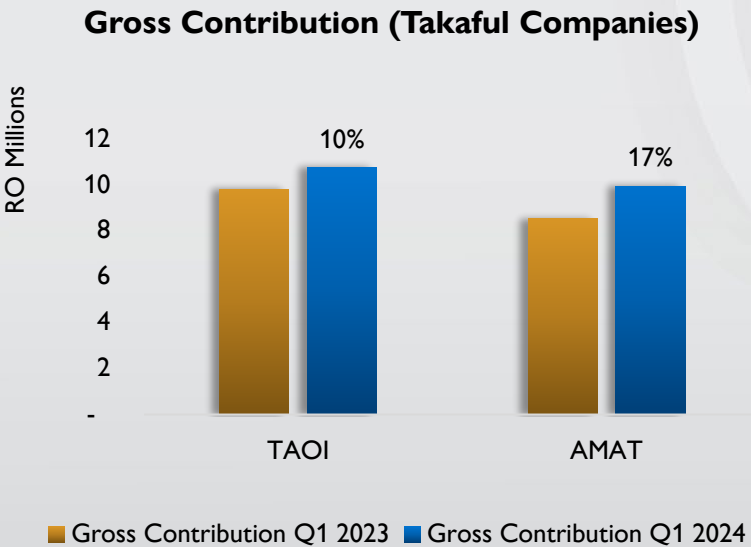
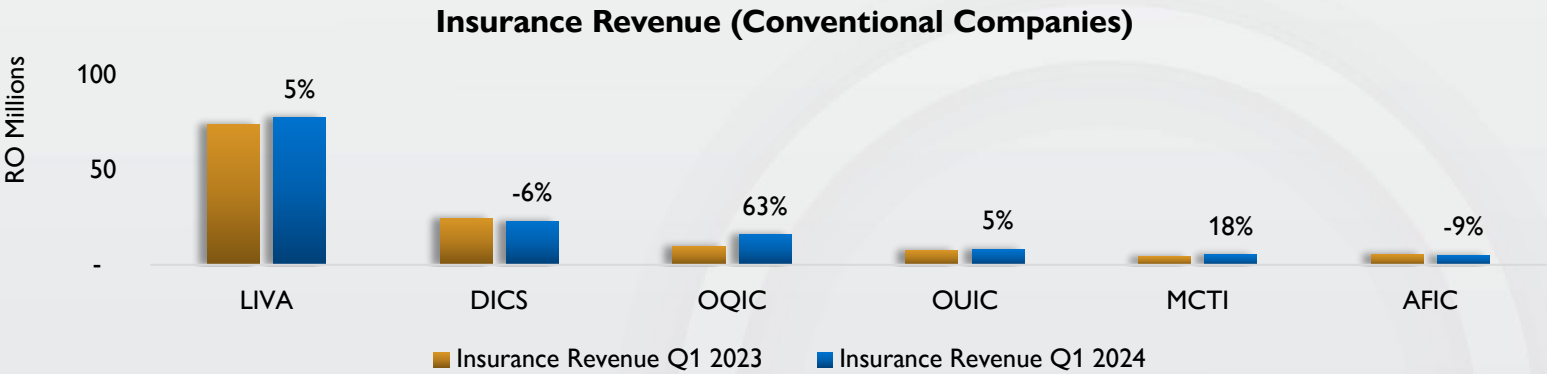
## Revenue

# Insurance Revenue - Listed Companies



Insurance Revenue for the 6 listed conventional companies analyzed surged by 7%, reaching RO 136 million in Q1 2024, up from RO 127 million recorded in the same period last year. For 2 listed takaful companies the gross contribution increased 13% from RO 18 million in Q1 2023 to RO 21 million in Q1 2024. 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 is the current market leader, representing more than 50% of the overall market, with its revenue valued at RO 78 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 growth rate of 5% in insurance revenue from RO 74 million in Q1 2023 to RO 78 million in Q1 2024,

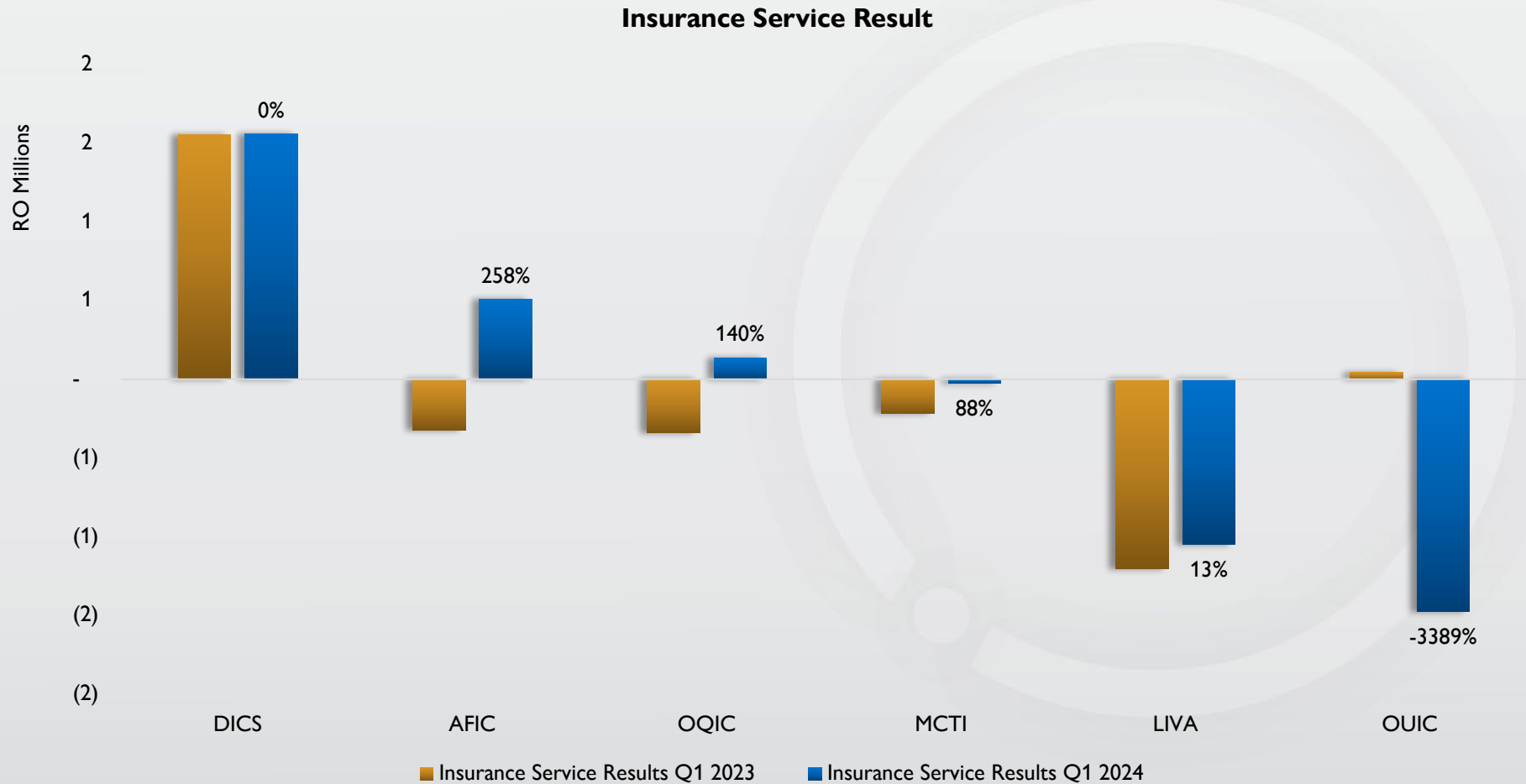




# Insurance Service Results - Listed Companies



Insurance Service Results for the analyzed 6 listed conventional companies experienced a 29% increase, from negative RO 0.5 million to negative RO 0.3 million in Q1 2024. The leading 3 companies in this regard, encountered a 148% increase collectively, moving from RO 0.9 million to RO 2.2 million during the same period last year. Notably, AFIC achieved the highest absolute growth of RO 0.8 million, OUIK faced the most significant decrease, with a drop of RO 1.5 million.

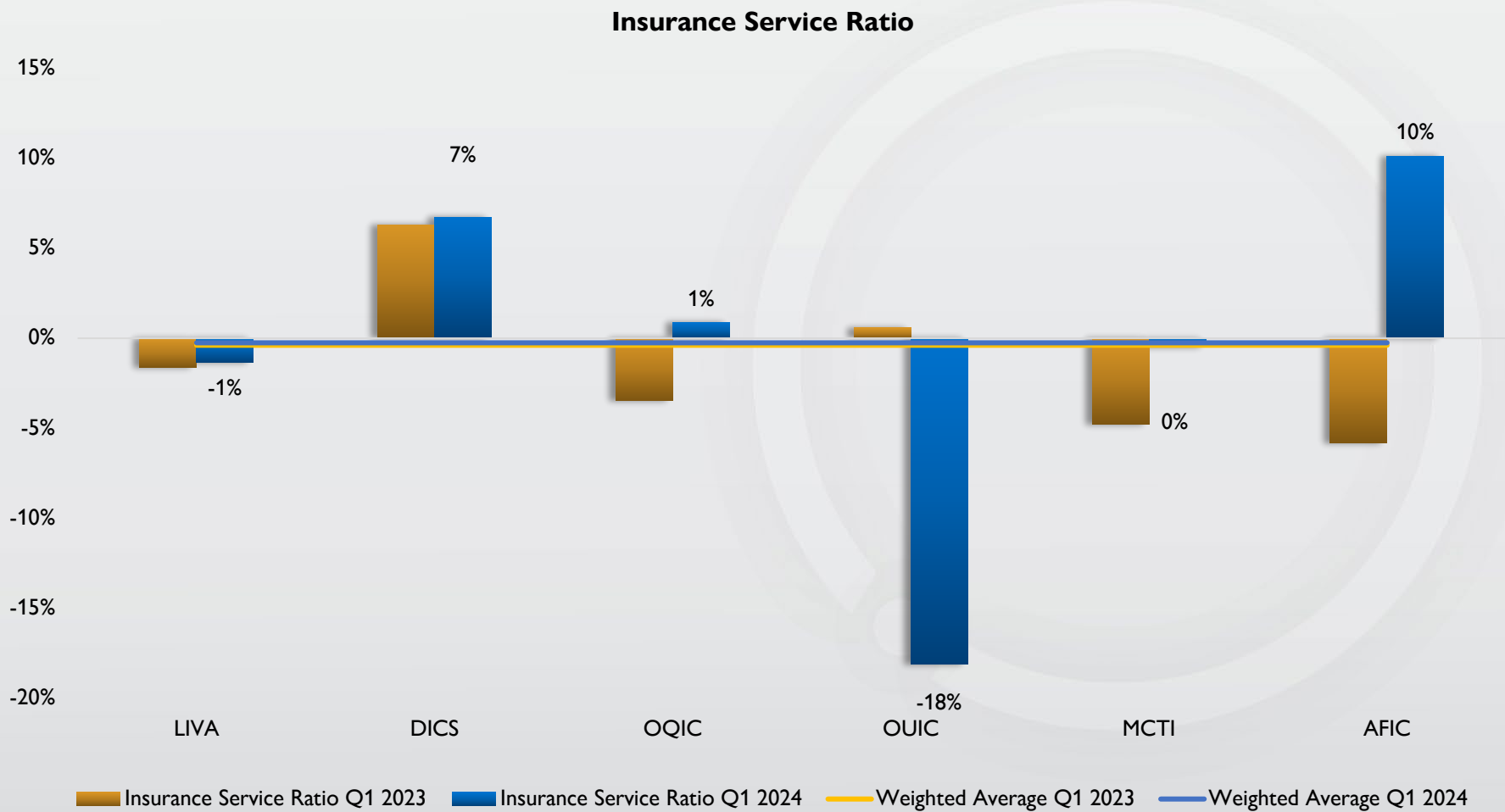


# Insurance Service Ratio – Listed Companies



The Insurance Service Ratio for the examined companies increased from -0.4% in Q1 2023 to -0.3% in Q1 2024. AFIC has the highest ratio at 10%, while OUIC displayed the lowest at -18%.

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.



# Conventional Vs Takaful – Listed Companies



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

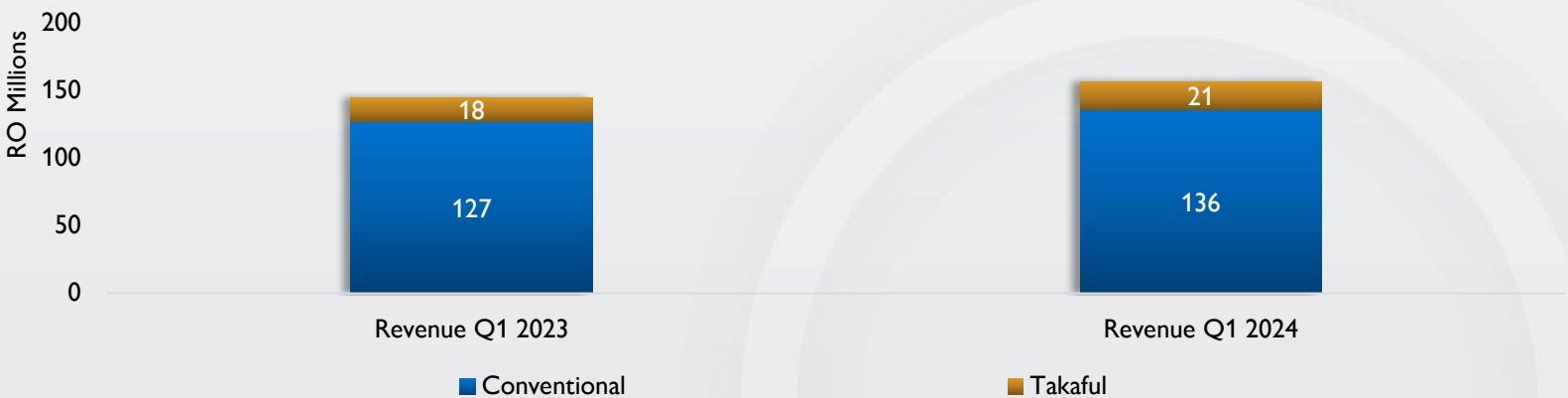
The business by the Takaful companies contributed 13% of the total business by the listed insurance companies in Oman in Q1 2024.

The revenue for conventional insurers depicted growth of 7% whereas the takaful companies have shown an increase of 13% when compared with the corresponding period of 2023.

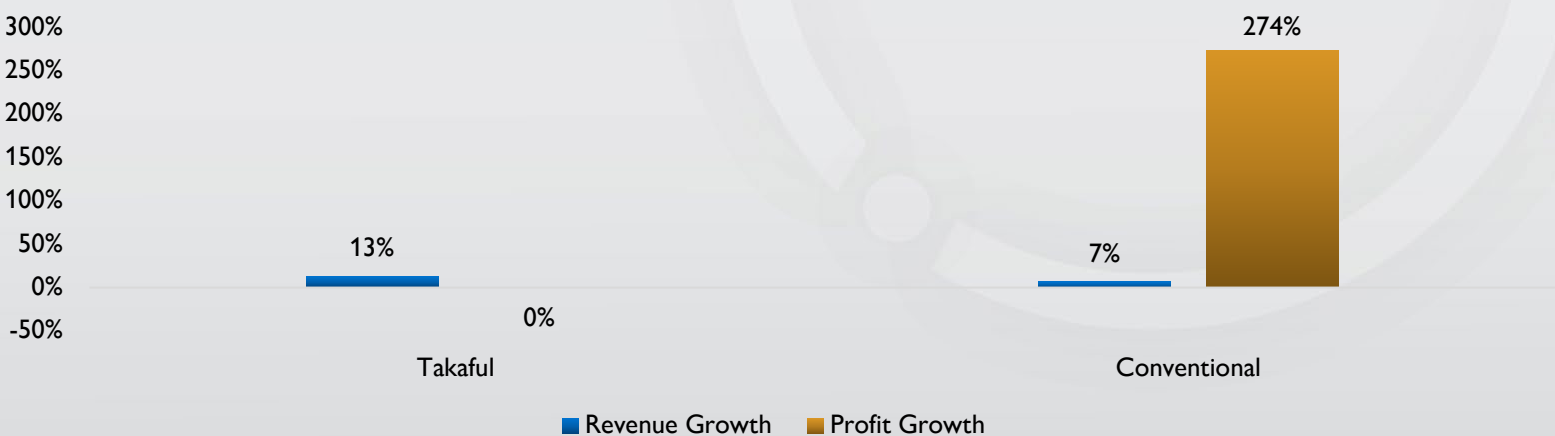
Profit after tax for conventional companies grew by 274%, whereas no changes can be seen in profits of takaful companies.

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

Takaful & Conventional Business Distribution



Business Growth For Conventional & Takaful Insurers







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# Profitability

# Net Profit - Listed Companies Trend

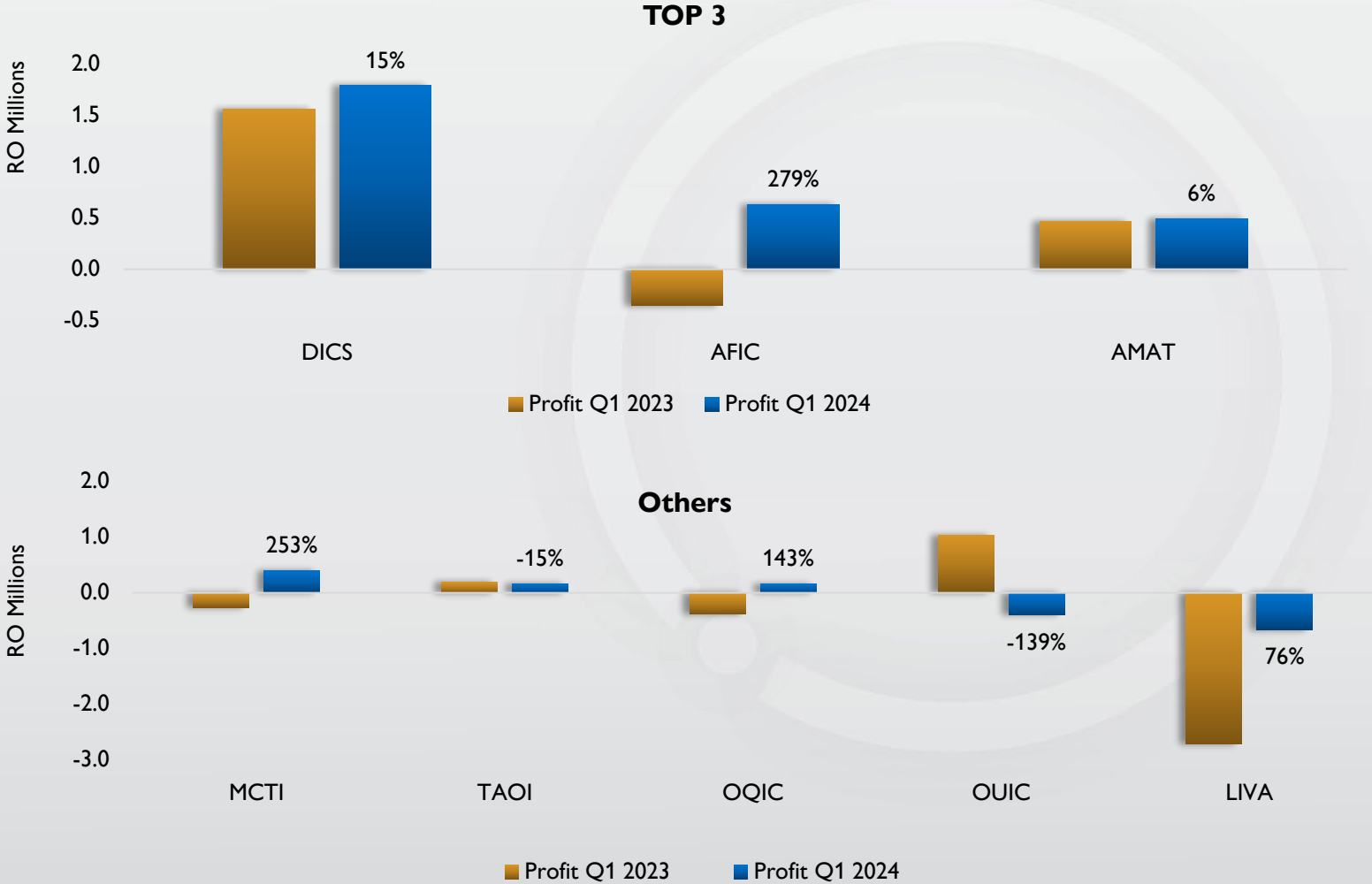


The recorded profit (after tax) for the analyzed group of 8 listed companies experienced an increase from RO -0.4 million in Q1 2023 to RO 2.6 million in Q1 2024.

However, if DICS is excluded from this analysis, the profitability stands at 140% for Q1 2024 from the corresponding period of previous year. DICS has booked the highest profit amounting to RO 1.8 million, indicating a 15% increase from the previous year (Q1 2023: RO 1.6 million). DICS contributes 69% of the overall profit recorded by industry in Q1 2024.

The Highest profit growth is recorded by AFIC of 279% (from RO -0.3 million in Q1 2023 to RO 0.6 million in Q1 2024 while OUIC has recorded the largest decline of 139% (from RO 1 million in Q1 2023 to -0.4 million in Q1 2024) for the period.

In a comparison with IFRS 4, the 6 conventional companies recorded a loss of RO 0.4 million according to their Q1 2023 financials. This amount has been restated to loss of RO 1.1 million for the same period i.e., Q1 2023, under the IFRS17 framework.

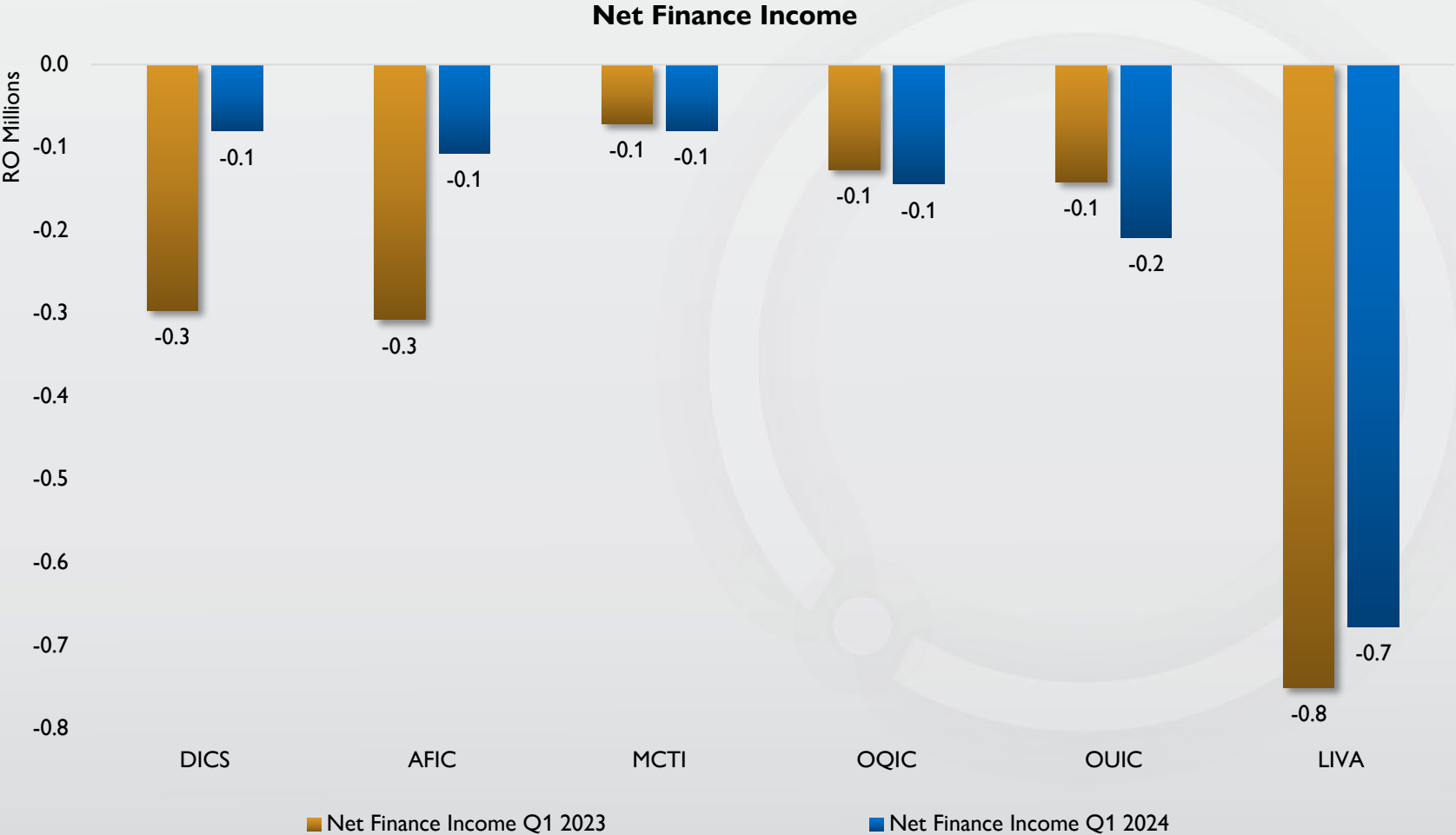




Net finance income, as stipulated by IFRS-17, encompasses both the interest income acquired from the contractual service margin (CSM) and the interest expense generated by the unwinding of the discount rate applied to insurance liabilities. This amalgamation reflects the cumulative financial effects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

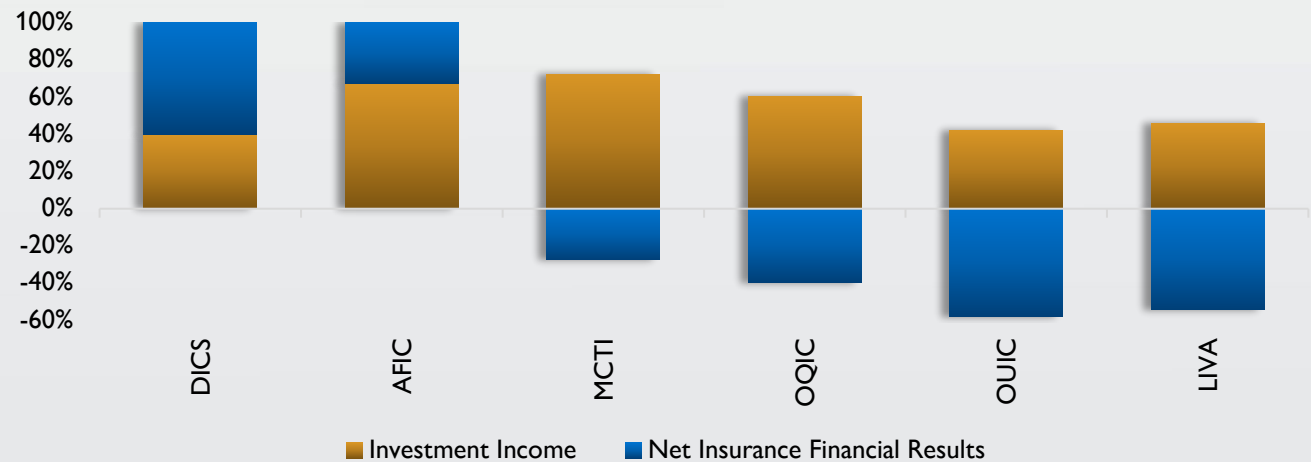
During Q1 2023, the discount rates experienced a downswing while in Q1 2024, they is some improvement. Consequently, this year's expenses have declined from the previous year's expenses for the majority of companies.

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

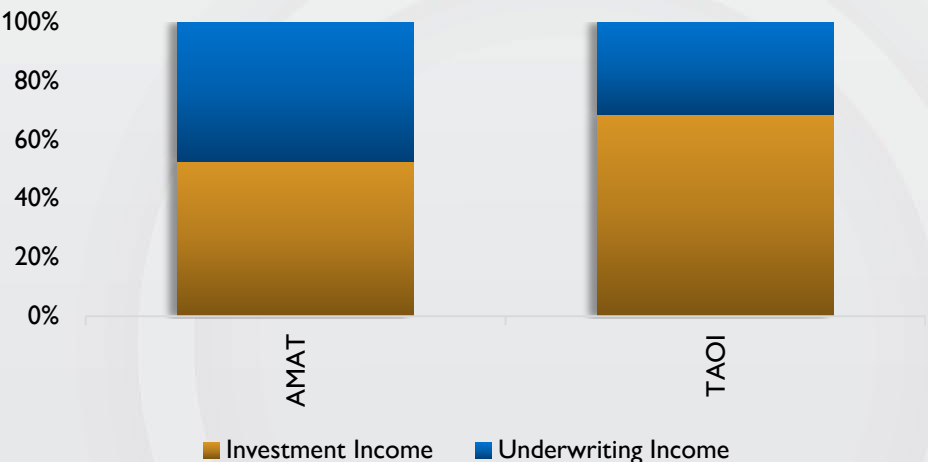




Profit Composition IFRS-17



Profit Composition IFRS 4



According to the analysis, the profit before tax for listed companies in Oman for Q1 2024 is a combination of net financial result for conventional companies (underwriting income for Takaful companies) and investment income. In Q1 2024, the total Net financial result for conventional companies / underwriting income for takaful companies and investment income earned were RO -3.4 million and RO 6 million, respectively.

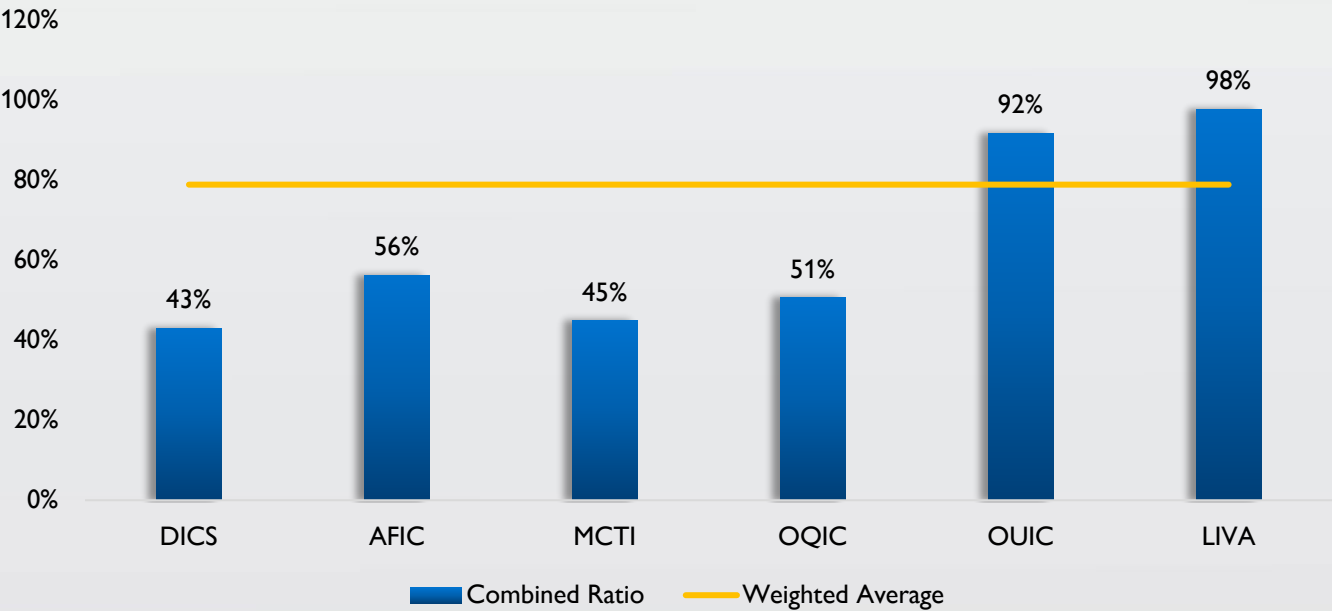
Interestingly, the analysis shows that investment income is a key contributor to the overall profitability of listed companies in Oman. Despite experiencing losses from the net insurance financial results/underwriting activities some companies were able to recover these losses and generate profits through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

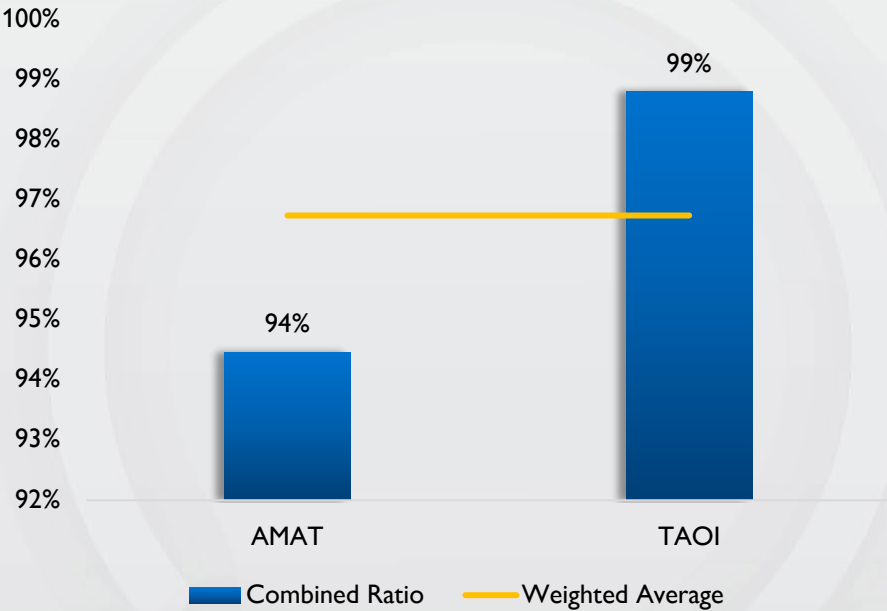
The analysis presented here is sorted by Q1 2024 Profit of conventional companies.



**Combined Ratio IFRS-17**



**Combined Ratio IFRS 4**

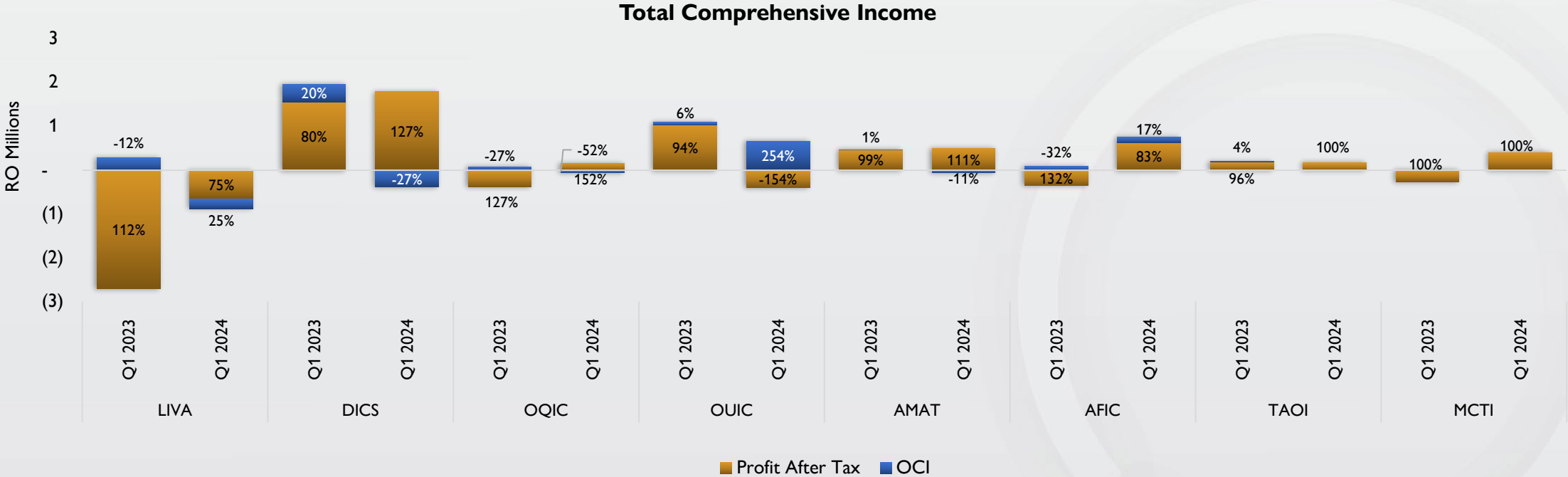


The weighted average combined ratio stood at 79% for conventional companies and 97% for takaful companies.

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

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

# Total Comprehensive Income - Companies



In Q1 2024, the Total Comprehensive Income experienced an increase of 460% compared to the corresponding period in 2023.

4 out of 8 companies in this analysis have shown losses in their OCI.

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).





Particulars	Q1 2023	Q1 2024	Variance
	RO Million	RO Million	RO Million
Net Insurance Financial Result	(5.0)	(3.1)	1.9
Investment Income	5.8	6.4	0.7
Tax	(1.2)	(0.8)	0.4
Profit After Tax	(0.4)	2.6	3.0

# Net Profit Break Down



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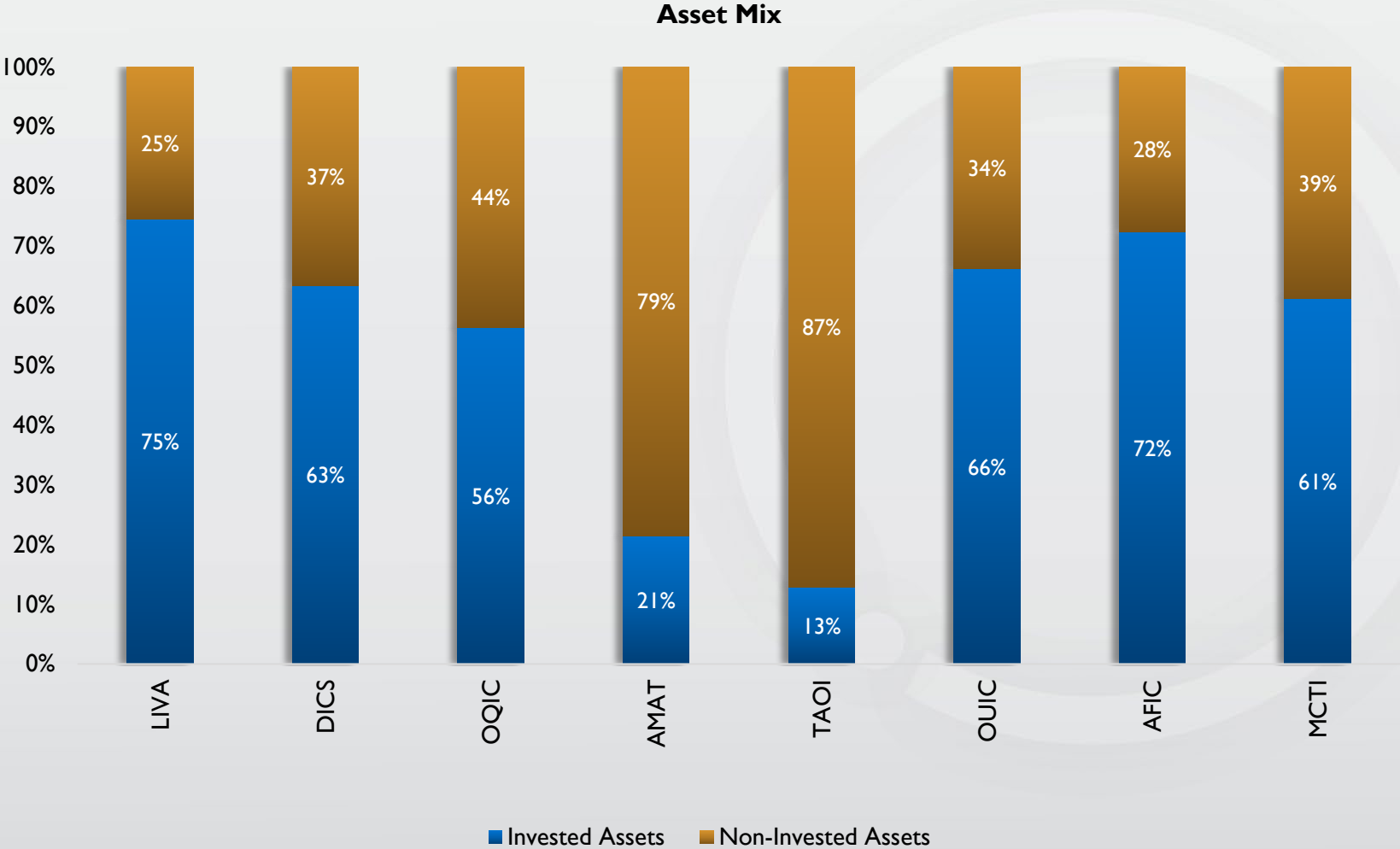
# 03

## 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 March 31, 2024. LIVA has the highest proportion (75%) of invested assets, Whereas TAOI has the lowest proportion (13%) of assets invested. The market proportion of invested assets to total assets has been computed to be 59%. 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 Q1 2024.





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Q1 2024 – Omani Listed Insurance Companies

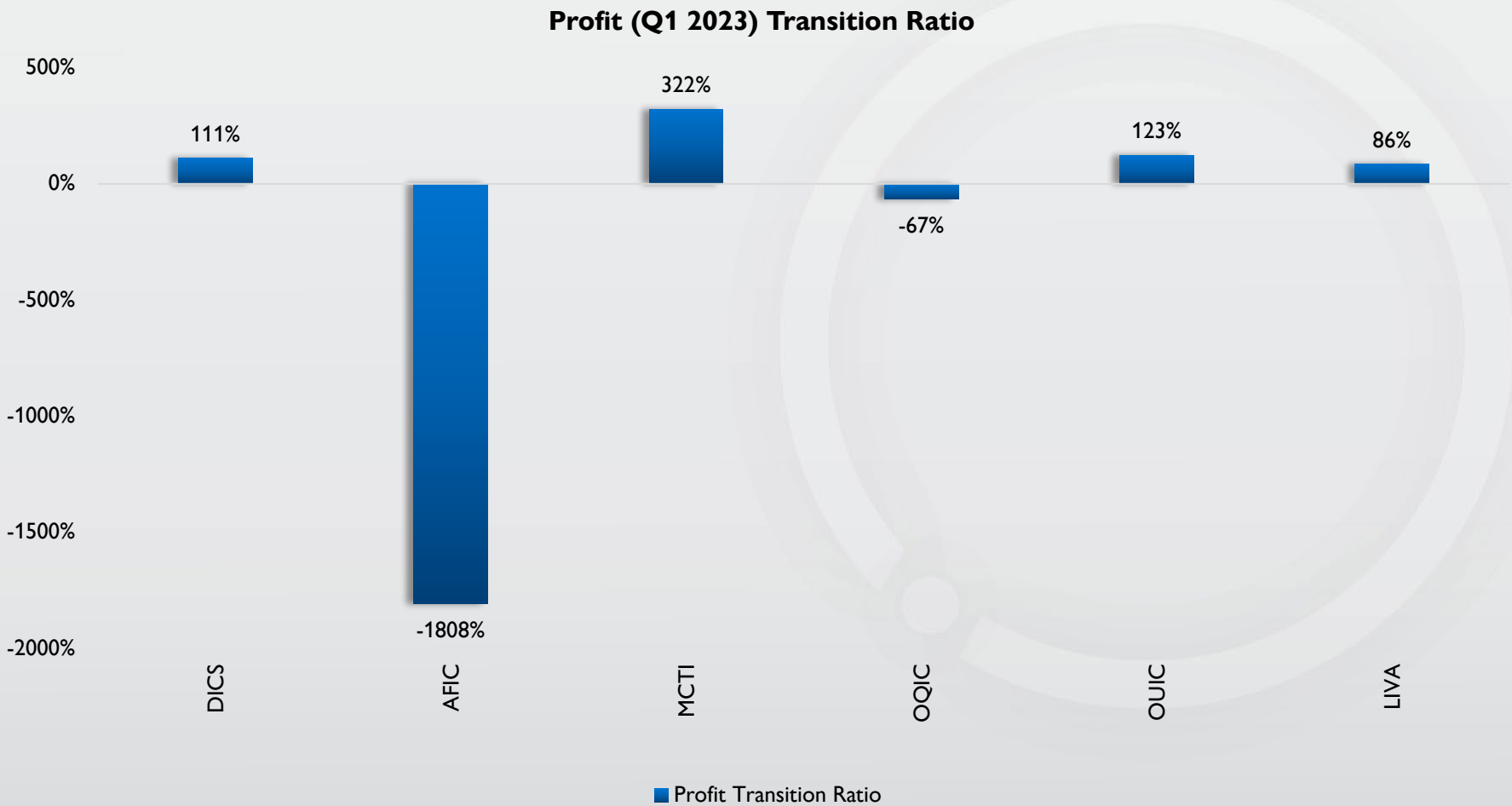
# 04

## IFRS-17 Comparison





The Profit Transition Ratio compares the Q1 2023 profit as reported last year under IFRS 4 with the profits shown as Q1 2023 as per the IFRS-17 financials published this quarter. At a total level the profits for these 6 conventional companies last year totaled RO -0.4 million and this decreased to RO -1.2 million under IFRS-17. LIVA saw the highest absolute growth in Q1 2023 profit under IFRS-17 as compared to IFRS4. MCTI depicts the highest percentage wise growth of 322%

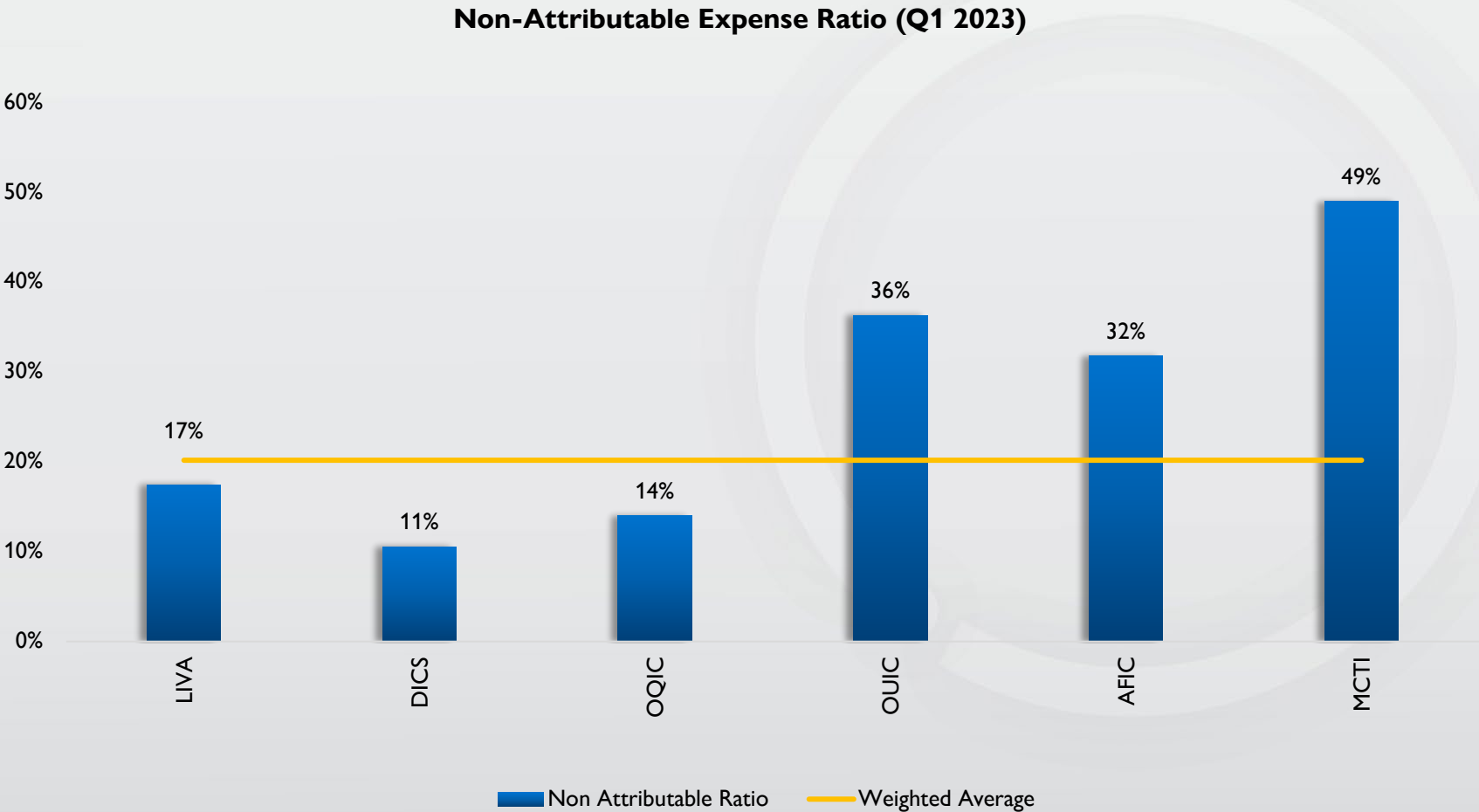


# Percentage Non-Attributable Expenses



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 Q1 2023 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.

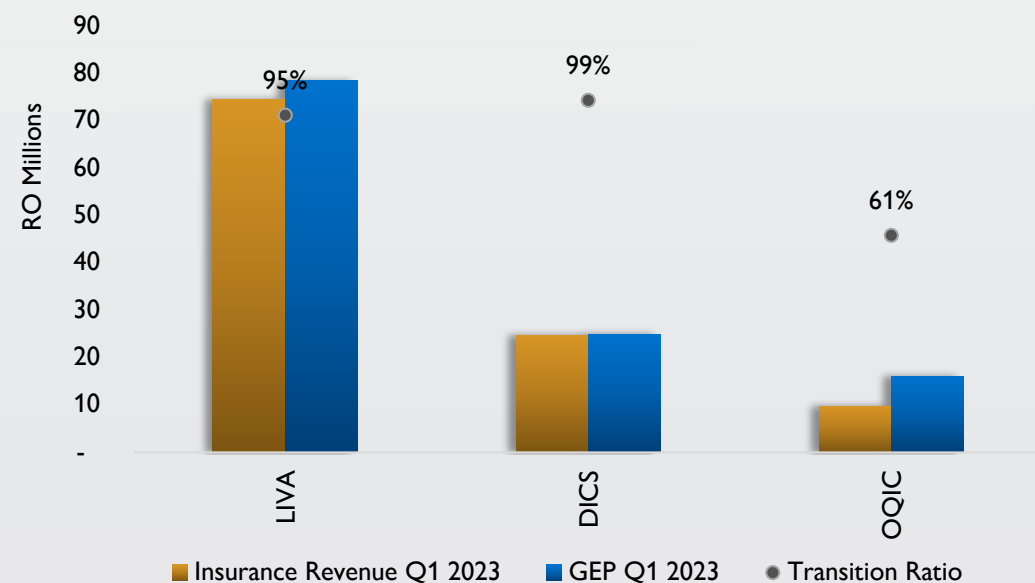
The higher the percentage of expenses which are non-attributable, the lower is the Loss Component. We expect some consistency to come in this area over time.



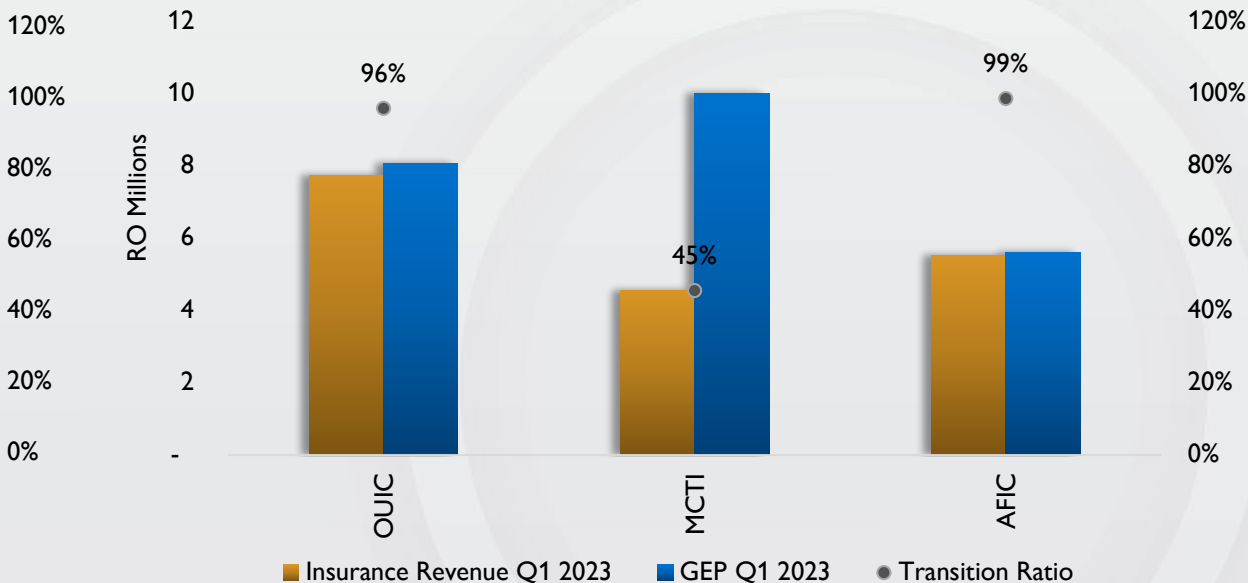
# Insurance Revenue to GEP Transition



Insurance Revenue to GEP Transition (Q1 2023) Top 3



Insurance Revenue to GEP Transition (Q1 2023) 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 Q1 2023 financials to Insurance Revenue shown for Q1 2023 this time.

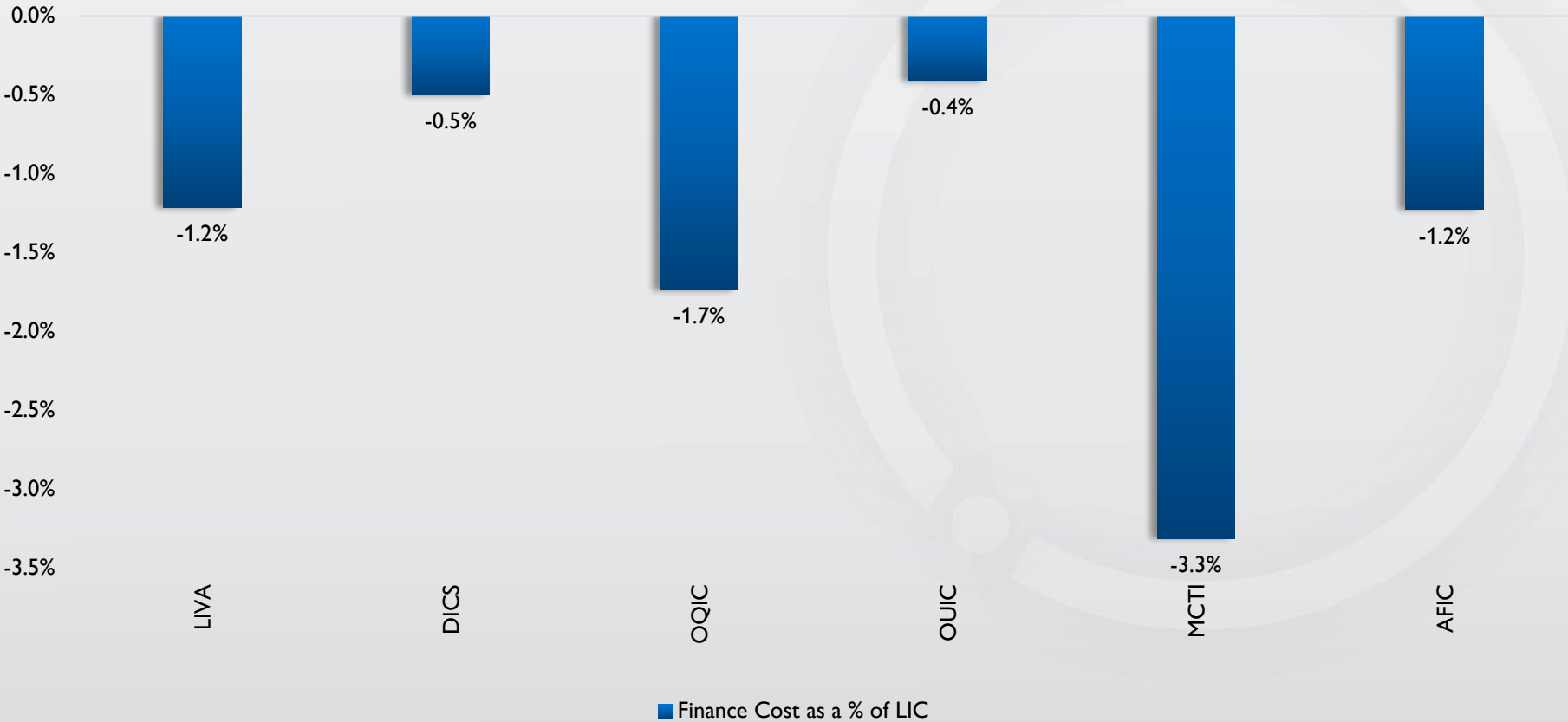
The graphs here depicts the transition impact of the same. Due to impact of ECL, the ratio should be below 100%. Companies having ratio above 100% shows that the revenue has increased for Q1 2023 as a result of transition. This is possible due to changes in revenue recognition, updated measurement methods, 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





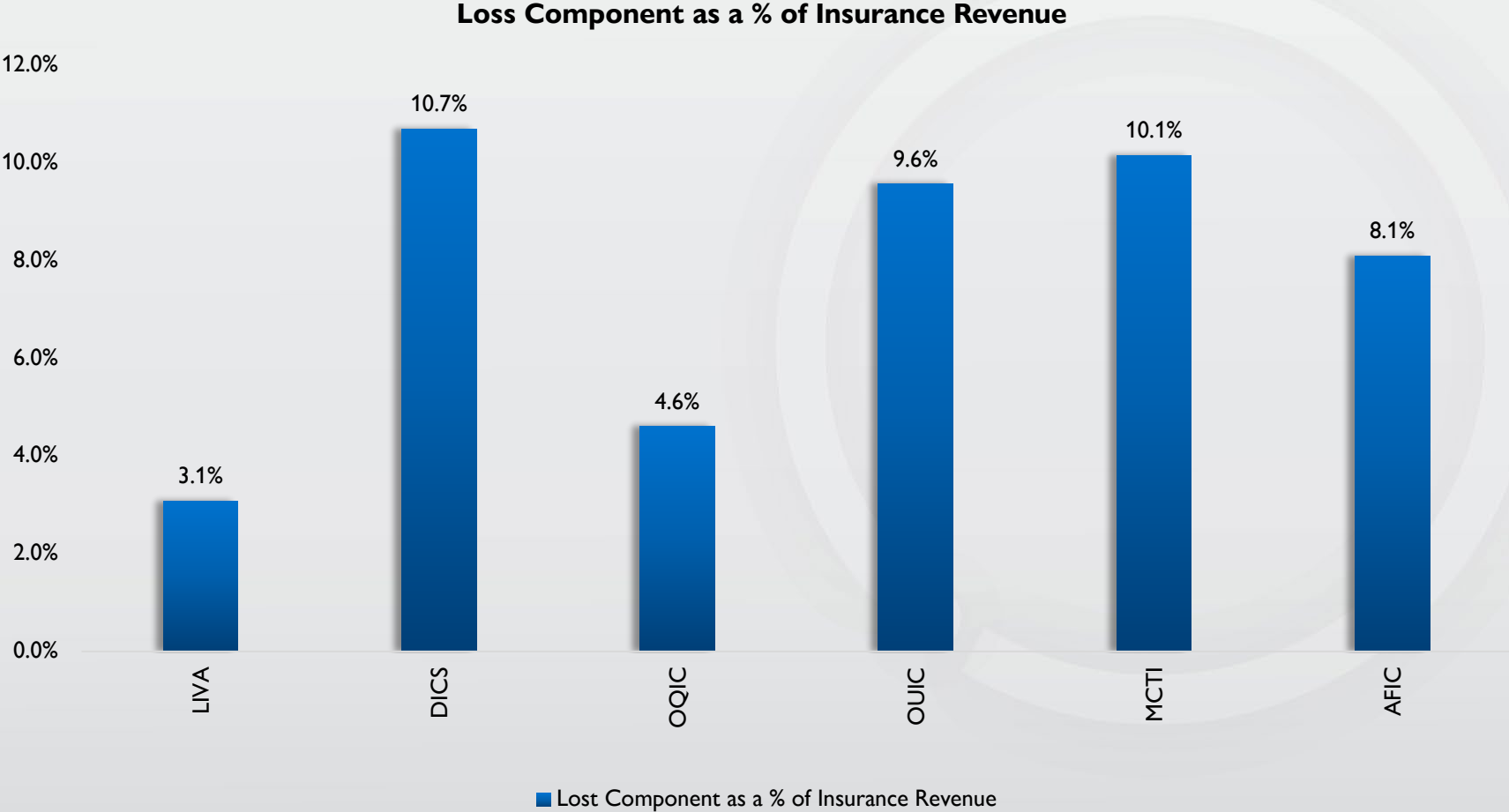
# Loss Component as % of Insurance Revenue



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.

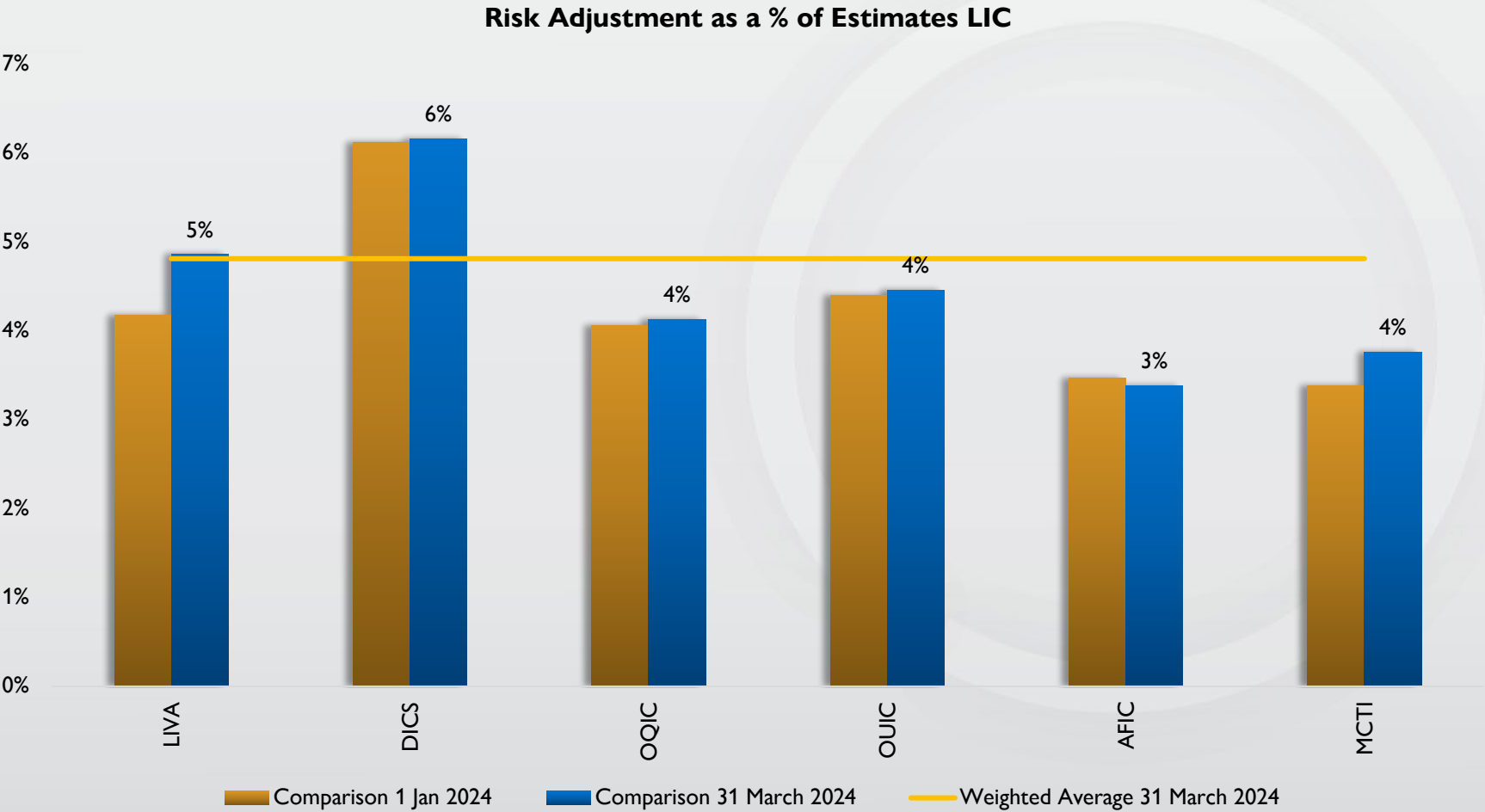




The graph depicts the relationship between risk adjustment and liability for incurred claims and provide insights into the Company’s risk assessment and their diligence in accounting for these risks. It is an important KPI for stakeholders to evaluate the Company’s prudence and risk management practices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

The weighted average proportion of Risk Adjustment in LIC for the period of 1 Jan 2024 is 4.5% and 31 March 2024 is analyzed to be 4.8% respectively.

The Highest Ratio is depicted by DICS of 6% whereas the lowest is shown by AFIC of 3% as at 31 March 2024.





## Conclusion

IFRS-17 has led to transformations, moving conventional companies from reporting Gross Written Premium (GWP) to solely highlighting Insurance Revenue. This new metric includes Gross Earned Premium along with Expected Credit Losses (ECL). With a rise in Credit Risk, the industry faces increasing challenges due to the enhanced impact of ECL. Notably, for conventional companies, there was a 7% increase in Insurance Revenue, reaching RO 136 million in Q1 2024, compared to RO 127 million in the same period last year. For takaful companies, gross contribution remains their top line measure. The gross contribution rose 13% from RO 18 million in Q1 2023 to RO 21 million in Q1 2024.

Insurance Service Results for conventional companies saw a 29% increase to RO -0.3 million from RO -0.5 million in the previous year.

The recorded profit (after tax) for the analyzed group of 8 listed companies experienced an increase from loss of RO 0.4 million in Q1 2023 to profit of RO 2.6 million in Q1 2024. 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 loss of RO 0.4 million based on their Q1 2023 financials. However, under the IFRS-17 framework, this figure has been adjusted to a loss of RO 1.1 million for the same period, specifically Q1 2023.

While conventional companies have disclosed their financials under IFRS-17, the transition hasn't been without challenges. Takaful companies are still adopting the standards. Despite evident progress, 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 related Credit Risk implications have posed challenges for some companies, leading to expected increases in provisions for write-offs due to these factors.



# Disclaimer

We have undertaken an analysis of the Key Performance Indicators (KPIs) of the listed insurance companies in Oman Q1 2024 . The data has been extracted from the financial statements of those companies which were publicly listed and available till the compilation of this report.

BADRI publishes reports and newsletters that provide insights for the insurance industry and the public. Our goal is to draw upon research and experience from our professionals to bring transparency and availability of information to the industry and in the process spread brand awareness. No part of our compensation received for other services directly or indirectly influences the contents of this report. The Analysts preparing the report are subject to internal rules on sound ethical conduct.

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The inclusion of the IFRS-17 analysis in our reports 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.





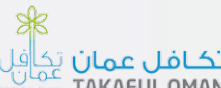
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All the conventional companies have published their data in accordance with IFRS-17 standards where as takaful companies are still following IFRS 4 methodology.

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 فalcon Insurance	Arabia Falcon Insurance Company	AFIC
 شركة ظفار للتأمين ش.م.ع. DHOFAR 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	OUIC
 QIC	Oman Qatar Insurance Company	OQIC
 تكافل عمان TAKAFUL OMAN	Takaful Oman Insurance	TAOI

# Companies Included in the Analysis



# About Our Team

Directors		6 Staff	
UAE/ Oman Actuarial	40 Staff	Medical	6 Staff
KSA Actuarial	45 Staff	IFRS-17	13 Staff
Business Intelligence	9 Staff	HR Consultancy	3 Staff
End of Services	5 Staff	Financial Services	14 Staff
Sales	2 Staff	Strategy Consulting	1 Staff
Support & Admin	28 Staff	Data Science	5 Staff

# Total Strength 177



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**Hatim Maskawala**

Managing Director - BADRI



**Ali Bhuriwala**

Co-founder & Executive  
Director - BADRI



**Avnit Anand**

Senior Manager - Actuarial



**Shahrukh Abdul Rauf**

Senior Actuarial Analyst



**Hassan Athar**

Senior Research Executive

# Our Team



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## Our Feedback

BADRI Management Consultancy is proud to present Omani Insurance Industry Performance analysis Q1 2024. 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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Pakistan

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