



2024

Omani

Listed Insurance Industry
Performance Analysis – First
Half 2024

Date: September 9, 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



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 around **200** talented staff in UAE, KSA, Pakistan, Egypt and UK 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.
- Best Internship Program Award by Employee Happiness Awards.





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.

We are proudly standing at around **200** employee base that are spread across UAE, KSA, Pakistan, Egypt and UK. They certainly 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

- General Insurance, Life and Health, Pensions and Social Security
- Regulatory / Appointed Actuary
- Reserving, Technical Pricing, Capital Modelling
- Investment and ALM
- Reinsurance Modelling / Optimization
- Financial reporting including IFRS 17 and IFRS 9

Strategic Consultancy

- Strategy and Business Plan development
- Digitalization Strategy
- M&A (due diligence)
- Market and Product development and innovation
- Enterprise Risk Management
- ESG and Climate Risk
- Financial Services
- HR Strategy

Technology Consultancy

- Actuarial Software for pricing, reserving and capital modelling
- IFRS 17 financial reporting software and managed services
- Business Intelligence software
- Motor and medical portfolio management / dashboards
- Data Strategy and Governance



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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H1 2024 Industry Analysis

Revenues

Insurance revenue

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Net Insurance Result & Investment
Income Profit Breakup

Combined Ratio

Total Comprehensive Income

Assets, Capital & Liabilities

Asset Mix

IFRS-17 Transition

LC as % of Insurance Revenue

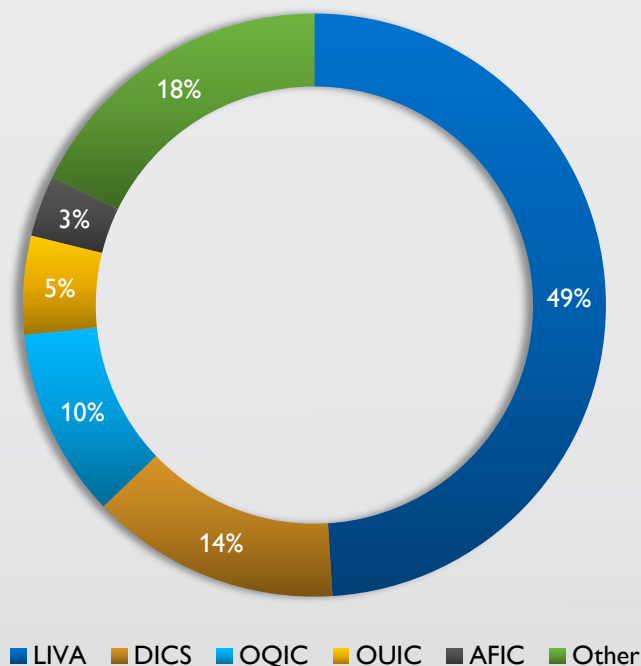
Finance Income / LIC comparison

Risk Adjustment / LIC



H1 2024 Highlights

Revenue H1 2024



Insurance Revenue (Conventional Companies)

H1 2024: **RO 274** million
H1 2023: RO 250 million
Growth: 10%

Gross Contribution (Takaful Companies)

H1 2024: **RO 46** million
H1 2023: RO 37 million
Growth: 25%

Insurance Service Results (Conventional Companies)

H1 2024: **RO -16.6** million
H1 2023: RO 0.44 million

Profit After Tax

H1 2024: **RO -10.0** million
H1 2023: RO 2.2 million
Growth: -563%



01

Revenue

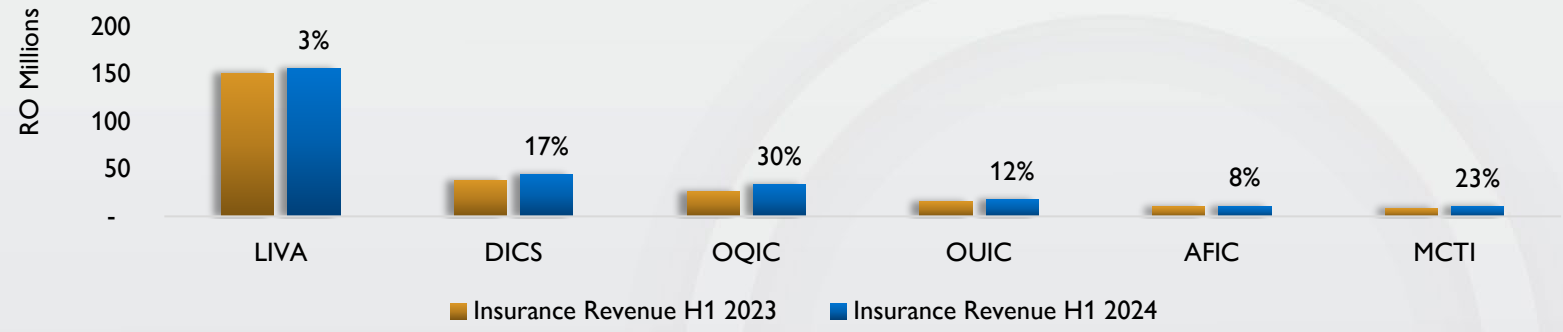
Insurance Revenue - Listed Companies



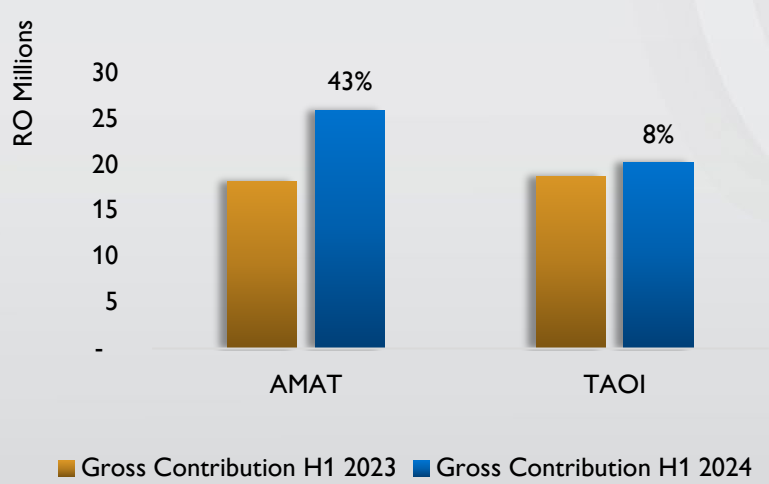
Insurance Revenue for the 6 listed conventional companies analyzed surged by 10%, reaching RO 274 million in H1 2024, up from RO 250 million recorded in the same period last year. For 2 listed takaful companies the gross contribution increased 25% from RO 37 million in H1 2023 to RO 46 million in H1 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 about 50% of the overall market, with its revenue valued at RO 157 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 3% in insurance revenue from RO 152 million in H1 2023 to RO 157 million in H1 2024,

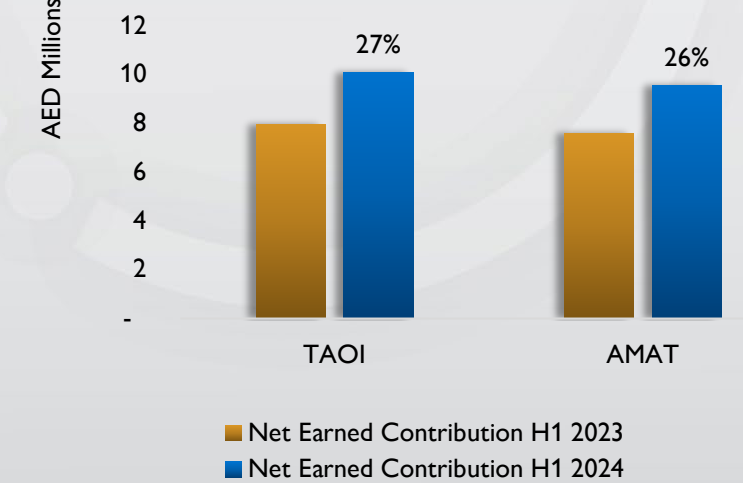
Insurance Revenue (Conventional Companies)



Gross Contribution (Takaful Companies)



Net Earned Contribution (Takaful Companies)

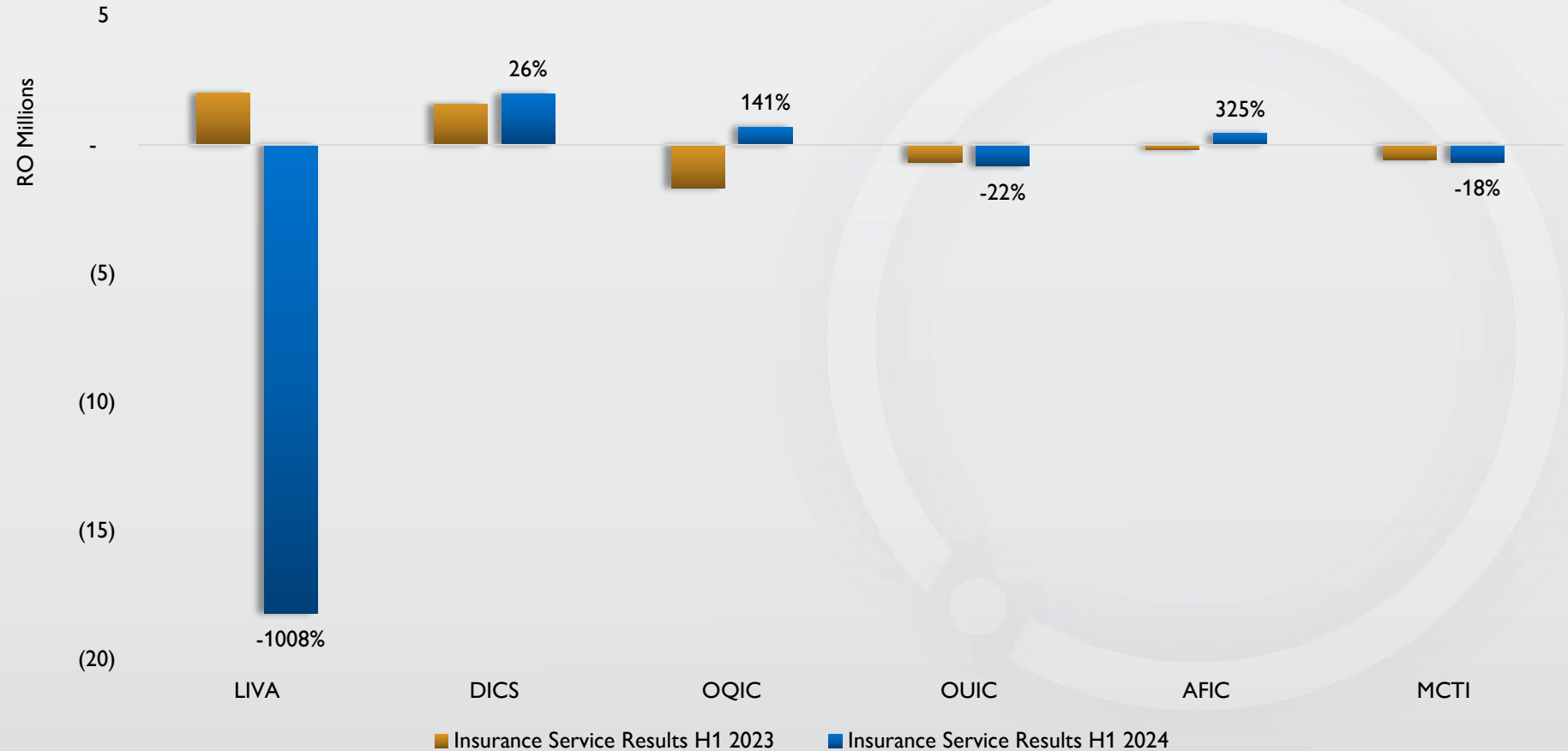


Insurance Service Results - Listed Companies



Insurance Service Results for the analyzed 6 listed conventional companies experienced a significant decrease, from RO 0.4 million to negative RO 16.6 million in H1 2024. The leading 3 companies in this regard, encountered a -920% decrease collectively, moving from RO 1.9 million to RO -15.5 million during the same period last year. This significant drop has been caused by LIVA's drop in insurance service result from RO 2 million in H1 2023 to RO -18.2 million in H1 2024.

Insurance Service Result

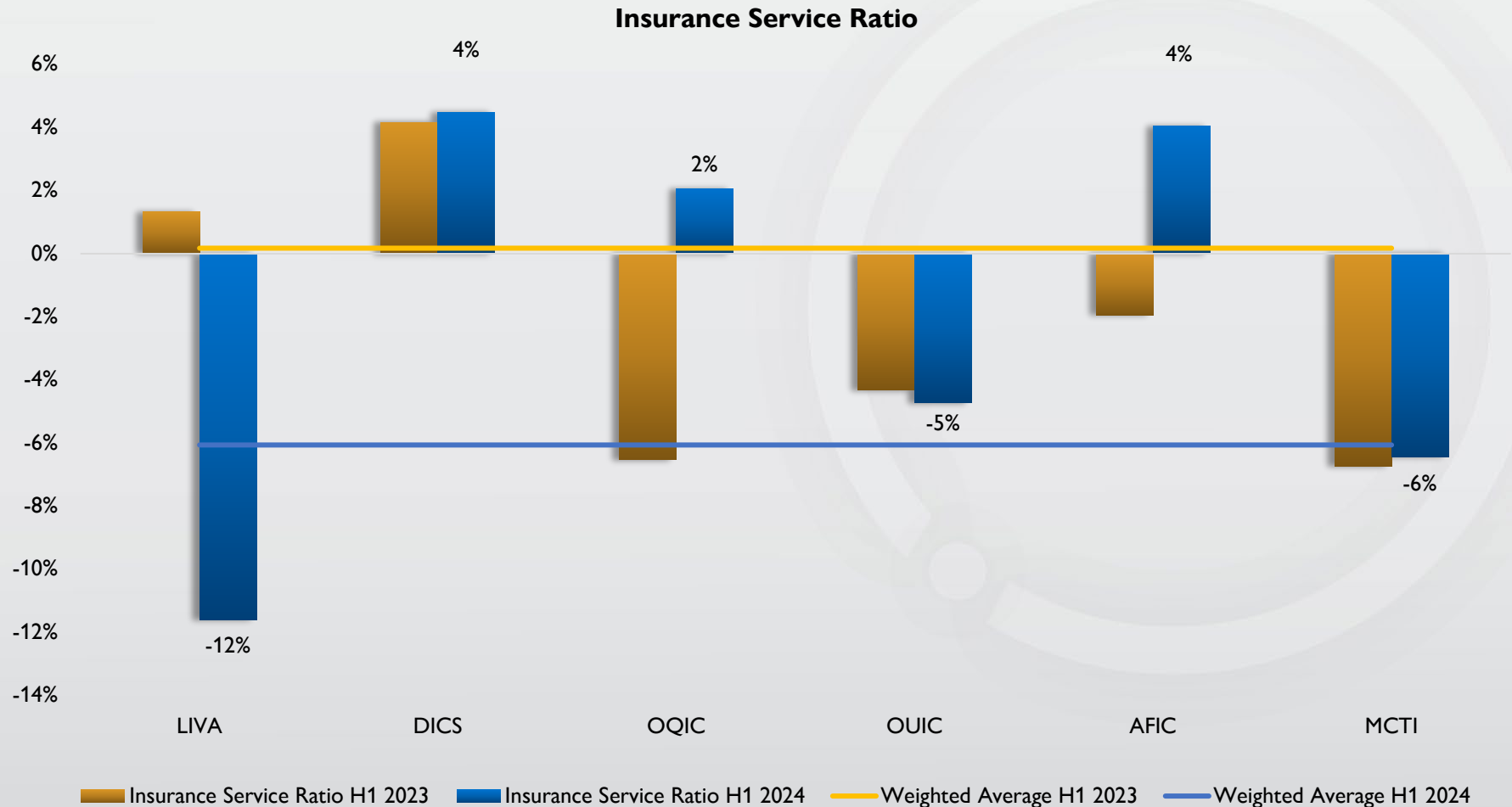


Insurance Service Ratio – Listed Companies



The Insurance Service Ratio for the examined companies decrease from 0.2% in H1 2023 to -6.1% in H1 2024. DICS has the highest ratio at 4%, while LIVA displayed the lowest at -12%.

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.

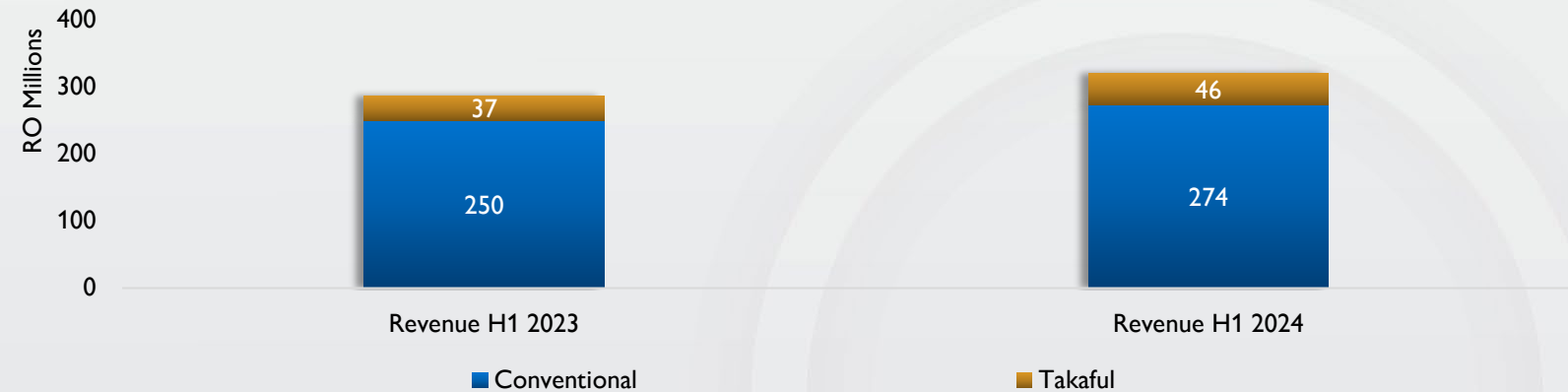
The business by the Takaful companies contributed 14% of the total business by the listed insurance companies in Oman in H1 2024.

The revenue for conventional insurers depicted growth of 10% whereas the takaful companies have shown an increase of 25% when compared with the corresponding period of 2023.

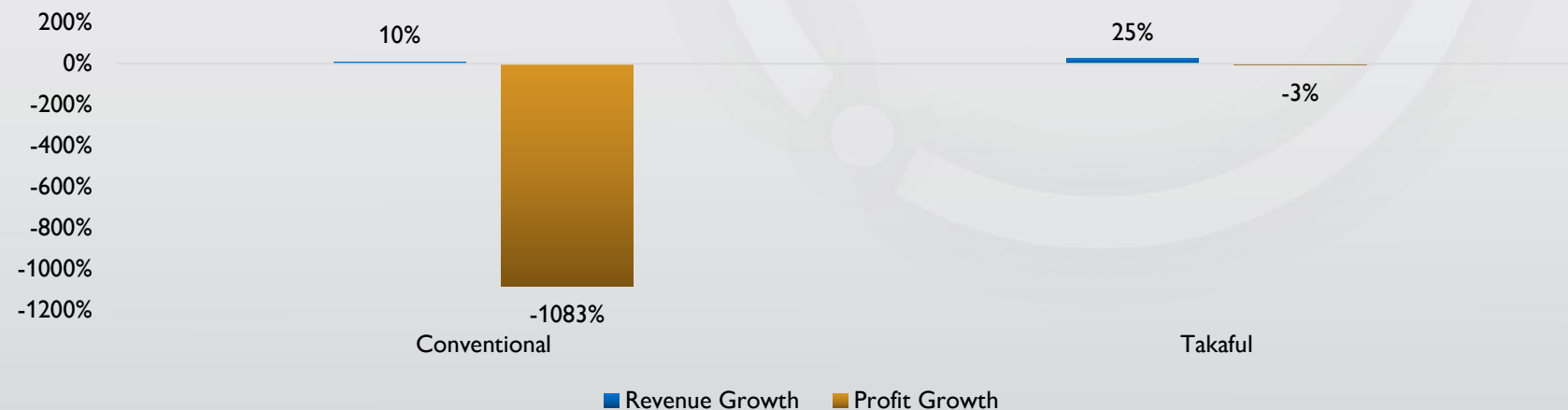
Profit after tax for conventional companies decreased by 1083% due to decline in profit of LIVA. If we remove the impact of LIVA the profit growth of conventional companies increases to 125%. 3% decrease can be seen in profits of takaful companies.

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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H1 2024 – Omani Listed Insurance Companies

Profitability

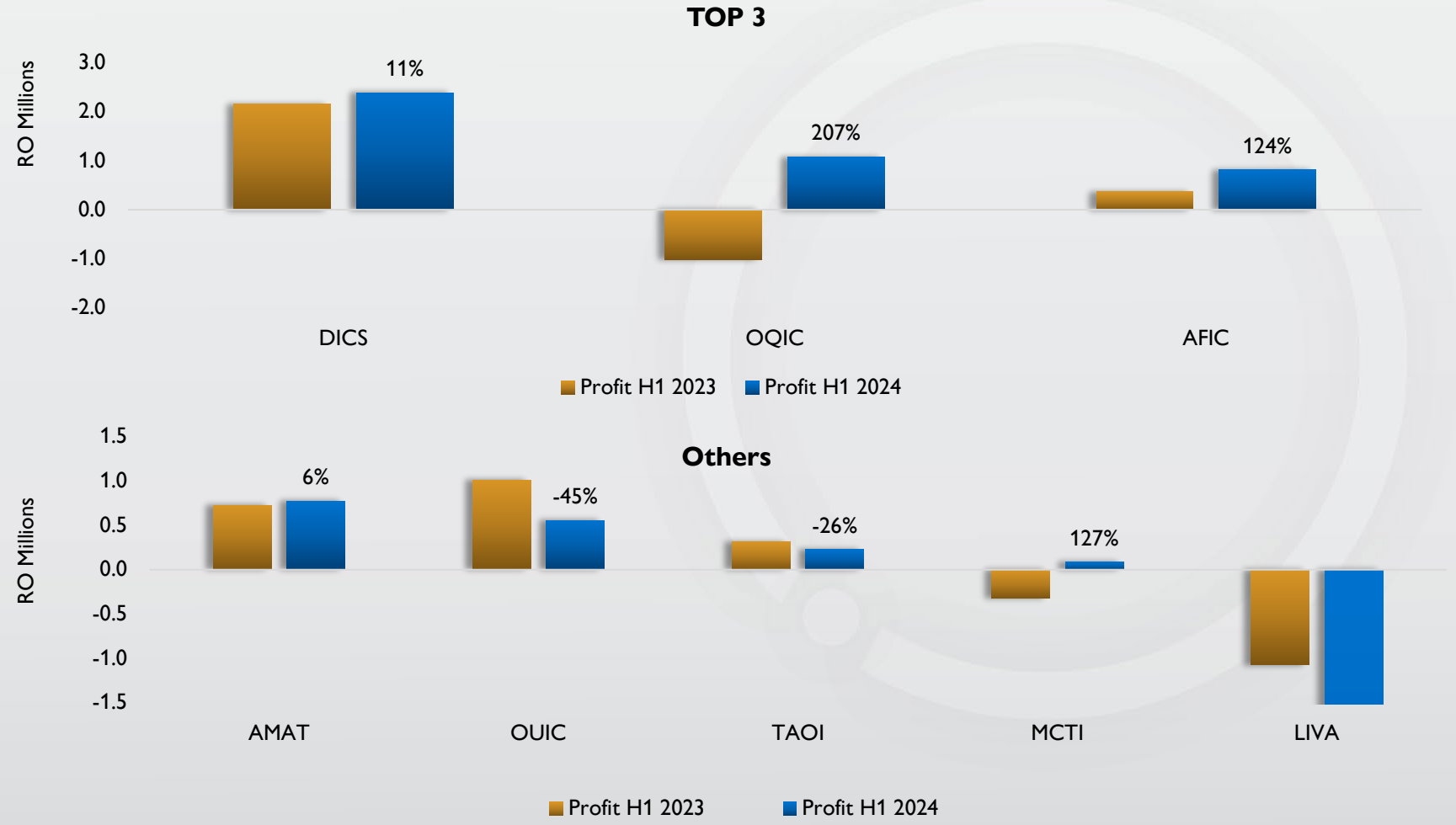
Net Profit - Listed Companies Trend



The recorded profit (after tax) for the analyzed group of 8 listed companies experienced a decline from RO 2.2 million in H1 2023 to RO -10 million in H1 2024.

Major impact is depicted by LIVA, if we exclude the impact of LIVA from this analysis, the profitability stands at 84% for H1 2024 from the corresponding period of previous year. DICS has booked the highest profit amounting to RO 2.4 million, indicating a 11% increase from the previous year (H1 2023: RO 2.2 million).

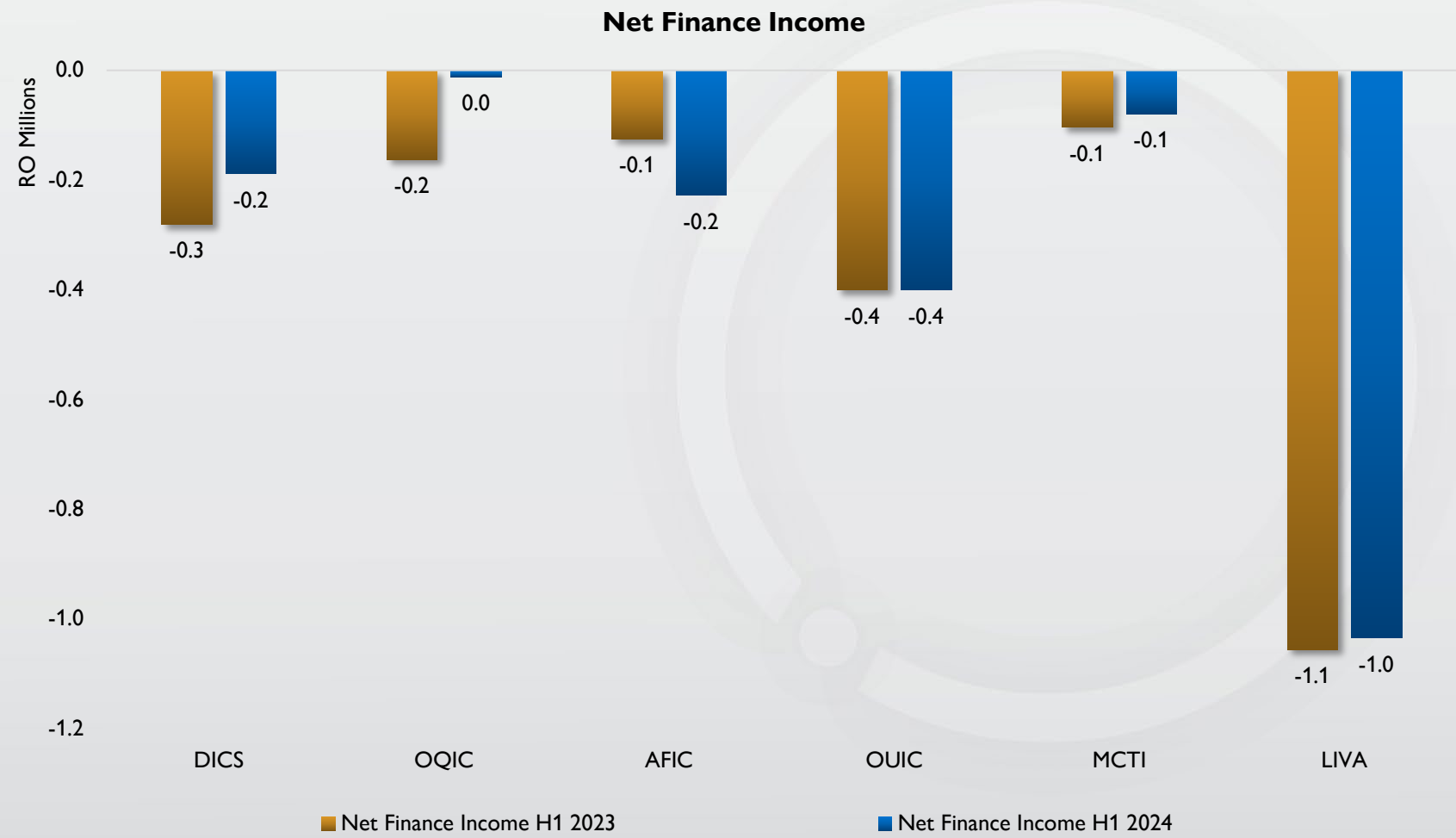
The Highest profit growth is recorded by OQIC of 207% (from RO -1.0 million in H1 2023 to RO 1.1 million in H1 2024 while LIVA has recorded the largest decline from RO 2.2 million in H1 2023 to -10 million in H1 2024.



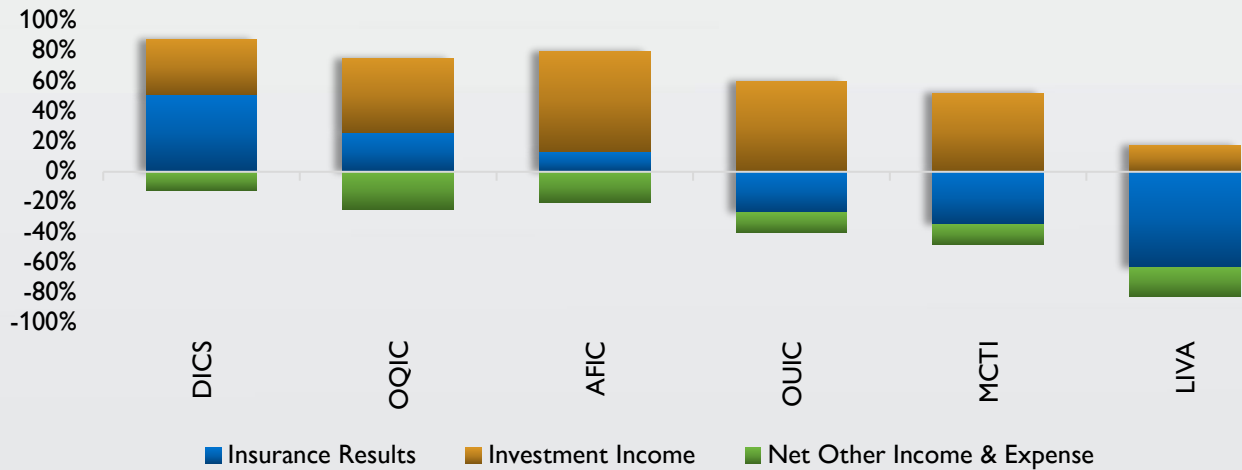
Net finance income, as stipulated by IFRS-17, encompasses both the interest income acquired from the contractual service margin (CSM) and the interest expense generated by the unwinding of the discount rate applied to insurance liabilities. This amalgamation reflects the cumulative financial effects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

During H1 2023, the discount rates experienced a downswing while in H1 2024, there is some improvement. Consequently, this year's expenses have declined from the previous year's expenses for the majority of companies.

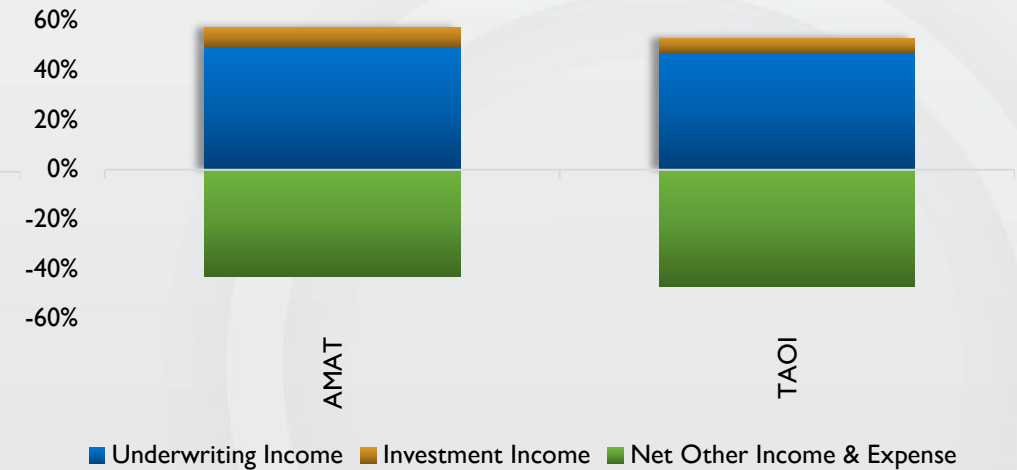
LIVA showcases the highest net finance loss, in contrast to OQIC, which displays the least net finance loss.



Profit Composition IFRS-17



Profit Composition IFRS-4



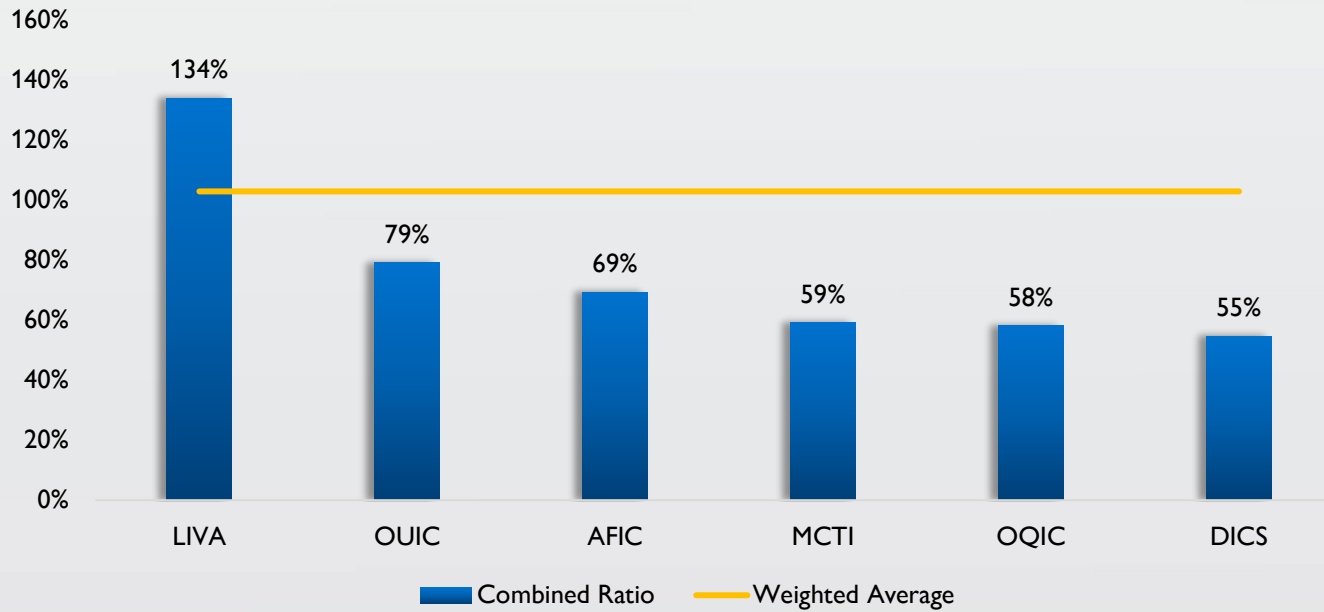
According to the analysis, the profit before tax for listed companies in Oman for H1 2024 is a combination of insurance result (Net Insurance Service Results + Net Insurance Finance Income) for conventional companies (underwriting income for Takaful companies), investment income and other income and expenses. In H1 2024, the total insurance result for conventional companies / underwriting income for takaful companies and investment income earned were RO -10.8 million and RO 12.2 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 insurance results/underwriting activities some companies were able to recover these losses and generate profits through their investment income.

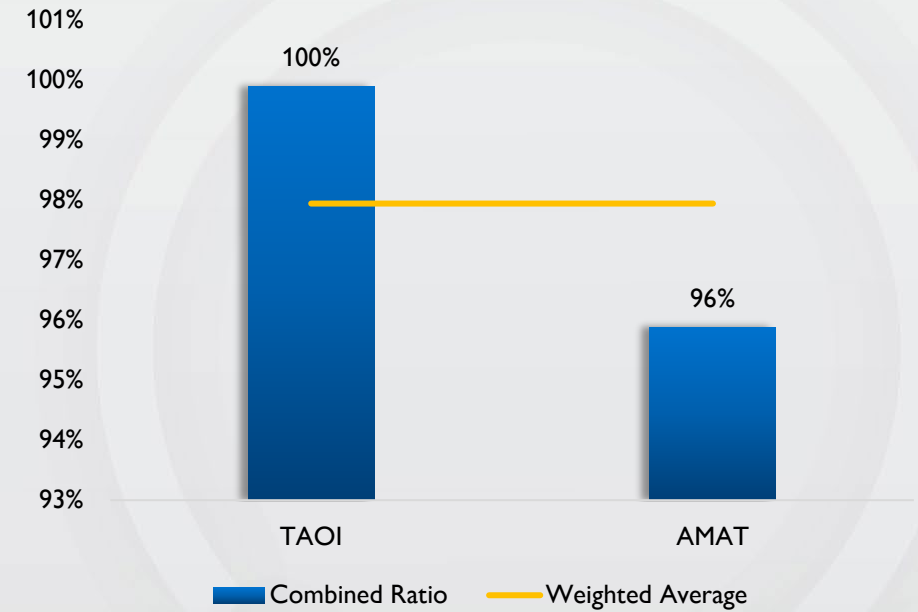
Due to the implementation of IFRS-17 for conventional companies the underwriting income KPI has been substituted with insurance results which comprises of net insurance service results and net insurance finance income.

The analysis presented here is sorted by H1 2024 Profit of conventional companies.

Combined Ratio IFRS-17



Combined Ratio IFRS-4

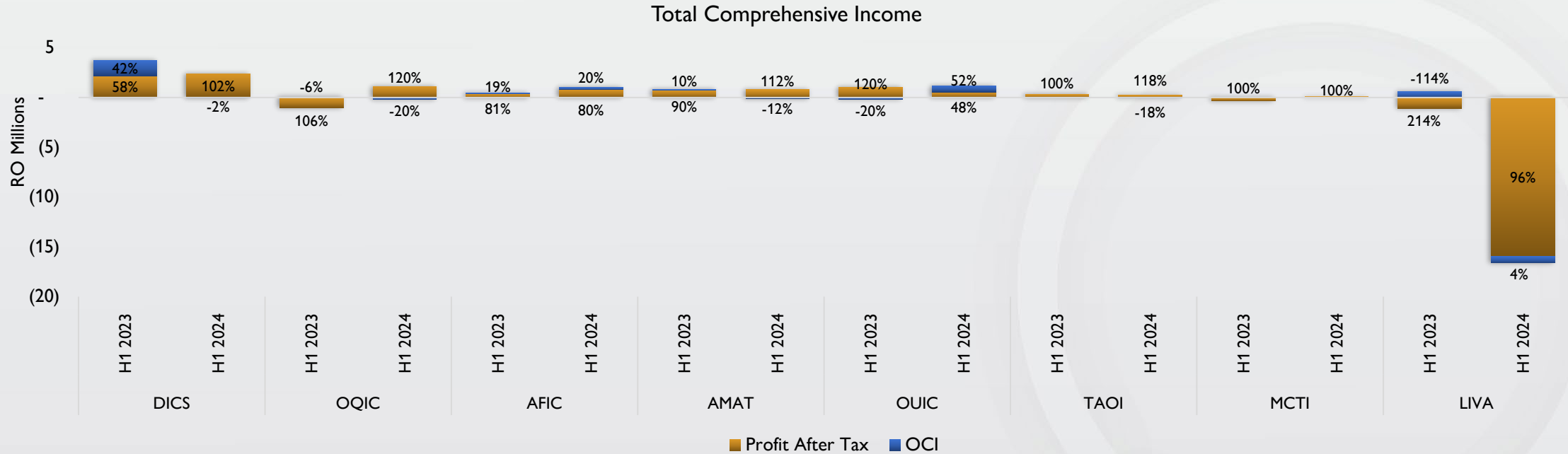


The weighted average combined ratio stood at 103% for conventional companies and 98% for takaful companies.

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 H1 2024, the Total Comprehensive Income experienced a decrease of 336% compared to the corresponding period in 2023.

5 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 | H1 2023 | H1 2024 | Variance |
|-----------------------------|------------|------------|------------|
| | RO Million | RO Million | RO Million |
| Insurance Result | 3.2 | (10.8) | (14.0) |
| Investment Income | 13.8 | 12.2 | (1.6) |
| Net Other Income & Expenses | (14.0) | (12.1) | 1.9 |
| Profit Before Tax | 3.0 | (10.7) | (13.7) |
| Tax | (0.8) | 0.7 | 1.5 |
| Profit After Tax | 2.2 | (10.0) | (12.2) |

Net Profit Break Down



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H1 2024 – Omani Listed Insurance Companies

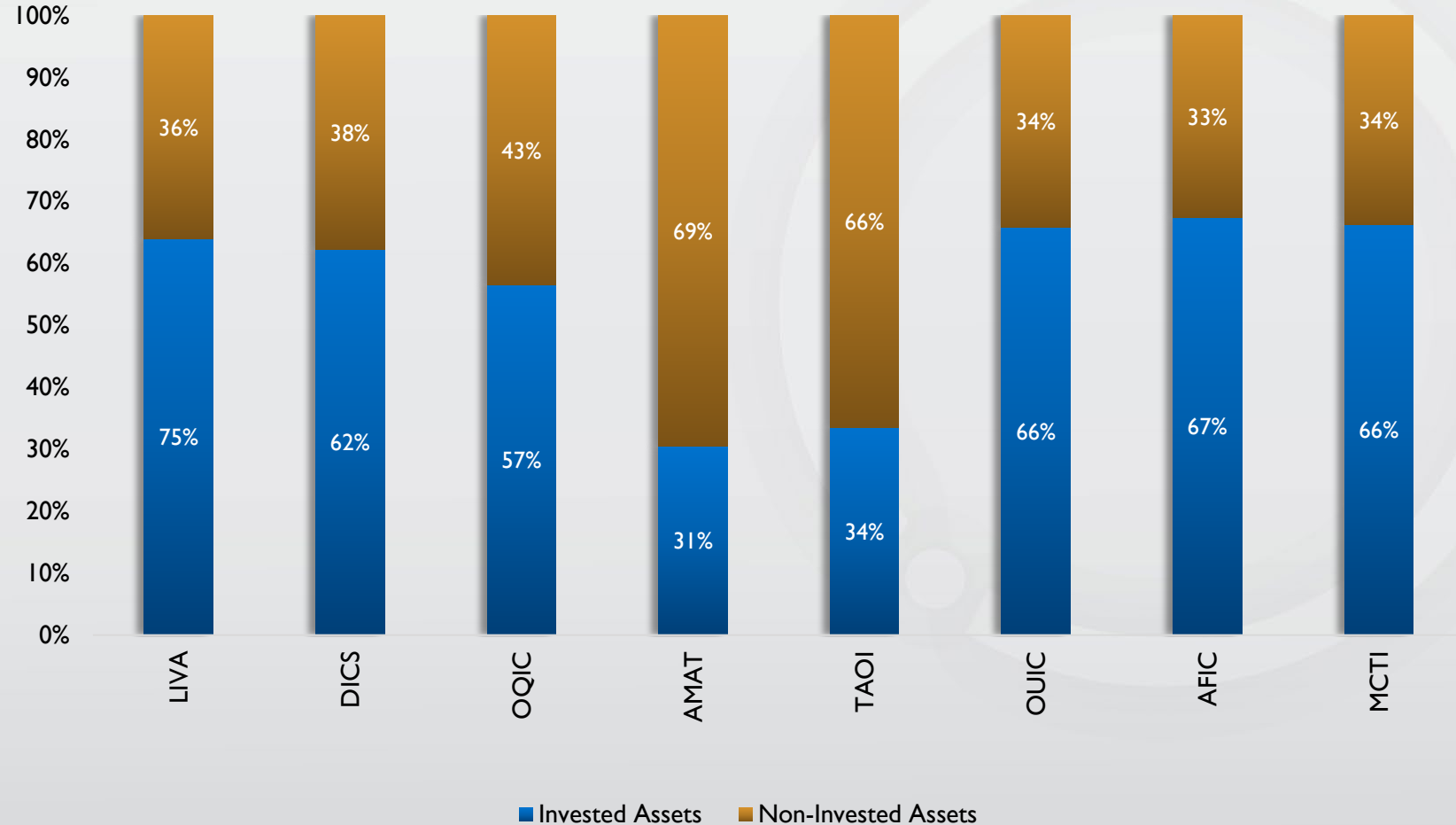
03

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 June 30, 2024. LIVA has the highest proportion (75%) of invested assets, Whereas AMAT has the lowest proportion (31%) of assets invested. The market proportion of invested assets to total assets has been computed to be 58%. The industry average is driven by LIVA, followed by DICS which have the highest amount of overall assets.

The chart is sorted in descending order of insurance revenue / gross contribution of H1 2024.

Asset Mix





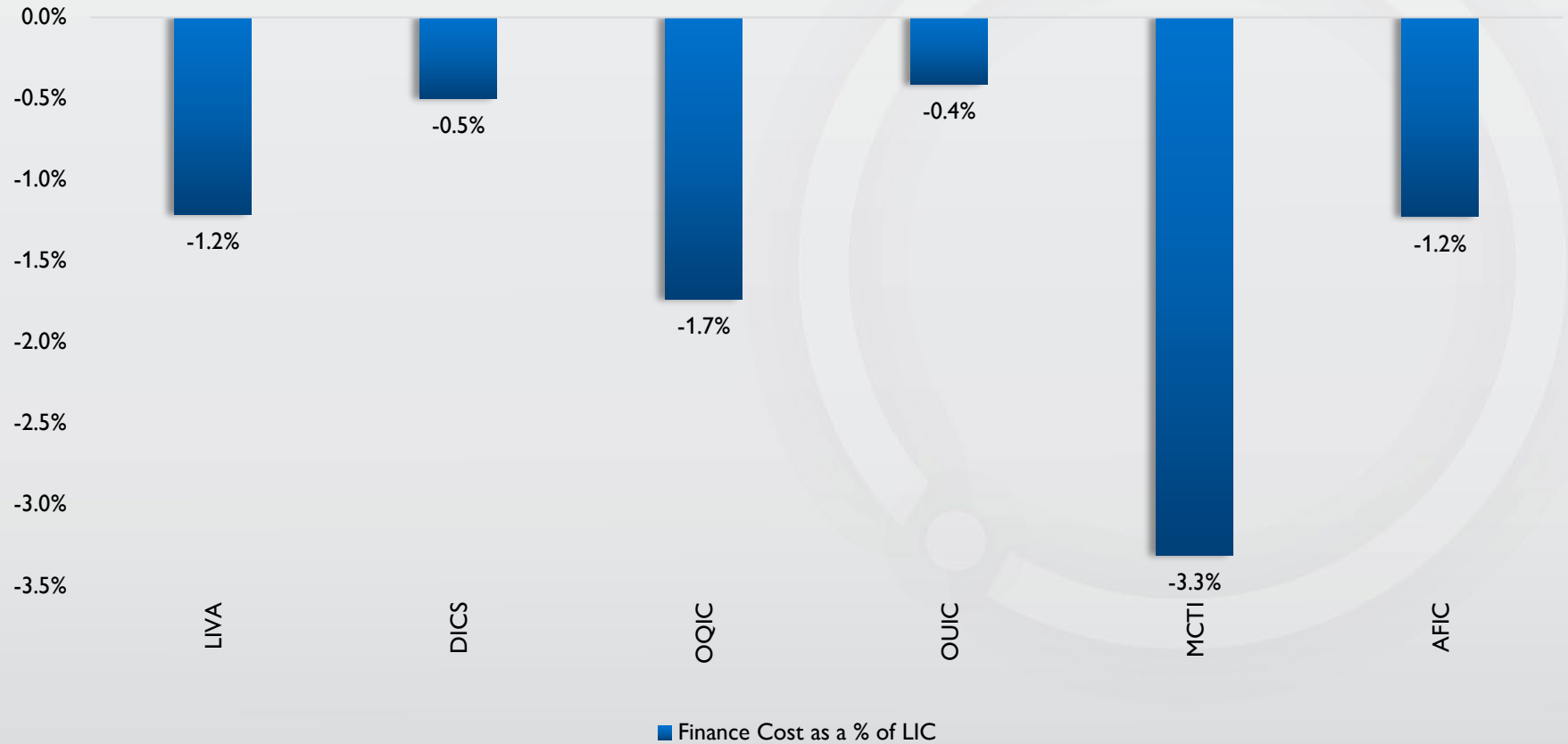
04

IFRS-17 Comparison

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



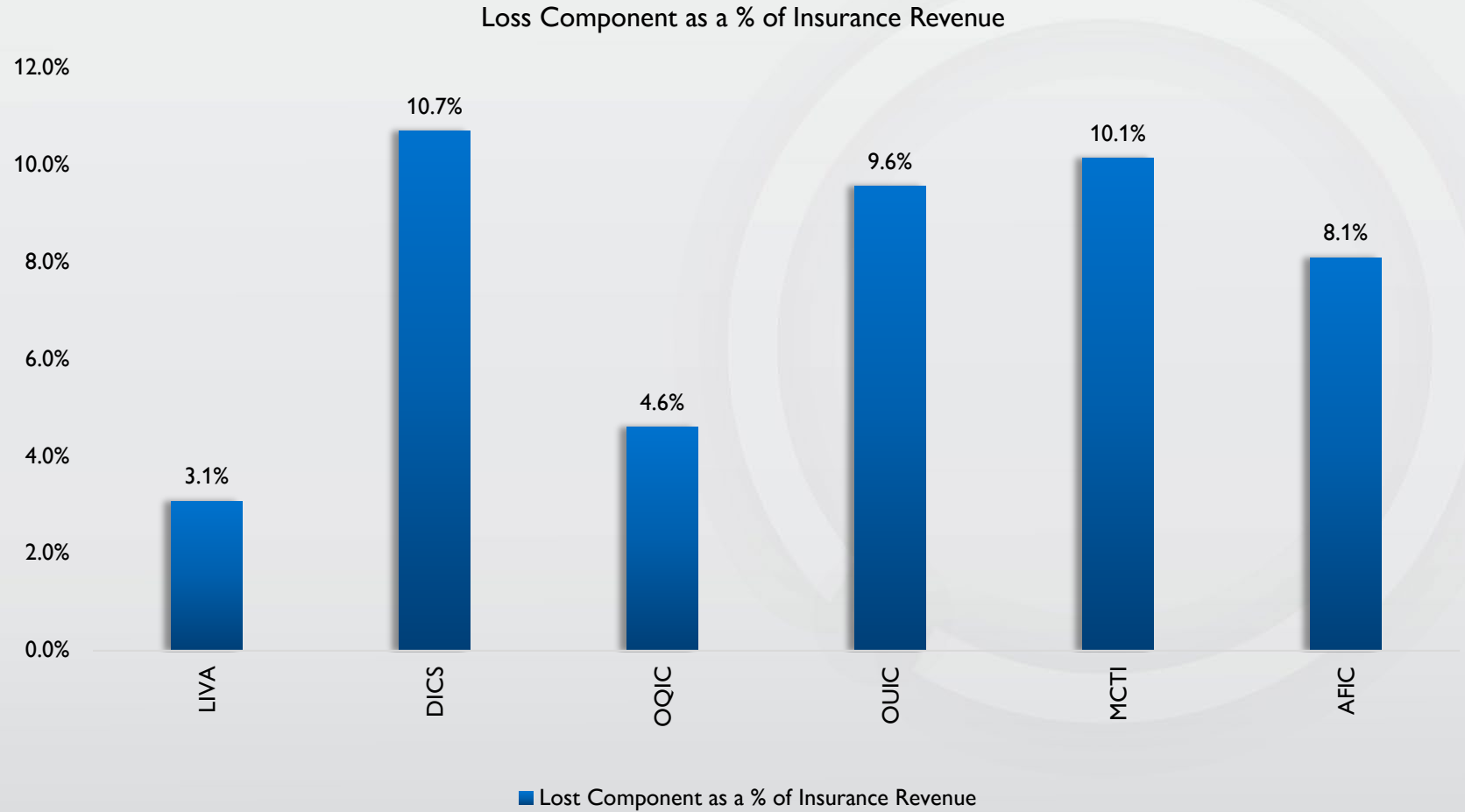
Loss Component as % of Insurance Revenue



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.

LIVA portrays the lowest loss component proportions of insurance revenue.

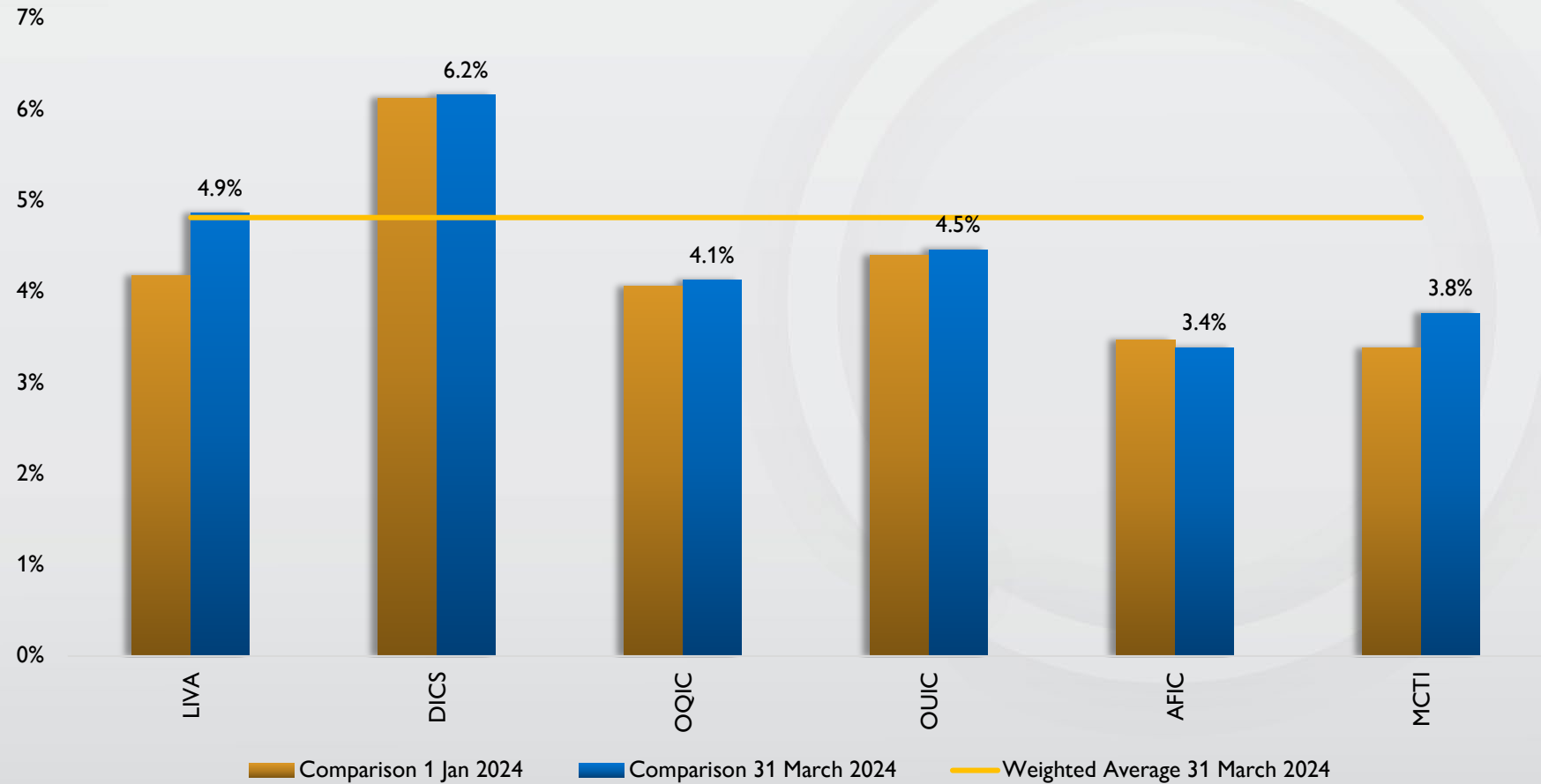


The graph depicts the relationship between risk adjustment and liability for incurred claims and provide insights into the Company’s risk assessment and their diligence in accounting for these risks. It is an important KPI for stakeholders to evaluate the Company’s prudence and risk management practices 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 30 June 2024 is analyzed to be 4.9% respectively.

The Highest Ratio is depicted by DICS of 6% whereas the lowest is shown by AFIC of 3% as at 30 June 2024.

Risk Adjustment as a % of Estimates LIC





Conclusion

IFRS-17 has brought significant changes, shifting conventional companies from reporting Gross Written Premium (GWP) to focusing solely on Insurance Revenue. This new measure encompasses Gross Earned Premium along with Expected Credit Losses (ECL). With the rise in Credit Risk, the industry is grappling with increasing challenges due to the amplified impact of ECL. For conventional companies, Insurance Revenue saw a 10% increase, reaching RO 274 million in H1 2024, compared to RO 250 million during the same period last year. Meanwhile, for Takaful companies, gross contribution remains the primary top-line measure, with a 25% increase from RO 37 million in H1 2023 to RO 46 million in H1 2024.

Insurance Service Results for conventional companies saw a decrease to RO -16.6 million from RO 0.4 million in the previous year.

The recorded profit (after tax) for the analyzed group of 8 listed companies experienced a decrease from profit of RO 2.2 million in H1 2023 to loss of RO 10 million in H1 2024. Major loss is depicted by LIVA due to challenging weather events in UAE. If we exclude the impact of LIVA from this analysis, the profitability stands at 84% for H1 2024 from the corresponding period of previous year. It's crucial to highlight that Takaful companies' net profit is calculated by consolidated numbers of policyholder and shareholder accounts for comparison.

Conventional companies have transitioned to disclosing their financials under IFRS-17, though not without challenges. Meanwhile, Takaful companies are still in the process of adopting these standards. Despite noticeable progress, many firms have encountered obstacles. We expect the quality of financial reporting to improve as companies continue to refine their data and operations. However, reconciling accounts receivable/payable and managing related credit risk have been challenging for some companies, potentially leading to increased provisions for write-offs.



Disclaimer

We have undertaken an analysis of the Key Performance Indicators (KPIs) of the listed insurance companies in Oman H1 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 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 | 6 Staff |
|-----------------------|-----------|-----------------------------|
| UAE/ Oman Actuarial | 46 Staff | Medical 9 Staff |
| KSA Actuarial | 49 Staff | IFRS 17 17 Staff |
| Business Intelligence | 8 Staff | HR Consultancy 3 Staff |
| End of Services | 5 Staff | Financial Services 11 Staff |
| Sales | 2 Staff | Strategy Consulting 2 Staff |
| Support & Admin | 28 Staff | Data Science 6 Staff |

Total Strength 192



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



Our Feedback

BADRI Management Consultancy is proud to present Omani Insurance Industry Performance analysis H1 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.

Contact Us

UAE Office

2107 SIT Towers, PO Box 341486, Dubai
Silicon Oasis, Dubai, UAE

KSA Office

Office 36, King Abdulaziz Road, Ar Rabi,
Riyadh 13315

Karachi Office

7B 2-6, 7th Floor, Fakhri Trade Center,
Shahrah-e-Liaquat, Karachi 74200,
Pakistan

Lahore Office

POPCORN STUDIO Co-working Space Johar
Town 59-B Khayaban e Firdousi, Block B,
Phase 1, Johar Town, Lahore

Egypt Office

E-Scapes IT Solutions 13 Makkah
St, Mohandiseen, Giza, Egypt

UK Office

Lloyds Building 1 Lime Street, London
EC3M 7HA

Contact Us



+971 4 493 6666
+966 11 232 4112
+92 213 2602 212



info@badriconsultancy.com



www.badriconsultancy.com

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