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24

Omani

Listed Insurance Industry
Performance Analysis – Q3
2024

Date: December 31st, 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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Q3 2024 – Omani Listed Insurance Companies

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 2024, 2023, 2022, 2021 & 2020 by MIIA.
- Best Actuarial/Risk Consultancy Firm of 2023, 2018 & 2016 by MENAIR.
- Corporate Risk Manager of 2023 & Best Actuarial Company of 2024 by InsureTek.
- Employer Spotlight Societal Purpose Award of 2024 by SOA.
- Best Internship Program (Silver) Award by Employee Happiness Awards.
- Best Digital & Social Media Initiative (Silver) Award by Customer 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



Leading the way in IFRS 17 Implementation

BADRI has taken a lead in providing IFRS 17 consulting to general & life insurers within Pakistan by securing a leading market share in the upcoming Phase 3 & 4. This would enable our clients to be IFRS 17 compliant by January 2026. In addition to this, BADRI will also be providing system support by way of its IFRS 17 accounting engine called ACE 17.



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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Disclaimer & Others

Q3 2024 Industry Analysis

Revenues

Insurance revenue

Insurance Service Results

Insurance Service Ratio

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Profitability

Insurance Financial Results

Net Profit

Net Finance Income Comparatives

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

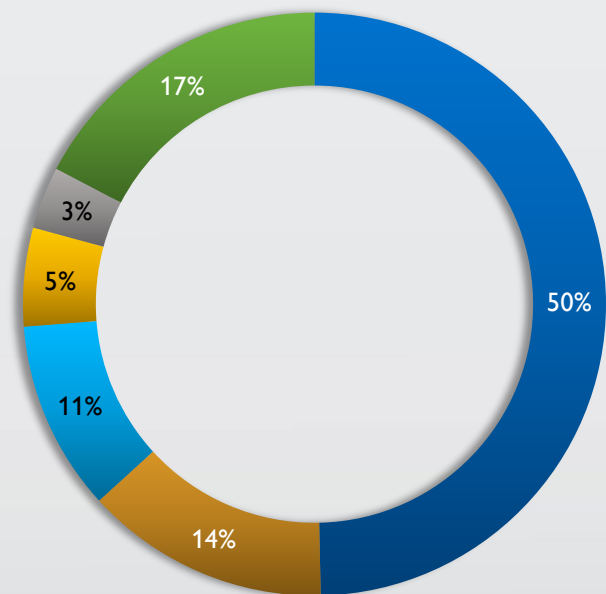
Finance Income / LIC comparison

Risk Adjustment / LIC



Q3 2024 Highlights

Revenue Q3 2024



■ LIVA ■ DICS ■ OQIC ■ OUIIC ■ AFIC ■ Other

Insurance Revenue (Conventional Companies)

Q3 2024: **RO 417** million
Q3 2023: RO 385 million
Growth: 8%

Gross Contribution (Takaful Companies)

Q3 2024: **RO 68** million
Q3 2023: RO 54 million
Growth: 25%

Insurance Service Results (Conventional Companies)

Q3 2024: **RO -7.5** million
Q3 2023: RO 8.0 million
Growth: -194%

Profit After Tax

Q3 2024: **RO -2.4** million
Q3 2023: RO 9.5 million
Growth: -126%



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Q3 2024 – Omani Listed Insurance Companies

01

Revenue

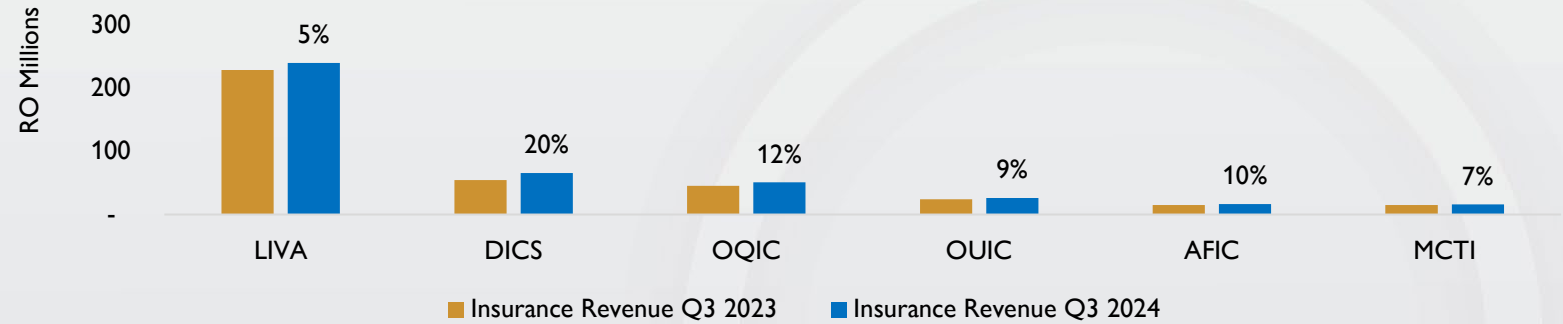
Insurance Revenue - Listed Companies



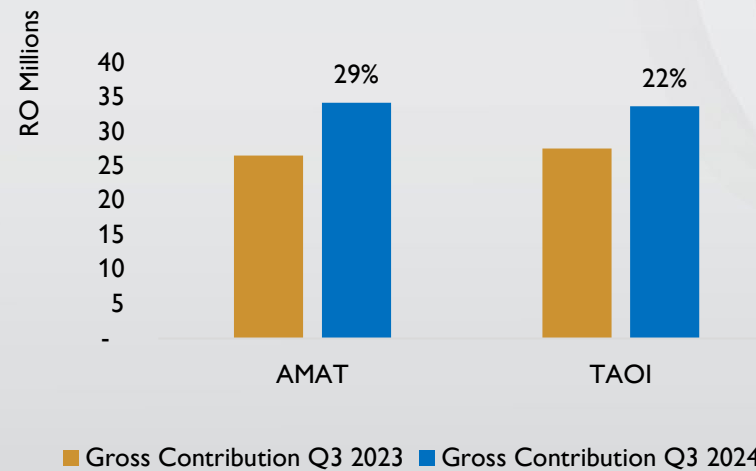
Insurance revenue for the six listed conventional companies witnessed an 8% increase, reaching RO 417 million in Q3 2024 compared to RO 385 million in the same period last year. Meanwhile, the gross contribution for the two listed takaful companies grew by 25%, rising from RO 54 million in Q3 2023 to RO 68 million in Q3 2024. Previously, the Omani insurance sector emphasized Gross Written Premiums (GWP) as a key indicator of performance and competition. However, following the adoption of IFRS-17, conventional companies no longer report this metric. Instead, the focus has shifted to Insurance Revenue, a measure comparable to Earned Premiums, which is reported net of Expected Credit Losses (similar to provisions for doubtful debts). For takaful companies, gross contribution continues to serve as their primary top-line metric.

LIVA currently dominates the market, holding approximately 50% of the total market share, with revenue amounting to RO 240 million. This figure, however, includes contributions from its overseas subsidiaries, as only consolidated financial statements are reported. For our analysis, we have relied on these consolidated figures. LIVA recorded the highest absolute growth in insurance revenue, increasing by RO 11.2 million to reach RO 240 million in Q3 2024, up from approximately RO 230 million in Q3 2023.

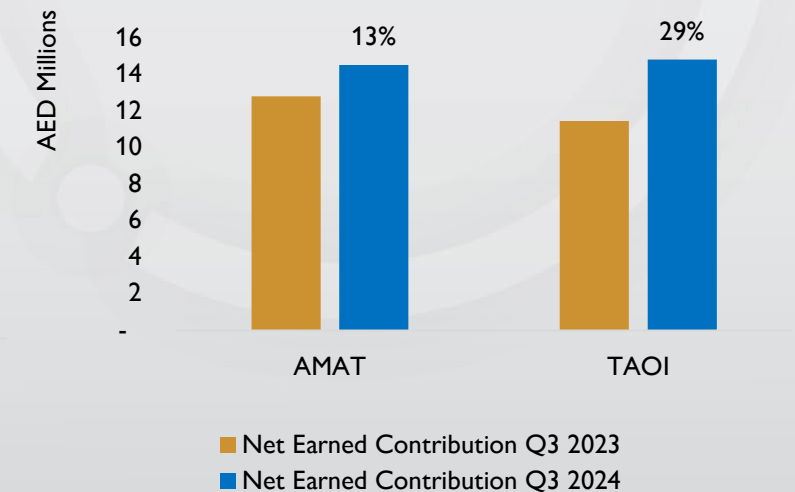
Insurance Revenue (Conventional Companies)



Gross Contribution (Takaful Companies)



Net Earned Contribution (Takaful Companies)

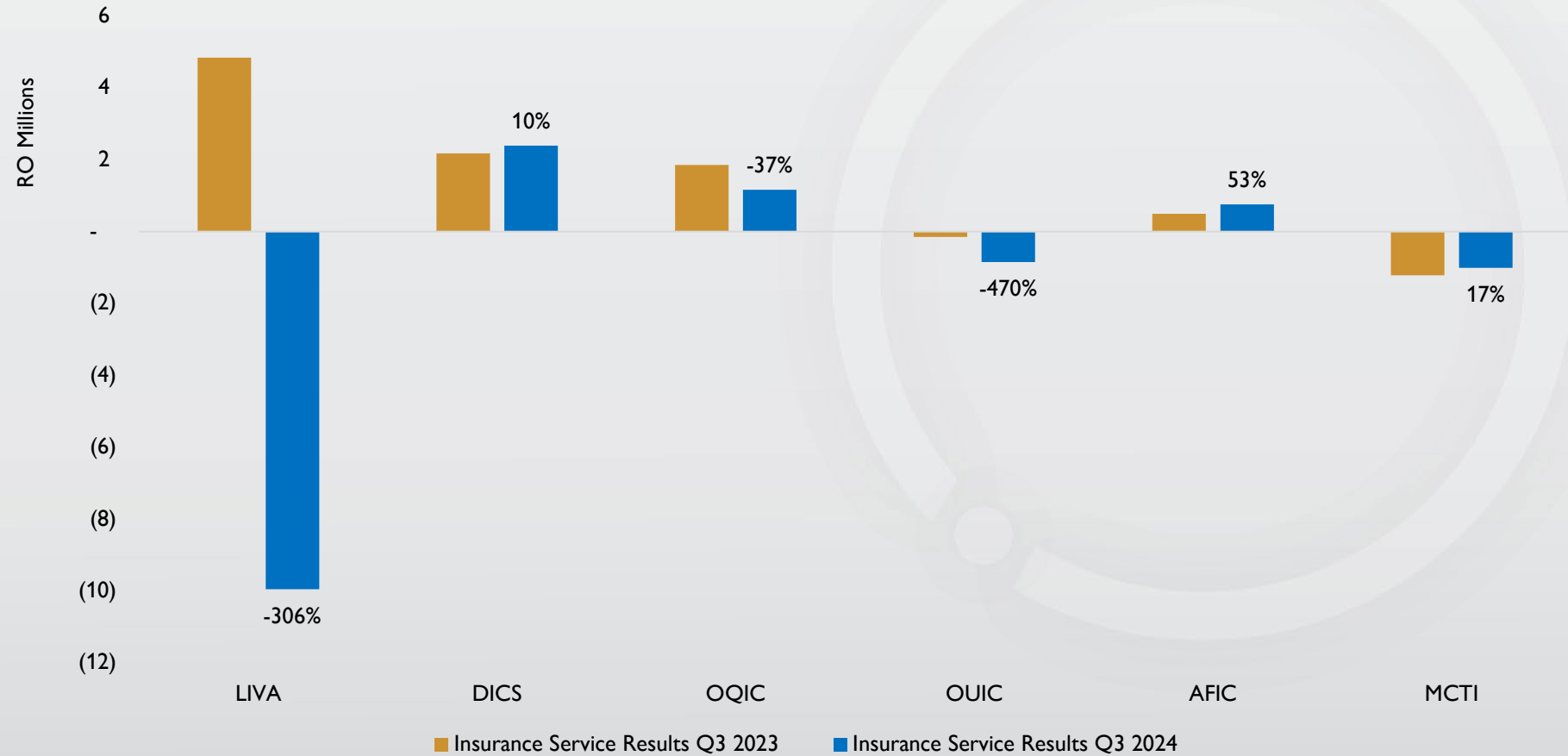


Insurance Service Results - Listed Companies



The Insurance Service Results for the six analyzed listed conventional companies saw a sharp decline, dropping from RO 8 million to negative RO 7.5 million in Q3 2024. The top three contributors collectively recorded a 172% decline, moving from RO 9 million to RO -6.4 million during the same period last year. This sharp downturn was largely attributed to LIVA, whose insurance service results dropped significantly from RO 5 million in Q3 2023 to RO -10 million in Q3 2024. Only AFIC was able to achieve the highest growth of 53% among all the analyzed companies.

Insurance Service Result

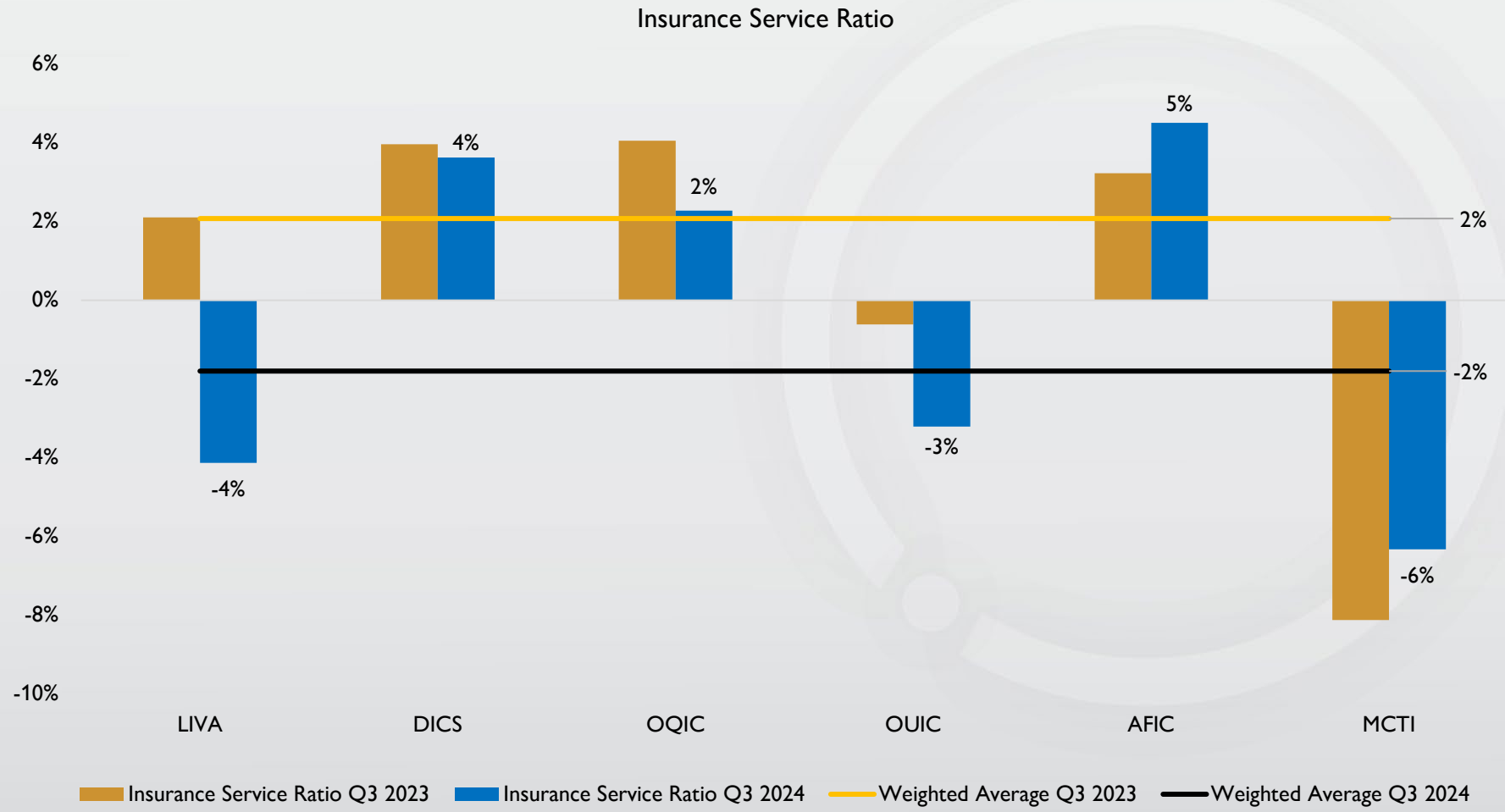


Insurance Service Ratio – Listed Companies



The Insurance Service Ratio for the analyzed companies declined from 2% in Q3 2023 to -2% in Q3 2024. AFIC recorded the highest ratio at 5%, while MCTI reported the lowest at -6%.

The Insurance Service Ratio, calculated as Insurance Service Results divided by Insurance Revenue, can be seen as equivalent to 100% minus the Combined Ratio under IFRS 4. However, there is a key difference in our methodology, which involves using Net Results and comparing them to a figure similar to Gross Earned Premium. Under IFRS 4, Insurance Service Results can be understood as Underwriting Profits after deducting expenses.



Conventional Vs Takaful – Listed Companies



Out of the eight listed insurance companies in Oman, two operate as Takaful insurers..

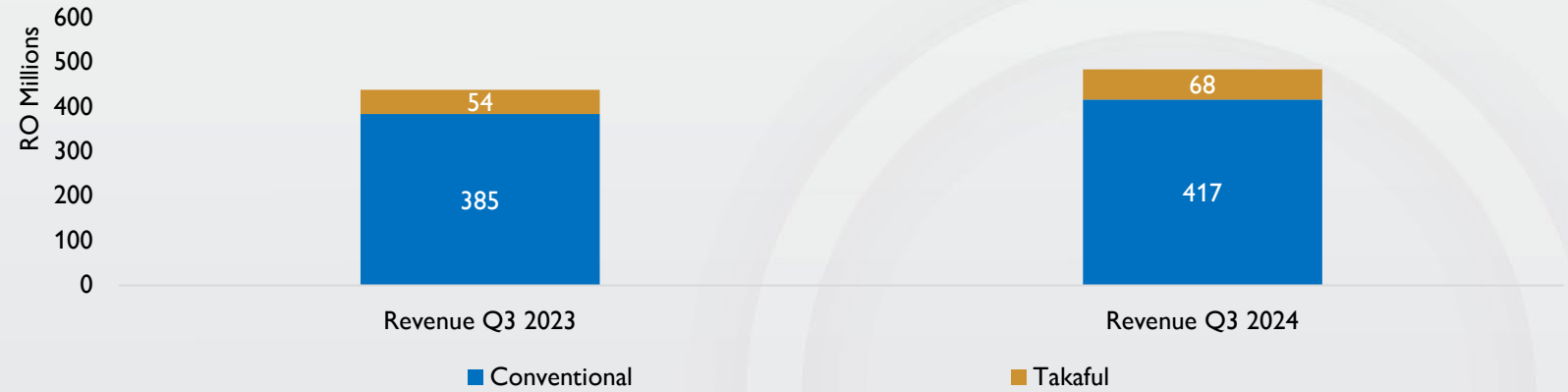
In Q3 2024, Takaful companies contributed 14% to the total business of the listed insurance companies in Oman.

The revenue for conventional insurers depicted growth of 8% whereas the takaful companies have shown an increase of 25% when compared with the corresponding period of 2023.

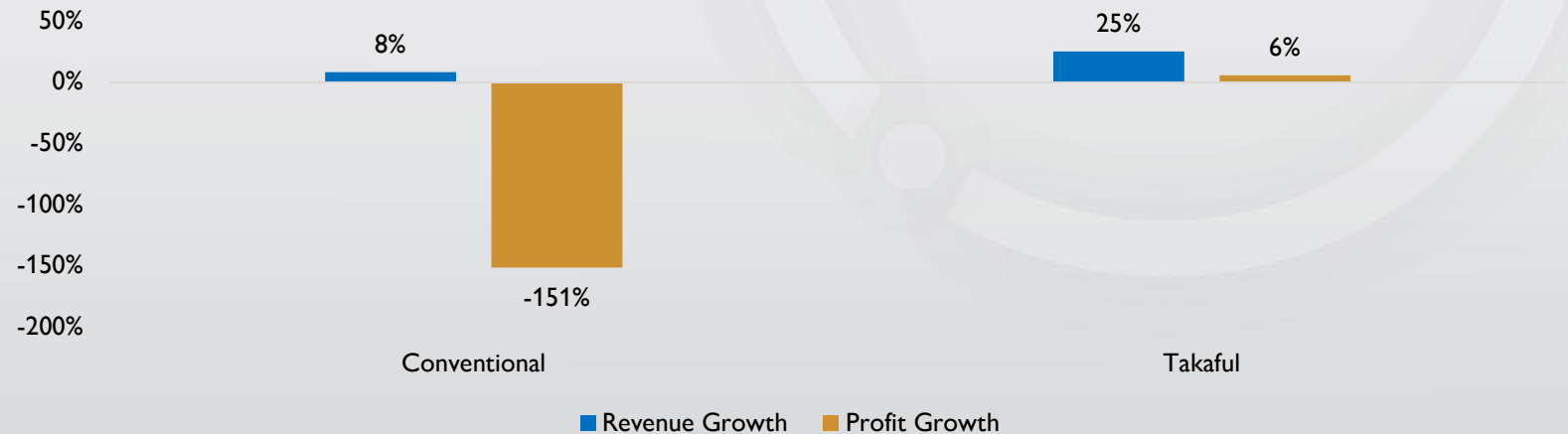
Profit after tax for conventional companies dropped by 151% primarily due to a decline in LIVA's profits. Excluding LIVA's impact, the profit growth for conventional companies would have been -13%, instead of the -151%. Meanwhile, takaful companies saw a 6% increase in profits.

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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Q3 2024 – Omani Listed Insurance Companies

Profitability

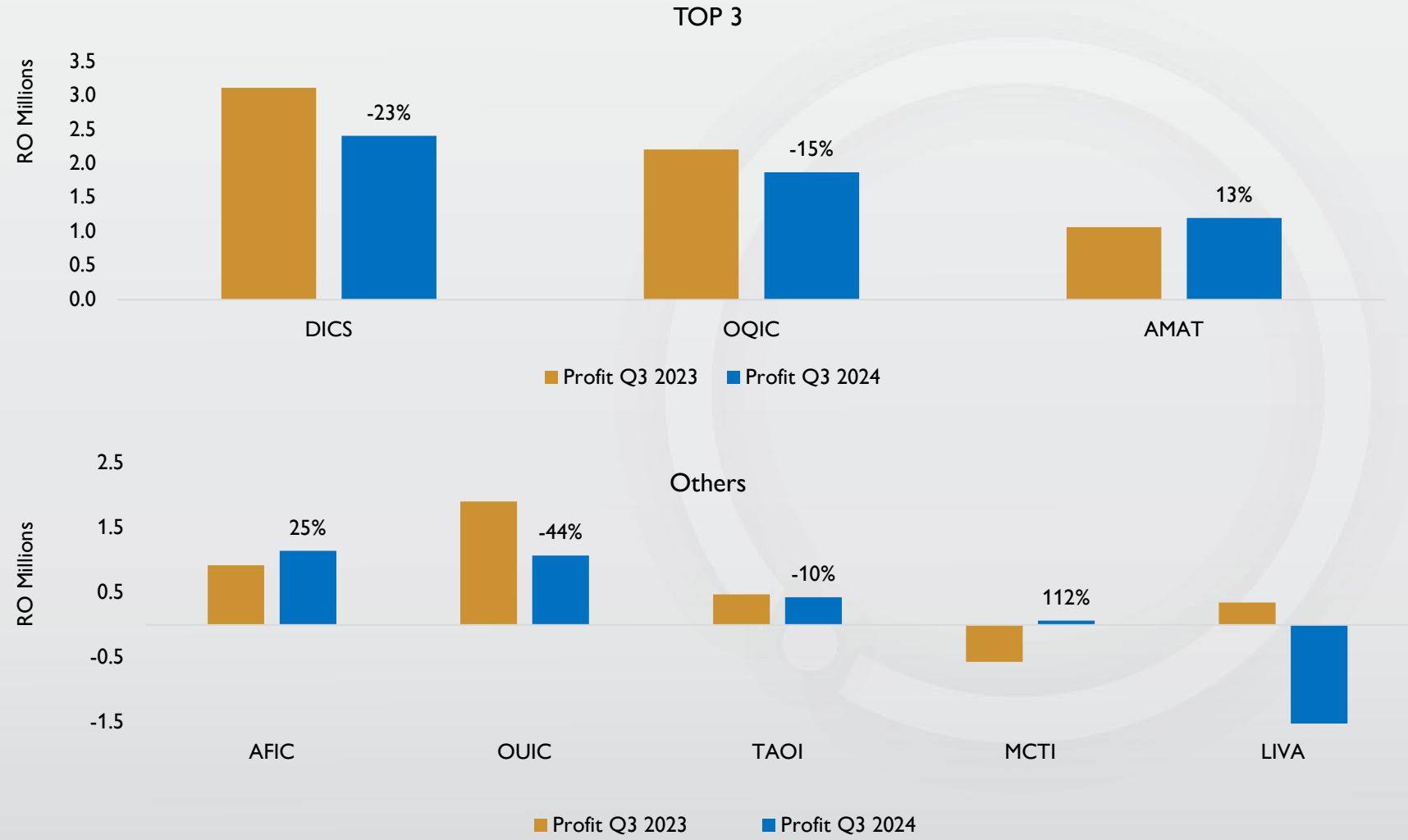
Net Profit - Listed Companies Trend



The recorded profit (after tax) for the analyzed group of 8 listed companies experienced a decline of 126% from RO 9.5 million in Q3 2023 to RO -2.4 million in Q3 2024.

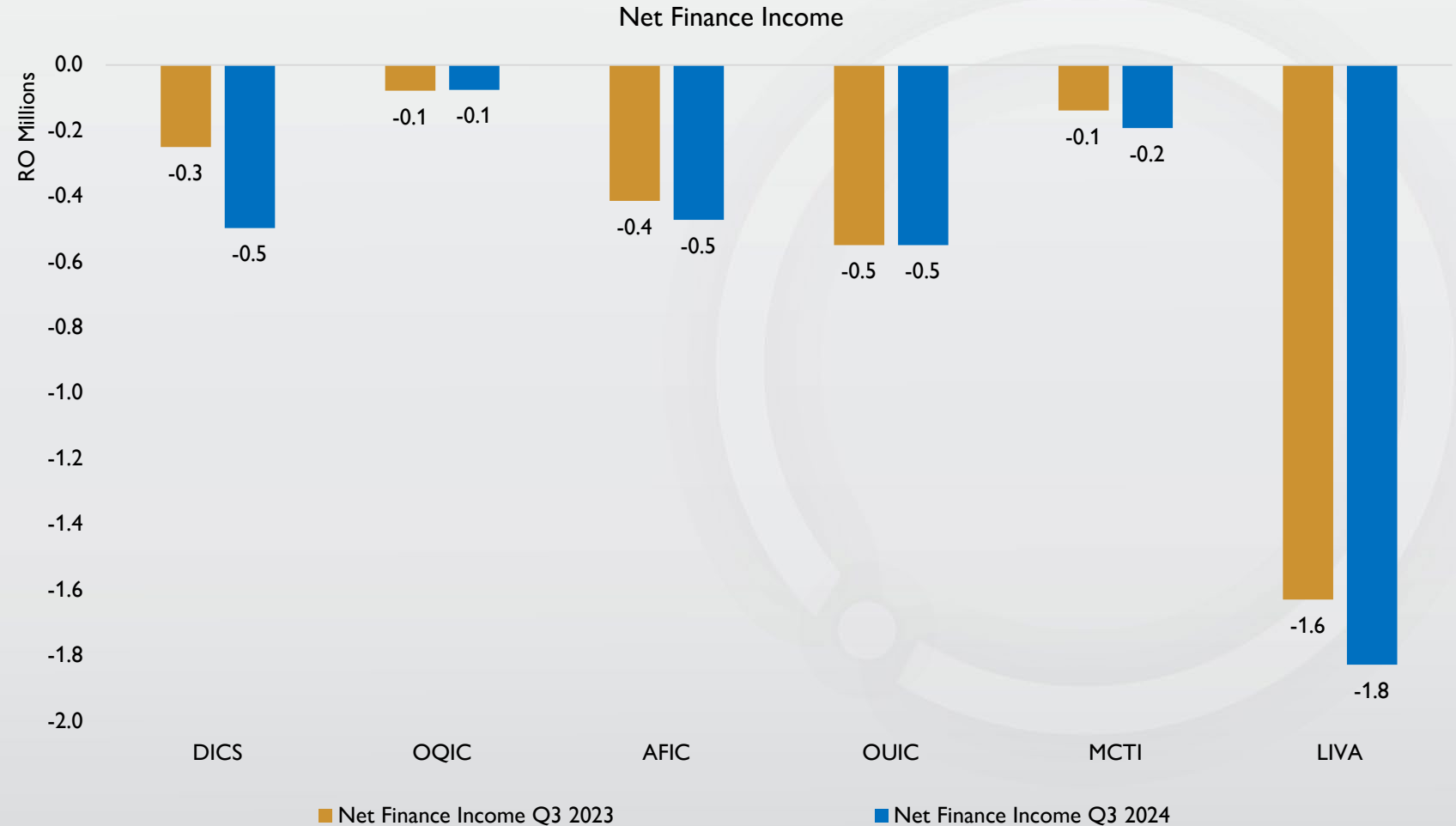
LIVA had a significant impact on the overall results. If LIVA's performance is excluded, the profitability for Q3 2024 shows a decline of 10% compared to the same period last year. DICS achieved the highest profit among all companies in Q3 2024, with a total of RO 2.4 million. However, the profit has declined 23% as compared to Q3 2023.

The Highest profit growth is recorded by MCTI of 112% (from RO -0.6 million in Q3 2023 to RO 0.1 million in Q3 2024) while LIVA has recorded the largest decline from RO 0.3 million in Q3 2023 to -11 million in Q3 2024.

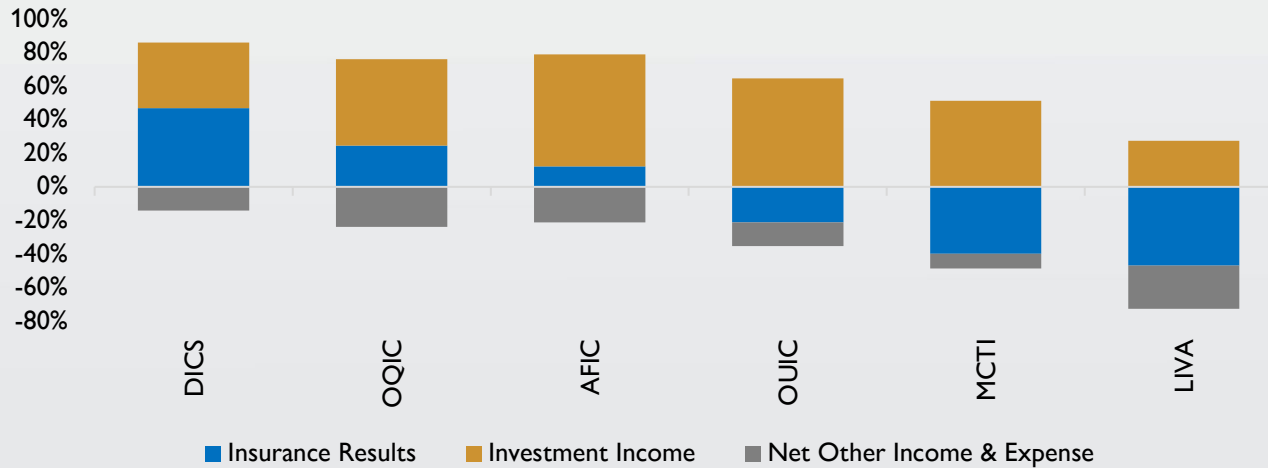


As defined by IFRS-17, net finance income includes both the interest income derived from the contractual service margin (CSM) and the interest expense arising from the unwinding of the discount rate applied to insurance liabilities. This combined measure reflects the overall financial impact of the time value of money and changes in the present value of future cash flows..

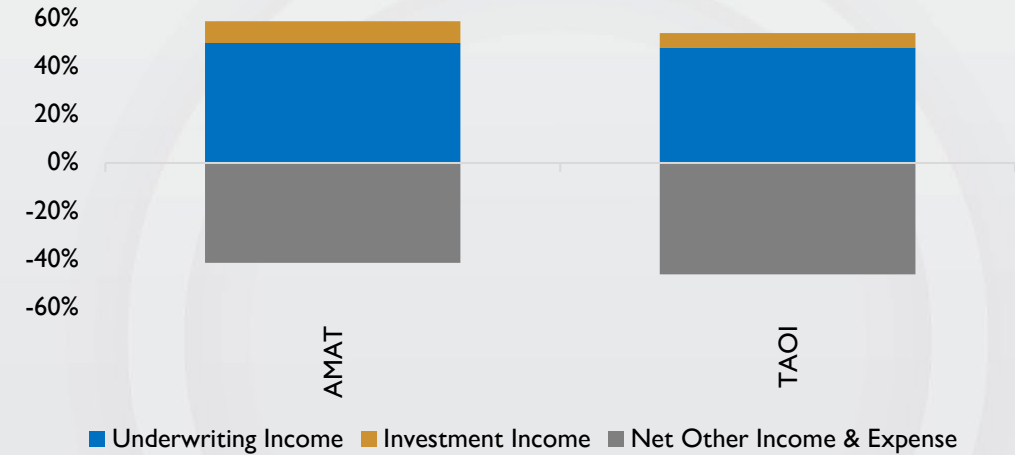
LIVA showcases the highest net finance loss, in contrast to OQIC, which displays the least net finance loss.



Profit Composition IFRS-17



Profit Composition IFRS-4



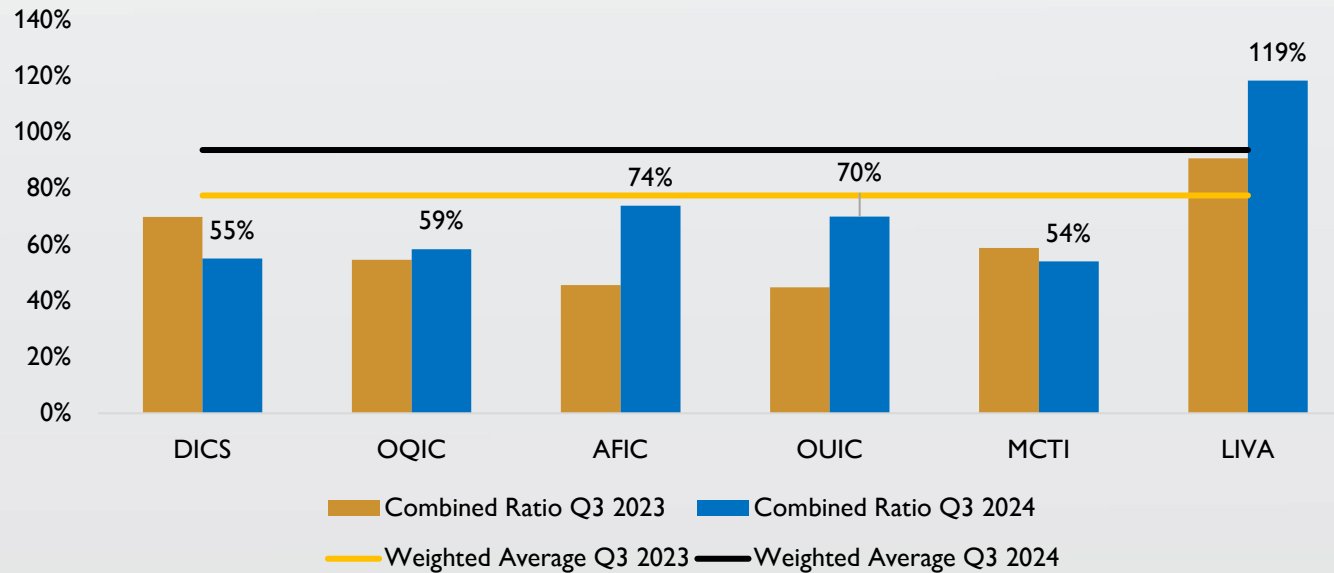
The analysis shows that the profit before tax for listed companies in Oman for Q3 2024 is a combination of insurance results (Net Insurance Service Results + Net Insurance Finance Income) for conventional companies (underwriting income for Takaful companies), along with investment income and other income and expenses. In Q3 2024, the total insurance result for conventional companies (including underwriting income for Takaful companies) was RO -3 million, while investment income amounted to RO 18 million.

Notably, the analysis reveals that investment income plays a crucial role in the overall profitability of listed companies in Oman. Despite experiencing losses from insurance results or underwriting activities, some companies managed to offset these losses and generate profits through their investment income.

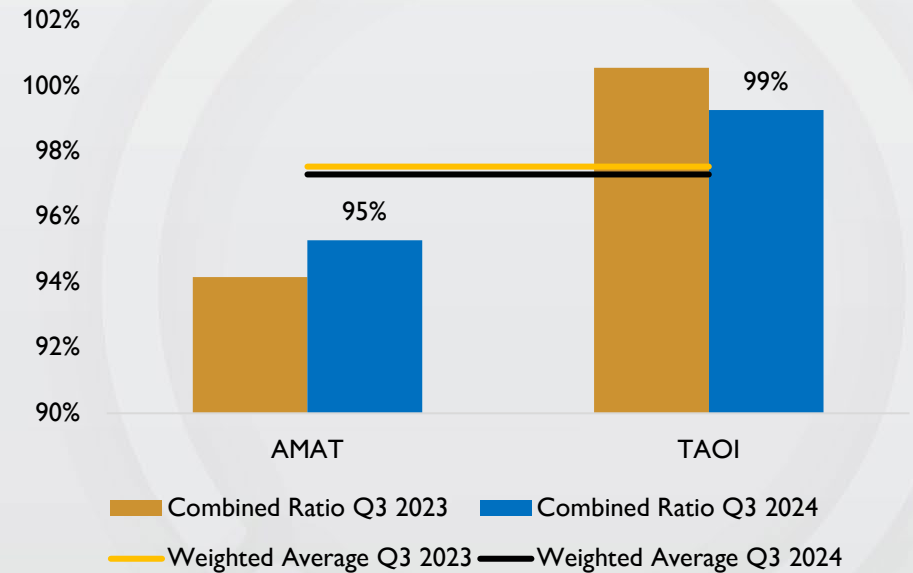
With the adoption of IFRS-17 for conventional companies, the underwriting income KPI has been replaced by insurance results, which include both net insurance service results and net insurance finance income.

The analysis is organized by the Q3 2024 profit of conventional companies..

Combined Ratio IFRS-17



Combined Ratio IFRS-4

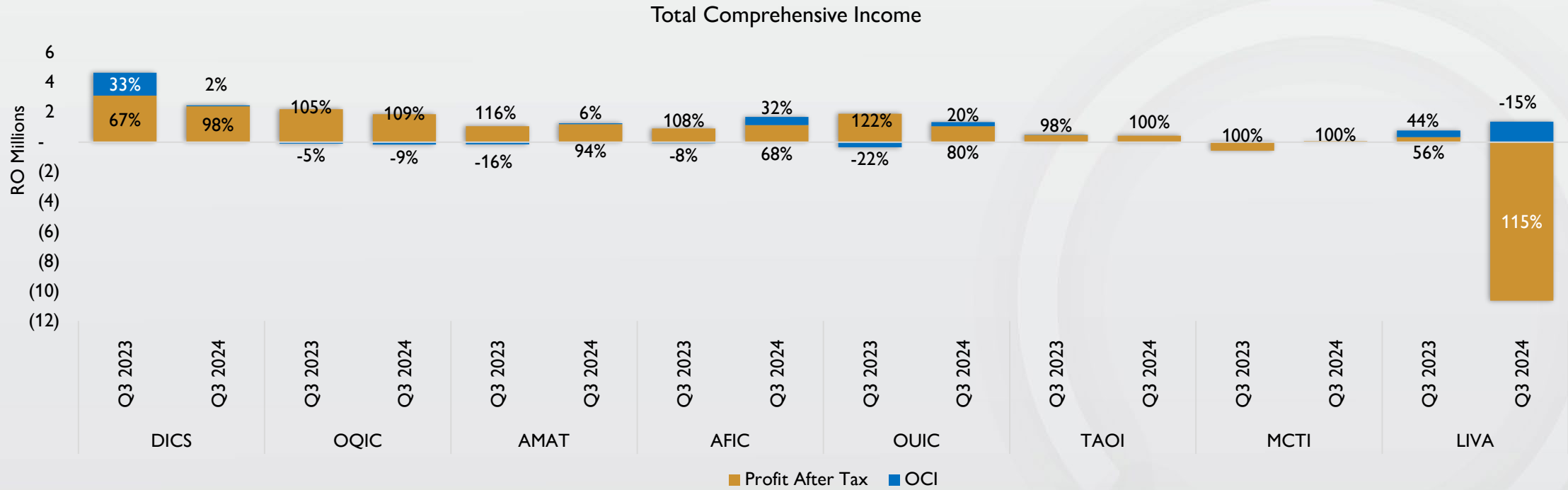


The weighted average combined ratio was 94% for conventional companies and 97% for Takaful companies.

A combined ratio under 100% indicates that a company is profitable in terms of underwriting. A ratio below 100% suggests that the company is not only covering its costs but also making a profit on its underwriting activities or investment incomes.

Combined ratio for conventional companies is computed as insurance service expenses over insurance revenue and in the case of Takaful companies, the combined ratio is calculated as the sum of the expense ratio and the loss ratio

Total Comprehensive Income - Companies



In Q3 2024, the Total Comprehensive Income declined by 103% compared to the same period in 2023..

Only one company in this analysis reported a loss in their OCI for Q3 2024.

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	Q3 2023	Q3 2024	Variance
	RO Million	RO Million	RO Million
Insurance Result	12.3	(3.3)	(15.6)
Investment Income	16.6	17.6	1.0
Net Other Income & Expenses	(18.1)	(15.9)	2.2
Profit Before Tax	10.7	(1.7)	(12.4)
Tax	(1.3)	(0.8)	0.5
Profit After Tax	9.5	(2.4)	(11.9)

Net Profit Break Down

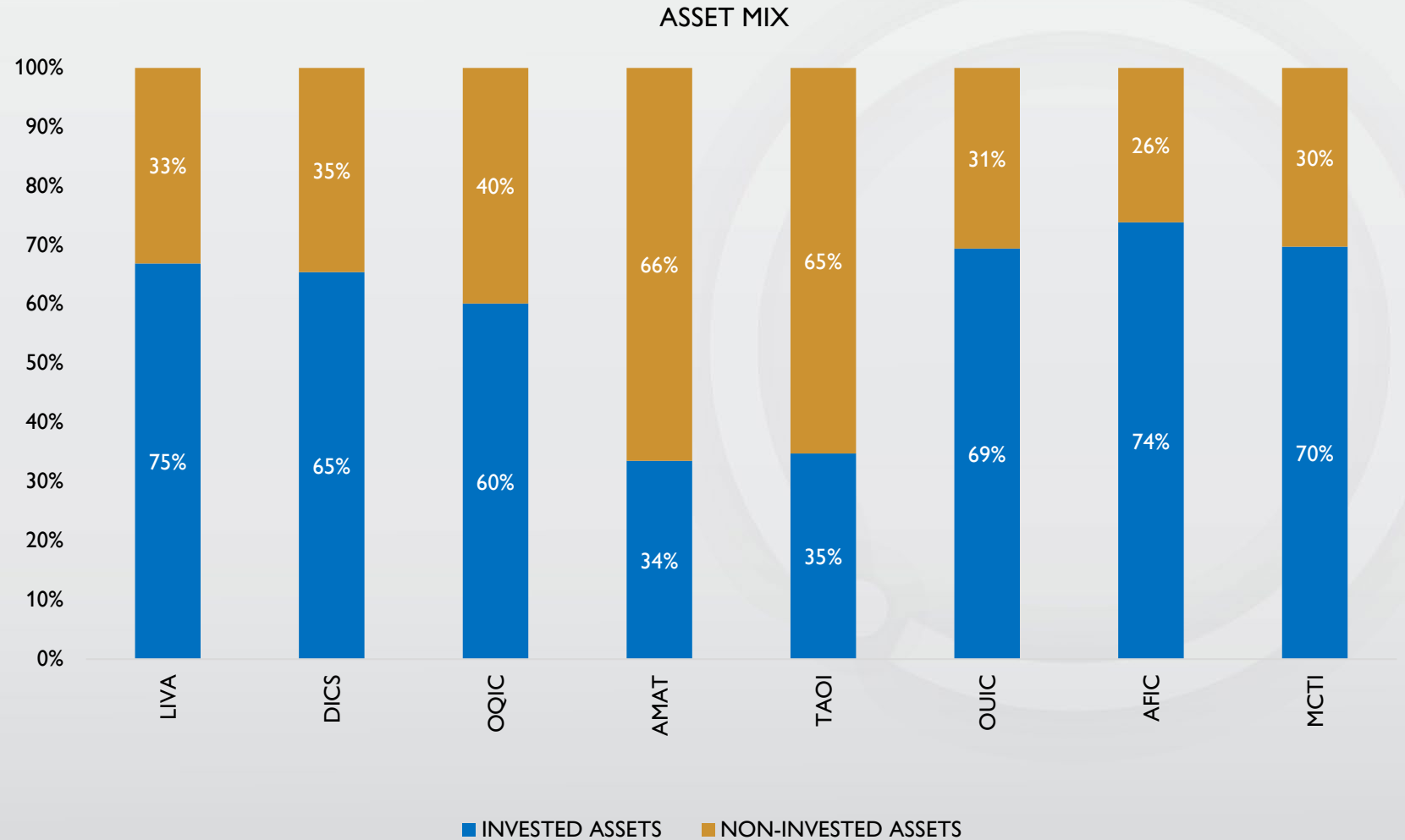


03

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 of September 30, 2024. AFIC has the highest proportion (70%) of invested assets, Whereas AMAT has the lowest proportion (34%) of assets invested. The market proportion of invested assets to total assets has been computed to be 61%. 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 Q3 2024.



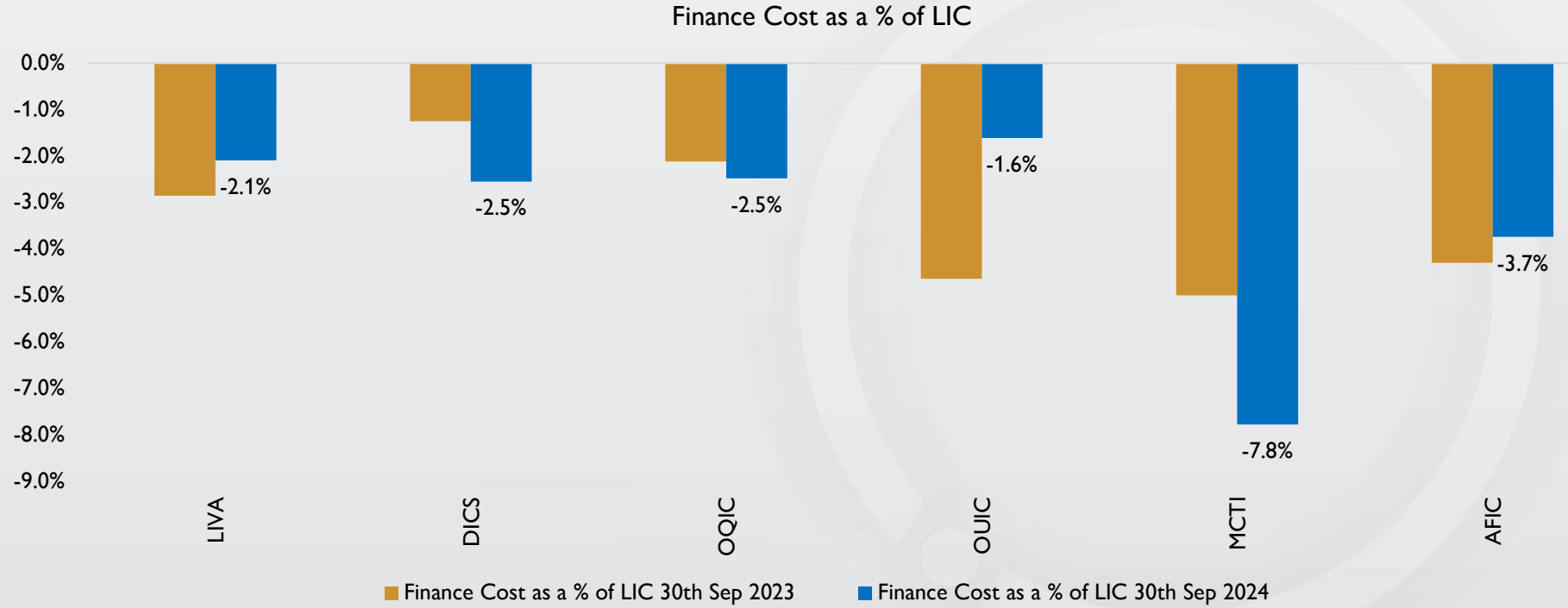


04

IFRS-17 Comparison

Finance income (or expenses) directly affect the valuation of liabilities for incurred claims through the discounting process under IFRS-17.

As most companies are using the Premium Allocation Approach (PAA), we have calculated this KPI by dividing it by the Liability for Incurred Claims (LIC). The graph illustrates the proportion of financial expenses/(income) in relation to the amount of claim liabilities.



Loss Component as % of Insurance Revenue

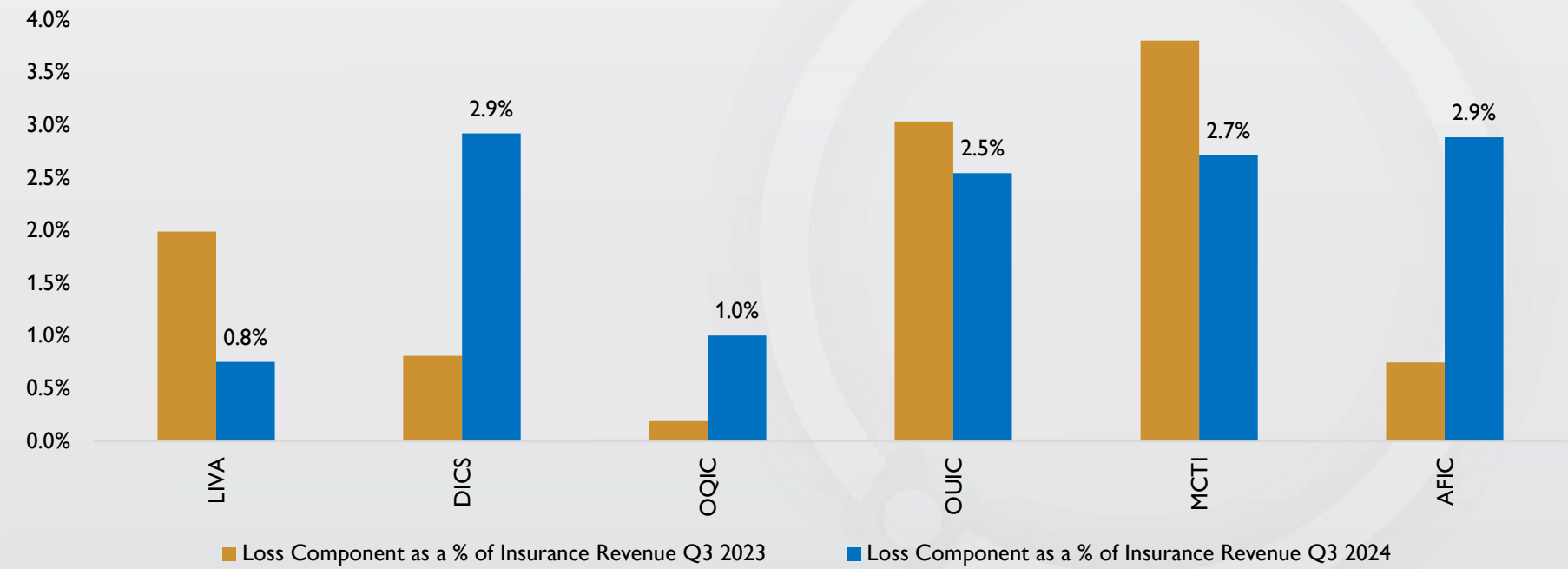


The relationship between the loss component and insurance revenue is vital for assessing an insurance company's overall profitability and financial performance. By analyzing this ratio, stakeholders can evaluate the efficiency of the company's underwriting activities and whether the premiums charged are sufficient to cover expected losses.

A lower percentage indicates the adequacy of reserves and the company's ability to accurately estimate and cover anticipated losses from insurance contracts.

LIVA shows the lowest proportion of the loss component relative to insurance revenue.

Loss Component as a % of Insurance Revenue

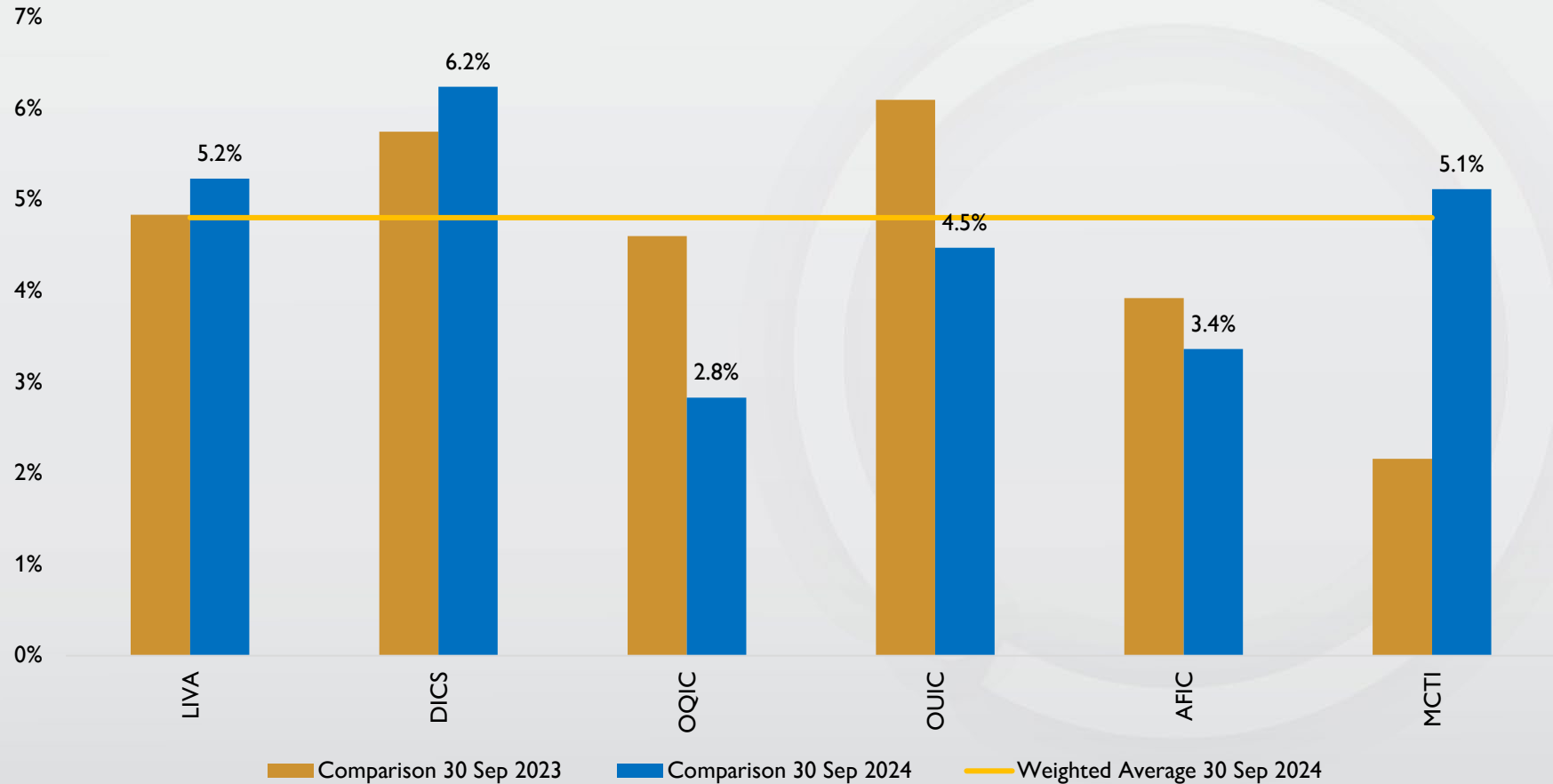


The graph illustrates the relationship between risk adjustment and the liability for incurred claims, offering valuable insights into the company's risk assessment and its thoroughness in accounting for these risks. This KPI is essential for stakeholders to assess the company's prudence and risk management practices in financial reporting under IFRS-17.

The weighted average proportion of Risk Adjustment in LIC for the period of 1 Jan 2024 is 5.1% and 30 September 2024 is analyzed to be 4.8% respectively.

The Highest Ratio is depicted by DICS of 6.2% whereas the lowest is shown by OQIC of 2.8% as at 30 September 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 an 8% increase, reaching RO 417 million in Q3 2024, compared to RO 385 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 54 million in Q3 2023 to RO 68 million in Q3 2024.

Insurance Service Results for conventional companies saw a decrease to RO -7.5 million from RO 8.0 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 9.5 million in Q3 2023 to loss of RO 2.4 million in Q3 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 -10% for Q3 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.

The insurance industry in Oman faces mounting challenges as companies engage in competitive pricing strategies, driving premiums down and squeezing profit margins. Additionally, the increasing frequency and severity of climatic events, such as cyclones, are reshaping the risk landscape, leading to significant financial strain due to rising claims and losses. These factors underscore the need for insurers to adopt more sustainable pricing strategies and enhance their risk management frameworks to navigate the evolving market dynamics effectively.



Disclaimer

We have undertaken an analysis of the Key Performance Indicators (KPIs) of the listed insurance companies in Oman Q3 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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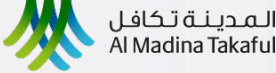
The inclusion of the IFRS-17 analysis in our reports introduces the possibility of encountering errors. This likelihood primarily stems from the inconsistency observed in the treatment of accounts within the financial statements across various companies. These disparities can pose significant analytical challenges and impede accurate interpretation of the data.

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. 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	48 Staff	Medical 9 Staff
KSA Actuarial	53 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	29 Staff	Data Science 7 Staff

Total Strength 200



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Q3 2024 – Omani Listed Insurance Companies



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Ali Bhuriwala

Co-founder & Executive
Director - BADRI



Avnit Anand

Associate Director - Actuarial



Hassan Athar

Senior Research Executive

Our Team



Our Feedback

BADRI Management Consultancy is proud to present Omani Insurance Industry Performance analysis Q3 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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