



**BADRI**

**OMANI LISTED  
INSURANCE  
COMPANIES**

**PERFORMANCE  
ANALYSIS FOR THE  
YEAR ENDED  
DECEMBER 31, 2019**

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**MAY, 2020**

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# BADRI

## ABOUT BADRI MANAGEMENT CONSULTANCY

BADRI MANAGEMENT CONSULTANCY IS THE FASTEST GROWING ACTUARIAL CONSULTING FIRM IN THE MIDDLE EAST, RECOGNIZED FOR ITS COLLABORATIVE APPROACH TO WORKING WITH ITS CLIENTS AS PROFIT OPTIMIZING PARTNERS. WE ARE SERVING AS APPOINTED ACTUARY FOR OVER 20 COMPANIES IN THE GCC. IN ADDITION, WE ARE PROVIDING OTHER SERVICES INCLUDING IFRS17 IMPLEMENTATIONS, DEVELOPMENT OF ERM FRAMEWORK, SPECIALIZED SERVICES FOR MEDICAL INSURANCE AND TPAs, BUSINESS INTELLIGENCE SOLUTIONS AND END OF SERVICE BENEFITS VALUATIONS.



# BADRI

## 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.

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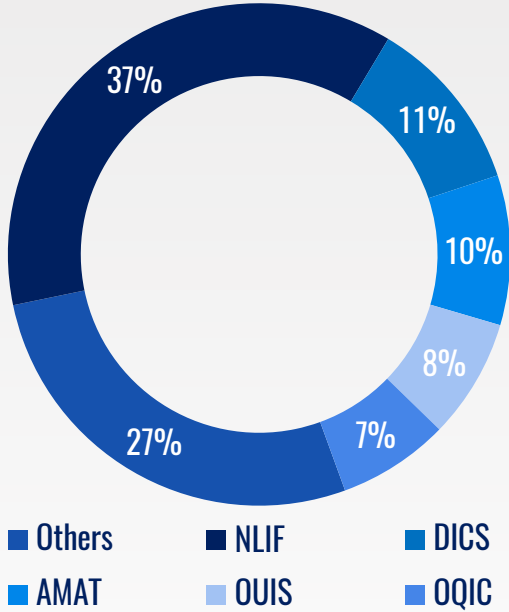
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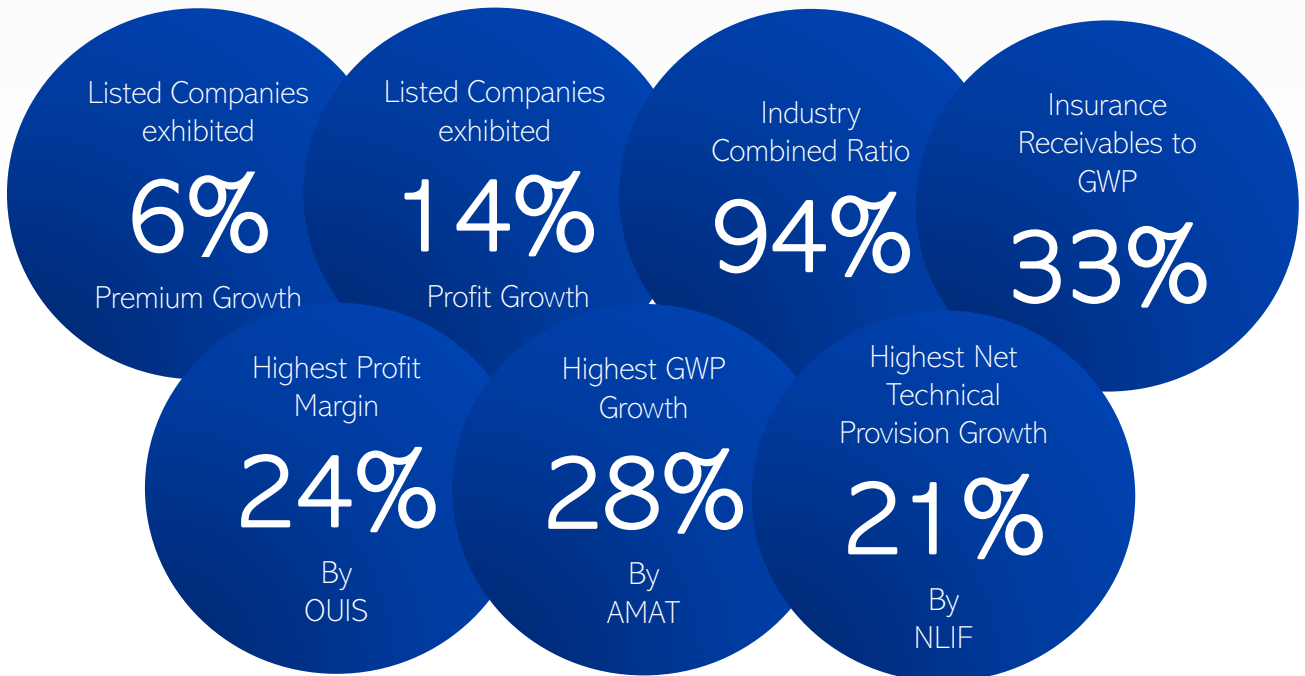
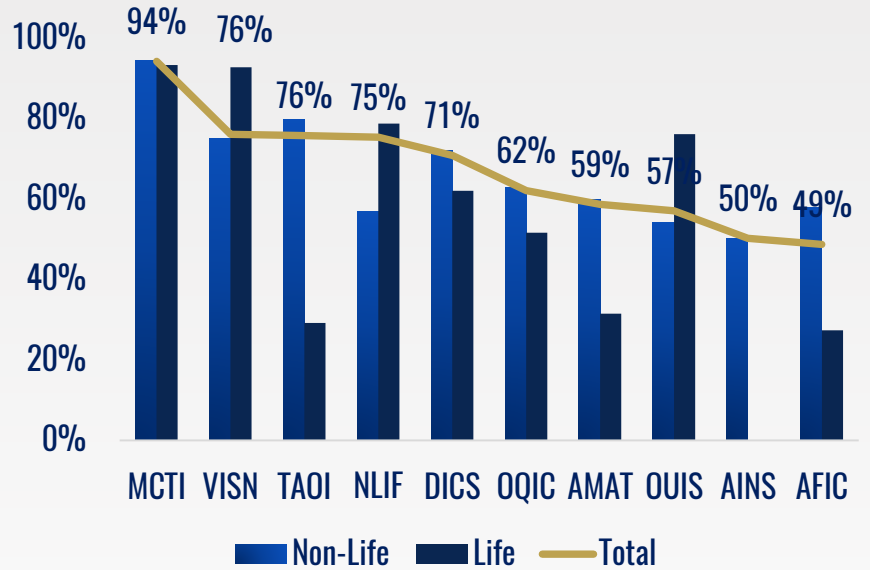
**27** Companies Included in the Analysis

# Summary of 2019

### Market Share



### Business Segment wise loss Ratio





# Look At The Previous Year

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RO381mn

Gross Written Premium of  
Listed Companies

RO197mn

Net Technical Reserves of  
Listed Companies

RO134.6mn

Highest Gross Written Premium  
NLIF

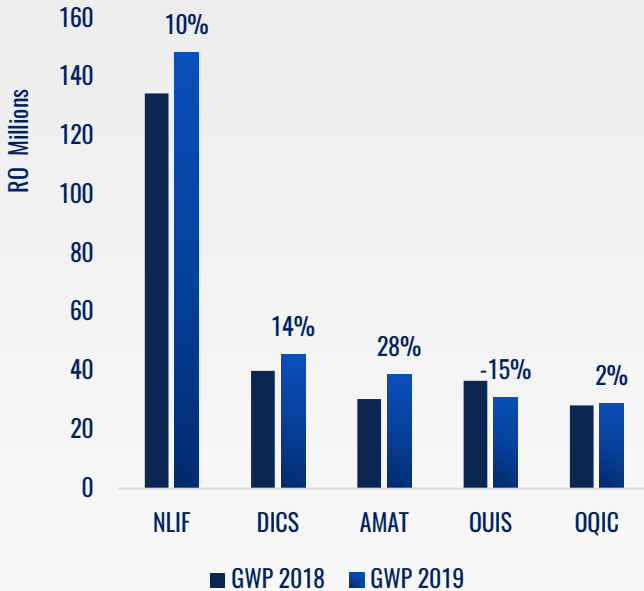
Contributes to 35% of the  
business share for 2018.

RO25mn

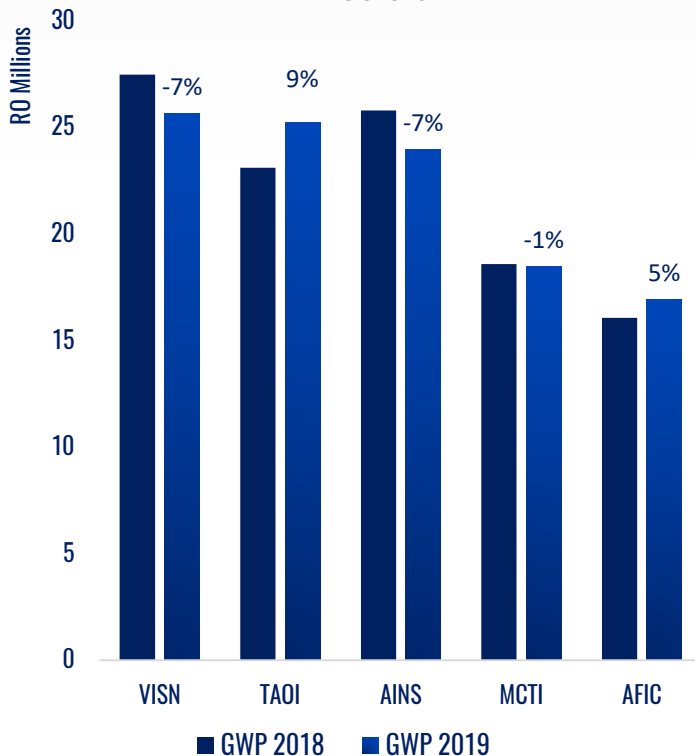
Profits of Listed Companies in  
2018

# Gross Written Premiums

## TOP 5



## Others



The Total Gross written premium of public listed insurance companies in the Sultanate rose to RO 403 million, depicting a growth of 6% from 2018.

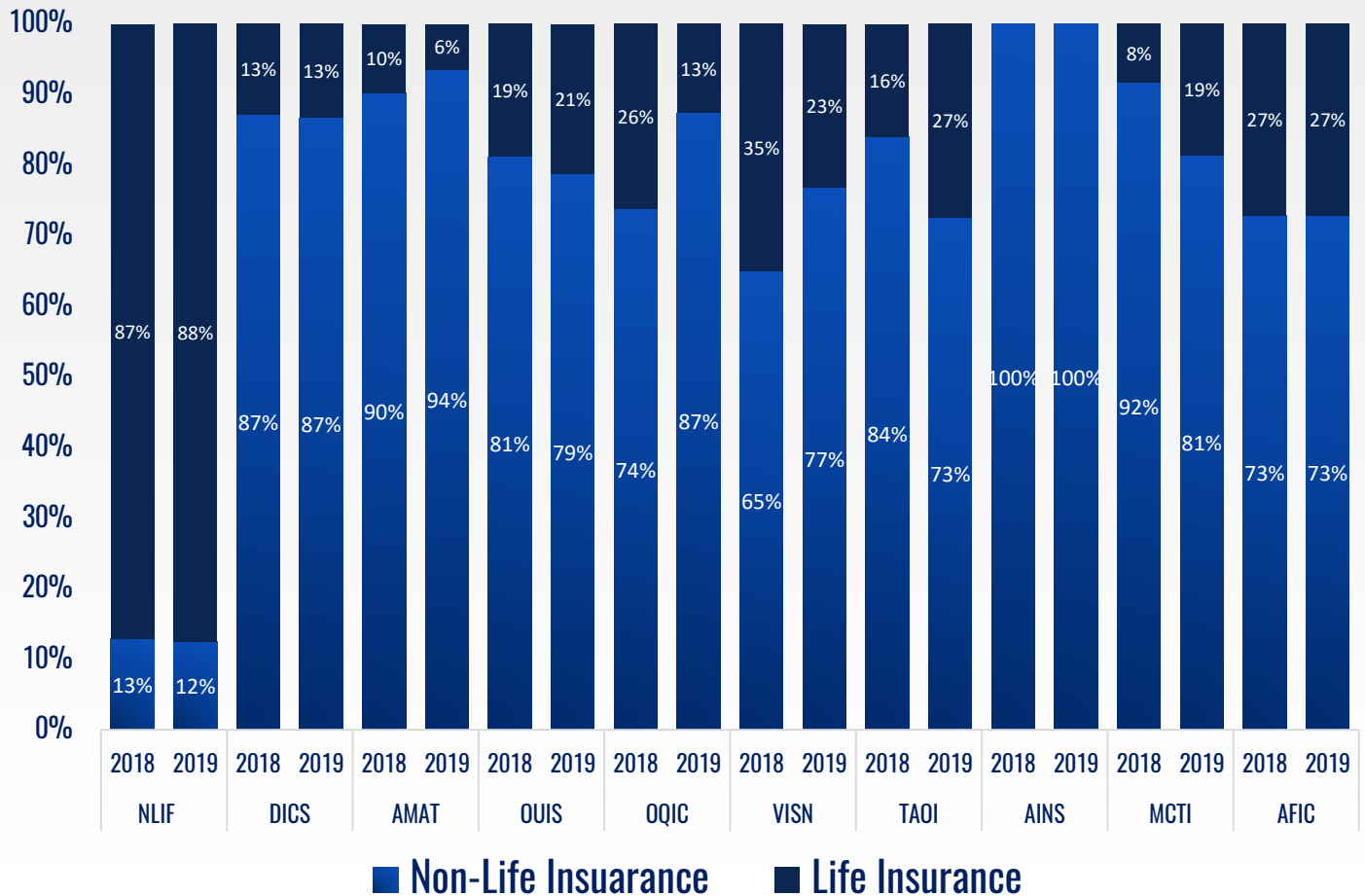
Among the listed companies, the TOP 5 insurers in terms of GWP amounted to RO 293.2 million, contributing 73% of overall market.

NLIF being the market leader in Health Life Insurance secures top rank and contributes 37% share in listed insurance sector for FY 2019 which was 35% in 2018. NLIF's premium of RO 149 million includes RO 85 million from overseas subsidiaries. However, as the consolidated numbers are reported we have used the consolidated financials statements.

AMAT on the other hand, having the highest growth (28%) of GWP over 2018, ascends in the top 3 insurance companies in the Sultanate.

# Gross Written Premiums

## Line of Business Wise Written Premium Breakup



The business for NLIF concentrates in Health Life Insurance which comprises 88% of the total gross premiums for 2019, this has depicted a growth of 11% in amounts.

The overall listed companies of Oman concentrates in Non-Life Insurance Business contributing 58% for 2019 and the contribution has not changed from last year where AINS engaging in only Non-Life sector in the Omani Industry.

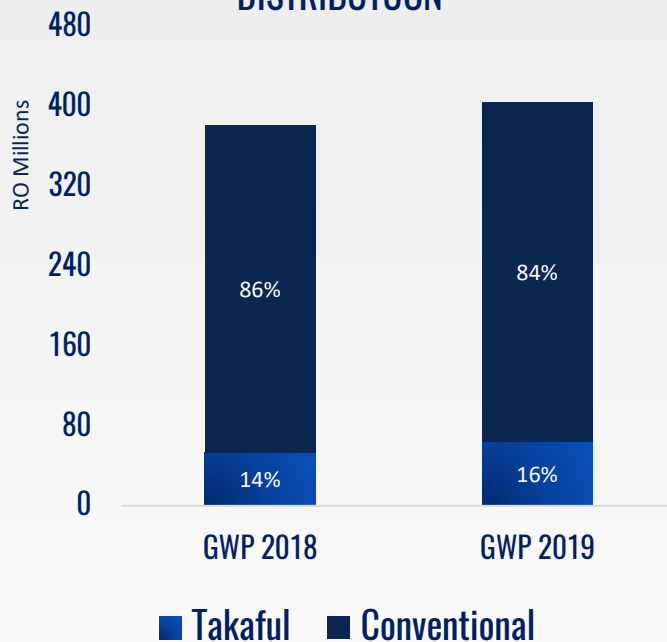
The Oman Insurance has exhibited a growth in both Non-Life and Life business segments with 5% and 6% respectively.

The above is sorted with respect to Gross premium in descending order.

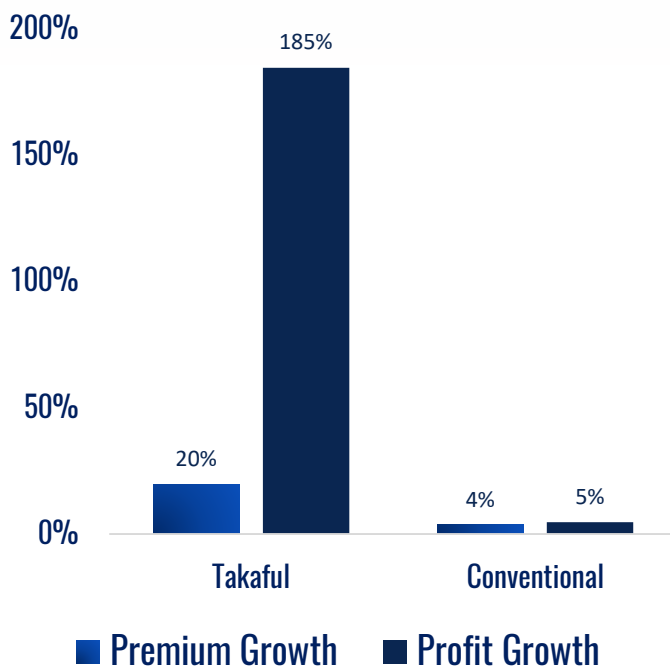


# Conventional Vs Takaful

**TAKAFUL & CONVENTIONAL BUSINESS DISTRIBUTUON**



**BUSINESS GROWTH FOR CONVENTIONAL & TAKAFUL INSURERS**

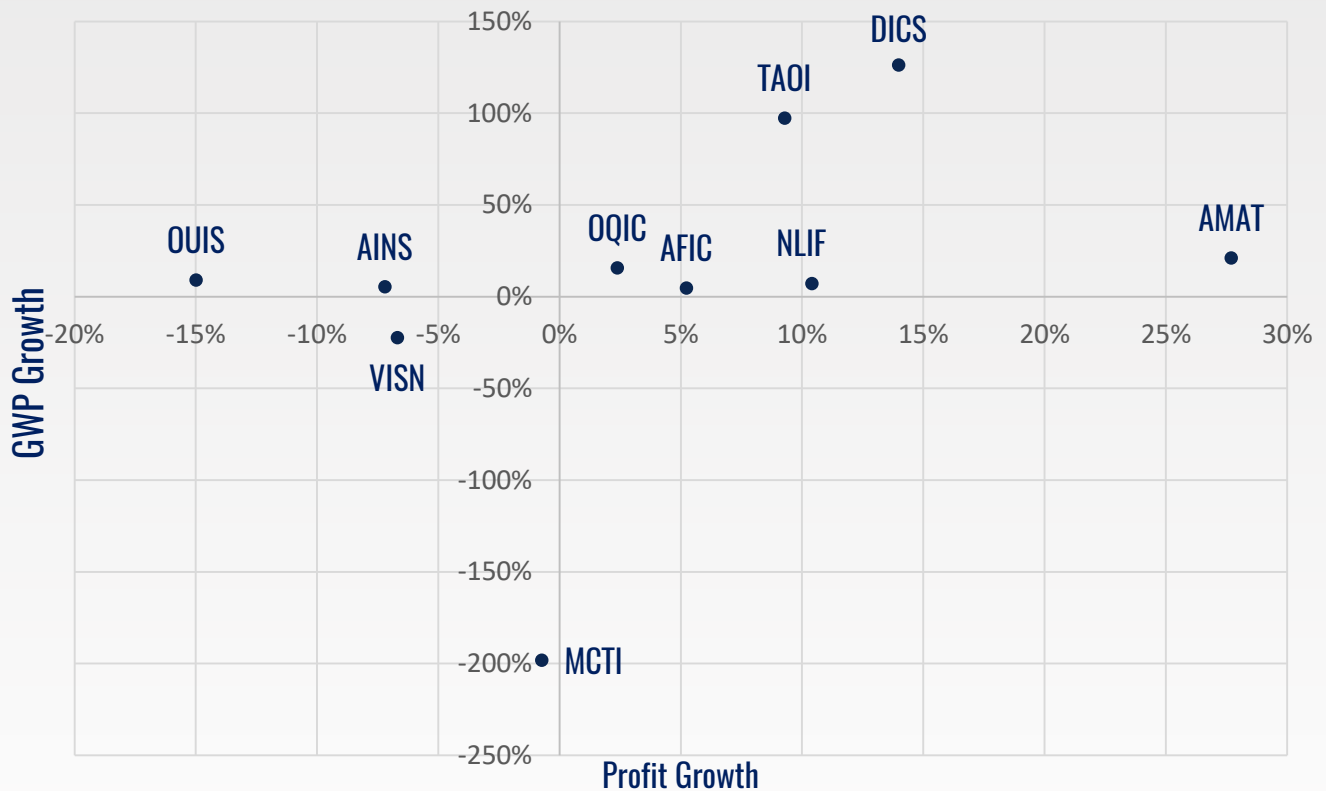


In the Sultanate of Oman, out of 10 listed insurance companies, only 2 operates as Takaful Insurers, contributing 16% of the total written business in 2019 which grew from 14% from 2018.

The spike in profit growth of Takaful insurers pertains to TAOI, who reduced their deficit significantly from RO 2.2 Million for the year 2018 to RO 62K depicting an improvement by 97%. Whereas, the volatile growth in Takaful Business is due to AMAT.

Conventional Insurers have observed a stable growth in terms of both business and profits.

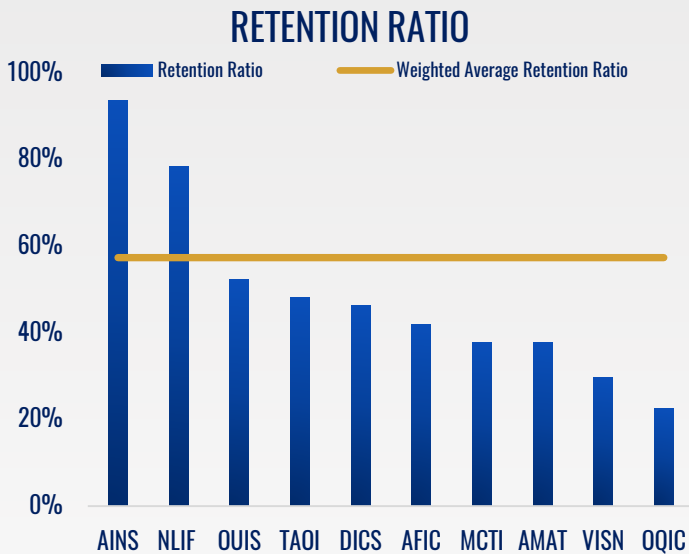
# Premiums & Profit Analysis



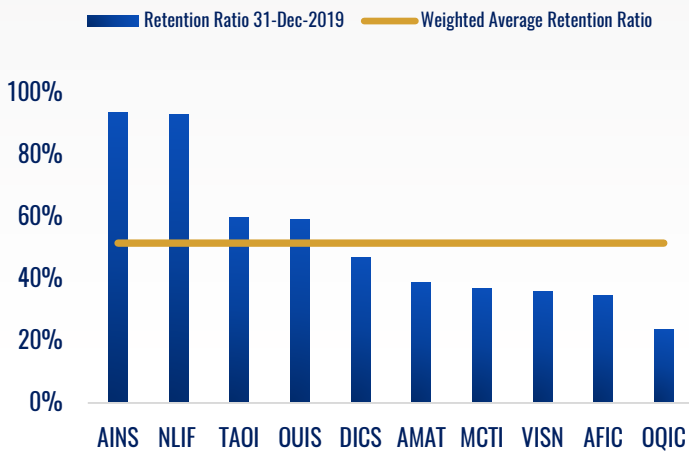
The summary of premium and profitability growth of the Listed Companies from last year-ended 2018 is presented. DICS, AMAT and MCTI are performing at extremes in the Oman Sultanate in terms of both profitability and business growth.

Company	Ranking GWP	Profit	Indic.
NLIF	1	1	→
DICS	2	4	↓
AMAT	3	8	↓
OUIS	4	3	↑
QQIC	5	5	→
VISN	6	6	→
TAOI	7	9	↓
AINS	8	2	↑
MCTI	9	10	↓
AFIC	10	7	↑

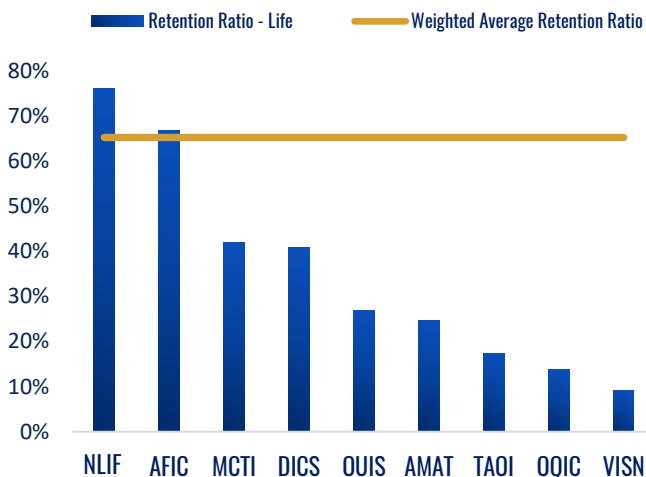
# Retention Ratio



## Retention Ratio - Non - Life Business



## Retention Ratio - Life Business



The retention ratios have been calculated as a ratio of net written premiums to gross written premium

The weighted average retention ratio for 2019 stood at 57% for the listed companies in the Sultanate with AINS reflecting highest retention of 94% while OQIC depicting the lowest retention of 22%.

Although there may be exceptions, retention ratios are generally reflective of lines of business being underwritten; Motor and Medical generally tend to have high retention ratios while commercial lines such as Aviation, Engineering and Fire tend to have lower retention.

Since this analysis segregate Life and Non-Life business, the Companies writing higher volumes of life shows higher retention levels.

The weighted Average Retention ratio for Life Insurers is found to be 65% for 2019 where as Non-Life Insurers are retaining 52% of the business where OQIC has an overall lowest retention and is not derived due to nature of business.

A further segmentation on line of business is not performed due to limited information available.

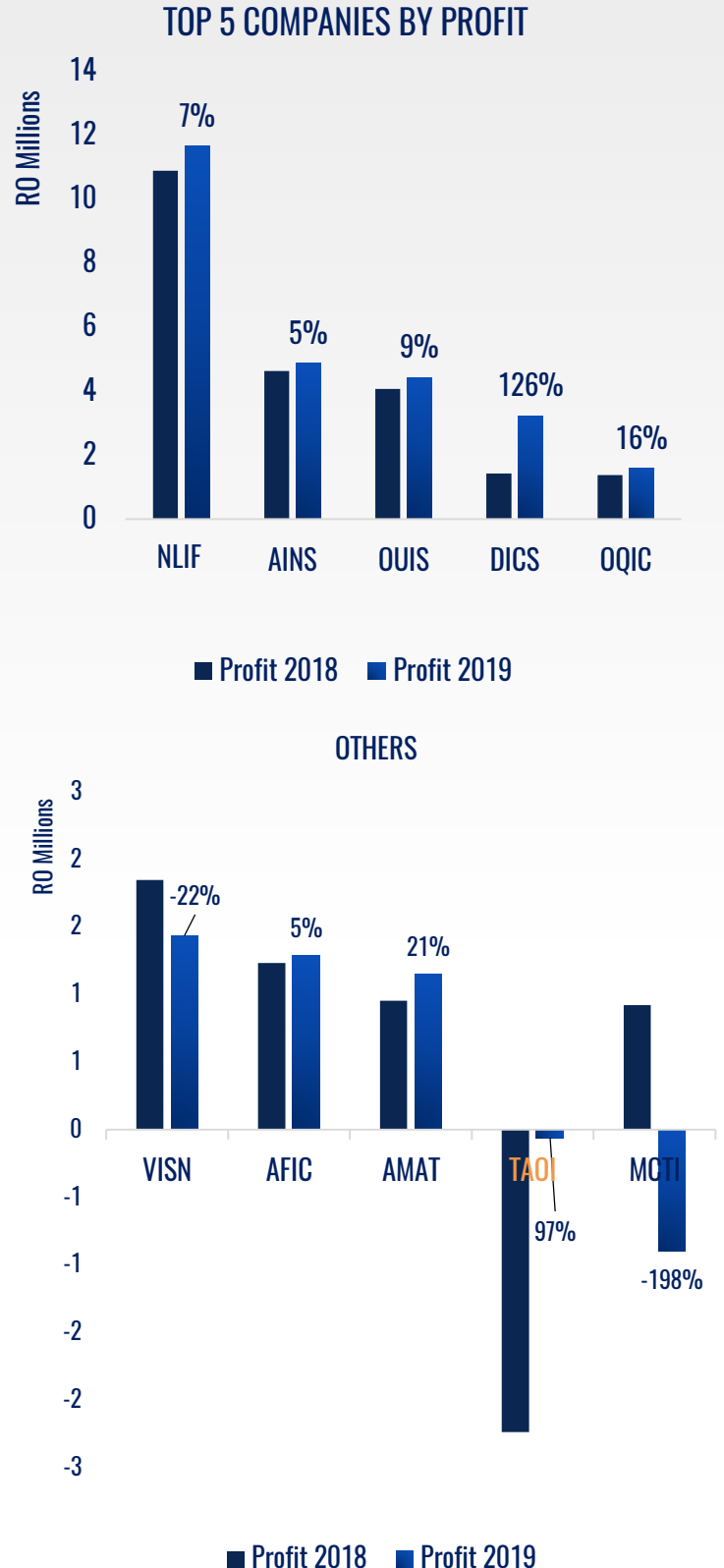
# Profit Before Tax

The public listed Insurance companies in the Sultanate of Oman has shown a profit growth of 14%, where the total profit amounted to RO 28.7 Million for Year ended 2019 compared to RO 25 Million of the corresponding period of 2018.

NLIF booked the highest profits amounting to RO 12 Million, an increase of 7% from 2018 (RO 11 Million) which comprise 41% of total profit share of the listed companies in the Omani sultanate for FY 2019.

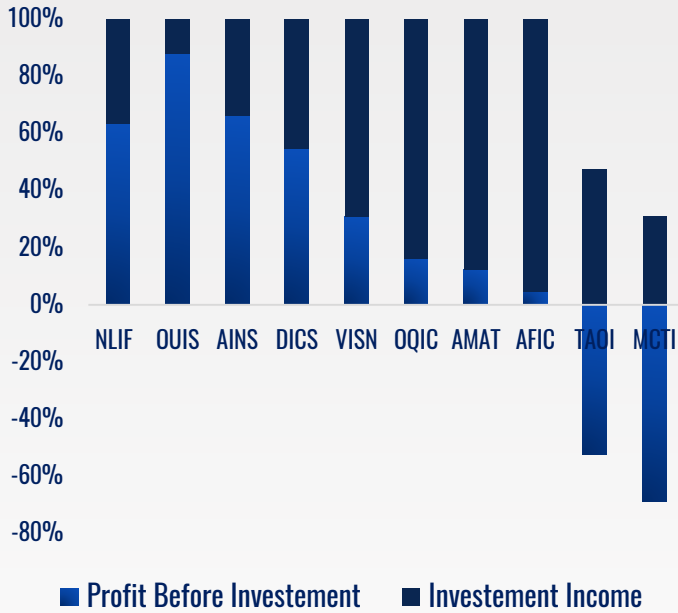
For the year ended 2019, the highest growth in profits was recorded by Dhofar Insurance Company while the biggest decline of 198% for the period was recorded by Muscat Insurance, it recorded losses in YE 2019 from making profits when compared with corresponding period of 2018. Where Takaful Oman Company had significantly improved its loss making books by 97% with a deficit record of only RO 62K for the period ended 2019.

For Takaful companies, net profits before tax on policyholder and shareholder accounts are consolidated for comparative purpose.



# Profit Before Tax

PROFIT COMPOSITION - UNDERWRITING & INVESTMENT INCOME



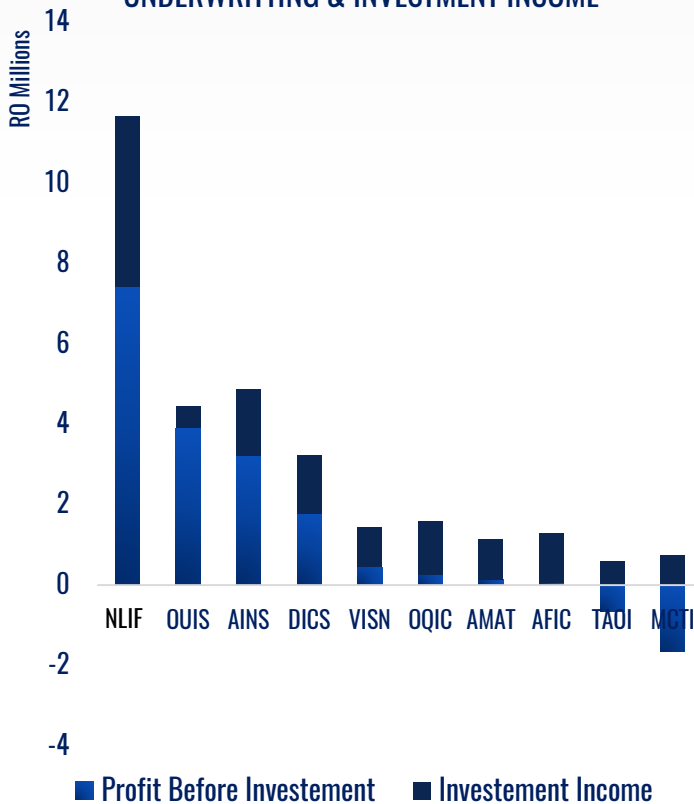
Investment Income has contributed in generating profits for all of the listed Companies performing in Oman.

Insurance companies that recorded losses from their underwriting business were able to minimize the impact from investment incomes.

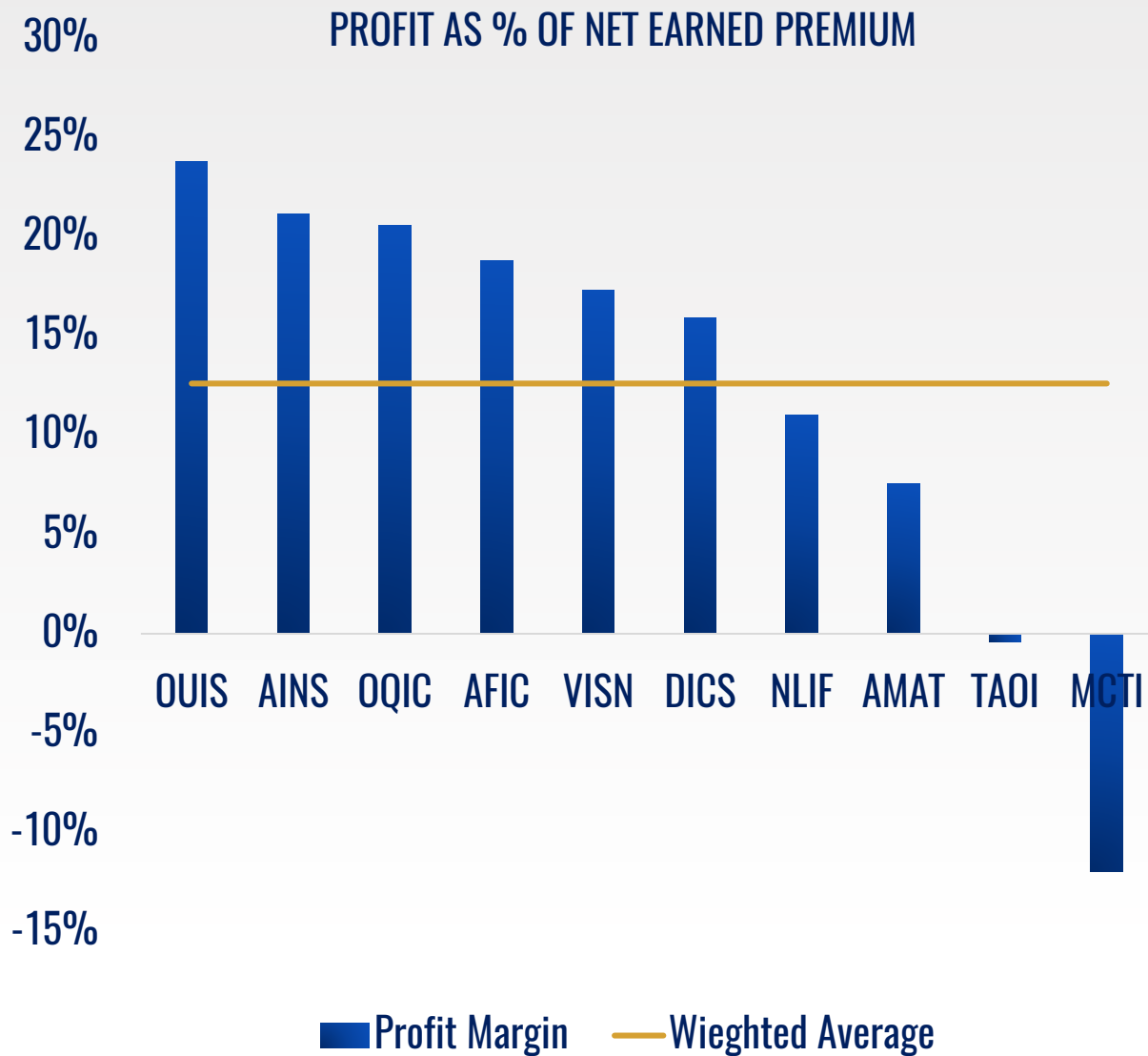
This shows that there is a room for improvement in the underwriting strategies in the market because the primary source for generating profits should be from insurance activities for insurance companies.

The above is sorted by Profits before investment income.

UNDERWRITING & INVESTMENT INCOME



# Profit as a Percentage of Net Earned Premium

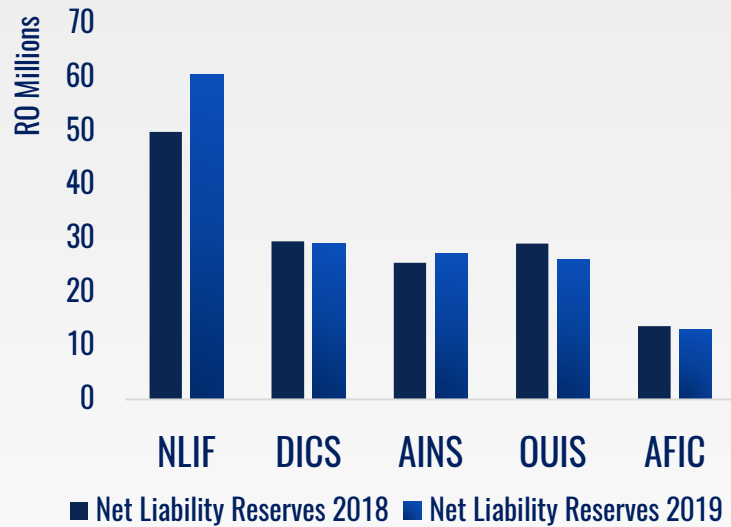


The above graph illustrates the bottom line profit / (deficit) as a proportion of net earned premium for the listed companies of the Sultanate in 2019.

The Listed insurance market of Oman has been generating profitable books except for TAOI and MCTI. The Industry' profit as a proportion of retained business averages to be at 13% for 2019.

# Net Technical Reserves

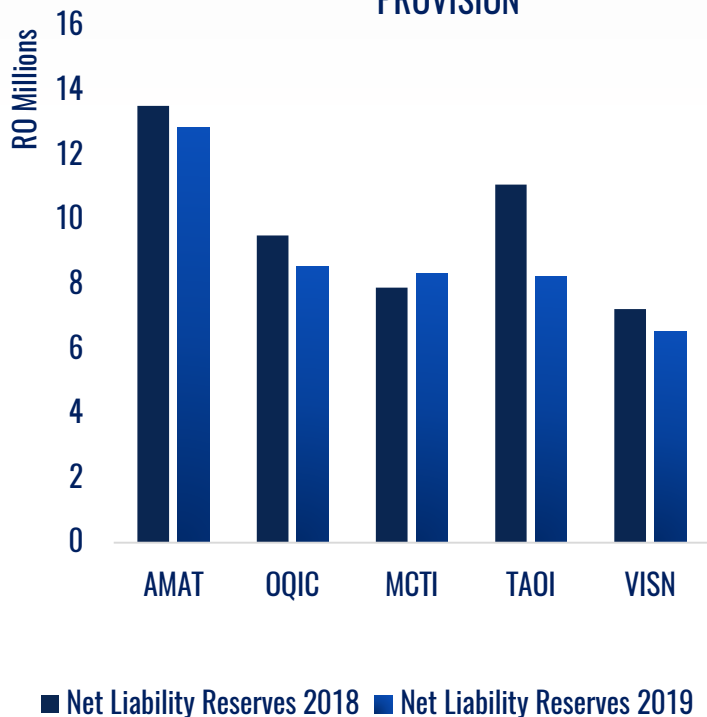
TOP 5 COMPANIES BY NET TECHNICAL PROVISIONS



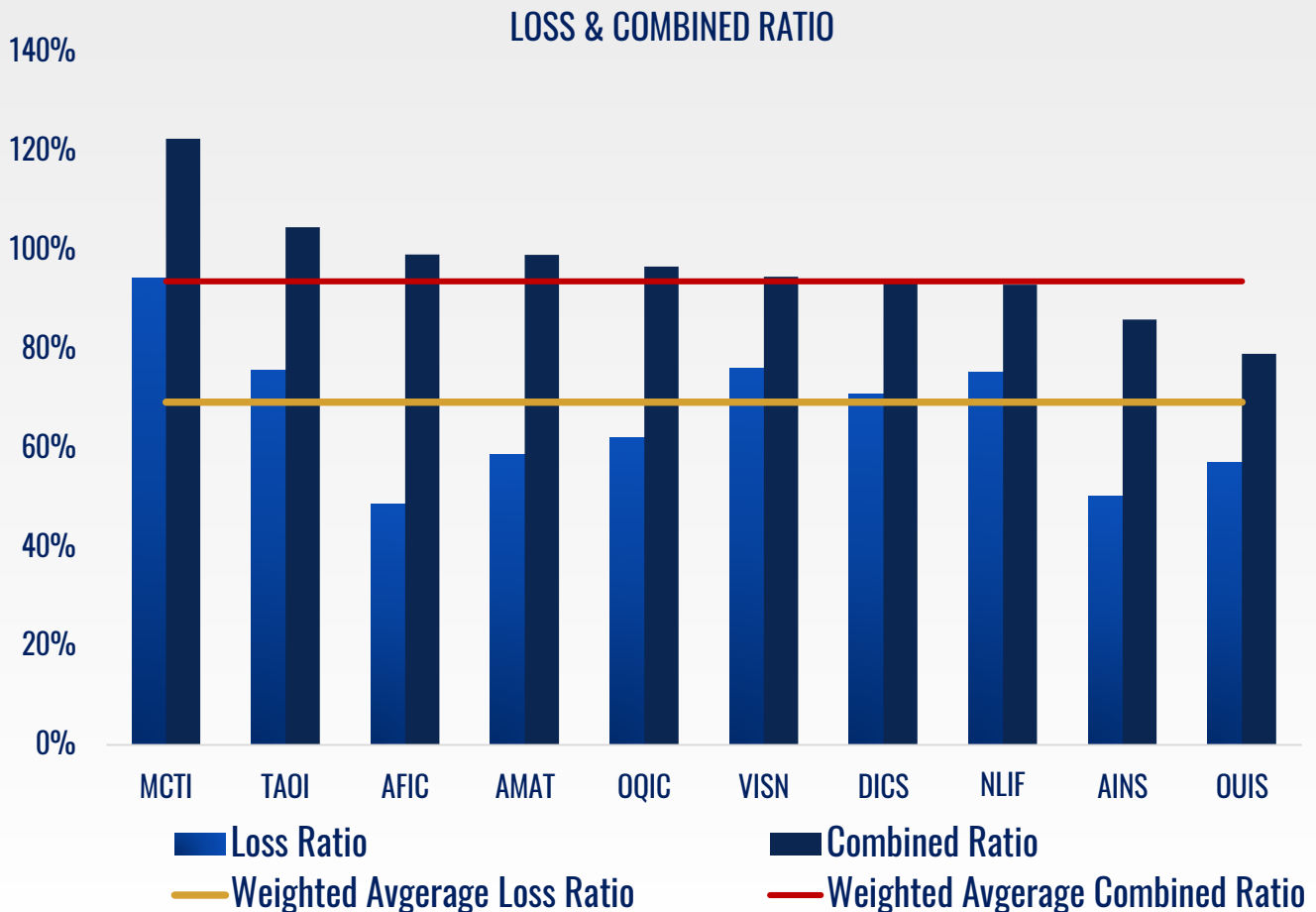
Total Net reserves as at year end 2019 increased by 2% when compared with the corresponding period of 2018.

NLIF in term of booking technical provisions secured the highest rank where the provisions grew by 21% from 2018, since the company engages in Life business, the increase in provision would be implied by other assumption changes such as discount rates, mortality and surrenders etc. rather than business increase only.

REMAINING COMPANIES BY NET TECHNICAL PROVISION



# Loss & Combined Ratio



The weighted average loss and combined ratio of the listed insurance companies in the Sultanate of Oman is computed to be 69% and 94% respectively, with MCTI bearing the highest loss ratio and combined ratio of 94% and 123% respectively, whereas the lowest combined ratio is depicted by Oman United Insurance Company.

For Takaful companies we have consolidated the policyholders and shareholders P&L for comparative purposes. A company is deemed to be profitable from an underwriting perspective if the combined ratio is below 100%.

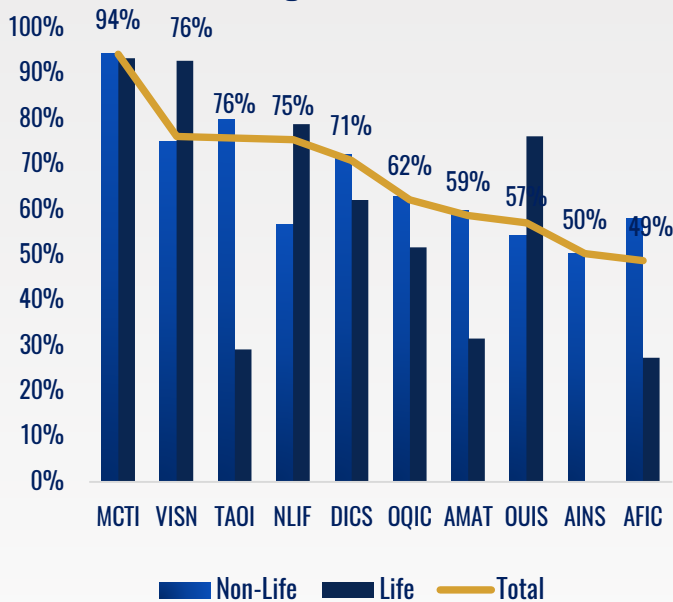
Loss Ratio is computed as Net Incurred Claims over Net Earned Premium.

Combined Ratio is calculated as ratio of net Incurred Claims along with expenses and net commissions over net earned premiums.

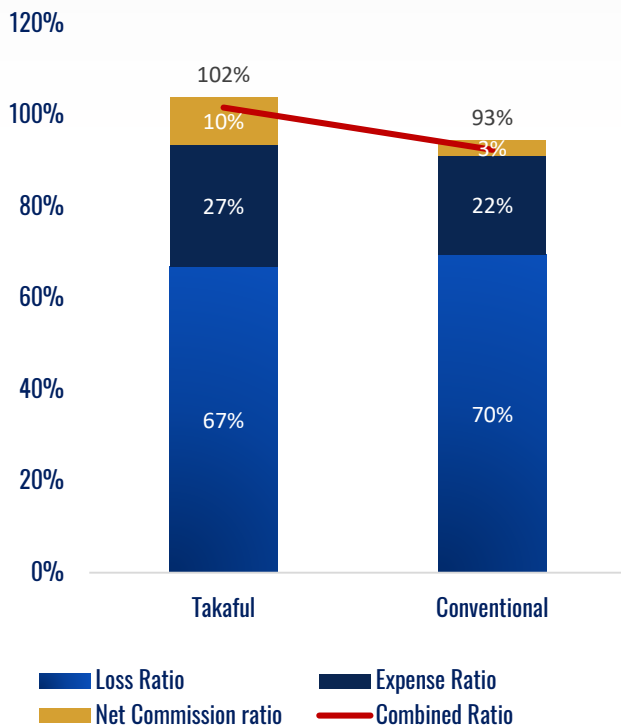


# Loss & Combined Ratio

Business Segment wise loss Ratio



Loss and Combined ratio performance - Insurer type



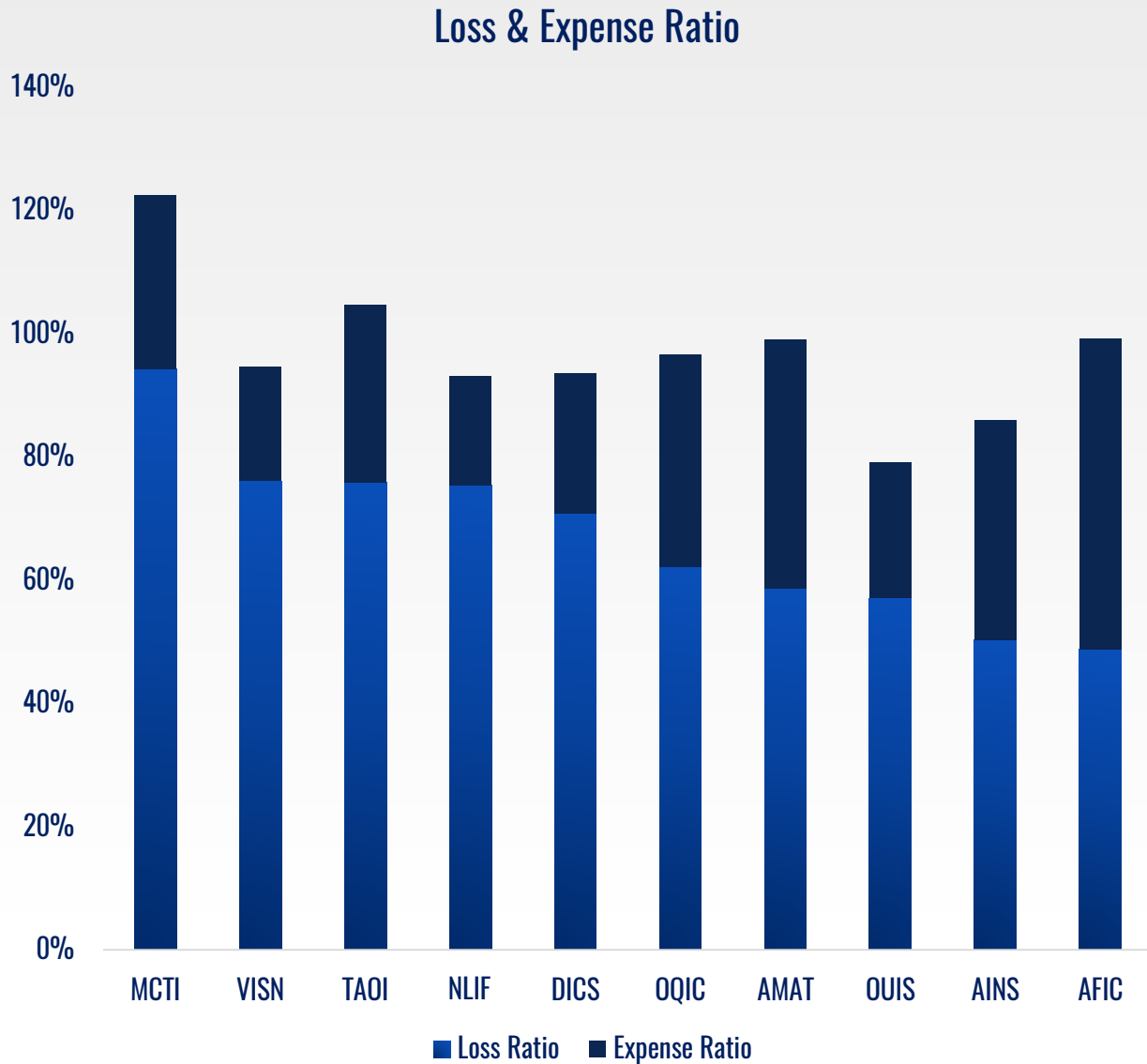
Since the Life and Non-Life business segment wise information was available, Loss Ratio analysis on the breakup is also presented.

They weighted average loss ratio for Non-Life business worked out to be 63% whereas Life business had a weighted average of 77%.

The weighted average loss ratios for conventional insurer and takaful insurer do not differ significantly however, the Takaful insurers are recording an overall deficit by 2% for the period 2019 which is mainly pushed due to higher expenses and commissions.

It is observed that the Conventional insurers earn from commission thereby the average cost reduces marginally by -19% (negative implies income). This is also expected since the company has lowest retention limit.

# Loss & Expense Ratio

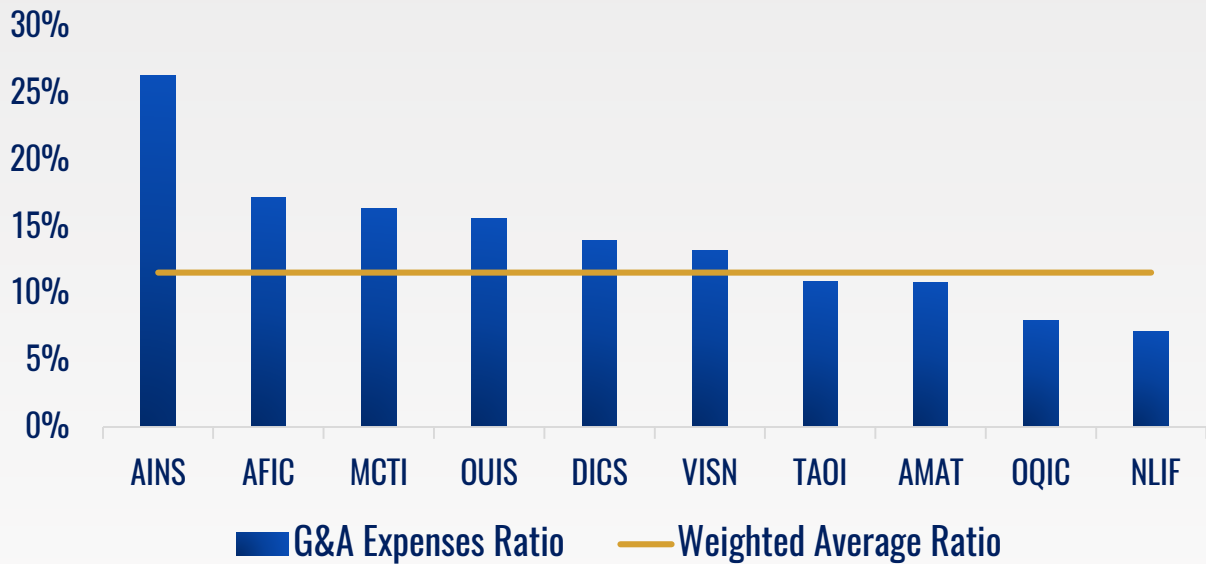


The above is sorted with respect to the loss ratio of the Company.

As evident, AFIC have the lowest loss ratio however, the high expenses push the combined ratio close to border mark of 100%, where AFIC has also recorded the highest expense ratio of 50%.

# Expense Ratio

## G&A EXPENSE AS A RATIO OF GROSS WRITTEN PREMIUM



The weighted average G&A expense ratio of the industry works out to be at 12%. AINS have the highest expense as a portion gross premiums for the year-ended 2019, whereas the lowest expense are observed by NLIF which is foreseen considering the large volumes of share in Omani insurance sector in terms of written business.

Since larger companies that have extensive business scale have lower expense ratio, as they have sufficient business to absorb the cost base.

It is commonly believed that G&A expense ratio should be analyzed on the basis of gross written premiums for the company hence, the same is included in our analysis.

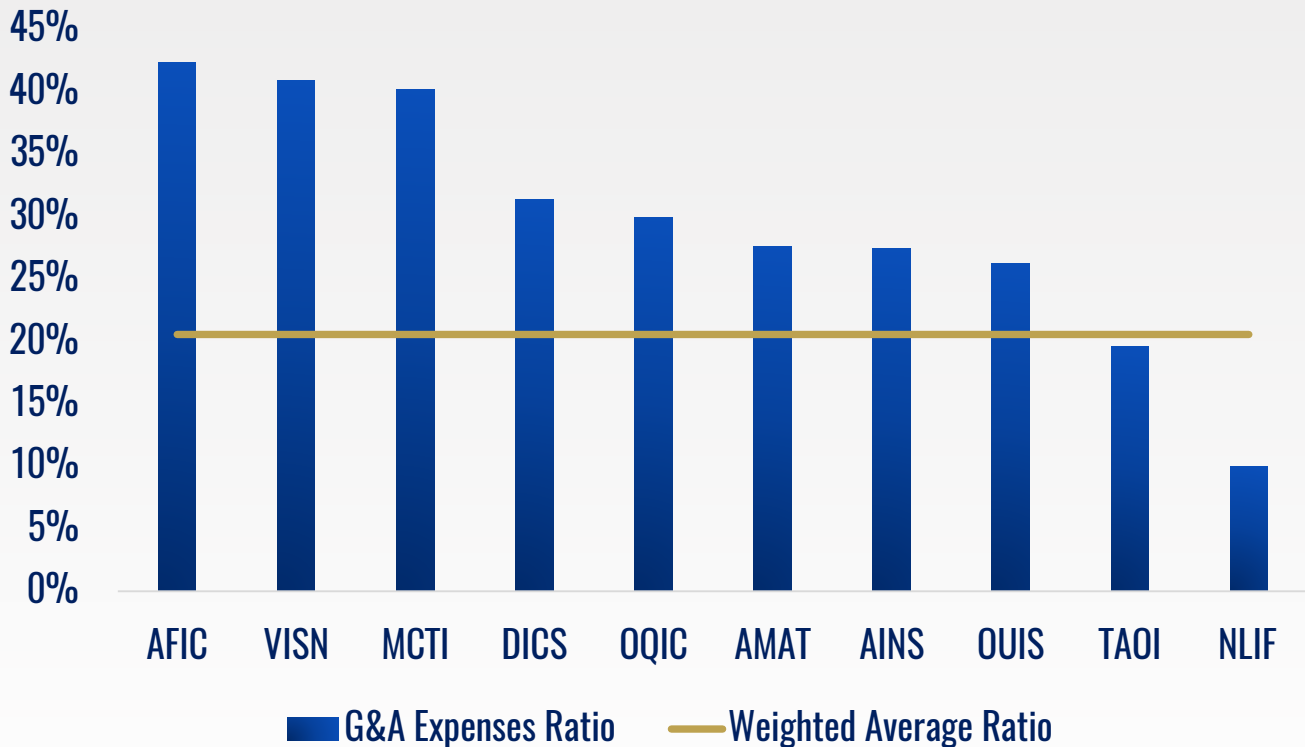
Expense Ratio = General and administrative expense as a percentage of Gross Written Premium

For Takaful companies, same has been used for comparative purposes and wakala fees is ignored, as wakala fees is a positive in one account and a negative in the other.



# Expense Ratio

G&A EXPENSE AS A RATIO OF NET EARNED PREMIUM



The average ratio for the Oman Insurance industry stood at 21%, with AFIC bearing the highest expense ratio which culminates to 42% by VISN and MCTI with ratio of 41% and 42% respectively owing to low retention of the business.

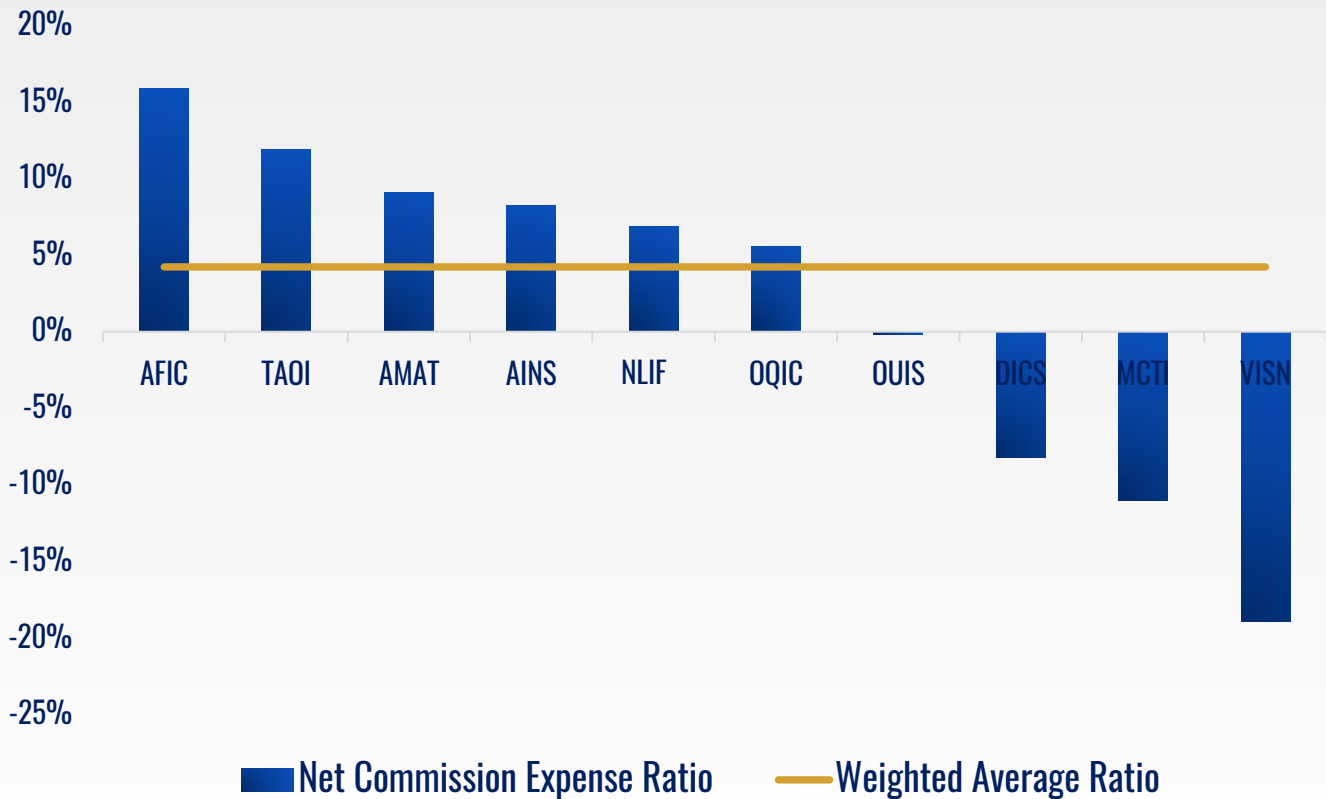
NLIF recorded the lowest expense ratio in the industry at 10% as the large base absorb the expense cost.

The expense ratio is worked out as:

Expense Ratio = General and administrative expense as a percentage of Net Earned Premium

# Expense Ratio

## COMISSION EXPENSE RATIO



The highest commission expense ratio recorded for the financial year ended 2019 is for AFIC at 16% while VISN experienced the lowest ratio of -19%. The average net commission average for the Omani Insurance Industry stood at 4%.

The commission expense considered is the net commission (commissions paid less commissions earned); a negative ratio signifies that the commissions earned outweigh the commissions paid. It is common practice for companies to cede out large proportion of commercial lines business and benefit from the reinsurance commissions, which is also evidenced by the low net commission ratio.

It is felt that there is an inherent need to optimize reinsurance arrangements so that companies can benefit from underwriting profitable business without passing the risk and reward to re-insurers and just acting as fronting partners; at the same time not effecting their solvency position.

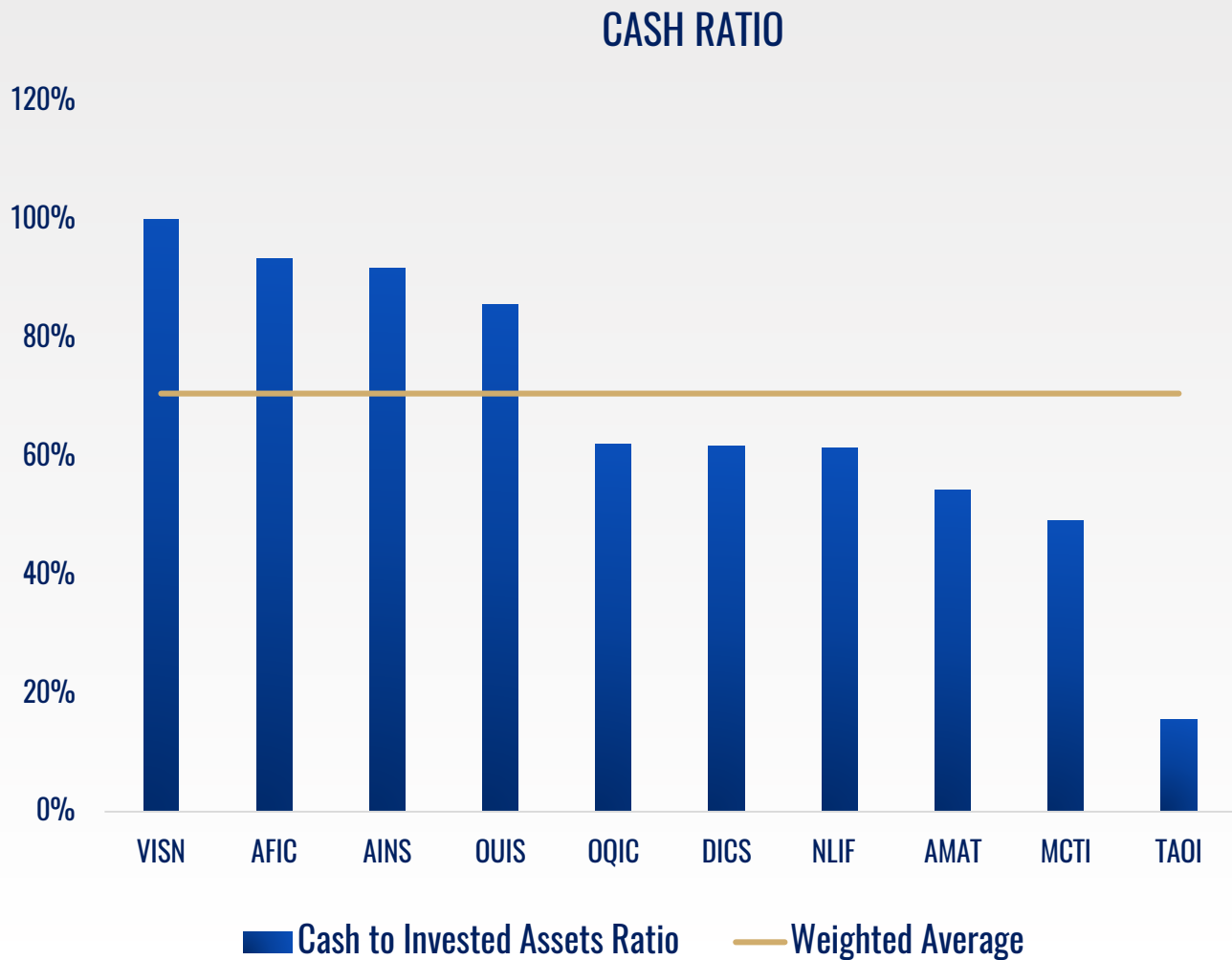
# Return On Equity



The weighted average return on equity for the Oman insurance industry turns out to be 12%. NLIF depicting the highest return on equity of about 22% whereas MCTI has recorded the lowest return of -5% among the listed companies in Oman.

The return on equity is calculated as a ratio of net profit recorded for the period ending 2019 to a total of shareholder's equity at the beginning of the period.

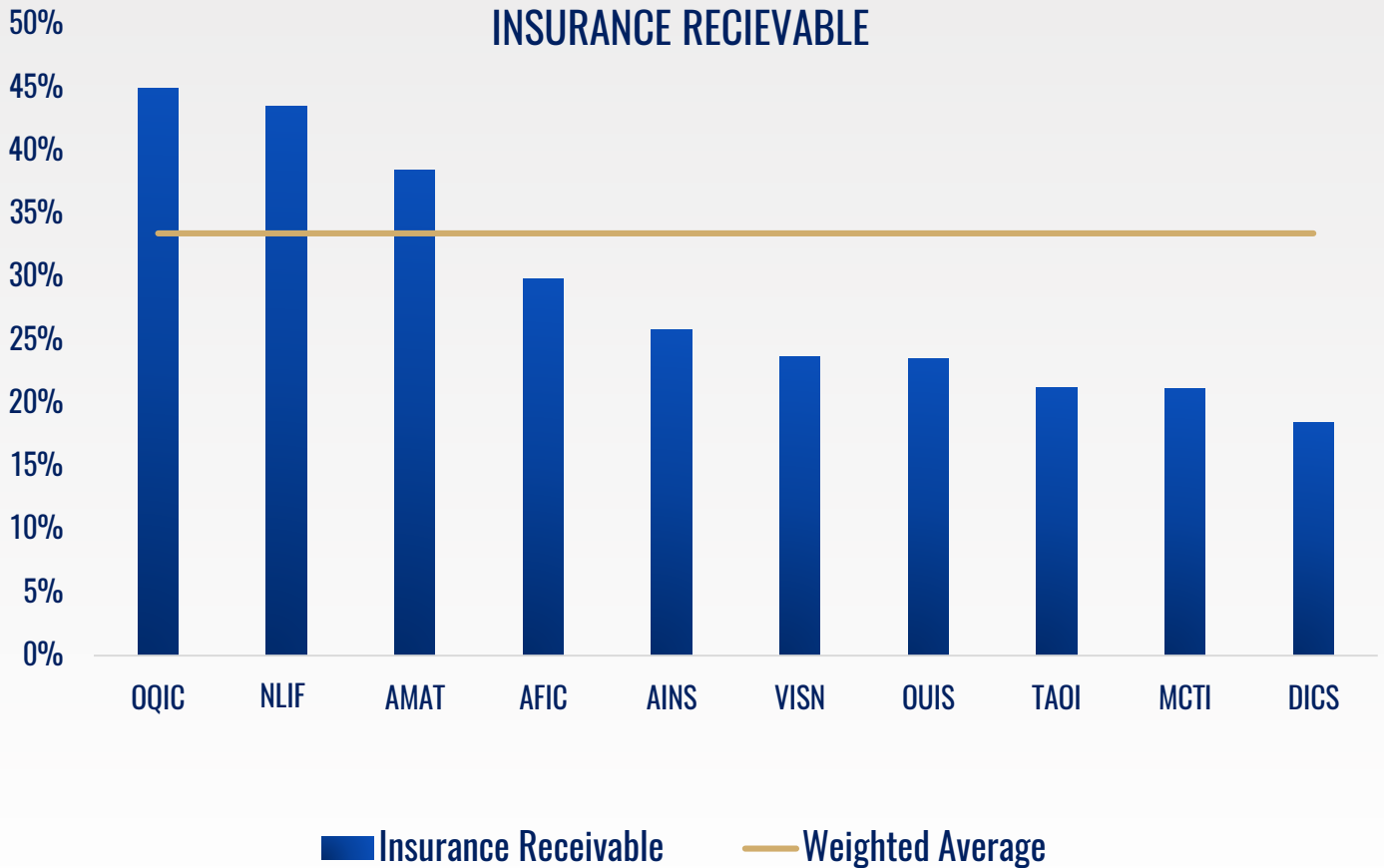
# Cash To Invested Assets



The cash ratio of the industry averages out to be 71% of the listed insurance companies in the Oman Sultanate. VISN having the highest levels of 100% maintained as Cash, while the lowest being 16% reflected by TAOI.

The Cash ratio has been taken as the ratio of cash deposits to total invested assets.

# Insurance Receivables

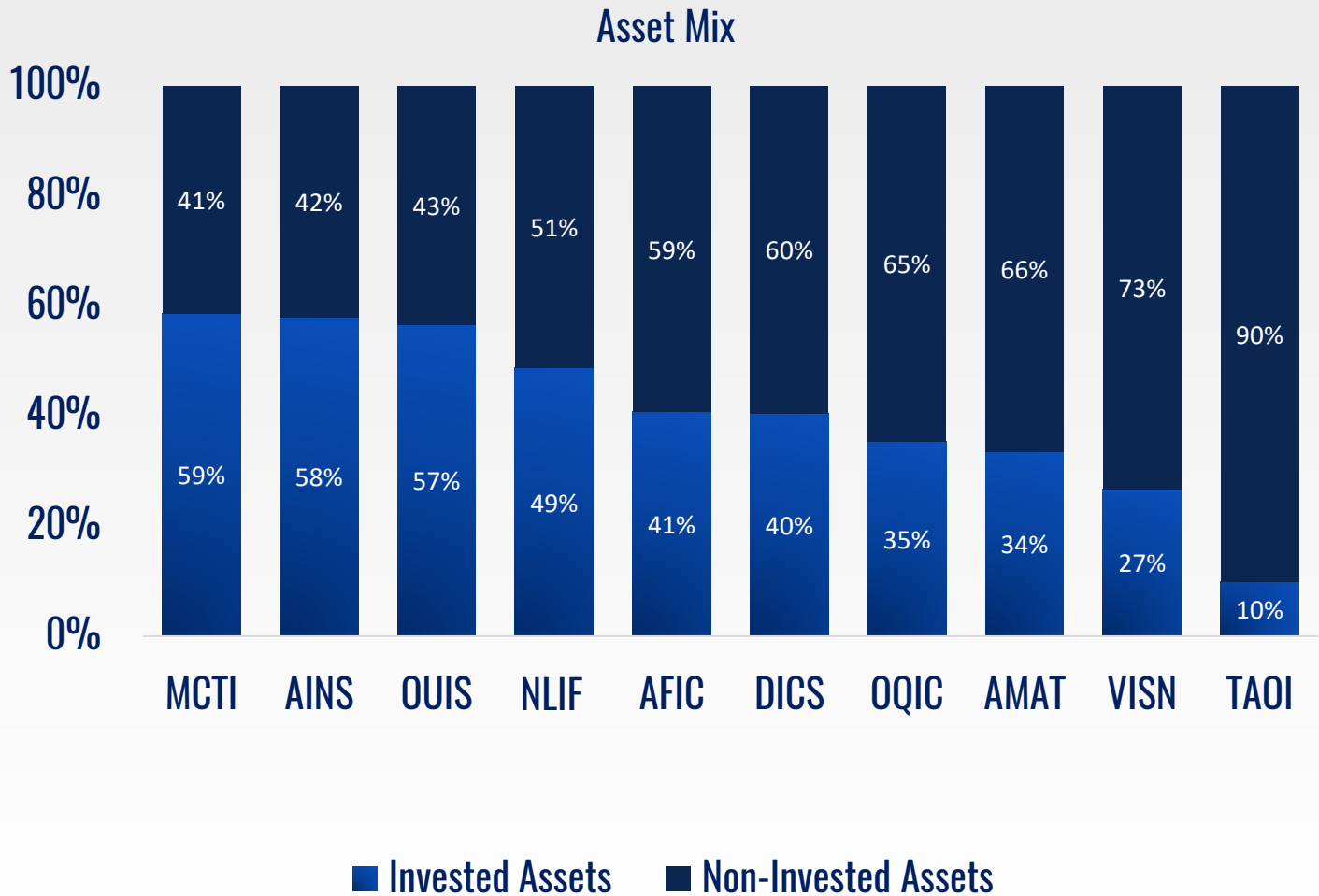


The insurance receivables are computed as a ratio of Insurance receivables of the company over gross written premium of last 12 months.

OQIC has observed to have the highest receivable ratio of 45%, while DICS recorded the lowest ratio of 18%. The weighted average insurance receivables for the Omani industry stood at 33% for the year end 2019.



# Asset Mix



The Asset Mix compares the proportion of invested assets and non invested assets of the listed companies in Oman insurance industry for the period ended 2019. MCTI having the highest proportion of 59% of their assets invested, while the TAOI has only invested 10% of their assets comprising of the lowest proportion of Asset Mix in the industry.

The above chart is sorted according to the invested assets of the companies.

# Conclusion

## COVID-19

While the valuation date of this report is December 31, 2019, this report is prepared in May 2020, when the COVID 19 situation has significantly impacted the global economy, including the insurance industry. Generally, the impact has taken many forms, including reduced business activities leading to a drop in topline business, delayed reporting and settlement of claims and changes in claims frequency and severity based on the class of business.

The business in the second quarter is expected to be impacted since the nationwide restriction was imposed earlier in April by the government. The business where concentrated in Motor segment for the Oman industry, the loss ratios experienced are expected to move favorably due to restrictions in movements. The Medical line, on the other hand, can suffer adversely due to delays in Non-Covid treatments resulting in critical situations on later date. In addition, where the companies write event cancellation, business interruption or Travel Policies, which are crucial business areas expose the industry to adverse claim emergence from the pandemic.

## Conclusion on 2019 position

The listed companies of Oman Sultanate recorded a positive growth of 6% in Gross Premiums during 2019 from the corresponding period of 2018, where Takaful operators of the market grew significantly by 20%. The Oman Insurance sector has exhibited a growth in both Non-Life and Life business segments with 5% and 6% respectively.

The total premiums written, by the listed insurance companies, during 2019 amounted to RO 403 Million, as compared to the premium written in the corresponding period of 2018 of RO 381 Million. The average premium retention ratio stood at 57% for 2019 whereas average retained proportion for Life business was found to be 65% and Non-Life business to be 52%.

The profits recorded for the year 2019 observed a growth of 14% when compared with the corresponding period of 2018. Total Profit by the listed insurance companies, for the period 2019 amounted to RO 28.7 Million compared to profits of corresponding period of 2018 which were RO 25.1 Million.

The average loss ratio for all listed companies analyzed was 69% and average combined ratio was at 94%, while the average combined ratio for Takaful and Conventional insurers was evaluated to be 102% and 93% respectively. For Takaful companies, policyholders and shareholders P&L was considered for comparative purposes

# Companies Included in the Analysis

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Company Name	Ticker Name
Al Madina Takaful	AMAT
Al-Ahlia Insurance Company	AINS
Arab Falcon Insurance Company	AFIC
Dhofar Insurance	DICS
Muscat Insurance	MCTI
National Life & General Insurance	NLIF
Oman Insurance Company	OUIS
Oman Qatar Insurance Company	OQIC
Takaful Oman Insurance	TAOI
Vision Insurance Company	VISN

# DISCLAIMER

- The data represented in our report was gathered from publicly available information, and the financial statements released by the companies.
- We have undertaken an analysis of the Key Performance Indicators (KPIs) of the listed insurance for the year 2019. The data has been extracted from 2019 financial statements of those companies which were publicly listed.
- While we have tried to ensure accuracy in the data input and evaluation process, in view of the natural scope for human and/or mechanical error, either at input or during analysis, we accept no liability whatsoever for any loss or damage resulting from errors, inaccuracies or omissions affecting any part of this publication. If you come across an error or have a query, do write to us.
- Due to Limited information we were unable to segregate further into class of business. Once all companies start publishing financial statements with uniform level of segregation, this can be done
- The Group & Individual Credit Life, Family Takaful and Term & Whole Life Plans are considered as Life Insurance while Other General Insurance are taken as Non-Life Insurance due to the available segmentation in the published financials. For NLIF, Medical is not segregated from Life in the published financial statement therefore, due to limitation it is presented under Life Business segment.



# BADRI

## ABOUT OUR TEAM

UAE/Oman  
Acturial

22 STAFF

KSA Acturial

15 STAFF

Medical

5 STAFF

Business  
Intelligence

10 STAFF

End of Service

7 STAFF

HR Consulting

2 STAFF

7 SUPPORT AND ADMIN STAFF

TOTAL STRENGTH = 68

# CONTACT US!



**Hatim Maskawala**



**Manaal Siddiqui**



**Uroosha Jameel Khatri**



## FEEDBACK

Badri Management Consultancy is proud to present the 2019 report. 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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