

OMAN REINSURANCE COMPANY S.A.O.G.
Directors' Report

Dear Shareholders,

After Compliments,

The Board of Directors is pleased to present the Annual Report of Oman Reinsurance Company S.A.O.G. ("Oman Re" or "the Company") along with the audited financial statements for the year ended 31st December 2023. Details about basis of preparation of financial statements can be found in the notes to the audited financial statements.

The financial highlights for the year 2023 are summarized below:

	31 December 2023	31 December 2022 (Restated)
	OMR	OMR
Reinsurance revenue	42,100,184	32,544,941
Reinsurance service results	3,581,614	639,527
Net reinsurance results	2,743,530	2,277,058
Investment and other income, net	2,713,361	2,258,470
General and administrative expenses	(1,676,514)	(1,613,898)
Foreign exchange losses, net	(764,004)	(661,596)
Net profit after tax for the year	2,555,695	2,123,526

During 2023, there was a table shift in the pricing due to the major cat events which occurred during the financial year 2022. However, considering the changes in the circumstances during the past 3 years which started with COVID19 pandemic and followed with the deferent Nat-Cat events, the reinsurers became more familiar with the volatility of the reinsurance market which helped the reinsurers in their risk modeling. For Oman Re, the company started the financial year with prudent underwriting activity taking the advantage of market experience in the previous Nat-Cat events and focusing on stable growth in term of underwriting capacity to achieve sustainable financial stability and moderate contentious growth. In addition to that, the company has advantaged from the increase in the sovereign rating of Sultanate of Oman which resulted in increase in the credit rating of Oman Re. The increase in the credit rating participated in the profitability of the company by reducing the underwriting expenses.

The Company was affected by Nat Cat events during 2023. The major loss from Turkish Earthquake with a gross loss of OMR 8.8 million and net loss of OMR 3.7 million dented the profitability in the first half of the year. However, strong underwriting performance during second half of the year with a lower attritional loss ratio and impact of the premium rate improvements from 2023 and 2022 helped in achieving a record underwriting result of OMR 2.7 million compared to OMR 2.2 million of last year.

Under IFRS 17, the concept of Gross Written Premium (GWP) is not used for financial reporting purposes. The alternative which is provided is reinsurance revenue, which is closer to Gross Earned Premium under IFRS 4, as a key indicator for gauging revenue generation. The Company's reinsurance revenue increased by 29% to reach at OMR 42.1 million compared to OMR 32.5 million of last year. In addition to a strong underwriting performance even with heightened Nat Cat activity, the Company

also did exceptionally well with respect to its investment income results. This can be seen both in the investment income as well as in the movement of fair value reserve. Strong financial results and improvement in fair value of the investment portfolio helped in increasing the total capital and reserves of the Company by 14% to OMR 32.2 million as at 31 December 2023 compared to OMR 28.3 million as at 31 December 2022.

Business Environment and Key Initiatives during the year 2023

Oman Re's Vision is "Reinsurance Protection beyond Expectations". The Company sees significant potential to achieve its Vision knowing that the MENA region specifically remains an attractive, high-growth market for reinsurance given its relatively low levels of insurance penetration. Furthermore, reinsurers in MENA region are expected to play an increasingly important part in supporting regional governments' economic diversification drives away from oil; Oman Re is no exception.

Over the years, Oman Re has made notable progress by means of various strategic initiatives, to strengthen its foothold in the Sultanate and in the wider territorial scope where it operates (Afro-Asian countries). Furthermore, support from a highly respected regulatory regime, the Capital Market Authority (CMA) and Qatar Financial Center Regulatory Authority (QFCRA), the stable economic environment of the Sultanate are additional factors in instilling market confidence in the Company, and for the Company to become the preferred reinsurance partner in Oman, Qatar and the broader region.

As part of its long-term vision to be a key player in the Omani and broader MENA market, Oman Re undertook the following key activities during 2023:

- Oman Re actively contributed towards the bidding process of the OIA & CMA initiative to host the largest gathering of regional insurers in Muscat, i.e., the 34th General Arab Insurance Federation (GAIF) Conference. In addition to the successful organization of the major event in which Oman Re was the key player, the company was honored to be the strategic partner of GAIF 34th Conference, which enabled consolidation of the Company's presence in the local market and further strengthened its brand.
- The Company conducted three key knowledge sharing activities during the year: (i) "Reinsurance Optimization Workshop" for delegates of eight local insurance companies in Qatar from 5 to 7 March in Doha; (ii) "Reinsurance" training course via virtual mode for over 80 representatives of partners and clients from MENA, Asia, Africa and European markets from 12 to 16 June; and (iii) "Risk Engineering and Property Insurance Pricing Workshop" for 30 representatives of 10 local insurance companies, the Capital Market Authority and the Ministry of Finance from 5 to 7 November in Muscat.
- Considering the increased frequency of natural catastrophe events in Oman in the recent years, Oman Re initiated - a national dialogue with the regulator and Oman Insurance Association in view of mitigation and management of natural catastrophes affecting the Sultanate since 2018. In November 2021, following Cyclone Shaheen, Oman Re conducted in coordination with the Capital Market Authority, a workshop on this subject involving the

Omani Insurance Association and all decision makers of the local insurance companies. All participants concurred on the importance of the establishment of a Nat Cat Pool for Omani market. A Steering Committee with representatives from six local companies and chaired by Oman Re was formed and is actively working on the various technical aspects of the reinsurance pool formation. Oman Re was elected by the steering committee as the Nat Cat Pool Manager, which will positively reinforce our status as the reinsurance leader in Oman and boost our brand image regionally. The steering committee completed their assessment of the Motor Nat CAT pool section and shared their proposal with the Capital Market Authority for formal approval and necessary insurance law amendments. With regards to the Non Marine Nat Cat pool, the steering committee is in a final stages to submit their recommendations' report for the CMA. The deployment of the Omani Nat Cat Pool is expected during 2024 and that is a decision to be taken by the CMA.

- Retakaful Window: Post the issuance of CMA decision No. E/96/2022, the company finalized all legal procedures to obtain Retakaful window License. CMA is expected to approve the company's application to issue Retakaful window license by Q1 of 2024. The Retakful window will increase the product range of the Company and Company will be able to cater to its shariah compliant clients with more capacity.

Development of Omani Talent

A key strategic initiative for Oman Re is continuous training and development of its human assets, especially the Omani cadre. In this regard Oman Re conducted the following:

- The Company extended great emphasis towards people development activities, whereby all staff members collectively undertook over 600 courses via three online learning platforms, namely (i) Oman Re Learning Hub for business skills courses as well as health and safety course; (ii) KnowBe4 platform for information security courses; and (iii) Thomson Reuters platform for the mandatory compliance course.
- Via the "Professional Certifications Incentive Scheme" at Oman Re, 25 staff members are enrolled for various global qualifications from UK-based institutions, such as the Chartered Insurance Institute (CII); the Association of Chartered Certified Accountants (ACCA); the International Compliance Association (ICA); the Chartered Institute of Personnel and Development (CIPD); and from the Insurance Institute of America (The Institutes), USA.
- During year 2023, the Company's heads of department from all divisions participated in the Strategic and Business Planning Workshop. Whereas all staff members participated the Team Building Activity. Additionally, various staff members from the Operations, Support and Control divisions actively participated in their respective domain specific training courses during the year.
- Oman Re, under the umbrella of Oman Insurance Association (OIA), also collaborated with the Foundation for Insurance and Finance Education (FIFE) to conduct two groups (English & Arabic respectively) of "Certificate in Insurance (Cert CII)" professional designation qualification from the Chartered Insurance Institute, UK for insurance personnel within the Omani market during, which commenced in late 2023 and expected to conclude by early 2024.

- Furthermore, in collaboration with the Capital Market Authority (CMA) and the Ministry of Labour (MOL) in Oman, Oman Re has curated an ambitious Graduate Development Program in Insurance (GDPI), whereby ten high calibre Omani youth will be enrolled into the program with core objective being to create highly skilled and competent insurance and reinsurance professionals in order to promote advancement within the operations and services of the insurance industry in the Sultanate of Oman. The selected candidates will be hosted by Oman Re for one year period, whereby they are scheduled to undertake the Certificate in Insurance (Cert CII) professional qualification in partnership with the Foundation for Insurance and Finance Education (FIFE) along with on-the-job learning within the Oman Re's Operations Division (Underwriting, Claims and Technical Accounts) under the mentorship of the Company's designated subject matter experts. Upon successful completion of the GDPI program, local insurance companies (including Oman Re) have committed to recruit all candidates into relevant technical positions. The one-year project is expected to be executed from mid-2024 to mid-2025 subject to necessary approvals from relevant stakeholders.

Corporate Social Responsibility (CSR)

Oman Re is fully committed to be a responsible business by contributing back to the society in which it operates. During 2023, Oman Re contributed the following to different charitable causes:

SNO	PARTICULARS	AMOUNT IN OMR
1	Ramadan food drive	2,500
2	Oman Charitable Organization	11,500
3	Alkhuwair Medical Center	500
4	Abu Hamza Al Shari Mosque	500
TOTAL		15,000

The Company will extend its CSR activities during 2024 in respect of health in general and will also support the underprivileged members of society. The Company is planning to spend OMR 20,000 with respect to CSR activities in 2024.

Financial Performance

Reinsurance Revenue

In the year 2023, the total reinsurance revenue was OMR 42.1 million compared to OMR 32.5 million in 2022, an increase of 29% year on year. Treaty increased by 37% to reach OMR 21.2 million compared to OMR 15.5 million in 2022; Facultative increased by 23% to reach OMR 20.9 million compared to OMR 17.0 million in 2022.

Reinsurance Service Expense

The reinsurance service expense in IFRS 17 is composed of three components i.e. incurred claims and other insurance service expenses, amortisation of insurance acquisition cashflows and adjustment for liabilities for incurred claims. The details are given below:

(Amounts in OMR)

Sr. No.	Description	2023	2022 (Restated)
1.	Incurred claims and other insurance service expenses	18,445,668	5,402,119
2.	Amortization of insurance acquisition cash flows	10,574,127	8,444,045
3.	Adjustments to liabilities for incurred claims	7,864,355	9,690,091
	Reinsurance service expense	36,884,150	23,536,255

General and Administrative Expenses

IFRS 17 requires the expenses pertaining to acquisition and maintenance of reinsurance business to be allocated to underwriting results (net reinsurance results). Expenses which are not allocated are shown separately. Our general and administrative expenses increased by 4% during 2023 compared to 2022 inline with general inflation trends.

(Amounts in OMR)

Sr. No.	Description	2023	2022 (Restated)
1.	General and Administrative expenses	1,676,514	1,613,898
	Total	1,676,514	1,613,898

Investment and Other Income

The Investment and other income for the year 2023 was OMR 2.7 million as against OMR 2.3 million in 2022. There was a significant increase of 20% in investment and other income compared to prior year as per the below mentioned details:

(Amounts in OMR)

Sr. No.	Description	2023	2022 (Restated)
1.	Interest on bonds and bank deposits	2,676,382	2,181,937
2.	Dividend income	57,900	115,490
3.	Realised (loss)/gain on sale of investments at fair value through other comprehensive income	(12,631)	9,351
4.	Unrealised fair value gains on investments at fair value through profit or loss	3,300	9,609
5.	(Loss)/gain on sale of fixture, furniture and equipment	(34)	708
6.	Custody expenses	(85,592)	(14,484)
7.	Miscellaneous income	198	28,260
8.	Reversal/(provision) for impairment on assets held amortized cost and FV through OCI	58,430	(72,401)
9.	Unrealised fair value gains on investment property	15,408	-
	Total	2,713,361	2,258,470

Share Capital

In line with requirements from the Capital Market Authority (CMA) for licensees, Oman Re's paid up capital at 31st December 2023 stood at OMR 32.6 million (approximately USD 84.7 million), thus fulfilling one of the key licensing / regulatory requirements.

Reinsurance License

During 2019, the Company successfully renewed its Reinsurance License from CMA for a period of five years up to 15th June 2024.

Internal Audit

Internal Audit Department (IAD) promotes action on audit advice and reinforces staff accountability and commitment to results. It's ultimate aim is to enhance Oman Re's risk management and control systems. In 2023, IAD fully executed the risk-based internal audit plan for 2023, which was approved by the Audit Committee.

Risk and Actuarial

As part of its remit during 2023, the Risk and Actuarial Department (RAD) has been working on embedding the Enterprise Risk Management (ERM) framework throughout the Company, supported by a comprehensive Risk Management Policy. It also monitors adherence to the risk appetite set by the Board by means of Top Risks report and Risk Tolerance Control reports, with the result of developing a risk-based decision-making process throughout the Company.

Future Plans

Based on our Vision, "Reinsurance Protection Beyond Expectations", we aim to position Oman Re as a reinsurer renowned for providing innovative and responsive solutions. Oman Re complies with best corporate governance practices. Through our commitment to the insurance and reinsurance industries, we will continue to build our reputation as a financially strong reinsurer with highly acceptable quality of security.

To achieve our vision, Oman Re will:

- Be guided by clear and sound underwriting principles and guidelines that lay emphasis on quality rather than volume in view of sustained and profitable growth to the satisfaction of our shareholders.
- Be committed to its values of Integrity, Dynamic Culture and Transparency within the workplace and in dealings with clients.
- Seek long-lasting and mutually beneficial partnerships with clients.
- Develop and retain a highly motivated professional team.
- Recognize and reward strong performance; individuals will be appraised for their contribution to the Company and rewarded appropriately.
 - Embed and establish systems and procedures so the Company can manage risks and encourage creativity.
 - Comply with Corporate Governance principles to ensure transparency and to protect the interests of the shareholders and the reputation of the Company.
 - In order to obtain a sound financial rating, the Company will maintain risk-adjusted capitalization at levels sufficient to absorb our growth and follow a disciplined underwriting approach.

During the year 2023, we continued with our 3-year business planning cycle titled “SHAPING THE FUTURE OF OMAN RE” which was started in 2022. Oman Re focused on the following strategic objectives during 2023:

- a) To manage the rating exercise with Fitch Ratings, with the aim of improving the current rating
- b) Make the company attractive for existing and potential shareholders by capital restructuring.
- c) Work on setting up and promoting the Retakaful window
- d) Enhance IT infrastructure to automate operations and also to improve data analysis capabilities
- e) Focus on core markets and launch new products.

At the end of 2023, the BOD discussed the updates on the business plan and approved 2024-2026 business plan and budget.

Oman Re Property

The Company has obtained most of the necessary regulatory permits with respect to the approval of design and construction of the property. Due to the overall economic challenges of property market in Oman, the Board of Directors has deferred the project until there is improvement in the overall economic and property markets.

Acknowledgements and Appreciation

On behalf of the Board of Directors, the Executive Management and the Staff Members, we are honoured to express our sincere gratitude to His Majesty Sultan Haitham bin Tarik Al Said for his visionary leadership and we pray to the Almighty God to grant him every strength to continue to lead the Sultanate on the path of sustainable development. May almighty God save Oman, its leader and citizens.

The Directors of Oman Re wish to acknowledge the valuable guidance and assistance received from the Capital Market Authority, Ministry of Commerce, Industry and Investment Promotion, Qatar Financial Center Regulatory Authority and the support received from clients and business partners. We look forward to receiving their continued support and encouragement.

The Directors also wish to extend their thanks and appreciation and express their gratitude for the continuing commitment and dedication of its shareholders, the Executive Management and employees at all levels. The Directors are thankful to the esteemed shareholders for their support and the confidence placed in the Company and the Board.



Dr. Juma Bin Ali Al Juma
Chairman of the Board