

## **Oman Reinsurance Company SAOG Management Discussion and Analysis Report For the year ended 31 December 2023**

### **Introduction**

Oman Reinsurance Company SAOG (“Oman Re” or “Company”) is the first reinsurance company to be established in the Sultanate of Oman with the purpose of writing Facultative and Treaty business from local and international markets. Oman Re’s current territorial scope includes all Afro-Asian countries, CEE and CIS markets and it writes marine and non-marine lines of business.

Oman Re commenced operations in July 2009 with a paid-up capital of OMR 5,000,000. Capital was gradually increased to OMR 30,000,000. During 2021, the Company received additional OMR 2,615,926 during the Initial Public Offer making the total paid-up capital of the Company to OMR 32,615,926 as at 31 December 2021. There was no change in paid up capital after 2021.

Fitch Ratings has assigned an Insurer Financial Strength (IFS) rating of ‘BBB-’ with stable outlook to Oman Re.

Details about basis of preparation of financial statements can be found in the notes to the audited financial statements.

### **Reinsurance Market Outlook**

Based on Gallagher Re’s reinsurance market report of September 2023, which tracks the capital and profitability of the global reinsurance industry, global reinsurers performed well in the first half of year 2023, reporting a robust increase in their capital base and improved underwriting profitability and ROEs. Underlying profitability also improved due to a lower underlying combined ratio and high recurring investment income. The reinsurance industry’s underlying ROE improved markedly, building on the gradual recovery seen over the past 3-4 years, and the average ROE is now well above the industry’s cost of capital. Taking into account current interest rate levels and rate increases booked at renewals YTD, a further meaningful improvement is possible. This makes earnings increasingly resilient and leaves a meaningful earnings buffer above the cost of capital.

Global reinsurance dedicated capital totalled USD 709 billion at half year 2023, an increase of 13% versus the restated full year 2022 base. This growth was driven almost entirely by the INDEX<sup>1</sup> companies. Total capital inflow amounted to a relatively modest USD 7B.



Focusing on the INDEX companies, which contribute to over 80% of the industry’s capital:

- INDEX capital increased by 14% to USD 581B. Just over three quarters of this increase was due to unrealized investment appreciation, most of which was attributable to National Indemnity. Excluding National Indemnity’s gains, INDEX capital increased 5%.
- The rise in capital was also supported by strong net income due to significant improvement in investment income and steadily improving underwriting performance.
- The global reinsurance industry’s capital position also remains robust on an economic basis, the measure which Gallagher Re views as more relevant for management team’s decision-making. For the four top European reinsurers, average solvency (or SST coverage in the case of Swiss Re) improved to 264% (2022 FY: 255%). In most cases, solvency remains well above these four companies’ target levels.

### New Accounting Regime

2023 is the first year during which insurance and reinsurance companies are preparing their financial statements based on International Financial Reporting Standard 17 (IFRS 17). This marks a significant change in not only the computation and recognition of the results of the insurance/reinsurance contract but also the way these figures are presented. IFRS 17 will eventually lead to new Key Performance Indicators (KPIs) as traditional metrics like Gross Written Premium (GWP) will phase out. Further, the introduction of risk margins and discounting means that companies’ income statements are now sensitive not only to incurred claims but also to how much portion of the incurred claims stay in their balance sheet as outstanding claims liability. The standard penalizes heavily the profitability of the company as well as create additional reporting requirements for writing onerous contracts. Therefore, we as Oman Re believe that the new standard will lead to more transparency and will eventually improve risk selection and pricing as well as settlements among industry players as well as clients.

### Financial Highlights

Please find below key financial highlights for the current year and last year:

	2023	2022 (Restated)
	Amount in OMR	
Reinsurance revenue	42,100,184	32,544,941
Net reinsurance results	2,743,530	2,277,058
Investment and other income, net	2,713,361	2,258,470
<b>Net profit after tax for the year</b>	<b>2,555,695</b>	<b>2,123,526</b>
Loss ratio (discounted) <sup>ii</sup>	57.7%	57.9%
Cost ratio <sup>iii</sup>	33.6%	33.2%
Total Assets	118,722,275	108,386,157
<b>Net Equity</b>	<b>32,208,913</b>	<b>28,338,873</b>



During 2023 the reinsurance revenue increased by 29% to reach OMR 42.1 million compared to OMR 32.5 million of last year. Net reinsurance results improved by 20% to reach OMR 2.7 million compared to last year's OMR 2.3 million. The prudent investment management resulted in an increase of 20% in investment income which reached OMR 2.7 million in 2023 compared to OMR 2.2 million in 2022. The net profit after tax for 2023 is OMR 2.5 million, compared to last year's OMR 2.1 million.

The key metrics that drive the overall financial performance are explained below:

### **Reinsurance Revenue**

Oman Re has consistently increasing its revenue every year. During 2023, the Company achieved a growth of 29% in reinsurance revenue. The main market for the Company is MENA<sup>iv</sup> including a special focus on our home market i.e. Sultanate of Oman. The major class of business is Property followed by Energy and Engineering. The split between Treaty and Facultative reinsurance revenue is provided below:

<b>Reinsurance Revenue</b>	<b>2023</b>	<b>2022 (Restated)</b>
	<b>Amount in OMR</b>	
Facultative	20,856,067	17,080,989
Treaty	21,244,117	15,463,952
<b>Total</b>	<b>42,100,184</b>	<b>32,544,941</b>

### **Reinsurance service result before retrocession contracts held**

Although 2023 had high level of Nat Cat activity in the markets where Oman Re operates even then the reinsurance service results of the Company have improved significantly compared to 2022. This is mainly driven by premium rate improvements and prudent underwriting. Facultative has continued to perform better year on year whereas Treaty underperformed during 2023 affected by Turkish Earthquake and Morocco Earthquake.

	<b>2023</b>	<b>2022 (Restated)</b>
<b>Reinsurance service result before retrocession contracts held</b>	<b>Amount in OMR</b>	
Facultative	9,629,013	7,420,988
Treaty	(4,412,979)	1,587,698
<b>Total</b>	<b>5,216,034</b>	<b>9,008,686</b>



### **Investment and Other Income**

The Company follows a prudent investment allocation with a considerable portion of the investments in fixed income and bank deposits. This has provided the Company with a stable and growing investment income over the years. Please find below split of our investment income:

	2023	2022
<b>Investment and Other Income</b>	<b>Amount in OMR</b>	
Interest on bonds and bank deposits	2,676,382	2,181,937
Dividend income	57,900	115,490
Realised (loss)/gain on sale of investments at fair value through other comprehensive income	(12,631)	9,351
Unrealised fair value gains on investments at fair value through profit or loss	3,300	9,609
(Loss)/gain on sale of fixture, furniture and equipment	(34)	708
Custody expenses	(85,592)	(14,484)
Miscellaneous income	198	28,260
Reversal/(provision) for impairment on assets held amortized cost and FV through OCI	58,430	(72,401)
Unrealised fair value gains on investment property	15,408	-
<b>Total</b>	<b>2,713,361</b>	<b>2,258,470</b>

### **Information Technology (IT)**

Over the years, the Company has strengthened its IT systems which included substantial investments on both the hardware infrastructure as well as the software systems. The company is currently working on multiple projects to improve the data processing and data reporting within the company. The projects are expected to reduce the processing time and will enhance management reporting.

### **Internal Control**

The Company operates under the "three lines of defense" model segregating the day-to-day business functions from Risk and Compliance function and assurance functions. The importance of internal controls framework and its rigorous implementation comes from the Board of Directors and is instilled in the Company's culture from the top to the bottom. The Internal Audit function, which reports to Board's Audit Committee (AC), executes risk-based audit plan, which are approved by the AC. In addition to that, the AC also has constant engagement with the external auditors of the Company with respect to statutory audits.

### **Enterprise Risk Management (ERM)**

The Company has a comprehensive ERM framework, which is embedded in the overall processes of the Company. Given the size of the Company, the ERM framework is as per the international standards. The Company maintains extensive risk appetite statements, risk tolerance limits and risk registers. The Board's Risk Committee (RC) also reviews the quarterly risk control reports to review





the overall status of the Company. The Company also prepares Own Risk Solvency Assessment (ORSA) as part of its business planning cycle and also monitors its capital position by capital model from a rating agency as well as solvency requirements from Capital Market Authority (CMA).

## Acknowledgements

On behalf of the Company, we are honored to express our sincere gratitude to His Majesty Sultan Haitham bin Tarik Al Said for his visionary leadership during these challenging times and we pray to the Almighty God to protect him and grant him every strength to continue to lead the Sultanate on the path of sustainable development amidst the renewed renaissance.

We would like to thank the Capital Market Authority (CMA) and the Qatar Financial Center Regulatory Authority (QFCRA) for their valued support and guidance always. I also take this opportunity to thank our shareholders, Board of Directors, all staff members and most importantly our esteemed clients for their continuous support as well as confidence reposed in the Company.



**Romel Tabaja**  
**Chief Executive Officer**

---

<sup>i</sup> INDEX companies are group of key reinsurance companies monitored by Gallagher Re and are defined in Gallagher Re Report

<sup>ii</sup> 1- Cost Ratio – (Net Reinsurance Results divided by Net Reinsurance Revenue ( Reinsurance Revenue less Retrocession Expense))

<sup>iii</sup> Net Amortisation of Insurance Acquisition Cashflows divided by Net Reinsurance Revenue ( Reinsurance Revenue less Retrocession Expense)

<sup>iv</sup> Middle East North Africa