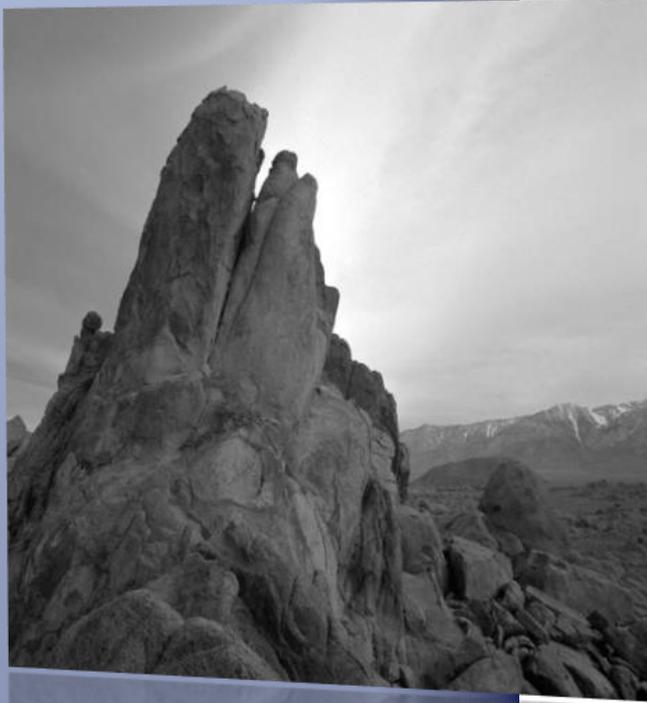




Capital Market Authority



# Insurance Sector

## 2013

**Done by:**  
Valuation and Risk Surveillance  
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Capital Market Authority

### **CMA: Insurance premiums post 10.44% rise in 2013**

CMA issued the Annual Statistical Report for the Insurance Sector in the Sultanate. Statistical information of the insurance sector has indicated a steady growth of the total value of insurance premiums during 2013. Total direct premiums rose 10.44% compared to 2012, an increase of RO 34.39 million , to reach RO 364 million compared to RO 329.6 million.

According to CMA report, the sector has seen an improvement in the performance of a number of insurance products during 2013 in spite of the variance in growth percentages. Health insurance posted a 38% rise compared to the same period of the year before, marking the highest rise among the different insurance branches. Health insurance premiums reached RO 63 million by the year ended December 2013. Property insurance rose 21%, reaching RO 51.8 million, while life insurance posted 16% fall to RO 33.6 million compared to RO 40.5 million in 2012.

On the other hand, the CMA report says that the unaudited statistical information for the previous year shows that vehicle insurance has the lion share in the direct premiums with 41% of the total premiums, followed by health insurance 17% and properties insurance 14% (Table 1).

The report also shows that retention rates in the direct premiums rose 41% reaching Ro 195.5 million compared to 52% or RO 173 million in the previous year, calculated after the insurance companies carried out reinsurance operations with reinsurance companies in the local and foreign markets. Vehicle insurance was the highest in retention rates amounting to 87%.

Regarding operation results of insurance companies, CMA report indicates a 21% rise in the value of premiums earned in 2013 compared to 2012. An earned premium is an insurance premium paid to the company for the period ended since the inception of the insurance policy by the end of 2013. The volume of net compensations paid to policy holders by the

companies uncovered by reinsurance agreements was RO 105 million.

The report says national insurance companies` investments were up to RO 277 million in 2013 compared to 261.6 million in 2012. The investments in Oman was about 95%, while the foreign companies` investments inside and outside the Sultanate were RO 170 million compared to 150 million by the end of 2012, (see Table 4).

(Table 1)

Table (1) : Gross Permiums Classes					
Class	2013	Ratio 2013	2012	Ratio 2012	Change Ratio
Motors	148,151,194	41%	135,773,587	41%	9%
Life	33,676,003	9%	40,496,881	12%	-17%
Medical	63,155,934	17%	45,650,667	14%	38%
Engineering	23,892,508	7%	22,773,216	7%	5%
Liability	10,623,899	3%	9,452,777	3%	12%
Property	51,834,250	14%	42,732,808	13%	21%
Marine	12,703,102	3%	12,174,242	4%	4%
Others	20,018,096	5%	20,601,247	6%	-3%
Total	364,054,986	100%	329,655,425	100%	10%

### Total of Net Direct Premiums

Growth percentages made by the sector in the total of direct insurance premiums for 2013 reflected positively on the net premiums collected. These premiums are calculated after deduction of reinsurances returned to reinsurers. As shown by Table 2 below, the total of net premiums collected during 2013 rose 13% compared to 2012.

Health and property insurance sectors achieved higher percentages than other insurances. The rise was 36% and 33% respectively, compared to 2012.

(Table 2)

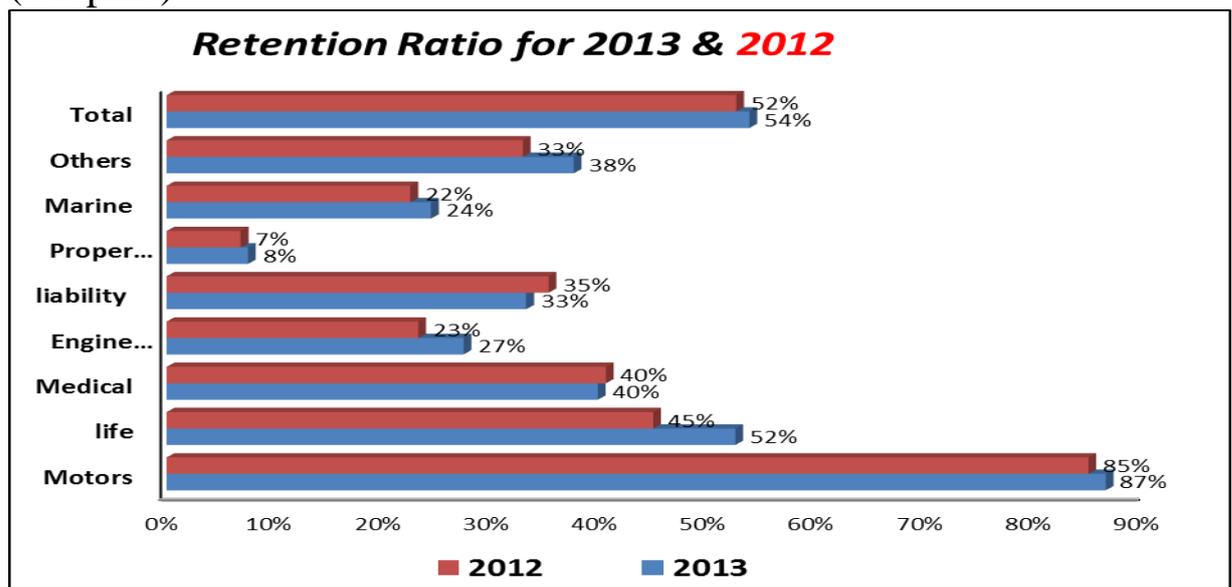
Class	2013	2013 Ratio	2012	2012 Ratio	Change Ratio
Motors	128,194,338	66%	115,322,761	67%	11%
Life	17,640,011	9%	18,156,240	10%	-3%
Medical	25,090,373	13%	18,475,457	11%	36%
Engineering	6,535,178	3%	5,281,024	3%	24%
Liability	3,519,923	2%	3,326,290	2%	6%
Property	3,887,952	2%	2,916,524	2%	33%
Marine	3,093,535	2%	2,733,797	2%	13%
Others	7,509,476	4%	6,759,298	4%	11%
<b>Total</b>	<b>195,470,786</b>	<b>100%</b>	<b>172,971,391</b>	<b>100%</b>	<b>13%</b>

### Retention rates:

The table of net direct premiums above and the following graphic of retention rates show retention rate with insurance companies for each of the main insurances. Retention rates in property, transport and engineering insurances are the lowest compared to other insurances with 7%, 22% and 23% respectively, due to reinsuring the main portion of these risks with reinsurance companies.

By contrast, retention rates in vehicle insurance were the highest, 87%, representing a 2% rise from 2012. The following graphic shows the rise of retention rate in life insurance by 7% from 2012, marking a retention rate of 52%.

(Graphic)

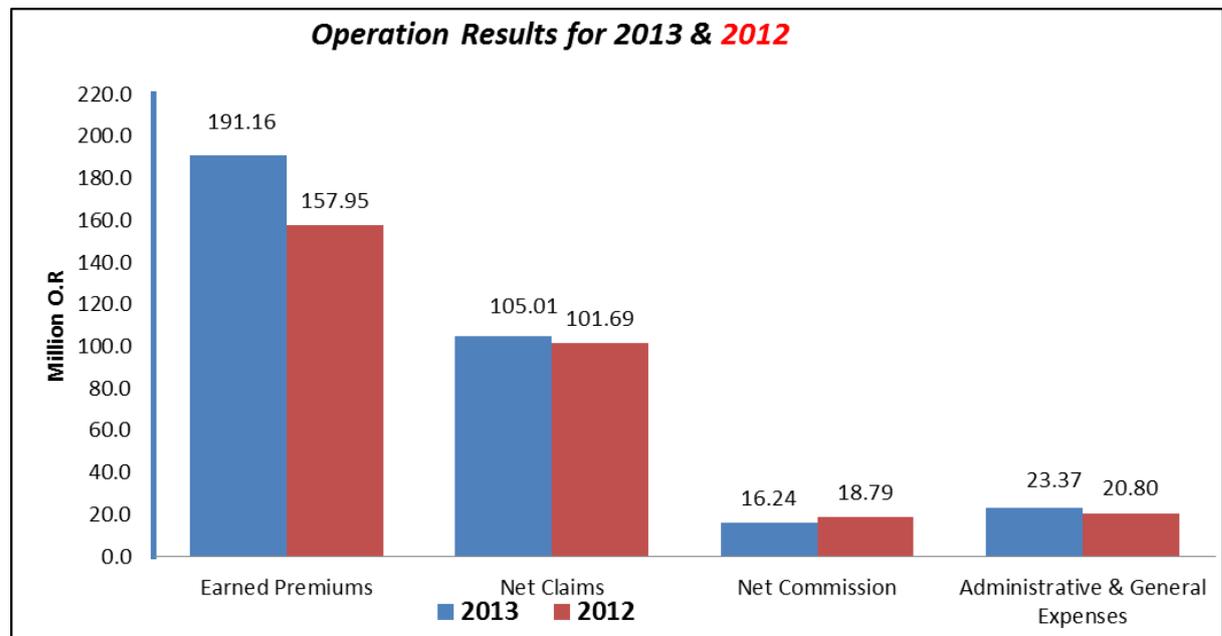


### Total of operation results for insurance companies:

Earned premiums collected during 2013 grew 21% compared to 2012 (see graphic below). The total earned premiums in 2013 reached RO 191 million, while the total net commissions received by insurance companies from international reinsurers against reinsuring a part of local insurance policies fell from RO 18.79 million in 2012 to 16.24 million in 2013, or 13% fall.

On the other hand, the net compensations and production costs did not show remarkable change in 2013 compared to 2012, where there was a little increase.

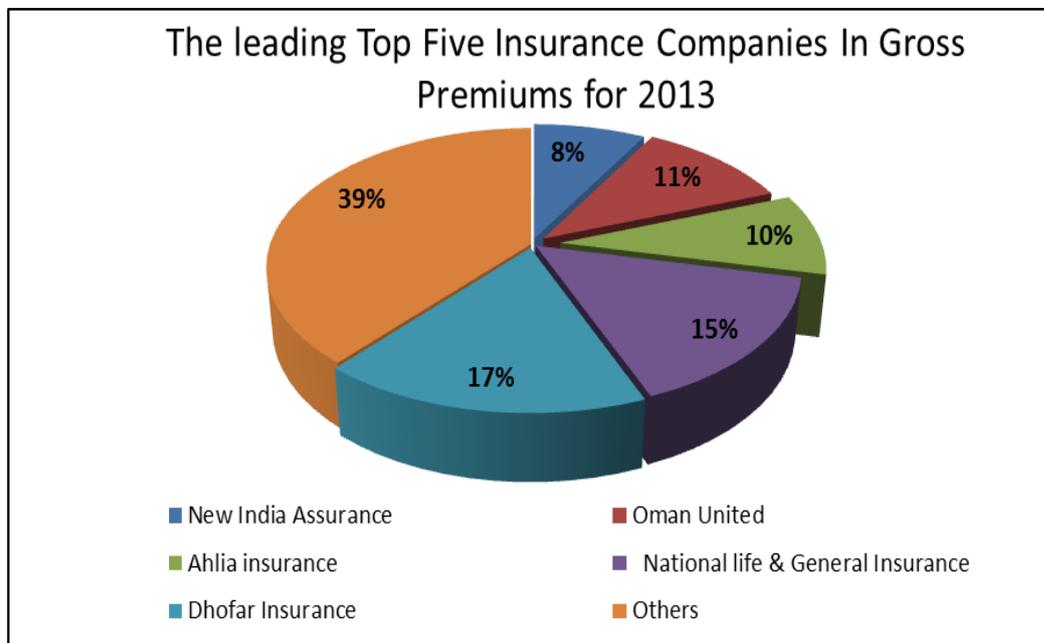
(Graphic)



### The top five insurance companies:

National companies have the biggest share in insurance market in the Sultanate. Among the top five there are four national companies representing together 53% of the total direct insurance premiums. Dhofar Insurance Company occupies the first place. Its share in the total direct premiums is RO 62.4 million or 17.2%, followed by National Life & General Insurance Company 15.4%, and Oman United Insurance Company 11%.

(Graphic)



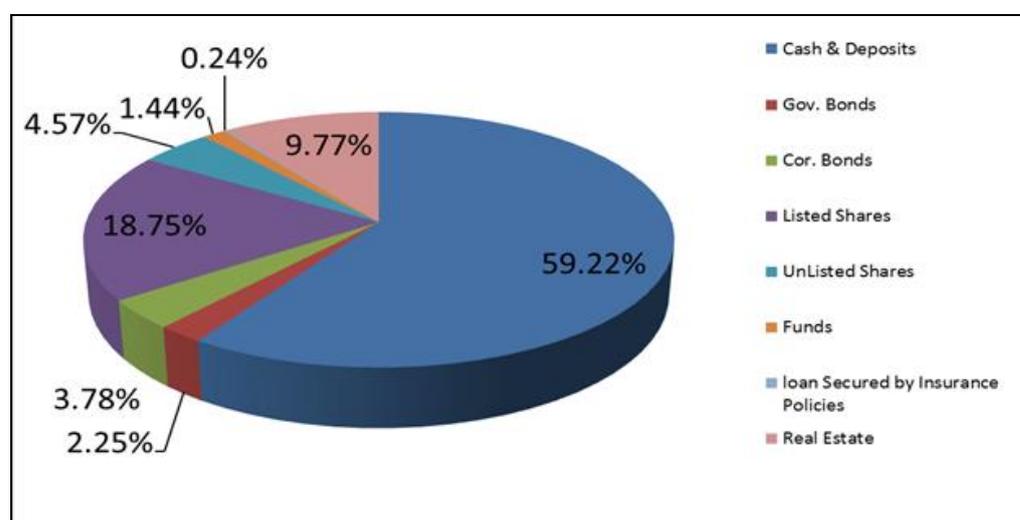
### Total investments of the national insurance companies:

The total investments of the national companies in the first quarter of 2013 reached about RO 277.1 million compared to 261.6v in the fourth quarter of the previous year. The investments focused in the sultanate represented 95.27% against 4.73% out of Oman, mainly in bank deposits, shares, bonds and investment funds. Figure 4 and Table 3 below show the distribution of the investments of the national insurance companies. Investments in cash and bank deposits were higher, representing 59.22%, followed by listed shares and real estate 18.75% and 9.77% respectively. In contrast, investments in funds and government bonds were the lowest, representing 1.44% and 2.25% each respectively from the total investments of the national insurance companies. Loan secured by insurance policies represented a meager percentage of 0.24%.

Table (3) Total investments of the national insurance companies for 2013.

Company\Area of investment	Cash & Deposits	Gov. Bonds	Cor. Bonds	Listed Shares	UnListed Shares	Funds	loan Secured by Insurance Policies	Real Estate	TOTAL	Percentage
In Oman	163,012,585	4,872,305	10,461,226	50,116,687	7,136,453	1,757,010	654,314	25,990,046	264,000,626	95.27%
Out of Oman	1,078,676	1,362,895	0	1,832,364	5,520,434	2,220,082	0	1,090,416	13,104,867	4.73%
Total	164,091,261	6,235,200	10,461,226	51,949,051	12,656,887	3,977,092	654,314	27,080,462	277,105,493	
Percentage	59.22%	2.25%	3.78%	18.75%	4.57%	1.44%	0.24%	9.77%	100%	-

Figure (4) Total investments of the national insurance companies for 2013



## Investments of foreign insurance companies:

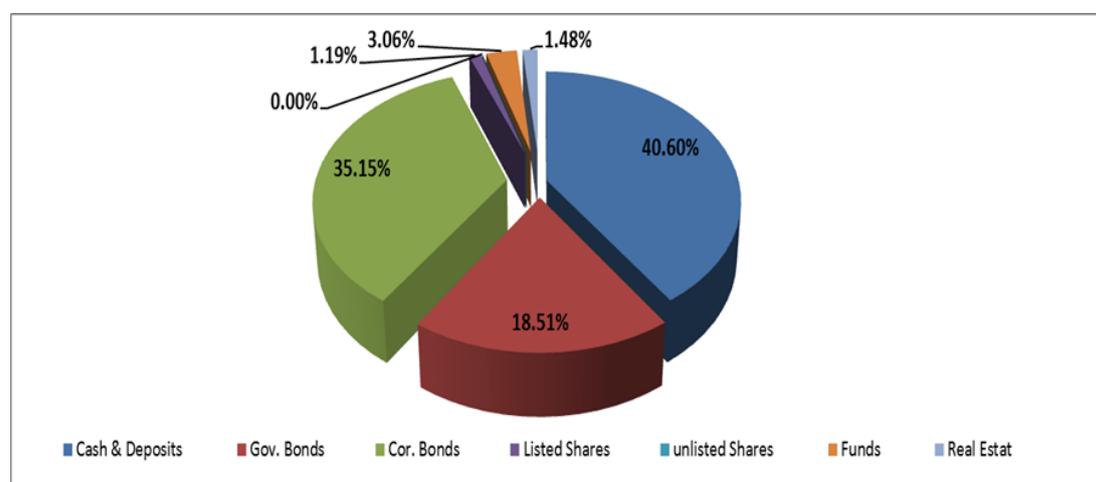
Table 4 shows the investments of foreign insurance companies in and out Oman. The total investments in December 2013 reached RO 170.35 million compared to RO 145.9 million in December 2012, in a 16.7% rise due to the increasing investments in bank deposits and bonds out of the Sultanate. Table 4 below also shows that the biggest portion of the investments of the foreign companies in Oman represents 82.26%. The information also indicates that the biggest share of investments were in bank deposits, with 82.14% of the total investments valued at RO 139.9 million.

Table (4) Investments of foreign insurance companies.

Company\Area of investment	Cash & Deposits	Gov. Bonds	Cor. Bonds	Listed Shares	UnListed Shares	Funds	Real Estate	TOTAL	percentage
In Oman	127,659,771	2,824,797	7,743,204	27,262	0	1,793,122	92,329	140,140,485	82.26%
Out of Oman	12,268,804	5,593,663	10,623,170	358,563	0	926,146	448,006	30,218,352	17.74%
Total	139,928,575	8,418,460	18,366,374	385,825	0	2,719,268	540,335	170,358,837	
Percentage	82.14%	4.94%	10.78%	0.23%	0.00%	1.60%	0.32%		

Figure 5 below shows investments of the foreign companies out of Oman. It is noted that the investments abroad focused on deposits by 40%, commercial bonds by 35% and government bonds by 18%.

Figure (5) Investments of foreign insurance companies.



### **Main news and events of the insurance sector in 2013:**

- Activating E-Link and joint database project between insurance companies and Royal Oman Police.
- CMA organized a workshop on insurance issues from legal and technical viewpoints under the patronage of HE Eisa bin Hamad Al Azri, Undersecretary of the Ministry of Justice and the participation of judicial staff, including judges, legal consultants, lawyers, representatives from ROP insurance concerned parties, health committees and representatives from insurance companies operating in the Sultanate. A committee has been formed to follow up the recommendations of the workshop, including CMA, the Higher Court, the Ministry of Health, the Ministry of Social Development and the Oman Insurance Association.
- CMA held a meeting with Royal Oman Police, represented by the Department of Security Consultations, the Civil Defense Authority, insurance companies and brokers operating in the Sultanate at CMA premises on April 2, 2013. The meeting aimed to discuss the security measures
- applied to protect commercial and industrial amenities and facilities and get knowledge of mechanism adopted to subscribe by insurance companies to identify the volume of risks expected.
- CMA issued Decision No.53/2013 promulgating the Regulation for Insurance Brokers to regulate the business.
- CMA concluded a memorandum of understanding with the Insurance Authority of the United Arab Emirates in Abu Dhabi On Monday June 24<sup>th</sup> 2013 for mutual cooperation between the two organizations to develop the regulatory and supervisory roles of the insurance sector in view of the increased global insurance activity and the need for mutual cooperation and exchange of expertise between the supervisors for better compliance with insurance laws and enforcement in the two counties.

- CMA launched smart phone applications in the capital and insurance sectors in Oman to spread insurance culture among community individuals. The application includes awareness subjects related to CMA and the nature of its regulatory work toward the capital market and insurance sectors; a comprehensive file on the unified vehicle insurance policy; a record of the vehicle insurance prices; beside subjects concerning interested people dealing with the securities and insurance sectors.
- CMA issued the Annual Statistical Report for the Insurance Sector in the Sultanate. The issue aims to clarify the actual performance of the insurance sector in the Sultanate through highlighting the most significant indicators, such as; insurance premiums, payable compensations, number of insurance policies and insurance companies and brokers, in addition to the financial indicators of insurance companies and their operational performance during the year.
- CMA approved morning the prospectus of the first Takaful companies in the Sultanate which are Al Madina Insurance Company and Takaful Oman through public offering. The payable capital is 16.67 million Riyals divided to 166.67 million shares. About 66.67 million shares will be offered for public subscription at a price of 140 Baisa per share.
- CMA organized a training program on subscriptions and claim settlement in order to upgrade the performance of national manpower, provide them with technical skills and present them to the best international practices and standards related to subscription and claim settlement.
- CMA published the basic prices of insurance premiums for commercial vehicles with the aim of providing competitive prices for the public and to ease the selection of insurance products and services available in the market which would enhance competition among insurance companies on the basis of supply and demand.