

Company's Report

For the year ended 31st December 2022

DEAR SHAREHOLDERS,

On behalf of the Board of Directors of Oman United Insurance Company SAOG, I have the pleasure to present to you the Annual Report, including the audited Financial Statements of the company, Auditor's Report, Management Discussions & Analysis Report and Corporate Governance Report for the year ended 31st December 2022.

I am also pleased to highlight the following developments on the global reinsurance market, in addition to the company's financial and operational performance indicators:

GLOBAL REINSURANCE MARKET :

The reinsurance market is seeing hardening of terms and capacity for reinsurance contracts in view of many catastrophic losses world over leading to numerous restrictions. The major reinsurers have been operating at combined ratios in excess of 100% requiring corrective measures. Additionally, facultative reinsurers have also tightened terms and the 1st January renewal season has seen reduction of capacities and cover for Oman. We expect continued push by reinsurers for selection of risks and push for increased retentions by the local insurers. The Sultanate has also had to deal with change of climatic conditions and repeated exposure to natural catastrophes which will increase reinsurance costs.

PERFORMANCE OF THE COMPANY:

The market continues to be extremely competitive and we shall continue with our strategy to focus on the quality of business and selection of risks for all line of business. The following are the performance highlights:

- Gross written premium income amounted to R.O 32.19 million compared to R.O 30.46 million in the previous year, a growth of 6%. The growth was contributed by growing the profitable business segments which has yielded a premium composition of 42% for Motor, 47% for Non- motor and Medical & life of 11%. This is a good distribution mix as a composite company.
- Gross underwriting profit of all lines of business amounted to R.O 4.00 million for the year under review compared to R.O 6.23 million in the previous year, a decline of 36%. This reduction was mainly due to increased motor losses with increased frequency of loss ratio post the removal of COVID 19 restrictions in prior years. The motor loss ratio went up from 61% to 78%. This trend of losses was seen for the market also. The non-motor underwriting profit was highest of RO 1.98 million.
- Investment and other income for the year amounted to R.O 4.20 million compared to R.O 3.81 million in the previous year, a growth of 10%.
- Net profit after tax for the year amounted to R.O 2.76 million compared to R.O 3.96 million in the previous year, a reduction of 30%. The net profit was lower due to pressure on premium rates due to increased competition, higher frequency of Motor claims with increased spares and labour costs for accident repairs, increasing court awards. Efforts are underway to engage in various forums including regulators to mitigate these challenges.
- Earning per share stood at 28 Baizes as against 40 Baizes of previous year.

Total Assets and Shareholders' Equity

The total assets of the company amounted to RO 108.58 million Compared to R.O 108.78 million in the previous year, a decline of 0.19%. The total shareholders' equity amounted to R.O 30.16 million compared to R.O 30.83 million in the previous year i.e. a decline of 2.17%.

DIVIDENDS:

Dear Shareholders: Your company remains committed to delivering added value to your investments. This could be noticed in the Board's keenness to recommend distribution of good profits to shareholders annually. The Board of Directors are delighted to propose a distribution of cash dividends to the Shareholders of 35 Baizes per share for the financial year ended 31 December 2022.

FUTURE OUTLOOK:

Insurance operations:

- We expect the market to remain competitive and reinsurance costs to be under pressure. The launch of compulsory medical insurance scheme could contribute to enhanced growth of the medical insurance business in 2023.

Investments:

- We expect Muscat Stock Exchange to perform well throwing more Investment opportunities. We will accordingly realign our investment portfolio, swapping from fixed income instruments to equity investments in a phased manner in line with the Regulations of the Investment of the Assets of Insurance Companies.

CHANGES IN THE LEGISLATIVE AND REGULATORY INFRASTRUCTURE:

- Effective 1st January 2023 IFRS 9 & IFRS 17 are to be implemented at global level for the insurance industry. These changes could entail intensive reserving methodology and reporting standards.
- Effective 1st January 2023, the local regulator Capital Market Authority (Insurance division) is implementing new Risk Based Capital (RBC) model replacing the old methodology of solvency margin calculations for all insurance companies in Oman. Your company's solvency margin moved from RO 8.6 million to RO 20 million for the year ended 31st December 2022, reflecting a strong balance sheet.

RISK MANAGEMENT:

According to the Audit Committee's recommendations, the Board approves the risk management strategy after reviewing it annually. Risk management has been the critical responsibility of the Board and the Board of directors have been doing their best to achieve compliance on this matter. Therefore, the company has a

distinct and consistent control environment across the company and there is an efficient risk management framework put in place to manage our risks.

Corporate governance requirements are increasingly demanding the Board to understand and address the risks and thereby support the embedding of its risk management framework in the company's overall governance and reporting processes. However, the nature of the insurance activity is fraught with many inevitable risks.

VALUES: OUR VALUES ARE THE FOLLOWING:-

- The Company abides by the highest ethical standards of integrity, trust, the strictest privacy and confidentiality when conducting any kind of transaction.
- The management strives to build long-lasting relationships with our customers by satisfying their evolving needs and attempts to meet the requirements of the company's clients by developing and creating new products.
- The Management makes every effort to upgrade our services to reach the highest level of excellence.
- The Company offers a congenial work environment and development opportunities to our staff who are considered the most valuable assets.

CORPORATE GOVERNANCE:

The Company is complied with the provisions laid down by the issued Code of Corporate Governance for Joint Public Companies issued by Circular No.(E/4/2015) of Capital Market Authority, and Code of Corporate Governance for Insurance Companies issued by Circular No. 7/T/2005. The Board of Directors reviewed the strategies and internal control systems and their adequacy during the year. An independent report of Corporate Governance is incorporated within the Annual Report after audit by the statutory auditors.

OMANIZATION:

The Board is constantly ensure monitoring the Omanization percentages and presently many of the leading positions in the company are occupied by Omanis who have been trained by the company. The Omanization percentage of insurance activity reached to 85%, which exceeds the limit, specified for insurance sector as per the ministerial decision No 113/2018. The management has been taking the necessary actions in order to comply with Omanization percentages in all administrative levels as instructed by Governmental Authorities.

CORPORATE SOCIAL RESPONSIBILITY:

In the AGM meeting held on March 31, 2022, the shareholders approved the allocation of R.O 50,000 for Corporate Social Responsibility. On top of that, the Board of Directors approve donation of R.O 30,000 to Al-Seeb Sports Club in appreciation for winning the AFC Cup for the first time in the history of the club and the clubs of the Sultanate. During the year, the total amount spent by the company is R.O 58,072.891, the allocated amount was spent in accordance with the annual CSR plan approved by the Board of Directors, through which the company delivers its CRS philosophy, policies, and community-based principles. Community segments and social fields targeted by the company as well as the amounts expended will be included in the agenda of the company's AGM to be held on 30th March 2023 and to ratify the aforementioned donation amount.

The Board of Directors also proposes to the AGM allocating an amount of R.O 50,000 (Fifty Thousand Omani Riyals) for the company's plan towards social responsibility in the year 2023. In compliance with the directives of the Capital Market Authority pursuant to Resolution No. 172/2021, a percentage of (20%) of the allocated amount will be deducted for the benefit of the Oman Charitable Organization.

ACHIEVEMENTS:

We are pleased to inform our honorable shareholders that the company was rewarded by ALAM AL_EKTISAD Magazine among the best performing companies under the MID Cap Category. The evaluating criteria included top line growth, earnings growth, earnings before interest and tax, return on average assets, return on average equity and net profit margin. Your company has been a recipient of this award under various categories for many years. We will continue to put more efforts to perform well in the future.

ACKNOWLEDGEMENTS:

In conclusion and on behalf of the Board of Directors, I would like to thank Almighty Allah for another successful financial year in the company's progress. I would like also to thank the shareholders. As usual our thanks are also extended to our customers for their unstinted support, patronage and confidence which they have reposed in the company. We also thank the management of the company and the staff for their loyalty. Our thanks are also extended to our insurance brokers and reinsurers for their full support and cooperation.

Our special thanks and appreciation to the Government of the Sultanate and all other governmental entities and in particular to Capital Market Authority (CMA) for their tremendous support in regulating and developing the insurance market and for their assistance which has led to the smooth functioning of our operations.

Finally, our sincere thanks and gratitude to His Majesty Sultan Haitham bin Tariq for his wise leadership and we all pray to Almighty Allah to shower him with blessings and keep him in good health and give him long life.

Thank you and God bless us all.