

DHOFAR INSURANCE COMPANY (S.A.O.G)

C.R. No.: 1/31897/7

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شركة ظفار للتأمين ش.م.ع.ع

س.ت: ١/٣١٨٩٧/٧

المكتب الرئيسي: ص.ب: ١٠٠٢ روي، الرمز البريدي: ١١٢، سلطنة عمان

هاتف: ٢٤٧٠٥٣٠٥ (٩ خطوط)، فاكس: ٢٤٧٩٣٦٤١

البريد الإلكتروني: dhofar@dhofarinsurance.com

الموقع الإلكتروني: www.dhofarinsurance.com

Management Discussion & Analysis

The Management discussion report presented below is a summary on the FY 2018 performance and is in line with the financial statements of the year.

Operating Performance

The year 2018 saw intense competition amongst all insurers in the market to gain market share leading to softening of rates in all lines of business. This was in the background of low oil prices which had an impact on construction activity, tight liquidity situation in Oman putting pressure on premium rates.

We continued our efforts to improve the portfolio balance and prudent underwriting for all lines of business including Motor. We focused on segmentation of the portfolio into micro units and take underwriting decisions based on statistical and actuarial analysis

We did let go of some chronic loss making segments which led to de-growth on Gross Written Premium front, however the sound underwriting had a salutary impact on the bottom line and we have posted a PBT of 1.430 million in 2018 against loss of 1.704 in 2017.

The Company has a market share of 8.6 % based on GWP as at 31st December 2018, ranking it the second largest insurer in the Sultanate of Oman.

Parameter	Dec 31 2018	Dec 31 2017
Gross Written Premium	40,034,667	44,767,344
Net Underwriting Results	6,888,372	3,468,437
Underwriting Margin	17.20%	7.7%

Mekunu Claim update

The Company had undertaken a number of preparatory steps to ensure minimal damage to the Company's assets. Our claims personnel were on the ground assisting customers immediately the day following the cyclone. The Company has adequate reinsurance agreements in place with reputed global reinsurers to ensure that the policy holders are protected.

Actuarial Assessment of Insurance Liabilities

For sound balance sheet we have appointed an independent and CMA approved Actuarial firm to recommend the appropriate amount to be maintained for UPR (Unearned Premium Reserve),

BRANCHES :

SALALAH	Tel.: 23294370	HAIMA	Tel.: 23436058	MAHADAH	Tel.: 25659322	TAQAH	Tel.: 23258033
SOHAR	Tel.: 26842640	ALKHAWAIR	Tel.: 24481528	QURIYAT	Tel.: 24846383	INDUSTRIAL	Tel.: 23211541
SUR	Tel.: 25543980	BARKA	Tel.: 26884749	AL AMIRAT	Tel.: 24875683	IZKI	Tel.: 25341606
NIZWA	Tel.: 25412094	SINAW	Tel.: 25524970	AL SWAIQ	Tel.: 26860297	AL GHUBRAH	Tel.: 24493905
SEEB	Tel.: 24423075	MIRBAT	Tel.: 23264534	SAMAIL	Tel.: 25350559	SHINAS	Tel.: 26747479
BURAIMI	Tel.: 25655721	KHASAB	Tel.: 26731705	JALAN	Tel.: 25554157	AL Risa'il	Tel.: 24443803
IBRI	Tel.: 25692254	MAZYUNAH	Tel.: 23271338	AL MAHA F/S	Tel.: 26849905	AL Mabila	Tel.: 24458761
IBRA	Tel.: 25570742	SALALAH	Tel.: 23297034	BAHLA	Tel.: 25421021		

طاقة	هاتف: ٢٢٥٨٠٣٣	محضة	هاتف: ٢٢٥٩٢٢٢	هيماء	هاتف: ٢٢٤٦١٠٥٨	صلالة	هاتف: ٢٢٣٩٤٧٠
الزكاة	هاتف: ٢٢٢١١٥٤١	قريات	هاتف: ٢٤٨٦٢٣٢	الخوير	هاتف: ٢٤٨١٥٢٨	صحار	هاتف: ٢٣٨٤٦٤٠
إزكي	هاتف: ٢٥٣٤١٦٠٦	الأمارات	هاتف: ٢٤٨٧٥٦٣	Page: 1 of 4		صور	هاتف: ٢٥٥٤٢٩٨٠
الغفرة	هاتف: ٢٤٤٩٨٩٠٥	السويق	هاتف: ٢٣٨٦٩٢٧	سناو	هاتف: ٢٥٥٢٤٩٧٠	نزوي	هاتف: ٢٥٤١٢٠٩٤
شناص	هاتف: ٢٢٦٧٤٧٩	سمائل	هاتف: ٢٥٣٥٠٥٥٩	مرياط	هاتف: ٢٢٣٦٤٥٢٤	المصنوب	هاتف: ٢٤٤٣٣٠٧٥
الرسيل	هاتف: ٢٤٤٤٣٨٠٣	جملان	هاتف: ٢٥٥٥٤١٥٧	خصيب	هاتف: ٢١٧٢١٧٠٥	البريمي	هاتف: ٢٥١٥٥٧٢١
المعيلة	هاتف: ٢٤٤٥٨٧١١	الواجة (لها)	هاتف: ٢٣٨٤٩٩٠٥	الزينة	هاتف: ٢٢٣٧١٣٨	عبري	هاتف: ٢٥١٩٢٥٥٤
		بهاء	هاتف: ٢٥٤٢١٠٢١	صلالة	هاتف: ٢٢٣٩٧٠٢٤	إبراء	هاتف: ٢٥٥٧٠٧٤٢

Additional UPR, URR (Unexpired Risk Reserve), OSLR (Outstanding Loss Reserve), IBNR (Incurred But Not Reserved) and IBNER (Incurred But Not Enough Reserved). Based on their report, appropriate reserves are maintained.

Investment Income

The Company reported an investment income of RO 1.352 million for the year ended 31st December 2018 as against a RO 2.055 million in the same period last year.

SWOT Analysis

Strengths

- **Brand strength and reputation in the market** – Strong market presence as one of the largest insurance Companies in Oman.
- **Claims customer service** – Company has focus on Customer Centricity hence Customers receive claim payments timely. This was demonstrated admirably during Catastrophic Mekunu Cyclone.
- **Strong relationship with reinsurers** – Long standing relationships with reinsurance counterparties.
- **Strong Management team** – The Board has actively supported and put in place highly qualified persons in senior management positions to improve all aspects of the company from sales & marketing, internal audit, compliance, corporate governance, accounts, credit control, underwriting and claims.

Weakness

- **Old IT System** –The Company has an Old IT system which needed to be upgraded to cater to meet the expectation on IT savvy customers of today. The company has decided to implement a New Latest IT system which will help the Company to have quick turnaround time, excellent service to customers and analytics which are critical in today's environment. The implementation process has started, however the same would be completed in FY2019

Opportunities

- **Harnessing the potential of branch network** – We have largest branch network in the country and our reach to the customer is available at the smallest of towns of the Sultanate of Oman. The Team is motivated to provide highest standards of the service to the customers at their door steps and harness the true potential of our reach.
- **Improve Customer Service** – By developing call centers and digital customer service facilities which allow customers to direct inquiries, allow for centralized payment processing and claims handling.

- **IT initiatives for support functions** – IT support systems in HR, Finance, Investments & HR thereby eliminating manual processes, streamline operations and reduce operating costs.
- **Medical Insurance** – This is still a largely untapped areas and we have taken steps for growth and the additional stimulus for growth will be when the Government brings in compulsory insurance. This will be well supported by our new IT system and Call Center.

Threats

- **Sustained economic pressures and low oil prices** – As a result of Oman's oil revenue dependency, sustained low oil prices may result in higher unemployment and lower public spending thereby adversely impacting growth opportunities.
- **Excess capacity** – With over 20 companies vying for market share in a somewhat saturated market, especially motor, margin compression will continue to have an adverse impact on the Company's largest product line.

Human Resources

The most critical of our priorities is to protect and retain all that was good at the workplace and build on a foundation of meritocracy that has been neglected over the years. The Management has initiated a number of steps to impart training to the employees. The Omanisation rate as on 31st December 2018 was 74.38%

Future Outlook

The Oman GDP is expected to grow by 3% in year 2019. The 2019 budget of Sultanate of Oman aims at maintaining financial stability, controlling deficit, reviewing priorities and public spending, boosting non-oil revenues and expanding tax base. The Youth now represents a majority of the Omani, with these positives, we are confident that there will be a boost in retail spending. The insurance industry has not shown a marginal growth in 2018 but that is expected to change and we expect much better growth in 2019 as compared to 2018.

We are implementing business plans which focus on Customers, Stakeholders and would transform the company as the Insurer of Choice for all Stakeholders.

We express our deep gratitude and appreciation to our leader, His Majesty Sultan Qaboos Bin Said for his vision and guidance, which has initiated the country's success, growth and prosperity.

We thank the Customers, the Capital Market Authority, Shareholders and Board of Directors for the continued support and guidance to Dhofar Insurance as well as unstinted hard work of all the employees. A sincere thanks and gratitude to them all.



Sunil Kohli
Chief Operating Officer