Management Discussion & Analysis

The Management discussion report presented below is a summary on the FY 2021 performance and is in line with the financial statements of the year under review.

Operating Performance

The year 2021 continued to witness challenging environment due to Coronavirus pandemic situation, recent Cyclone Shaheen and stiff competition in the Insurance Market. On one side lack of growth in economy due to Covid 19 pandemic and stiff competition had extreme pressure on pricing of over the counter(OTC) products like Motor Insurance and on the other side Cyclone Shaheen had serious impact on profitability due to large claims for property and motor lines of business

We continued our efforts to improve the portfolio balance and prudent underwriting for all lines of business including motor based on statistical and actuarial analysis. The Company ended the year with total premium of RO 55.02 million against RO 48.5 million last year, representing a growth of 13% year on year.

Cyclone Shaheen which hit Oman during the year has affected a large number of insureds. The company received claims in housing property damages, motor, commercial property damages etc. These cyclone claims had significant impact on the profits of the company however company committed both financial as well as human resources to settle these claims as soon as possible to help the affected insureds. Dhofar insurance has done remarkably well in claims settlement process and delivery to affected insureds during Cyclone Shaheen . In spite of significant impact on bottom-line of the company due to cyclone Shaheen claims, the sound underwriting policy of the Company helped to post a pretax profit of RO 2.83 million in 2021.

The Company has a market share of 11.3 % based on GWP as at 31st December 2021, ranking it the second largest insurer in the Sultanate of Oman.

Particulars	31st December 2021 (R.O)	31st December 2020 (R.O)	Change %
Gross Written Premium	**55,021,055**	**48,495,409**	**13.5%**
Net Underwriting Results	8,313,809	8,766,721	-5.2%
Investment Income & Other Income	2,680,598	3,279,841	-18.3%
General and Administration Expenses			9.5%

	(7,834,383)	(7,117,924)	
Finance Costs	(324,656)	(444,494)	-27.0%
Profit after Tax	**2,554,709**	**3,851,634**	**-33.6%**

Actuarial Assessment of Insurance Liabilities

For a sound balance sheet, the Company has appointed an independent actuarial firm to recommend the appropriate amount of reserve to be maintained for UPR (Unearned Premium Reserve), Additional UPR, URR (Unexpired Risk Reserve), OSLR (Outstanding Loss Reserve), IBNR (Incurred But Not Reserved) and IBNER (Incurred But Not Enough Reserved). Based on the actuarial advice received appropriate reserves have been maintained by the Company.

Investment Income

The Company reported an investment income of RO 2.22 million for the year ended 31st December 2021 as against a RO 2.97 million in the same period last year.

SWOT Analysis

Strengths

- **Brand strength and reputation in the market –** The Company has a strong market presence and reach in majority of the Wilayats in the Sultanate.
- **Claims customer service –** The Company has focus on customer centricity to ensure that policyholders receive claim payments in timely manner.
- **Strong relationship with reinsurers –** The Company has a long standing relationship with global reinsurers.
- **Strong Management team** – The Board has actively supported the Management team in various endeavors. Highly qualified personnel in senior management positions are steering the company in key functions such as sales & marketing, internal audit, accounts, credit control, Reinsurance, underwriting and claims management.

Weakness

Rebalancing of Portfolio – The Company is conscious of risks of high contribution from single line of business. The Management has identified new product lines that it intends to develop and launch during the course of the next financial year to diversify the portfolio mix.

Opportunities

- **Maximising the potential of branch network-**The Company has the 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.

- **Digitizing of Customer Service –**Digital customer service facilities will be implemented which will allow customers to have a better experience.
- **Medical Insurance -- Medical** insurance is underpenetrated and there is a substantial potential to make this socially relevant product accessible to the general public.

Threats

- **Sustained economic pressures and low oil prices** – Low oil prices and unforeseen events like Corona virus outbreak may result in 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. The Management has initiated a number of steps to impart training to the employees. The Omanisation rate as on 31st December 2021 was 83%

COVID-19

On March 12, 2020, the World Health Organization declared the global outbreak of the COVID-19 virus as a pandemic. The outbreak has spread throughout Europe, the Middle East, Canada and the United States, causing companies and various international jurisdictions to impose restrictions, such as quarantines, closures, cancellations and travel restrictions. The pandemic has led to widespread economic uncertainty and volatility in the financial markets which could adversely impact the Company's cost and access to capital.

With concerns over the spreading of the virus, the Company has proactively implemented several protective measures, including work-from-home arrangements for its staff, cancellation of conferences and limits on non-essential employee travel. The recent release of effective COVID-19 vaccines has provided a positive boost to consumer confidence and to the outlook for an economic rebound. While these are positive trends and the Company confirms the rebound in economic activity also correlates with the Company's current growth, the onset of the Delta variant has resulted in the reinstallation of some COVID-19-related restrictions, which could have a negative impact in the event that the Delta variant or other variants of concern cause further or renewed restrictions.

Future Outlook

The Oman GDP is expected to grow by 3% in year 2022. The 2022 budget of Sultanate of Oman aims at maintaining financial stability, controlling deficit, reviewing priorities and public spending,

boosting non-oil revenues. The Youth now represents a majority of the Omani population, with these positives, we are confident that there will be a boost in retail spending.

We are implementing business plans with focus on customers and stakeholders. This would transform the company as the Insurer of Choice for all Stakeholders.

We would like to extend our sincere best wishes to His Majesty Sultan Haitham Bin Tarik, and we pledge our constant support and commitment for the economic development of the Sultanate under his leadership.

We thank the Ministry of Commerce and Industry and Investment Promotion, the Capital Market Authority, Shareholders and Board of Directors and our customers for the continued support and guidance to the Company as well as the unstinted hard work of all the employees. A sincere thanks and gratitude to them all.

Sunil Kohli

Chief Executive Officer