

**MANAGEMENT DISCUSSION  
AND ANALYSIS REPORT**

**1. Statement of the main objects and business of the issuer.**

The main activity of the company is general insurance and life assurance business. In this report, we are dealing with the results of the financial year ending of 31 December, 2019 and the vision of the company's future in light of management trends, taking into account the nature of the market and economic conditions, which affect the company's activity. We also take into consideration, the nature of the risk, which makes this report and the data contained therein is complementary to the financial statements for the year 2019.

**2. Methods through which the company achieves its business and development proposal.**

**Insurance Operations:**

Due to the growing competition within the Omani market and the large number of local and international insurance companies, the company maintained its planned growth rate and target as per the approved plans for realizing steady annual growth rate. However, the company recorded slightly decrease in the total premiums written by 1% to reach OMR 18.450 million compared to OMR 18.588 million for the same period last year.

The company's business is focused on achieving written premiums in (Non-Motor) that recorded OMR 6.690 million in 2019 compared to OMR 6.717 million at the end of 2018, and decrease in (Motor) insurance premiums that recorded OMR 8.318 million in 2019 against OMR 10.316 million at the end of 2018.

In spite of hardly competition and to comply with company strategy of maintaining technical reserves against high trend of claim ratio to absorb the impact of market conditions with the total underwriting results decreasing by 57% to record OMR 1.420 million compared to OMR 3.340 million for the same period last year.

The company's stable policy with international reinsurance companies reflects the confidence of reinsurers in the company's corporate skills and ability to evaluate risks. It gives the company an advantage as a result of strict underwriting systems that enabled it to maintain a reasonable loss rate in all classes of insurance.

**Investment Operations:**

Investment income recorded an increase of 9% to register OMR 792K for 2019 compared to OMR 730K for 2018 an increase of OMR 62K, mainly due to the unrealized loss on local equity portfolio by RO 225K for 2019 against the unrealized loss of RO 330K for 2018 as the downward trend of the Muscat Securities Market continue. On the other hand, realized investment income has reduced from RO 1.060 million to RO 1.017 million.

Investment Type	2019		2018		2017	
	OMR	%	OMR	%	OMR	%
Bank deposits	9,905,000	38	13,805,000	53	16,500,000	64
Securities	4,328,386	16	4,516,068	17	4,799,784	19
Bonds	2,276,336	9	2,033,823	8	2,043,639	8
Investment Property	9,896,926	37	5,859,948	22	2,381,514	9
<b>Total</b>	<b>26,406,648</b>	<b>100</b>	<b>26,214,839</b>	<b>100</b>	<b>25,724,937</b>	<b>100</b>

\*Investment property is recognized in the financial statements by its actual cost value after depreciation. The market value of the property has reached 12.730 Million.

## **The Company's Financial Position according to the Insurance Companies Law:**

### **Contingency Provision:**

The company has established a contingency provision to strengthen its financial position through the formation of this provision from profits, in accordance with the provisions of the Insurance Companies Law. The deduction of this provision stops when it reaches an amount equaling the paid share capital.

<b>Contingency reserve</b>	<b>OMR</b>
<b>Contingency reserve 2019</b>	2.472 Million

### **Solvency Margin:**

The management paid an attention to empowering the company's financial position and financial capacity in order to meet its financial obligations.

<b>Company's Financial Solvency Margin</b>	<b>OMR</b>
<b>Financial Solvency Margin of 2019</b>	1.592 Million

### **The General and Administrative Expenses:**

The General and Administrative Expenses increased by 2.6% to OMR 3.212 million in 2019 compared to OMR 3.130 million in 2018. The main reason for this increase is due to depreciation expenses on the new building.

## **3. Explanation of investment opportunities and obstacles.**

The real estate investment project of Muscat Insurance Company is an important addition to the company's assets. This investment project reinforces the expected return on investment.

The market risks involved in both Oman and the global markets are the main factors that the company takes into account when assessing investment opportunities and performance of investments.

## **4. Analysis of issuer's products**

The company is an insurance company that implements both classes of insurance, general insurance and life assurance. The company has a variety of insurance policies that meet the needs of the customers. The company is working on developing its insurance products to meet the needs of the growing market.

## **5. Explanation of the risks the company is facing and how to mitigate them.**

The Company is exposed to market risks in respect of its investments. The risk mitigation is based on the following key principles:

- Maintaining a diversified portfolio of its Equity and other asset classes
- By continuous monitoring of the local and international markets
- Following a 2-tier structure of corporate governance towards underlying Investment Philosophy, Strategic Asset Allocation and overall Investment Policy. These tiers include CEO/CFO/CSSO and the Executive & Board for key investment decisions

## **6. Discussion of the financial and operational performance of the Company including analysis of the financial position of the company, the results of its business during the financial year focusing on explanation of the significant changes in figures.**

The salient features on the performance for the current year are as follows:

- a) The investment profit for 2019 was OMR 792K compared to OMR 730K in 2018.
- b) The realized investment income in 2019 was OMR 1.017 million compared to OMR 1.060 million in 2018 and unrealized loss on investment was OMR 225K in 2019 compared to loss of OMR 330K in 2018.
- c) The underwriting results decreased to OMR 1.420 million in 2019 before expenses from OMR 3.340 million in 2018.
- d) The total expenses increased to OMR 3.212 million in 2019 compared to OMR 3.130 million in 2018 on account of depreciation on newly constructed building.
- e) The net result is a loss after tax of OMR 748K for the year 2019 compared with a net profit of OMR 750K in 2018.
- f) The Net Worth at year ended 2019 reached to OMR 16.252 million compared to OMR 17.488 million at year end 2018. The Net Assets per share thus stands at OMR 1.474 in 2019 compared to OMR 1.586 of last year.

**7. Time sequence of realized profits and losses, dividends, net equity, for a period of not less than five years:**

**(OMR in '000)**

	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Net profit/(Loss) after tax	132	92	1,339	1,508	750
Dividends	250	250	500	500	525
Bonus shares	-	-	100%	5%	5%
Total Equity (Net-worth)	15,218	15,081	16,190	17,191	17,488

**8. Description of the main activities of the issuer, their geographical location, size, of investment and number of employees.**

- Principal Activity: Insurance
- Geographical Location: Muscat, Oman
- Size of Investment is listed entity in Muscat Security Market (MSM)
- Investments carried at fair value through Profit & Loss OMR 3.772 Million.
- The number of staff in the Company as at 31<sup>st</sup> December 2019 was 175 with an Omanisation ratio of 81.7%

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