

Muscat Insurance Company SAOG
Notes to the financial statements
for the year ended 31 December 2024
(Expressed in Omani Rial)

1 legal status and principal activities

Muscat Insurance Company SAOG (the “Company”) is registered as an Omani Public Joint Stock Company in the Sultanate of Oman. The Company was formerly operating as an investment company whereby its license was issued by Financial Services Authority (FSA) to underwrite general and life insurance businesses from 17 August 2017 pursuant to the CMA’s administration decision E/59/2017 dated 30 August 2017.

The Company was restructured in the year 2017 through the merger of its two fully-owned subsidiaries in compliance with provisions of the Insurance Companies Law of 1979, as amended, to bring the share capital of the Company to RO 10 million by August 2017. Accordingly, the subsidiaries, Muscat Insurance Company SAOG and Muscat Life Assurance Company SAOC (“MLAC”) were merged with the Company by transferring their liabilities, as well as the licenses to underwrite portfolio of general and life insurance business.

The registered address of the Company is PO Box 72, Postal Code 112, Muscat, Sultanate of Oman.

2 Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB), interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), together referred to as IFRS Accounting Standards, disclosure requirements of the Financial Services Authority and the requirements of the Commercial Companies Law (CCL) and Regulations (CCR) of the Sultanate of Oman.

The second principle, section 12 of Code of Corporate Governance for Public Listed Companies requires that Board members do not attend more than two meetings per annum via video conferencing or remote attendance. During the year ended 31 December 2024, two of the Board members have exceeded this limit. The Company is in the process of establishing a policy to limit such participation by the Board members to not more than 2 per cent of the total number of Board members.

(b) Basis of measurement

The financial statements have been prepared on the going concern assumption and historical cost basis. The following assets and liabilities are measured at fair value:

- i. Financial assets at fair value through other comprehensive income (“FVOCI”); and
- ii. Financial assets at fair value through profit or loss (“FVTPL”).

The statement of financial position is presented in ascending order of liquidity, as this presentation is most appropriate to the Company’s operations.

The Company’s statement of financial position is not presented using a current/non-current classification. The following balances would generally be classified as current: cash and cash equivalents, investments held for sale, receivables, other receivables and prepayments, accruals and other payables and provisions for liabilities.

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2 Basis of preparation (continued)

(b) Basis of measurement (continued)

The following balances would generally be classified as non-current: investments at amortised cost, properties, property and equipment, provision for employee end-of-service benefits. The following balances are of mixed nature (including both current and non-current portions): bank balances, investments carried through other comprehensive income, insurance contract assets, reinsurance contract assets, insurance contract liabilities and reinsurance contract liabilities.

(c) Functional currencies

These financial statements have been presented in Rial Omani or RO which is the functional currency of the Company.

(d) Climate related matters

As at 31 December 2024, the Company has not identified significant risks induced by climate change that may negatively and materially affect the Company's financial statements. Management continuously assesses the impact of climate-related matters.

Assumptions could change in the future in response to new environmental regulations, new commitments, changing consumer demand. These changes, if not anticipated, could have an impact on the Company's cash flows, financial performance and financial position.

3 Adoption of significant new and revised IFRS

(a) Standards, amendments and interpretations effective and adopted in the annual period beginning January 2024

The following new standards, amendments to existing standards or interpretations to various IFRS Standards are mandatorily effective for the reporting period beginning on or after 1 January 2024:

Standard or Interpretation	Title
Amendments to IFRS 16	Leases: Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-Current Liabilities with Covenants
Amendments to IAS 7	Statement of Cash Flows: Supplier Finance Arrangements
Amendments to IFRS 7	Financial Instruments: Disclosures - Supplier Finance Arrangements

IFRS 16: Lease Liability in a Sale and Leaseback

On 22 September 2022, the IASB issued amendments to IFRS 16 - Lease Liability in a Sale and Leaseback.

Prior to the amendments, IFRS 16 did not contain specific measurement requirements for lease liabilities that contain variable lease payments arising in a sale and leaseback transaction. In applying the subsequent requirements of lease liabilities to a sale and leaseback transaction, the amendments require a seller-lessee to determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognize an amount of the gain or loss that relates to the right of use retained by the seller-lessee.

These amendments have no effect on the financial statements of the Company.

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3 Adoption of significant new and revised IFRS (continued)

(a) Standards, amendments and interpretations effective and adopted in the annual period beginning January 2024 (continued)

Amendments to IAS 1: Classification of Liabilities as Current or Non-Current and Non-current Liabilities with Covenants

The IASB issued amendments to IAS 1 in January 2020 Classification of Liabilities as Current or Non-current Liabilities with Covenants.

The amendments clarify the following:

- An entity's right to defer settlement of a liability for at least twelve months after the reporting period have substance and must exist at the end of the reporting period.
- If an entity's right to defer settlement of a liability is subject to covenants, such covenants affect the right exists at the end of the reporting period only if the entity is required to comply with the covenants before the end of the reporting period.
- The classification of a liability as current or non-current is unaffected by the likelihood that the entity will exercise its right to defer settlement.
- In case of a liability that can be settled, at the option of the counterparty, by the transfer of the entity's equity instruments, such settlement terms do not affect the classification of the liability as current or non-current only if the option is classified as an equity instrument.

These amendments have no effect on the financial statements of the Company.

Amendments to IAS 7 & IFRS 7: Supplier Finance Arrangements

On 25 May 2023, the IASB issued Supplier Finance Arrangements, which amended IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures*.

The amendments require entities to provide certain specific disclosures (qualitative and quantitative) about supplier finance arrangements. The amendments also provide guidance on characteristics of supplier finance arrangements.

The Company has carried out an assessment of its contracts and operations and, concluded that, these amendments have had no effect on the financial statements, regardless of the transition relief provided.

(b) Standards, amendments and interpretations issued but not yet effective

The following new/amended accounting standards and interpretations have been issued by IASB that are effective in future accounting periods and the Company has decided not to adopt early:

Standard or Interpretation	Title	Effective for beginning of period
Amendments to IAS 21	The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability	
Amendments to IFRS 9	Amendments to the Classification and Measurement of Financial Instruments	
Amendments to IFRS 9	Contracts Referencing Nature-dependent Electricity	
IFRS 18	Presentation and Disclosure in Financial Statements	
IFRS 19	Subsidiaries without Public Accountability: Disclosures	

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3 Adoption of significant new and revised IFRS (continued)

(b) Standards, amendments and interpretations issued but not yet effective (continued)

The Company does not expect these amendments and standards issued but not yet effective, to have any impact on the financial statements of the Company, except for IFRS 18.

IFRS 18 *Presentation and Disclosure in Financial Statements*, which was issued by the IASB in April 2023, will result in major consequential amendments to IFRS Accounting Standards including *Preparation of Financial Statements* (renamed from Accounting Policies, Changes in Accounting Policies and Errors). Even though IFRS 18 will not have any effect on the recognition and measurement of items in financial statements, it is expected to have a significant effect on the presentation and disclosure of certain items. These changes include categorisation and sub-totals in the statement of profit or loss, aggregation/disaggregation of information, and disclosure of management-defined performance measures.

4 Material accounting policy information

4.1 Foreign currency translation and transactions

Foreign currency transaction and balances

Foreign currency transactions are translated into the presentation currency of the Company, using the prevailing exchange rates at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items of statement of financial position at year-end exchange rates are recognised in the statement of profit or loss and other comprehensive income as 'other income' or 'other expenses'.

In the Company's financial statements, all items and transactions of the Company with a transaction currency other than the RO (the Company's presentation currency) were translated into the presentation currency. Assets and liabilities have been translated into the RO at the closing rate of the reporting date. Income and expenses have been translated into the RO at the average rates over the reporting period.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of initial recognition (not retranslated). Non-monetary items measured at fair value are translated using the exchange rate at the date when fair value was determined.

4.2 Insurance contracts issued and reinsurance contracts held

Classification

The Company issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. As a general guideline, the Company determines whether it has significant insurance risk by comparing benefits payable after an insured event with benefits payable if the insured event does not occur. Insurance contracts also transfer financial risk.

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4 Material accounting policy information (continued)
4.2 Insurance contracts issued and reinsurance contracts held (continued)

Classification (continued)

The Company issued the general insurance to individuals and businesses. General insurance products fire, marine cargo, accident, engineering, motor vehicles and medical. These products offer policyholder's assets and indemnification of other parties that have suffered damage as a result of an accident.

The Company also issues reinsurance contracts in the normal course of business to compensate other claims arising from one or more insurance contracts issued by those entities.

Separating components from insurance and reinsurance contracts

The Company assesses its insurance and reinsurance products to determine whether they contain distinct components which must be accounted for under another IFRS instead of under IFRS 17. After separating any distinct components, the Company applies IFRS 17 to all remaining components of the (host) insurance contract. Currently, products do not include any distinct component that requires separation.

Level of aggregation

IFRS 17 requires the Company to determine the value of aggregation for applying its requirements.

Insurance contracts are aggregated into groups for measurement purposes. Groups of insurance contracts are determined by identifying portfolios of insurance contracts, each comprising contracts subject to similar risks managed together, and dividing each portfolio into annual cohorts (i.e. by year of issue) and each annual cohort into three groups based on the profitability of contracts:

- A group of contracts that are onerous at initial recognition (if any);
- A group of contracts that, at initial recognition, have no significant possibility of becoming onerous in the future (if any); and
- A group of the remaining contracts in the portfolio.

The Company has defined portfolios of insurance and reinsurance contracts held based on the fact that the products are subject to similar risks and managed together.

Portfolios are in line with reserving lines of business for direct groups of insurance contracts. For reinsurance contracts held, portfolios correspond to direct portfolios plus proportional and non-proportional treaties.

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4 Material accounting policy information (continued)

4.2 Insurance contracts issued and reinsurance contracts held (continued)

Recognition

The Company recognises groups of insurance contracts it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts;
- The date when the first payment from a policyholder in the group is due; and
- For a group of onerous contracts, if facts and circumstances indicate that the group is onerous.

The Company recognises a group of reinsurance contracts held which it has entered into from the following:

- The beginning of the coverage period of the group of reinsurance contracts held; and
- The date the Company recognises an onerous group of underlying insurance contracts, if the Company has the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

The Company adds new contracts to the group in the reporting period in which that contract meets one set out above.

Contract Boundary

The Company includes in the measurement of a group of insurance contracts includes all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract from substantive rights and obligations that exist during the reporting period in which the Company contracts with policyholders to pay the premiums, or in which the Company has a substantive obligation to provide insurance contract services. A substantive obligation to provide insurance contract services ends when the Company no longer has a substantive obligation to provide insurance contract services.

- The Company has the practical ability to reassess the risks of the policyholder and, as a result, can set a price or level of benefits that fully reflects those risks.

Or both of the following criteria are satisfied:

- The Company has the practical ability to reassess the risks of the portfolio of insurance contracts to which the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio
- The pricing of the premiums up to the date when the risks are reassessed does not take into account periods after the reassessment date.

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contracts is recognised. Such amounts relate to future insurance contracts.

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4 Material accounting policy information (continued)
4.2 Insurance contracts issued and reinsurance contracts held (continued)

Contract Boundary (continued)

The majority of the contracts that are in force as at the assessment date have a duration that does months. except few i.e. engineering and long term life.

The Company adds new contracts to the group when they are issued or initiated. Modified contract is contract as the contract boundary of original contract terminates when the modification take place.

Insurance contracts - initial and subsequent measurement

The following accounting policy choices adopted by the Company:

Insurance acquisition cash flows

Insurance acquisition cash flows are allocated to related groups of insurance contracts and amor coverage period of the related group using a systematic and rational basis.

Liability for Remaining Coverage (LFRC), adjusted for financial risk and time value of money

For all contracts measured under the PAA, there is no allowance as the premiums are expected to be one year of the coverage period.

Liability for Incurred Claims, (LFIC) adjusted for time value of money

The Company discounts the LFIC for the time value of money where claims are expected to be paid wi a year.

Insurance finance income and expense

Other comprehensive income was not opted out. Insurance finance income and expense will flow t statement in the reporting period.

Insurance contracts measurement premium allocation approach - initial measurement

The Company applies the premium allocation approach (PAA) to all the insurance contracts that reinsurance contracts that it holds, as:

- The coverage period of each contract in the group is one year or less, including coverage arising fro within the contract boundary; or
- For contracts longer than one year, the Company has modelled possible future scenarios and reas that the measurement of the LRC for the group containing those contracts under the PAA does not d from the measurement that would be produced applying the general model. In assessing materiality, th also considered qualitative factors such as the nature of the risk and types of its lines of business.

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4 Material accounting policy information (continued)
4.2 Insurance contracts issued and reinsurance contracts held (continued)

Insurance contracts - initial and subsequent measurement (continued)

Insurance contracts measurement premium allocation approach - initial measurement (continued)

The Company does not apply the PAA if, at the inception of the group of contracts, it expects significant the fulfilment cash flows that would affect the measurement of the liability for the remaining coverage period before a claim is incurred. Variability in the fulfilment cash flows increases with:

- The extent of future cash flows related to any derivatives embedded in the contracts; and
- The length of the coverage period of the group of contracts.

For a group of contracts that is not onerous at initial recognition, the Company measures the liability coverage as the premiums, if any, received at initial recognition, minus any insurance acquisition costs date, with the exception of contracts which are one year or less where this is expensed, plus or minus arising from the derecognition at that date of the asset or liability recognised for insurance acquisition that the Company pays or receives before the group of insurance contracts is recognised. There is no time value of money as the premiums are mostly received within one year of the coverage period.

Insurance contracts measurement premium allocation approach - subsequent measurement

The Company measures the carrying amount of the liability for remaining coverage at the end of period as the LRC at the beginning of the period:

- Plus premiums received in the period;
- Minus capitalised insurance acquisition cash flows;
- Plus any amounts relating to the amortisation of the acquisition cash flows recognised as an expense reporting period;
- Plus any adjustment to the financing component, where applicable;
- Minus the amount recognised as insurance revenue for the coverage period; and
- Minus any investment component paid or transferred to the liability for incurred claims.

The Company estimates the LIC as the fulfilment cash flows related to incurred claims. The fulfilment incorporate, in an unbiased way, all reasonable and supportable information available without undue about the amount, timing and uncertainty of those future cash flows, they reflect current estimate perspective of the Company, and include an explicit adjustment for non-financial risk (the risk that Company does not adjust the future cash flows for the time value of money and the effect of financial measurement of LIC that are expected to be paid within one year of being incurred).

Insurance acquisition cash flows are allocated on a straight-line basis as a portion of premium to state or loss (through insurance revenue).

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4 Material accounting policy information (continued)
4.2 Insurance contracts issued and reinsurance contracts held (continued)

Insurance contracts - initial and subsequent measurement (continued)

Insurance contracts measurement other than PAA - initial measurement

The Company measures a group of contracts on initial recognition as the sum of:

- Expected fulfilment cash flows within the contract boundary; and
- A contractual service margin representing the unearned profit in the contracts relating to service provided under the contracts in the groups.

Fulfilment cash flows comprise unbiased and probability-weighted estimates of future cash flows, present value to reflect the time value of money and financial risks, plus a risk adjustment for non-financial risks.

The Company's objective in estimating future cash flows is to determine the expected value, or weighted mean, of the full range of possible outcomes, considering all reasonable and supportable information available at the reporting date without undue cost or effort.

The Company updates its estimates at the end of each reporting period using all newly available information as historic evidence and information about trends. The Company determines its current expectations of future events occurring at the end of the reporting period. In developing new estimates, the Company uses the most recent experience and earlier experience, as well as other information.

Insurance contracts measurement other than PAA - subsequent measurement

The CSM at the end of the reporting period represents the profit in the group of insurance contracts that has been recognised in the statement of profit or loss, because it relates to future service to be provided.

For a group of insurance contracts, the carrying amount of the CSM of the Company at the end of the reporting period equals the carrying amount at the beginning of the reporting period adjusted, as follows:

- The effect of any new contracts added to the group;
- For contracts measured under the GMM, interest accreted on the carrying amount of the CSM during the reporting period, measured at the discount rates at initial recognition;
- The changes in fulfilment cash flows relating to future service, except to the extent that:
 - Such increases in the fulfilment cash flows exceed the carrying amount of the CSM, giving rise to a liability

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4 Material accounting policy information (continued)

4.2 Insurance contracts issued and reinsurance contracts held (continued)

Insurance contracts - initial and subsequent measurement (continued)

Insurance contracts measurement other than PAA - subsequent measurement (continued)

- Such decreases in the fulfilment cash flows are allocated to the loss component of the LRC.
- The effect of any currency exchange differences on the CSM; and
- The amount recognised as insurance revenue because of the transfer of insurance contract services determined by the allocation of the CSM remaining at the end of the reporting period (before any allocation current and remaining coverage period).

The changes in fulfilment cash flows relating to future service that adjust the CSM comprises of:

- Experience adjustments that arise from the difference between the premium receipts (and any related expenses such as insurance acquisition cash flows and insurance premium taxes) and the estimate, at the beginning of the period, of the amounts expected. Differences related to premiums received (or due) related to current services are recognised immediately in the statement of profit or loss while differences related to premiums received (or due) for future services are adjusted against the CSM;
- Changes in estimates of the present value of future cash flows in the LRC. For contracts measured using the net premium method, these changes exclude those relating to the time value of money and changes in financial risk (recognised in the statement of profit or loss rather than adjusting the CSM);
- Differences between any investment component expected to become payable for the year and the actual investment component that becomes payable during the year. Those differences are determined by comparing (i) the expected investment component at the start of the year plus any insurance finance income or expenses related to that expected payment that becomes payable; and
- Changes in the risk adjustment for non-financial risk that relate to future service.

Except for changes in the risk adjustment, adjustments to the CSM noted above are measured at discount rates that reflect the characteristics of the cash flows of the group of insurance contracts at initial recognition.

Where, during the coverage period, a group of insurance contracts becomes onerous, the Company recognises the net outflow in the statement of profit or loss, resulting in the carrying amount of the liability being equal to the fulfilment cash flows. A loss component is established by the Company for the LRC for the group depicting the losses recognised.

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4 Material accounting policy information (continued)
4.2 Insurance contracts issued and reinsurance contracts held (continued)

Insurance contracts - initial and subsequent measurement (continued)

Insurance contracts measurement other than PAA - subsequent measurement (continued)

The Company measures the carrying amount of a group of insurance contracts at the end of each reporting period as the sum of: (i) the LRC comprising fulfilment cash flows related to future service allocated to the Company at that date and the CSM of the Company at that date; and (ii) the LIC for the Company comprising the fulfilment cash flows related to past service allocated to the Company at that date.

Reinsurance contracts - Initial and subsequent measurement

The Company measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as the insurance contracts that it issues, however, adapted to reflect the features of reinsurance contracts from insurance contracts issued, for example the generation of expenses or reduction in expenses or revenue.

The subsequent measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued and has been adapted to reflect the specific features of reinsurance held.

Modification and derecognition

The Company derecognises insurance contracts when:

- The rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired).
- The contract is modified such that the modification results in a change in the measurement model or standard for measuring a component of the contract, substantially changes the contract boundary, or the modified contract is included in a different group. In such cases, the Company derecognises the original contract and recognises the modified contract as a new contract.

When a modification is not treated as a derecognition, the Company recognises amounts paid or received in connection with the modification in the contract as an adjustment to the relevant LRC.

Separation - non insurance components

No claim bonus is netted-off against the premium upon renewal. Therefore, this does not qualify as a component for direct insurance contracts. There are no other insurance contracts that include any add-on guarantees or service components that should be unbundled according to IFRS 17.

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4 Material accounting policy information (continued)

4.2 Insurance contracts issued and reinsurance contracts held (continued)

Separation - non insurance components (continued)

Reinsurance contracts held do not include any service components or an embedded derivative. The reinsurance treaties which include profit commission and reinsurance commission which meet the investment component. However, these investment components are not sold separately and cannot be separated from the host insurance contracts. Therefore, these are considered to be non-distinct components.

Presentation

The Company has presented separately, in the statement of financial position, the carrying amount of insurance contracts issued that are assets, groups of insurance contracts issued that are liabilities, reinsurance contracts held that are assets and groups of reinsurance contracts held that are liabilities.

Any assets or liabilities for insurance acquisition cash flows recognised before the corresponding insurance contracts are included in the carrying amount of the related groups of insurance contracts issued.

The Company disaggregates the total amount recognised in the statement of profit or loss and other income into an insurance service result, comprising insurance revenue and insurance service expense, finance income or expenses.

The Company disaggregates the change in risk adjustment for non-financial risk between a financial and non-financial portion which will be presented in insurance finance income or expenses and in insurance service result.

The Company separately presents income or expenses from reinsurance contracts held from the expense or income from insurance contracts issued.

4.3 Insurance revenue

The insurance revenue for the period is the amount of expected premium receipts (excluding a commission component) allocated to the period. The Company allocates the expected premium receipts to coverage on the basis of the passage of time; but if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then on the basis of the expected timing of incurred expenses.

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4 Material accounting policy information (continued)

4.3 Insurance revenue (continued)

The Company changes the basis of allocation between the two methods above as necessary, circumstances change. The change is accounted for prospectively as a change in accounting estimate.

For the periods presented, all revenue has been recognised on the basis of the passage of time expected pattern of release of risk during the coverage period differs significantly from the passage of time on the basis of the expected timing of incurred insurance service expenses.

4.4 Financial instruments

[A] Financial assets

Recognition and de-recognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and measurement

The Company classifies its financial assets as follows:

- amortised cost;
- fair value through profit or loss (FVTPL); and
- fair value through other comprehensive income (FVOCI).

The Company determines the classification of financial assets based on the business model it uses to manage the financial assets and the contractual cash flow characteristics of the financial assets.

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not classified as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and

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4 Material accounting policy information (continued)

4.4 Financial instruments (continued)

[A] Financial assets (continued)

Classification and measurement (continued)

Financial assets at amortised cost (continued)

- the contractual terms of the financial assets give rise to cash flows that are solely payments of interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest rate method is omitted where the effect of discounting is immaterial.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets held within a different business model other than 'hold to collect' or 'hold to collect' are categorised at FVTPL. Further, irrespective of the business model used, financial assets whose contractual terms are not solely payments of principal and interest are accounted for at FVTPL.

Financial assets designated at fair value through other comprehensive income (FVOCI)

The Company accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is "hold to collect" the associated cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of interest on the principal amount outstanding. Any gains or losses recognised in OCI will be derecognition of the asset.

Impairment

The Company recognises loss allowance for expected credit losses on bank balances including statutory deposits; insurance and other receivables that are not measured at FVTPL; and debt investments subsequently at amortised cost or at FVOCI. No impairment loss is recognised on equity investments.

A loss allowance for full lifetime expected credit loss (ECL) is required for a financial instrument if that financial instrument has increased significantly since initial recognition. For all other financial instruments measured at an amount equal to the 12-months ECL.

The Company has elected to measure loss allowances for insurance and other receivables at an amount equal to the lifetime ECL. Current accounts with banks, debt investments measured subsequently at amortised cost, fixed deposits and statutory deposits are assessed to have low credit risk as they are held with reputable institutions. Loss allowance for financial investments measured at amortised cost are deducted from the carrying amount of financial assets.

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4 Material accounting policy information (continued)

4.4 Financial instruments (continued)

[A] Financial assets (continued)

Impairment (continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant without undue cost or effort. This includes both quantitative and qualitative information and analysis of Company historical experience and informed credit assessment and including forward-looking information. Forward-looking information considered includes the future prospects of the industries in which the Company operates, obtained from economic expert reports, financial analysts, government bodies, relevant trade associations, other similar organisations, as well as consideration of various external sources of actual and forward-looking information that relate to the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- (i) an actual or expected significant deterioration in the financial instrument's external (if available) credit rating;
- (ii) significant deterioration in external market indicators of credit risk for a particular financial instrument, such as a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time that the fair value of a financial asset has been less than its amortised cost;
- (iii) existing or forecast adverse changes in business, financial or economic conditions that are expected to result in a significant decrease in the debtor's ability to meet its debt obligations;
- (iv) an actual or expected significant deterioration in the operating results of the debtor;
- (v) significant increases in credit risk on other financial instruments of the same debtor; and
- (vi) an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial instrument has increased significantly since initial recognition when contractual payments are past due, unless the Company can demonstrate otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

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4 Material accounting policy information (continued)

4.4 Financial instruments (continued)

[A] Financial assets (continued)

Impairment (continued)

- (i) The financial instrument has a low risk of default;
- (ii) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- (iii) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, result in an inability of the borrower to fulfil its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial condition and there are no past due amounts.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been an increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying an increase in credit risk before the amount becomes past due.

For certain categories of financial assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables includes the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio as well as observable changes in national or local economic conditions that correlate with default rates on receivables.

Impairment losses related to bank balances including statutory and fixed deposits, debt investments measured at amortised cost or FVOCI and other receivables and prepayments are charged to the statement of profit or loss and other comprehensive income.

Measurement of ECL

The Company uses statistical models for ECL calculations for bank balances, statutory and fixed deposits, debt investments measured at amortised cost or FVOCI and other receivables and prepayments. The parameters used in calculation were derived from internally developed statistical models and other historical data. They were adjusted to reflect current conditions. The Company reassessed its impairment loss on its insurance and other receivables portfolio on an expected loss measurement basis.

The Company has adopted MFA for implementation of IFRS 9. The Company has disclosed the prior year's financial statements in the statement of changes in shareholders' equity.

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4 Material accounting policy information (continued)

4.4 Financial instruments (continued)

[A] Financial assets (continued)

Credit impaired

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on future cash flows of the financial asset have occurred. At each reporting date, the Company assess whether assets carried are credit impaired.

[B] Financial liabilities

Classification and measurement of financial liabilities

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs. The Company designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest rate method.

All interest-related charges and, if applicable, changes in an instrument's fair value that are recognised in the statement of profit or loss and other comprehensive income under its line items 'finance costs' or 'financial income'.

4.5 Fair values estimation

A number of the Company's accounting policies and disclosures require the determination of fair values of financial and non-financial assets and liabilities. Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction.

When applicable, further information about the assumptions made in determining fair values is disclosed specific to that asset or liability.

For investments traded in organised financial markets, fair value is determined by reference to quoted market prices at the close of business on the reporting date, adjusted for transaction costs to realise the asset. Fair value of unquoted investments is based on valuation techniques used by the Company. The fair value of other receivables and prepayments is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date. The fair values of the Company's financial assets and liabilities are not materially different from their carrying values as of the reporting date.

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4 Material accounting policy information (continued)

4.6 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, cash on hand and deposits with original maturity months or less from the date of acquisition which are subject to an insignificant risk of changes in value

4.7 Property and equipment

Property and equipment are initially recognised at acquisition cost, including any costs directly bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Company. Property and equipment are subsequently measured using the cost model which includes accumulated depreciation and impairment losses. Freehold land is not depreciated since it has an indefinite useful life.

Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value. The estimated useful lives are:

	Years
Buildings	15-25
Furniture and equipment	6
Computer hardware and software	5
Motor vehicles	5

As freehold land does not have finite useful life, related carrying amounts are not depreciated.

The depreciation method, assets' residual values and useful lives are reviewed, and adjusted if appropriate at each reporting date. Where the carrying amount of an asset is greater than its estimated recoverable amount, the carrying amount is written down immediately to its recoverable amount.

Gains or losses arising on the disposal of property and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in the statement of profit or loss.

4.8 Investment properties

Investment properties comprise commercial buildings and land held for rental or capital appreciation under the cost model. Investment properties are measured initially at cost, including transaction costs. At initial recognition, investment properties are stated at cost less accumulated depreciation and impairment losses, if any. Rental income on investment properties is recognised in the statement of profit or loss. Any gain or loss arising on disposal of an investment property is also recognised in the statement of profit or loss.

The investment properties are depreciated over their estimated useful lives of 15 to 25 years. Freehold land is not depreciated as it is deemed to have an indefinite useful life.

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4 Material accounting policy information (continued)

4.9 Intangible assets

Intangible assets are reported at cost less accumulated amortisation and impairment losses, if any. charged on a straight line basis over the estimated useful life. The estimated useful life and the amort are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted prospective basis. The intangible asset pertains to software license and is amortised over a period of five

4.10 Income tax

Income tax expense recognised in the statement of financial position and the statement of profit or comprehensive income comprises the sum of deferred tax and current tax not recognised in other income or directly in shareholders' equity.

Current income tax assets and/or liabilities comprise those obligations to, or claim from, Tax Authority the current or prior reporting period, that are unpaid at the reporting date. Current tax is payable on which differs from profit or loss in the financial statements. Calculation of current tax is based on tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between amount of assets and liabilities and their tax bases.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to respective period of realisation, provided they are enacted or substantively enacted by the end of period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised taxable income.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set-off assets and liabilities from the same Tax Authority.

4.11 Provisions, contingent liabilities and contingent assets

Provisions are recognised when present obligations will probably lead to an outflow of economic resources Company and they can be estimated reliably. Timing or amount of the outflow may still be uncertain.

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4 Material accounting policy information (continued)

4.11 Provisions, contingent liabilities and contingent assets (continued)

A present obligation arises from the presence of a legal or constructive commitment that has resulted in events, for example, legal disputes or onerous contracts. Restructuring provisions are recognised on a formal plan for the restructuring has been developed and implemented, or management have at least plan's main features to those affected by it. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on reliable evidence available at the reporting date, including the risks and uncertainties associated with the obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required for settlement is determined by considering the class of obligations as a whole. Long-term provisions are measured at their present values, where the time value of money is material.

Any reimbursement that can be virtually certain to collect from a third party with respect to the provision is recognised as a separate asset. However, this asset should not exceed the amount of the related provision.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate of management. In those cases where the possible outflow of economic resource as a result of the provision is considered improbable or remote, no liability is recognised.

Probable inflow of economic benefits to the Company that do not yet meet the recognition criteria are considered contingent assets.

4.12 Dividends

The Board of Directors recommend to the shareholders the dividend to be paid out of the Company's retained earnings. The Board of Directors take into account appropriate parameters including the requirements of the Companies Law, 2019, as amended and other relevant directives issued by the FSA while recommending dividends. Dividends are paid out in the year in which they are declared.

4.13 Operating segment

An operating segment is a component of the Company that engages in business activities from which it generates revenues and incurs expenses. The results of the operating segments are reviewed by the management and the Board of Directors to make decisions about resources to be allocated to the segment and assess its performance. Discrete financial information is available. The Company has two reportable segments that are general insurance business.

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4 Material accounting policy information (continued)

4.14 Directors' remuneration

Directors' remuneration is governed by the Commercial Companies Law and Regulations of the Sulta 2019, and the rules prescribed by the Financial Services Authority.

4.15 Operating expenses

Operating expenses are recognised in the statement of profit or loss upon utilisation of the service or a

4.16 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, conveys the right to control the use of an identified asset for a period of time in exchange for considera

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-t leases of low-value assets. The Company recognises lease liabilities to make lease payments and righ representing the right to use the underlying assets.

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date asset is available for use). Right-of-use assets is measured at cost, less any accumulated depreciation a losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets include lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the c date less any lease incentives received. The recognised right-of-use assets are depreciated on a str over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impai

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the p lease payments to be made over the lease term. The lease payments include fixed payments (includi fixed payments) less any lease incentives receivable, variable lease payments that depend on an index amounts expected to be paid under residual value guarantees. The lease payments also include the exe purchase option reasonably certain to be exercised by the Company and payments of penalties for lease, if the lease term reflects the Company exercising the option to terminate.

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4 Material accounting policy information (continued)

4.16 Leases (continued)

Lease liabilities (continued)

The variable lease payments that do not depend on an index or a rate are recognised as expense in which the event or condition that triggers the payment occurs. In calculating the present value of the lease the Company uses the incremental borrowing rate at the lease commencement date if the interest rate lease is not readily determinable. After the commencement date, the amount of lease liability is increased by the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments, or a change in future payments resulting from a change in index or rate used to determine such lease payments. A change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Leases of short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

4.17 Employee end-of-service benefits

The provision for employee end-of-service benefits is based upon the liability accrued in accordance with the requirements of the employment of the Company's employees at the reporting date, having regard to the requirements of the Labour Law, 2023, the Social Security Law, 1991 and Royal Decree No. 53/2023.

Government of Oman Social Insurance Scheme (the "Scheme")

The Company contributes to the Scheme for all Omani employees. The Scheme, which is a defined contribution retirement plan, is administered by the Government of Oman. The Company and Omani employees make monthly contributions to the Scheme.

Non-Omani employee terminal benefits

The provision for employee end-of-service benefits for non-Omani employees is made in accordance with the requirements of the Oman Labour Law of 2023 and Royal Decree No. 53/2023. Employees are entitled to terminal service benefits calculated at the rate of 30 days basic salary for each of the years of continuous service. The Company has an unfunded defined benefits retirement plan. Accrued non-Omani employees' terminal benefits are recognised at the termination of employment.

4.18 Earnings per share and net assets per share

The Company presents basic and diluted earnings per share ("EPS") for its ordinary shares. Basic EPS is calculated by dividing net profit or loss of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

The Company presents net assets per share for its ordinary shareholders. Net assets per share is calculated by dividing the net assets attributable to ordinary shareholders by the weighted average number of shares outstanding during the period of the statement of financial position date.

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4 Material accounting policy information (continued)

4.19 Impairment testing on non-financial assets

For the purpose of assessing impairment, assets are grouped at the lowest level for which there are id flows (cash-generating units). As a result, some assets are tested individually for impairment, and som cash-generating unit level.

Individual assets or cash-generating units with an indefinite useful life or those not yet available for use impairment at least annually. All other individual assets or cash-generating units are tested for impair events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the carrying amount of asset or cash-g exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market costs to sell or value in use, based on an internal discounted cash flow evaluation. All non-finan subsequently reassessed for indications that an impairment loss previously recognised may no lo impairment loss is reversed if the assets or cash-generating units recoverable amount exceeds its ca Management has reviewed the assets of the Company and is of the opinion that no impairment has occ the Company's assets.

4.20 Significant management judgments in applying accounting policies and estimation uncertainties

When preparing the financial statements, management makes a number of judgements, estimates a about the recognition and measurement of assets, liabilities, income and expenses.

Significant management judgments

The following are the judgments made by management in applying the accounting policies of the Com the most significant effect on the financial statements.

Identification and classification of contracts

The features of contract may vary from the clause assessed. Therefore, the Company has assessed circumstances of each contract to reach an appropriate conclusion while applying the requiremen Insurance risk significance assessment was done on an individual contract level. The Company does other products that would fall entirely outside the scope of IFRS 17.

Liability for remaining coverage adjusted for financial risk and time value of money

Payables and receivables are allocated to the group of contract level based on the Company's intern The Company needs to maintain accurate receipts and payments data including due dates separatel reinsurance held portfolios at a policy level to improve the allocation.

For long coverage contracts, GMM was applied and calculated the significant financing compone required to be applied to PAA contracts.

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Notes to the financial statements
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4 Material accounting policy information (continued)

4.20 Significant management judgments in applying accounting policies and estimation uncertainties (co

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability that taxable income will be available against which the deductible temporary differences and tax loss carryforwards can be utilised. In addition, significant judgment is required in assessing the impact of any legal or economic uncertainties in various tax jurisdictions.

Estimation uncertainty

Information about estimates and assumptions that may have the most significant effect on the measurement of assets, liabilities, income and expenses is provided below. Actual results may be different.

Insurance and reinsurance contracts

The Company applies the PAA (where applicable) to simplify the measurement of insurance contracts. When measuring liabilities for remaining coverage, the PAA is broadly similar to the Company's previous treatment under IFRS 4. However, when measuring liabilities for incurred claims, the Company now uses the expected cash flows that are expected to occur more than one year after the date on which the claims are incurred, without an explicit risk adjustment for non-financial risk.

Liability for remaining coverage

For insurance acquisition cash flows, the Company is eligible and chooses to recognise the payments immediately (coverage period of a year or less) for all acquisition cash flows, except for commission expenses which are capitalised.

The effect of recognising insurance acquisition cash flows as an expense on initial recognition of group contracts is to increase the liability for remaining coverage on initial recognition and reduce the likelihood of subsequent onerous contract loss. There would be an increased charge to profit or loss on initial recognition of contracts expensing acquisition cash flows, offset by an increase in profit released over the coverage period. For contracts that are onerous, the liability for remaining coverage is determined by the fulfilment cash flow.

Liability for incurred claims, adjusted for time value of money (only available for PAA)

Assumptions for expected future claims and expenses are consistent with the IFRS 4 methodologies. The Company measures LIC on an accident year basis and allocates to underwriting year using incurred claims (where earned premiums). Discounting of all claims cash flows is made irrespective of settlement date.

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4 Material accounting policy information (continued)

4.20 Significant management judgments in applying accounting policies and estimation uncertainties (co

Income tax

Uncertainties exist with respect to interpretation of the Tax Regulations and the amount of timing of income. Given the wide range of business relationship and nature of existing contractual agreements arising between the actual result and the assumptions made, or future changes to such assumptions necessitate future adjustments to tax income and expense already recorded. The Company establishes based on reasonable estimate, for possible consequences of the finalisation of the tax assessment of The amount of such provision is based on various factors, such as experience of previous assessments interpretations of tax regulations by the taxable entity and the responsible Tax Authority.

Estimating the incremental borrowing rate - leases

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses the borrowing rate (IBR) to measure lease liability. The IBR is the rate of interest that the Company would borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar right-of-use assets in a similar economic environment. The IBR therefore, reflects what the Company 'to pay', which requires estimation when no observable rates are available or when they need to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (interest rates) when available and is required to make certain entity-specific estimates.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, expected usage of the assets. At 31 December 2024, management has assessed that, the useful lives expected usage of the assets to the Company. The useful lives are mentioned in Note 4.7.

Risk Adjustment

The purpose of the risk adjustment is to measure the effect of uncertainty in the cash flows that arise from contracts, other than uncertainty arising from financial risk. The Company relied on the percentile approach Mack Method results.

The methodology was based on a mix of results of Company's own experience variability and the ("VaR") approach. The appointed actuary calibrated the parameters of the distribution based on the credibility of the historical data. The level of the percentile has been decided by the Company.

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4 Material accounting policy information (continued)

4.20 Significant management judgments in applying accounting policies and estimation uncertainties (co

Insurance finance

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

- The effect of the time value of money and changes in the time value of money; and
- The effect of financial risk and changes in financial risk.

Discounting

The Company uses the bottom-up approach to determine the required discount rates. The bottom-up approach is market-driven with minimal ongoing operations. The risk-free curve is constructed from the USD risk-free rate that the OMR is pegged with the USD.

The Company relied on the treasury yield curves from the US market and adjusted for the Country Risk market rates are derived using the risk-free rates. The long-term Country Risk Premium was used to adjust the yield curves.

Net income or expense from reinsurance contracts held

The Company presents separately on the face of the statement of profit or loss and other comprehensive income amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid. The Company treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the expected to be reimbursed under the reinsurance contract held, and excludes investment commissions from an allocation of reinsurance premiums presented on the face of the statement of profit or other comprehensive income.

Loss component

For loss-making groups within direct business written, the recognition of losses in the statement of profit or other comprehensive income immediately and their following amortisation.

At subsequent measurement, the Company amortises the loss component balance over the lifetime of the contracts in such way that there is a “zero” loss component by the end of the coverage period.

Time value of money

The Company adjusts the carrying amount of the insurance contracts liabilities and reinsurance contracts to reflect the time value of money and the effect of financial risk using discount rates that reflect the time value of the cashflows of the group of contracts for the insurance contracts recognised under GMM and VFA.

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4 Material accounting policy information (continued)

4.20 Significant management judgments in applying accounting policies and estimation uncertainties (co

Expense allocation

The Company understands that determining an allocation of both acquisition cash flows and non-a flows requires additional analysis and improvement in current reporting. Commission and prem relatively easy to allocate to corresponding groups of insurance contracts. Overhead and other costs incurred at a group or contract level will require a process to determine and allocate these costs categories of expenses have been identified. 70% of the accrued expenses and other liabilities are attributable expenses.

Contractual Service Margin (CSM)

Each cohort will accrete interest on the CSM based on the locked in yield-curve determined for the con year. The carrying amount of the CSM at the end of a reporting period for GMM will follow the instruct in IFRS 17. Coverage units are relevant for GMM eligible business. This covers the long-term individua The coverage units used are the sum assured for each policy.

Insurance and financial risk management

The Company's insurance and financial risk management objectives and policies are consistent with tho the audited financial statements as at, and for the year ended, 31 December 2024. There have been any risk management policies since the year end.
