



Chairman's Report

For the year ending 31st December 2019

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 for the financial year 2019, including the audited Financial Statements of the company for the year 2019, and Auditor's Report, along with the Management Discussion & Analysis Report and the Corporate Governance Report.

Fiscal Performance of Oman Economy 2019:

- The Actual revenue for 2019 increased by 10%, reaching OMR 11.1 billion, compared to the budgeted revenue of OMR 10.1 billion.
- The Actual spending for 2019 surpassed the budget by 6% (OMR 800 million) reaching OMR 13.7 billion.
- To this effect the deficit amounted to OMR. 2.6 billion.

Oman budget 2020:

- Budget assumes oil price of USD 58/bbl.
- Aggregate revenue is estimated at OMR 10.7bn, increasing by 6% compared with 2019.
- Total public spending is budgeted at about OMR 13.2bn.
- Deficit has been budgeted at OMR 2.5bn.

LOCAL INSURANCE MARKET:

- The unhealthy severe competition dominated the local insurance market.
- According to the data released by Capital Market Authority (CMA), for the year 2018, the insurance sector contributed 1.52% in the GDD.
- The gross written premiums increased by 3% to reach OMR. 463.59 million.
- Both comprehensive and third party Motor Insurance comprised 31% of the total premiums and health insurance premiums comprised 33% of the total written premiums. The balance of 36% was for life and nonlife business.

GLOBAL INSURANCE MARKET,

Due to the Sultanate's repeated exposure to unstable climatic conditions and the losses incurred by reinsurers from natural catastrophic insurance in addition to the prevailing uncertainties in the reinsurance market, therefore reinsurance companies find it difficult to support reinsurance treaties in the Omani market. The additional restrictions imposed on absorptive capacity in the reinsurance markets have led to stringent conditions by increasing rates and discounts in addition to selection of risks accepted.

COMPANY'S OPERATIONAL AND FINANCIAL PERFORMANCE INDICATORS IN 2019:

Operationally:

We have put in place all our efforts to derive the full benefits of new opportunities in an extremely competitive insurance market that characterized with burning prices and still continue to maintain our leadership role in the industry. As a result of the conservative underwriting policy adopted by the company that depends on risk selection and taking into account the severe pricing competition, the gross written premium income declined by 15 % and stood at OMR.31.16 million compared to OMR. 36.65 million in the previous year. The said decline is substantially attributable to the overall



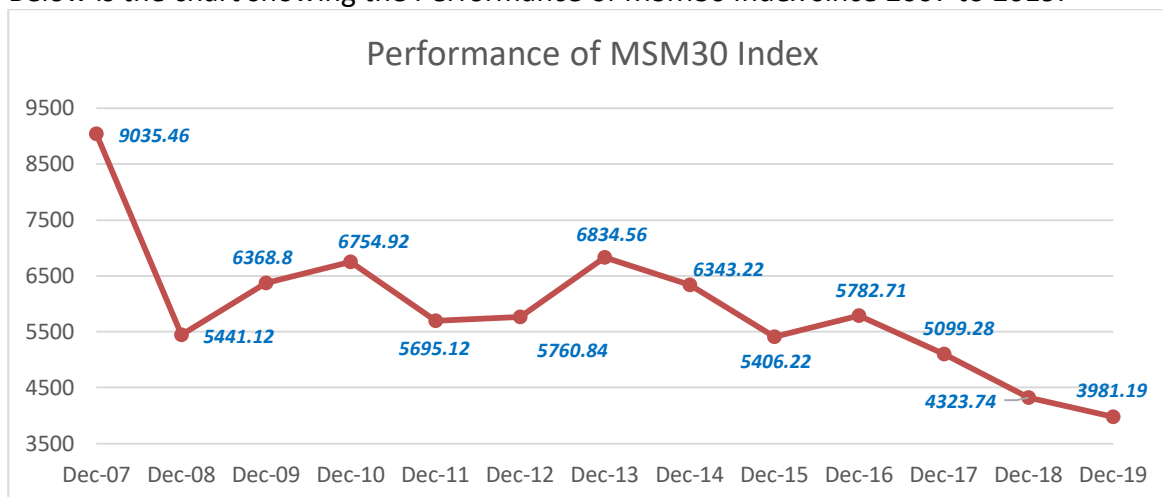
prevailing economic conditions accompanied with the severe pricing competition and the limited number of new projects that need insurance cover. Since our strategy has been focusing on the quality of business rather than the volume of business, therefore and based on the selective underwriting policy adopted by the management, the gross underwriting profit of all lines of business registered an increase of 10.4% and amounted to OMR. 8.02 million for the year under review compared to OMR. 7.27 million in the previous year. To this effect the underwriting profit margin increased to 25.7% as against 19.8% in 2018.

Financially:

The MSM Performance witnessed another year of decline amid macro concerns and investors sell-off. The MSM revealed negative trend during 2019 on the back of negative macro outlook within the region, subdued investor sentiments and participation along with drop in the net foreign investment. Therefore, the MSM30 index declined by 7.9% during 2019, marking third consecutive year of negative returns.

It is also worth mentioning that the MSM30 index dropped down from the peak of 9035.46 points on December 2007 to 3981.19 points on December 2019.

Below is the chart showing the Performance of MSM30 Index since 2007 to 2019.



As for as the gross investment income is concerned, the overall realized investment income amounted to OMR. 4.24 million as against OMR. 4.38 million in the previous year registering a decrease of 3.2%.

Because of the aforementioned decline in MSM30 index, the unrealized investment losses amounted to OMR. 2.95 million. Accordingly, the net investment income has been impacted and declined to OMR.1.29 million as against OMR. 1.45 million in the previous year registering a decrease of 11.1 %.

Dear Shareholders: While remaining true to our traditional companying values, in respect of earnings and the company's assets protection, taking into account the stock market volatility we have reduced our exposure in the equity markets and expanded our investment in the fixed-income instruments significantly.

To this effect, our investments in term deposits and Bonds reached to the highest ever and increased to OMR. 53.52 million as against OMR. 51.60 million in the previous year and OMR. 44.23 million in 2017, registering a growth of 3.7% and 21.0% respectively.

On a consolidated level, as at 31st December 2019, the Company's total assets reached OMR. 106.22 Million as against OMR. 106.09 Million registering a growth of 0.12%. While total Shareholders' equity reached OMR. 29.25 million as against OMR. 28.33 Million registering a growth of 3.2%.



Net Profit:

Despite all above-mentioned challenges in operational and financial activities the company achieved net profit after tax of OMR. 3.40 million as against OMR. 3.13 million Last year registering a growth of 8.6%.

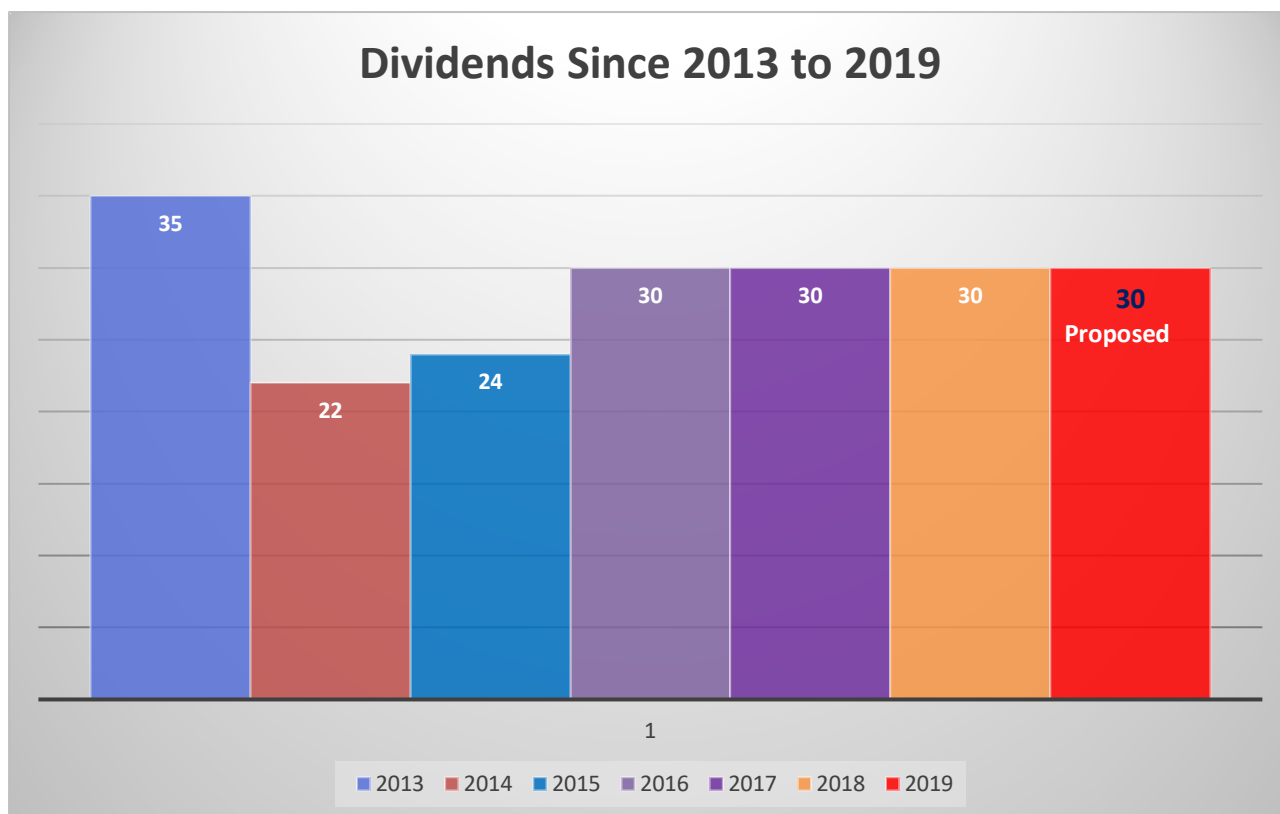
The earning per share stood at 34 Baizes as against 31 Baizes for the year 2018. The Retained Earnings amounted to OMR. 4.64 million as against OMR.4.24 registering a growth of 9.5%. The net asset value per share amounted to 293 Baizes in 2019, as against 283 Baizes in 2018.

DIVIDENDS:

Dear Shareholders: Your company remains committed to delivering value to your investments. This could be noticed in the Board's keenness to distribute good profits to shareholders annually. For the year ended 31st December 2019, we are delighted to advise you that the Board suggested cash dividend of 30 Baizes per share.

The dividend distribution policy has always been maintaining a fine balance between distributing annual profits and retaining a part of it whilst taking into consideration the future growth of the company's business and the possible economic and financial market volatility that might directly affect the company's results.

It is worth mentioning that the contingency reserve has been reached to the minimum limit required by insurance law to OMR.10 million which is equal to the paid up capital and the legal reserve also has already reached to the minimum limit required by commercial company's law of one-third of the share capital. Therefore, there will not be any need for future reserving in respect of these two reserves.



RISK MANAGEMENT:

The Board approved the risk management strategy and reviews it annually. Risk management has been the critical responsibility of the Board and the Board of directors doing their best to achieve



that. Therefore, we have 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:-

- We abide 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 we attempt to meet the requirements of our clients by developing and creating new products.
- The Management makes every effort to upgrade our services to reach the highest level of excellence.
- We offer 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.(KH/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. With the grace of Almighty Allah, your Company gained many awards from local and international recognized and reputed institutions.

CHALLENGES:

Beside the expected slowdown in economies in the region resulting from the lower oil prices, the fierce pricing competition and the lack of liquidity in local equity market, imposing value added taxation (VAT), the implementation of new IFRS (17) in 2022 and the aforementioned stringent terms and conditions of reinsurance treaties, altogether may impact the results of the company in the coming years.

MISSION:

Our mission stands as it is focusing in how to help our customers and make them understand and protect themselves and their properties from risk. Our standing vision also continues to pose the company to be the best insurance provider in the Sultanate, as measured by our stakeholders. The company's mission and vision are supported by our values which are integrity, customer care, excellence, sustainable value creation and our teamwork.

FUTURE OUTLOOK:

In respect of developing operations process, we have been diversifying our business and creating new products. We also focus on growth of retail business (Individual Insurance & their properties) through effective utilization of our marketing department and expanding the branches & agencies network. The company also has been using modern technologies to give more facilities to the customers and meanwhile reduce costs

Our ultimate objective is to maximize the profit to our shareholders, protection of the policyholders' rights meanwhile increasing our market share, creating more products and developing staff skills.



OMANIZATION:

The Board is constantly 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 78% which exceeds the limits specified for insurance sector as per the ministerial decree 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:

Based on the Board's belief with the necessity to participate in social responsibility programs and in accordance with the directives of Capital Market Authority, the Company spent OMR. 30,000 on some social programs during 2019. For the year 2020, the Board suggests before the Annual General Meeting to reserve an amount of RO. 30,000 to be spent on Corporate Social Responsibilities (CSR).

ACKNOWLEDGEMENTS:

On a final note, I would like to thank Almighty Allah for another successful financial year in the company's progress. On behalf of the Board, I would like 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 bin Taimur 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.

SALIM BIN NASSIR AL BUSAIDI

CHAIRMAN

February, 2020