

Notes to the unaudited condensed interim financial information
For the nine months period ended 30 September 2022

1 Legal status and principal activities

Oman United Insurance Company SAOG (“the Company”) (or “OUIC”) is incorporated as a public listed joint stock company in the Sultanate of Oman. The principal office of the Company is located at OUIC Building, Al Khuwair Street, Al Khuwair in the Sultanate of Oman. The Company is engaged in underwriting of general and life and medical insurance business and in repair and maintenance of motor vehicles within the Sultanate of Oman.

2 Summary of significant accounting policies

The principal accounting policies have been applied consistently to all the periods presented unless otherwise stated.

2.1 Basis of preparation

The unaudited condensed interim financial information is prepared on the historical cost basis, except for available-for-sale investments and financial assets at fair value through profit or loss, which are measured at fair value. The unaudited condensed interim financial information is prepared in accordance with the International Accounting Standard (IAS) 34, ‘Interim Financial Reporting’, and comply with requirements of the Commercial Companies Law of 2019, and the disclosure requirements set out in the “Rules and Guidelines on Disclosure by issuer of Securities and Insider Trading” issued by the Capital Market Authority (CMA) of the Sultanate of Oman.

This condensed financial information does not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to provide an understanding for the change in the Company’s financial position and performance since the last annual financial statements.

The accounting policies applied by the Company in these unaudited condensed interim financial information are consistent with those applied by the Company in its audited financial statements as at and for the year ended 31 December 2021.

Significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the unaudited condensed interim financial statements include the following:

- Allowance for doubtful debts
- Claims reported but unsettled
- Claims incurred but not reported
- Unearned premiums
- Mathematical reserve

2.2 Changes in accounting policies

The accounting policies used in the preparation of the condensed interim financial information are consistent with those used in the preparation of the audited annual consolidated financial statements for the period ended 31 December 2021

2.2 Changes in accounting policies (continued)

New and amended standards and interpretations were adopted as at 30 September 2022. There are a number of amendments to accounting standards that become applicable for annual reporting periods commencing on or after 1 January 2021:

- (a) Definition of Material – amendments to IAS 1 and IAS 8
- (b) Definition of a Business – amendments to IFRS 3
- (c) Revised Conceptual Framework for Financial Reporting
- (d) Leases – Covid-19 related rent concessions – amendments to IFRS 16
- (e) Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7.

The amendments made to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures provide certain reliefs in relation to interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that the reforms should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving interbank offered rates (IBOR)-based contracts, the reliefs will affect companies in all industries.

3 NET UNDERWRITING RESULT

	3 months ended 30 Sep 2022 RO	3 months ended 30 Sep 2021 RO	9 months ended 30 Sep 2022 RO	9 months ended 30 Sep 2021 RO
Revenue				
Gross premiums written	7,628,205	6,011,501	26,118,477	24,609,010
Reinsurance premium ceded	(4,434,681)	(2,838,594)	(15,610,191)	(13,427,591)
Net retained premium	3,193,524	3,172,907	10,508,286	11,181,419
Movement in unearned premium reserve	241,565	826,861	(84,521)	906,289
Commission earned on reinsurance ceded	710,941	420,526	2,590,057	2,086,817
Total insurance revenue	4,146,030	4,420,294	13,013,822	14,174,525
Costs				
Gross claims paid	3,835,268	4,248,873	15,788,363	12,388,640
Reinsurance share	(1,042,491)	(1,682,731)	(6,856,073)	(5,477,641)
Net claims paid	2,792,777	2,566,142	8,932,290	6,910,999
Movement in outstanding claims reserve (net)	(321,874)	465,836	(1,032,758)	915,234
Net claims incurred	2,470,903	3,031,978	7,899,532	7,826,233
Commission expenses	687,531	582,733	2,086,937	2,171,667
Total insurance cost	3,158,434	3,614,711	9,986,469	9,997,900
Net underwriting result	987,596	805,583	3,027,353	4,176,625

4. General business

The general business underwriting results before reinsurance recoveries can be analysed as follows:

	9 months ended 30 Sep 2022		9 months ended 30 Sep 2021	
	Underwriting result before reinsurance recoveries		Underwriting result before reinsurance recoveries	
	Net written premium RO	reinsurance recoveries RO	Net written premium RO	reinsurance recoveries RO
Motor	8,459,860	(1,105,198)	9,192,427	2,034,273
Fire	116,336	(465,824)	153,967	(833,482)
Marine	46,602	(918,753)	75,254	(999,058)
Household & others	717,682	2,614,672	685,354	1,595,978
	9,340,480	124,897	10,107,002	1,797,711

The net claims ratios for the period are as follows:

	9 months ended 30 Sep 2022 (%)	9 months ended 30 Sep 2021 (%)
Motor	79	66
Fire	123	28
Marine	54	46
Household & others	72	62
Overall loss ratio	78	65

The net loss ratio is calculated by dividing the net claims (gross claims paid less reinsurance and other recoveries) by the net premiums (gross written premiums less premiums ceded).

5. Life business

	9 months ended 30 Sep 2022		9 months ended 30 Sep 2021	
	Underwriting result before reinsurance recoveries		Underwriting result before reinsurance recoveries	
	Net written premium RO	reinsurance recoveries RO	Net written premium RO	reinsurance recoveries RO
Individual life	4,046	4,046	3,015	2,709
Group life	218,303	(688,442)	91,931	(1,237,684)
Others	10,598	(1,407,921)	214,036	(1,214,306)
	232,947	(2,092,317)	308,982	(2,449,281)

6. Investment income – net

	3 months ended 30 Sep 2022 RO	3 months ended 30 Sep 2021 RO	9 months ended 30 Sep 2022 RO	9 months ended 30 Sep 2021 RO
Realised gain on sale of investments - net	-	77,184	-	80,904
Fair value gain/(loss) on investments	201,523	(248,515)	38,580	50,210
Dividend income	-	-	170,982	72,054
Interest income	637,451	707,065	1,952,014	2,149,043
Brokerage on purchase of shares	-	(1,175)	(4,598)	(1,175)
Impairment of available-for-sale financial assets	(32,283)	(2,399)	(46,683)	(46,254)
Total	806,691	532,160	2,110,295	2,304,782
Other operating income				
Rental income from investment property	41,219	47,162	120,111	157,098
Other income	(477)	757	136,817	132,960
Total	40,742	47,919	256,928	290,058

7. Investments

A) Associates

B) Investments – financial assets at fair value through profit or loss - Quoted (Local & Foreign)

	Market value on 30 Sep 2022 RO	Market value on 30 Sep 2021 RO	Market value on 31 December 2021 RO	Cost on 30 Sep 2022 RO
<i>Securities's sectors</i>				
Banking(local)	2,180,927	13,436	17,318	2,043,573
Investments	43,559	212,274	44,338	20,000
Investments (overseas)	1,844,322	1,895,073	-	1,998,304
Services (overseas)	-	-	1,886,585	-
Services (local)	1,507,059	1,659,547	1,586,640	2,985,625
Industrial	146,368	126,289	105,201	229,024
Total	5,722,235	3,906,619	3,640,082	7,276,526

7. Investments

C) Investments – Available-for-sale – quoted (local & foreign)

Category	Market value on 30 Sep 2022 RO	Market value on 30 Sep 2021 RO	Market value on 31 December 2021 RO	Cost on 30 Sep 2022 RO
Services (local)	459,558	598,394	513,441	450,760

The fair value of the foreign private equity investments approximates to their carrying value.

<i>Unquoted and other Investments – available-for-sale</i>	Book value on 30 Sep 2022	Market value on 30 Sep 2021	Market value on 31 December 2021	Cost on 30 Sep 2022
Unquoted Omani shares	247,144	214,073	221,359	71,429

The “cost” stated above is net of impairment losses, if any.

D) Term Deposits

	Market value on 30 Sep 2022 RO	Market value on 30 Sep 2021 RO	Book value / Fair value on 31 December 2021 RO
Term deposits	48,318,738	56,870,871	56,588,822
Less: current portion	(14,738,738)	(15,670,871)	(21,438,822)
	33,580,000	41,200,000	35,150,000

E) Details of significant investments (10% or above) Financial assets at fair value through profit or loss (local & foreign – quoted)

	Holding %	No. of securities	Market value on 30 Sep 2022 RO	Book value on 30 Sep 2021 RO	Cost on 30 Sep 2022 RO
<i>MSM Quoted Securities</i>					
Shell Oman Marketing	13	813,130	718,807	748,080	823,370
Sembcorp Salalah	12	10,000,000	670,000	800,000	1,877,011
Bank Dhofar Perpetual Bonds	32	52,000	1,844,322	1,895,073	1,998,304
Bank Nizwa	17	10,000,000	960,000		998,898
Bank Muscat	21	2,100,000	1,205,400	-	1,044,674
Total			5,398,529	3,443,153	6,742,257
<i>MSM quoted securities- available-for-sale</i>					
SMN Power	27	3,587,000	121,958	222,394	121,958
Sembcorp Salalah	35	2,400,000	160,800	192,000	160,800
Shell Oman Marketing	38	200,000	176,800	184,000	168,002
Total			459,558	598,394	450,760

*MSM unquoted
securities- available-
for-sale*

Union office of the
Orange

100	71,429	175,715	214,073	71,429
-----	--------	---------	---------	--------

*Foreign unlisted
securities – available-
for-sale*

-	-	-	-	-
---	---	---	---	---

8. General business technical reserves

	30 Sep 2022 RO	30 Sep 2021 RO	31 December 2021 RO
<i>Outstanding claims reserve</i>			
Gross outstanding claims	27,805,594	23,946,422	25,704,297
Less: Amounts recoverable from reinsurers	(15,198,175)	(1,757,337)	(12,832,726)
	<u>12,607,419</u>	<u>22,189,085</u>	<u>12,871,571</u>
<i>IBNR</i>			
Gross provision for IBNR	10,250,000	9,300,000	10,836,745
Less: Amounts recoverable from reinsurers	(6,841,000)	(4,835,000)	(6,715,745)
	<u>3,409,000</u>	<u>4,465,000</u>	<u>4,121,000</u>
<i>Unearned premium reserve</i>			
Gross unearned premium reserve	13,845,351	12,464,228	10,958,643
Less: Amounts recoverable from reinsurers	(8,102,309)	(6,366,460)	(5,336,152)
	<u>5,743,042</u>	<u>6,097,768</u>	<u>5,622,491</u>

Outstanding claims reserve represent provisions for claims reported but not yet paid and is shown net of salvage recoveries.

IBNR represents provisions for losses incurred but not reported.

Reserve for unexpired risks represents a provision in respect of future losses on policies written and in force where future net claims are expected to exceed premiums earned.

Unearned premium reserve represents the element of premium income, relating to periods of cover after the reporting date.

9. Life business technical reserves

	30 Sep 2022 RO	30 Sep 2021 RO	31 December 2021 RO
<i>Mathematical reserve</i>			
Mathematical reserve – gross	5,036,077	6,296,555	6,594,000
Mathematical reserve – reinsurance	(4,341,077)	(5,306,555)	(5,684,000)
	<u>695,000</u>	<u>990,000</u>	<u>910,000</u>

	30 Sep 2022 RO	30 Sep 2021 RO	31 December 2021 RO
<i>Outstanding claims reserve</i>			
Gross outstanding claims	3,591,853	4,017,788	3,987,423
Less: Amounts recoverable from reinsurers	(2,824,738)	(3,197,124)	(3,163,702)
	<u>767,115</u>	<u>820,664</u>	<u>823,721</u>

	30 Sep 2022 RO	30 Sep 2021 RO	31 December 2021 RO
<i>Unearned premium reserve</i>			
Gross unearned premium reserve	1,689,625	1,318,136	1,096,000
Less: Amounts recoverable from reinsurers	(1,081,655)	(796,343)	(667,000)
	<u>607,970</u>	<u>521,793</u>	<u>429,000</u>

10. Related parties and holders of 10% of the company's shares

A) Significant transaction with related parties

Senior management remuneration	522,000	465,780	755,311
Directors' remuneration and sitting fees	150,000	120,500	192,500

B) Expense items

SAAD Establishment (rent & other amenities paid)	10,710	10,920	14,490
Al Qurum Complex	7,800	8,400	11,100
Total	<u>18,510</u>	<u>19,320</u>	<u>25,590</u>

The figures presented for 31 December 2021 are for full year.

10. Related parties and holders of 10% of the company's shares (continued)

c) Loans, advances, receivables, provisions and write-offs

	30 Sep 2022 RO	30 Sep 2021 RO	31 December 2021 RO
Entity related to a significant shareholder	1,132	1,979	5,049
Entity related to directors	21,923	20,086	46,167
Total	23,055	22,065	51,216

11. Shareholders

All those shareholders of the company who own 10% or more of the company's shares, whether in their name, or through a nominee account, and the number of shares they hold are as follows:

Common shareholders	No. of shares 30 Sep 2022 RO	% of Holding
Sayyid Salim Bin Nassir Al Busaidi & Family and Group	34,800,096	35%
Oman Investment Authority	15,050,236	15%

12. Net asset per share

Net assets (book value) per share is calculated by dividing net assets (book value) owned by ordinary shareholders at 30 September, by the number of ordinary shares in issue at 30 September.

13. Earnings per share

Earnings per share for the three and nine months period ended 30 September 2022 has been calculated based on the outstanding number of shares of 100 million.