

**OMAN INSURANCE COMPANY P.S.C.  
AND ITS SUBSIDIARIES**

**Directors' report, independent auditor's report and  
consolidated financial statements  
for the year ended 31 December 2019**

## **OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES**

**Directors' report, independent auditor's report and consolidated financial statements for the year ended 31 December 2019**

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## **Report of the Board of Directors**

*Dear Shareholders,*

We have the pleasure in presenting you the 43<sup>rd</sup> Annual Report of Oman Insurance Company (OIC) for the year-ended 31 December 2019. During 2019 the management relentlessly and consistently applied the strategy defined in 2018 and based on the following pillars: (i) be obsessed by customer satisfaction; (ii) improve our underwriting and reinsurance technical expertise and focus on risks having the right pricing; (iii) be leaner, more efficient and less costly by revisiting all the processes of our value chain; (iv) relentless and non-compromised focus on cash collection and free cash flow generation; and (v) in-depth review and improvement of our technological platforms and implementation of our digital transformation strategy. It is with a pleasure to inform you that this comprehensive and courageous strategy is paying off and has delivered excellent results. Indeed, in spite a challenging environment with notably a downward pressure on prices and, more than ever, the collection of premiums being a continuous struggle, Oman Insurance has achieved in 2019 one of its best years.

The Company posted a Net income of AED 190.5 million in 2019 as against AED 10.1 million in 2018. It is worth mentioning that 2019 Net income and Return on Equity are the highest over the past 5 years which reflects the fact that 2019 has been a turnaround year for the company.

In terms of the volume of business, and in spite the very competitive environment and our pruning strategy in order to remove the loss-making accounts, our overall Gross Written Premium has only slightly declined against last year at AED 3.55 billion while certain businesses, like Life Assurance and Medical, grew modestly by 1.8%. However, and in alignment with our strategy to better select risks and retain more of these healthy risks on our balance sheet, our Net Earned Premium increased to AED 1.64 billion compared to AED 1.57 billion, reflecting an increase of 4.3%. This level of Earned Premiums confirms our clear leading position as insurer amongst the listed companies in the UAE. Proactive measures also helped enhance underwriting income which increased by 14.7% to AED 432.0 million from AED 376.8 million.

In terms of its operations, OIC has undertaken lean management initiatives to ensure continuous efficiency and deliver more enhanced value to our valued customers and partners. This initiative has already started to reflect in our administrative and other expense ratio of 19.5% in 2019 as compared to 23.6% in 2018.

On top of this business performance, Oman Insurance has consistently focused on strengthening its balance sheet and solvency. As a result, our solvency margin has now reached its highest level in the past years at approx. 225%, which confirms our very strong ability to meet our policyholders' obligations.

The strength of Oman Insurance's balance sheet was also reflected by rating agencies. The Company has been indeed rated 'A- Stable Outlook' by Standard & Poor's Global Rating Agencies and 'A Excellent' by AM Best. S&P Global ratings further said that the company's liquidity position has remarkably improved to 'exceptional' from 'very strong' due to efforts made in de-risking the investment portfolio and completely paid-off bank borrowings by the first half of 2019. Also, and for the first time, the rating agency Moody's, the largest rating agency worldwide alongside with S&P, has assigned an A2 Insurance Financial Strength to Oman Insurance. Moody's noted that this A2 rating reflects our strong market position in the Middle East and North African (MENA) region as well as the fact that Oman Insurance has strengthened its operating profit over the past three years due to actions taken to improve underwriting quality, lower expenses and improve recurring investment income.

**Life Assurance Segment:** Premiums written in the Life and Medical Insurance division recorded growth of 1.8% amounting to AED 1.98 billion against AED 1.94 billion in 2018. Effective claims management has supported in the improvement of net underwriting income to AED 252.8 million in 2019 against AED 216.8 million in 2018.

**General Insurance Segment:** Volatility in the local market, non-renewal of sanctioned policies and pruning of our underwriting book placed some pressure on gross premium written at AED 1.57 billion against AED 1.76 billion in 2018. Strong claim management curtailed the net incurred claims to AED 340.8 million in 2019 against AED 491.6 million in 2018.

**Report of the Board of Directors (continued)**

**Receivables and Investments:** Our enhanced credit management and robust cash collection process has delivered the strongest performance by generating free cash flow of over AED 400 million which was utilized to completely repay bank borrowings and further investing into financial investments. This has led to increase in Group's invested assets of 7.7% to AED 3.52 billion against AED 3.27 billion in 2018.

The robust collection efforts and credit management has further reduced net receivables by 12% to AED 587.5 million in 2019 compared to AED 669.6 million in 2018, with net receivables ratio being the lowest amongst listed companies in the UAE market.

Net Investment Income before property revaluation increased 33% to AED 101.7 million in 2019 compared to AED 76.3 million in 2018. OIC impaired its investment properties valuation by AED 10 million in 2019 which was in line with the market trend. De-risking of the portfolio, balanced investment strategy and fresh cashflow deployment was the key focus and resulted 2019 investment income being the highest compared to the last 5 years performance.

**Total assets** of the Company at the end of year 2019 stood at AED 7.02 billion as against AED 6.82 billion at the end of year 2018.

**Total shareholders' equity** of the Company at the end of year 2019 stood at AED 1.92 billion as against AED 1.67 billion at the end of year 2018.

**Board of Directors Recommendations:**

The Board of Directors recommends shareholders do the following:

1. Approve the Board of Directors' Report.
2. Approve the Balance Sheet and Profit and Loss Account for the year ended 31 December 2019 and approve the auditors' report thereon for the mentioned period.
3. Discharge the Auditors from their liabilities arising out of audit work and re-appoint PricewaterhouseCoopers as auditors for the financial year 2020 and approve their remuneration.
4. Discharge the Board of Directors from their liabilities for their management of the Company during 2019.
5. Approve the Board's recommendation regarding the remuneration of the Board members.
6. Approve the Board's recommendation with regards to the distribution of dividends for the financial year 2019.
7. Approve transfer of retained earnings to general reserve of AED 125 million

We would like to put on record our sincere appreciation and gratitude towards all stakeholders of OIC. We continue to draw inspiration and guidance from our valued customers and partners whose trust and confidence helps us to continue the journey untiringly. We would like to thank our management and staff of the company for their sincere and dedicated contribution to the successful growth of the Company.

May God; the Almighty; guide our steps.

On behalf of the Board,



Abdul Aziz Abdulla Al Ghurair  
Chairman  
3 February 2020



# Independent auditor's report to the shareholders of Oman Insurance Company P.S.C.

## Report on the audit of the consolidated financial statements

### Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Oman Insurance Company P.S.C. (the "Company") and its subsidiaries (together the "Group") as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

### What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

### Our audit approach

#### Overview

Key Audit Matters	• Valuation of insurance contract liabilities
	• Impairment losses on insurance and reinsurance receivables

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.



# Independent auditor's report to the shareholders of Oman Insurance Company P.S.C. (continued)

## Our audit approach (continued)

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
<b>Valuation of insurance contract liabilities</b>	
<p>As disclosed in note 11 to these consolidated financial statements, the Group's insurance contract liabilities amounted to AED 4.25 billion as at 31 December 2019.</p> <p>Note 11 to these consolidated financial statements describes the elements that make up the insurance contract liabilities balance. We comment on the most judgemental elements below:</p> <p><u>Claims incurred but not reported:</u></p> <p>This reserve represents the liability for claims incurred but not reported at the end of the reporting period which is determined through an internal and external independent actuarial valuation, considering the Group's historical loss experience.</p> <p>Significant assumptions are applied in the valuation of claims that have been incurred at the reporting date but have not yet been reported to the Group. In addition, lines of business where there is a greater length of time between the initial claim event and the settlement tend to display greater variability between initial estimates and final settlement amounts.</p> <p><u>Mathematical reserves:</u></p> <p>This reserve represents the liability for the life insurance policies which is determined through an internal and external independent actuarial valuation, considering future policy benefits at the end of each reporting period. It involves complex and subjective judgements and uncertainty about future events for which changes in the assumptions can result in a significant impact to the estimate.</p> <p>The valuation of other elements of the Group's insurance contract liabilities was also carried out by internal actuarial team and reviewed by independent external actuaries.</p> <p>We consider the valuation of insurance contract liabilities a key audit matter because of the complexity involved in the estimation process and the significant judgements that management make in determining the reasonableness and adequacy of the insurance contract liabilities.</p>	<p>As part of our audit procedures, we:</p> <ul style="list-style-type: none"> <li>understood, evaluated and tested key controls relating to the reserve setting process of the Group;</li> <li>checked on a sample basis the outstanding claims reserves against supporting documentation, such as loss adjusters' reports;</li> <li>compared on a sample basis the outstanding claims reserves with the subsequent payments, if settled or subsequent reserve amounts, if unsettled;</li> <li>re-performed reconciliations between the data used in the actuarial reserving calculations and the underlying accounting records of the Group;</li> <li>evaluated the competence, objectivity and independence of the Group's appointed external actuaries as well as our internal actuarial experts;</li> <li>using our internal actuarial experts, we applied our industry knowledge and experience and we compared the methodology, models and assumptions used against recognised actuarial practices. In particular we: <ul style="list-style-type: none"> <li>considered the suitability of the methodology used in setting the insurance reserves against industry benchmarks;</li> <li>challenged management's key assumptions and judgements by comparing them to external data and the Group's experience; and</li> <li>assessed whether the reserving methodology has been applied consistently across the years.</li> </ul> </li> <li>checked the appropriateness of the disclosures made in relation to the valuation of insurance contract liabilities included in these consolidated financial statements.</li> </ul>

# Independent auditor's report to the shareholders of Oman Insurance Company P.S.C. (continued)

## Our audit approach (continued)

### Key audit matters (continued)

Key Audit Matter (continued)	How our audit addressed the Key Audit Matter (continued)
<p><b>Impairment losses on insurance and reinsurance receivables</b></p> <p>As disclosed in note 12 to these consolidated financial statements, the Group's insurance and reinsurance receivables amounted to AED 1.03 billion and the related provision for impairment amounted to AED 441 million as at 31 December 2019.</p> <p>The Group makes complex and subjective judgements over both the timing of recognition of impairment of insurance and reinsurance receivables and the estimation of the amount of such impairment using the expected credit loss model, which includes determining the probability of default, loss given default, exposure at default, discounting and use of practical expedient.</p> <p>We consider the calculation of impairment losses on insurance and reinsurance receivables as a key audit matter because of the significance of the insurance and reinsurance receivables balance (representing 8% of the total assets as at 31 December 2019), the related estimation uncertainty to the consolidated financial statements and the significance of the judgements used in applying the requirements of IFRS 9.</p>	<p>As part of our audit procedures, we:</p> <ul style="list-style-type: none"> <li>evaluated the competence, objectivity and independence of our internal experts;</li> <li>tested the completeness and accuracy of the input data used in the impairment model calculations;</li> <li>involved our internal experts to assess and review the: <ul style="list-style-type: none"> <li>methodology applied by the Group in calculating the impairment provision to assess its consistency with the requirements of IFRS 9;</li> <li>the "Expected Credit Loss ("ECL")" impairment model prepared by management which included testing the appropriateness and reasonableness of key assumptions and judgments used.</li> </ul> </li> <li>for balances determined to be individually impaired, we tested a sample to assess the reasonableness of management's estimated provisions; and</li> <li>checked the appropriateness of the disclosures made in relation to the impairment of insurance and reinsurance receivables included in these consolidated financial statements.</li> </ul>

## Other information

The directors are responsible for the other information. The other information comprises the Directors' report (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



## Independent auditor's report to the shareholders of Oman Insurance Company P.S.C. (continued)

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### Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and their preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015, the UAE Federal Law No. (6) of 2007 and the related Financial Regulations for Insurance Companies issued by the United Arab Emirates Insurance Authority, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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### Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.



## Independent auditor's report to the shareholders of Oman Insurance Company P.S.C. (continued)

### Auditor's responsibilities for the audit of the consolidated financial statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

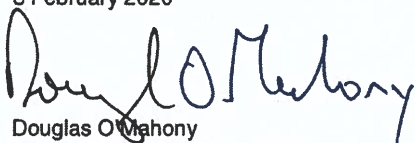
### Report on other legal and regulatory requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that:

- (i) we have obtained all the information we considered necessary for the purpose of our audit;
- (ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
- (iii) the Group has maintained proper books of account;
- (iv) the financial information included in the Directors' report is consistent with the books of account of the Group;
- (v) as disclosed in note 10 to the consolidated financial statements the Group has purchased and invested in shares during the year ended 31 December 2019;
- (vi) note 24 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted;
- (vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the year ended 31 December 2019 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Company, its Articles of Association which would materially affect its activities or its financial position as at 31 December 2019; and
- (viii) note 36 to the consolidated financial statements discloses the social contributions made during the year ended 31 December 2019.

Further as required by the UAE Federal Law No. (6) of 2007 and the related Financial Regulations for Insurance Companies issued by the UAE Insurance Authority, we have obtained all the required information and explanations we considered necessary for the purpose of our audit.

PricewaterhouseCoopers  
3 February 2020




Douglas O'Mahony  
Registered Auditor Number 834  
Place: Dubai, United Arab Emirates

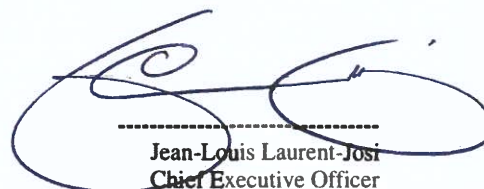
## OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

### Consolidated statement of financial position

		At 31 December	
		2019	2018
	Note	AED'000	AED'000
<b>ASSETS</b>			
Property and equipment	5	10,316	9,153
Intangible assets	6	77,194	71,375
Investment properties	7	473,591	483,585
Goodwill		9,869	10,896
Deferred tax assets		1,237	303
Statutory deposits	9	155,280	156,554
Financial investments at fair value through profit or loss	10.2	377,639	357,407
Financial investments at fair value through other comprehensive income	10.3	474,376	468,169
Financial investments at amortised cost	10.4	1,628,211	1,280,731
Reinsurance contract assets	11	2,580,319	2,472,798
Insurance and reinsurance receivables	12	587,501	669,568
Deferred acquisition costs	8	132,200	156,672
Prepayments and other receivables	13	96,983	160,683
Deposits with banks with original maturities of more than three months	14	268,620	280,002
Bank balances and cash	14	144,290	244,722
<b>Total assets</b>		<b>7,017,626</b>	<b>6,822,618</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	15	461,872	461,872
Other reserves	16	1,356,684	1,479,974
Cumulative changes in fair value of securities		(250,990)	(203,293)
Foreign currency translation reserve		(47,982)	(44,294)
Retained earnings/(accumulated losses)		373,585	(44,570)
<b>Net equity attributable to the owners of the Company</b>		<b>1,893,169</b>	<b>1,649,689</b>
Non-controlling interests		22,518	21,421
<b>Total equity</b>		<b>1,915,687</b>	<b>1,671,110</b>
<b>LIABILITIES</b>			
Employees' end of service benefits	17	38,152	37,048
Insurance contract liabilities	11	4,248,190	4,077,160
Bank borrowings	18	-	73,244
Insurance payables	19.1	497,001	653,257
Other payables	19.2	123,754	109,445
Deferred commission income	20	67,564	88,613
Reinsurance deposits retained		127,278	112,741
<b>Total liabilities</b>		<b>5,101,939</b>	<b>5,151,508</b>
<b>Total equity and liabilities</b>		<b>7,017,626</b>	<b>6,822,618</b>

These consolidated financial statements were approved for issue by the Board of Directors on 3 February 2020 and signed on their behalf by:

  
 Abdul Aziz Abdulla Al Ghurair  
 Chairman

  
 Jean-Louis Laurent-Josi  
 Chief Executive Officer

The notes on pages 14 to 81 form an integral part of these consolidated financial statements.

# OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

## Consolidated income statement

	Note	Year ended 31 December	
		2019 AED'000	2018 AED'000
Gross insurance premium	25.1	3,545,062	3,699,364
Less: Insurance premium ceded to reinsurers	25.1	(1,934,027)	(2,155,671)
Net retained premium		1,611,035	1,543,693
Net change in unearned premium and mathematical reserve	25.1	25,028	24,203
<b>Net earned insurance premium</b>		<b>1,636,063</b>	<b>1,567,896</b>
Gross claims settled	25.2	(2,363,544)	(2,777,268)
Insurance claims recovered from reinsurers	25.2	1,305,537	1,647,560
<b>Net claims settled</b>		<b>(1,058,007)</b>	<b>(1,129,708)</b>
Net change in outstanding claims, incurred but not reported claims reserve and unallocated loss adjustment expenses reserve		(88,742)	2,694
<b>Net claims incurred</b>		<b>(1,146,749)</b>	<b>(1,127,014)</b>
Reinsurance commission income	20	262,992	281,819
Commission expenses	8	(370,954)	(387,913)
Other income relating to underwriting activities		50,652	41,972
<b>Net commission and other income</b>		<b>(57,310)</b>	<b>(64,122)</b>
<b>Net underwriting income</b>		<b>432,004</b>	<b>376,760</b>
Net investment income	21	91,695	49,131
<b>Total income</b>		<b>523,699</b>	<b>425,891</b>
General and administrative expenses	22	(290,821)	(295,531)
Board of directors' remuneration	24.3	(2,250)	(2,250)
Allowance for impairment as per IFRS 9	12.3	(13,809)	(42,371)
Finance costs		(199)	(3,530)
Other expenses - net		(26,466)	(69,335)
<b>Profit before tax</b>		<b>190,154</b>	<b>12,874</b>
Income tax credit/(expenses)		391	(2,755)
<b>Profit for the year</b>		<b>190,545</b>	<b>10,119</b>
<b>Attributable to:</b>			
Owners of the Company		186,891	8,358
Non-controlling interests		3,654	1,761
		190,545	10,119
Earnings per share (AED)	23	0.40	0.02

The notes on pages 14 to 81 form an integral part of these consolidated financial statements.

## OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

### Consolidated statement of comprehensive income

	<b>Year ended 31 December</b>	
	<b>2019</b>	<b>2018</b>
	<b>AED'000</b>	<b>AED'000</b>
<b>Profit for the year</b>	<b>190,545</b>	<b>10,119</b>
<b>Other comprehensive income/(loss)</b>		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Net fair value gains on revaluation of investments designated at fair value through other comprehensive income (FVTOCI)	<b>60,412</b>	<b>12,866</b>
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange loss on translation of foreign operations	<b>(6,245)</b>	<b>(21,338)</b>
<b>Total other comprehensive income/(loss)</b>	<b>54,167</b>	<b>(8,472)</b>
<b>Total comprehensive income for the year</b>	<b>244,712</b>	<b>1,647</b>
<b>Total comprehensive income attributable to:</b>		
Owners of the Company	<b>243,615</b>	<b>6,308</b>
Non-controlling interests	<b>1,097</b>	<b>(4,661)</b>
	<b>244,712</b>	<b>1,647</b>

The notes on pages 14 to 81 form an integral part of these consolidated financial statements.



# OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

## Consolidated statement of changes in equity

	Share capital AED'000	Other reserves AED'000	Cumulative changes in fair value of securities AED'000	Foreign currency translation reserve AED'000	Retained earnings/(accumulated losses) AED'000	Equity attributable to the owners of the Company AED'000	Non-controlling interests AED'000	Total AED'000
Balance at 31 December 2017	461,872	1,479,294	(233,219)	(29,378)	360,639	2,039,208	21,619	2,060,827
Changes on initial application of IFRS 9	-	-	-	-	(349,640)	(349,640)	-	(349,640)
Restated balance at 1 January 2018	461,872	1,479,294	(233,219)	(29,378)	10,999	1,689,568	21,619	1,711,187
Profit for the year	-	-	-	-	8,358	8,358	1,761	10,119
Other comprehensive income/(loss) for the year	-	-	12,866	(14,916)	-	(2,050)	(6,422)	(8,472)
Total comprehensive income/(loss) for the year	-	-	12,866	(14,916)	8,358	6,308	(4,661)	1,647
Transfer to contingency reserve (note 16.4)	-	680	-	-	(680)	-	-	-
Additional contribution attributable to non-controlling interests	-	-	-	-	-	-	4,463	4,463
Cash dividend paid (note 35)	-	-	-	-	(46,187)	(46,187)	-	(46,187)
Transfer to retained earnings on disposal of investments at FVTOCI	-	-	17,060	-	(17,060)	-	-	-
Balance at 31 December 2018	461,872	1,479,974	(203,293)	(44,294)	(44,570)	1,649,689	21,421	1,671,110
Changes on initial application of IFRS 16 (note 3.20)	-	-	-	-	(135)	(135)	-	(135)
Restated balance at 1 January 2019	461,872	1,479,974	(203,293)	(44,294)	(44,705)	1,649,554	21,421	1,670,975
Profit for the year	-	-	-	-	186,891	186,891	3,654	190,545
Other comprehensive income/(loss) for the year	-	-	60,412	(3,688)	-	56,724	(2,557)	54,167
<b>Total comprehensive income/(loss) for the year</b>	-	-	60,412	(3,688)	186,891	243,615	1,097	244,712
Transfer to contingency reserve (note 16.4)	-	1,710	-	-	(1,710)	-	-	-
Transfer to retained earnings from general reserve (note 16.3)	-	(125,000)	-	-	125,000	-	-	-
Transfer to retained earnings on disposal of investments at FVTOCI	-	-	(108,109)	-	108,109	-	-	-
<b>Balance at 31 December 2019</b>	<b>461,872</b>	<b>1,356,684</b>	<b>(250,990)</b>	<b>(47,982)</b>	<b>373,585</b>	<b>1,893,169</b>	<b>22,518</b>	<b>1,915,687</b>

The notes on pages 14 to 81 form an integral part of these consolidated financial statements.

# OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

## Consolidated statement of cash flows

	<b>Year ended 31 December</b>	
	<b>2019</b>	<b>2018</b>
	<b>AED'000</b>	<b>AED'000</b>
<b>Cash flows from operating activities</b>		
Profit for the year before tax	190,154	12,874
<b>Adjustments for:</b>		
Depreciation and amortisation	21,760	19,285
Fair value losses on investment properties	9,994	27,206
Unrealised gains on financial investments at FVTPL	(6,577)	(3,053)
Loss on sale/write off of fixed assets	38	12,761
Provision for employees' end of service benefits	6,979	7,165
Allowance for impairment of insurance and reinsurance receivables	13,809	42,371
Allowance for impairment of financial investments at amortised cost	1,674	101
Allowance for impairment of bank balances and deposits	257	268
Dividend income from financial investments at FVTPL and FVTOCI	(18,992)	(16,485)
Interest income from financial assets	(94,212)	(73,224)
Amortization of financial assets measured at amortised cost	5,327	5,316
Realised (gains)/losses on sale of financial investments at FVTPL	(417)	990
Realised (gains)/ losses on sale of financial investments at amortised cost	(543)	3,052
Finance costs	199	3,530
Interest expense on lease liability	178	-
Other investment expenses	20,769	16,209
Rental income from investment properties	(8,975)	(9,511)
<b>Operating cash flows before changes in operating assets and liabilities and payment of employees' end of service benefits and income tax</b>	<b>141,422</b>	<b>48,855</b>
<b>Changes in working capital</b>		
(Increase)/decrease in reinsurance contract assets	(107,521)	45,451
Decrease in insurance and other receivables	130,135	398,816
Decrease/(increase) in deferred acquisition costs	24,472	(8,492)
Increase/(decrease) in insurance contract liabilities	158,589	(99,677)
(Decrease)/increase in insurance and other payables	(148,473)	29,264
Increase in reinsurance deposits retained	14,537	42,461
Decrease in deferred commission income	(21,049)	(19,603)
Increase in unit linked investments	(12,142)	(20,655)
Increase in unit linked liabilities	12,441	23,590
<b>Net cash generated from operations</b>	<b>192,411</b>	<b>440,010</b>
Employees' end of service benefits paid	(5,875)	(6,922)
Income tax paid	(1,037)	(1,522)
<b>Net cash generated from operating activities</b>	<b>185,499</b>	<b>431,566</b>

The notes on pages 14 to 81 form an integral part of these consolidated financial statements.

## OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

### Consolidated statement of cash flows (continued)

	Year ended 31 December	
	2019 AED'000	2018 AED'000
<b>Cash flows from investing activities</b>		
Purchases of financial investments at FVTOCI	(221,285)	(95,521)
Proceeds from sale of financial investments at FVTOCI	275,490	97,910
Purchases of financial investments at FVTPL (excluding unit linked investments)	(10,090)	(17,432)
Proceeds from sale of financial investments at FVTPL (excluding unit linked investments)	8,994	5,240
Proceeds from sale of financial investments at amortised cost	150,668	179,259
Purchases of financial investments at amortised cost	(499,679)	(289,448)
Dividends received from financial investments at FVTPL and FVTOCI	19,639	16,013
Interest received from deposits and financial investments	89,567	68,401
Rental income received from investment properties	8,983	9,070
Other investment expenses paid	(18,239)	(15,637)
Purchase of property and equipment	(2,066)	(1,519)
Purchase of intangible assets	(20,053)	(11,573)
Decrease/(increase) in term deposits maturing after three months	11,100	(138,584)
Decrease in statutory deposits	1,274	932
<b>Net cash used in investing activities</b>	<b>(205,697)</b>	<b>(192,889)</b>
<b>Cash flows from financing activities</b>		
Finance costs paid	(199)	(3,530)
Principal elements of lease payments	(1,458)	-
Dividends paid	-	(46,187)
Additional contributions by non-controlling interests	-	4,463
Cash proceeds from bank borrowings	980	186,659
Repayments of amounts borrowed	(74,224)	(354,342)
<b>Net cash used in financing activities</b>	<b>(74,901)</b>	<b>(212,937)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(95,099)</b>	<b>25,740</b>
Cash and cash equivalents at the beginning of the year	245,143	238,126
Effects of exchange rate changes on the balances of cash held in foreign currency	(5,076)	(18,723)
<b>Cash and cash equivalents at the end of the year (note 14)</b>	<b>144,968</b>	<b>245,143</b>

During the year ended 31 December 2019, the principal non-cash transactions relates to the initial recognition of lease liability and right-of-use of asset amounting to AED 6,705 thousand and AED 5,672 thousand respectively following the adoption of IFRS 16 (note 3.20).

# OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

## Notes to the consolidated financial statements for the year ended 31 December 2019

### 1 General information

Oman Insurance Company P.S.C., (the "Company") is a public shareholding company, which was established by an Amiri Decree issued by His Highness, The Ruler of Dubai. The Company is registered under the UAE Federal Law No. (2) of 2015, as amended, relating to commercial companies. The Company is subject to the regulations of the U.A.E. Federal Law No. 6 of 2007 on Establishment of Insurance Authority and Organization of its Operations and is registered in the Insurance Companies Register of Insurance Authority of the U.A.E. under registration number 9. The Company is a subsidiary of Mashreq Bank (PSC) which is incorporated in the Emirate of Dubai. The Company's registered head office is at P.O. Box 5209, Dubai, United Arab Emirates. The Group comprises Oman Insurance Company P.S.C. and its subsidiaries (note 33). The Company's ordinary shares are listed on the Dubai Financial Market, United Arab Emirates.

The licensed activities of the Company are issuing short term and long term insurance contracts and trading in securities. The insurance contracts are issued in connection with property, engineering, energy, motor, aviation and marine risks (collectively known as general insurance) and individual life (participating and non-participating), group life, personal accident, medical and investment linked products.

The Company also operates in Sultanate of Oman, State of Qatar, Kingdom of Bahrain and Republic of Turkey.

### 2 Application of new and revised International Financial Reporting Standards ("IFRS")

#### 2.1 New and revised IFRS and interpretations applied on the consolidated financial statements

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2019, have been adopted in these consolidated financial statements. The application of these revised IFRSs, except where stated, have not had any material impact on the amounts reported for the current and prior years.

#### New and revised IFRS

#### Effective for annual periods beginning on or after

##### • IFRS 16, 'Leases'

1 January 2019

This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

For lessors, the accounting stays remains mainly unchanged. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The impact of the adoption of IFRS 16 on the consolidated financial statements of the Group is disclosed in note 3.20.



## OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 2 Application of new and revised International Financial Reporting Standards ("IFRS") (continued)

##### 2.1 New and revised IFRS and interpretations applied on the consolidated financial statements (continued)

<u>New and revised IFRS</u>	<u>Effective for annual periods beginning on or after</u>
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- **Amendments to IFRS 9, 'Financial instrument'**

1 January 2019

This amendment confirmed two points:

- that reasonable compensation for prepayments can be both negative or positive cash flows when considering whether a financial asset solely has cash flows that are principal and interest and
- that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39.

There is no material impact on the consolidated financial statements of the Group from the adoption of above amendment on 1 January 2019.

- **IFRIC 23, 'Uncertainty over Income Tax Treatments'**

1 January 2019

The interpretation address the determination of taxable profit (tax loss) tax bases, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers

- Whether tax treatments should be considered collectively or separately
- Assumptions for taxation authorities
- The determination of taxable profit (tax loss), tax bases, unused tax losses, and tax rates
- The effect of changes in facts and circumstances

There is no material impact on the consolidated financial statements of the Group from the adoption of above interpretation on 1 January 2019.

- **Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement**

1 January 2019

These amendments require an entity to:

- use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
- recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

There is no material impact on the consolidated financial statements of the Group from the adoption of this new standard on 1 January 2019.

## OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 2 Application of new and revised International Financial Reporting Standards ("IFRS") (continued)

##### 2.2 New and revised IFRS issued but not yet effective and not early adopted

The Group has not yet applied the following new standards, amendments and interpretations that have been issued but are not yet effective:

##### New and revised IFRS

##### **Amendments to IAS 1 and IAS 8 on the definition of material**

**Effective for annual periods beginning on or after**

1 January 2020

These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs:

- use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
- clarify the explanation of the definition of material; and
- incorporate some of the guidance in IAS 1 about immaterial information.

##### **IFRS 17, 'Insurance contracts'**

1 January 2021

On 18 May 2017, the IASB finished its long-standing project to develop an accounting standard on insurance contracts and published IFRS 17, 'Insurance Contracts'. IFRS 17 replaces IFRS 4, which currently permits a wide variety of practices. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

The standard applies to annual periods beginning on or after 1 January 2021, with earlier application permitted if IFRS 15, 'Revenue from contracts with customers' and IFRS 9, 'Financial instruments' are also applied.

IFRS 17 requires a current measurement model, where estimates are remeasured in each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ("CSM") representing the unearned profit of the contract. A simplified premium allocation approach is permitted for the liability for the remaining coverage if it provides a measurement that is not materially different from the general model or if the coverage period is one year or less. However, claims incurred will need to be measured based on the building blocks of discounted, risk-adjusted, probability weighted cash flows.

The IASB is considering a one year extension for the implementation of IFRS 17 which will be reflected in the amended standard when issued.

Management expects that the adoption of IFRS 17 will have an impact on the amounts reported and disclosures made in the Group's consolidated financial statements in respect of its insurance contracts issued and reinsurance contracts held. However, it is not practicable to provide a reasonable estimate of the effects of the application of this standard until the Group performs a detailed review. Management has completed the gap analysis in relation to this standard and is currently in the process of performing a detailed assessment of the impact of the above new standard on the Group's consolidated financial statements.

The Group is currently assessing the impact of these standards, interpretations and amendments on the future financial statements and intends to adopt these, if applicable, when they become effective.

There are no other relevant applicable new standards and amendments to published standards or IFRIC interpretations that have been issued but are not effective for the first time for the Group's financial year beginning on 1 January 2019 that would be expected to have a material impact on the consolidated financial statements of the Group.

## OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 3 Summary of significant accounting policies

The significant accounting policies applied in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to each of the years presented, unless otherwise stated.

##### 3.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and applicable requirements of United Arab Emirates (U.A.E.) Federal Law No. (2) of 2015, United Arab Emirates (U.A.E.) Federal Law No. 6 of 2007 on Establishment of Insurance Authority and Organization of its Operations and the UAE Insurance Authority Board of Directors' Decision No. (25) of 2014 pertinent to the Financial Regulations for Insurance Companies.

##### 3.2 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and financial investments classified as at fair value through profit or loss ("FVTPL") or as at fair value through other comprehensive income ("FVTOCI") that are being measured at fair value.

The Group's consolidated statement of financial position is not presented using a current / non-current classification. However, the following balances would generally be classified as current: bank balances and cash, prepayments and other receivables, insurance receivables, insurance payables and other payables. The following balances would generally be classified as non-current: property and equipment, intangible assets, investment properties, goodwill, deferred tax assets and statutory deposits. The following balances are of mixed nature (including both current and non-current portions): financial investments, deferred acquisition costs, deferred commission income, reinsurance contract assets, insurance contract liabilities, deposits with banks with original maturities of more than three months, employees' end of service benefits, bank borrowings and reinsurance deposits retained.

The consolidated financial statements are presented in Arab Emirates Dirham ("AED") and all values are rounded to nearest thousand ("AED'000") except when otherwise indicated.

##### 3.3 Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company, i.e. its subsidiaries.

Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power over the investee to affect the amount of the investor's returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

## OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 3 Summary of significant accounting policies (continued)

##### 3.3 Basis of consolidation (continued)

The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other voteholders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and/or ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement and consolidated statement of other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

##### *Changes in ownership interests*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

##### 3.4 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.



## OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 3 Summary of significant accounting policies (continued)

##### 3.4 Business combinations (continued)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in the consolidated income statement as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the consolidated income statement.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in the consolidated income statement.

##### 3.5 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see note 3.4 above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Management has carried out an impairment test for goodwill at the year end and has concluded that no impairment has taken place.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of profit or loss on disposal.

## OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 3 Summary of significant accounting policies (continued)

##### 3.6 Insurance contracts

###### 3.6.1 Product classification

Insurance contracts are those contracts that the Group (the insurer) has accepted the significant insurance risk from another party (policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. As a general guideline, the Group determines whether it has significant insurance risk by comparing benefits paid with benefits payable if the insured event did not occur. An insurance contract can also transfer financial risk.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable provided in case of a non-financial variable, that the variable is not specific to a party to the contract.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime even if the insurance risk reduces significantly during this period unless all rights and obligations are extinguished or expired. An investment contract can however be classified as an insurance contract after its inception if the insurance risk becomes significant.

Some insurance contracts and investment contracts contain discretionary participating features (DPF) which entitle the contract holder to receive, as a supplement to the standard guaranteed benefits, additional benefits or bonuses:

- that are likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the insurer; and
- that are contractually based on:
  - (i) the performance of a specified pool of contracts or a specified type of contract;
  - (ii) realised/unrealised investment returns on a specified pool of assets held by the issuer; or,
  - (iii) the profit or loss of the Group, fund or other entity that issues that contract.

Under IFRS 4, DPF can be either treated as an element of equity or as a liability or can be split between the two elements. The Group's policy is to treat all DPF as a liability within insurance or investment contract liabilities.

The policyholder bears the financial risks relating to some insurance contracts or investment contracts. Such products are usually unit-linked contracts.

###### 3.6.2 Recognition and measurement

Insurance contracts are classified into three main categories, depending on the duration of risk.

###### (i) Short-term insurance contracts

These contracts are short-term General Insurance, Medical as well as short-duration Life insurance contracts.

Short-duration Life insurance contracts protect the Group's customers from the consequences of events such as, but not limited to, death or disability.

## OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 3 Summary of significant accounting policies (continued)

##### 3.6 Insurance contracts (continued)

##### 3.6.2 Recognition and measurement (continued)

###### (i) Short-term insurance contracts (continued)

For all these contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks, at the end of the reporting period, is reported as the unearned premium liability. Premiums are shown before deduction of commission and are gross of any taxes or duties levied on premiums.

Claims and loss adjustment expenses are charged to the consolidated income statement as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the Group. The Group does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated based on assessments for individual cases reported to the Group and statistical analyses for the claims incurred but not reported, and to estimate the expected ultimate cost of more complex claims that may be affected by external factors.

###### (ii) Long-term insurance contracts with fixed and guaranteed terms

These contracts insure events associated with human life (for example, death or survival) over a long duration.

Premiums are recognised as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission. Policy benefits are recorded as an expense when they are incurred.

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised. The liability is based on assumptions such as mortality and investment performance. A conservative approach is used to determine the assumptions so as to ensure adequate margin in the results.

Where insurance contracts have a single premium or a limited number of premium payments due over a significantly shorter period than the period during which benefits are provided, the excess of the premiums payable over the valuation premiums is deferred and recognised as income in line with the decrease of unexpired insurance risk of the contracts in force or, for annuities in force, in line with the decrease of the amount of future benefits expected to be paid. The liabilities are recalculated at each end of the reporting period using the assumptions established at inception of the contracts.

###### (iii) Long-term unit linked insurance contracts

These contracts insure human life events (for example, death or survival) over a long duration. Liabilities are set equal to the policyholders' account value in addition to liabilities calculated against the insurance risk embedded in the products. These account values are affected by factors including but not limited to; payment of policy premiums, changes in the unit prices, policy administration fees, mortality charges, surrender charges and any withdrawals.

## OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 3 Summary of significant accounting policies (continued)

##### 3.6 Insurance contracts (continued)

##### 3.6.2 Recognition and measurement (continued)

###### (iii) Long-term unit linked insurance contracts (continued)

The liability for these contracts includes any amounts necessary to compensate the Group for services to be performed over future periods. This is the case for contracts where the policy administration charges are higher in the initial years than in subsequent years. The mortality charges deducted in each period from the contract holders as a group are considered adequate to cover the expected total death benefit claims in excess of the contract account balances in each period; no additional liability is therefore established for these claims.

A unit-linked insurance contract is an insurance contract with an embedded derivative linking payments on the contract to units of investments. This embedded derivative meets the definition of an insurance contract and is not therefore accounted for separately from the host insurance contract. The liability for such contracts is adjusted for all changes in the fair value of the underlying assets.

###### (a) *Deferred policy acquisition costs (DAC)*

Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are capitalised as an intangible asset (DAC). All other costs are recognised as expenses, when incurred. The DAC is subsequently amortised, as per the below:

- For short term insurance contracts, DAC is amortised over the term of the policy as premium is earned;
- For long-term insurance contracts, DAC is amortised over a period of time, which is determined based on the expected life of the contract.

###### (b) *Liability adequacy test*

At the end of the reporting period, liability adequacy tests are performed to ensure the adequacy of the contract liabilities. In performing these tests, current best estimates of future contractual cash flows and associated expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to the consolidated income statement by establishing a provision for losses arising from liability adequacy tests.

###### (c) *Reinsurance contracts held*

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Group under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts. The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets.



## OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 3 Summary of significant accounting policies (continued)

##### 3.6 Insurance contracts (continued)

##### 3.6.2 Recognition and measurement (continued)

###### (c) Reinsurance contracts held (continued)

These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

The Group assesses its reinsurance assets for impairment on a regular basis. The Group assesses that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is calculated following the same method used for these financial assets

The Group also assumes reinsurance risk in the normal course of business for life insurance and general insurance contracts where applicable. Premium and claims on assumed reinsurance contracts are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business.

###### (d) Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers, insurance contract holders and reinsurance companies.

The Group assess the receivables for impairment using the same process adopted for financial assets held at amortised cost. The impairment loss is calculated following the same method used for these financial assets.

###### (e) Salvage and subrogation reimbursements

Some insurance contracts permit the Group to sell (usually damaged) property acquired in settling a claim (for example, salvage). The Group may also have the right to pursue third parties for payment of some or all costs (for example, subrogation).

Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvage property is recognised in other assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the property.

Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognised in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

## OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 3 Summary of significant accounting policies (continued)

##### 3.7 Revenue recognition

###### (a) *Interest income and expense*

Interest income and expense for all interest-bearing financial instruments is calculated by applying the effective interest rate to the gross carrying amount of the financial instrument, except for financial assets that have subsequently become credit-impaired (or stage 3), for which interest income is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision) and are recognised within 'interest income' in the consolidated income statement.

###### (b) *Dividend income*

Dividend income from investments is recognised in the consolidated statement of profit or loss when the Group's right to receive dividend has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of Income can be measured reliably).

###### (c) *Insurance contracts revenue and insurance commission income*

Premiums are recognised as revenue (earned premium) on time-proportion basis over the effective period of policy coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the end of the reporting period is reported as the unearned premium liability.

Premium on life assurance policies are accounted for on the date of writing of policies and on subsequent due dates.

Insurance commission income is recognised when the policies are written based on the terms and percentages agreed with the reinsurers.

###### (d) *Rental income*

Rental income from investment property which are leased under operating leases are recognised on a straight-line basis over the term of the relevant lease.

##### 3.8 Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

###### 3.8.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated income statement because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period. The tax currently payable is calculated in accordance with fiscal regulations of Sultanate of Oman and Turkey.

## **OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES**

### **Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)**

#### **3 Summary of significant accounting policies (continued)**

##### **3.8 Income tax (continued)**

###### **3.8.2 Deferred tax**

Deferred tax is recognised on temporary differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary differences arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill.

The carrying of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

###### **3.8.3 Current and deferred tax for the year**

Current and deferred tax are recognised in the consolidated income statement, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

##### **3.9 Foreign currencies**

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in United Arab Emirates Dirhams ("AED"), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

## OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 3 Summary of significant accounting policies (continued)

##### 3.9 Foreign currencies (continued)

Exchange differences are recognised in the consolidated income statement in the period in which they arise except for:

- exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur which form part of the net investment in a foreign operation, and which are recognised initially in the foreign currency translation reserve and recognised in the consolidated income statement on disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in United Arab Emirates Dirhams ("AED"), using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in the foreign currency translation reserve. Such exchange differences are recognised in the consolidated income statement in the period in which the foreign operation is disposed.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in the consolidated income statement. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that does not result in the Company losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to the consolidated income statement.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each period. Exchange differences arising are recognised in equity.

##### 3.10 Property and equipment

Capital work in progress is carried at cost, less any recognised impairment loss. These assets are classified to the appropriate categories of property and equipment when completed and ready for their intended use. Depreciation of these assets, on the same basis as other property and equipment, commences when the assets are ready for their intended use.

Other property and equipment are stated at cost less accumulated depreciation and any identified accumulated impairment losses.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Depreciation is recognised so as to write off the cost of assets, other than capital work in progress, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

## OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 3 Summary of significant accounting policies (continued)

##### 3.10 Property and equipment (continued)

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated income statement.

The useful lives considered in the calculation of depreciation for the assets are as follows:

	Years
Furniture and equipment	3 - 5
Motor vehicles	5

With the initial implementation of IFRS 16, the Group recognised AED 6,705 thousand of right-of-use assets within "Property and equipment". The right of use of assets as at 31 December 2019 is AED 4,975 thousand. The detailed impact from the adoption IFRS 16 on the consolidated financial statements of the Group has been disclosed in note 3.19 and note 3.20.

##### 3.11 Intangible assets

Intangible assets including software are reported at cost less accumulated amortisation and identified impairment losses, if any. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The useful lives considered in the calculation of amortisation is 3 - 10 years.

##### 3.12 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation including properties under construction for such purposes. Investment properties are measured initially at cost, including transaction costs. Cost includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the cost of day to day servicing of an investment property.

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated income statement in the period of retirement or disposal.

Transfer is made to or from investment property only when there is a change in use evidenced by the end of owner-occupation or commencement of an operating lease to another party. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of the change in use. Fair value is determined by open market values based on valuations performed by independent surveyors and consultants or broker's quotes.



## OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 3 Summary of significant accounting policies (continued)

##### 3.13 Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of their tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Recoverable amount is the higher of fair value less costs to sell and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years.

##### 3.14 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

##### 3.15 Employee benefits

###### (a) *Defined contribution plan*

UAE national employees of the Group are members of the Government-managed retirement pension and social security benefit scheme pursuant to U.A.E. labour law no. 7 of 1999. The Group is required to contribute 12.5% of the "contribution calculation salary" of payroll costs to the retirement benefit scheme to fund the benefits. The employees and the Government contribute 5% and 2.5% of the "contribution calculation salary" respectively, to the scheme. The only obligation of the Group with respect to the retirement pension and social security scheme is to make the specified contributions. The contributions are charged to profit or loss.



## OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 3 Summary of significant accounting policies (continued)

##### 3.15 Employee benefits (continued)

###### *(b) Annual leave and leave passage*

An accrual is made for the estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by eligible employees up to the end of the year.

###### *(c) Provision for employees' end of service benefits*

The provision for employees' end of service benefits due to non-UAE national employees in accordance with the UAE Labour Law is calculated annually using the projected unit credit method in accordance with IAS 19. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using profit rates on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. Provisions for employees' end of service indemnity for the employees working with the entities domiciled in other countries are made in accordance with local laws and regulations applicable in these countries.

##### 3.16 Borrowing costs

Interest expense is recognised in the consolidated income statement as it accrues and is calculated by using the effective interest rate method.

##### 3.17 Dividend distribution

Dividend distribution to the Shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the Shareholders.

## OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 3 Summary of significant accounting policies (continued)

##### 3.18 Financial instruments

###### (a) *Investments and other financial assets*

###### (i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). The Group reclassifies debt investments when and only when its business model for managing those assets changes.

###### (ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on the trade date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

###### (iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is calculated using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in 'Net investment income' together with foreign exchange gains and losses. Impairment losses are included within 'Net investment income' in the consolidated income statement.

## OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 3 Summary of significant accounting policies (continued)

##### 3.18 Financial instruments (continued)

###### (a) Investments and other financial assets (continued)

###### (iii) Measurement (continued)

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'Net investment income'. Interest income from these financial assets is calculated using the effective interest rate method. Foreign exchange gains and losses are presented in 'Net investment income'.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in the consolidated income statement and is presented net within 'Net investment income' in the period in which it arises.

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss within 'Net investment income' when the Group's right to receive payments is established. Changes in the fair value of financial assets at FVPL are recognised in 'change in fair value of financial investments at FVPL' included within 'Net investment income'. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

###### (iv) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group's financial assets are subject to the expected credit loss model.

For insurance and other receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The expected loss rates are based on the historical credit losses experienced.

## OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 3 Summary of significant accounting policies (continued)

##### 3.18 Financial instruments (continued)

###### (a) Investments and other financial assets (continued)

###### (iv) Impairment (continued)

Insurance and other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the probability of insolvency or significant financial difficulties of the debtor. Impaired debts are derecognised when they are assessed as uncollectible.

Debt investment and other instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

The impairment charge for debt investments at FVOCI is recognised in profit or loss and reduces the fair value loss otherwise recognised in OCI.

###### (b) Insurance and other receivables

Insurance and other receivables are recognised initially at fair value and subsequently are measured at amortised cost using the effective interest method, less impairment provision. The Group holds the insurance and other receivables with the objective to collect the contractual cash flows.

###### (c) Financial liabilities

The Group recognises a financial liability when it first becomes a party to the contractual rights and obligations in the contract.

All financial liabilities are initially recognised at fair value, minus (in the case of a financial liability that is not at FVPL) transaction costs that are directly attributable to issuing the financial liability. Financial liabilities are measured at amortised cost, unless the Group opted to measure a liability at FVPL.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Financial liabilities included in insurance and other payables are recognised initially at fair value and subsequently at amortised cost. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

## OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 3 Summary of significant accounting policies (continued)

##### 3.18 Financial instruments (continued)

###### (c) Financial liabilities (continued)

###### *Offsetting of financial assets and liabilities*

Financial assets and liabilities are offset and reported net in the consolidated statement of financial position only when there is a legally enforceable right to set off the recognised amounts or when the Group intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

###### (d) Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value.

##### 3.19 Leases

###### 3.19.1 Accounting policy applied until 31 December 2018

Leases in which the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. The Group does not have substantially all the risks and rewards of ownership, and these leases are therefore classified as operating leases.

###### 3.19.2 Accounting policy applied from 1 January 2019

The Group accounting policies are disclosed in note 3.20.

##### 3.20 Changes in accounting policies

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

## OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 3 Summary of significant accounting policies (continued)

##### 3.20 Changes in accounting policies (continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability; and
- any lease payments made at or before the commencement date less any lease incentives received.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

#### Impact on the consolidated financial statements

The Group has applied IFRS 16 from 1 January 2019 using the modified retrospective approach and therefore the comparative information has not been restated. As a result of initial application of IFRS 16, in relation to the leases which were previously classified as operating leases, the Group recognised AED 6,705 thousand of right-of-use assets within "Property and equipment" and AED 5,672 thousand of lease liabilities within "Other payables" and derecognised AED 1,168 thousand of prepaid expenses as at 1 January 2019. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.5%. The net impact on retained earnings on 1 January 2019 was a decrease of AED 135 thousand.

Also, in relation to those leases under IFRS 16, the Group has recognised depreciation and interest costs, instead of operating lease expenses. During the year ended 31 December 2019, the Group has recognised AED 1,730 thousand of depreciation expense and AED 178 thousand of interest costs from these leases.



## OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 3 Summary of significant accounting policies (continued)

##### 3.20 Changes in accounting policies (continued)

Measurement of lease liabilities	AED'000
Operating lease commitments disclosed as at 31 December 2018	11,858
Discounted using the lessee's incremental borrowing rate of at the date of initial application	(1,513)
Expense relating to short-term leases	(4,673)
Lease liability as at 1 January 2019	<u>5,672</u>

#### 4 Critical accounting judgements and key sources of estimation of uncertainty

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Significant areas where management has used estimates, assumptions or exercised judgements are as follows:

##### 4.1 Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVTOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring Expected Credit Loss (ECL) is further detailed in note 32 (b).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining the criteria for significant increase in credit risk;
- Determining the criteria and definition of default;
- Choosing appropriate models and assumptions for the measurement of ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

##### 4.2 Investment properties

The Group values its investment properties at fair value on the basis of market valuations prepared by independent property consultants. The valuations are based on assumptions which are mainly based on market conditions existing at each reporting date. Therefore, any future change in the market conditions could have an impact on the fair value. For further details of the judgments and assumptions made, refer to note 7.

## **OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES**

### **Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)**

#### **4 Critical accounting judgements and key sources of estimation of uncertainty (continued)**

##### **4.3 The ultimate liability arising from claims made under insurance contracts**

The estimation of ultimate liability arising from the claims made under insurance contracts is the Group's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the liability that the Group will eventually pay for such claims. Estimates have to be made at the end of the reporting period for both the expected ultimate cost of claims reported and for the expected ultimate cost of claims incurred but not reported ("IBNR"). Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Group and management estimates based on past claims settlement trends for the claims incurred but not reported. Claims requiring court or arbitration decisions are estimated individually. At the end of the reporting period, previous claims estimates are reassessed for adequacy and changes are made to the provision, as and when required.

##### **4.4 Actuarial valuation of life assurance fund**

Liabilities pertaining to the long-term insurance contracts are determined based on standard actuarial principles. The liability is determined based on the actuarial present value of future cashflows. These cashflows are based on factors, including but not limited to; policy benefits, expected future mortality and the structure of the product. Additional liabilities are determined for supplementary benefits attached to the base policy.

The Group bases the mortality & morbidity estimates on standard tables that best reflect historical experience, adjusted where appropriate to reflect the Group's own experience. 100% A67 – 70 Ultimate Mortality Table of Assured Lives and a discount rate of 4% and 3% are used for the purpose of discounting the endowment and term liabilities respectively (2018: 3.5% for both).

# OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

## Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

### 5 Property and equipment

	Furniture and equipment AED'000	Motor Vehicles AED'000	Capital work in progress AED'000	Right-of- use assets AED'000	Total AED'000
<b>Cost</b>					
Balance at 31 December 2017	100,690	755	-	-	101,445
Additions during the year	1,519	-	-	-	1,519
Written off/disposals during the year	(9)	-	-	-	(9)
Effect of foreign currency exchange differences	(2,208)	-	-	-	(2,208)
Balance at 31 December 2018	99,992	755	-	-	100,747
Initial application of IFRS 16	-	-	-	8,110	8,110
Additions during the year	563	-	1,503	-	2,066
Transfer during the year	1,503	-	(1,503)	-	-
Disposals during the year	(2,869)	-	-	-	(2,869)
Effect of foreign currency exchange differences	(657)	-	-	-	(657)
<b>Balance at 31 December 2019</b>	<b>98,532</b>	<b>755</b>	<b>-</b>	<b>8,110</b>	<b>107,397</b>
<b>Accumulated depreciation</b>					
Balance at 31 December 2017	85,843	469	-	-	86,312
Charge for the year	7,014	150	-	-	7,164
Effect of foreign currency exchange differences	(1,882)	-	-	-	(1,882)
Balance at 31 December 2018	90,975	619	-	-	91,594
Initial application of IFRS 16	-	-	-	1,405	1,405
Charge for the year	5,706	90	-	1,730	7,526
Disposals during the year	(2,831)	-	-	-	(2,831)
Effect of foreign currency exchange differences	(613)	-	-	-	(613)
<b>Balance at 31 December 2019</b>	<b>93,237</b>	<b>709</b>	<b>-</b>	<b>3,135</b>	<b>97,081</b>
<b>Net carrying amount</b>					
<b>Balance at 31 December 2019</b>	<b>5,295</b>	<b>46</b>	<b>-</b>	<b>4,975</b>	<b>10,316</b>
Balance at 31 December 2018	9,017	136	-	-	9,153

## OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 6 Intangible assets

	Computer software AED'000	Capital work in progress AED'000	Total AED'000
<b>Cost</b>			
Balance at 31 December 2017	90,460	18,384	108,844
Additions during the year	3,598	7,975	11,573
Transfers during the year	11,256	(11,256)	-
Written off/disposals during the year	(8,486)	(6,812)	(15,298)
Balance at 31 December 2018	96,828	8,291	105,119
Additions during the year	4,806	15,247	20,053
Transfers during the year	5,888	(5,888)	-
<b>Balance at 31 December 2019</b>	<b>107,522</b>	<b>17,650</b>	<b>125,172</b>
<b>Accumulated amortisation</b>			
Balance at 31 December 2017	24,169	-	24,169
Charge for the year	12,121	-	12,121
Written off/disposals during the year	(2,546)	-	(2,546)
Balance at 31 December 2018	33,744	-	33,744
Charge for the year	14,234	-	14,234
<b>Balance at 31 December 2019</b>	<b>47,978</b>	<b>-</b>	<b>47,978</b>
<b>Net carrying amount</b>			
<b>Balance at 31 December 2019</b>	<b>59,544</b>	<b>17,650</b>	<b>77,194</b>
Balance at 31 December 2018	63,084	8,291	71,375

Capital work-in-progress includes advances paid to consultants and providers of information technology solutions for the improvements to computer software of the Group's IT infrastructure.

#### 7 Investment properties

The Group's investment properties are measured at fair value. The Group holds 7 plots of land located in Dubai, UAE, unit of a building located in DIFC, Dubai, UAE and units of a building located in Motor City, Dubai, UAE.

	Plots of land located in Dubai, UAE AED'000	Unit of a building located in DIFC, Dubai, UAE AED'000	Units of a building located in Motor City, Dubai, UAE AED'000	Total AED'000
<i>Fair value hierarchy</i>	<i>Level 2</i>	<i>Level 2</i>	<i>Level 2</i>	
Fair value at 1 January 2018	373,540	69,976	67,275	510,791
Net decrease in fair value during the year	(11,125)	(4,461)	(11,620)	(27,206)
Fair value at 31 December 2018	362,415	65,515	55,655	483,585
Net decrease in fair value during the year	(5,140)	(1,661)	(3,193)	(9,994)
<b>Fair value at 31 December 2019</b>	<b>357,275</b>	<b>63,854</b>	<b>52,462</b>	<b>473,591</b>

## OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 7 Investment properties (continued)

##### Valuation processes

The Group has complied with the requirements of the UAE Insurance Authority Board Decision No. (25) of 2014 with regards to valuation of the investment properties and were accounted accordingly for the purpose of financial reporting. The Group's investment properties were valued as at 31 December 2019 by independent external professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. The fair value is in accordance with relevant appraisal and valuation standards issued by the Royal Institute of Chartered Surveyors ("RICS"). Management reviews the assumptions based on their reasonable knowledge and other information available about the properties.

##### Valuation techniques underlying management's estimation of fair value

The valuation of the Group's investment properties was determined using the sales comparison approach, which uses significant observable inputs. Properties valued using the sales comparison approach take into account comparable properties in close proximity. These values are adjusted for differences in key attributes such as property size and quality of interior fittings. The most significant input into this valuation approach is price per unit of measurement.

There were no changes to the valuation techniques during the year and there are no transfers between the levels during the years 2019 and 2018.

#### 8 Deferred acquisition costs

	2019 AED'000	2018 AED'000
Balance at the beginning of the year	156,672	148,180
Acquisition costs paid during the year	346,482	396,405
Amortisation charge for the year	(370,954)	(387,913)
Balance at the end of the year	<u>132,200</u>	<u>156,672</u>

#### 9 Statutory deposits

	2019 AED'000	2018 AED'000
Bank deposit maintained in accordance with Article 42 of U.A.E. Federal Law No. 6 of 2007	10,000	10,000
Amount under lien with Capital Market Authority – Sultanate of Oman	97,534	97,535
Amounts under lien with the Qatar Central Bank	35,295	35,976
Amounts under lien with Turkish Treasury, Turkey	12,451	13,043
	<u>155,280</u>	<u>156,554</u>

# OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

## Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

### 10 Financial investments

#### 10.1 Composition of financial investments

The Group's financial investments at the end of reporting period are detailed below.

	2019 AED'000	2018 AED'000
At fair value through profit or loss (note 10.2)	377,639	357,407
At fair value through other comprehensive income (note 10.3)	474,376	468,169
Measured at amortised cost (note 10.4)	1,632,241	1,283,087
Less: Allowance for impairment as per IFRS 9 (note 10.6)	(4,030)	(2,356)
	<u>2,480,226</u>	<u>2,106,307</u>

#### 10.2 Financial investments at fair value through profit or loss

	Inside UAE		Outside UAE		Total	
	2019 AED'000	2018 AED'000	2019 AED'000	2018 AED'000	2019 AED'000	2018 AED'000
Quoted fund	-	-	30,549	26,697	30,549	26,697
Quoted equity	2,685	1,651	12,305	9,101	14,990	10,752
Unit linked investments	4,109	3,866	327,991	316,092	332,100	319,958
	<u>6,794</u>	<u>5,517</u>	<u>370,845</u>	<u>351,890</u>	<u>377,639</u>	<u>357,407</u>

Unit linked investments are designated at inception as at fair value through profit or loss. The Group designates these investment as at fair value through profit or loss because it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

#### 10.3 Financial investments at fair value through other comprehensive income

	Inside UAE		Outside UAE		Total	
	2019 AED'000	2018 AED'000	2019 AED'000	2018 AED'000	2019 AED'000	2018 AED'000
Quoted equity	270,477	141,267	150,601	143,990	421,078	285,257
Unquoted equity	19,862	19,716	5,431	131,963	25,293	151,679
Private equity fund	-	-	28,005	31,233	28,005	31,233
	<u>290,339</u>	<u>160,983</u>	<u>184,037</u>	<u>307,186</u>	<u>474,376</u>	<u>468,169</u>

The Group has designated all investments in equity instruments that are not held for trading as at FVTOCI.



## OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 10 Financial investments (continued)

##### 10.4 Financial investments measured at amortised cost

	Inside UAE		Outside UAE		Total	
	2019	2018	2019	2018	2019	2018
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Investments in bonds						
- Quoted	1,021,883	994,750	589,728	269,381	1,611,611	1,264,131
- Unquoted	16,600	16,600	-	-	16,600	16,600
	<u>1,038,483</u>	<u>1,011,350</u>	<u>589,728</u>	<u>269,381</u>	<u>1,628,211</u>	<u>1,280,731</u>

These bonds carry interests at the rates of 2% to 7.75% (2018: 2% to 7.75%) per annum. The Group holds these investments with the objective of receiving the contractual cash flows over the instruments life. The bonds are redeemable at par from 2020 to 2048 (2018: 2019 to 2035) based on their maturity dates. The fair value of these bonds at 31 December 2019 is AED 1,694,386 thousand (2018: AED 1,253,136 thousand).

##### 10.5 Movements in financial investments

The movements in financial investments are as follows:

	Fair value through profit or loss AED'000	Fair value through OCI AED'000	Amortised cost AED'000	Total AED'000
At 31 December 2017	322,497	457,701	1,179,374	1,959,572
Purchases	153,502	95,521	289,448	538,471
Disposals	(96,750)	(97,910)	(76,929)	(271,589)
Maturities	-	-	(105,382)	(105,382)
Amortisation	-	-	(5,316)	(5,316)
Movement in accrued interest	-	-	1,892	1,892
Changes in fair value	(21,842)	12,857	-	(8,985)
Allowance for impairment	-	-	(2,356)	(2,356)
At 31 December 2018	<u>357,407</u>	<u>468,169</u>	<u>1,280,731</u>	<u>2,106,307</u>
Purchases	103,947	221,285	499,679	824,911
Disposals	(140,374)	(275,490)	(32,797)	(448,661)
Maturities	-	-	(117,328)	(117,328)
Amortisation	-	-	(5,327)	(5,327)
Movement in accrued interest	-	-	4,927	4,927
Changes in fair value	56,659	60,412	-	117,071
Allowance for impairment	-	-	(1,674)	(1,674)
At 31 December 2019	<u>377,639</u>	<u>474,376</u>	<u>1,628,211</u>	<u>2,480,226</u>

There were no reclassifications between financial investments categories during 2019.

## OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 10 Financial investments (continued)

##### 10.6 Movement in the allowance for impairment of financial investments measured at amortised cost during the year was as follows:

	2019 AED'000	2018 AED'000
At the beginning of the year	2,356	-
Initial application of IFRS 9	-	2,255
Charge during the year	1,674	101
<b>Balance at the end of the year</b>	<b>4,030</b>	<b>2,356</b>

As of 31 December 2019 and 2018, there were no significant concentrations of credit risk for debt instruments measured at amortised cost. The carrying amount reflected above represents the Group's maximum exposure for credit risk for such assets.

#### 11 Insurance contract liabilities and reinsurance contract assets

	2019 AED'000	2018 AED'000
<b>Insurance contract liabilities</b>		
Outstanding claims	1,940,467	1,772,797
Incurred but not reported claims reserve (IBNR)	483,662	417,269
Life assurance fund	172,799	178,142
Unearned premium (note 25.1)	1,310,585	1,381,079
Unit linked liabilities (note 11.3)	332,324	319,883
Unallocated loss adjustment expenses reserve (ULAE)	8,353	7,990
	<b>4,248,190</b>	<b>4,077,160</b>
<b>Recoverable from re-insurers</b>		
Outstanding claims	(1,522,097)	(1,389,082)
Incurred but not reported claims reserve (IBNR)	(313,844)	(301,175)
Life assurance fund	(30,497)	(4,811)
Unearned premiums (note 25.1)	(713,881)	(777,730)
	<b>(2,580,319)</b>	<b>(2,472,798)</b>
<b>Insurance contract liabilities – net</b>		
Outstanding claims	418,370	383,715
Incurred but not reported claims reserve (IBNR)	169,818	116,094
Life assurance fund (note 11.2)	142,302	173,331
Unearned premiums (note 25.1)	596,704	603,349
Unit linked liabilities (note 11.3)	332,324	319,883
Unallocated loss adjustment expenses reserve (ULAE)	8,353	7,990
	<b>1,667,871</b>	<b>1,604,362</b>

The technical reserves have been certified by the Appointed Actuary of the Company according to the Financial Regulations issued by Insurance Authority. A summary of the actuary's report on the technical provisions is disclosed in note 34 to the consolidated financial statements.

# OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

## Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

### 11 Insurance contract liabilities and reinsurance contract assets (continued)

#### 11.1 Movement in the provision for outstanding claims, IBNR and unallocated loss adjustment expenses and the related reinsurers' share

	2019			2018		
	Gross AED'000	Reinsurance AED'000	Net AED'000	Gross AED'000	Reinsurance AED'000	Net AED'000
At 1 January	2,198,056	(1,690,257)	507,799	2,245,477	(1,734,984)	510,493
Claims incurred during the year	2,597,970	(1,451,221)	1,146,749	2,729,847	(1,602,833)	1,127,014
Claims settled during the year	(2,363,544)	1,305,537	(1,058,007)	(2,777,268)	1,647,560	(1,129,708)
At 31 December	2,432,482	(1,835,941)	596,541	2,198,056	(1,690,257)	507,799

#### 11.2 Life assurance fund - net

	AED'000
At 1 January 2018	208,045
Net movement during the year	(34,714)
At 31 December 2018	173,331
Net movement during the year	(31,029)
At 31 December 2019	142,302

#### 11.3 Unit linked liabilities

	AED'000
At 1 January 2018	296,293
Net movement during the year	23,590
At 31 December 2018	319,883
Net movement during the year	12,441
At 31 December 2019	332,324

The following table presents the sensitivity of the value of insurance contract liabilities disclosed in this note to movements in the assumptions used in the estimation of insurance contract liabilities. For liabilities under long-term insurance contracts with fixed and guaranteed terms, changes in assumptions will not cause a change to the amount of the liability, unless the change is severe enough to trigger a liability adequacy test adjustment. No losses arose in either 2019 or 2018, based on the results of the liability adequacy test. The table below indicates the level of the respective variable that will trigger an adjustment and then indicates the liability adjustment required as a result of a further deterioration in the variable.

# OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

## Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

### 11 Insurance contract liabilities and reinsurance contract assets (continued)

Scenario	Change in assumptions	Impact on net liability	
		2019 AED'000	2018 AED'000
Mortality/morbidity	+10%	763	850
Discount rate	+75 bps	(4,105)	(5,604)
Mortality/morbidity	-10%	(767)	(851)
Discount rate	-75 bps	4,456	6,165

### 12 Insurance and reinsurance receivables

	2019 AED'000	2018 AED'000
Due from policyholders and brokers	539,610	671,753
Less: allowance for impairment	(207,375)	(242,562)
Net due from policyholders and brokers	332,235	429,191
Due from insurance/reinsurance companies	488,962	494,141
Less: allowance for impairment	(233,696)	(253,764)
Net due from insurance/reinsurance companies	255,266	240,377
<b>Total insurance and reinsurance receivables</b>	<b>587,501</b>	<b>669,568</b>

#### 12.1 Insurance and reinsurance receivables by location

Inside UAE	2019 AED'000	2018 AED'000
Due from policyholders and brokers	426,624	544,063
Less: allowance for impairment	(170,655)	(205,805)
Net due from policyholders and brokers	255,969	338,258
Due from insurance/reinsurance companies	425,892	419,668
Less: allowance for impairment	(208,316)	(210,809)
Net due from insurance/reinsurance companies	217,576	208,859
<b>Total insurance and reinsurance receivables inside UAE</b>	<b>473,545</b>	<b>547,117</b>
Outside UAE	2019 AED'000	2018 AED'000
Due from policyholders and brokers	112,986	127,690
Less: allowance for impairment	(36,720)	(36,757)
Net due from policyholders and brokers	76,266	90,933
Due from insurance/reinsurance companies	63,070	74,473
Less: allowance for impairment	(25,380)	(42,955)
Net due from insurance/reinsurance companies	37,690	31,518
<b>Total insurance and reinsurance receivables outside UAE</b>	<b>113,956</b>	<b>122,451</b>

# OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

## Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

### 12 Insurance and reinsurance receivables (continued)

#### 12.2 Ageing of insurance and reinsurance receivables

##### At 31 December 2019

	Not yet due AED'000	Past Due by Number of Days				Total AED'000
		<30 days AED'000	30-90 days AED'000	91-180 days AED'000	≥181 days AED'000	
Due from policyholders	81,869	(3,220)	12,243	3,133	5,862	99,887
Due from insurance companies	12,152	6,616	10,395	11,516	24,365	65,044
Due from reinsurance companies	83,432	30,285	18,833	30,680	26,992	190,222
Due from brokers	166,955	18,413	42,185	9,223	(4,705)	232,071
Other receivables	(1,743)	1,101	(13)	43	889	277
<b>Insurance and reinsurance receivables - net</b>	<b>342,665</b>	<b>53,195</b>	<b>83,643</b>	<b>54,595</b>	<b>53,403</b>	<b>587,501</b>

##### At 31 December 2018

	Not yet due AED'000	Past Due by Number of Days				Total AED'000
		<30 days AED'000	30-90 days AED'000	91-180 days AED'000	≥181 days AED'000	
Due from policyholders	96,220	12,793	9,090	7,867	4,180	130,150
Due from insurance companies	6,401	5,740	9,221	15,523	42,813	79,698
Due from reinsurance companies	35,052	3,256	16,614	17,200	88,557	160,679
Due from brokers	185,924	34,205	48,534	15,933	12,291	296,887
Other receivables	2	15	495	92	1,550	2,154
<b>Insurance and reinsurance receivables - net</b>	<b>323,599</b>	<b>56,009</b>	<b>83,954</b>	<b>56,615</b>	<b>149,391</b>	<b>669,568</b>



# OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

## Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

### 12 Insurance and reinsurance receivables (continued)

#### 12.2 Ageing of insurance and reinsurance receivables (continued)

##### 12.2.1 Ageing of insurance and reinsurance receivables by location

###### Inside UAE

###### At 31 December 2019

	Not yet due AED'000	<30 days AED'000	30-90 days AED'000	91-180 days AED'000	≥181 days AED'000	Total AED'000
Due from policyholders	77,551	(4,639)	9,516	2,385	2,300	87,113
Due from insurance companies	(3,406)	5,667	8,109	10,189	21,801	42,360
Due from reinsurance companies	80,455	29,094	14,523	25,772	25,372	175,216
Due from brokers	127,636	12,577	37,974	(2,164)	(7,432)	168,591
Other receivables	(1,736)	1,150	(10)	43	818	265
<b>Insurance and reinsurance receivables - net</b>	<b>280,500</b>	<b>43,849</b>	<b>70,112</b>	<b>36,225</b>	<b>42,859</b>	<b>473,545</b>

###### At 31 December 2018

	Not yet due AED'000	<30 days AED'000	30-90 days AED'000	91-180 days AED'000	≥181 days AED'000	Total AED'000
Due from policyholders	79,192	9,976	4,453	5,204	2,696	101,521
Due from insurance companies	2,148	4,381	7,572	12,813	36,164	63,078
Due from reinsurance companies	32,008	2,605	14,707	15,369	81,092	145,781
Due from brokers	144,184	26,799	41,376	13,139	9,584	235,082
Other receivables	2	-	87	92	1,474	1,655
<b>Insurance and reinsurance receivables - net</b>	<b>257,534</b>	<b>43,761</b>	<b>68,195</b>	<b>46,617</b>	<b>131,010</b>	<b>547,117</b>

# OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

## Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

### 12 Insurance and reinsurance receivables (continued)

#### 12.2 Ageing of insurance and reinsurance receivables (continued)

##### 12.2.1 Ageing of insurance and reinsurance receivables by location (continued)

###### Outside UAE

###### At 31 December 2019

	Not yet due AED'000	Past Due by Number of Days				Total AED'000
		<30 days AED'000	30-90 days AED'000	91-180 days AED'000	≥181 days AED'000	
Due from policyholders	4,318	1,419	2,727	748	3,562	12,774
Due from insurance companies	15,558	949	2,286	1,327	2,564	22,684
Due from reinsurance companies	2,977	1,191	4,310	4,908	1,620	15,006
Due from brokers	39,319	5,836	4,211	11,387	2,727	63,480
Other receivables	(7)	(49)	(3)	-	71	12
<b>Insurance and reinsurance receivables - net</b>	<b>62,165</b>	<b>9,346</b>	<b>13,531</b>	<b>18,370</b>	<b>10,544</b>	<b>113,956</b>

###### At 31 December 2018

	Not yet due AED'000	Past Due by Number of Days				Total AED'000
		<30 days AED'000	30-90 days AED'000	91-180 days AED'000	≥181 days AED'000	
Due from policyholders	17,028	2,817	4,637	2,663	1,484	28,629
Due from insurance companies	4,253	1,359	1,649	2,710	6,649	16,620
Due from reinsurance companies	3,044	651	1,907	1,831	7,465	14,898
Due from brokers	41,740	7,406	7,158	2,794	2,707	61,805
Other receivables	-	15	408	-	76	499
<b>Insurance and reinsurance receivables - net</b>	<b>66,065</b>	<b>12,248</b>	<b>15,759</b>	<b>9,998</b>	<b>18,381</b>	<b>122,451</b>

## OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 12 Insurance and reinsurance receivables (continued)

##### 12.3 Movement in the allowance for impairment

The closing impairment provision for insurance and reinsurance receivables reconciles to the opening impairment provision as follows:

	2019 AED'000	2018 AED'000
Opening impairment provision as at 1 January under IFRS 9	496,326	460,684
Impairment charge recognised in profit or loss during the year	13,809	42,371
Amounts written off as uncollectible during the year	(68,258)	(3,032)
Foreign currency exchange differences	(806)	(3,697)
Closing impairment provision as at 31 December	<u>441,071</u>	<u>496,326</u>

#### 13 Prepayments and other receivables

	2019 AED'000	2018 AED'000
Accrued income	6,585	14,098
Prepayments	30,193	94,368
Staff debtors and advances	7,688	8,635
Other receivables	69,314	68,759
Less: allowance for impairment as per IFRS 9 (note 13.1)	<u>(16,797)</u>	<u>(25,177)</u>
	<u>96,983</u>	<u>160,683</u>

##### 13.1 Movement in the allowance for impairment

	2019 AED'000	2018 AED'000
Opening impairment provision as at 1 January under IFRS 9	25,177	25,177
Amounts written off as uncollectible during the year	<u>(8,380)</u>	<u>-</u>
Closing impairment provision as at 31 December	<u>16,797</u>	<u>25,177</u>

## OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 14 Bank balances and cash

	2019 AED'000	2018 AED'000
Deposits with banks with original maturities of more than three months	268,620	280,002
Deposits with banks with original maturities within three months	67,811	123,805
Current accounts and cash	77,157	121,338
Less: Allowance for impairment as per IFRS 9	(678)	(421)
	144,290	244,722
Total bank balances and cash	412,910	524,724
Less: Deposit with banks with original maturities of more than three months	(268,620)	(280,002)
Add: Allowance for impairment as per IFRS 9	678	421
Cash and cash equivalents for the purpose of consolidated statement of cash flows	144,968	245,143

The interest rates on fixed deposits and call accounts with banks ranges 0.5% to 12.3% (2018: 0.5% to 24.7%) per annum. Bank balances amounting to AED 221,807 thousand (2018: AED 309,662 thousand) are held in local banks in the United Arab Emirates.

Certain deposits with carrying amount of AED 4,425 thousand at 31 December 2019 (2018: AED 8,935 thousand) are subject to lien in respect of guarantees.

#### 15 Share capital

	2019 AED'000	2018 AED'000
Authorised, issued and fully paid 461,872,125 shares of AED 1 each (2018: 461,872,125 shares of AED 1 each)	461,872	461,872

## OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 16 Other reserves

	Statutory reserve AED'000	Strategic reserve AED'000	General reserve AED'000	Contingency reserve AED'000	Total AED'000
Balance at 1 January 2018	230,936	303,750	933,051	11,557	1,479,294
Transfer from retained earnings to contingency reserve (note 16.4)	-	-	-	680	680
Balance at 31 December 2018	230,936	303,750	933,051	12,237	1,479,974
Transfer from general reserve to retained earnings (note 16.3)	-	-	(125,000)	-	(125,000)
Transfer from retained earnings to contingency reserve (note 16.4)	-	-	-	1,710	1,710
<b>Balance at 31 December 2019</b>	<b>230,936</b>	<b>303,750</b>	<b>808,051</b>	<b>13,947</b>	<b>1,356,684</b>

#### 16.1 Statutory reserve

In accordance with the Commercial Companies Law and the Company's Articles of Association, 10% of profit for the year is required to be transferred to statutory reserve. The Company may resolve to discontinue such annual transfers when the statutory reserve is equal to 50% of the paid up share capital. The reserve is not available for distribution except in the circumstances stipulated by the law. The shareholders had resolved to discontinue the appropriation as the statutory reserve reached 50% of share capital. Accordingly, no transfer was made during the year.

#### 16.2 Strategic reserve

The strategic reserve may be utilised for any purpose to be determined by a resolution of the Shareholders of the Company at the general assembly meeting, on the recommendation of the Board of Directors. No transfers have been made to the strategic reserve during the year.

#### 16.3 General reserve

In accordance with the amended Articles of Association, 10% of profit for the year is required to be transferred to voluntary reserve. The Company may resolve to discontinue such annual transfers when the general reserve is equal to 50% of the paid up share capital. The Company has discontinued the appropriation as the voluntary reserve reached 50% of paid up share capital. Accordingly, no transfer was made during the year. At the Annual General Meeting held on 21 March 2019, the shareholders approved to transfer AED 125 million from general reserve to retained earnings.

## OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 16 Other reserves (continued)

##### 16.4 Contingency reserve – Oman Branch

In accordance with Article 10 (bis) (2) (c) and 10 (bis) (3)(b) of Regulations for Implementing Insurance Companies Law (Ministerial Order 5/80), as amended, of Sultanate of Oman, 10% of the net outstanding claims in case of the general insurance business and 1% of the life assurance premiums for the year in case of life insurance business at the end of the reporting period is transferred from retained earnings to a contingency reserve until the provision is equal to RO 5 million. In case of insufficient retained earnings or accumulated loss position, the deficit in transfer will be adjusted against retained earnings of future years. The reserves shall not be used without the prior approval of the Capital Market Authority of Sultanate of Oman.

#### 17 Employees' end of service benefits

	2019 AED'000	2018 AED'000
Balance at the beginning of the year	37,048	36,805
Charge for the year	6,979	7,165
Paid during the year	(5,875)	(6,922)
Balance at the end of the year	<u>38,152</u>	<u>37,048</u>

In accordance with the provisions of IAS 19 "Employee Benefits", management has carried out an exercise to assess the present value of its obligations as at 31 December 2019 and 2018, using the projected unit credit method, in respect of employees' end of service benefits payable under the UAE Labour Law. The expected liability at the date of leaving the service has been discounted to net present value using a discount rate of 3.45% (2018: 3.45%). Under this method, an assessment has been made of an employee's expected service life with the Group and the expected basic salary at the date of leaving the service. Management has assumed average increment / promotion costs of 5% (2018: 5%). The present value of the obligation as at 31 December 2019 and 2018 is not materially different from the provision computed in accordance with the UAE Labour Law.

#### 18 Bank borrowings

	2019 AED'000	2018 AED'000
Short term bank loans	<u>-</u>	<u>73,244</u>

On 9 April 2019, the Group repaid in full the short term bank loans. As at 31 December 2018, the loans of AED 73,244 thousand were secured by assignment of bonds amounting AED 80,014 thousand in favour of the financial institutions carrying an interest rate of 1.87% to 2.95% per annum.

	2019 AED'000	2018 AED'000
Balance at the beginning of the year	73,244	240,927
Addition during the year	980	186,659
Repayment during the year	(74,224)	(354,342)
Balance at the end of the year	<u>-</u>	<u>73,244</u>



## OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 19 Insurance and other payables

##### 19.1 Insurance payables

	2019 AED'000	2018 AED'000
Insurance payables – Inside UAE	392,980	515,073
Insurance payables – Outside UAE	104,021	138,184
	<u>497,001</u>	<u>653,257</u>

	2019 AED'000	2018 AED'000
<b>Inside UAE</b>		
Due to policyholders and brokers	77,337	91,067
Due to insurance/reinsurance companies	260,488	316,574
Premiums collected in advance	256	229
Other insurance payables	54,899	107,203
	<u>392,980</u>	<u>515,073</u>

	2019 AED'000	2018 AED'000
<b>Outside UAE</b>		
Due to policyholders and brokers	65,576	65,819
Due to insurance/reinsurance companies	29,803	45,961
Premiums collected in advance	4,158	18,832
Other insurance payables	4,484	7,572
	<u>104,021</u>	<u>138,184</u>

##### 19.2 Other payables

	2019 AED'000	2018 AED'000
Accruals for staff costs	17,149	18,701
Other payables and accruals	106,605	90,744
	<u>123,754</u>	<u>109,445</u>

#### 20 Deferred commission income

	2019 AED'000	2018 AED'000
Balance at the beginning of the year	88,613	108,216
Commission received during the year	241,943	262,216
Commission income earned during the year	(262,992)	(281,819)
Balance at the end of the year	<u>67,564</u>	<u>88,613</u>

# OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

## Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

### 21 Net investment income

	2019 AED'000	2018 AED'000
Dividend income from financial investments at FVTOCI	18,992	16,485
Interest income from financial investments at amortised cost	59,123	44,557
Interest income from deposits	29,762	23,351
Fair value losses on investment properties (note 7)	(9,994)	(27,206)
Fair value gain on financial investments at FVTPL (excluding unit linked investments)	6,577	3,053
Realised gains/(losses) on sale of financial investments at FVTPL	417	(990)
Realised gains/(losses) on sale of financial investments at amortised cost	543	(3,052)
Rental income from investment properties	8,975	9,511
Other investment expenses	(20,769)	(16,209)
Allowance for impairment on financial investments at amortised cost and bank balances and deposits as per IFRS 9 (notes 10 and 14)	(1,931)	(369)
	<u>91,695</u>	<u>49,131</u>

### 22 General and administrative expenses

	2019 AED'000	2018 AED'000
Staff costs	200,363	202,166
Depreciation and amortisation	21,760	19,285
Rental costs – operating leases	9,913	13,625
Other miscellaneous expenses	58,785	60,455
	<u>290,821</u>	<u>295,531</u>

### 23 Earnings per share

	2019	2018
Profit for the year attributable to the owners of the Company (AED'000)	186,891	8,358
Weighted average number of shares	461,872,125	461,872,125
Basic and diluted earnings per share (AED)	0.40	0.02

Basic earnings per share are calculated by dividing the profit for the year attributable to the owners of the Company by the number of weighted average shares outstanding at the end of the reporting period. Diluted earnings per share is equivalent to basic earnings per share as the Company did not issue any new instrument that would impact earnings per share when executed.

## OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 24 Related party transactions

Related parties include the Group's major Shareholders, Directors and businesses controlled by them and their families over which they exercise significant management influence as well as key management personnel.

#### 24.1 Balances with related parties included in the consolidated statement of financial position are as follows:

	2019 AED'000	2018 AED'000
<i>Balances with Major shareholder:</i>		
Cash and bank balances	21,483	63,744
Bank borrowings (note 18)	-	73,244
Financial investments	65,683	55,199
Statutory deposits	10,000	10,000
<i>Due from/(to) Major shareholder:</i>		
Net insurance receivable	1,798	4,592
Net insurance and other payable	(564)	(460)
<i>Due from/(to) Directors and businesses over which they exercise significant management influence:</i>		
Net insurance receivable	15,948	14,459
Net insurance and other payable	(920)	(1,058)

#### 24.2 Transactions with related parties during the year are as follows:

	2019 AED'000	2018 AED'000
<i>Transactions arising from insurance contracts with Major shareholder:</i>		
Gross insurance premium	71,545	62,743
Gross claims settled	(51,623)	(45,201)
<i>Other transactions with Major shareholder:</i>		
Interest income	868	1,741
Dividend income	2,144	2,144
Interest expense	(398)	(5,377)
Other expenses	(5,087)	(475)
Rental expense	(3,226)	(3,650)
<i>Transactions arising from insurance contracts with Directors and businesses over which they exercise significant management influence:</i>		
Gross insurance premium	37,505	39,573
Gross claims settled	(22,347)	(27,824)
<i>Other transactions with Directors and businesses over which they exercise significant management influence:</i>		
Other expenses	(4,957)	(4,666)

## OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 24 Related party transactions (continued)

##### 24.2 Transactions with related parties during the year are as follows: (continued)

The Group has entered into above transactions with related parties which were made on substantially the same terms, as those prevailing at the same time for comparable transactions with third parties.

##### 24.3 Compensation of key management personnel

	2019 AED'000	2018 AED'000
Directors' fees	(2,250)	(2,250)
Salaries and benefits	(4,822)	(3,499)
End of service benefits	(223)	(191)
	<u>(7,295)</u>	<u>(5,940)</u>

#### 25 Segment information

For management purposes, the Group is organised into three business segments, general insurance, life insurance including medical and investments. The general insurance segment mainly comprises property, engineering, energy, motor, general accident, aviation and marine risks. The life assurance segment includes individual life (participating and non-participating), medical, group life and personal accident as well as investment linked products. Investment comprises investments (financial and non-financial), deposits with banks and cash management for the Group's own accounts.

These segments are the basis on which the Group reports its primary segment information to the Chief Operating Decision Maker.

Segmental information is presented below:

# OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

## Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

### 25 Segment information (continued)

#### 25.1 Segment revenue

	General insurance		Life assurance and medical				Total	
	Gross Reinsurance AED'000	Net AED'000	Gross AED'000	Reinsurance AED'000	Net AED'000	Gross AED'000	Reinsurance AED'000	Net AED'000
<b>2019</b>								
Insurance premium	1,568,107	(1,025,924)	542,183	1,976,955	(908,103)	3,545,062	(1,934,027)	1,611,035
Movement in provision for unearned premium and mathematical reserve	61,058	(28,839)	32,219	24,312	(31,503)	85,370	(60,342)	25,028
Insurance premium earned	1,629,165	(1,054,763)	574,402	2,001,267	(939,606)	3,630,432	(1,994,369)	1,636,063
<b>Unearned premium as at 31 December 2019</b>	<b>634,853</b>	<b>(396,172)</b>	<b>238,681</b>	<b>675,732</b>	<b>(317,709)</b>	<b>1,310,585</b>	<b>(713,881)</b>	<b>596,704</b>
<b>2018</b>								
Insurance premium	1,758,183	(1,109,530)	648,653	1,941,181	(1,046,141)	3,699,364	(2,155,671)	1,543,693
Movement in provision for unearned premium and mathematical reserve	62,285	2,413	64,698	(54,191)	13,696	8,094	16,109	24,203
Insurance premium earned	1,820,468	(1,107,117)	713,351	1,886,990	(1,032,445)	3,707,458	(2,139,562)	1,567,896
<b>Unearned premium as at 31 December 2018</b>	<b>701,950</b>	<b>(428,518)</b>	<b>273,432</b>	<b>679,129</b>	<b>(349,212)</b>	<b>1,381,079</b>	<b>(777,730)</b>	<b>603,349</b>

## Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

## 25.2 Segment claims

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# OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

## Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

### 25 Segment information (continued)

#### 25.3 Segment results

	Year ended 31 December 2019			Year ended 31 December 2018		
	General AED'000	Life assurance and medical AED'000	Total AED'000	General AED'000	Life assurance and medical AED'000	Total AED'000
Net earned insurance premium	574,402	1,061,661	1,636,063	713,351	854,545	1,567,896
Net claims incurred	(340,804)	(805,945)	(1,146,749)	(491,603)	(635,411)	(1,127,014)
Reinsurance commission income	158,985	104,007	262,992	193,482	88,337	281,819
Commission expenses	(213,902)	(157,052)	(370,954)	(253,064)	(134,849)	(387,913)
Other income/(expenses) relating to underwriting activities	522	50,130	50,652	(2,201)	44,173	41,972
Net commission and other (expenses)/ income	(54,395)	(2,915)	(57,310)	(61,783)	(2,339)	(64,122)
Net underwriting income	179,203	252,801	432,004	159,965	216,795	376,760
Net investment income			91,695			49,131
General and administrative expenses			(290,821)			(295,531)
Board of directors' remuneration			(2,250)			(2,250)
Allowance for impairment as per IFRS 9			(13,809)			(42,371)
Finance costs			(199)			(3,530)
Other expenses - net			(26,466)			(69,335)
Profit before tax			190,154			12,874
Income tax credit/(expenses)			391			(2,755)
Profit for the year			190,545			10,119
Attributable to						
Owners of the Company			186,891			8,358
Non-controlling interests			3,654			1,761
			190,545			10,119

# OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

## Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

### 25 Segment information (continued)

#### 25.4 Segment results by geographical distribution

	Year ended 31 December 2019			Year ended 31 December 2018		
	GCC AED'000	Turkey AED'000	Total AED'000	GCC AED'000	Turkey AED'000	Total AED'000
Net earned insurance premium	1,589,318	46,745	1,636,063	1,489,004	78,892	1,567,896
Net claims incurred	(1,110,785)	(35,964)	(1,146,749)	(1,060,694)	(66,320)	(1,127,014)
Reinsurance commission income	236,957	26,035	262,992	251,406	30,413	281,819
Commission expenses	(348,160)	(22,794)	(370,954)	(355,813)	(32,100)	(387,913)
Other income/(expenses) relating to underwriting activities	51,231	(579)	50,652	41,993	(21)	41,972
Net commission and other (expenses)/income	(59,972)	2,662	(57,310)	(62,414)	(1,708)	(64,122)
Net underwriting income	418,561	13,443	432,004	365,896	10,864	376,760
Net investment income	82,457	9,238	91,695	39,202	9,929	49,131
General and administrative expenses	(273,186)	(17,635)	(290,821)	(276,008)	(19,523)	(295,531)
Board of directors' remuneration	(2,250)	-	(2,250)	(2,250)	-	(2,250)
Allowance for impairment as per IFRS 9	(13,809)	-	(13,809)	(42,371)	-	(42,371)
Finance costs	(199)	-	(199)	(3,530)	-	(3,530)
Other expenses - net	(27,280)	814	(26,466)	(72,853)	3,518	(69,335)
Profit before tax	184,294	5,860	190,154	8,086	4,788	12,874
Income tax (expenses)/credit	(641)	1,032	391	(1,310)	(1,445)	(2,755)
Profit for the year	183,653	6,892	190,545	6,776	3,343	10,119
Attributable to						
Owners of the Company	183,376	3,515	186,891	6,653	1,705	8,358
Non-controlling interests	277	3,377	3,654	123	1,638	1,761
	183,653	6,892	190,545	6,776	3,343	10,119

# OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

## Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

### 25 Segment information (continued)

#### 25.5 Segment assets and liabilities

	Year ended 31 December 2019				Year ended 31 December 2018			
	General insurance AED'000	Life assurance and medical AED'000	Investments AED'000	Total AED'000	General insurance AED'000	Life assurance and medical AED'000	Investments AED'000	Total AED'000
<b>Assets</b>								
Property and equipment	5,983	4,333	-	10,316	5,034	4,119	-	9,153
Intangible assets and goodwill	50,497	36,566	-	87,063	45,249	37,022	-	82,271
Investment properties	-	-	473,591	473,591	-	-	483,585	483,585
Financial investments	-	332,100	2,148,126	2,480,226	-	319,958	1,786,349	2,106,307
Reinsurance contract assets	1,900,239	680,080	-	2,580,319	1,795,248	677,550	-	2,472,798
Insurance and reinsurance receivables	340,751	246,750	-	587,501	368,262	301,306	-	669,568
Deferred acquisition costs	79,146	53,054	-	132,200	80,400	76,272	-	156,672
Bank balances and cash and bank and statutory deposits	329,550	238,640	-	568,190	374,703	306,575	-	681,278
Prepayments and other receivables and deferred tax assets	56,967	41,253	-	98,220	88,543	72,443	-	160,986
<b>Total assets</b>	<b>2,763,133</b>	<b>1,632,776</b>	<b>2,621,717</b>	<b>7,017,626</b>	<b>2,757,439</b>	<b>1,795,245</b>	<b>2,269,934</b>	<b>6,822,618</b>
<b>Liabilities</b>								
Employees' end of service benefits	22,128	16,024	-	38,152	20,376	16,672	-	37,048
Insurance contract liabilities	2,428,063	1,820,127	-	4,248,190	2,345,788	1,731,372	-	4,077,160
Bank borrowings	-	-	-	-	40,284	32,960	-	73,244
Insurance payables	288,261	208,740	-	497,001	359,291	293,966	-	653,257
Deferred commission income	59,773	7,791	-	67,564	49,023	39,590	-	88,613
Other payables and reinsurance deposits retained	145,598	105,434	-	251,032	122,203	99,983	-	222,186
<b>Total liabilities</b>	<b>2,943,823</b>	<b>2,158,116</b>	<b>-</b>	<b>5,101,939</b>	<b>2,936,965</b>	<b>2,214,543</b>	<b>-</b>	<b>5,151,508</b>

## OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 25 Segment information (continued)

##### 25.6 Geographical information of segment assets and liabilities

	2019			2018		
	GCC AED'000	Turkey AED'000	Total AED'000	GCC AED'000	Turkey AED'000	Total AED'000
Assets	6,659,561	358,065	7,017,626	6,473,233	349,385	6,822,618
Liabilities	4,787,605	314,334	5,101,939	4,844,183	307,325	5,151,508

#### 26 Contingent liabilities

At 31 December 2019, the Group had contingent liabilities in respect of bank guarantees and other matters arising in the ordinary course of business amounting to AED 89 million (2018: AED 73 million).

The Group, in common with the significant majority of insurers, is subject to litigation in the normal course of its business. The Group, based on independent legal advice, does not expect that the outcome of these court cases will have a material impact on the Group's consolidated financial performance or consolidated statement of financial position.

#### 27 Commitments

##### 27.1 Purchase commitments

	2019 AED'000	2018 AED'000
Commitments in respect of uncalled subscription of certain shares held as investments	7,960	7,960
Capital commitments towards acquisitions of property and equipment and intangible assets	8,441	10,454

#### 28 Insurance risk

The Group has a robust process for managing risks in accordance with the groupwide risk appetite. Enterprise Risk Management (ERM) department supervises the Executive Risk Committee and the Risk Management Framework. The Executive Risk Committee is deliberately designed to be a second line of defence body but composed of members who are also in a position to take immediate executive actions to address risk issues. The Executive Risk Committee convenes at least on a quarterly frequency. The Group has an ongoing commitment to maintain an effective risk culture, as it is critical to the Group's success in maintaining and developing an effective risk management system. Accountabilities for the implementation and oversight of particular risk are aligned with individual executives. The risk owners are responsible for ensuring that the proper level of review and confirmation of the risk and control ratings/evaluations have been undertaken.

Our Executive Committee oversees the management of insurance risks through its Risk Committee, Reinsurance Committee, Reserve Committee, Large and Unusual Transaction Forum and Audit Committee. Each of these committees has a distinct role to play within risk governance framework.

Insurance risk is the risk arising from the uncertainty around the actual experience and/or policyholder behavior being materially different than expected at the inception of an insurance contract. These uncertainties include the amount and timing of cash flows from premiums, commissions, expenses, claims and claim settlement expenses paid or received under a contract.

## **OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES**

### **Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)**

#### **28 Insurance risk (continued)**

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the estimated amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

#### **28.1 Frequency and severity of claims**

The Group manages risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography. Underwriting limits are in place to enforce appropriate risk selection criteria.

The Group has the right not to renew individual policies, to re-price the risk, to impose deductibles and to reject the payment of a fraudulent claim. Insurance contracts also entitle the Group to pursue third parties for payment of some or all costs (for example, subrogation). Furthermore, the Group's strategy limits the total exposure to any one territory and the exposure to any one industry.

The reinsurance arrangements include excess and catastrophe coverage. The effect of such reinsurance arrangements is that the Group should not suffer net insurance losses of a set minimum limit of AED 4,000 thousand in any one event estimated at 1:200 years. The Group has survey units dealing with the mitigation of risks surrounding claims. This unit investigates and recommends ways to improve risk claims. The risks are frequently reviewed individually and adjusted to reflect the latest information on the underlying facts, current law, jurisdiction, contractual terms and conditions, and other factors. The Group actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

#### **28.2 Sources of uncertainty in the estimation of future claim payments**

Claims on insurance contracts are payable on a claims-occurrence basis. The Group is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time and element of the claims provision includes incurred but not reported claims (IBNR). The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Group, where information about the claim event is available. IBNR claims may not be apparent to the insured until many years after the event that gave rise to the claims. For some insurance contracts, the IBNR proportion of the total liability is high and will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these liabilities. In estimating the liability for the cost of reported claims not yet paid, the Group considers information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. Large claims are assessed on a case-by-case basis or projected separately in order to allow for the possible distortive effect of their development and incidence on the rest of the portfolio.



## OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 28 Insurance risk (continued)

#### 28.2 Sources of uncertainty in the estimation of future claim payments (continued)

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The amount of insurance claims is particularly sensitive to the level of court awards and to the development of legal precedent on matters of contract and tort. Insurance contracts are also subject to the emergence of new types of latent claims, but no allowance is included for this at the end of the reporting period.

Where possible, the Group adopts multiple techniques to estimate the required level of provisions. This provides a greater understanding of the trends inherent in the experience being projected. The projections given by the various methodologies also assist in estimating the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

In calculating the estimated cost of unpaid claims (both reported and not), the Group's estimation techniques are a combination of loss-ratio-based estimates and an estimate based upon actual claims experience using predetermined formulae where greater weight is given to actual claims experience as time passes. The initial loss-ratio estimate is an important assumption in the estimation technique and is based on previous years' experience, adjusted for factors such as premium rate changes, anticipated market experience and historical claims inflation.

The loss ratios for the current and prior year, before and after reinsurance are summarised below:

Type of risk	2019		2018	
	Gross Loss Ratio	Net Loss Ratio	Gross Loss Ratio	Net Loss Ratio
General insurance	62.8%	59.3%	66.4%	68.9%
Life assurance and medical	78.7%	75.9%	80.6%	74.4%

Based on the simulations performed, the impact on profit of a change of 1% in the insurance claims and loss adjustment expenses for both gross and net of reinsurance recoveries would be as follows:

	2019 Gross AED'000	2018 Gross AED'000	2019 Net AED'000	2018 Net AED'000
Impact of an increase of 1% in claims ratio	(23,635)	(27,773)	(10,580)	(11,297)
Impact of a decrease of 1% in claims ratio	23,635	27,773	10,580	11,297



## OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 28 Insurance risk (continued)

##### 28.3 Process used to decide on assumptions

The risks associated with insurance contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis. The Group uses assumptions based on a mixture of internal and market data to measure its claims liabilities. Internal data is derived mostly from the Group's claims reports and screening of the actual insurance contracts carried out at the end of the reporting period to derive data for the contracts held. The Group has reviewed the individual contracts and in particular the industries in which the insured companies operate and the actual exposure years of claims. This information is used to develop scenarios related to the latency of claims that are used for the projections of the ultimate number of claims.

The Group uses several statistical methods and actuarial techniques to incorporate the various assumptions made in order to estimate the ultimate cost of claims. The two methods more commonly used are the chain-ladder and the Bornhuetter-Ferguson methods.

Chain-ladder methods may be applied to premiums, paid claims or incurred claims (for example, paid claims plus case estimates). The basic technique involves the analysis of historical claims development factors and the selection of estimated development factors based on this historical pattern. The selected development factors are then applied to cumulative claims data for each accident year that is not yet fully developed to produce an estimated ultimate claims cost for each accident year.

Chain-ladder techniques are most appropriate for those accident years and classes of business that have reached a relatively stable development pattern. Chain-ladder techniques are less suitable in cases in which the insurer does not have a developed claims history for a particular class of business.

The Bornhuetter-Ferguson method uses a combination of a benchmark or market-based estimate and an estimate based on claims experience. The former is based on a measure of exposure such as premiums; the latter is based on the paid or incurred claims to date. The two estimates are combined using a formula that gives more weight to the experience-based estimate as time passes. This technique has been used in situations in which developed claims experience was not available for the projection (recent accident years or new classes of business).

The choice of selected results for each accident year of each class of business depends on an assessment of the technique that has been most appropriate to observed historical developments. In certain instances, this has meant that different techniques or combinations of techniques have been selected for individual accident years or groups of accident years within the same class of business.

# OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

## Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

### 28 Insurance risk (continued)

#### 28.4 Claims development process

The following table reflects the development of the gross outstanding claims of general insurance at the end of each year together with cumulative payments subsequent to the year of accident:

Accident year	Before 2015 AED'000	2015 AED'000	2016 AED'000	2017 AED'000	2018 AED'000	2019 AED'000	Total AED'000
Estimate of cumulative claims - gross:							
Before 2015	44,475,856	-	-	-	-	-	44,475,856
2015	6,038,873	721,218	-	-	-	-	6,760,091
2016	6,006,261	821,817	1,264,226	-	-	-	8,092,304
2017	6,062,191	833,251	1,336,501	1,158,190	-	-	9,390,133
2018	6,009,893	782,064	1,359,800	1,276,566	1,085,331	-	10,513,654
2019	5,971,778	773,683	1,256,269	1,270,956	1,398,580	826,246	11,497,512
Current estimate of cumulative claims	5,971,778	773,683	1,256,269	1,270,956	1,398,580	826,246	11,497,512
Cumulative payments to date - gross	(5,852,536)	(687,715)	(1,086,808)	(990,898)	(937,331)	(263,091)	(9,818,379)
<b>Total outstanding claims recognised in the consolidated statement of financial position - gross</b>	<b>119,242</b>	<b>85,968</b>	<b>169,461</b>	<b>280,058</b>	<b>461,249</b>	<b>563,155</b>	<b>1,679,133</b>

# OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

## Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

### 28 Insurance risk (continued)

#### 28.4 Claims development process (continued)

The following table reflects the development of the net outstanding claims of general insurance at the end of each year together with cumulative payments subsequent to the year of accident:

Accident year	Before 2015 AED'000	2015 AED'000	2016 AED'000	2017 AED'000	2018 AED'000	2019 AED'000	Total AED'000
Estimate of cumulative claims - net:							
Before 2015	41,840,831	-	-	-	-	-	41,840,831
2015	3,456,734	1,701,973	-	-	-	-	5,158,707
2016	3,270,772	328,624	469,095	-	-	-	4,068,491
2017	3,341,033	373,757	421,613	515,595	-	-	4,651,998
2018	3,469,514	345,012	334,612	659,779	489,392	-	5,298,309
2019	3,458,847	347,197	317,345	668,551	563,606	255,732	5,611,278
Current estimate of cumulative claims	3,458,847	347,197	317,345	668,551	563,606	255,732	5,611,278
Cumulative payments to date - net	(3,436,025)	(336,253)	(293,338)	(621,970)	(484,712)	(169,594)	(5,341,892)
<b>Total outstanding claims recognised in the consolidated statement of financial position - net</b>	<b>22,822</b>	<b>10,944</b>	<b>24,007</b>	<b>46,581</b>	<b>78,894</b>	<b>86,138</b>	<b>269,386</b>

The life and medical claims development tables are not disclosed. A Large portion of life and medical claims is usually settled during the 12 months period following their occurrence and the claims usually run-off within 24 months.

## OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 28 Insurance risk (continued)

##### 28.5 Concentration of insurance risk

The Group's underwriting business is based entirely within the UAE, Turkey and other GCC countries, except for some treaty reinsurance arrangements with companies based in Europe and Asia.

In common with other insurance companies, in order to minimise financial exposure arising from large insurance claims, the Group, in the normal course of business, enters into arrangement with other parties for reinsurance purposes.

To minimise its exposure to significant losses from reinsurer insolvencies, the Group evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers. Reinsurance ceded contracts do not relieve the Group from its obligations to policyholders. The Group remains liable to its policyholders for the portion reinsured to the extent that any reinsurer does not meet the obligations assumed under the reinsurance agreements.

The concentration of insurance risk before and after reinsurance by location is summarised below, with reference to the carrying amount of the insurance liabilities (gross and net of reinsurance):

2019	Gross AED'000	Net AED'000
United Arab Emirates	3,799,594	1,548,025
Other locations	448,596	119,846
Total	<u>4,248,190</u>	<u>1,667,871</u>
2018	Gross AED'000	Net AED'000
United Arab Emirates	3,644,386	1,484,124
Other locations	432,774	120,238
Total	<u>4,077,160</u>	<u>1,604,362</u>

## OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 29 Capital management

The Group's objectives when managing capital are summarised as follows:

- to comply with the insurance capital requirements required by UAE Federal Law No. 6 of 2007 on Establishment of Insurance Authority and Organization of Its Operations and those required by the regulators of the insurance industry where the entities within the Group operate;
- to protect its policy holders' interests;
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for the shareholders and benefits for other stakeholders; and
- to provide an adequate return to the shareholders by pricing insurance contracts commensurately with the level of risk.

The solvency regulations identify the required solvency margin to be held in addition to insurance liabilities. The required solvency must be maintained at all times throughout the year. The Company has incorporated in its policies and procedures the necessary tests to ensure continuous and full compliance with these regulations.

Based on the UAE Insurance Authority regulatory requirements, the minimum regulatory capital required is AED 100 million (2018: AED 100 million) against which the paid up capital of the Company is AED 462 million (2018: AED 462 million).

The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the year. There have been no changes in the Group's management of capital during the year.

#### 30 Classification of financial assets and liabilities

- (a) The table below sets out the Group's classification of each class of financial assets and liabilities and their carrying amounts as at 31 December 2019:

	FVTPL AED'000	FVTOCI AED'000	Amortised cost AED'000	Total AED'000
<b>Financial assets:</b>				
Bank balances and cash	-	-	144,290	144,290
Deposits with banks with original maturities of more than three months	-	-	268,620	268,620
Statutory deposits	-	-	155,280	155,280
Financial assets measured at fair value	377,639	474,376	-	852,015
Financial assets measured at amortised cost	-	-	1,628,211	1,628,211
Insurance and reinsurance receivables measured at amortised cost	-	-	587,501	587,501
Other receivables measured at amortised cost	-	-	66,790	66,790
<b>Total</b>	<b>377,639</b>	<b>474,376</b>	<b>2,850,692</b>	<b>3,702,707</b>
<b>Financial liabilities:</b>				
Bank borrowings	-	-	-	-
Re-insurance deposits retained	-	-	127,278	127,278
Insurance payables	-	-	497,001	497,001
Other payables	-	-	123,754	123,754
<b>Total</b>	<b>-</b>	<b>-</b>	<b>748,033</b>	<b>748,033</b>



## OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 30 Classification of financial assets and liabilities (continued)

(b) The table below sets out the Group's classification of each class of financial assets and liabilities and their carrying amounts as at 31 December 2018:

	FVTPL AED'000	FVTOCI AED'000	Amortised cost AED'000	Total AED'000
Financial assets:				
Bank balances and cash	-	-	244,722	244,722
Deposits with banks with original maturities of more than three months	-	-	280,002	280,002
Statutory deposits	-	-	156,554	156,554
Financial assets measured at fair value	357,407	468,169	-	825,576
Financial assets measured at amortised cost	-	-	1,280,731	1,280,731
Insurance and reinsurance receivables measured at amortised cost	-	-	669,568	669,568
Other receivables measured at amortised cost	-	-	66,315	66,315
Total	357,407	468,169	2,697,892	3,523,468
Financial liabilities:				
Bank borrowings	-	-	73,244	73,244
Re-insurance deposits retained	-	-	112,741	112,741
Insurance payables	-	-	653,257	653,257
Other payables	-	-	109,445	109,445
Total	-	-	948,687	948,687

Management considers that the carrying amounts of financial assets and financial liabilities recorded in the consolidated financial statements approximate their fair values, except for the financial investments measured at amortised cost of which fair value is determined and disclosed in note 10.4 of these consolidated financial statements.

#### 31 Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

#### *Valuation techniques and assumptions applied for the purposes of measuring fair value*

The fair values of financial assets and financial liabilities are determined using similar valuation techniques and assumptions as used for the year ended 31 December 2018.

#### *Fair value of the Group's financial assets that are measured at fair value on recurring basis*

Some of the Group's financial assets are measured at fair value at the end of the reporting period.



# OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

## Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

### 31 Fair value measurements (continued)

The following table gives information about how the fair values of these financial assets are determined:

Financial assets	Fair value as at 31 December		Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
	2019 AED'000	2018 AED'000			
<b>Financial assets measured at FV/TPL</b>					
Quoted fund	30,549	26,697	Quoted prices in secondary market.	None	Not applicable
Unit linked investments	332,100	319,958	Quoted prices in secondary market.	None	Not applicable
Quoted equity investments	14,990	10,752	Quoted bid prices in an active market	None	Not applicable
<b>Financial assets measured at FV/TOCI</b>					
Quoted equity investments	421,078	285,257	Quoted bid prices in an active market	None	Not applicable
Unquoted equity and private equity fund	53,298	182,912	Comparable sales transactions with appropriate haircut, Discounted cash flows (DCF) and for very insignificant assets, net assets as per financial statements.	1. Hair cut for comparable transactions. 2. Interest rate	1. Changes in hair cut for comparable sales transactions will directly impact fair value. 2. Interest rate changes in DCF will directly impact the fair valuation calculation.

There were no transfers between each of the levels during the year. There are no financial liabilities which should be categorised under any of the levels in the above table.

# OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

## Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

### 31 Fair value measurements (continued)

#### Reconciliation of Level 3 fair value measurement of financial assets measured at FVTOCI

	2019 AED'000	2018 AED'000
At 1 January	182,912	181,455
Disposals	(153,179)	(4,750)
Changes in fair value	23,565	6,207
<b>At 31 December</b>	<b>53,298</b>	<b>182,912</b>

#### Fair value of financial instruments measured at amortised cost

Except as detailed in the following table, the management considers that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the consolidated financial statements to approximate their fair values as these are substantially short term in nature and carry market rates of interest.

	Carrying amount AED'000	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000
<b>31 December 2019</b>				
<i>Financial assets:</i>				
Quoted debt investments	1,611,611	1,677,700	-	-
Unquoted debt investments	16,600	-	-	16,686
	<b>1,628,211</b>	<b>1,677,700</b>	<b>-</b>	<b>16,686</b>
<b>31 December 2018</b>				
<i>Financial assets:</i>				
Quoted debt investments	1,264,131	1,237,662	-	-
Unquoted debt investments	16,600	-	-	15,474
	<b>1,280,731</b>	<b>1,237,662</b>	<b>-</b>	<b>15,474</b>

#### Fair value sensitivity analysis

The following table shows the sensitivity of fair values to 1% increase or decrease in market price as at 31 December 2019 and 31 December 2018 on the consolidated income statement:

	Favourable change AED'000	Unfavourable change AED'000
<b>31 December 2019</b>		
<i>Financial assets:</i>		
Quoted debt investments	16,777	(16,777)
Unquoted debt investments	167	(167)
<b>31 December 2018</b>		
<i>Financial assets:</i>		
Quoted debt investments	12,377	(12,377)
Unquoted debt investments	155	(155)

## OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 32 Financial risk

The Group is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that in the long-term its investment proceeds are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are market risk (which includes interest rate risk, equity price risk, foreign currency risk), credit risk and liquidity risk.

These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the Group primarily faces due to the nature of its investments and liabilities are interest rate risk and equity price risk.

The Group manages these positions within an ALM framework that has been developed to achieve long-term investment returns in excess of its obligations under insurance contracts. The principal technique of the Group's ALM is to match assets to the liabilities arising from insurance contracts by reference to the type of benefits payable to contract holders. For each distinct class of liabilities, a separate portfolio of assets is maintained. The Group has not changed the processes used to manage its risks from previous periods. The Executive Committee oversees the management of financial risks through its Investment Committee and Credit Committee.

The Group's ALM is integrated with the management of the financial risks associated with the Group's other classes of financial assets and liabilities not directly associated with insurance liabilities. The notes below explain how financial risks are managed using the categories utilised in the Group's ALM framework. In particular, the ALM Framework requires the management of interest rate risk, equity price risk and liquidity risk at the portfolio level. Foreign currency and credit risk are managed on a group-wide basis.

#### (a) Market risk

Market risk quantifies the adverse impact due to broad, systemic movements in one or more market risk drivers. Market risk drivers include equity prices, credit spreads, foreign exchange rates and interest rates.

The Group's market risks arise from open positions in (a) foreign currencies and (b) interest bearing assets and liabilities, to the extent they are exposed to general and specific market movements. Management sets limits on the exposure to currency and interest rate risk that may be acceptable, which are monitored on a regular basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Sensitivities to market risks included below are based on a change in one factor while holding all other factors constant. In practice, this is unlikely to occur, and changes in some of the factors may be correlated - for example, credit spreads, changes in interest rate and changes in foreign currency rates.

#### (i) Foreign currency exchange risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. There are no significant exchange rate risks as substantially all monetary assets and monetary liabilities of the Group are denominated in the local currencies of the countries where the Group operates or US Dollars to which local currencies are fixed.

Management believes that there is a minimal risk of significant losses due to exchange rate fluctuations and consequently the Group has not hedged their foreign currency exposure.

## OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 32 Financial risk (continued)

##### (a) Market risk (continued)

##### (ii) Price risk

Equity price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market. The Group is exposed to equity price risk with respect to its quoted equity investments. The Group limits equity price risk by maintaining a diversified portfolio and by continuous monitoring of developments in the market. In addition, the Group actively monitors the key factors that affect stock and market movements, including analysis of the operational and financial performance of investees.

At the end of the reporting period, if the equity prices are 10% higher/lower as per the assumptions mentioned below and all the other variables were held constant, the Group's other comprehensive income would have increased/decreased by AED 42,108 thousand (2018: AED 28,526 thousand) in the case of the financial investments at fair value through other comprehensive income and the Group's profit for the year ended 31 December 2019 would increase/decrease by AED 1,499 thousand (2018: AED 1,075 thousand) in the case of the financial investments at fair value through profit or loss.

Method and assumptions for sensitivity analysis:

- The sensitivity analysis has been done based on the exposure to equity price risk as at the end of the reporting period.
- As at the end of the reporting period if equity prices are 10% higher/lower on the market value uniformly for all equity while all other variables are held constant, the impact on other comprehensive income has been shown above.
- A 10% change in equity prices has been used to give a realistic assessment as a plausible event.

##### (iii) Cash flow and fair value interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the finance income or finance cost of the Group. The Group is exposed to interest rate risk on its financial investments in bonds and term deposits and bank borrowings that carry both fixed and floating interest rates.

The Group generally manages to minimise the interest rate risk by closely monitoring the market interest rates and investing in those financial assets in which such risk is expected to be minimal.

The sensitivity analyses below have been determined based on the exposure to interest rates for interest-bearing financial assets and liabilities assuming the amount of assets and liabilities at the end of the reporting period were outstanding for the whole year.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2019 would increase/decrease by AED 20,742 thousand (2018: AED 17,354 thousand).

##### (b) Credit risk

Credit risk is the risk of loss arising from counterparties that has a financial obligation to the Group and is either unable or unwilling to meet its obligation in full and when it becomes due. The Group has no significant concentrations of credit risk.



## OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 32 Financial risk (continued)

##### (b) Credit risk (continued)

Key areas where the Group is exposed to credit risk are:

- reinsurance contract assets;
- insurance receivables;
- other receivables;
- deposits with banks with original maturities of more than three months; and
- bank balances and cash

The Group has adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of their counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management annually.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

The Group maintains records of the payment history for significant contract holders with whom it conducts regular business. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Group. Management information reported to the Group includes details of provisions for impairment on insurance receivables and subsequent write-offs. Exposures to individual policyholders and groups of policyholders are mitigated by ongoing credit evaluation of their financial condition.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are registered banks with sound financial positions.

The fair value of cash and cash equivalents as at 31 December 2019 and 31 December 2018 approximates the carrying value.

The carrying amount of financial assets recorded in the consolidated financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk.

The Group has four types of financial assets that are subject to the expected credit loss model:

- insurance receivables;
- debt investments carried at amortised cost;
- deposits with banks with original maturities of more than three months; and
- bank balances and cash

For insurance receivables, the Group applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected impairment provision for all insurance receivables. The expected loss rates are based on the historical credit losses experienced. On that basis, the impairment provision as at 31 December 2019 and 31 December 2018 was determined as follows for insurance receivables:

## OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 32 Financial risk (continued)

##### (b) Credit risk (continued)

	Not Yet Due AED'000	< 30 days AED'000	30-90 days AED'000	91-180 days AED'000	≥181 days AED'000	Total AED'000
<b>31 December 2019</b>						
Expected loss rate	0.7%	2.1%	3.4%	10.8%	88.9%	
Gross carrying amount - insurance receivables	344,928	54,321	86,598	61,193	481,532	1,028,572
Impairment provision (note 12.3)	(2,263)	(1,126)	(2,955)	(6,598)	(428,129)	(441,071)
	<u>342,665</u>	<u>53,195</u>	<u>83,643</u>	<u>54,595</u>	<u>53,403</u>	<u>587,501</u>
	Not Yet Due AED'000	< 30 days AED'000	30-90 days AED'000	91-180 days AED'000	≥181 days AED'000	Total AED'000
<b>31 December 2018</b>						
Expected loss rate	0.5%	4.2%	11.1%	5.0%	76.2%	
Gross carrying amount - insurance receivables	325,068	58,481	94,475	59,569	628,301	1,165,894
Impairment provision (note 12.3)	(1,469)	(2,472)	(10,521)	(2,954)	(478,910)	(496,326)
	<u>323,599</u>	<u>56,009</u>	<u>83,954</u>	<u>56,615</u>	<u>149,391</u>	<u>669,568</u>

There is no significant concentration of credit risk with respect to cash and cash equivalents, as the Group holds cash accounts in a large number of financial institutions.

All of the entity's debt investments at amortised cost are considered to have low credit risk, and the impairment charge recognised during the year was therefore limited to 12 months' expected losses. Management considers low credit risk for listed bonds to be an investment grade credit rating with at least one major rating agency.

The below table summarises the staging for financial assets using general approach:

	2019			2018		
	Stage 1 AED'000	Stage 3 AED'000	Total AED'000	Stage 1 AED'000	Stage 3 AED'000	Total AED'000
Financial investments at amortised cost	1,630,036	2,205	1,632,241	1,280,884	2,203	1,283,087
Allowance for impairment	(1,825)	(2,205)	(4,030)	(703)	(1,653)	(2,356)
Cash and bank balances and deposits	568,868	-	568,868	681,699	-	681,699
Allowance for impairment	(678)	-	678	(421)	-	(421)

##### (c) Liquidity risk

Liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities at maturity date. The Group manages the liquidity risk through a risk management framework for the Group's short, medium and long-term funding and liquidity management requirements by maintaining adequate reserves, sufficient cash and cash equivalent and bank facilities, to ensure that funds are available to meet their commitments for liabilities as they fall due.



## OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 32 Financial risk (continued)

##### (c) Liquidity risk (continued)

The maturity profile is monitored by management to ensure adequate liquidity is maintained. The table below summarises the maturity profile of the Group's financial assets and liabilities based on remaining undiscounted contractual obligations including interest receivable and payable.

#### 31 December 2019

	Carrying amount AED'000	Less than 1 year AED'000	1 to 5 years AED'000	Over 5 years AED'000	No maturity date AED'000	Total AED'000
<b>Financial assets</b>						
At fair value through profit or loss	377,639	-	-	-	377,639	377,639
At fair value through OCI	474,376	-	-	-	474,376	474,376
At amortised cost	1,628,211	199,421	911,969	962,707	-	2,074,097
Insurance and reinsurance receivables	587,501	579,862	7,639	-	-	587,501
Other receivables (excluding prepayments)	66,790	66,790	-	-	-	66,790
Statutory deposits	155,280	-	-	-	164,647	164,647
Bank balances and cash and bank deposits	412,910	466,373	15,345	-	-	481,718
<b>Total financial assets</b>	<b>3,702,707</b>	<b>1,312,446</b>	<b>934,953</b>	<b>962,707</b>	<b>1,016,662</b>	<b>4,226,768</b>
<b>Financial liabilities</b>						
Bank borrowings	-	-	-	-	-	-
Reinsurance deposits retained	127,278	127,278	-	-	-	127,278
Insurance payables	497,001	497,001	-	-	-	497,001
Other payables	123,754	123,754	-	-	-	123,754
<b>Total financial liabilities</b>	<b>748,033</b>	<b>748,033</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>748,033</b>

# OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

## Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

### 32 Financial risk (continued)

#### (c) Liquidity risk (continued)

31 December 2018

	Carrying amount AED'000	Less than 1 year AED'000	1 to 5 years AED'000	Over 5 years AED'000	No maturity date AED'000	Total AED'000
<b>Financial assets</b>						
At fair value through profit or loss	357,407	-	-	-	357,407	357,407
At fair value through OCI	468,169	-	-	-	468,169	468,169
At amortised cost	1,280,731	141,052	677,357	739,636	-	1,558,045
Insurance and reinsurance receivables	669,568	667,423	2,145	-	-	669,568
Other receivables (excluding prepayments)	66,315	66,315	-	-	-	66,315
Statutory deposits	156,554	-	-	-	166,195	166,195
Bank balances and cash and bank deposits	524,724	462,687	79,734	-	-	542,421
<b>Total financial assets</b>	<b>3,523,468</b>	<b>1,337,477</b>	<b>759,236</b>	<b>739,636</b>	<b>991,771</b>	<b>3,828,120</b>
<b>Financial liabilities</b>						
Bank borrowings	73,244	73,816	-	-	-	73,816
Reinsurance deposits retained	112,741	112,741	-	-	-	112,741
Insurance payables	653,257	653,257	-	-	-	653,257
Other payables	109,445	109,445	-	-	-	109,445
<b>Total financial liabilities</b>	<b>948,687</b>	<b>949,259</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>949,259</b>

## OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 33 Subsidiaries

Details of the Company's subsidiaries at 31 December 2019 and 2018 are as follows:

Name of subsidiary	Place of incorporation and operation	Proportion of legal ownership interest	Proportion of voting power held	Principal activity
Equator Insurance Agency L.L.C.*	Dubai - U.A.E.	99.97%	100%	Insurance agency.
Dubai Starr Sigorta A.Ş.**	Istanbul – Turkey	51%	51%	Issuing short-term and long-term insurance contracts.
ITACO Bahrain Co W.L.L***	Manama – Kingdom of Bahrain	60%	60%	Brokerage and call center services.
Synergize Services FZ L.L.C****	Dubai - UAE.	100%	100%	Management Information technology and transaction processing.

\* The Company holds the remaining equity in Equator Insurance Agency L.L.C, beneficially through nominee arrangements.

\*\* Dubai Starr Sigorta A. S was founded in 2012 and major lines of business include the underwriting of accident and health insurance.

\*\*\* ITACO Bahrain Co W.L.L was acquired by the Company on 16 September 2015.

\*\*\*\* Synergize Services FZ L.L.C was incorporated on 24 January 2014 in Dubai Outsource Zone, UAE and is engaged in the business of providing management information technology and transaction processing services.

Summarised financial information of the Group's subsidiary – Dubai Star Sigorta A.S., Turkey that the company has a material non-controlling interest in is set out below before inter-group eliminations.

	2019 AED'000	2018 AED'000
<b>Dubai Starr Sigorta A.S.</b>		
Current assets	168,660	198,396
Non-current assets	189,405	150,989
Current liabilities	73,537	83,998
Non-current liabilities	240,797	223,327
Equity attributable to Owners of the Company	22,302	21,451
Non-controlling interests	21,429	20,609
	2019 AED'000	2018 AED'000
Net cash (outflows)/ inflows from operating activities	(13,052)	927
Net cash inflows from investing activities	4,432	19,913
Net cash inflows from financing activities	2,491	10,012
Net cash (outflows)/inflows	(6,129)	30,852

Details of the above subsidiary's income statement are given in note 25.4, segment results by geographical distribution.

# OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

## Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

### 34 Summary of the actuary's report on the technical provisions

This note provides a summary of the gross of reinsurance technical provisions and related reinsurance assets calculated and certified by the Appointed Actuary.

Insurance activity and technical provisions category	2019			2018		
	Gross AED'000	RI AED'000	Net AED'000	Gross AED'000	RI AED'000	Net AED'000
<b>Personal Insurance and Fund Accumulation</b>						
<b>Operations</b>						
Outstanding claims provisions (OS)	85,452	(57,607)	27,845	89,210	(59,363)	29,847
Provisions for unearned premiums (UPR)	24,367	(7,744)	16,623	30,413	(6,297)	24,116
Provisions for claims incurred but not reported (IBNR)	118,761	(83,385)	35,376	101,166	(70,558)	30,608
Unallocated loss adjustment expenses reserve (ULAE)	351	-	351	358	-	358
Mathematical Reserves:	505,123	(30,497)	474,626	498,025	(4,811)	493,214
<i>Unit-Linked</i>	332,324	-	332,324	319,883	-	319,883
<i>Non Unit-Linked</i>	172,799	(30,497)	142,302	178,142	(4,811)	173,331
<b>Sub-Total</b>	<b>734,054</b>	<b>(179,233)</b>	<b>554,821</b>	<b>719,172</b>	<b>(141,029)</b>	<b>578,143</b>
<b>Property and Liability Insurance</b>						
Outstanding claims provisions (OS)	1,855,015	(1,464,490)	390,525	1,683,587	(1,329,719)	353,868
Provisions for unearned premiums (UPR)	1,286,218	(706,137)	580,081	1,350,666	(771,433)	579,233
Provisions for claims incurred but not reported (IBNR)	364,901	(230,459)	134,442	316,103	(230,617)	85,486
Unallocated loss adjustment expenses reserve (ULAE)	8,002	-	8,002	7,632	-	7,632
<b>Sub-Total</b>	<b>3,514,136</b>	<b>(2,401,086)</b>	<b>1,113,050</b>	<b>3,357,988</b>	<b>(2,331,769)</b>	<b>1,026,219</b>
<b>Total</b>	<b>4,248,190</b>	<b>(2,580,319)</b>	<b>1,667,871</b>	<b>4,077,160</b>	<b>(2,472,798)</b>	<b>1,604,362</b>

## OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 34 Summary of the actuary's report on the technical provisions (continued)

##### (a) *Personal insurance and fund accumulation operations*

This category includes Individual Life, Group Life and Credit Life business. Generally acceptable actuarial techniques were implemented in the determination of the gross and net technical provisions figures.

Assumptions used are based where possible on recent experience investigations and market information where necessary. For individual life business, technical provisions are most sensitive to assumptions regarding discount rates and mortality/morbidity rates. The discount rate assumption used is within the range of assumptions used by market peers and is reasonable with regard to the actual earnings based on the year-to-date asset information and analysis after allowing for risk adjustment. A crude estimate of the expected net mortality cost indicated that the expected mortality rate used is materially higher than the realised mortality claims in recent years proving that the basis includes sufficient prudence margins.

Under the net premium method used, the premium taken into account in calculating the technical provisions is determined actuarially, based on the valuation assumptions regarding discount rates, mortality and disability. The difference between this premium and the actual premium payable provides sufficient margin for expenses. An expense adequacy test has also been performed indicating that available implicit expense margins in the valuation basis is adequate to cover the total projected expenses. The technical provisions determined based on the underlying assumptions are expected to be prudent.

##### (b) *Property and liability insurance operations*

This category includes health and general insurance lines of business (LOBs). No discounting of technical provisions was employed.

Outstanding claims provisions are estimated based on known facts at the date of estimation. Case estimates are set by claims technicians and established case setting procedures. Ultimate claims are estimated by using a range of standard actuarial claims projection techniques, such as the Chain Ladder and Bornhuetter-Ferguson methods. The main assumption underlying these techniques is that the past claims development experience can be used to project future claims development and hence ultimate claims. As such, these methods extrapolate the development of paid and incurred losses based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident period.

Claim development is separately analysed for each LOB. The assumptions used in most non-life actuarial projection techniques, including future rates of claims inflation or loss ratio assumptions, are implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in the future, for example, to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures in order to arrive at a point estimate for the ultimate cost of claims that represents the likely outcome, from a range of possible outcomes, taking into account all the uncertainties involved.



## **OMAN INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARIES**

### **Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)**

#### **35 Dividends**

At the Annual General Meeting held on 21 March 2018, the shareholders approved a cash dividend distribution of 10% amounting to AED 46,187 thousand (AED 10 fils per share) for 2017.

#### **36 Social contributions**

The Group made social contributions amounting to AED 147 thousand during the year 2019 (2018: AED 134 thousand).

#### **37 Subsequent events**

Subsequent to the statement of financial position date, on 26 January 2020, the Group is in the process of acquiring 49% of the issued and outstanding share capital of its subsidiary, Dubai Starr Sigorta A.S which is subject to regulatory approval. This transaction and its financial effect will be reflected in the consolidated financial statements once the transaction is completed.

There have not been any other events subsequent to the statement of financial position date that would significantly affect the amounts reported in the consolidated financial statements as at and for the year ended 31 December 2019.

#### **38 Other information**

The Group established operations in Qatar on 6 January 2008 through an agency agreement entered into with a local sponsor valid for an indefinite period. On 25 February 2019, the Qatar Central Bank ("QCB") did not accept the Company's application to open a foreign branch. Accordingly, the Group management has taken a decision to no longer issues new policies in the State of Qatar. The Group will continue to service the existing policies as per the applicable conditions of the underlying contracts.

#### **39 Approval of the consolidated financial statements**

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 3 February 2020.