

## MARKET PROFILE – OMAN

# Rising reinsurance premiums expected in Oman

Reinsurance markets around the world are facing tough pressures from Nat CAT losses and inflation. Oman is no exception. Middle East Insurance Review spoke to **Oman Re's Mr Romel Tabaja** about the reinsurer's efforts to remain competitive.

By Nadhir Mokhtar



Oman is exposed to frequent tropical cyclones which cause losses to homes, farms and other properties. There are also challenges in closing the Nat CAT insurance gap in Oman. The next renewal discussions in the country will cover the impact of Nat CAT exposures, according to Oman Re.

“While there are various means to deal with underinsurance and close the protection gap, the sultanate of Oman has taken a comprehensive approach with multi-stakeholder effort, which is a challenging task. The private-public partnership via the local insurance industry and

the government is of particular importance,” said Oman Re CEO Romel Tabaja.

“We understand the challenging measures, such as awareness, access and affordability and are working towards to addressing them appropriately. International consultants with expertise in Nat CAT risk assessment, mitigation and transfer are working with us to arrive at a broad solution,” he said.

### 2023 renewals

Cedants in Oman will have multiple concerns at the next renewal season. Mr Tabaja said he expects cedants to discuss more

underwriting capacity to address increase of sum insured due to inflation. They are also likely to discuss an increase of cost of protection in the current hardening market. He said cedants would also focus on client retention in a very competitive primary market.

From a reinsurer's perspective, Oman Re will focus on the following priorities:

- Information and data quality for better assessment and pricing of risks
- Increasing cedants' retention to mitigate claims inflation effects
- Cedants' initiatives for the

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revaluation of sum insured imposed by inflation

- Underwriting and pricing of Nat CAT exposures by the cedants.

### Investment exposures

According to Fitch, over half of Oman Re's total investments were held in cash and term deposits at Omani banks at the end of 1H2022. Fitch said the reinsurer's concentration risk to the Omani banking system constrains its rating. The term deposits are diversified between several banks but almost all of the exposure remains within Oman.

While Oman Re was already diversifying its investment portfolio to reduce the concentration risk to Omani banks, there have been some limiting factors in doing so.

"Diversifying investments is something that we have been trying to do for a couple of years. However, there are some regulatory restrictions which limit the amount of funds that

we can diversify internationally but we have been actively working on it by discussing these restrictions with the regulator. Another limiting factor historically has been the low interest rate environment globally. That meant we had to take either duration risk on global bonds or credit risk on Omani banks," said Mr Tabaja.

"We made a conscious decision to avoid duration risk as we were more comfortable taking short-term credit exposure to Omani banks. This strategy proved very fruitful during 2022 where most of the reinsurers saw massive reduction in net equity because of mark-to-market movements - our net equity position was not affected much.

"Now, we want to take advantage of this high interest rate environment by deploying a portion of our bank deposits into better credit rating bond exposures. This will help us in our credit rating without compromising on our investment

returns," he said.

### Outlook for 2023


Mr Tabaja expects that the 2023 renewals will confirm a hard market cycle and reinsurers would expect increases in price as well as stricter terms and conditions as a general trend. He said this is due to investment market volatility and increases in interest rates which contributed to declines in financial performances of most reinsurers worldwide.

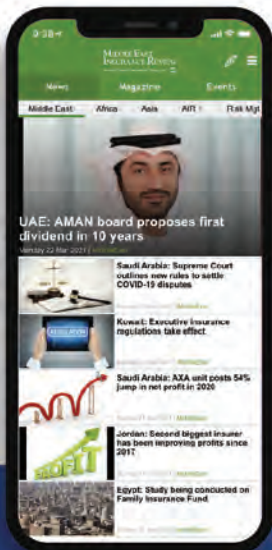
"The reinsurance market is international and Oman is no exception. Major international reinsurers suffered above-average Nat CAT losses in 2022 and are concerned with the impacts of the increasing inflation worldwide on the claims ... Certainly, the performances of each cedant and the quality of the management team will play an important role in the outcome of renewal negotiation," he said. ■




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