FitchRatings

RATING ACTION COMMENTARY

Fitch Revises Outlook on Oman Reinsurance Company to Positive; Affirms IFS at 'BBB-'

Tue 20 May, 2025 - 6:21 AM ET

Related Content:
Oman Reinsurance Company SAOG

Fitch Ratings - Madrid - 20 May 2025: Fitch Ratings has revised the outlook on Oman Reinsurance Company SAOG's Insurer Financial Strength (IFS) Rating to Positive from Stable and affirmed the IFS rating at 'BBB-'.

The revision of the Outlook to Positive reflects improvements in the company's investment and asset risk, which is strongly correlated with sovereign credit quality, and the consolidation of its capitalisation and financial performance. The Outlook on Oman's sovereign rating is Positive.

The affirmation reflects Oman Re's good franchise in its core markets, small operating scale, good capitalisation and earnings, and conservative approach to reserving and reinsurance.

KEY RATING DRIVERS

Established Franchise, Small Scale: Oman Re has established its business franchise over the past five years. The reinsurer's core markets are Middle East, Turkiye, central and eastern Europe and Commonwealth of Independent States, Asia and Africa. Its largest market is Turkiye, which contributed 14% of gross written premiums in 2024. However, Oman Re has a very small operating scale, as underscored by its gross reinsurance revenue of OMR50 million in 2024 (around USD130 million based on the average exchange rate).

Good Capitalisation, No Leverage: Fitch views Oman Re's capitalisation as supportive of the rating. The reinsurer's Prism Global model score based on end-2024 data was 'Strong', in line with end-2023. Oman Re's available capital is high quality and mostly made up of paid-up share capital. The reinsurer has no debt and does not plan to issue. Oman Re's local regulatory solvency margin was also sound at 167% at end-2024 (2023: 179%).

Improved Financial Performance: Fitch views Oman Re's financial performance as good, as reflected in a net income return on equity of 8.9% in 2024 (2023: 8.4%). Its net profit after tax rose to OMR3.0 million from OMR2.6 million, supported by strong underwriting and investment results. Oman Re's underwriting performance has improved in the last five years, as demonstrated by a steadily declining combined ratio. Based on IFRS 17 statements, the Fitch-calculated combined ratio on a net to gross approach was 94% (2023: 92%), with a small rise caused by UAE flood losses in 2024, a level we consider strong. Return on equity is also rising, from 6% in 2020 to 8.9% in 2024.

Asset Risk Tied to Sovereign: Fitch regards Oman Re's investment and asset risk as strongly tied to the credit quality of the Omani sovereign. Oman Re's investments are either in the form of government bonds or term deposits placed with Omani banks and accounted for 57% of its total invested assets at end-2024 (2023: 60%, 2022: 68%). Oman Re has been gradually reducing its exposure to Omani investments but its ability to meaningfully rebalance its investment portfolio is limited by local regulation, which requires the company to keep at least 50% of its investment in Oman.

Prudent Investment Strategy: Oman Re's investment strategy is prudent and its investment portfolio is well diversified by type of instrument. Oman Re's conservative asset allocation is reflected in a risky assets to capital ratio of 71% in 2024. Oman Re has expanded its operations via its Qatar Financial Centre branch and mainly invests new money in foreign currency-denominated assets of high credit quality.

Prudent Reserving: Fitch views Oman Re's reserving practices as prudent and its reserve adequacy as strong. The company has strong actuarial expertise and conservative underwriting policies. Most of Oman Re's business is short-tail and reserves have been running off favourably.

Strong Reinsurance Practices: Fitch views Oman Re's risk management practices as sophisticated. The reinsurance programme is extensive and covers key business lines in which the company operates. The credit quality of Oman Re's reinsurance panel is strong as it mostly includes strong reinsurers rated in the 'A' category or above. We view Oman Re's exposure to natural catastrophes as low. The group's net aggregate exceedance probability-based loss was modelled at OMR3.5 million in 2024 at a one-in-200-year return period, around 10% of total capital.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

--A revision of the sovereign Outlook to Stable from Positive, which would likely to lead to a revision of the Outlook on Oman Re to Stable.

--A downgrade of Oman's sovereign rating and Omani banks' ratings

-- A decline in capitalisation, as measured by a Prism score at the low end of 'Adequate'

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

-- An upgrade of the Omani sovereign and banks' ratings

-- Improvement in the company's size and scale while maintaining strong financial performance and capitalisation.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

RATING ACTIONS

ENTITY / DEBT ⬍	RATING ⬍	PRIOR ⬍

Oman Reinsurance Company SAOG	LT IFS	BBB- Rating Outlook Positive	BBB- Rating Outlook Stable
	Affirmed		

VIEW ADDITIONAL RATING DETAILS

FITCH RATINGS ANALYSTS

Ekaterina Ishchenko
Director
Primary Rating Analyst
+34 91 793 6798
ekaterina.ishchenko@fitchratings.com
Fitch Ratings Ireland Spanish Branch, Sucursal en España
Pza de Pablo Ruiz Picasso 1 Torre Picasso 19th floor Madrid 28020

Graham Coutts, ACA
Senior Director
Secondary Rating Analyst
+44 20 3530 1654
graham.coutts@fitchratings.com

Federico Faccio
Senior Director
Committee Chairperson
+44 20 3530 1394
federico.faccio@fitchratings.com

MEDIA CONTACTS

Athos Larkou
London
+44 20 3530 1549
athos.larkou@thefitchgroup.com

Pilar Perez
Barcelona
+34 93 323 8414
pilar.perez@fitchratings.com