MARKET PROFILE – OMAN

Oman general insurance holds steady despite challenges

The Oman non-life insurance sector has remained resilient and adaptable over the past year, due to continued digital transformation and profitability in lines such as motor and property, said DAMANA Holding's Mr Georges Chidiac. However, the year has not been without its challenges, including Nat CAT.

By Sarah Si

Over the past year, the Oman non-life insurance sector has "demonstrated resilience and adaptability in the face of various challenges", according to DAMANA Holding CEO Georges Chidiac.

One reason, Mr Chidiac said, was that the sector "has embraced digital transformation, with insurers focusing on online platforms and mobile applications to improve customer experiences and broaden distribution channels".

Drivers of growth

When asked which factors drove the growth of profitable insurance lines in Oman's non-life market, Mr Chidiac pointed to motor insurance.

He said, "Rising vehicle ownership and improved regulatory compliance have spurred demand, while insurers' focus on risk management and fraud prevention has supported profitability."

The adoption of digital platforms across different segments has also enhanced accessibility, "making it easier for customers to purchase and renew policies, (and) contributing to overall growth", Mr Chidiac said.

"These factors, coupled with a focus on innovation and customer-centric solutions, have fuelled the robust performance of insurance lines in Oman," he said.

Profitable lines in the non-life insurance market included motor and property insurance, he said.

Motor insurance remained steady, said Mr Chidiac, as it was "supported by consistent demand and improved risk management through digital tools". However, he noted challenges like pricing competition and claims ratios persisted, too.

Property insurance benefited from infrastructure development and greater awareness of risk protection, he said.

He also said, "Specialised lines like engineering and marine insurance also contributed positively. These trends highlight the industry's focus on technology, prudent underwriting and effective risk management."

Maintaining growth

There are several strategic approaches insurers can adopt to maintain growth in the Omani non-life insurance market, according to Mr Chidiac.

First, he said, continuing investments in digital transformation "will be crucial".

Said Mr Chidiac, "Enhancing online platforms and mobile applications can improve customer accessibility and streamline processes, such as policy issuance and claims handling, resulting in a better customer experience and operational efficiency."

Secondly, he believes insurers should focus on data-driven underwriting and risk assessment to ensure profitability, particularly in segments like motor insurance.

"Leveraging analytics and AI can help identify trends, predict risks and set competitive yet sustainable premiums," he said.

Expanding awareness campaigns and educational initiatives will be essential as well, he said, as educating businesses and individuals on the benefits of comprehensive coverage can drive higher uptake across product lines.

Another strategy is the development of tailored insurance products to meet the evolving needs of specific segments, such as SMEs or high-net-worth individuals, as it may open new revenue streams.

He said, "For instance, offering specialised coverage options in sectors like marine, engineering, or renewable energy can attract niche markets."

Lastly, he said that fostering strong partnerships with government entities and regulators will help in "navigating changes in the regulatory environment effectively".

Said Mr Chidiac, "Collaboration can also help in addressing emerging challenges, such as fraud prevention and enhancing compliance standards, ensuring a sustainable growth trajectory."

Risks and challenges

According to Mr Chidiac, one of the most significant challenges that emerged over the past year was the "increased frequency and severity of natural disasters, including cyclones and flash floods, which have highlighted the importance of robust risk assessment and reinsurance strategies".

He noted that climate-related risks escalated claims costs, especially in property and motor insurance lines as well.

Economic volatility and inflationary pressures have also emerged as challenges, he said, with rising costs of vehicle repairs leading to higher claims pay-outs that impacted the profitability of motor insurance.

"At the same time, slower economic growth in certain sectors has created downward pressure on premium growth," he said.

Cyber security threats and data breaches have also become increasingly relevant with the industry's growing reliance on digital platforms and data-driven solutions, Mr Chidiac said.

"Insurers face the dual challenge of protecting sensitive customer information and mitigating operational risks," he said.

Regulatory changes is another risk, as although it offers growth opportunities, challenges related to compliance and operational adjustments will also be introduced, he said. To address this challenge, he said, insurers would have to align systems and processes with new regulatory requirements, "which can be resource intensive".

Lastly, market competition remained "a persistent challenge", with price competition eroding margins in lines of business, Mr Chidiac said.

Regulations

Current regulations in Oman are "generally supportive of the non-life insurance industry, providing a framework that promotes stability, transparency and growth", Mr Chidiac said.

"Additionally, regulations focusing on capital adequacy and solvency requirements ensure that insurers maintain financial health, safeguarding policyholders' interests and enhancing the industry's overall resilience," he said.

AI

When asked how AI was used in his organisation, Mr Chidiac said, "We are in the early stages of leveraging AI within operations, focusing on assessing its ROI before widespread implementation."

Although not fully implemented yet, AI is expected to "enhance productivity and reduce costs" within the company, he said.

Plans to use AI more extensively include adopting AI-driven solutions for underwriting and risk assessment, where predictive analytics could enable more accurate risk profiling and sustainable premium setting, and "ultimately helping to reduce underwriting losses", he said.

AI will also be used to streamline processes, enhance fraud detection and optimise settlements, thus improving operational efficiency in claim management, he said.

"We foresee AI-driven claims management systems reducing processing times substantially, enabling faster settlements and improving customer satisfaction while minimising manual intervention and administrative overheads," he said.

Mr Chidiac also expects AI-powered fraud detection algorithms to reduce fraudulent claims and therefore safeguard the company's financial health by minimising unnecessary payouts.

In customer service, chatbots and virtual assistants may handle routine inquiries, provide policy information and guide customers through claims processes, he said.

In this case, he believes AI could offer 24/7 support to customers, as well as improve engagement and reduce operational costs. Moreover, automating repetitive tasks with AI would free up human resources to focus on higher-value and more complex activities and boost overall productivity across departments.

Mr Chidiac's organisation is evaluating the use of AI-powered data analytics to gain insights into market trends, customer preferences and emerging risks.

He said, "This would support strategic decision-making and drive the development of innovative, tailored insurance products."

Looking ahead

Mr Chidiac was "cautiously optimistic" over the outlook for the Omani non-life insurance market. Driven by a combination of regulatory changes, market growth and technological advancements, he predicts that the coming year will present "a promising but challenging environment, requiring insurers to balance growth ambitions with strategic risk management and operational efficiency".

He said, "In the motor insurance segment, steady growth is anticipated, supported by rising vehicle ownership and ongoing regulatory enforcement of compulsory coverage. However, competitive pricing and claims inflation may continue to challenge profitability."

He also expects property insurance to continue benefitting from infrastructure development and increased awareness among businesses about the importance of risk coverage, particularly against Nat CAT.

"This line will also see rising demand due to climate-related risks, necessitating more robust underwriting practices," he said.

Digital transformation will also remain a major trend, he said, with insurers "continuing to invest in technology to enhance operational efficiency, customer engagement and risk management".

"The adoption of AI and data analytics will play a crucial role in driving innovation and maintaining profitability in a competitive landscape," he said.

However, this also means that insurers will need to navigate cyber security risks as digital adoption increases, he believes.