

A Comparative Study on Financial Performance of Oman United Insurance Company and Dhofar Insurance Company by Afrah Khamis Al-Masroori and Fatema Mohammed Al-Saadi

Abstract:

Oil based economies have been the usual feature of the gulf region. Especially after the discovery of the crude oil and making it as a source of the revenue generation, the scenario of the Middle East got changed considerably. Especially since late sixties, more than five decades this remained. May it be the formation of OPEC in 1960 or organization of GCC in 1984, the primary objective of the cartels and unions remain to be the cooperation amongst member countries and its citizens. These nations could opt for the fast pace of economic development as the fixed and consistent of the finance getting pumped was the feature. Oil started playing a crucial role in the GDP and overall economic development of the nations. Then, there was no looking back.

However, for last few years, there has been the need for the gulf countries to contemplate the alternative sources of revenues. Even though the growth rate for the nations have been faster, the major focus and areas of concentration remained to be only trading sectors and imports. Meager development of the Manufacturing sector, Micro, Small & Medium Enterprises (MSMEs), Service sector and especially other auxiliaries to trade like Insurance, Banking, Information Technology, Transportation have been the major observed facts. In order to overcome this, there have been many measures applied by the nations in the recent past. May it be the support through the government subsidy, formal legislation in the form of laws or development of the sector through relaxation in various government duties and charges, the Aids to trade have been on the target for development.

Diverting from macro to micro level, Sultanate of Oman has not been behind in the race. In fact, Sultanate has been taking some proactive measures to overcome the overdependence on oil and drastically changing economic environment. Oman is one of the Gulf countries which is developing very rapidly. There has been an exponential growth of Oman especially after Oil exploration and related activities in late sixties. To support, the stable and wise leadership by Supreme authority is also an added advantage.

Amongst various measures adopted, Insurance sector in the Sultanate has also experienced rapid growth especially in the last fifteen years. Oman Insurance Association has also made a blue print for the industry. Investment in Insurance sector and entry of a few foreign insurance players in the market have made the insurance sector grow with pace. Survey by Oxford Business Group quotes Oman as the second fastest growing insurance market amongst GCC countries from 2007 to 2013. With the amendment in Oman's Insurance Law by Capital Market Authority like listing of certain percentage of shares on Muscat Securities Market, under writers minimum paid capital ceiling, more participation and transparency in the sector have been observed. Even Central Bank of Oman has passed legislation which has made the path of sharia compliant insurance products easier.

With this focused approach, Insurance sector in Oman has been observing a steady growth and the same is reflected in the financials of the insurance companies.