

Detailed Assessment of Observance IAIS Insurance Core Principles (ICPs) Sultanate of Oman

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Executive summary

This document provides a detailed assessment of regulation and supervision of the insurance sector in the Sultanate of Oman. The assessment was conducted on behalf of the International Association of Insurance Supervisors (IAIS) at the request of the Capital Market Authority (CMA), a member agency, whose functions were absorbed in March 2024 into the new Financial Services Authority (FSA). The work was carried out between April 2024 and June 2025, including two weeks in person in Muscat, Oman, and concluded with the publication of this report in mid-2025. The assessment is benchmarked against the Insurance Core Principles (ICPs) issued by the IAIS in October 2011, including revisions approved by the IAIS up until November 2019.

The assessment is based on reviews of documentation and meetings in Muscat. The work included reviews of laws, regulations etc and a full self-assessment of observance of the ICPs prepared by the FSA, which also made available selected confidential supervisory documents. Meetings were held with the FSA's Senior Management and many of its staff, government officials, insurers and intermediaries, auditors and the industry association. The team of assessors, which was drawn from IAIS members and the Secretariat, supported by an external consultant, is grateful for the warm welcome and hospitality offered by His Excellency, the Executive President of the FSA, and for the excellent cooperation extended by the FSA Management and staff and by other parties during its work.

The insurance sector is dominated by domestic insurers with high concentration. There are 17 insurers, of which around half, including two Takaful insurers and the one specialist reinsurer, are incorporated in Oman. The largest, now also part of an insurance group following acquisitions in the region, has a 35% market share. There are eight branches of foreign insurers with a market share of around 15%, higher in life insurance. The FSA has not licensed a new entrant to the market since 2010 and will not be licensing new foreign insurers' branches in future. There is no significant ownership linkage with banks in Oman and no state ownership of domestic insurers.

Penetration, especially of life insurance, is low. The overall penetration ratio of 1.3% of gross domestic product (GDP) reflects mostly non-life business (there are three types of insurance, life, general and health, each requiring separate licences). While some – especially foreign – insurers specialise in one type, many operate as composites. Motor third party liability insurance is the main compulsory business, while life insurance is dominated by credit life insurance, a requirement imposed by banks when granting loans. Health insurance accounts for nearly 40% of the market and has potential to grow further. For many general insurance lines, the availability and price of reinsurance is a key driver. Around 50% of total premiums are ceded to reinsurers. In life insurance, savings products are available, but volumes are low. Distribution is mainly through brokers, banks and direct channels. Agents have a small share.

Insurers face a range of risks and strategic challenges to grow their business. Motor insurance is competitive, and there are risks relating to under-pricing and under-reserving. Oman is exposed to natural catastrophes, particularly tropical cyclones. There are risks relating to reinsurance, which is also one of several sources of liquidity risk. Insurers face risks from high levels of premium payment arrears in commercial lines and financial risks from investment portfolios with large shares of corporate bonds, equities and bank deposits. They face challenges to grow business profitably in current market conditions. Omanis have a low propensity to buy insurance where not compulsory. There are, however, expectations of future growth as awareness of the benefits of insurance increases, while insurers, the FSA and government are cooperating on initiatives to develop the sector.

The regulatory and supervisory framework is assessed as having a good level of observance of the ICPs. A majority of the ICPs are assessed as either Observed or Largely Observed. The FSA has been developing its regulation and supervision in recent years, introducing new risk-based capital requirements, for example, and enhancing its supervision of insurers, including the input of actuarial review. For many of the ICPs assessed as Partly Observed, the FSA is already working on reforms likely to lead to greater observance, facilitated by the completion of its transition to a new internal organisation, absorbing the responsibilities that came with its establishment in early 2024. The assessment of one ICP (Group-wide Supervision) as Not Observed reflects the recent establishment of an insurance group, the only one based in Oman. The FSA now needs to put in place a group-wide (and cross-border) regulatory and supervisory framework to supplement its close focus on individual licensed legal entities.

The FSA's regulation is underpinned by clear objectives and extensive powers exercised with operational independence from the government. The FSA enjoys a high degree of financial and operational independence both in legislation and in practice, balanced by accountability to government. However, while key supervisory decisions are taken by Executive Management, some important decisions, including on regulations, fall to the FSA's Board of Directors, two of whom are government ministers, which is potentially a channel of undue government influence. The FSA would benefit from wider powers in some areas, including portfolio transfers, insolvency of insurers and, potentially, insurance group supervision. While relevant risks in the insurance sector are currently limited, the FSA's objectives should be extended to include an explicit objective to contribute to financial stability.

The FSA's staffing, financial and IT resources appear to be broadly adequate, though it is having to adapt to hiring challenges and lacks protection against legal action. The FSA determines its own organisation and budget but faces difficulties in recruitment and retention due to its inability, as a government body, to pay market salaries. It is mitigating the resulting risks with the engagement of specialist expertise under contractual arrangements and increased reliance on automation, already an important part of its approach. The FSA is also at risk from a lack of explicit protection in law from legal action where it has acted in good faith in the exercise of its responsibilities. The FSA publishes extensive material on the sector (excepting measures of solvency), but could report more on its organisation, internal processes and finances once transition to its new organisation is complete.

There is a legislative framework on licensing and other regulatory transactions, although there are significant gaps in relation to suitability of persons. While new licences have not recently been granted, regular licence renewals are required and the FSA reviews applications in full. For foreign (and foreign-owned) insurers, the FSA would benefit from more input from home supervisors. There are requirements on suitability, but their scope should be defined in legislation explicitly to include key persons in all control functions and extended to cover significant owners appropriately.

There is also a need for reform of requirements on changes of control and portfolio transfers. In assessing proposed changes of control, the FSA relies on takeover regulations, which apply only to domestic insurers (which must be listed on the local exchange) and give limited scope for the FSA to assess the suitability of significant owners at different thresholds. There is a need to align regulation of life and other insurance activities in respect to portfolio transfers. There should be a provision in law for the FSA to have a role in assessing policyholder protection issues, even if decisions on transfers are taken by the court. The FSA noted that it is already working on proposals for legislative reform in this area.

There are requirements on governance and risk management, but control functions and groups are not completely covered. The roles and expectations of boards and senior management are set out appropriately, and governance and risk management are assessed by supervisors in practice, although at present the focus is mostly on compliance aspects. There is scope for the FSA to develop its assessment of the effectiveness of governance in practice. Board responsibilities should be expanded to include a requirement to approve remuneration policies for all relevant employees that address risk issues. Insurers are required to establish appropriate systems of risk management and internal controls, including in respect to reinsurance risks, but they are not explicitly required to establish all control functions (regulations etc are silent in the risk management function) or to ensure that such functions have the necessary independence and authority as well as adequate resources. The FSA also now needs to develop group-level requirements.

There are extensive valuation requirements, but the FSA needs to complete its planned transition to International Financial Reporting Standard (IFRS) 17 for solvency purposes. Insurers are required to use IFRS 17 (Insurance Contracts) for financial reporting and many have aligned the way they manage their businesses, including for solvency purposes, to the new approach. The FSA has also decided to use IFRS 17 as the valuation standard for solvency but has not yet fully implemented the approach. It does, however, monitor insurers' valuation practices closely, including on an IFRS 17 basis, and acts when it finds that insurers are not reserving adequately. The requirements on investments are risk sensitive and reflect the attributes of the market, including limited availability of domestically issued investable securities and the high proportion of bank deposits.

The requirements on enterprise-wide risk management and solvency also need significant development. Insurers are required to have a risk management framework. However, they are not yet required to develop an own risk and solvency assessment (ORSA), a practice that would support improved capital (as well as asset-liability and liquidity risk) management. Although the FSA has recently introduced a risk-based solvency framework covering all material risks, it needs to adapt the requirements to IFRS 17 and introduce a measure of solvency across an insurance legal entity rather than just by type of business, as well as additional intervention levels that will ensure that the FSA takes action before an insurer is insolvent. It should review its requirements on the quality of capital and consider an additional risk charge for uncollected premiums. A framework for group solvency is also now required. Again, the FSA is already working on reforms in this area.

The FSA has a well-defined framework for supervisory review and requires corrective actions. Its risk assessment draws on an extensive range of risk indicators, which are regularly updated and include business conduct, and supervision work is guided by ratings of insurers. A wide range of information is collected from insurers and analysed thoroughly, with internal reporting and feedback to insurers. On-site work is limited to two to three insurers a year at present but appears to be thoroughly executed, leading to requirements for corrective actions. Communications to insurers focus mainly on compliance issues, and the FSA could highlight more risk-related findings and key messages for senior management. There is no group-wide supervisory process. The FSA has powers to require corrective actions and impose sanctions, which it uses in practice. The scale and effectiveness of financial penalties should, however, be reviewed to ensure they meet their purpose.

The framework for ensuring the orderly exit of insurers from the market requires reform. A failing insurer (with which the FSA has no recent experience) would be resolved under a court-approved liquidation process. The FSA has adequate powers to trigger the process and would likely be involved in a liquidation in practice. However, it has no right in legislation to such involvement or even to be consulted by the court. Policyholders' claims would have no general priority in a liquidation, although their policies may be transferred to another insurer and any unfulfilled claims

could be met by an Insurance Emergency Fund. Insurers are not required, as necessary, to plan for the actions that may be required in a resolution. The FSA is already working on legislative reform proposals in this area.

The FSA carries out effective supervision of intermediaries, including banks. The FSA has appropriate requirements for the licensing and regulation of intermediaries, including bancassurance, an important channel in which the FSA cooperates with the Central Bank of Oman (CBO). Requirements include financial resources, professional knowledge and competence, disclosures and the handling of client monies. The FSA undertakes supervision of intermediaries, as well as a licence renewal process. It has taken enforcement action against intermediaries when requirements were breached.

There are extensive requirements on, and effective supervision of, conduct of business. There is an appropriate legal framework and a focus on insurers and intermediaries dealing with customers with due skill, care and diligence. A code of conduct requires them to have appropriate systems and controls to treat customers fairly at all stages of the product lifecycle. The FSA conducts extensive work on consumer protection, including surveillance of the market, approval of new products and handling of customer complaints, which enables it to intervene effectively where required. There are adequate requirements on insurance fraud and anti-money laundering and combating the financing of terrorism (AML/CFT). The FSA is active in related supervisory work, particularly on AML/CFT issues, where it has a risk-based approach and conducts extensive supervision. There is no specific regular review process for monitoring for fraudulent activities.

The FSA exchanges confidential information with domestic and foreign authorities but should strengthen its approach to cross-border cooperation, especially as group-wide supervisor (GWS). It has relevant powers and a wide network of agreements. It is a signatory of the IAIS Multilateral Memorandum of Understanding (IAIS MMoU). Confidential information is generally protected, but the FSA should review exceptions provided for (but not yet used in practice) in its internal policy framework. The newly established insurance group has significant operations in other jurisdictions, and the FSA should develop a framework for group-wide cross-border supervision, which may include a college of supervisors and which should cover crisis preparedness. It should also develop a strategy for ongoing cooperation with the home supervisors of the many foreign (and foreign-owned) insurers.

The FSA currently undertakes limited macroprudential supervision but is establishing a framework and allocating resources. The FSA collects extensive information, is highly transparent about the insurance sector and is well placed to identify emerging systemic risks, although in the present market these are limited. Additional data could be collected to better identify and capture common exposures and market developments, which also requires an internal process to identify market-wide vulnerabilities and the sector's exposure to external factors or its potential impact on the financial system and the real economy. The FSA is already planning to develop its capacity in these areas, adding to existing supervisory work with specialist analysis by a central risk management function.

Assessment of Insurance Core Principles

1. Introduction and scope

1. This document provides a detailed assessment of regulation and supervision of the insurance sector in the Sultanate of Oman. The assessment was conducted by a team of assessors: Ian Tower, insurance regulation and supervision consultant; Brad Roberts, Board of Governors of the Federal Reserve System, United States of America; Andrew Bojkowski, Dubai Financial Services Authority, UAE (until 31 December 2024); Saad El Amrani, Autorité de Contrôle des Assurances et de la Prévoyance Sociale, Morocco; Bheki Mkhize, South African Reserve Bank, Prudential Authority, South Africa (until 31 December 2024); and Manuela Zweimueller, International Association of Insurance Supervisors (IAIS) Secretariat.
2. The assessment was conducted on behalf of the IAIS, at the request of the Capital Market Authority (CMA), a member agency, whose functions were absorbed in March 2024 into the new Financial Services Authority (FSA). The work was carried out between April 2024 and June 2025, including two weeks in person in Muscat, Oman, from 23 September to 6 October 2024, and concluded with the publication of this report in mid-2025. The assessment is benchmarked against the Insurance Core Principles (ICPs) issued by the IAIS in October 2011, including revisions approved by the IAIS up until November 2019.¹ The ICPs apply to all insurers, whether private or government-controlled, in all markets. Specific principles apply to the supervision of intermediaries.
3. The objectives of the assessment are to enhance the understanding of the ICPs, aid in their implementation, identify major differences between existing practices and international standards, and provide recommendations and advice to help with future development of supervisory programmes. The assessment should not be construed to be part of the IMF-World Bank Financial Sector Assessment Program (FSAP).
4. This detailed assessment included reviews of laws, regulations, etc, and a full self-assessment of observance of the ICPs prepared by the FSA, which also made available selected confidential supervisory documents. Meetings were held with the FSA's Senior Management and many of its staff, government officials, insurers (including Takaful, a branch of a foreign insurer and the specialist reinsurer) and intermediaries, auditors and the industry association. The purpose of these meetings was to understand the supervisory requirements in place and to gauge their application in practice.

2. Information and methodology used for the assessment

5. The level of observance for each ICP reflects assessment against its standards. Each ICP is rated in terms of the level of observance as follows:
 - Observed (O) – for a Principle Statement to be considered observed, all the standards must be considered observed (except any standards that are considered not applicable).

¹ Supervisory standards related to the Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame), which builds on the ICPs, were not addressed in this Member Assessment Programme (MAP), as they focus on the effective group-wide supervision of Internationally Active Insurance Groups (IAIGs). The FSA is not a GWS of an IAIG.

- Largely observed (LO) – for a Principle Statement to be considered largely observed, there must be only minor shortcomings that do not raise any concerns about the supervisor’s ability to achieve full observance with the Principle Statement.
 - Partly observed (PO) – for a Principle Statement to be considered partly observed, there are sufficient shortcomings that raise doubts about the supervisor’s ability to achieve observance.
 - Not observed (NO) – for a Principle Statement to be considered not observed, there is no substantive progress toward achieving observance.
 - Not applicable – for a Principle Statement to be considered not applicable, all the standards must be considered not applicable.
6. The assessment is based solely on the laws, regulations and other supervisory practices in place at the time of the on-site phase of the assessment (6 October 2024). While the assessment does not reflect ongoing regulatory initiatives, some proposals for regulatory reform are discussed by way of additional comments in this report. The authorities provided a self-assessment, supported by examples of actual supervisory practices and assessments related to regulated legal entities. These examples enhanced the robustness of the work. Technical discussions with and briefings by officials from the FSA have also enriched discussions of this report, as have discussions with industry participants, industry and professional associations, and government. Discussions with these stakeholders were conducted on a confidential basis, without the presence of representatives of the supervisor.

3. Preconditions for effective insurance supervision

Sound and sustainable macroeconomic and financial sector policies

7. The roles and responsibilities of Omani authorities are defined in legislation.
8. The Ministry of Finance prepares the national budget and oversees its implementation, reporting to the Council of Ministers (see Annex). Fiscal policy is carried out by reference to the Government of Oman’s Medium-Term Fiscal Plan, which has helped return the central government fiscal balance to surplus after years in deficit.² Under its Vision 2040 programme, the government plans to reduce the economy’s reliance on the hydrocarbon sector by promoting diversification.
9. The Central Bank of Oman (CBO) is responsible for monetary policy. It has an objective of maintaining a fixed peg of the Omani rial (OMR) to the US dollar (USD), held at 2.6 USD to the OMR since 1987.
10. Regulation and supervision of the financial sector is the responsibility of the CBO and the FSA. Under the Banking Law of 2025³, the CBO supervises banks and is responsible for financial stability. It has a dedicated Financial Stability Unit and carries out stress testing and vulnerability assessments. Its president chairs the Joint Financial Stability Committee, comprising the CBO, the FSA and other ministries and authorities. The CBO also manages the Banking Deposits Insurance Scheme (BDIS).

² See International Monetary Fund 2023 Article IV Consultation with Oman (Country Report No 2024/031), 29 January 2024 (www.imf.org/en/Publications/CR/Issues/2024/01/29/Oman-2023-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-Executive-544165)

³ Since the assessment, a revised banking law was issued (Royal Decree 2/2025, issued in January 2025).

11. The FSA was established in early 2024, assuming the responsibilities of the former CMA for insurance and capital markets regulation and supervision. The FSA also assumed responsibility for regulation of the accounting and auditing professions and is developing a new legal framework for their future regulation. The legislative framework provides for Islamic financial services in banking, insurance and the capital market.
12. There is also a framework for anti-money laundering and combating the financing of terrorism (AML/CFT) regulation and supervision. Five authorities are responsible for the supervision of financial institutions and designated non-financial businesses and professions (DNFBPs).⁴ A Financial Intelligence Unit (FIU), the National Centre for Financial Information (NCFI), operates as a part of the Royal Oman Police (ROP).

Well-developed public infrastructure

13. Oman has a developed framework of business laws covering companies (Commercial Companies Law, CCL), insolvency (CCL and Bankruptcy Law), contracts (Civil Transactions Law), consumer protection (Consumer Protection Law) and private property. The primary sources of law are Sharia law (Article 2 of the Basic Law of the State, effectively the Constitution – see Annex) and Anglo-Saxon common law. A feature of the legal system is that international treaties and agreements signed by the Omani government enter into force directly upon ratification.
14. The judicial system comprises various levels of courts overseen by the Supreme Judiciary Council, chaired by the Sultan. The Supreme Court is the highest court. There are Courts of First Instance and Courts of Appeal. The Supreme Judiciary Council is responsible for the administration and development of the court system and Public Prosecution Office.
15. The Basic Law of the State provides for the judicial system to be organisationally independent from the other bodies comprising the Government of Oman. In common with all institutions of government, however, the system is under the ultimate direction and control of the Sultan.
16. Oman has adopted International Financial Reporting Standards (IFRS), which under Article 209 of the CCL are required for financial reporting by all companies, regardless of whether they are public companies or have issued securities listed on an exchange. IFRS apply directly in Oman, and there is no local standard-setting body. The separate international accounting standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) apply to Takaful insurers.
17. There is a relatively new professional body for accountants, the Oman Association of Chartered Public Accountants (OACPA), which has been operational from 2020. OACPA runs training programmes. It is applying to become an associate member of the International Federation of Accountants (IFAC). The FSA has licensed 17 professional audit practices to audit listed companies, including local offices of the large international practices.
18. The FSA has assumed responsibility from the Ministry of Commerce, Industry and Investment Promotion for oversight of accounting and auditing of public companies and of the accounting and auditing professions. The FSA is developing a new framework of oversight for the professions, which comprise around 215 accounting and auditing practices. However, audit work on domestic companies that issue securities in which insurers invest (as well as audit work on

⁴ These authorities are: Central Bank of Oman (CBO), FSA, Ministry of Commerce, Industry and Investment Promotion, Ministry of Justice and Legal Affairs and Ministry of Health. Furthermore, the Ministry of Social Development oversees the non-profit sector.

insurers themselves) is almost always undertaken by practices already licensed by the FSA to audit listed companies.

19. There is no local actuarial profession in Oman and there are believed to be few actuaries resident in Oman who are members of other professional bodies. It is not currently possible to study actuarial science in Oman, although there are plans for a basic course to be provided by a major university soon. Demand for actuarial services is limited by the absence of certain requirements common in other jurisdictions, such as peer review of actuarial work and independent actuarial review of the relevant parts of audited financial statements. It is also reduced by the limited range and complexity of insurance products in the market.
20. Insurers have access to actuarial services that meet the Insurance Companies Law (ICL) requirement that actuaries employed by insurers hold a fellowship degree from a recognised association. Larger insurers employ actuaries directly. Many others contract with actuarial consulting firms, often with their offices outside Oman. Even larger insurers may rely on consulting firms for peer review work.
21. Financial market participants have access to payment and clearing systems for the settlement of financial transactions. The CBO owns and operates two payment systems providing for real-time gross payments and net settlement in OMR, as well as four clearing systems handling cheques, recurring and single small-value transactions etc. Settlement of securities transactions is handled by Muscat Clearing & Depository Company, established by law and majority-owned by the Muscat Stock Exchange (MSX).

Effective market discipline in financial markets

22. There is a framework of laws and regulations, administered by the FSA, that sets requirements for listed companies and the securities they issue. The FSA and the MSX set disclosure requirements for listed companies, which the FSA enforces. There are requirements on prospectuses etc for new issues.
23. Corporate governance of listed companies is subject to requirements in the CCL, the Public Joint Stock Companies Regulation, Decision No 27/2021 (PJSC Regulation) and the 2015 Code of Corporate Governance for Public Listed Companies. These require listed companies to have robust risk management practices and internal controls as well as functioning boards of directors etc. The FSA assesses compliance with all these requirements. There is also a set of corporate governance principles for state-owned companies.

Mechanism for providing an appropriate level of policyholder protection

24. There are some elements of an insurance safety net to protect policyholders in case of insurer failure. There is no explicit provision in law giving high legal priority to policyholders' claims within the claims hierarchy in case of an insurer liquidation (see the assessment of ICP 12 (Exit from the Market and Resolution)). However, in the case of life insurance, an insurer's assets may be made available only to meet life insurance liabilities.
25. There is provision in legislation for a fund for the benefit of policyholders, beneficiaries and third parties in case of an insurer failure. The Insurance Emergency Fund has been established "to assist in resolving crises facing insurance companies" and is financed by a levy on insurers. The Fund provides for payments to be made to policyholders and beneficiaries when an insurer fails to fulfil its obligations (see ICP 12). The Fund has not been used to date.
26. Bank depositors benefit from insurance. The BDIS, a funded scheme, covers eligible deposits (savings deposits, current accounts, call deposits, time deposits, government deposits, trust and

pension funds deposits and other deposits specified by the CBO), with a ceiling on compensation of OMR 20,000 (USD 52,000).

27. There is no independent dispute resolution mechanism (such as a mediation service, independent review organisation or ombudsman) for handling complaints against insurers and intermediaries as an alternative to the court system. Insurers and intermediaries are required to handle complaints fairly (see ICP 19 (Conduct of Business)). The FSA reviews and seeks to resolve complaints made directly to the Authority.

Efficient financial markets

28. Oman's capital markets are relatively small and illiquid. OMR-denominated government debt securities are available in the primary market through auctions, but there is limited secondary market trading and no market-making system to support it, hindering the construction of a yield curve. Much government debt is issued in foreign currencies and issued on international markets. Non-resident participation in the market is low. There is no sale and repurchase (repo) market in government securities.
29. Corporate bonds (mostly issued by financial institutions) and Islamic bonds (sukuks) have not been issued in high volumes.
30. The stock market is small, with 166 listed companies (November 2024) and a market capitalisation (excluding bonds and sukuk) at the end of 2024 of OMR 12.3 billion (USD 32 billion), equivalent to 30% of GDP in 2023.⁵
31. However, insurers' investment portfolios (OMR 838 million at end-2023) are, at present, relatively small in relation to available assets in Oman. They can and do also invest abroad.

⁵ This compares with Saudi Arabia (238%) and United Arab Emirates (UAE) (172%) (World Bank data for 2022).

4. Assessment summary tables

Table 1: Summary of observance of the ICPs

Insurance Core Principle	Level	Overall comments
1 – Objectives, Powers and Responsibilities of the Supervisor	LO	Regulatory responsibilities for the insurance sector and associated powers are clearly established in law. The FSA has broadly adequate powers to regulate and supervise both insurers and intermediaries and to take intervention measures as necessary. It does, however, lack explicit powers to undertake group supervision, now part of its responsibilities following the establishment of a domestic insurance group, and it lacks full powers in respect of portfolio transfers and exit of insurers from the market (ICP 1.3). Although the insurance sector poses limited risks to stability at present, the FSA would benefit from an explicit objective to support financial stability (ICP 1.2).
2 – Supervisor	PO	The FSA enjoys a high degree of financial and operational independence both in legislation and in practice, balanced by accountability to government. However, while supervisory decisions are taken by the FSA Executive Management, decisions on regulations and the budget fall to the Board of Directors, two of whose members are government ministers, which is potentially a channel of undue government influence (ICP 2.1). The FSA is transitioning to a new functional organisation (from one based on regulated sectors), which (together with recent high staff turnover and constraints on its ability to pay market salaries) creates a risk that insurance sector work is inadequately resourced (ICP 2.10). Senior Management are actively mitigating this risk. The FSA is transparent about its requirements and the insurance sector. However, it has not published its own financial statements recently, nor extensive information on its supervisory processes (ICP 2.8 and 2.9). It does not publish details of waivers (“exemptions”) and modifications to its requirements. The FSA is at risk from a lack of explicit protection in law from legal action where it has acted in good faith in the exercise of its responsibilities (ICP 2.2).
3 – Information Sharing and Confidentiality Requirements	LO	The FSA exchanges confidential information with many authorities in accordance with detailed provisions and practices on the protection of confidentiality and the purpose of the information requests. It has 29 memoranda of understanding (MoUs) with foreign supervisors and other

		authorities, including all those relevant to the FSA in executing its supervisory mandate. Confidential information is generally protected, but exceptions may be applied regarding sharing information without prior consent (ICP 3.5) and resisting disclosure when compelled (ICP 3.6). However, no such cases have occurred in practice. The FSA's processes for checking how a requesting authority preserves confidentiality could be made clearer (ICP 3.4). There are no provisions on the sharing of information on an insurance group.
4 – Licensing	O	The FSA has adequate powers to license and supervise insurers, and there is a clear process within the FSA for review and approval or rejection of licence applications. In recent years, no new licences have been issued. However, licence renewals are required every five years. For foreign insurers and the one foreign insurer subsidiary, the FSA would benefit from more input from home supervisors (ICP 4.8).
5 – Suitability of Persons	PO	Insurance legislation contains requirements on initial and ongoing suitability of board members and senior management. Insurers are required to assess suitability. However, there are no clear and comprehensive provisions bringing all key persons in control functions within the scope of suitability requirements in legislation (ICP 5.2). In addition, the suitability of significant owners is not addressed in insurance legislation. The FSA nonetheless carries out extensive work on suitability of individuals in practice. It requires insurers to seek prior approval of relevant appointments and assesses nominees. In respect to specific suitability requirements, the FSA's main focus is on competence. Integrity elements are not always equally emphasised (ICP 5.2). Its assessment of major shareholders is not comprehensive, particularly regarding financial soundness, nor are insurers required to demonstrate significant owners' integrity on an ongoing basis (ICP 5.3).
6 – Change of Control and Portfolio Transfers	PO	While capital markets regulations equip the FSA to regulate changes of control, for domestic insurers, the definition of control provided does not meet all the requirements in the ICP, and the regulations do not apply to foreign insurers. The key threshold is 25% and there are no other thresholds, even for notification to the FSA, for proposed acquisitions of significant shareholdings (ICP 6.1).

		The notification of change of control is not a requirement on insurers themselves (ICP 6.2). The FSA relies on insurers' quarterly reports to ascertain whether there has been a change in ownership. Moreover, there is a need to align regulation of life and other insurance activities in respect to portfolio transfers (ICP 6.4). There should be a provision in law for the FSA to have a role in respect to policyholder protection issues, even if decisions are taken by the court.
7 – Corporate Governance	LO	Requirements on key issues are set out in material issued by the FSA, mostly in the form of codes but underpinned by requirements in legislation. The fact that domestic insurers must be listed on an exchange ensures that a wide range of governance requirements apply to insurers. For branches of foreign insurers, the FSA relies mostly on the parent's governance. The FSA's supervisors include governance arrangements in their supervisory reviews, although at present the focus is mostly on compliance aspects. There is scope to develop their assessment of the effectiveness of governance in practice. There are gaps in the framework, particularly on board oversight of remuneration (ICP 7.6) and the development of sound corporate culture (ICP 7.10). There are no requirements on (or supervisory approach to) group governance.
8 – Risk Management and Internal Controls	PO	There are extensive general requirements, mostly in the Code of Corporate Governance for Insurance Companies (the "Code for Insurers"), on risk management and internal controls, assigning detailed responsibilities to the board and senior management. The FSA assesses risk management and controls in its supervision work. Insurers are required to manage all material risks and to put in place internal controls. Documentation requirements are limited, however, and there are no requirements on (or supervisory approach to) group-level risk management and controls. There are no requirements on (or well-developed supervisory approach to) the risk management function (ICP 8.4), while all functions except internal audit lack explicit requirements on their authority, independence and resources (ICP 8.3). There is only a high-level requirement on management of outsourcing arrangements (ICP 8.8).
9 – Supervisory Review and Reporting	LO	The FSA maintains a well-defined framework for supervisory review and reporting. The supervision plan is developed by the relevant FSA teams, based on a risk assessment that relies on an extensive range of risk indicators. A wide range of supervisory information is collected from insurers on a regular basis and is subject to

		thorough analysis and review by off-site supervisors. On-site work is limited to two to three insurers a year but appears to be thoroughly executed, leading to requirements for corrective actions. Communications to insurers focus mainly on compliance issues, and there is scope to highlight more risk-related findings and key messages for senior management. There is no reporting of group-wide information or a group-wide supervisory process. The FSA assesses risks relating to outsourcing by insurers but does not have powers in respect to outsourced service providers, nor does it undertake supervisory work on them in practice (ICP 9.3). There are no requirements on insurers to report to the FSA material changes or incidents (ICP 9.4).
10 – Preventive Measures, Corrective Measures and Sanctions	LO	The FSA has a range of powers to require and enforce preventive and corrective actions. It is also alert to, and takes action in case of, unauthorised insurance activities. The FSA's powers are exercisable in a wide range of circumstances. The FSA has discretion over its choice of required actions. The Takaful Insurance Law (TIL) provides for a wider range of actions than does the ICL, including the power to dismiss board members and other individuals. The FSA escalates the form and nature of its required action as necessary. However, the specific actions and their hierarchy are not clearly defined internally, nor are there requirements on reports from insurers on the implementation of actions required by the FSA. The FSA also has a wide range of available sanctions, including financial penalties, that may be imposed on specified individuals as well as insurers. The maximum financial penalties for insurers are small in relation to the size of the companies. The FSA requires preventive and corrective actions in practice and has imposed financial penalties.
12 – Exit from the Market and Resolution	PO	In the absence of an insurance-specific framework, a failing insurer would be resolved under a court-approved liquidation process. The FSA has adequate powers to trigger the process and would likely be involved in a liquidation in practice. However, the FSA has no right in legislation to such involvement or even to be consulted by the court (ICPs 12.4 and 12.8). Policyholders' claims would have no general priority in a liquidation (ICP 12.9), although their policies may be transferred to another insurer (at least in the case of life insurance) and their unfulfilled claims could be met by the Insurance Emergency Fund. There is

		no framework of resolution tools (ICPs 12.3 and 12.7). Insurers are not required to undertake any planning for the actions that may be required in a resolution (ICP 12.3). The FSA is developing a new legislative framework that would address the shortcomings of current arrangements.
13 – Reinsurance and Other Forms of Risk Transfer	LO	The FSA has extensive requirements on reinsurance and carries out supervisory work on insurers' reinsurance arrangements, proportionate to the importance of reinsurance to various business lines and individual insurers. Some ICP requirements are not reflected explicitly in the regulatory framework, including assessment of major reinsurers' home supervision (ICP 13.4), focus on assessment of the economic impact of reinsurance (ICP 13.3) and requirements for insurers to have regard to liquidity management implications of reinsurance (ICP 13.5). Relevant risks may be addressed in supervision.
14 – Valuation	LO	The requirement for insurers to apply IFRS (IFRS 17 for the valuation of insurance contracts and IFRS 9 for the valuation of assets) satisfies the bulk of the ICP standards. Insurers are already required to use IFRS 17 for financial reporting. However, the FSA has not yet moved to reliance on IFRS 17 as the valuation standard for solvency. The FSA does monitor insurers' valuation practices, both on an IFRS 4 and IFRS 17 basis, reviewing insurers' financial statements, including specifically the valuation methods used and the results. It takes action when it finds, for example, that insurers are not reserving adequately.
15 – Investments	O	The FSA has established investment requirements for solvency purposes for insurers that are risk sensitive. The requirements ensure that insurers hold sufficient capital to account for their asset risk and reflect specific attributes of the insurance market. The FSA is encouraged to consider ways to reduce the concentration risk that insurers have with individual banks as a result of the relatively high proportion of bank deposits. The FSA should also extend its requirements to insurance groups.
16 – Enterprise Risk Management for Solvency Purposes	PO	Published regulations and guidance require insurers to have a risk management framework, and the FSA undertakes supervision work on each insurer's practices. However, the ICP requirements that insurers to develop an own risk and solvency assessment (ORSA) are not observed (ICPs 16.10–16.14). Introducing an ORSA requirement would support improved capital management

		and enable fuller observance of the ICP standards related to asset-liability management (ALM) and liquidity risk management. It would also introduce an additional mechanism that has proven effective in other jurisdictions to help supervise insurers' enterprise risk management (ERM) practices, including for groups.
17 – Capital Adequacy	PO	Although the FSA has introduced a risk-based solvency framework that considers all material risks, additional work is needed, including on how to assess the capital position of an insurance legal entity that considers its whole balance sheet (ICP 17.1), the solvency of each line of business being regulated separately at present. Additional intervention levels should also be incorporated that allow the FSA to take actions before an insurer is insolvent (ICPs 17.3–17.4). FSA also needs to consider the impact of IFRS 17 on solvency positions, how the solvency of insurance groups will be assessed under IFRS 17, whether there is a need to revisit the haircuts and/or limit on complementary capital items to ensure an appropriate quality of capital (ICP 17.10), and whether an additional risk charge for uncollected premiums may be appropriate.
18 – Intermediaries	O	The FSA has appropriate requirements on the licensing and regulation of insurance intermediaries via separate regulations for insurance brokers, insurance agents and bancassurance arrangements. These regulations include areas such as financial resources, professional knowledge and competence, disclosures and the handling of client monies. It has implemented off-site and on-site supervision programmes for insurance intermediaries, as well as a licence renewal process. It has taken enforcement action against intermediaries when requirements were breached.
19 – Conduct of Business	O	There is an appropriate legal framework governing the business conduct of insurers. There is a strong focus on insurers and intermediaries dealing with customers with due skill, care and diligence, reflected in legislation and supervision. The Code of Conduct for Insurance Business requires them to have appropriate systems and controls in place to treat customers fairly at all stages of the insurance lifecycle. The FSA conducts extensive work on consumer protection, including approval of new products and handling of complaints, which enables it to intervene effectively where required in the interests of insurance customers. Supervisory work on conduct of business issues includes

		both on-site and off-site elements. The FSA could publish more information on policyholder protection arrangements.
20 – Public Disclosure	PO	Extensive information on insurers is available from their IFRS financial statements and reports, as well as from sources such as the FSA's Insurance Market Index, open data and the public Bayanat website⁶. However, disclosure requirements for insurers are primarily driven by capital markets regulations, which focus on the needs of investors and market stability. These requirements apply only to domestic listed insurers, excluding foreign insurers' branches in Oman. While quantitative disclosures on domestic insurers from all sources are extensive (although they exclude solvency data), required disclosures of qualitative and contextual information, such as risk exposures and risk management policies, are limited.
21 – Countering Fraud in Insurance	LO	The FSA demonstrates a comprehensive understanding of the types of fraud risk to which the insurance sector is exposed and monitors fraud risk controls within insurers. It was evident from discussions for this assessment that the FSA considers fraud risk in its supervision of insurers and intermediaries – although more could be done with regard to insurance brokers – and that the insurance industry in general is aware of key fraud risks. The FSA coordinates with other competent authorities as necessary in relation to insurance fraud. However, there is no specific regular review process dedicated to monitoring fraudulent activities. Legislation relating to fraud in insurance is in place.
22 – Anti-Money Laundering and Combating the Financing of Terrorism	O	The FSA has a thorough understanding of the AML/CFT risks to which insurers and intermediaries are exposed. It requires them to take effective measures. While AML/CFT risks in the insurance sector are assessed as low, the FSA has a risk-based approach to AML/CFT supervision of insurers and intermediaries and conducts extensive supervision through off-site reporting and inspections by specialised staff. There is close cooperation with domestic and international authorities as required.

⁶ The Bayanat website is a portal managed by the FSA that provides access to financial and regulatory data intended for financial institutions, analysts and regulatory bodies.

23 – Group-wide Supervision	NO	The FSA does not exercise group supervision in its market, in which insurers generally operate on a legal entity basis, authorised and supervised by the FSA. There is one insurance group, recently established, for which the FSA is expected to be the GWS. It is dominant in life and health insurance in Oman and a major player in the Gulf region. There are no requirements on group-wide supervision, nor is there a framework for indirect group supervision via the licensed insurer in Oman. There is no process (in cooperation with other supervisors, as applicable) for formally identifying an insurance group and its legal entities and determining the scope of and responsibilities for group-wide supervision.
24 – Macroprudential Supervision	PO	The FSA collects detailed information that it mainly uses to assess the risks of individual insurers and, to a certain extent, to analyse developments in the insurance industry. Additional data could be collected to better identify and capture common exposures and market developments (ICP 24.1). Although the size of the market and of individual insurers does not warrant concerns from a systemic risk perspective (ICP 24.3), the FSA should do more to develop a macroprudential supervisory approach. It does not yet have a systematic approach to identify market-wide vulnerabilities or to develop its view of the sector's exposure to external factors or its potential impact on the financial system and the real economy (ICP 24.2). Macroprudential aspects are rarely included in supervision (ICP 24.4). The FSA is, however, working to develop its capacity, supplementing the work of supervision teams with specialist analysis by its Risk Management Bureau, which seems likely to cover many of the gaps identified in this assessment. The FSA also publishes extensive data on insurers, though data on branches of foreign insurers is less detailed. The FSA could develop its reporting on important sector-wide developments, including measures of financial soundness such as solvency ratios, at least in aggregate (ICP 24.5).
25 – Supervisory Cooperation and Coordination	PO	The FSA has concluded agreements with multiple jurisdictions for the purpose of coordination and cooperation. However, it has not yet initiated a process for identifying and agreeing on the GWS for the one (recently established) insurance group in Oman (ICP 25.1), and there are no coordination and cooperation arrangements as yet for the purposes of group supervision (ICP 25.2 and

		25.4–25.6) either for day-to-day supervision or for crisis management purposes (ICP 25.7–25.9). The FSA is an other involved supervisor in the case of eight foreign insurer branches and one subsidiary of a foreign insurer. It is not presently engaged in systematic cooperation and coordination with the other relevant supervisors (ICP 25.3).
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Table 2: Summary of observance levels

Total	24
Observed (O)	5
Largely Observed (LO)	8
Partly Observed (PO)	10
Not Observed (NO)	1

Table 3: Recommendations to improve ICP observance levels⁷

Insurance Core Principle	Recommendations
1 – Objectives, Powers and Responsibilities of the Supervisor	It is recommended that: - Primary legislation (the FSA Charter set out in Royal Decree No 20/2024) be amended to give the FSA an explicit objective of supporting financial stability; and - The FSA be given additional powers in respect of portfolio transfers and the exit of insurers as well as powers to support its chosen model of group supervision, such as powers to obtain information directly from holding companies and other group legal entities.
2 – Supervisor	It is recommended that: The FSA and the Government of Oman review FSA's governance and further strengthen the FSA's high degree of independence from government by appointing independent members of the FSA's Board – who can be dismissed only for stated causes – in place of government ministers;

⁷ Some of these steps reflect actions that are already in progress but are yet to be made fully operational.

	• Primary legislation be amended to give the FSA and its staff explicit protection in law from legal action where it has acted in good faith in the exercise of its responsibilities; and • When it has completed the transition to its new internal organisation, the FSA publish more information on its supervisory and other processes, including how its decisions are taken and its finances; it should also consider publication of waiver decisions (“exemptions”) where consistent with the protection of confidential information.
3 – Information Sharing and Confidentiality Requirements	It is recommended that the FSA review its policies in order to: • Adapt the wording to waive exceptions regarding the sharing and disclosure of information without prior consent; • Consider more explicit requirements on the ability of the requesting authority to maintain the confidentiality of information/data received; and • Consider integrating timelines for responses to requests into internal processes.
4 – Licensing	It is recommended that the FSA introduce internal guidelines for supervisors on consultation with relevant supervisors regarding applications involving foreign owners.
5 – Suitability of Persons	It is recommended that the FSA: • Initiate changes to legislation explicitly to provide for all persons covered by the ICP – including key persons in control functions – to be included within scope of the suitability requirements, elaborating specific requirements covering both competence and integrity; and • Require insurers to include significant owners – clearly defined – in the scope of their ongoing suitability monitoring and elaborate on the evaluation that should be undertaken of financial soundness for both insurers’ and FSA’s own assessment work.
6 – Change of Control and Portfolio Transfers	It is recommended that: • The FSA introduce requirements applicable to all insurers for notification and approval of changes of control at appropriate levels of ownership; and • The FSA and the Government of Oman revise the law and practice on portfolio transfers in order to ensure that the FSA has a role in this process.

7 – Corporate Governance	It is recommended that the FSA: • Further develop supervisory practices to assess the effectiveness of corporate governance arrangements, including at the group level; and • Develop requirements for insurers' boards to put in place remuneration policies addressing the risks from variable remuneration etc and to foster sound corporate culture.
8 – Risk Management and Internal Controls	It is recommended that the FSA: • Develop requirements for insurers to establish a risk management function and to ensure that all control functions have the necessary authority, independence and resources; • Set out detailed requirements on the oversight of and accountability for outsourced material activities of insurers, including the scope of outsourcing policies and board responsibilities; and • Further develop supervisory practices to assess the effectiveness of risk management and controls, including at the group level.
9 – Supervisory Review and Reporting	It is recommended that the FSA: • Extend its supervision framework to provide for group supervision, reflecting the recent establishment of a domestic insurance group; • Strengthen its approach to the supervision of outsourced service providers and introduce a requirement for insurers to report on any material changes or incidents; and • Develop its supervisory communications to insurers to highlight concerns over risk and risk management, strategy etc as well as compliance issues.
10 – Preventive Measures, Corrective Measures and Sanctions	It is recommended that the FSA: • Develop more formal internal procedures on the use of preventive and corrective measures and its approach to decision making on the escalation of measures where necessary, and it should ensure that penalties imposed are publicly available on the website, unless there is good reason not to publish; • Require more formal reporting on how the preventive/corrective actions requested by the FSA have been resolved by the insurer; and • Initiate proposals for changes in legislation to provide for a higher level of financial penalties, sufficiently dissuasive to prevent a similar breach in the future.

12 – Exit from the Market and Resolution	It is recommended that: • The FSA propose and the Government of Oman act to reform and strengthen the framework for insurer resolution in the ICL and TIL, ensuring the FSA's involvement and priority for policyholders in a liquidation or other resolution action as well as clear provisions on voluntary liquidation; and • The FSA and the Government of Oman also consider both the value of FSA taking on additional resolution powers such as those set out in ICP 12.7 and the potential scope for the use of Emergency Fund resources in support of measures to avoid liquidation; existing powers may, however, be found adequate to the nature, scale and complexity of the current market.
13 – Reinsurance and Other Forms of Risk Transfer	It is recommended that the FSA: • Explicitly require insurers (for example, through an amendment to its Circular No 3/2004 addressing insurers' reinsurance strategies) to address the liquidity management implications of their reinsurance programmes; • Establish, on a proportionate basis, a framework for evaluating the home supervisory arrangements of the reinsurers most important to the sector; and • Intensify its supervisory work on intragroup reinsurance arrangements to ensure that these are carried out at an arm's length basis and result in full risk transfer.
14 – Valuation	It is recommended that the FSA complete the transition to IFRS 17 for solvency purposes as soon as possible, taking into account the need for both insurers and the FSA to be fully prepared to do so.
15 – Investments	No recommendations.
16 – Enterprise Risk Management for Solvency Purposes	It is recommended that the FSA develop a plan to introduce an ORSA requirement that includes all the necessary components.
17 – Capital Adequacy	It is recommended that the FSA review and strengthen its capital adequacy framework, providing for: • An approach to entity-wide and group capital adequacy that covers all material risks and is appropriately calibrated for the introduction of IFRS 17; • More highly defined intervention levels requiring the FSA to take early action where necessary; and • An increased emphasis on high-quality capital components in the calculation of available capital resources.

18 – Intermediaries	It is recommended that the FSA provide details on approved bancassurance arrangements via the Public Register on its website.
19 – Conduct of Business	It is recommended that the FSA publish information on policyholder protection arrangements, further information to promote consumers' understanding of the value of insurance, and the position of policyholders who deal with insurers and intermediaries that are not subject to oversight or supervision by the FSA.
20 – Public Disclosure	It is recommended that (as already planned) the FSA issue a regulation requiring full prescribed disclosures by all insurers, taking into account existing IFRS disclosures, the requirements of the capital markets legislation (so as to avoid duplication) and the detailed requirements of the ICP as applicable to the market.
21 – Countering Fraud in Insurance	It is recommended that the FSA and the Government of Oman put in place explicit requirements in legislation for adequate sanctions for fraud in insurance and for prejudicing an investigation into fraud.
22 – Anti-Money Laundering and Combating the Financing of Terrorism	No recommendations.
23 – Group-wide Supervision	It is recommended that the FSA: • Complete the mapping of the structure of the one insurance group and take immediate steps to agree on the GWS and approach to group-wide supervision, including whether to establish a supervisory college; and • Establish requirements and develop a framework for the supervision of insurance groups, be it direct or indirect, ensuring that the scope of group supervision covers insurers, holding companies and other unregulated legal entities, as applicable.
24 – Macroprudential Supervision	It is recommended that the FSA: • Complete the establishment of policies and procedures for a macroprudential supervisory framework, including identification of vulnerabilities (inward and outward risks) and systematic analysis of market-wide developments, and execute stress testing; and • Include summary findings on sector-wide risks in its annual report.

25 – Supervisory Cooperation and Coordination	It is recommended that the FSA establish processes and plans for cross-border supervision as home supervisor, giving priority to arrangements for the one insurance group in Oman, and a strategy for ongoing cooperation where it is the other involved supervisor.
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5. Detailed Principle-by-Principle assessment

Table 4: Detailed assessment of observance of the ICPs

ICP 1	Objectives, Powers and Responsibilities of the Supervisor Each authority responsible for insurance supervision, its powers and the objectives of insurance supervision are clearly defined.
Description	<i>Supervisory authority</i> The FSA is clearly identified in primary legislation – in particular Royal Decree No 20/2024, which established the FSA – as the regulatory authority responsible for all aspects of insurance sector regulation and supervision. The FSA is responsible to the Council of Ministers, chaired by the Prime Minister (currently the Sultan). The ICL, issued by Royal Decree No 12/1979, sets out the full legal basis for insurance regulation, assigning powers to the FSA. The TIL, issued by Royal Decree No 11/2016, does the same for Takaful business. Under Article 1 of the AML/CFT Law (Royal Decree No 30/2016), the FSA has a mandate for AML/CFT supervision of the insurance sector. The NCFI is the national Financial Intelligence Unit (FIU). It is an independent authority established under the AML/CFT Law, reporting to the Inspector General of the Police and Customs. Its responsibilities include the insurance sector (see ICP 22). There are no other authorities (or self-regulatory bodies) with responsibilities for insurance sector regulation and supervision. <i>Objectives</i> Article 5 of the FSA Charter, which was issued with and is attached to Royal Decree No 20/2024, sets out the FSA's objectives (in respect of all its responsibilities, including insurance), which can be summarised as: • To establish legislative and regulatory frameworks for the relevant sectors; • To spread awareness amongst society and customers regarding the sectors and activities that are subject to regulation; • To follow up on the compliance of entities subject to its regulation with the frameworks it sets; • To protect the rights of investors and participants by establishing sound and fair dealings between different categories of investors and participants and protecting the confidentiality and privacy of their data; • To establish rules of professional conduct, self-monitoring and discipline amongst all entities subject to its regulation; and • To participate effectively in achieving the goals of development plans and national strategies.

	The FSA lacks an explicit objective in relation to financial stability. It is, however, a member (and provides the Vice-Chair) of the Joint Financial Stability Committee (JFSC) established by the CBO (see ICP 24). In line with its objectives, the FSA is also engaged in (and often leads) initiatives of the Government of Oman and other authorities to develop the insurance sector, provide public education etc. It also has the power, under Article 6 of the FSA Charter, to assist supervised entities in developing their services, creating the appropriate environment for innovation etc. It has a corporate objective to grow the financial sector as a whole. However, in practice, the FSA regards the need to ensure the financial resilience of the sector, for the protection of policyholders etc, as its highest-priority objective. Powers Royal Decree No 20/2024, the ICL and the TIL give the FSA extensive powers to carry out insurance sector supervision and regulation in pursuit of its statutory objectives. They give the FSA general powers to regulate and supervise the financial sector for which it is responsible, as well as the entities operating therein, including persons, legal entities, companies, and services and products associated with them (Articles 5(3) and 6(1) of the FSA Charter). The FSA (or, more often, its Executive President specifically) has powers to: • License insurers (Article 4 of the FSA Charter, Articles 2–11 of the ICL and Article 5 of the TIL) and to carry out supervision (Article 5(3) of the FSA Charter); • Issue regulations and guidelines on issues including solvency, the governance of insurers and risk management practices (Article 63 of the ICL gives the Executive President of the FSA – its chief executive – a general power to issue regulations and decisions necessary for the implementation of the provisions of the law); • Approve transfers of life insurance portfolios (Articles 39–40 of the ICL) and Takaful activities (Articles 49–51 of the TIL), though there are no explicit powers on transfers of general and medical insurance portfolios; • Share information with other regulatory authorities, both domestic and foreign (Article 6(9) of the FSA Charter); • Carry out investigations, intervene with corrective action requirements (for insurers, Articles 29–37 of the ICL and Articles 6–7 of the TIL) and impose penalties for violations of regulations, including fines or sanctions (Articles 53–56 bis of the ICL and Articles 52–53 of the TIL); the FSA may impose penalties on individuals as well as companies, although only in the case of Takaful insurers is it explicitly empowered to bar individuals acting in key roles (Article 8 of the TIL); and
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	• Withdraw a licence and take action to protect policyholders in case of an insurer exiting the market, although most powers are reserved to the court (see ICP 12). The FSA's powers over insurance intermediaries are set out in regulations (the ICL's provisions apply mainly to insurers, while the FSA's objectives and general powers in the FSA Charter apply equally to insurers and intermediaries): • FSA Decision No E/28/2016 Issuing the Regulation of Licensing Requirements for Agents of Insurance Companies; • FSA Decision No E/19/2017 Issuing the Regulation for Insurance Brokers' Business; and • Ministerial Decision No 5/1980 Issuing the Executive Regulation of the Insurance Companies Law. The FSA has no explicit powers to supervise insurance groups. It is reviewing its powers and approach to group supervision following the recent establishment of an insurance group based in Oman (see ICP 23). Primary legislation (such as the ICL and TIL) is made by the Sultan and promulgated by royal decree. The FSA has the authority to formulate and amend its own regulations in areas specified by the primary legislation. The issuance of such regulations requires approval from the Ministry of Justice and Legal Affairs (see ICP 2). Additionally, any regulations that include provisions on FSA's fees and charges require the approval of the Ministry of Finance. The FSA is also empowered to issue Decisions and Circulars, the provisions of which may be directly enforceable (attracting specific sanctions in case of violations) depending on the nature of the material issued. Where it lacks a specific power to issue requirements or wants to elaborate on issues that are the subject of laws or regulations, it may issue a code (it has done so, for example, on corporate governance of insurers and on the conduct of insurance business). In principle, codes set out non-binding requirements. The FSA believes that, where necessary, the provisions of its codes can be enforced by reference to requirements in laws and regulations etc. Insurance market participants noted (in discussions for the assessment) that they regard all the FSA requirements, including those in codes, as binding. <i>Changes in the legislative framework</i> The FSA may initiate or propose changes to primary legislation. Article 6(4) of the FSA Charter gives the FSA the power to prepare draft laws and royal decrees as well as regulations etc. When the need for changes is identified, the FSA drafts the necessary amendments and, after review by the Ministry of Justice and Legal Affairs, sends them to the Council of Ministers for approval and (in the case of a revised law) issuance through a royal decree. For example, Royal Decree No 44/2021 amending the ICL includes amendments proposed by the FSA to include health insurance as a separate insurance activity.
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	In respect to secondary legislation (regulations), the Executive President of the FSA is empowered to issue amendments. For example, the FSA's Decision No E/18/2022 introduced a range of amendments to the Executive Regulation of the ICL, including new risk-based solvency requirements. The FSA is currently working on a wide range of changes to legislation, including (as an example of changes to primary legislation) amendments to the ICL's provisions on liquidation of insurers (see ICP 12).
Assessment	Largely Observed
Comments	Regulatory responsibilities for the insurance sector and associated powers are clearly established in law. The FSA has broadly adequate powers to regulate and supervise both insurers and intermediaries and to take intervention measures as necessary. It does, however, lack explicit powers to undertake group supervision, now part of its responsibilities following the establishment of a domestic insurance group, and it lacks full powers in respect of portfolio transfers and exit of insurers from the market (ICP 1.3). Although the insurance sector poses limited risks to stability at present, the FSA would benefit from an explicit objective to support financial stability (ICP 1.2). This would underpin existing cooperation with other authorities as well as the future development of its macroprudential supervisory work, particularly if the insurance sector develops in scale and complexity in the medium term. It is recommended that: • Primary legislation (the FSA Charter set out in Royal Decree No 20/2024) be amended to give the FSA an explicit objective of supporting financial stability; and • The FSA be given additional powers in respect of portfolio transfers and the exit of insurers as well as powers to support its chosen model of group supervision, such as powers to obtain information directly from holding companies and other group legal entities.
ICP 2	Supervisor The supervisor is operationally independent, accountable and transparent in the exercise of its responsibilities and powers, and has adequate resources to discharge its responsibilities.
Description	<i>Independence</i> The FSA is an independent government agency established by Royal Decree No 20/2024. Article 1 states that the FSA will “enjoy financial and administrative independence and report to the Council of Ministers”. The FSA Charter (attached to the Royal Decree – see ICP 1) sets out its role, objectives and responsibilities as well as its governance arrangements.

	As a government agency, the FSA is subject to wider government policies and procedures: • Any regulations issued by the FSA with provisions relating to its fees require approval of the Ministry of Finance. • Staff salaries are subject to the pay levels for government employees set out by the Ministry of Labour. • In matters of organisation and administration, the FSA must comply with the government's Administrative Apparatus Charter (Article 7 of the FSA Charter), which sets out expectations of public bodies in areas such as budgets, reporting, planning and governance. • The FSA's operations are subject to the examination of the State Audit Institution every four years. However, the FSA is responsible for all regulatory and supervisory decisions under the relevant laws and regulations, and there are no such decisions reserved for the government. It does not have to seek approval from the government of its expenditure or of its internal organisation. It may issue its own regulations and other instruments (see ICP 1) subject to approval of the Ministry of Justice and Legal Affairs, a process generally focused on legal rather than policy issues. The chairman of the Board of the FSA at the time of the assessment was the Minister of the Economy, and other Board members included the Undersecretary of the Ministry of Commerce, Industry and Investment Promotion. However, the role of the Board (Article 8 of the FSA Charter) is focused on the "general policy" of the Authority. The FSA's powers in respect to licensing, supervisory and enforcement decisions are reserved to the Executive President. The Board does, however, adopt the FSA regulations (Article 8(4) of the FSA Charter) and the FSA's budget. The FSA does not have industry representatives on its Board. The FSA is funded entirely by fees levied on premiums paid, fees for regulatory transactions such as licensing and approvals, and investment income. Article 46 of the Executive Regulation of the ICL and Article 105 of Decision No 103/2019 (equivalent regulations implementing the TIL) set the insurer levies at 0.3% and 0.6% of, respectively, life and general/health insurance premiums/Takaful contracts (for regulation and supervision; separate levies fund the Insurance Emergency Fund – see ICP 12). Agents and brokers also pay fees for licensing etc. Accountability The FSA is accountable to the Council of Ministers, chaired by the Sultan in his role as Prime Minister. Under the Basic Law of the State, the Sultan is empowered to make all decisions of state. The Sultan is supported by the Council of Oman (Article 68 of the Basic Law of the State), comprising the Council of State, the members of which are appointed by the Sultan from a pool of experts, and the Shura Council, elected by Omani citizens. The State and Shura Councils may be consulted on insurance-related
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	legislative proposals. However, the FSA is accountable only to the Council of Ministers. <i>Legal protection</i> There is no explicit protection in legislation for the FSA or its staff from legal action taken because of actions they have taken in good faith while discharging their duties. In practice, no such actions have been taken against the FSA or its staff (or against its predecessor body, the CMA) in respect of any of its areas of regulatory responsibility. The FSA has a directors and officers liability insurance policy, which provides coverage in case individuals are sued for relevant actions. <i>Governing body, appointments etc</i> The Board of Directors is the governing body of the FSA (Article 7 of the FSA Charter). Its Chair is appointed by the Council of Ministers, and its other members are chosen by the Chair and approved by the Council of Ministers. The Executive President (the chief executive of the Authority) is also appointed by royal decree. In accordance with the Government of Oman's Administrative Apparatus Charter (Article 11), the term of Board members is three years, renewable once. There are no provisions on dismissal from office in the Administrative Apparatus Charter. No such dismissals (of either a Board member or president before the end of a prescribed term of office) have occurred at the FSA or its predecessor body. <i>Internal governance, processes etc</i> The FSA Charter provides for the Authority to be managed by its Board. Article 8 defines its responsibilities, which include drawing up the general policy to achieve its objectives and taking decisions on regulations and fees. Article 11 sets out the role and responsibilities of executive management, including preparing draft regulations and the FSA's budget for Board approval. While there is a framework of delegated authorities, key decisions are taken by the Executive President. The FSA has been implementing a functional approach to the organisation of its work (see Table 7), ie one that allocates resources by activity (licensing, off-site supervision etc) rather than by sector (insurance, capital markets etc). Extensive retraining has been required. There are risks of a loss of focus on insurance expertise or insurance work. Mitigants include a planning process that commits the FSA to agreed levels of, for example, on-site insurance sector work for the year ahead. The FSA has internal processes for decision taking, for example in cases where the FSA decides to require that an insurer take corrective actions, typically in response to an actual or potential violation of a requirement. The evidence that the FSA's powers are exercisable is developed within the supervision departments and communicated to the insurer. If the insurer's management accepts the supervisory view, the FSA will issue a direction formally requiring action to be taken. Where the insurer disagrees, the FSA (ie the head of the relevant sector, usually Market Conduct & Financial Stability) will make a
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	decision on whether or not to refer the case to the Enforcement Department, which reviews the issue from an independent perspective and initiates action as necessary, starting with a hearing with the insurer. The FSA has a code of conduct for staff (Administrative Decision No 84/2017 Issuing the Code of Conduct for the Employees of the Capital Market Authority, the FSA's predecessor body). In addition to provisions on values and principles, it includes provisions on conflicts of interest such as employees working for third parties or commercial business, which is allowed for Omani nationals only subject to conditions that address potential conflicts (Article 6). Provisions on managing and reporting conflicts of interest are set out in Articles 12–15. The FSA has an Internal Audit Department responsible for reviewing and evaluating the effectiveness of internal controls and operations. It reports to the FSA's Board. <i>Application of requirements and appeals</i> The FSA's internal processes, including the concentration of key decision-making responsibilities in the Executive President and its risk-based supervisory framework, support the consistent application of regulatory requirements. The FSA is open to applications for waivers and modifications of its requirements. Its decisions are not published. The legal framework allows individuals or entities to appeal the FSA's decisions to the courts in case they are not satisfied with the decisions issued by the FSA. For example, Article 7 of the ICL provides for appeals against licensing decisions. The FSA has established an Appeals Committee to review appeals. It has three members, including two judges, one of whom serves as the Chair. The Oman Chamber of Commerce and Industry nominates the third member. The FSA's Legal Affairs Department acts as the committee secretary. Since 2021, the FSA has received four appeals against its decisions. Unsuccessful appellants may take (and have taken) their cases to the courts. <i>Protection of confidential information</i> The FSA Charter provides that employees must maintain the confidentiality of all information to which they have access ex officio. They must not make disclosures outside the FSA except in cases specified in the FSA Charter or by law or by ruling of a judicial authority. The prohibition applies for five years after the end of the person's employment (Article 12 of the FSA Charter). Internal FSA policies emphasise the importance of confidentiality. The code of conduct for employees requires employees to maintain the confidentiality of information (Article 8). There are internal procedures for handling and, in specified cases, disclosing confidential information (see ICP 3). <i>Transparency, publication and consultation</i> Extensive information about the FSA's regulatory framework, policies and enforcement actions is available on its website. It will be publishing corporate documents recording its activities (its predecessor, the CMA, published an
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annual report). The FSA also publishes detailed information on the sector and individual insurers in its annual publication, the Insurance Market Index (fsa.gov.om/Home/EPublications/Publications#page-2).

The FSA prepares financial statements but has not published any information on its financial position (income and expenditure etc) in recent years.

The FSA consults on new requirements, including draft regulatory material. It works with the insurance sector closely through structured processes and plans on the implementation of major regulatory and related initiatives, including the adoption of IFRS 17 and the implementation of new risk-based solvency requirements (see ICPs 14 and 17).

Adequacy of resources

Because it has adopted a functional rather than sectoral approach to its organisation (except for a department dedicated to health insurance), the FSA does not have dedicated staff working on insurance regulation and supervision at all times. The new organisation also hampers comparisons with earlier years regarding staff numbers etc.

Table 5: FSA resources for functional regulation and supervision

Function/Department	Staff numbers (all sectors)
Financial Analysis & Risk Management	15
Examination & Audit	13
Regulating & Licensing Services	8
Consumers & Policyholders Protection	10
Issues & Financial Products	9
Health Insurance	7
Disclosure and Trading Surveillance	7
Enforcement	5
AML & CFT	5
TOTAL	79

The above functions are those carried out in the two key frontline areas ("sectors"): Market Conduct & Financial Stability and Market Prudentials & Development, both headed by a director general/general manager (not included in the numbers above; numbers are for technical staff only). There are additional resources in the Legal Affairs Department, Risk Management Bureau (see ICP 24) and the Executive Office of the Executive President.

	The FSA's resources available for insurance sector supervision have been increasing over recent years. There are some staff who have been at the FSA and predecessor bodies for many years. A small number of staff have insurance professional qualifications from the Chartered Insurance Institute (CII) in London or the Associate in Risk Management (ARM) qualification. The FSA has also been suffering from significant turnover, while its ability to recruit staff with all the required skills and experience has been hampered by the requirements that staff remuneration conform to government norms. There are no qualified actuaries on its staff. The FSA has been responding by using contractual arrangements (for up to three years) to bring in technical expertise. It has, for example, engaged the exclusive services of a qualified actuary employed by an internationally active actuarial consulting practice. It is arranging secondments from other public sector bodies. The FSA is also developing its capacity to automate the analysis of financial information and the processing of regulatory transactions such as approvals (it has already invested in information management systems, for example to facilitate electronic reporting by insurers etc, and analysis of financial information). The FSA is presently able to finance these initiatives from its strong financial position based on income from fees and investments. Outsourcing As noted, the FSA can and does enter into contractual agreements with third parties, who have to be independent from regulated legal entities and agree to (at least as stringent) confidentiality rules and other standards applicable to the FSA's staff.
Assessment	Partly Observed
Comments	The FSA enjoys a high degree of financial and operational independence both in legislation and in practice, balanced by accountability to government and active engagement in government initiatives affecting the insurance sector. However, while supervisory decisions are taken by the FSA Executive Management, decisions on regulations and the budget fall to the Board of Directors, two of whose five members, including the Chair, are government ministers, which is potentially a channel of undue government influence (ICP 2.1). The FSA consults with the industry and engages with sector-wide initiatives, while taking its own decisions on regulatory and supervisory issues. The FSA is transitioning to a new functional organisation (from one based on regulated sectors), which (together with recent high staff turnover and constraints on its ability to pay market salaries) creates a risk that insurance sector work is inadequately resourced (ICP 2.10). The FSA has been unable to complete planned supervisory workplans in recent years. Senior Management are actively mitigating this risk with recruitment, the engagement of specialist expertise under contractual arrangements and increased reliance on automation.

	The FSA is transparent about its requirements and publishes extensive material on the insurance sector. However, it has not published its own financial statements in recent years, nor has it published extensive information on its supervisory processes (ICPs 2.8 and 2.9) and does not publish details of waivers (“exemptions”) given and modifications to its requirements. While the FSA is open to challenge to its decisions, it is at risk from a lack of explicit protection in law from legal action where it has acted in good faith in the exercise of its responsibilities (ICP 2.2). It is recommended that: • The FSA and the Government of Oman review the FSA’s governance and further strengthen the FSA’s high degree of independence from government by appointing independent members of the FSA’s Board – who can be dismissed only for stated causes – in place of government ministers; • Primary legislation be amended to give the FSA and its staff explicit protection in law from legal action where it has acted in good faith in the exercise of its responsibilities; and • When it has completed the transition to its new internal organisation, the FSA publish more information on its supervisory and other processes, including how its decisions are taken and its finances; it should also consider publication of waiver decisions (“exemptions”) where consistent with the protection of confidential information.
ICP 3	Information Sharing and Confidentiality Requirements The supervisor obtains information from, and shares information with, relevant supervisors and authorities subject to confidentiality, purpose and use requirements.
Description	<i>Information-sharing agreements</i> The FSA has powers and competencies to communicate with “counterparts inside and outside Oman, international federations, associations and organisations, joining their membership and exchanging knowledge and experience with them” (Article 6 of the FSA Charter) (see also ICP 1). Also, in accordance with Article 7 of the Securities Law (issued by Royal Decree No 46/2022), which applies to the nine domestic insurers – including one reinsurer – listed at the MSX, FSA “may exchange the results of investigation into violations... with competent entities or counterparties, domestic or foreign regulators...”. Such legislation enables the FSA to establish formal cooperation agreements and MoUs to exchange information, including confidential material, with relevant supervisors. MoUs are approved by the Council of Ministers. The information exchanged is related to the functional, regulatory and supervisory powers of the FSA. MoUs are used, for example, to provide for mutual assistance, including joint inspections or examinations, and also permit participation in the conduct of investigations.

	• The FSA has signed 29 MoUs with domestic and foreign supervisors and other authorities, including the CBO and the NCFI. ◦ Foreign supervisors are mainly located in the Middle East and North Africa, but they are also in the Sub-Saharan Africa region as well as in Asia and Europe. • It has MoUs in place with supervisors relevant for domestic groups (eg in the Gulf region) and in jurisdictions where the parent of the foreign branch in Oman is licensed (“home authorities”) (eg Brunei, UAE, Dubai). In rare cases, such as India, the IAIS MMoU applies. • The FSA is a signatory of the IAIS MMoU since February 2019 (it was signed by its predecessor, the CMA). In addition, it is a signatory of the IOSCO MMoU. The FSA’s website displays a comprehensive list of MoUs and MMoUs, but the MoUs/MMoUs themselves are not published. During the discussions with assessors, the FSA indicated that it would publish summaries. The FSA also exchanges information, upon request, with other supervisors without bilateral agreements (eg Cayman Islands, Isle of Man, Gibraltar, Türkiye), based on the FSA Charter and covered by the IAIS MMoU. <i>Information requested and received by the FSA</i> The FSA requests information related to its functional, regulatory and supervisory powers or that helps it to enforce the laws and ensure safe insurance markets. This includes public and non-public information on insurers and personal data of individuals. The types of information requested include information on licensing, owners/founders, financial soundness, acquisitions/M&As, and fit and proper requirements. Examples of requests to the relevant authorities were provided to the assessors. The FSA’s Decision No 93/2021 on the Policies and Procedures for Maintaining the Confidentiality of Information and Personal Data Exchanged Under Bilateral or Multilateral Memoranda of Understanding (the “Policies and Procedures”) sets out in detail the scope, policies and procedures (with violations and penalties) for maintaining the confidentiality of information and personal data exchanged. The Policies and Procedures are issued by the Executive President of the FSA and binding on the FSA’s staff. • Information exchange is limited to information/data related to the legal supervision of the entities regulated or supervised by the FSA. Its use is limited to the purpose for which the information is requested and the objectives for which the FSA was established (see ICP 1). • It also includes the professional secrecy requirements for the FSA’s staff, even beyond employment (see also ICP 2 – such requirements are also laid out in the FSA Charter and the code of conduct for FSA employees).
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	• The FSA's Organizations and International Cooperation Section⁸ of the Executive Office of the Executive President is responsible for information/data requests. ○ The request has to be submitted to the Organizations and International Cooperation Section in writing, stating the main purpose and the persons that are allowed to access the information/data. The Organizations and International Cooperation Section then contacts the relevant external entity. The Section is also responsible for maintaining the confidentiality and integrity of the received information as well as for record keeping. Item 6 of the "Policies" (second) part of the Policies and Procedures clearly sets out that confidential information/data obtained "shall not be disclosed without the prior written consent..." and that in the event of disclosure to a third party "such third party shall provide guarantees to maintain the confidentiality..." However, the "Policies" part also states, under item 6.a, that the FSA's Executive President "may allow exchange of such information or data... for causes related to the public interest" and, under item 6.b, that information "may be disclosed locally to a third party without consent if compatible with the purpose of the original request, or for the FSA to carry out its law enforcement functions". As explained in discussions with the assessors, the public interest clause is included in Omani regulation to protect the sovereignty of the FSA to execute its powers; in practice the clause has never been applied. Furthermore, in practice, the FSA notes that it always confirms to the requested authority that any information provided will be kept confidential and not be forwarded or disclosed without their prior written consent. Also, while the requirement to resist disclosure in case of non-consent of the requested authority (eg when legally compelled) is not explicitly mentioned in the Policies and Procedures, in practice the FSA would notify the requested authority about a legally enforceable demand, strive to obtain consent and resist disclosure. MoU examples discussed with the assessors include language to this effect. In practice, there have been no such cases. MoU examples also state that requests that have been made other than in writing have to be confirmed in writing within a certain time frame. <i>Information requested from and provided by the FSA</i> The same principles apply where the FSA is sharing information. The FSA's staff are bound by the Policies and Procedures. Confidential information to be shared is restricted to material related to the FSA's supervisory mandate etc, and permissible use by the receiving authority is linked to the purpose of the request. Under item 2 of the "Policies" part, the FSA is obliged to respond to the request for confidential information/data under provisions of the MoUs/MMoUs. The FSA's Organizations and International Cooperation Section coordinates the handling of the request, which needs to be in writing. Requests are reviewed
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⁸ In the past, the Communications, Media and External Relations Department (abbreviated as CMERD) was responsible for such requests, as referenced in the Policies and Procedures document.

	and, in case of denial by the FSA, the reasons why need to be stated to the requester. The requester is required to provide guarantees for the maintenance of the confidentiality and integrity of information/data. In practice (though not mentioned in the Policies and Procedures), the Organizations and International Cooperation Section should acknowledge receipt of the request if a response cannot be given immediately and should ensure a reply to the requesting authority within or no more than two weeks after the date of the request. Under item 5, the FSA is obliged to notify the person (ie a legal or natural person) to whom shared information or data pertains, stating the reasons why, the type of requester, the person's rights and contact information. In the discussion with the assessors, the FSA noted that this notification requirement is superseded by the 2022 Data Protection Law. In the past three years, the FSA has received and responded to a number of general requests from relevant supervisors and authorities for public and non-public information related to insurers or individuals, and has also responded to fit and proper requests. The FSA also shares information, upon request, with other supervisors without bilateral agreements (eg Cayman Islands, Isle of Man, Gibraltar, Türkiye; all are signatories of the IAIS MMoU). As all requests are handled by the Organizations and International Cooperation Section, its responsibility to maintain the confidentiality and integrity of the received information applies.
Assessment	Largely Observed
Comments	The FSA exchanges confidential information with a range of domestic and foreign authorities in accordance with detailed provisions and practices regarding the protection of confidentiality and the purpose of the information requests. Scope, policies, procedures, violations and penalties are clearly outlined in the FSA's Policies and Procedures document. The FSA has 29 MoUs/MMoUs with foreign supervisors and other authorities, although they are not published. They include all supervisors and authorities relevant to the FSA in executing its supervisory mandate. Confidential information is generally protected, but exceptions may be applied regarding sharing information without prior consent (ICP 3.5) and resisting disclosure when compelled (ICP 3.6). However, no such cases have occurred in practice. Requirements for the FSA as both a requesting and requested authority apply mutatis mutandis, but the FSA's processes for checking how the requesting authority preserves confidentiality could be made clearer (ICP 3.4). There are no provisions on the sharing of information on an insurance group (see also ICP 23). It is recommended that the FSA review its policies in order to: Adapt the wording to waive exceptions regarding the sharing and disclosure of information without prior consent;

	- Consider more explicit requirements on the ability of the requesting authority to maintain the confidentiality of information/data received; and - Consider integrating timelines for responses to requests into internal processes.
ICP 4	Licensing A legal entity which intends to engage in insurance activities must be licensed before it can operate within a jurisdiction. The requirements and procedures for licensing must be clear, objective and public, and be consistently applied.
Description	Provisions on the licensing of insurers are set out in the ICL, TIL and Decision No E/31/2007 Issuing the Regulations for the Requirements of Licensing Insurance Business (the “Licensing Regulation”). Although it has received expressions of interest and enquiries from potential new entrants, no new applications for insurer licences have been made to the FSA since 2010. Licensing requirements Under Article 2 of the ICL, the FSA has authority over all entities that operate in the insurance sector. Article 51 of the ICL sets out the FSA’s powers related to authorisation of foreign insurers (those operating as branches in Oman). Chapter 2, Article 5 of the TIL provides the FSA with authority to regulate and issue licences for Takaful insurance activities. Article 2 of the ICL requires all insurers to be shareholding companies established according to the CCL, without any restrictions on foreign ownership. The definition of an insurer covers its branch offices etc. Article 2 also requires all insurers to be formed as public joint stock companies under the CCL. Article 3 of the ICL empowers the FSA to grant the approval of licence applications after assessment and satisfaction of the conditions set out in the article, including requirements for minimum capital and adequate reinsurance and for proper persons to be directors etc. Article 1 of the ICL (as amended by Royal Decree No 44/2021) defines the three insurance activities (general insurance, health insurance, and life and savings insurance) that are subject to the approval of the FSA as well as the insurance classes covered under the three activities. Article 53 of the ICL prohibits operation of insurance without proper licensing. Any unauthorised insurance activity is subject to penalties, including fines of OMR 10,000 (USD 26,000) at minimum and OMR 50,000 (USD 130,000) maximum and imprisonment for three months. There are no exemptions from the licensing requirement for any insurance activity, including insurance provided in Oman by insurers located outside the jurisdiction. However, reinsurance provided from outside Oman to insurers operating in Oman is not subject to the licensing requirement (other

	requirements, including the FSA's Circular No 3/2004 on reinsurance strategy, set conditions on the placement of reinsurance business with foreign reinsurers; see ICPs 13 and 17). Article 4 of the TIL prohibits any person from practising or promoting Takaful insurance activities without authorisation from the FSA. Article 10 sets out licensing conditions similar to those in the ICL. While no new licences have been issued in recent years, there are requirements for regular licence renewals. Under Article 6 of the Regulations for the Requirements of Licensing Insurance Business and Article 13 of the TIL, the term of a licence is five years. The TIL provides that the FSA may renew the licence only if licensing conditions continue to be met. License applications Full documentation showing how the insurer meets licensing conditions is required for a renewal application, which is submitted through the FSA's portal for electronic reporting and subject to automated analysis as well as supervisory review. There is a workflow for approval of licences. The FSA's Regulating & Licensing Services Department is responsible for assessment of the application and recommendation of the decision (approve or decline) to the General Manager, the FSA Executive Vice President and finally the Executive President for approval. The scope, licensing conditions and authorised activities are explicitly documented upon the issuance of the licence. Article 6 of the ICL empowers the FSA to stipulate the form of the application document to be submitted during the application process for a new insurance licence. The FSA requires applicants to include a three-year business plan in their application documentation. Article 6 also allows for rejection of insurance licence applications with appropriate reasons, ie where the insurer has not met the licensing conditions set out in Articles 2 and 3 of the ICL. The reasons for rejection of a licence application must be provided to the applicant. The Licensing Regulation sets out: • Requirements for the submission of licence applications, including provisions for the appointment of the board of directors, business plan and feasibility study, and financial projections, as well as risk management and internal auditing systems (Article 3(14–17)); • The applicable documentation to accompany the submission of a foreign insurer's application; and • The capital requirements for licensing; for example, Article 3(12) requires entities to have adequate financial resources to operate effectively in the insurance sector.
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	<i>Timelines and scope of licence</i> Articles 5 and 6 of the Licensing Regulation mandate that licence applications be processed within 60 days where all relevant application documentation has been submitted, culminating in the publication of the licence application decision in the Official Gazette. Under Article 3 of the Licensing Regulation, the licensing process consists of two stages. The applicant submits the preliminary requirements. Upon receiving initial approval, the applicant is granted six months, extendable, to fulfil the final-stage requirements and, in all cases, the applicant is notified of the reasons for refusal, suspension or restriction of the licence. Article 3 details the process to be followed by the insurer once the licence has been approved. Article 9 requires that, once approved, an insurer has a year to start operations in a least one type of insurance covered by its licence. <i>Lists of insurers etc</i> The Licensing Regulation stipulates that, upon completion of the application process, the decision regarding the application is officially published in the Official Gazette. A complete list of currently licensed insurers is published on the FSA's website: fsa.gov.om/Home/AuthorizedAndAccredited?companyType=2. <i>Procedures for foreign insurers</i> Article 51 of the ICL allows for foreign insurers to operate in Oman through “authorised agents, branches or other affiliate units according to the conditions, provisions and requirements specified by the Executive Regulation”. The FSA noted during the discussions for this assessment that it is no longer licensing new branches of foreign insurers, although renewals of existing licences will still be processed. Furthermore, the FSA confirmed that all insurers are expected to have a physical presence, excluding reinsurers providing services to Omani insurers. The FSA's processes for reviewing licence applications do not include procedures – in the case of a branch or subsidiary of a foreign insurer – for consulting other relevant supervisors.
Assessment	Observed
Comments	The FSA has the adequate powers to license and supervise insurers, and there is a clear process within the FSA for review and approval or rejection of licence applications. In recent years, no new licences have been issued. However, licence renewals are required every five years, and the FSA requires full applications from insurers and carries out reviews of these applications, taking into account its risk assessment of the insurer and experience of its supervision. For foreign insurers, including the one foreign insurer subsidiary, the FSA would

	benefit from input from home supervisors, including at licence renewal stage, as appropriate to the risk assessment etc (ICP 4.8). It is recommended that the FSA introduce internal guidelines for supervisors on consultation with relevant supervisors regarding applications involving foreign owners.
ICP 5	Suitability of Persons The supervisor requires Board Members, Senior Management, Key Persons in Control Functions and Significant Owners of an insurer to be and remain suitable to fulfil their respective roles.
Description	<i>Suitability requirements</i> Suitability requirements and the related powers for the FSA are set out in: • Article 3 of the ICL (for the director general/chief executive); • Article 2 of the Executive Regulation of the ICL, specifying the above ICL requirement, as well as Article 3 (for the actuarial expert, mainly for life and long-term business as further set out in Article 17 of the Executive Regulation of the ICL in combination with Articles 21 and 35 of the ICL); • Article 115 (for board members of domestic insurers) and Article 158 (for the head of internal audit) of the PJSC Regulation; and • For Takaful insurers, Article 16 (for the branch director/individual responsible for the branch), Articles 20–24 (for the board and Chief Executive Officer (CEO)/director general, Chief Financial Officer, compliance officer and senior managers), Articles 57–59 (for the Sharia Supervisory Committee), Article 67 (for the External Sharia Observer) and Articles 81 and 84 (for the appointed actuary) of the Executive Regulation of the TIL. There is additional material in the FSA’s Code of Corporate Governance for Insurance Companies (the “Code for Insurers”) (for board members, CEO/senior management, the internal auditor) and the Code of Corporate Governance for Public Listed Companies (board members and executive management of domestic insurers). Furthermore, the FSA’s internal Rules and Requirements for Appointment in Senior Management and Support Positions in Insurance Institutions set out, with the primary purpose of defining priority positions for Omanis (“Omanisation”), an internal framework for fit and proper assessments applied by the Regulating & Licensing Services Department. They also contain job description cards, with required competence credentials for certain individuals, in the related Annex. <i>Scope</i> The scope of suitability requirements clearly includes the principal manager/CEO as well as board members and executive/senior management (in particular in the ICL/Executive Regulation of the ICL, the PJSC Regulation and the TIL/Executive Regulation of the TIL – see above).

	There is no specific reference to key persons in control functions, nor are such functions explicitly defined in insurance regulation (see ICP 8). As noted above, certain provisions of the framework of laws, regulations etc refer to senior managers (or heads of department), who may include key persons in control functions, as subject to at least a form of suitability requirement. Other provisions apply such requirements to certain individuals (internal auditor or actuary) without referring to them as key persons in the relevant functions. The Code for Insurers (Article 5(7)) helpfully assigns responsibility to boards of directors for ensuring that relevant staff have integrity and competence, but there are no comprehensive provisions bringing key persons in control functions within scope of suitability requirements. There is no particular financial soundness or integrity requirement set out for significant owners in insurance legislation. The only requirement regarding the “ownership percentage and experience of founders” is set out in Article 3 of the Licensing Regulation and in Article 3 of the ICL regarding paid-up capital. The FSA explained in the discussion with the assessors that major shareholders (ie shareholders with 5% or more ownership in a company according to Muscat Clearing & Depository Company) could be considered significant owners. <i>Fit and proper requirements</i> ○ <i>Principal manager, chief executive</i> Article 3 of the ICL, in combination with Article 2 of the Executive Regulation of the ICL, requires a director general or chief executive to hold technical competencies such as a certain degree or CII qualification and 10 years of experience (alternatively, a university degree and at least five years of experience). The Executive Regulation of the TIL outlines more detailed requirements on integrity, including that the person has not been convicted etc (Article 21), as well as requirements on qualifications and experience (Article 22). ○ <i>Board candidates/board members and executive/senior management</i> The PJSC Regulation and the TIL/Executive Regulation of the TIL set out suitability requirements for board candidates/board members and executive/senior management. These include requirements for being “qualified, appropriate and having insurance knowledge” and of good conduct and sound reputation, not having been convicted etc. For Takaful insurers, Articles 20–22 of the Executive Regulation of the TIL set out the requirements on the qualification and experience of the board of directors and the insurer’s executive management. Similar requirements exist for members of the Sharia Supervisory Committee (Articles 57–59) and the External Sharia Observer (Article 67). The FSA’s two codes on governance also set out suitability requirements for board members and senior management, including general requirements on expertise and understanding of the activities of insurers and a requirement to
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	act with honesty, integrity, due skill and care. They do not set out specific suitability requirements such as required qualifications or experience. ○ <i>Key persons in internal audit</i> There are specific requirements in Article 158(3) of the PJSC Regulation that require the head of internal audit to be competent, have at least five years of experience and hold a professional certificate/be a chartered accountant, as well as a general requirement in the Code for Insurers (Article 5(12)) that a person “may reasonably be a qualified and experienced full-time manager”. ○ <i>Key persons in actuarial function</i> The ICL regulates the appointment of an actuary for life and long-term insurance business and provides for termination if the person is not deemed fit and proper by the FSA. Similar competence requirements for the appointed actuary are set out in Articles 81 and 84 of the Executive Regulation of the TIL. ○ <i>Key persons in compliance and risk management functions</i> The compliance officer is only explicitly required to have competence and integrity for Takaful insurers (TIL/Executive Regulation of the TIL, explicitly listed as executive management, and Code for Insurers, as designated senior manager). There are no requirements specific to key persons in the risk management function (which is not a required function; see ICP 8). However, considering the Licensing Regulation (see ICP 4), suitability requirements for all key persons apply in case they are heads of departments. Job description cards exist for both functions. ○ <i>Significant owners</i> There is no definition of a significant owner (or similar concept) in insurance legislation (see the ICP 6 assessment for how the FSA approaches changes in control), nor is there a particular financial soundness or integrity requirement set out for significant owners in insurance legislation. The only requirement regarding the “ownership percentage and experience of founders” is set out in Article 3 of the Licensing Regulation and in Article 3 of the ICL regarding paid-up capital. FSA explained in the discussion with the assessors that major shareholders (ie shareholders with 5% or more ownership in a company according to Muscat Clearing & Depository Company) could be considered significant owners. Furthermore, as part of the AML risk assessment, the AML & CFT Department checks the integrity of major shareholders of domestic insurers and the sources of financing. Such background checks are carried out with an AML perspective, but AML experts coordinate with the Regulating & Licensing Services Department. However, such assessment does not extend to a suitability requirement for significant owners covering their financial soundness (ICP 5.2) and their integrity etc and assessing, for example, whether they have access to capital and would
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	support the financial stability of the insurer. There is also no ongoing suitability requirement (ICP 5.3) for significant owners. <i>Supervisory assessment</i> Suitability assessments are carried out mainly by the FSA's Regulating & Licensing Services Department in respect to board members, senior/executive management and key function holders. Regarding major shareholders, FSA's AML & CFT Department is involved in the assessment of financial integrity, and outcomes are shared with the Regulating and Licensing Services Department. In practice, the FSA approves all persons nominated by insurers for senior management positions, which includes persons responsible for heading control functions. Insurers may not appoint or temporarily engage nominees before obtaining the FSA's approval. The FSA's internal Rules and Requirements for Appointment in Senior Management and Support Positions in Insurance Institutions set out the FSA's expectations. The required professional qualifications are laid out in the so-called job description cards annexed to the Appointment Rules and Requirements, which provide an internal framework for fit and proper assessments. The cards cover the roles of CEO/general manager/regional (branch) manager, compliance officer, internal audit manager, risk management manager, actuary and other senior management functions. They add detailed descriptions of the required qualifications, providing practical guidance for assessing competence. In this respect, the Appointment Rules and Requirements and job description cards operationalise legislation. The FSA also conducts interviews with nominees. Subsequent suitability assessments are carried out in the context of licence renewals (see ICP 4) or when changes, terminations and re-appointments occur. The FSA shared with the assessors examples of rejections. It was also noted that breaches of suitability requirements can be and have in practice been detected during an on-site inspection. The FSA must issue a decision within five working days (15 days for Takaful insurers) after satisfying itself with respect to all the requirements. As discussed with the assessors, in practice, the FSA checks with relevant government institutions on whether, for example, a nominee has a criminal record as part of its work to verify suitability. <i>Obligations of insurers, including changes/circumstances that may (adversely) affect suitability</i> There are requirements in the FSA's two codes: As mentioned, Article 5(7) of the Code for Insurers requires the board to have effective policies and processes in place to ensure that the CEO and other senior managers "have necessary integrity, qualifications, technical and managerial competence and experience" and "satisfy the 'fit and proper' criteria as per the ICL and its executive regulations". However, the term "senior managers" is not explicitly defined in the Code.
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	Article 5(13) of the Code for Insurers requires that the board and its members act with “honesty, integrity, due skill and care”. Furthermore, Article 3 of the Licensing Regulation (see ICP 4) requires suitability at the time of licensing (general manager, chief executive, heads of department, ie all senior managers; life actuary); the same requirements apply when a licence is renewed. Moreover, changes to data/documents in the insurance register must be notified to the FSA (Article 9 of the Licensing Regulation). This includes re-appointments or replacements of board members/senior management, for which a new request must be submitted. While there is no deadline specified in regulation, the FSA expects such notification to occur immediately. Considering the above, the requirements in the Licensing Regulation provide for ongoing monitoring of suitability requirements for board members/executive and senior management. In addition, Article 3(4) of the Code for Insurers requires that the FSA be notified of the reasons for any resignation or removal of an independent director. There are no requirements for insurers in respect to their responsibility for monitoring ongoing suitability of significant owners. <i>(Corrective) action where a person is no longer fit and proper</i> The FSA can take and has taken action in case a relevant person is found to be no longer suitable. Under the ICL, the FSA may terminate the service of the CEO and the life actuary (Articles 16 and 17) and impose a range of penalties (warnings, fines, restricting or suspending individuals from their roles or even revoking licences) in case of non-compliance with the FSA’s suitability requirements (Articles 53–56). Similarly, under the Executive Regulation of the TIL, the FSA may request replacement of board members/executive management “if they fail to meet any of the [outlined] conditions, qualifications and experience requirements” (Article 24). Enforcement actions in case of non-compliance are laid out in Article 53 of the TIL. In discussions with assessors, an example was mentioned where the on-site supervision team got notice of an unsuitable person, liaised with the licensing team and, eventually, the FSA took action to ask the insurer to remove the person from office. <i>Exchanges with other supervisors</i> The FSA exchanges information, mainly through MoUs (see also ICPs 1 and 3), with other authorities within and outside its jurisdiction to conduct comprehensive fit and proper assessments, mainly of board members and executive/senior management.
Assessment	Partly Observed

Comments	Insurance legislation contains general requirements on initial and ongoing suitability of board members and senior management. Insurers are required to assess suitability. However, while there are elements of a suitability framework for key persons in control functions, there are no clear and comprehensive provisions bringing all such persons within scope of suitability requirements in legislation (not including codes) as required by ICP 5.2. This applies to conventional and Takaful insurers as well as to branches of foreign insurers, on an ongoing basis as well as at time of licensing. In addition, the suitability of significant owners is not addressed in insurance legislation. In practice, the FSA nonetheless carries out extensive work on suitability of individuals. It requires insurers to seek prior approval of relevant appointments and assesses nominees through interviews and based on an internal assessment framework. In respect to specific suitability requirements, the FSA's main focus is on competence, and integrity elements are not always equally emphasised (ICP 5.2). In addition, there are no suitability requirements for significant owners in legislation, and the assessment of major shareholders that the FSA carries out in practice is not comprehensive, particularly regarding financial soundness, nor are insurers required to demonstrate significant owners' integrity on an ongoing basis (ICP 5.3). It is recommended that the FSA: • Initiate changes to legislation explicitly to provide for all persons covered by the ICP – including key persons in control functions – to be included within scope of the suitability requirements, elaborating specific requirements covering both competence and integrity; and • Require insurers to include significant owners – clearly defined – in the scope of their ongoing suitability monitoring and elaborate on the evaluation that should be undertaken of financial soundness for both insurers' and the FSA's own assessment work.
ICP 6	Change of Control and Portfolio Transfers The supervisor assesses and decides on proposals: • to acquire significant ownership of, or an interest in, an insurer that results in a person (legal or natural), directly or indirectly, alone or with an associate, exercising control over the insurer; and • for portfolio transfers.
Description	<i>Definition of control</i> The FSA relies on capital markets regulations (Decision No 2/2019 On the Acquisition and Takeover Regulation (ATR)) for insurer change of control purposes.

	This regulation, which applies generally to listed companies and not only to insurers, gives an approximate definition of the notion of control: Article 1 defines terms such as “acquisition”, “takeover” and “offeror”. Under Article 2, the regulation is applicable to ownership by a person, either individually or in participation with others, of: • Not less than 25% of the voting shares in the listed company with the desire to acquire 25% or more of its shares; • Not less than 25% of the voting shares in the listed company with the desire to acquire voting shares of more than 2% every six months from the date of first purchase; or • Not less than 25% of the voting shares in any company having control over the listed company and with the willingness to acquire voting shares in the company of more than 2% every six months from the date of first purchase. In practice, the FSA also takes account of the definition of control in IFRS 10, which is based on power over the investee, exposure or rights to variable returns, and ability to use power to affect the returns. This is not a definition of control that is embedded in the FSA regulations, however. The ATR does not apply to foreign insurers (branches) as they are not listed in Oman. There are no change of control requirements applicable to foreign insurers. <i>Oversight and enforcement of requirements related to change of control</i> Article 8 of the ATR states that the FSA may ask the participant in the takeover bid for any data or information that it may deem necessary. Elsewhere, Article 9 of the Licensing Regulation makes it mandatory to notify and seek approval from the FSA regarding any major amendments made to the data recorded in the insurance register, including information on owners. This applies to both foreign and domestic insurers (Article 4 clarifies that foreign insurers are included in the scope of the requirement to submit such information). Chapter 2 of the ATR (Articles 12–34) sets out requirements related to change of control, including the duties of the offeror and the board of the offeree and the information that should be included in the written notice to be sent to the FSA for the purpose of the change of control. The FSA has experience in receiving change of control requests, including a 2021 case. Relying on the legal basis provided in the ATR, the FSA required the acquirer to provide it with a range of information and data, including the names of the bidders; information on the bidders, including members of the board; the main changes that would be introduced in the acquired company etc. A second set of information and data has to be submitted as part of an analysis report by the independent consultant concerning the change of control operation. This independent consultant is defined as an issue manager licensed by the FSA and appointed by the offeree to provide opinions and
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	recommendations on the bid to the board of the offeree company and to the FSA. Notification of change of control to the FSA Notification of change of control is provided for in Articles 15, 16 and 17 of the ATR. Article 15 states that the offeror shall announce the bid immediately. Article 16 requires the offeror to send early notice in writing to the FSA and to the market with details such as the identity of the offeror etc and terms of the takeover bid. They must then submit the offer document to the FSA. However, the ATR does not require issuers, including insurers, to notify the FSA of proposed or actual changes in control. Demutualisation and conversion of companies This is not applicable as there are no mutual companies and no provisions for conversion from one legal form to another. Portfolio transfers The transfer of all or a part of an insurer's business is subject to study and approval by the court, in this case the Commercial Disputes Settlement Committee as described in Title 6 (Transfer, Bankruptcy and Dissolution of the Insurance Company Portfolio), Article 39 of the ICL. This article details the conditions for transferring all or part of the life insurance business from one insurer to another. The transferring or transferee insurer must apply to the court for approval. This application requires a report from an independent actuary confirming compliance with certain requirements, including publishing a notice in the Official Gazette, informing policyholders, sending the necessary documents and leaving the files available for consultation for at least 30 days. The court can only approve the transfer if the transferee insurer is or will be licensed to carry on the transferred business. In practice, the FSA has had to deal with a non-life portfolio transfer in recent years, but special conditions applied and it was not subject to the FSA's approval. Article 40 of the ICL lists the actions that the court may reserve for itself when making an order under Article 39: • Transfer of all or part of the transferring insurer's commitments or liabilities to the transferee insurer; • Allocation of shares, bonds or similar interests by the transferee insurer as required; • Continuation of legal proceedings originally filed by or against the transferring insurer in the transferee insurer's name; • Dissolution of the transferring insurer; and • Handling of supplementary matters necessary for full project implementation.
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	Under Article 39, when the court makes a decision, the transferee insurer must submit two official copies of the order to the FSA within 30 days. There are no requirements in the ICL for the FSA to be notified in advance of the portfolio transfer being considered by the court or to be consulted as part of its process. These provisions apply to life insurance only, as mentioned. In practice for general and medical insurance activities, the FSA expects to review proposed transfers of portfolios. In the case of life insurance, it would seek to involve itself and take a view in practice through supervisory work, even though the court is the decision-taking body. However, there is no provision for the FSA's involvement in the legislation. Concerning Takaful activities, the TIL states that an insurer that wishes to transfer its activities to another insurer shall obtain the approval of the FSA and adopt the procedures listed in Article 49 of the TIL. Article 50 states that if objections to a transfer plan are raised in writing within 60 days of its publication, the FSA must decide on them within 30 days after the objection period ends; failure to do so within this time frame results in the objection being deemed rejected. Finally, Article 51 of the TIL states that the FSA shall, after deciding on any objections, approve the transfer plan (including any modifications in response to the FSA's requirements).
Assessment	Partly Observed
Comments	While the capital markets regulations equip the FSA with a tool to regulate changes of control, for domestic insurers, the definition of control provided does not meet all the requirements in the ICP, and reliance on capital markets regulations rather than an insurance-specific framework means it is not applicable to all insurers. The key threshold in the ATR, while appropriate to takeovers, is 25%, and there are no other thresholds, even for notification to the FSA, for proposed acquisitions of significant shareholdings such as one that takes the acquirer over 50% (ICP 6.1). The notification of change of control is not a requirement for insurers themselves (ICP 6.2). The FSA relies on insurers' quarterly reports to ascertain whether there has been a change in ownership. Moreover, there is a need to align regulation of life and other insurance activities in respect to portfolio transfers (ICP 6.4), taking into account the different provisions of the TIL. There should be a provision in law for the FSA to have a role in respect to policyholder protection issues, even if decisions are taken by the court. The FSA noted that it was already working on legislative reform at the time of this assessment. It is recommended that: • The FSA introduce requirements applicable to all insurers for notification and approval of changes of control at appropriate levels of ownership; and • The FSA and the Government of Oman revise the law and practice on portfolio transfers in order to ensure that the FSA has a role in this process.

ICP 7	Corporate Governance The supervisor requires insurers to establish and implement a corporate governance framework which provides for sound and prudent management and oversight of the insurer's business and adequately recognises and protects the interests of policyholders.
Description	<i>Regulatory framework</i> Article 63 of the ICL empowers the FSA to issue regulations and supervise all insurers incorporated in Oman and branches of foreign insurers. Article 23 of the ICL outlines specific corporate governance requirements pertaining to financial statements or reporting and details what is expected and required from all insurers. Article 2 of the ICL requires that all insurers be formed as public joint stock companies in accordance with the CCL. This has the effect of requiring them to be listed on an exchange. The FSA is reviewing this requirement in the light of the recent development of an insurance group in Oman (see ICP 23). It does not apply to foreign insurers that establish branches in Oman. Article 20 of the CCL requires insurers, being public joint stock companies, to abide by corporate governance principles and guidance issued by the FSA and applicable to all such companies. This article gives the FSA authority to develop corporate governance principles. Due to the requirement for listing, the Code of Corporate Governance for Public Listed Companies is relevant for domestic insurers. Articles 281 and 288 of the Executive Regulation of the Capital Market Law (ERCML) (Decision No 1/2009) require that all listed companies (and therefore domestic insurers) issue a corporate governance report as part of their annual financial statements and that an external auditor provide an audit opinion on the corporate governance report. Article 5 of the Code for Insurers outlines the requirements for a chapter of the insurer's annual report to be dedicated to a report on corporate governance and details the requirements on disclosure in this report. <i>Structure, governance and functions of the board</i> Articles 3 and 4 of the Code for Insurers outline the requirements on the composition of the board of directors. The board is required to comprise a majority of non-executive directors, with at least one third (and at least two members) as independent directors. These members are expected to be disclosed in the insurer's annual report. Furthermore, the roles of the CEO and the chairman of the board shall not be combined. The required functions of the board of directors are set out in detail in Article 5 of the Code, covering: • Approving the business plan; • Establishing strategy;

	• Approving the risk management strategy and policies; • Approving the reinsurance management strategy; • Establishing management structure and responsibilities; • Establishing systems for internal control; • Overseeing policy, strategic implementation and business performance; • Ensuring compliance; and • Establishing an internal audit function. Article 10 of the Code outlines the board committees expected to be set up to support the board in the effective discharge of its responsibilities. Article 6 and Annex 2 outline the establishment and functions of the audit committee. The 2015 Code of Corporate Governance for Public Listed Companies also sets out requirements on board governance for listed companies, which include insurers (Eighth Principle). It also sets out requirements for individual directors on standards of professional conduct, including professionalism, due diligence, integrity and freedom from conflicts of interest (Annex 2). <i>Corporate culture, business objectives and strategies of the insurer</i> Article 23 of the ICL outlines specific corporate governance conduct pertaining to annual general meetings, regular periodic disclosure and material disclosure requirements. Article 5 of the Code for Insurers includes requirements on the insurer's strategy and objectives, which are included in the responsibilities of the board (see above). There are no specific requirements imposed on the board to oversee the remuneration of senior management (ICP 7.6). <i>External audit</i> Article 7 of the Code for Insurers requires that an external auditor be appointed at an annual general meeting. In Section 2 of the CCL, Articles 219–226 set out a requirement for external audit for listed companies. <i>Duties of senior management</i> FSA regulations provide for the board to exercise oversight of senior management. Article 9 of the Code for Insurers outlines requirements relevant for all insurers with respect to the requirements on roles and responsibilities of senior management, which include: • Policy formulation; • Business plan implementation; • Board reporting; and • Compliance with laws and regulations.
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	Key persons in control functions Annex 1 of the Code for Insurers outlines in detail the functions and duties of the internal auditor. Article 17 of the ICL imposes a requirement on insurers undertaking life insurance to appoint an actuary within one month of operation. Articles 146 and 147 of the ERCML require companies to appoint a compliance officer and detail the functions and duties of the compliance officer. As noted in the assessment of ICP 8, a risk management function is not required and there is therefore no requirement related to defining the responsibilities of the key persons in the function. There are no requirements for the board to ensure that clearly defined roles and responsibilities are allocated to the key persons in control functions or to senior management and the board itself. Although there are requirements for the board and senior management regarding standards of ethics and professional conduct, these do not extend to developing a sound corporate culture, generally including risk culture. Remuneration Listed companies are subject to a requirement for the board of directors to determine the remuneration of directors. Article 6 of the Code for Insurers empowers the audit committee to approve remuneration of its members. However, there are no requirements that the board adopt and oversee the implementation of a remuneration policy that does not induce excessive or inappropriate risk-taking and that applies to the full range of major risk-taking staff. Supervisory review Included in the ongoing supervisory review (and licence renewal every five years) is the assessment and review of the insurer's corporate governance to ensure its sound and prudent implementation. Supervisors assess the board's composition and its function in terms of corporate governance requirements, senior management etc. Supervisors meet with members of the board and heads of control functions, depending on the scope of the supervisory work and risk assessment. Groups and branches There are no specific requirements on insurance group corporate governance. A new insurance group has recently been established, and supervisors have not yet reviewed how governance operates at the group level, covering group-wide risk management and controls etc. Article 2 of the Code for Insurers provides that the parent insurer's corporate governance arrangements may satisfy the requirement for effective high-level controls over a branch. The FSA may take action to verify this but does not do so in practice at present. Foreign insurers are, however, required to appoint a
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	responsible manager of the branch (Article 16 of the ICL), and supervision work on branches may include governance issues.
Assessment	Largely Observed
Comments	Requirements on key issues, including the roles and responsibilities of the board and senior management, are set out in material issued by the FSA, mostly in the form of codes but underpinned by requirements in legislation. The fact that domestic insurers must be listed on an exchange ensures that a wide range of governance requirements apply to insurers. For branches of foreign insurers, the FSA relies mostly on the parent's governance. The FSA's supervisors include governance arrangements in their supervisory reviews, although at present the focus is mostly on compliance aspects. There is scope to develop their assessment of the effectiveness of governance in practice, building on their existing discussions with insurers' board members and senior management. There are some gaps in the framework for requirements and supervisory work, particularly board oversight of remuneration arrangements (ICP 7.6) and the development of sound corporate culture (ICP 7.10). There are no requirements on (or supervisory approach to) group governance. The FSA's expectations on remuneration policy are focused on board remuneration – not executive remuneration – and do not explicitly address risk implications. It is recommended that the FSA: • Further develop supervisory practices to assess the effectiveness of corporate governance arrangements, including at the group level; and • Develop requirements for insurers' boards to put in place remuneration policies addressing the risks from variable remuneration etc and to foster sound corporate culture.
ICP 8	Risk Management and Internal Controls The supervisor requires an insurer to have, as part of its overall corporate governance framework, effective systems of risk management and internal controls, including effective functions for risk management, compliance, actuarial matters and internal audit.
Description	<i>Effective risk management system</i> Article 5(3) of the Code for Insurers requires the boards of directors of insurers to establish a risk assessment and management strategy. The board should ensure that the risk management system can identify, measure, monitor and control risks. It should cover all material risks and be appropriate to the insurer's level of risk tolerance (ie risk appetite). The board should review the insurer's risk management policy at least annually (Article 5(10) of the Code).

	There is no explicit requirement for the system as a whole to be documented, although there are requirements to document aspects such as the approach to reinsurance (Circular No 3/2004 on reinsurance strategy). Article 9(2) of the Code for Insurers requires the senior management of insurers to implement board-approved policies, plans and strategies by putting in place processes, internal controls, risk management and other procedures. Article 3(17) of the Licensing Regulation requires the details of risk management systems to be shared with the FSA at licence application stage. Effective system of internal controls Article 5(11) of the Code for Insurers requires the board to establish systems of internal control and stipulates process and procedures to be followed. These should address: • Underwriting of insurance business; • Valuation of technical reserves (policy liabilities); • Investment and liquidity; • Risk management systems; • Reinsurance management and reinsurance recoveries; • Accounting procedures, reconciliation of accounts, control lists and information for management; • Checks and balances; • Safeguarding of assets and investments, including their physical control; • Fair treatment of customers; • Issues of organisational structure, ie delegation of authority, duties and responsibilities, decision-making procedures, separation of critical functions etc; and • Outsourced functions, if any, as though these functions were performed internally. The board is required to receive reports on the effectiveness of controls and to oversee the work of the internal and external auditors on the operation of controls. It must also undertake its own assessment of the effectiveness of controls annually (Article 5(11) of the Code). There is no comprehensive requirement for the system of internal controls to be documented. Control functions There are no comprehensive requirements for the establishment of appropriate control functions by insurers. While there are certain requirements relating to individual functions, with the exception of risk management (see below), the requirements do not provide for all control functions to have the necessary authority, independence and resources, nor are there are requirements on the
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	appointment, performance assessment, remuneration, discipline and dismissal of the heads of control functions. ○ <i>Risk management function</i> The requirements on risk management do not provide for insurers to establish a function or otherwise to appoint a person responsible for risk management. In practice, the FSA expects insurers to have such a function, proportionate to their size and risk profile, and it appears that many do, but the FSA does not require such a function with clear and appropriate roles and responsibilities. The FSA assesses risk management in its supervision and monitors changes in the head of risk management (and other senior management) as one of its risk indicators in risk-based supervision. ○ <i>Compliance function</i> Article 5(15) of the Code for Insurers requires the board to appoint a compliance officer and sets out required roles and responsibilities. There is also material in Articles 146 and 147 of the ERCML and in the AML/CFT Law applying requirements for a compliance officer to all listed companies, including domestic insurers. There is no explicit requirement for the independence of compliance work, nor does the set of responsibilities set out in the Code include assisting the insurer in promoting and sustaining a compliance culture. Again, the FSA would expect insurers to have at least one person responsible for compliance work. ○ <i>Actuarial function</i> Article 17 of the ICL requires that every insurer doing life insurance business appoint an actuary. Article 3(8) of the Licensing Regulation requires the details of the insurer's actuary, including their qualifications. The requirement for Takaful insurers specifies only that an actuary must be appointed (Article 18 of the TIL). The FSA assesses the effectiveness of actuarial work in its supervision of the financial condition of insurers. The FSA is working on a new set of requirements for actuaries that would define roles and responsibilities in the same way it has done in the Code for the internal audit. ○ <i>Internal audit function</i> Article 5(12) of the Code for Insurers requires the board to appoint an internal auditor and establish an internal audit function. Annex 1 of the Code sets out in detail the expected functions and duties of the internal auditor. Outsourcing of material activities or functions Article 5(11) of the Code for Insurers requires that internal controls address outsourced functions as though these functions were performed internally. There are no detailed requirements on what is required in practice regarding the oversight of and accountability for outsourced activities, where material. Although insurers are not required to notify the FSA of new outsourcing arrangements, the FSA is aware that they do outsource certain activities (including IT, human resources management etc) as well as control functions,
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	including actuarial work. For outsourced internal audit work, Annex 1 of the Code sets out requirements on the outsourcing contract. The FSA may have regard to outsourced services in its supervision but lacks full powers (see ICP 9). Groups There are no requirements that address the risk management system and internal controls that should be put in place by an insurance group.
Assessment	Partly Observed
Comments	There are extensive general requirements, mostly in the Code for Insurers, on risk management and internal controls, assigning detailed responsibilities to the board and senior management. The FSA includes an assessment of risk management and controls in its supervision work. Insurers are required to manage all material risks and to put in place internal controls, and there are particularly extensive requirements on internal audit. Documentation requirements are limited, however, and there are no requirements on (or supervisory approach to) group-level risk management and controls. There are no requirements on (or well developed supervisory approach to) the risk management function (ICP 8.4), while all functions except internal audit lack explicit requirements to have the necessary authority, independence and resources (ICP 8.3). There is only a high-level requirement on insurers' management of outsourcing arrangements (ICP 8.8), which lacks requirements on, for example, board responsibility for outsourcing policy and the scope of such policies (and there is limited supervision of outsourcing). It is recommended that the FSA: • Develop requirements for insurers to establish a risk management function and to ensure that all control functions have the necessary authority, independence and resources; • Set out detailed requirements on the oversight of and accountability for outsourced material activities of insurers, including the scope of outsourcing policies and board responsibilities; and • Further develop supervisory practices to assess the effectiveness of risk management and controls, including at the group level.

ICP 9	Supervisory Review and Reporting The supervisor uses off-site monitoring and on-site inspections to: examine the business of each insurer; evaluate its financial condition, conduct of business, corporate governance framework and overall risk profile; and assess its compliance with relevant legislation and supervisory requirements. The supervisor obtains the necessary information to conduct effective supervision of insurers and evaluate the insurance market.
Description	<i>Framework for supervisory review and reporting</i> Royal Decree No 20/2024, which established the FSA, includes as a key objective that it oversees compliance by insurers and intermediaries with legislative and regulatory frameworks, ensuring their efficient operation (Article 5). Additionally, the FSA is responsible for conducting administrative investigations into any incidents or actions that breach this law, its regulations or instructions issued by the Authority (Article 6). It is empowered to take all necessary measures to enforce applicable laws, regulations, decisions and instructions. These measures include conducting inspections of regulated legal entities, both on-site and off-site, and outsourcing tasks to external parties. The FSA may also employ automated systems for electronic monitoring and compliance (Article 6). The FSA also has the power, under Article 9 of the Regulation for Implementing the ICL, to require any information or explanation that may be necessary for its supervisory activities. The TIL (Article 5) further mandates the FSA to supervise, control and inspect insurers to ensure their compliance with the provisions of the law and its regulations. The TIL also authorises the FSA to conduct the necessary administrative investigations into any facts or behaviours violating the law etc. Furthermore, Article 18 of the ICL outlines the requirements and responsibilities of insurers related to financial reporting and accounting practices. In particular, every insurer must prepare an annual statement of revenue, balance sheet, and profit and loss account based on their accounting records. Insurance supervision is the responsibility of the FSA's Market Conduct & Financial Stability Sector, which comprises five departments (Examination & Audit, Financial Analysis & Risk Management, Disclosure & Trading Surveillance, AML & CFT and Enforcement). It is staffed by 44 people with qualifications in various fields such as internal audit, AML, legal and accounting (including the Association of Chartered Certified Accountants (ACCA)). The Financial Analysis & Risk Management Department is responsible for off-site work and the Examination & Audit Department conducts on-site work. The Market Conduct & Financial Stability Sector departments use documented guidelines to allow for supervision work to be carried out consistently. Reports are reviewed by the FSA's line management before being sent to insurers, which may provide comments and challenge to the FSA's conclusions. Insurers also

	have the right to have their views formally heard by the Authority. They may also appeal against the FSA's decisions (see ICP 2). Group perspectives The framework does not provide for group supervision. Supervisory plans The FSA uses key risk indicators (KRIs) to evaluate underwriting, claims, market, credit and operational risks. These are rated on a scale of 1 to 5 and the ratings used to develop targeted supervisory plans for each insurer, usually concentrating on key issues such as performance, reserving and investments, claims management and governance frameworks. Additionally, an annual inspection plan is developed for the entire sector by the Examination & Audit Department, based on the analysis of the Financial Analysis and Risk Management Department (see also below) and approved by the FSA's Executive Vice President. For example, in 2023, the inspection plan targeted work on high-risk insurers identified through various indicators, including market share, portfolio changes, loss rates, complaint volumes and financial performance over multiple years. The plan also included specialised inspections for selected insurers and brokerage firms, focusing on selected technical aspects. Review of outsourced material activities or functions The FSA's on-site work includes reviews of an insurer's outsourced activities to verify the veracity of the information provided. The Authority verifies the contracts between the parties involved and the renderings. However, the FSA does not have powers to undertake direct supervision of the outsourced activity, including making visits to the outsourced services provider, if necessary. It does not carry out such work in practice. Supervisory reporting Chapter 2 of the Executive Regulation of the ICL outlines supervisory reporting requirements. Under Article 8, insurers must provide the FSA with detailed reports on their liabilities for both life insurance and general insurance operations, including statements of funds retained by the insurer to cover these liabilities. For domestic insurers, these statements must be submitted at least one month prior to the general meeting, while for foreign insurer branches, the deadline is February of each year. This reporting has to be prepared in accordance with Annexes 3, 4, 5, 6 and 7 of the Executive Regulation of the ICL, and each one must bear two signatures, one from the manager of the insurer and the other from the auditor (in case of general insurance) or the actuary (in the case of life insurance). Furthermore, each insurer must file with the FSA unaudited quarterly reports immediately after approval by the board of directors or within 30 days from the end of the quarter, if earlier.
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	Article 9 of the Executive Regulation of the ICL sets out detailed information required the use of templates set out in annexes: • Balance sheet (Annex 8) and separate balance sheets for life and general insurance, where applicable; • Profit and loss accounts (Annex 9); • Allotment of profits accounts (Annex 10); • Revenue and expenditure account for ordinary life assurance branch (Annex 11); • Revenue and expenditure account for the funds creation branch (Annex 11); • Revenue and expenditure account for the general insurance branch (Annex 12); • Statement of ordinary life assurance and industrial insurance premiums (Annex 13); • Statement of general insurance premium distributions branch-wise (Annex 14); • Statement of inward and outward reinsurances (Annex 15); and • Particulars of the funds and liabilities of the domestic insurer abroad (Annex 16). Article 9 also refers to the need for insurers to report a solvency margin computation supported by documentary evidence, separately for each of the general insurance, life insurance and health insurance activities. Annex 18 (Fifth) of Decision No E/18/2022 amending the Executive Regulation of the ICL requires insurers to submit with their insurance returns a solvency margin report audited by the external auditor. In relation to corporate governance arrangements, insurers are required to include in their annual report, for submission to the FSA, a separate chapter on corporate governance in compliance with Article 12 of the Code for Insurers (Annex 3 of the Code lists the items to be covered in the report). A similar corporate governance report is also required of Takaful Companies under Article 38 of the TIL. Moreover, the FSA may require any other information or explanation that may be necessary, and all balance sheets, accounts and particulars mentioned above must be signed by the insurer's manager and auditor (actuary in the case of life assurance). However, the following aspects are not addressed: • Requiring insurers to report on any material changes or incidents that could affect their condition or customers; • Setting out the accounting and auditing standards to be used for supervisory purposes; and • Requiring insurers to correct inaccurate reporting as soon as possible.
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	Under Article 10 of the Executive Regulation of the ICL, foreign insurers shall submit a copy of the balance sheet, revenue and expenditure account, profit and loss account, reports of the insurer's liabilities, and other information that needs to be furnished to the parent company's supervisory body in compliance with the provisions of the laws of their jurisdictions of origin. (If the parent insurer is not required to submit such reports, then the branch must submit statements of assets and liabilities and revenue and expenditure using the template applicable to domestic insurers under the Executive Regulation of the ICL.) Requirements concerning the external audit opinion on the annual financial statement are set out in Article 16 of the Executive Regulation of the ICL. There are also requirements that are set out in Articles 22 and 23 of the ICL. Supervisory reporting requirements for Takaful insurers are set out in Article 37 of the TIL and in Article 15 of the Investment of the Assets of Insurance and Takaful Insurance Companies Regulation (Insurance Investment Regulations). Insurers shall submit to the FSA quarterly reports and an annual report on their activities and the results of their operations, including data that discloses their performance and financial position, as determined in the regulations. Off-site monitoring The Financial Analysis & Risk Management Department is responsible for collecting quarterly reports from insurers, including financial data, performance metrics, accident reports, investment summaries, and accounts payable and receivable for both insurers and brokers. It analyses the data and monitors insurers' health and compliance, assessing each insurer's stability and operational integrity and identifying emerging risks and market trends. The off-site analysis undertaken in the Financial Analysis & Risk Management Department aims to assess financial soundness. It considers both quantitative indicators, such as profitability measures and dividend distributions, and qualitative indicators, including changes in senior management and business continuity capability. It examines transactions with related parties. Off-site monitoring may be comprehensive or partial, determined by insurer reports and analysis. The FSA's supervision plan specifies details, required information, timing and human resources. After the off-site review, results are sent to the insurer's board, which must respond with comments and supporting documents. An action plan to address the findings must be submitted, and its implementation is monitored by a supervisor. In discussions for this assessment, the FSA supervisors highlighted, as an example of off-site work leading to supervisory action, how they have identified cases of under-reserving for insurance liabilities and required insurers to increase reserves. Also, for this assessment, assessors reviewed selected reports on the results of the initial preliminary examination of two insurers. The reports highlight the findings of the off-site monitoring (including assessment of risks and funds deposited with the Authority to offset technical provisions, solvency etc). They set out the gaps between data provided by the insurer and the supervisors' calculations of technical provisions etc. They report findings and invite the
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	insurer to answer the Authority's questions and draw up an action plan within seven days of receipt of the report. On-site inspection The Examination & Audit Department develops detailed on-site work plans between September and October each year based on KRIs assessed by the off-site team (Financial Analysis & Risk Management Department), prioritising insurers and brokers with higher risks. The scope of the work depends on the KRIs, and on-site work can be either comprehensive or focused on a particular issue. Additionally, the FSA checks compliance with general company legislation. Before each on-site inspection, the FSA shares a detailed List of Requirements (LOR) with each insurer, outlining specific areas of focus and expectations with information on visit timing. The on-site supervision team (Examination & Audit Department) carries out on-site inspections of two to three insurers per year, depending on the staff available. The outcome of their on-site work is a report outlining corrective actions required of the insurer. The report is produced within two months and shared with the insurer. The insurer has one month to respond to any questions or remarks identified by the FSA. Supervisory feedback and follow-up The FSA maintains detailed documentation of on-site findings, highlighting areas where insurers need to take corrective actions to improve their operational and financial practices. After on-site work, the FSA engages directly with insurers to present findings, clarify concerns and establish the corrective measures required of the insurer. In cases of non-compliance, warning letters or penalties may be issued, emphasising adherence to the FSA regulations under the ICL. Additionally, the FSA follows up on recommendations each half year to ensure compliance and improvement.
Assessment	Largely Observed
Comments	The FSA maintains a well-defined framework for supervisory review and reporting. The supervision plan is developed collaboratively by the relevant FSA teams, based on a risk assessment that relies on an extensive range of risk indicators, which are regularly updated and cover business conduct as well as prudential issues, and ratings of insurers. A wide range of supervisory information is collected from insurers on a regular basis and is subject to thorough analysis and review by off-site supervisors, with internal reporting of the issues and concerns that arise as well as feedback to insurers. On-site work is limited to two to three insurers a year but appears to be thoroughly executed, leading to requirements for insurers to take corrective actions.

	While the FSA is on a journey to a fully risk-based approach, communications to insurers focus at present more on compliance issues, and there is scope to highlight more risk-related findings and key messages for insurers' senior management. There is no reporting of group-wide information or a group-wide supervisory process yet (see also ICP 23). The FSA assesses risks relating to outsourcing by insurers but does not have powers in respect to outsourced service providers, nor does it undertake supervisory work on them in practice (ICP 9.3). While insurers are expected to report to the FSA material changes or incidents that could affect their condition or customers (ICP 9.4), there are no requirements for them to do so. It is recommended that the FSA: • Extend its supervision framework to provide for group supervision, reflecting the recent establishment of a domestic insurance group; • Strengthen its approach to the supervision of outsourced service providers and introduce a requirement for insurers to report on any material changes or incidents; and • Develop its supervisory communications to insurers to better highlight concerns over risk and risk management, strategy etc as well as compliance issues.
ICP 10	Preventive Measures, Corrective Measures and Sanctions The supervisor: • requires and enforces preventive and corrective measures; and • imposes sanctions, which are timely, necessary to achieve the objectives of insurance supervision, and based on clear, objective, consistent, and publicly disclosed general criteria.
Description	<i>Insurance activities without the necessary licence</i> Unauthorised insurance activities by insurers and intermediaries are prohibited under the ICL. Article 3 of the ICL empowers the FSA to grant the approval of licence applications after assessment and satisfaction of the conditions set out therein, and Article 2 makes it illegal to practise insurance activities without a licence from the FSA. Article 53 provides penalties for those who do so, and Article 56 sets out fines and terms of imprisonment for any person practising (in person or by proxy) any insurance act without a licence or representing unlicensed insurers, including where the person works as a broker or agent of such an insurer. The penalty is issued by a decision from the Executive President of the FSA or his representative based on the investigation of the Authority. The government's prosecutor service also has the power to penalise an insurer for conducting insurance activities without a licence. The FSA notifies prosecutors when it becomes aware of such activity.

	In practice, the FSA relies on complaints or/and whistleblowing to identify unlicensed entities. On-site inspections are also used to identify unlicensed entities by checking transactions carried out with intermediaries. In practice, the FSA rarely identifies unlicensed insurance activity, but it has acted in cases when it has done so. <i>Preventive and corrective measures</i> Under the ICL, the FSA may use its powers in respect to preventive and corrective measures in the following cases (Article 29(1)): • If the FSA deems it desirable in order to protect policyholders from the risk of the insurer's inability to meet its obligations or (in case of life insurance) achieve reasonable purposes related to current or potential policyholders in the future; • If the FSA deems that the insurer failed to meet an obligation to which it was subject under the law; • If the FSA finds that the insurer submitted misleading or incorrect information to the Authority; and • If the FSA finds that the insurer did not and will not take adequate measures to reinsure risks where necessary. According to Article 29(2) of the ICL, FSA's powers shall also be exercised when: • For general insurers, the FSA was not reassured that the insurer is able to meet its debts; and • For life insurers, the FSA was not reassured that the assets backing insurance liabilities are adequate to meet solvency requirements. The measures that the FSA can take are then set out in the ICL. A key provision is Article 37, which empowers the FSA to compel an insurer to take procedures to protect current or potential policyholders from the risk of the insurer's inability to meet its obligations. The FSA may direct an insurer to take appropriate action to safeguard policyholders, including in practice restricting its scope of activities or issuing a directive to enhance its financial position. In addition, Article 30 of the ICL stipulates that the Executive President may prohibit the insurer from: • Exercising any type of insurance or issuing a specified type of insurance policy; and • Making any amendment to any of the insurance contracts of a specified type concluded during the exercise of general insurance operations and valid at the time of issuance of the prohibition. It has not exercised these powers in practice. Articles 31–34 of the ICL list the FSA's powers with regard to the rules governing the investment of insurer assets, including the power to require an insurer to align its investment policy with that determined by the FSA.
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	Article 35 of the ICL sets out preventive powers specifically for life insurance. The FSA may require an insurer to submit a report on the actuary's examination of its financial position (including the evaluation of its liabilities). The FSA may also oblige the insurer to prepare a financial report demonstrating the resolution of difficulties identified, due within 12 months. Additionally, within the scope of life insurance, the FSA may direct a re-examination by the insurer's actuarial consultant (at the expense of the insurer) if it appears that their report does not accurately reflect the financial situation of the insurer (Articles 18 and 19 of the Executive Regulation of the ICL). The FSA also has powers under the CCL to take actions if a company undertakes any act that prejudices the interests of its shareholders, dealers or creditors, or if there is a threat to the stability of the capital market. They include powers to dissolve the board of directors and appoint a temporary board. These powers are not, however, specific to the insurance sector and are not based on risk to policyholders. They do not apply to foreign insurers' branches. Under Article 8 of the ICL, the FSA may withdraw an insurer's licence for specified reasons, including that the conditions for licensing specified in Articles 2 and 3 of the ICL are not met and that the insurer's solvency is insufficient. In all cases, the FSA must notify the insurer in writing of its decision to withdraw the licence. The FSA has additional powers in respect to the resolution of an insurer (see ICP 12). For Takaful insurance, the TIL sets out the FSA's powers and responsibilities. Under Article 6, the FSA may, if it deems it necessary for the protection of the participants or potential participants: • Conduct administrative investigations into violations of the TIL, regulations and instructions; • Commission the insurer's actuary (or another actuary paid by the insurer) to assess its financial status, assets, liabilities and related activities, submitting a report to the Authority as required; • Require the insurer to prepare and submit a report on its family Takaful insurance activities within specified deadlines; • Appoint an observer to the insurer's board of directors, allowing participation in discussions and opinions without voting rights; and • Dissolve the insurer's board of directors if necessary, appointing a Steering Committee until a new board is elected. Article 7 of the TIL sets out the circumstances in which the FSA may exercise the powers in Article 6, including when it deems action necessary to protect participants from the risk that the insurer will not be able to meet current or anticipated claims. It has not exercised these powers in practice. <i>Assessing the effectiveness of the insurer's actions</i> While Articles 34 and 37 of the ICL and Article 6 of the TIL give the FSA powers to compel action to protect policyholders, there are no requirements for insurers to report on their implementation of the FSA's orders and actions.
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	In practice, the FSA follows up on the recommendations it has made to insurers. If they are not implemented, the FSA applies the sanction procedure provided for in Articles 53 and 54 of the ICL. Escalation of actions The FSA escalates its intervention, if necessary, to reflect the response of the insurer. Once its supervisors have identified an area of concern or violation, it often requires the insurer to submit a plan to rectify its situation and mitigate risks. If the plan is inadequate or the insurer does not agree to take the necessary action, the FSA may then decide to take enforcement action. Escalation is handled on a case by case basis. There are no provisions in law on how the FSA should escalate, and there are no internal procedures for determining when preventive or corrective measures should be used and how and when the FSA actions should be escalated. Sanctions There are extensive provisions for the FSA to impose sanctions in case of violations of regulatory requirements. Article 56 of the ICL sets out a general provision that violations of the ICL shall be punished by a fine not less than OMR 10,000 (around USD 26,000) and not exceeding OMR 100,000 (USD 260,000). Other articles set out penalties for specific offences, for example: - Article 53 sets penalties of not less than OMR 10,000 (around USD 26,000) and not exceeding OMR 50,000 (USD 130,000) and/or imprisonment for a period of three months for violations including unlicensed insurance activities (see above) and the inclusion or deliberate use of false information in financial statements or reporting to the FSA. These penalties may be applied to a manager, board member, auditor, accountant/actuary, liquidator or any person assigned to manage an insurer. - Article 54 also provides for smaller fines (not less than OMR 1,000 (USD 2,600)) and not exceeding OMR 5,000 (USD 13,000)) imposed on the same range of individuals for other violations, including acceptance of insurance against risks with the knowledge that there is insufficient reinsurance cover; false reporting to the FSA that the insurer's headquarters abroad will take steps to meet the conditions required of foreign insurers in Article 51 of the ICL; and negligent reporting of inaccurate information (or omission of information) in financial statements or reports to the board or the FSA. Concerning the Takaful insurers, the TIL lists the sanctions provided in case of violations. - There are specific sanctions (fines of between OMR 10,000 and OMR 100,000 and imprisonment from three months to three years) for conducting Takaful business without a licence (Article 4) and disclosing confidential information (Article 44). - Article 53 then sets out sanctions that may generally be applied for violations by the insurer, its board or its associates. The FSA may issue a notice or warning. It may impose fines (from OMR 1,000 to OMR 100,000). It may
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	dismiss board members or executives, suspend the licence (up to one year) or cancel the licence. Sanctions must take into account the severity of the violation and recurrence. Investigation procedures and grievance mechanisms are outlined in the Regulations. In both the ICL (Article 56 bis) and TIL (Article 56), there are provisions for settlements between the FSA and the party subject to violations that require the decision of a court (such as those under Article 52 of the TIL). Settlements will terminate public lawsuits and must be no less than the minimum fine and no more than double the maximum fine. The FSA's sanctions are published (for both conventional and Takaful insurers) in social media and the newspapers. A section on the FSA's website also sets out the sanctions taken. This section (Violations and Administrative Penalties) currently has no content.
Assessment	Largely Observed
Comments	The FSA has a range of powers to require and enforce preventive and corrective actions. It is also alert to cases of unauthorised insurance activities and takes action when it becomes aware of such activity in practice. The FSA's powers are exercisable in a wide range of circumstances, including when it considers that action by an insurer is necessary to protect policyholders from the risk that an insurer will not meet its obligations in the future. The FSA has discretion over its choice of required actions. The TIL provides for a wider range of actions than does the ICL, including the power to dismiss board members and other individuals. The FSA escalates the form and nature of its required action as necessary according to the insurer's response. However, the specific actions and their hierarchy are not clearly defined internally, nor are there requirements on reports from insurers regarding the implementation of the actions required by the FSA. The FSA also has a wide range of available sanctions, including financial penalties, that may be imposed on specified individuals as well as insurers, related to the severity of the violation and whether it is recurrent. The maximum financial penalties for insurers of OMR 100,000 (USD 260,000) are small in relation to the size of the companies. The FSA requires preventive and corrective actions by insurers and intermediaries in practice and has imposed financial penalties. It is recommended that the FSA: • Develop more formal internal procedures on the use of preventive and corrective measures and its approach to decision making on the escalation of measures where necessary; it should also ensure that penalties imposed are publicly available on the website, unless there is good reason not to publish;

	- Require more formal reporting on how the preventive/corrective actions requested by the FSA have been resolved by the insurer; and - Initiate proposals for changes in legislation to provide for a higher level of financial penalties, sufficiently dissuasive to prevent a similar breach in the future.
ICP 12	ICP 12 Exit from the Market and Resolution Legislation provides requirements for: the voluntary exit of insurers from the market; and the resolution of insurers that are no longer viable or are likely to be no longer viable, and have no reasonable prospect of returning to viability.
Description	There is no formally identified resolution authority for insurers (or comprehensive insurance-specific resolution framework), but the legislation grants some powers to the FSA as well as giving a key role to the court. Provisions specific to insurers on the transfer, bankruptcy and dissolution (see below) of the insurer's portfolio are set out in Title 6 of the ICL, which also references general company law (CCL). Title 6 of the ICL applies to all insurers, including branches of foreign insurers. However, there are no specific provisions on the resolution of insurance groups with Omani insurer parents, nor are there specific provisions on the resolution of Takaful insurers in the TIL. General bankruptcy law, which includes procedures such as restructuring and protection from creditors, explicitly exempts insurers regulated under the ICL (Article 2 of Royal Decree 53/2019 Promulgating the Bankruptcy Law). The only experience of an insurer exiting the market in the last 10 years has been by voluntary exit. Voluntary liquidation The CCL lists the reasons why a company shall be dissolved (Article 40). These include dissolution on the unanimous agreement of the shareholders (dissolution refers to the closure of the company or cessation of its operations and must be followed by liquidation procedures). The ICL appears to provide that no life insurer shall be dissolved voluntarily (Article 44(2)). However, the FSA considers that this provision would in practice not prevent voluntary liquidation. Resolution framework The resolution of an insurer is primarily a procedure for the court and liquidator, with limited involvement of the FSA. <i>General insurance</i> The ICL (Article 43) provides specifically that insurers doing general insurance business are subject to dissolution as set out in Article 40 of the CCL. Amongst

	the triggers for dissolution in the CCL are failure of a company to meet its minimum capital requirements (not defined in the law). Article 40 of the CCL also provides that, where action is not taken to dissolve a company that fulfils the conditions set out in the article, the company may be dissolved by a court ruling at the request of the concerned parties or the relevant competent authority, ie for insurers, the FSA. A regulated firm of accountants must be appointed as liquidators, which must follow procedures set out in the law (Articles 46–59). The role and responsibilities of the liquidator are set out in detail, and the liquidator has extensive authority to take necessary actions for liquidation. In addition, the ICL (Article 43) explicitly empowers the FSA to present a petition to the court requesting liquidation of such an insurer when it considers it to be in the public interest. However, the FSA does not have exclusive right to initiate such a petition, nor is there any obligation for it to be consulted in case of court action. ○ <i>Life insurance</i> In the case of insurers carrying on life insurance business, specific ICL and CCL provisions apply to the process. They provide that: • Assets held against life insurance liabilities may be used only to meet those liabilities (Article 44(3)); and • The liquidator must transfer the insurer’s activity to another (existing or new) insurer, unless the court decides otherwise (Article 45(2)). The liquidator of life insurance business may seek the approval of the court for the appointment of a special manager for the life business with powers determined by the court (Article 45(3)). The court may also: • Reduce the number of contracts concluded by the insurer, if deemed appropriate (Article 45(4) of the ICL); and • Agree to the appointment of an actuary to investigate and report on the life business on the application of the liquidator, special manager (if appointed) or FSA (Article 45(5) of the ICL). Planning of resolution scenarios There are no requirements that insurers, as necessary, evaluate prospectively their operations and risks in possible resolution scenarios and put in place procedures for use during a resolution (ICP 12.3). Priority of policyholder claims There is no explicit provision in law giving high legal priority to policyholders’ claims within the liquidation claims hierarchy. Article 46 of the CCL provides that a liquidator must provide for the settlement of all valid claims filed against the company, provided that debt rankings are observed. There are no requirements for reasons to be given if the liquidator or court depart from equal treatment of all affected parties.
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	As mentioned, however, under the ICL provisions, an insurer's assets relating to its life insurance activities are to be made available only to meet life insurance liabilities. Insurance Emergency fund There is provision in legislation for a compensation fund for the benefit of policyholders, beneficiaries and third parties in case of an insurer failure. Under Article 59 of the ICL, an Insurance Emergency Fund has been established "to assist in resolving crises facing insurance companies", financed by a levy on insurers. Article 46 of the Executive Regulation of the ICL sets the insurer levies at 0.25% and 1% of, respectively, life and general net insurance, and Takaful insurers pay the same amount under Article 105 of the TIL implementation regulations. The Fund's operations are set out in Decision No 70/2019 On the Regulation of the Insurance Emergency Fund. It provides for payments to be made to policyholders and beneficiaries when an insurer fails to fulfil its obligations. While the failed insurer is required to provide information on policies etc, it is up to policyholders whose claims have been made but not settled to apply for payments from the Fund (limited to 30% of the total fund for the aggregate of all claims in respect to any one failed insurer). The Fund has not been used to date and continues to accumulate funds from the levies on insurers (there is no target amount or ceiling on levies). Cooperation with other authorities, groups and foreign branches The FSA has shared information with other authorities, although its experience is limited by the lack of failures in recent years. In the case of the withdrawal from Oman of the branch of one foreign insurer, it did cooperate with the home supervisor.
Assessment	Partly Observed
Comments	In the absence of an insurance-specific framework, a failing insurer would be resolved under a court-approved liquidation process. The FSA has adequate powers to trigger the process and would likely be involved in a liquidation in practice. However, the FSA has no right in legislation to such involvement or even to be consulted by the court (ICPs 12.4 and 12.8). Policyholder claims would have no general priority in a liquidation (ICP 12.9), although their policies may be transferred to another insurer (at least in the case of life insurance) and their unfulfilled claims could be met by the Insurance Emergency Fund. There is no framework of resolution tools (ICPs 12.3 and 12.7). Insurers are not required to undertake any planning for the actions that may be required in a resolution, such as preparing to transfer policies where continuity of coverage is essential (ICP 12.3).

	The FSA is reviewing the legislative provisions on resolution with the objective of defining an insurance-specific framework that would address the shortcomings of current arrangements. It is recommended that: • The FSA propose and the Government of Oman act to reform and strengthen the framework for insurer resolution in the ICL and TIL, ensuring the FSA's involvement, priority for policyholders in a liquidation or other resolution action as well as clear provisions on voluntary liquidation; and • The FSA and the Government of Oman also consider both the value of FSA taking on additional resolution powers such as those set out in ICP 12.7 and the potential scope for the use of Insurance Emergency Fund resources in support of measures to avoid liquidation; existing powers may, however, be found adequate to the nature, scale and complexity of the current market.
ICP 13	Reinsurance and Other Forms of Risk Transfer The supervisor requires the insurer to manage effectively its use of reinsurance and other forms of risk transfer. The supervisor takes into account the nature of reinsurance business when supervising reinsurers based in its jurisdiction.
Description	<i>Reinsurance practices</i> Reinsurance is used extensively, reflecting limited primary capacity in the market as well as insurers' risk management requirements. Most reinsurance is placed with the international market or with other members of the group, where applicable. Reinsurance has been important in helping insurers to meet claims arising from catastrophic events, including tropical cyclone Shaheen in 2021. Partly because of a requirement that all domestic risks be insured locally, some insurers have retained limited or low levels of premiums in certain business lines. The FSA has been seeking to increase insurers' retention where appropriate (to reduce "fronting", ie zero retention, in particular). Aggregate retention for the sector has been rising (the retention ratio was 57% in 2023 but varies greatly across business lines; see Annex). The only significant instrument for risk transfer is reinsurance, and there are currently no arrangements that transfer risk to capital markets etc. <i>Requirements on reinsurance</i> The FSA's main requirements are set out in its Circular No 3/2004 on reinsurance strategy. This requires insurers to have a strategy for reinsurance management that is appropriate to the insurer's operations and risk profile and is part of its overall underwriting strategy. The strategy must be reviewed by the board of directors annually and whenever there have been changes in market conditions, the insurer's circumstances or the status of its reinsurers.

	According to page 1 of Circular No 3/2004, the board-approved reinsurance strategy document must identify procedures for and set limits for: • The net risk to be retained; • The type of reinsurance arrangement most appropriate to manage the insurer's risk; • The reinsurance to be purchased and determination of maximum foreseeable amount of reinsurance protection to be obtained; • The selection of the panel of reinsurers to be used, including consideration of diversity and how to assess their security; • What collateral, if any, is required; • The management of risk accumulation and known concentration with respect to a geographical region, industry, product or single insured in the insurer's underwriting; • Selection of reinsurance brokers to be used, if any, and how to assess their quality, dependability, efficiency and reputation; • How the reinsurance programme will be monitored (ie reporting and internal control system); and • Monitoring the collectability and timely receipt of the reinsurance revocable. Senior management are required to document policies and procedures for implementing the insurance strategy, including their reinsurance arrangements (Circular No 3/2004, page 2). They are required, for example, to establish limits on the amounts and types of insurance that will be covered by reinsurance and to develop appropriate internal controls over reinsurance, including claims. The requirements of the Circular, other than those referring to boards and senior management, apply also to branches of foreign insurers, who must submit to the FSA a general description of their reinsurance policies etc applicable to their local business. In addition, the FSA's Code for Insurers requires boards to develop a strategy for reinsurance appropriate to the insurer's overall risk profile and its capital (Article 5(5)). Its general requirements (in Article 5) on the policies, business plan and risk management of insurers also refer to reinsurance, and reinsurance is included in the list of operations to be reviewed by the internal auditor (Annex 1 of the Code) and in the list of items to be included in the corporate governance report (Annex 5). There are also record-keeping requirements on reinsurance. Insurers must keep separate registers of treaties and claims under reinsurance contracts (Article 6 of the Executive Regulation of the ICL). There are no specific requirements for insurers to demonstrate the economic impact of the risk transfer originating from their reinsurance contracts. The FSA relies on other requirements and supervisory oversight of reinsurance to require insurers to focus on the economic substance of transactions.
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	As the FSA does not yet require insurers to prepare an ORSA (see ICP 16), there are no ORSA-related reinsurance requirements. Cross-border reinsurance The FSA does not directly consider the supervision performed in the jurisdiction of the reinsurer used by ceding Omani insurers. It relies on requirements for insurers in relation to the financial strength of reinsurers: reinsurance may be placed only with foreign reinsurers with a sound financial rating, preferably AA, but not less than BBB with Standard & Poor's, AM Best or Moody's, or the equivalent rating of an equivalent international rating agency (Circular No 3/2004, page 3). Liquidity There are no explicit requirements for insurers to consider the impact of reinsurance on liquidity management. The FSA relies on insurers setting limits on retained risk based on the insurer's risk profile etc. Supervision The FSA collects extensive data on reinsurance programmes for supervisory purposes. Insurers are required to report details of new arrangements (Article 33 and Annex 15 of the Executive Regulation of the ICL). The FSA examines reinsurance arrangements as part of its off-site supervisory work (it does not require prior approval of any arrangements) and may review aspects of reinsurance, including liquidity risk, in the course of inspections. The FSA has specific powers to address the adequacy of reinsurance. Under Article 29(1) of the ICL, the relevant powers of the Executive President and Authority become exercisable where an insurer has not taken adequate measures to reinsure applicable risks. There is a similar provision in Article 7 of the TIL.
Assessment	Largely Observed
Comments	The FSA has extensive requirements on reinsurance and carries out supervisory work on insurers' reinsurance arrangements, proportionate to the importance of reinsurance to various business lines and individual insurers. Some ICP requirements are not reflected explicitly in the regulatory framework. These include: assessment of major reinsurers' home supervision (ICP 13.4), focus on assessment of the economic impact of reinsurance (ICP 13.3) and requirements for insurers to have regard to liquidity management implications of reinsurance (ICP 13.5). Relevant risks may be addressed in supervision. It is recommended that the FSA: • Explicitly require insurers (for example through an amendment to its Circular No 3/2004 addressing insurers' reinsurance strategies) to address the liquidity management implications of their reinsurance programmes; • Establish, on a proportionate basis, a framework for evaluating the home supervisory arrangements of the reinsurers most important to the sector; and

	Intensify its supervisory work on intragroup reinsurance arrangements to ensure that these are carried out on an arm's length basis and result in full risk transfer.
ICP 14	Valuation The supervisor establishes requirements for the valuation of assets and liabilities for solvency purposes.
Description	General framework Article 209 of the CCL requires companies to prepare their financial statements in accordance with IFRS, with no exceptions permitted. The FSA began its support of the insurance sector's transition to IFRS 17 in 2018 by providing training, guidance, industry outreach and a transition plan. All conventional insurers are now required to apply IFRS 17 for financial reporting purposes, and this requirement will be extended to Takaful insurers beginning in January 2025. However, for solvency purposes, insurers were still required to apply IFRS 4 at the time of the assessment. The FSA expects to transition insurers to IFRS 17 for solvency purposes soon and plans to provide an implementation period for insurers that includes dual reporting to support a smooth transition. All insurers are required to carry out valuation of all insurer assets in accordance with IFRS 9 (Financial Instruments) for both financial reporting and solvency reporting. Recognition, derecognition and measurement of assets and liabilities IFRS 17 sets out clear rules on recognition and derecognition of insurance contracts, and no allowances for exceptions exist in the jurisdiction's laws, regulations or guidance. Regarding the derecognition of specific assets, Annex 18 of the Executive Regulation of the ICL specifies certain assets to be excluded from the solvency calculation. These include reputation, ownership in the insurer's own shares, deferred tax expenses and deferred acquisition costs, and they are consistent with provisions to ensure the preservation of the quality of capital. Consistent valuation of assets and liabilities The FSA does not allow for inconsistent valuation between assets and liabilities. Insurers are required to value insurance contracts in accordance with IFRS 17 (Takaful insurers are required starting in 2025) and value assets in accordance with IFRS 9. Insurers are also required to describe the valuation methods used in the actuarial report prescribed by Annex 1 of the Executive Regulation of the ICL. For solvency purposes, until the FSA transitions the sector to IFRS 17, insurers still value insurance using IFRS 4, the requirements of which do not provide for consistent treatment across assets and liabilities. Reliable, decision-useful and transparent valuation of assets and liabilities The requirement for all commercial companies, including insurers, to apply IFRS ensures that assets and liabilities are valued in a way that is reliable and

	decision useful. Insurers are also required to describe the valuation methods used in the actuarial report prescribed by Annex 1 of the Executive Regulation of the ICL, supporting transparency. Financial statements and solvency returns are also subject to an internal review process by the FSA that includes an independent external auditor report and independent review by the FSA's actuary. The requirement for the insurer's financial position to be audited by an independent auditor is stated in Article 22 of the ICL and, for Takaful insurers, Article 19 of the TIL, which reference the requirements in the CCL. The requirement for independence is in Article 223 of the CCL. A more detailed description of what is expected of the auditor is also set out in Article 16 of the Executive Regulation of the ICL. <i>Economic valuation of assets and liabilities</i> The use of IFRS 17 provides for a broadly economic basis for the valuation of insurance liabilities, although this is less the case at present in the reporting for solvency purposes based on IFRS 4. Additionally, according to Article 8 of the Executive Regulation of the ICL, insurers are required to use the lower of an asset's book value or market value when reporting the value of assets allocated to meet insurance liabilities. <i>Use of own credit standing in the valuation of technical provisions and other liabilities</i> IFRS 17 does not allow insurers to reflect their own non-performance in their financial statements. Additionally, the use of IFRS 17 requires insurers to reflect the impact of reinsurer non-performance risk in the valuation of insurance liabilities (present value of future cash flows) related to ceded business. <i>Technical provisions exceed the margin over current estimate (MOCE) by a margin</i> IFRS 17 requires insurers to "adjust the estimate of the present value of the future cash flows to reflect the compensation that the entity requires for bearing the uncertainty about the amount and timing of the cash flows that arise from non-financial risk". MOCE is not currently required under the IFRS 4 provisions, which are still currently used for solvency purposes. <i>Unbiased and current assumptions reflected in the present value of future cash flows and MOCE</i> IFRS 17 requires insurers to "incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows" when valuing insurance contracts. MOCE is not currently required under the IFRS 4 provisions, which are still currently used for solvency purposes. <i>Use of appropriate rates when discounting cash flows for technical provisions.</i> IFRS 17 requires insurers to "adjust the estimates of future cash flows to reflect the time value of money and the financial risks related to those cash flows" and
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	prescribes characteristics for the discount rates that insurers should use to do so. To ensure that insurers are using appropriate assumptions, the FSA has integrated a review of reserving under IFRS 17, including an evaluation of assumptions, into its supervisory practices. <i>Embedded options reflected in technical provisions.</i> The FSA requires insurers to apply IFRS 17 for the valuation of insurance contracts, and IFRS 17 prescribes the methodology for separating cash flows related to embedded derivatives, as applicable.
Assessment	Largely Observed
Comments	The requirement for insurers to apply IFRS (IFRS 17 for the valuation of insurance contracts and IFRS 9 for the valuation of assets) satisfies the bulk of the ICP standards. Insurers are already required to use IFRS 17 for financial reporting, and many have aligned the way they manage their businesses, including for solvency purposes, to the new approach. However, the FSA has not yet moved to reliance on IFRS 17 as the valuation standard for solvency. The FSA does, however, monitor closely insurers' valuation practices, both on an IFRS 4 and IFRS 17 basis, employing supervisory tools and practices to review insurers' financial statements, including specifically the valuation methods used and the results. It takes action when it finds, for example, that insurers are not reserving adequately. It is recommended that the FSA complete the transition to IFRS 17 for solvency purposes as soon as possible, taking into account the need for both insurers and the FSA to be fully prepared to do so.
ICP 15	Investments The supervisor establishes regulatory investment requirements for solvency purposes in order for insurers to make appropriate investments taking account of the risks they face.
Description	<i>Regulatory investment requirements</i> The Insurance Investment Regulations set out the FSA's requirements for insurers with respect to management of the assets backing insurance liabilities. The requirements include: • Limitations on investments denominated in foreign currencies (Article 4); • Limitations on investments held outside of the Sultanate (Article 7); • An investment policy and an annual investment plan prepared by the insurer's investment committee or investment management company (Article 8); • The inclusion of specific components within the investment policy (Article 10); • Limitations on investments in bonds and sukuks (Article 17); and

	The valuation approach for certain asset classes (Article 23). Requirements to ensure that assets are secure, available and diversified The Insurance Investment Regulations require insurers to keep at least 70% of their investments in the Sultanate (Article 7). Insurers are also required to keep at least 30% of assets in deposits at financial institutions licensed by the CBO or government bonds to ensure security and availability (Article 16). For the portion of assets allowed to be invested outside of the Sultanate, insurers are not permitted to invest in real estate or unlisted companies or to hold investments below minimum credit ratings (BBB is the lowest rating allowed). To enforce diversification, the FSA limits insurers' investment allocations to various asset classes and differentiates the risk charges in its risk-based solvency framework by asset class (see ICP 17). Additionally, Article 12 of the Insurance Investment Regulations requires, amongst other things, that each insurer's investment committee ensure "that assets are diversified and adequately distributed so as to enable the company to respond flexibly and efficiently to changes in financial markets" and ensure "that there is no high-risk concentration in the company's assets". Requirements to ensure that assets are appropriate given the liabilities Article 12 of the Insurance Investment Regulations requires, amongst other things, that each insurer's investment committee ensure "that the net cash from the company's investment activities is in the current currency, and that it is sufficient to meet its future obligation when they become due". Insurers must be able to properly assess and manage asset risks Chapter 2 of the Insurance Investment Regulations outlines the requirements for each insurer's investment policy and annual investment plan, including risk management expectations. The investment policy must include information on how the insurer manages the risks within its investment portfolio, including specifically: market risk, credit risk, liquidity risk, interest rate risk, currency exchange risk, operational risk, valuation risk (shares, real estate and other assets) and reputation risk (Article 10). Quantitative and qualitative requirements for certain types of assets As described above, the Insurance Investment Regulations place explicit limits on several different asset classes. Additionally, Decision No 38/2021 limits insurer investments in assets outside the Sultanate to assets with a credit rating of no lower than BBB.
Assessment	Observed
Comments	The FSA has established regulatory investment requirements for solvency purposes for insurers that are risk sensitive. The requirements ensure that insurers hold sufficient capital to account for their asset risk and also reflect specific attributes of the insurance market, including the limited availability of

	domestically issued investable securities. With a forward-looking perspective, should for example more long-term life insurance products be developed, there may be a need for more extensive qualitative requirements on matching of investments to liabilities. The FSA is encouraged to consider ways to reduce the concentration risk that insurers currently have with individual banks as a result of the relatively high proportion of bank deposits. The FSA should also extend its requirements to groups as it develops its overall approach to group supervision.
ICP 16	Enterprise Risk Management for Solvency Purposes The supervisor requires the insurer to establish within its risk management system an enterprise risk management (ERM) framework for solvency purposes to identify, measure, report and manage the insurer's risks in an ongoing and integrated manner.
Description	<i>Risk identification</i> Article 5(3) of the Code for Insurers includes a requirement for an insurer's board to adopt and review the insurer's risk assessment and management policy. The board is required to ensure that: • The risk management policy and systems are capable of promptly identifying, measuring, assessing, reporting, monitoring and controlling the risks on an ongoing basis; • The risk management policy and risk control systems are appropriate to the complexity, size and nature of the insurer's business as well as the insurer's tolerance of the level of risk and material sources of risk; • The market environment in which the insurer operates is regularly reviewed in order to draw appropriate conclusions as to the risk posed and appropriate action is taken to manage any adverse impact on the insurer's business; and • Systems are established to control and monitor all material risks. <i>Risk measurement</i> The FSA's risk-based capital framework is the primary tool used to quantify risk by applying risk factors to an insurer's exposures. Insurers are not required to do any type of stress testing, nor does the FSA perform any independent stress testing on individual insurers or the sector. <i>Risk appetite statement, limits and capital adequacy</i> Although there is no explicit requirement for a risk appetite statement, there are requirements that include references to "the company's tolerance of the level of risk" and to various types of risk limit. This seems to be interpreted differently by different insurers, as some have risk appetite statements supported by various risk limits while others do not. The FSA should clarify this expectation to include the requirement for insurers to establish a risk appetite and related limits. The FSA should also establish

	processes within its supervisory practices to assess the sufficiency of these for each insurer. ALM policy The FSA does not require insurers to establish an ALM policy. There are also no laws, regulations or guidance that emphasise the importance of proper ALM and the FSA's expectations. Particularly given the adoption of IFRS 17, the FSA should establish expectations that insurers adopt an ALM policy and effectively manage ALM risks. It should be noted, however, that the short-term nature of the majority of insurance products is a mitigant to some ALM risks. Investment policy The Code for Insurers includes a requirement for an insurer's board to approve the insurer's investment management policy and to review it at least annually. The investment policy should address the following elements: the risk profile of the insurer; the determination of the asset allocation; risk limits on the amount that may be held in a particular financial instrument; limits for the allocation of assets by geographical area, markets, sectors, counterparties and currency; the conditions under which the insurer can pledge or lend assets; a policy on the use of financial derivatives or structured products; accountability for all asset transactions and associated risks; and the management of investment risks (market, credit, liquidity, counterparty and custodial) (Article 5(6)). Underwriting policy The Code for Insurers includes a requirement for the board of each insurer to "establish and approve strategic underwriting and pricing policies" for all classes of business and to review it at least annually. The policy is required to "address evaluation of risk underwritten by the insurer and establishing and maintaining a methodology to determine an adequate level of premiums using statistical, financial and wherever required actuarial techniques" and "address systems to control expenses related to premiums and claims" (Article 5(4)). Circular No 3/2004 on reinsurance strategy requires that an insurer's reinsurance strategy be part of its overall underwriting strategy (see ICP 13). The same document describes the role of senior management in reinsurance management and includes in its role "setting underwriting guidelines that specify the type of insurance to be underwritten, policy terms and conditions and aggregate exposures by the type of business." Liquidity risk management The Code for Insurers requires liquidity risk to be included in the risk management policy and systems that the FSA requires (Article 5(3)) and within the insurer's investment management policy (Article 5(6)). The FSA views liquidity risk separately from capital adequacy/solvency, and no requirement exists for insurers to perform any type of liquidity stress testing. The FSA should consider further development of its liquidity risk management expectations, particularly as it looks to develop its ALM expectations.
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	ORSA The FSA does not require insurers to develop an ORSA. Recovery planning The FSA does not require insurers to perform recovery planning or to develop a recovery plan.
Assessment	Partly Observed
Comments	Although not all of the standards of the ICP are observed, published regulations and guidance do require insurers to have a risk management framework, and FSA undertakes supervision work on each insurer's risk management practices. The major standards not observed relate to the expectation for regulators to require insurers to develop an ORSA (ICPs 16.10–16.14). Introducing an ORSA requirement would support improved capital management and enable fuller observance of the ICP standards related to ALM and liquidity risk management. It would also introduce an additional mechanism that has proven effective in other jurisdictions to help supervise insurers' ERM practices, including for groups, as applicable. It is recommended that the FSA develop a plan to introduce an ORSA requirement that includes all the necessary components.
ICP 17	Capital Adequacy The supervisor establishes capital adequacy requirements for solvency purposes so that insurers can absorb significant unforeseen losses and to provide for degrees of supervisory intervention.
Description	Total balance sheet approach The Required Capital section of Annex 18 (Fourth) of the Executive Regulation of the ICL states that "risk-based solvency capital shall be based on the balance sheet of the insurance company...", but the section on Computation of the solvency margin of Annex 18 (Second) of Decision No E/18/2022 (amending the Executive Regulation of the ICL) also states that "the company shall compute its solvency margin separately for each licensed activity based on its respective balance sheet". The FSA licenses insurers to conduct life, general and medical business in the same legal entity, but it also requires insurers that do this to calculate the solvency for each business line (licence) separately. For insurers operating with one or more lines of business, then, a total balance sheet approach is not employed. This would present additional complications and challenges for a group that may consist of a mix of composite and monoline insurers. Sufficiency of regulatory capital requirements In 2022, the FSA introduced its risk-based capital framework, which requires insurers to maintain available capital in excess of risk-based required capital.

	The risk-based required capital includes specific risk charges to account for concentration risk, credit risk, market risk, operational risk, insurance liability risk and catastrophe risk. The risk factors to be applied to an insurer's exposures are listed in Annexes 1-9 of Decision No E/51/2022 on Calculation of Risk Based Capital Solvency for Insurance Companies amending the Executive Regulation of the ICL and are the result of an exercise performed by the FSA in cooperation with a consultant. Regulatory intervention levels Annex 18 (Second) of Decision No E/18/2022 amending the Executive Regulation of the ICL states that "the company shall be obliged to maintain a solvency margin at all times at not less than 100%". The same decision amends Article 24 of the Executive Regulation of the ICL to prevent insurers from paying dividends to shareholders if the insurer does not meet the solvency margin requirement. Article 15 bis of the ICL also states that insurers not meeting the solvency limit shall defer the distribution of profits to shareholders and set aside a sufficient amount of profits to rectify its position. The FSA may use its general ICL powers (see ICP 1 and ICP 10) to require measures to restore capital adequacy. If profits are insufficient, the FSA may grant the insurer a period not exceeding 12 months to submit to it a report on its financial position to prove that it has addressed the shortfall. If the report states that the company did meet the solvency requirement, it has to do so "during the first subsequent ordinary balance sheet". For Takaful insurers, Article 27 of the TIL gives the FSA the authority, if the insurer's solvency does not meet the requirement, to require the insurer to: increase the capital to the required level, increase the value of participations, reduce costs, suspend new/renewal Takaful contracts and/or liquidate certain assets. There are no remedies other than a restriction on paying dividends if the solvency position is below 100%, and there are no other intervention levels. This means that the FSA has no authority under the solvency requirements to act against an insurer until it is insolvent. Group-wide regulatory intervention levels No group-wide capital adequacy requirements or intervention levels have been identified. The jurisdiction has only recently become the supervisor for an insurance group (see ICP 23) and is beginning to consider the additional regulatory requirements that may be needed for an insurance group, including capital requirements. Regulatory capital requirements address all material risks The FSA introduced its risk-based capital framework in 2022. It requires insurers to maintain available capital in excess of risk-based required capital. The risk-based required capital includes specific risk charges to account for
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	concentration risk, credit risk, market risk, operational risk, insurance liability risk and catastrophe risk. The risk factors to be applied to an insurer's exposures are listed in Annexes 1-9 of Decision No E/51/2022 on Calculation of Risk Based Capital Solvency for Insurance Companies amending the Executive Regulation of the ICL. No risks that are material for insurers in the market have been excluded from the FSA's risk-based capital framework. <i>Consistent and appropriate target criteria</i> The target solvency level is 100%, with no other intervention levels. The FSA introduced the risk-based capital requirement after a field testing exercise with the industry to calibrate the target and factors. However, the field testing and the recent solvency returns all reflect insurance contract valuation under IFRS 4 rather than IFRS 17. The target level will likely need to be revisited as insurers begin reporting their solvency using IFRS 17. <i>Capital resources</i> The components of available capital used for the solvency margin are described in Annex 18 (Third) of Decision No E/18/2022 amending the Executive Regulation of the ICL: • Primary available capital includes: paid-up capital, head office accounts, share premium, preference shares, capital reserves, legal reserves, contingency reserves, accumulated profit/loss and shares discount. • Complementary available capital resources are subject to a 20% haircut and include subordinated debt, revaluation reserves for operating fixed assets, fair value reserves and foreign exchange reserves. <i>Internal models</i> Internal models are not allowed.
Assessment	Partly Observed
Comments	Although the FSA has introduced a risk-based solvency framework that considers all material risks, additional work is needed to meet the ICP standards. This includes resolving how to assess the capital position of an insurance legal entity that considers its whole balance sheet (ICP 17.1) when it engages in different lines of insurance activities, the solvency of each line being regulated separately at present. Additional intervention levels should also be incorporated that allow the FSA to take some actions before an insurer is insolvent (ICPs 17.3–17.4). The FSA also needs to consider the impact of IFRS 17 on insurer solvency positions, how the solvency of insurance groups will be assessed under IFRS 17, whether there is a need to revisit the haircuts and/or overall limit on complementary capital items to ensure an appropriate quality of capital (ICP 17.10), and whether an additional risk charge for uncollected premiums may be appropriate.

	It is recommended that the FSA review and strengthen its capital adequacy framework, providing for: • An approach to entity-wide and group capital adequacy that covers all material risks and is appropriately calibrated for the introduction of IFRS 17; • More highly defined intervention levels requiring the FSA to take early action where necessary; and • An increased emphasis on high-quality capital components in the calculation of available capital resources.
ICP 18	Intermediaries The supervisor sets and enforces requirements for the conduct of insurance intermediaries, in order that they conduct business in a professional and transparent manner.
Description	General The FSA establishes and enforces the requirements for insurance intermediaries operating in the insurance sector. The FSA distinguishes between brokers and agents via two separate Decisions: • Decision No E/19/2017 Issuing the Regulation for Insurance Brokers' Business (the "Insurance Brokers Regulations"); and • Decision No E/28/2016 Issuing the Regulation of Licensing Requirements for Agents of Insurance Companies (the "Insurance Agents Regulations"). The FSA also has separate regulations for bancassurance under Decision No E/84/2023 (the "Bancassurance Regulations"). The regulations cover banks licensed by the CBO to market insurance products through their own branches and networks. Licensing requirements Article 2 of the Insurance Brokers Regulations stipulates that practising brokerage in insurance is not permitted unless the entity is licensed by the FSA. Insurance brokerage business is defined as brokerage in either insurance or reinsurance or both. Further, Article 6 of the regulations gives the information that is required for a broker to obtain a licence from the FSA. The regulations also require that the broker have an appropriate professional indemnity insurance policy issued by an insurer licensed in Oman, with terms and conditions approved by the FSA. Article 2 of the Insurance Agents Regulations stipulates that an insurer licensed by the FSA shall not appoint a person to carry out insurance agency activities on its behalf without obtaining a licence from the FSA. Further, Article 2 of the Bancassurance Regulations state that an insurer shall not market any insurance product through banks except after obtaining the FSA's approval. As of 31 October 2024, there were (as listed in the FSA's Public Register) 36 brokers and 143 agents. The FSA keeps an internal record of all approved bancassurance arrangements but does not disclose these on its Public Register.

	Ongoing supervision The FSA ensures that licensed insurance intermediaries are subject to ongoing supervisory review. For insurance brokers, this is done through on-site inspections and off-site reviews as part of the licence renewal process, which occurs every three years. Insurance agents are subject to supervisory review through the licence renewal process and on-site inspection under Article 16 of the Insurance Agents Regulations, which stipulates that the “FSA may inspect the books, accounts and transactions of insurance agents”. Professional knowledge and competence For insurance brokers, Article 7 of the Insurance Brokers Regulations specifies the requirements for appointing the general manager of the broker, including the necessary qualifications. Additionally, Article 16 stipulates that brokers must adhere to professional standards, ethics, integrity and honesty in all their dealings. While there are no explicit professional knowledge and competence requirements for staff of insurance brokers in legislation, the FSA monitors this through its ongoing supervision. This includes ensuring brokers have systems and controls in place to ensure staff are competent and receive ongoing training as required. The Insurance Agents Regulations specify in Article 4 the minimum requirements for the officer in charge, which include one year of experience in insurance and a general education diploma. Additionally, Article 12 states that insurance agents must adhere to professional standards, ethics and integrity in all their actions and dealings. Under the Bancassurance Regulations, employees carrying out marketing of insurance products through banks (employees of either the insurer or the bank) are required to have certain academic qualifications, including a general education diploma in insurance and a professional qualification in insurance, as well as training in insurance products, selling methods, AML/CFT, and relevant laws and regulations. Governance There are no detailed requirements in legislation on governance specific to insurance brokers or agents. The Insurance Brokers Regulations and Insurance Agents Regulations set out rules on the organisation and licensing requirements for agents and brokers, including statements on the fitness and probity of founders, board members and executive management. In practice, the FSA takes a proportionate approach to governance arrangements for brokers and agents, and monitors these as part of their on-site and off-site supervision. Disclosure requirements The FSA requires brokers and agents to disclose to clients and all relevant parties the terms and conditions of business between themselves and the customer. Article 16(7) of the Insurance Brokers Regulations clearly states that brokers must explain to the client the reasons for selecting the offered policy, terms and conditions, benefits and exceptions, and shall provide a comparison between the price and coverage of the proposed policy and other policies
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	offered by other insurers. The broker is also required to disclose to the client the commission charged to the insurer as and when required. Likewise, Article 12(2) of the Insurance Agents Regulations imposes the obligation on the agent to provide a full explanation of the insurance content, coverage, exceptions and procedures to an insurance applicant. There are also explicit disclosure requirements in the Bancassurance Regulations relating to terms and conditions, coverage, exclusions and basis of premium calculations. Client monies Insurance brokers are required to segregate clients' funds from their own funds under Article 25 of the Insurance Brokers Regulations. They are required to open separate bank accounts to distinguish between client funds and broker funds. Additionally, commercial insurance premiums must be paid directly to the insurer by the insured. As for individual insurance premiums collected, they must be paid to the insurer within seven days, as stated in Article 18 of the insurance broker regulations. For insurance agents, premiums are paid directly by clients to the insurer and thus agents do not hold client monies. This is typically via a payment link issued by the insurer to the client. Supervisory measures/sanctions The FSA has implemented supervisory measures for licensed insurance intermediaries to ensure their compliance with relevant legislation. The FSA verifies that the intermediary is implementing the required measures to address its concerns through both on-site and off-site supervision. The FSA has a programme for on-site inspections of insurance intermediaries. It would typically inspect insurance brokers at least every three years and conduct inspections of agents if required based on information it may receive. In addition, the FSA receives annual returns from both insurance brokers and agents and reviews these as part of its off-site supervision process. The FSA takes measures against entities that conduct insurance intermediation without a licence. Such measures may include penalties, fines or legal actions stipulated in the Insurance Brokers Regulations and Insurance Agents Regulations to enforce compliance with licensing requirements and deter unauthorised activities. Examples were shared with the assessors in which the FSA has taken enforcement action against intermediaries, including the issuance of fines and, in one instance, the cancellation of a licence.
Assessment	Observed
Comments	The FSA has appropriate requirements on the licensing and regulation of insurance intermediaries via separate regulations for insurance brokers, insurance agents and bancassurance arrangements. These regulations include areas such as financial resources, professional knowledge and competence, disclosures and the handling of client monies. It has implemented off-site and on-site supervision programmes for insurance intermediaries, as well as a

	licence renewal process. It has taken enforcement action against intermediaries when requirements were breached. It is recommended that the FSA provide details on approved bancassurance arrangements via the Public Register on its website.
ICP 19	Conduct of Business The supervisor requires that insurers and intermediaries, in their conduct of insurance business, treat customers fairly, both before a contract is entered into and through to the point at which all obligations under a contract have been satisfied.
Description	<i>Policies and processes on the fair treatment of customers</i> The FSA has established the Code of Conduct for Insurance Business (the “Code of Conduct”) through Circular No 2/2005. The Code of Conduct sets out principles and standards aimed at ensuring fair treatment, transparency and integrity in all interactions with customers. It outlines the principles and standards to be followed at different stages of customer interaction, including initial contact, product recommendation or sale, claims handling and resolution of complaints. Adherence to the Code of Conduct is mandatory for all insurers, intermediaries and banks conducting bancassurance, and non-compliance may result in disciplinary action or sanctions. Insurers and intermediaries confirmed in discussions for the purposes of the assessment that they consider Code of Conduct provisions to be binding. Furthermore, ongoing training and development programmes are implemented by the FSA to support work by insurers and intermediaries to develop the necessary knowledge and skills to serve customers and meet regulatory requirements. In addition to the Code of Conduct, there are requirements for insurers and intermediaries (including banks) to act with integrity spelled out in the Code for Insurers, the Insurance Brokers Regulations, the Insurance Agents Regulations and the Bancassurance Regulations. These include providing full explanations to clients and disclosing all material facts, including required procedures when claims occur, ensuring transparency throughout the insurance process. Additionally, insurers and intermediaries are expected to prioritise the best interests of their clients and maintain high ethical standards in their dealings, as set out in Article 1 of the Code of Conduct. <i>Conflicts of interest</i> The Code for Insurers and the Code of Conduct have strict provisions on avoiding conflicts of interest in the insurance process. Article 14 of the Code of Conduct mandates that insurers and intermediaries must steer clear of conflicts of interest. If conflicts arise unavoidably, they are required to provide full disclosure of the situation and manage it in a way that prevents prejudice to any party.

	<i>Arrangements between insurers and intermediaries to ensure the fair treatment of customers</i> Article 2 of the Code of Conduct requires insurers and intermediaries to establish robust arrangements to ensure the equitable treatment of customers in their interactions and to act with due skill, care and diligence. These arrangements should encompass various aspects, including clear communication channels between insurers and intermediaries to facilitate prompt and accurate information exchange. Article 2 further states that insurers and intermediaries have a duty to act competently and diligently with regard to all transactions between themselves and the insured. Additionally, under Article 13 of the Code of Conduct, procedures for resolving disputes or grievances between insurers and intermediaries should be transparent and accessible to customers. <i>Product development</i> Product development is covered under the Code for Insurers. Article 5 requires that the board establish and approve strategic underwriting and pricing policies for all classes of business, which should be renewed annually. The FSA noted in discussion that it would expect insurers to take into account the interests of different types of consumers when developing products and would examine this as part of its supervision process. This aligns with Decision No E/69/2017 on the Regulation of Marketing of Insurance Products, Article 3 of which mandates that pricing policies conform to the underwriting and pricing policy approved by the insurer's board of directors. The FSA uses its product approval process to assess the conduct of business aspects of new products in addition to the prudential aspects. Insurers must submit their underwriting policy for review (by the FSA's actuary). This ensures that insurers adhere to regulatory standards and maintain transparency and fairness in their underwriting practices. <i>Promotion of products and services in a fair, clear and non-misleading manner</i> Under Article 8 of the Code of Conduct, the FSA requires insurers and intermediaries to promote products and services in a manner that is clear, fair and non-misleading. According to Decision No E/69/2017 on the Regulation of Marketing of Insurance Products, it is prohibited to market any insurance policy until the FSA approval is granted. The FSA teams review policy documentation, actuarial reports, underwriting manuals etc across different types of insurance (traditional, Takaful) and branches (life, general, medical). The FSA communicates with insurers during the approval process to address any necessary amendments to either the marketing material or the insurance product itself. <i>Pre-contractual stage</i> The Code of Conduct requires insurers and intermediaries to provide timely, clear and adequate information to customers before and during the life of the
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	contract. The Code of Conduct requires insurers and intermediaries to provide timely, clear and adequate information to customers before and during the life of the contract. Article 5 of the Code of Conduct requires that, at the initial point of contact, an insurer or intermediary advise the customer of the nature of the service it can offer and its relationship with the customer, including the types of service that can be provided and the choice of products and services that can be offered. The Code of Conduct stipulates in Articles 6, 7 and 8 that the insurer has an obligation to provide advice based on the assessment of customer needs, offer appropriate coverages and communicate sufficient information to enable customers to make informed decisions. Under Article 8 of the Code of Conduct, before the customer makes a final decision to buy an insurance policy, the insurer or intermediary must provide the customer with information on the salient features of the policy being proposed in order to enable the customer to make an informed purchasing decision. Under Article 4 of the Code of Conduct, information provided to the customer by the insurer or intermediary in accordance with the Code of Conduct shall be accurate in all material aspects, non-misleading, easily understandable and provided in writing by appropriate electronic means available and accessible to the customer. <i>Taking into account the customer's disclosed circumstances</i> Article 6 of the Code of Conduct states that insurers and intermediaries shall consider a customer's relevant disclosed circumstances and objectives when providing advice before concluding an insurance contract. Insurers and intermediaries should inform customers about their duty to disclose relevant information. Insurers and intermediaries should identify a customer's insurance needs by seeking from the customer such information about their circumstances and objectives as might reasonably be expected to be necessary and relevant in establishing the insurance needs before giving advice in regard to insurance products and services or concluding an insurance contract. Under Article 7 of the Code of Conduct, the advice and recommendation provided by the insurer or intermediary to the customer shall be based on a fair and sufficient assessment of the customer's position and needs, and the insurer or intermediary must offer appropriate alternatives and options for such needs. The recommendation should include an explanation as to how the policy would meet the customer's needs. <i>Policy servicing</i> Under Article 10 of the Code of Conduct, insurers are obligated to diligently service policies until all obligations under the policy have been fulfilled. Moreover, insurers must maintain transparency by disclosing any contractual changes that may occur during the life of the contract. Additionally, depending
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	on the type of insurance product (in particular, life insurance), insurers are further required to disclose relevant information to policyholders. Insurers and intermediaries must provide renewal notices to customers sufficiently in advance of the expiry of the policy, mentioning full details of renewal premiums and renewal terms. They must explain any changes and obtain customer agreement on any revised terms and conditions before renewing the contract. Claims handling The Code of Conduct has clear requirements on handling claims set out in Article 12. An insurer must: • Promptly respond when a claim is notified by or on behalf of a customer and state any other actions required of the customer, including documents to be submitted in support of the claim; any queries or requirements for additional documents shall be raised on time when the claim is filed; • Process the claims fairly and promptly and keep customers informed of the progress; • Settle the claim without avoidable delay on receipt of all information and documents; for example, mention is made in Chapter 6, Clause 17 of Decision No E/19/2016 Issuing the Unified Motor Vehicles Insurance Policy that: the maximum period for repairing any damaged vehicle is 30 days only from the date of completion of the accident file and, in case of exceeding 30 days, the affected party shall have the right to resort to the competent courts to claim compensation; and • Inform the customer in writing as to how the settlement amount has been determined, the reasons for offering reduced settlement against the amount claimed and reasons for not admitting any part of the claim, and pay settlement amounts without delay. The FSA, as part of its supervision of insurers, looks at an insurer's claims management framework to assess whether they are treating customers fairly in relation to claims and complying with the requirements as set out in Article 12. The FSA also receives complaints directly from insureds in relation to issues with insurers paying claims and uses this information in its conduct supervision. Handling complaints in a timely and fair manner Under Article 13 of the Code of Conduct, insurers and intermediaries should handle complaints promptly and fairly and have adequate systems and controls in place to do so. This entails acknowledging complaints promptly, taking necessary steps to address them and ensuring transparency throughout the resolution process. There are detailed requirements on complaints handling in Article 13, including: • Nomination of an officer responsible for receiving complaints; • An escalation process within the insurer or intermediary;
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	- Requirements to keep a customer informed during the course of the review of the complaint; - Provision of a final response; and - Oversight of the complaints handling process by management and the board of the insurer or intermediary. <i>Protection and use of customers' information</i> Article 15 of the Code of Conduct has clear requirements around confidentiality and the security of customers' assets. Insurers and intermediaries shall ensure that any information obtained from the customer will not be used or disclosed except in the normal course of negotiating, maintaining or renewing insurance for that customer, or in the following cases: - They have the customer's express consent; - Disclosure is made due to regulatory obligations; or - Disclosure is required as per the law. Further, Article 15 requires insurers and intermediaries to take appropriate steps to ensure the security of any money, documents and other assets handled or held on behalf of customers. <i>Supervisory publication of information supporting fair treatment of customers</i> The FSA has published on its website definitions of various terms used in the insurance sector and a series of FAQs on the roles and responsibilities of insurers, insurance brokers and insurance agents. The website also provides details about licensed insurance sector players and their contact information. This data is relatively simple but provides good information for customers with minimal understanding of insurance. There would be benefit to insurance buyers if the FSA published additional information on areas such as policyholder protection arrangements in Oman and the position of policyholders who deal with insurers and intermediaries that are not subject to oversight or supervision.
Assessment	Observed
Comments	There is an appropriate legal framework governing the business conduct of insurers. There is a strong focus on insurers and intermediaries dealing with customers with due skill, care and diligence, reflected in both legislation and the FSA's supervision. The Code of Conduct requires insurers and intermediaries to have appropriate systems and controls in place to treat customers fairly at all stages of the insurance lifecycle, and the marketing of insurance products must be clear, fair and non-misleading. The FSA conducts extensive work on consumer protection, including surveillance of the market, approval of new products and handling of customer complaints, which enables it to intervene effectively where required in the interests of insurance customers. In addition, supervisory work on conduct of

	business issues is integrated into the FSA's supervisory processes and includes both on-site and off-site elements. While some information on insurance is published by the FSA, it is recommended that it publish information on policyholder protection arrangements, further information to promote consumers' understanding of the value of insurance, and the position of policyholders who deal with insurers and intermediaries that are not subject to oversight or supervision by the FSA.
ICP 20	Public Disclosure The supervisor requires insurers to disclose relevant and comprehensive information on a timely basis in order to give policyholders and market participants a clear view of their business activities, risks, performance and financial position.
Description	While the FSA has powers to require disclosure by all insurers, for detailed disclosure requirements it relies on the ERCML, a capital markets regulation focused on investor needs and the smooth operation of markets, though not specifically on the insurance market from the perspective of the needs of policyholders etc. The ERCML applies only to companies listed on an exchange and therefore does not require disclosures by branches of foreign insurers. The FSA itself publishes extensive information on the insurance market, drawing on insurers' regulatory reporting, through three channels: • The Insurance Market Index, which provides sector-wide and individual insurer information including: ○ Financial positions by line of business and by domestic and foreign insurers separately, including information about insurers' paid-up capital, total assets, total investments and returns on investments, net profits, commissions and cost of production, and administrative and general expenses; ○ Technical provisions by line of business and by domestic and branches of foreign insurers, including information about gross direct premiums, total claims paid, number of insurance policies issued, number of policies issued, retention ratios, loss ratios, technical reserves (provisions), unit-linked policies, and selling channels and distribution of premiums; ○ Similar information about Takaful insurance business; ○ Information about insurance brokers and agents (direct premium and commission); and ○ Geographical distribution of insurers, brokers and agents. • The Bayanat platform (bi.bayanat.gov.om/): The Bayanat website is a portal managed by the FSA that provides access to financial and regulatory data intended for financial institutions, analysts and regulatory bodies. The portal includes analytical tools and documents related to financial standards, ratios and other data-driven insights, which

aid in reporting and compliance with financial regulations. The public can choose the year, the statement (consolidated or standalone), the frequency (annually or quarterly) and the information or ratios they are interested in. The platform also allows the users to make a comparison between insurers.

- Open data:

On its website, the FSA provides a list of open data⁹ concerning the insurance sector. The aim of this is to enable different segments of web users to consult the data provided by the Authority and take advantage of it for research, commercial or other purposes. The open data index (fsa.gov.om/Home/OpenData/AboutOpenData) includes the following data:

Table 6: Overview of open data

No	Data set title
1	General Insurance Indicators
2	Written Premiums
3	Ending of Annual Unexpired Risks Reserve
4	Beginning of Annual Unexpired Risks Reserve
5	Earned Premiums
6	Claims Paid
7	Outstanding Claims Reserve at End
8	Outstanding Claims Reserve at Beginning
9	Losses Borne by the Year
10	Commission and Cost of Production
11	General and Administrative Expenses
12	Loss Ratio (Automated Calculation)
13	Technical Reserves (Provisions)
14	Unit-Linked Policies
15	Selling Channels of Direct Premiums (Total Premiums)

Some insurers also include in their published annual report a range of information about their activity, but there are no requirements on the scope of such reporting on activities.

However, these communication channels of the FSA do not make available information on insurers such as solvency margins, risk exposures, ALM, capital adequacy and liquidity risks.

⁹ Data before 2023 is not based on IFRS 17.

	Annual report The ERCML stipulates that all listed insurers (in common with all companies listed on the stock exchange) should follow set deadlines for disclosures. Article 281 states that issuers shall prepare audited annual financial statements and disclose them immediately after approval by the board of directors not less than two weeks prior to the annual general meeting, together with other reports (ie directors' report, management discussions and analysis report, corporate governance report, auditor's report on the corporate governance report, auditor's report on audited financial statements). Article 279 of the ERCML requires issuers to prepare unaudited interim financial statements for the first, second and third quarters of the financial year and disclose them thirty days from the end of the quarter. Article 280 of the ERCML requires issuers to disclose the initial annual unaudited financial results. The disclosures of financial information should be accompanied by a report containing the material events that affected the issuer's performance and its financial position during the financial period of the report, as well as reasons for material changes in figures compared with the same financial period of the previous year. Article 285 of the ERCML mandates that issuers release statements comprising the balance sheet, income statement and a concise overview of significant developments affecting the company's performance and financial status as part of their unaudited quarterly financial statements. Audited annual financial statements must include a summary of the directors' report. These statements should be published within five days after the regulatory filing deadline, appearing in two daily newspapers, with at least one publication in Arabic. Additionally, the published statement must include contact details for obtaining a complete copy of the statements. Also, according to Article 286 of the ERCML, issuers must make financial statements available in both Arabic and English through the head office during business hours and by posting the statements on the issuer's website. Disclosures on company profile, governance etc Under Article 97 of the ICL, all listed insurers should have a memorandum of association, which should contain specified items such as details of the company profile. This does not have to be published, however. There is no explicit requirement for disclosure of key business segments, the external environment in which the insurer operates, or its objectives and the strategies for achieving those objectives (ICP 20.3). The FSA's Code for Insurers requires insurers to report a separate chapter on corporate governance in the annual report (Article 12). Annex 3 sets out a list of items to be covered, such as the insurer's philosophy on governance and how it has applied the principles of corporate governance, specific areas of non-compliance with the provisions of the Code and reasons for inability to comply, an action plan etc. However, the main provisions of the Code apply only to domestic insurers and not to foreign insurers (see ICP 7).
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	Disclosures on technical provisions There are detailed requirements on technical provisions (see ICP 14). However, there are no related disclosure requirements. Disclosures on risk exposures and their management etc Insurers must submit documents related to underwriting processes, reinsurance arrangements etc to the FSA, but these do not have to be disclosed to the public. The FSA issues a quarterly report about the performance of the sector that is sometimes released through social media. These disclosures are limited in comparison with what is required by ICP 20.6. Information about the insurer's financial instruments and other investments is not subject to disclosure requirements. Capital adequacy and liquidity Article 23 of the Executive Regulation of the ICL sets out a requirement on the calculation and reporting of the solvency margin to the FSA (see ICP 17). However, there are no requirements on disclosure of the actual solvency margin and no disclosures are made by either insurers or the FSA in practice. There are no required disclosures on an insurer's liquidity risk. Performance There are no requirements on disclosure of information on financial performance other than the material to be included in the annual financial statements (applicable to domestic insurers only).
Assessment	Partly Observed
Comments	Extensive information on insurers is available from their IFRS financial statements and reports, as well as from sources such as the FSA's Insurance Market Index, open data and the public Bayanat website. However, disclosure requirements for insurers are primarily driven by capital markets regulations, which focus on the needs of investors and market stability. These requirements apply only to domestic listed insurers, excluding foreign insurers' branches in Oman. While quantitative disclosures on domestic insurers from all sources are extensive (although they exclude solvency data), required disclosures of qualitative and contextual information, such as risk exposures and risk management policies, are limited. It is recommended that the FSA issue a regulation requiring full prescribed disclosures by all insurers, taking into account existing IFRS disclosures, the requirements of the capital markets legislation (so as to avoid duplication) and the detailed requirements of the ICP as applicable to the market.

ICP 21	Countering Fraud in Insurance The supervisor requires that insurers and intermediaries take effective measures to deter, prevent, detect, report and remedy fraud in insurance.
Description	<i>Fraud in insurance in legislation</i> There is legislation on countering fraud in insurance. Chapter 2 of the Penal Law promulgated by Royal Decree No 7/2018 applies to any fraudulent activities in insurance, be they committed by insurers, policyholders, intermediaries or any other party. The ICL includes provisions for penalties relating to fraud, but these are primarily for fraud committed by insurers and fraudulent accounting or reporting. There is no explicit requirement in legislation for adequate sanctions for fraud in insurance or for prejudicing an investigation into fraud (ICP 21.1). There are specific penalties for fraud embedded in the unified motor vehicles insurance policy, the unified policy for borrowers' life insurance and the unified policy for health insurance. These unified policies are compulsory wordings for these classes of business and aim to standardise the terms and conditions governing the contractual relationship between the insurer and insured, as well as other parties involved in the insurance relationship, such as banks (for borrower's life), hospitals (for health) and repair workshops (for motor vehicles). <i>Supervisory framework and different types of fraud risk</i> FSA demonstrates a comprehensive understanding of the types of fraud risk to which the insurance sector is exposed and monitors fraud risk controls within insurers. This is achieved via its work in supervising the insurance industry, cooperation with other authorities including law enforcement, and information it receives from insurers, intermediaries and insureds. There is no specific regular process for monitoring fraudulent activities. Insurers are mandated by the Code for Insurers to incorporate risk management policies into their corporate governance structures. However, this does not explicitly include fraud risk. The FSA conducts supervision and monitoring of insurance activities to identify potential fraud risks and ensure adherence to anti-fraud measures through both off-site analysis and on-site inspections. Additionally, all insurers are mandated by the Code for Insurers to conduct internal audits annually in order to ensure the effective implementation of internal procedures. If external auditors detect or suspect fraud, under the Code they must report this to the board of the insurer and to the FSA if the fraud is material. These requirements do not however apply to insurance intermediaries. As a key risk area, fraud risks emanating from brokers' management of insurance monies are mitigated by regulations. These include the segregation of accounts, distinguishing between client accounts and broker business accounts. Furthermore, brokers cannot directly receive premiums from

	commercial clients (see ICP 18). However, there is currently no provision for regular monitoring of insurance brokers by the FSA in relation to fraud risk. In the context of health insurance, a specific legislative framework has been developed due to the complexity of this insurance type and the prevalence of fraud and misuse of benefits. The Unified Agreement for the Health Insurance System governs the commercial relationships between insurers, hospitals and health insurance claims management firms. It includes a dedicated chapter outlining the mechanism for addressing fraud cases within the health insurance sector. <i>Cooperation, coordination and exchange of information with other competent authorities</i> Article 6 of the FSA Charter (Royal Decree No 20/2024) provides that the FSA may communicate with counterparts inside and outside Oman to achieve its objectives. There is regular communication and cooperation between the FSA and its counterparts on day-to-day matters, as well as in relation to countering fraud. In addition, the FSA has a number of initiatives, including: • Establishing electronic connectivity between the ROP and motor insurers in relation to motor insurance under the unified motor vehicles insurance policy; • The health insurance information exchange platform (Dhamani); • Issuing regulations for electronic insurance operations and cyber security; and • A whistleblower and complaint platform, which allows all stakeholders to inform the FSA about any misconduct and violations.
Assessment	Largely Observed
Comments	The FSA demonstrates a comprehensive understanding of the types of fraud risk to which the insurance sector is exposed and monitors fraud risk controls within insurers. It was evident from discussions for this assessment that the FSA considers fraud risk in its supervision of insurers and intermediaries – although more could be done with regard to insurance brokers – and that the insurance industry in general is aware of key fraud risks. The FSA coordinates with other competent authorities as necessary in relation to insurance fraud. However, there is no specific regular review process dedicated to monitoring fraudulent activities. Legislation relating to fraud in insurance is in place. It is recommended that the FSA and the Government of Oman put in place explicit requirements in legislation for adequate sanctions for fraud in insurance and for prejudicing an investigation into fraud.

ICP 22	Anti-Money Laundering and Combating the Financing of Terrorism The supervisor requires insurers and intermediaries to take effective measures to combat money laundering and the terrorist financing. The supervisor takes effective measures to combat money laundering and terrorist financing.
Description	<i>Jurisdictional framework</i> Under Royal Decree No 30/2016 Promulgating the Law on Combating Money Laundering and Terrorism Financing (AML/CFT Law), the FSA is the financial supervisor in Oman with a mandate for AML/CFT supervision of the insurance and capital markets sectors. The FSA coordinates with the NCFI, the national FIU within the ROP. In 2020, the FSA established a specialist AML & CFT Department dedicated to the ongoing monitoring and supervision of compliance by securities and insurers with their AML/CFT obligations under Oman's AML/CFT legislative framework. The department has five specialist staff who, in addition to conducting AML/CFT supervision work, provide training to the industry on relevant AML/CFT issues. To provide further clarity and guidance on the requirements in the AML/CFT Law and its supervisory expectations, in 2019 the FSA issued comprehensive AML/CFT regulations for the insurance sector via Decision No E/3/2020. Updated and enhanced instructions were issued to the sector in 2021 via Decisions Nos E/81/2021 and E/80/2021. Oman underwent a Financial Action Task Force (FATF) mutual evaluation in 2024. At the FATF Plenary in October 2024, it was noted that Oman has significantly improved its AML/CFT framework in recent years with robust technical compliance and has taken positive steps regarding the use of financial intelligence, international cooperation combating terrorist financing and the implementation of targeted financial sanctions for proliferation financing. <i>Supervisory understanding of ML/TF risks and a risk-based approach</i> The FSA conducted a sectoral risk assessment for the insurance sector in 2022, which was reflected in the national risk assessment. Moreover, the FSA collects information on the main risk factors of money-laundering on a yearly basis and uses this to build a yearly inspection plan based on risk, making use of an automated analytical tool. The output of the process is the classification of insurers based on their risk exposure. The FSA applies a risk-based approach consistent with FATF Recommendations and conducts specific AML/CFT inspections of insurers in line with this approach. <i>Guidance and feedback on compliance with AML/CFT requirements</i> For matters that are not in primary legislation, the FSA provides guidance, available on the FSA's website. Examples of guidance issued are: • Guidance about identifying and verifying beneficial ownership; • ML/TF typologies for the insurance sector;

	• Business-wide risk assessment; and • AML/CFT guidance for financial institutions. Monitoring and enforcing AML/CFT requirements The FSA monitors compliance with AML/CFT requirements through a range of on-site and off-site measures. It has also implemented an extensive and ongoing outreach and awareness-building programme for the industry on both existing and emerging AML/CFT risks and the importance of compliance with AML/CFT obligations. The objective of the FSA's on-site inspections is to monitor compliance with AML/CFT obligations and to require corrective measures where necessary. As part of the on-site inspection process, the FSA, in coordination with the CBO, has developed an AML/CFT Inspection Manual that guides supervisors in the procedural aspects of the on-site inspection process. The FSA has also developed an On-site Inspection Checklist that comprises 20 specific examination areas including in respect of targeted financial sanctions, governance, suspicious transaction reports (STRs), cash transactions and enhanced due diligence. The adequacy and effectiveness of all such controls are assessed by the FSA during an inspection, the extent of which depends on the risk profile of the entity and the nature of the inspection. The AML and CFT Department has a programme for conducting inspections of insurers and intermediaries in relation to AML/CFT requirements. In addition, the FSA has taken enforcement action against insurers and intermediaries for failure to submit the required documentation in relation to AML/CFT. Cooperation and coordination The FSA coordinates with other domestic bodies and with international authorities. • The FSA and the CBO maintain close and ongoing communication as the two AML/CFT supervisors of the financial sector. An MoU is in place between them to facilitate information exchange, and they meet every quarter to discuss issues such as licensing and fit and proper checks, ML/TF risk assessment, sectoral risk assessments, proliferation financing risk assessment, any planned joint guidance, planned inspections, ongoing and completed inspections and any intelligence that has been received. • The FSA maintains close relations with foreign supervisors as required, in particular as part of the licensing process. • The FSA has signed MoUs with the NCFI, the ROP and the Public Prosecution Office to facilitate information exchange. The FSA meets with the NCFI on a quarterly basis to obtain information on the quality and quantity of STRs in the sector as well as any adverse information that the NCFI may have on any of the regulated legal entities. In addition, the FSA and the NCFI have conducted a joint workshop on STRs for both the securities and insurance sectors.
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Assessment	Observed
Comments	The FSA has a thorough understanding of the AML/CFT risks to which insurers and intermediaries are exposed. It requires insurers and intermediaries to take effective measures to combat money laundering and terrorism financing. While AML/CFT risks in the insurance sector are assessed as low, the FSA has a risk-based approach to AML/CFT supervision of insurers and intermediaries and conducts extensive supervision through off-site reporting and inspections by specialised staff. There is close cooperation with domestic and international authorities as required.
ICP 23	Group-wide Supervision The group-wide supervisor, in cooperation and coordination with other involved supervisors, identifies the insurance group and determines the scope of group supervision.
Description	<i>Legislative/regulatory basis of group supervision</i> Insurance-relevant legislation does not provide for the definition of an insurance group or for the identification of an insurance group and its legal entities. Regulations do not include a framework for group-wide supervision, nor do either supervisory tools or an established practice exist. In short, there is no legislation/regulation specifically setting out requirements for the supervision of an insurance group (see also ICP 1), nor has the FSA developed an approach to group supervision that would rely on its powers over the individual insurers within a group (an indirect approach to group supervision). <i>Overview of insurance groups in the Omani insurance market</i> At present, the FSA does not carry out the role of a GWS and currently does not execute either direct or indirect group supervision. There is one insurance group headquartered in Oman. It came into existence when the largest insurer in Oman acquired the regional business of a European insurance group (including an insurer in Oman) in 2022. The group consists of three fully owned subsidiaries, an insurer and two support services and third-party providers, and it operates in five Gulf Cooperation Council (GCC) countries. As well as having substantial market shares in life, health and motor insurance in Oman, the group is amongst the top 10 insurers in the Gulf. In discussions with the assessors, the FSA explained that it has closely monitored the creation of the group and carried out intensive work in its transition and integration, mainly through the licensing team. It has gained substantial insights into the group and its structure (eg legal entities), which could provide a sound basis for identifying group-wide risks.

	Identification of group legal entities and scope of supervision For the newly established group, no formal identification of group legal entities or determination of the scope of group supervision has been carried out yet. The FSA has not established a supervisory college (see ICP 25). While MoUs are in place with other relevant supervisors (see also ICPs 3 and 25) facilitating the exchange and coordination with foreign supervisors, this does not substitute for or meet the requirements for group-wide supervision.
Assessment	Not Observed
Comments	The FSA does not exercise group supervision in its market, which is simple in structure and in which insurers generally operate on a legal entity basis, authorised and supervised by the FSA. There is one insurance group, recently established, for which the FSA is expected to be the GWS. It is dominant in life and health insurance in Oman and a major player in the Gulf region. There are no requirements on group-wide supervision, nor is there a framework for indirect group supervision via the licensed insurer in Oman. There is no process (in cooperation with other supervisors, as applicable) for formally identifying an insurance group and its legal entities and determining the scope of and responsibilities for group-wide supervision. It is recommended that the FSA: • Complete the mapping of the structure of the one insurance group and take immediate steps to agree on the GWS and approach to group-wide supervision, including whether to establish a supervisory college; and • Establish requirements and develop a framework for the supervision of insurance groups, be it direct or indirect, ensuring that the scope of group supervision covers insurers, holding companies and other unregulated legal entities, as applicable.
ICP 24	Macroprudential Supervision The supervisor identifies, monitors and analyses market and financial developments and other environmental factors that may impact insurers and the insurance sector, uses this information to identify vulnerabilities and address, where necessary, the build-up and transmission of systemic risk at the individual insurer and at the sector-wide level.
Description	There is no separation of microprudential and macroprudential responsibilities for the insurance sector and the FSA is, in practice, responsible for both. The CBO has a broad financial stability mandate and chairs the JFSC (see also ICP 1), part of whose responsibility is to monitor and report on market trends and financial stability issues across the financial sector. The FSA's Executive President is the Vice-Chair of the JFSC. However, to date, the JFSC's work has not identified issues of relevance to the insurance sector from a stability

	perspective, nor has the FSA itself identified any stability issues to bring to the JFSC. Data collection for macroprudential supervision The FSA requires, based on Articles 8–10 bis of the Executive Regulation of the ICL and as set out in the Annexes, a comprehensive and detailed annual submission of insurer data and information (see also ICP 9): • Insurance indicators (broken down by type of insurance: general, life, health) such as written premiums, (technical) reserves, claims paid and under settlement, number of policies, sums insured, surrender reasons and amounts; • Solvency margin calculations; • Reinsurance arrangements; • Paid-up capital, total assets and investments; and • Balance sheet information. Based on Articles 209–217 of the CCL, audited annual financial statements have to be submitted to the FSA before approval of the agenda of the company's Annual Ordinary General Assembly. Similarly, under Articles 71–76 of the Executive Regulation of the TIL, audited financial statements and regulatory reports have to be submitted to the FSA 30 days before the General Assembly. Data is also collected on asset and catastrophe concentration, reinsurance contract information, returns on investments, number and value of surrendered policies, the reasons for surrender and whether the policies are inside or outside of Oman. Furthermore, the CBO monitors macroeconomic data such as interest rates and inflation (see Financial Stability Report below), and the FSA has access to this information. In the future, asset-liability duration information may become more relevant should the life (savings) segment increase. Intragroup transactions will also need to be captured given the creation of the new domestic group (see ICP 23). Changes in morbidity, for example, may affect health insurance. The data of all insurers is collected via the electronic FSA portal and validated by the financial analysis team before it is submitted to – semi-automated – analysis. Analysis of macroprudential risks The data collected is analysed by the off-site/financial analysis team (Financial Analysis & Risk Management Department); automatic reports can be created. In case the on-site supervision team identifies a common pattern in the market, it feeds it back to the off-site/financial analysis team and a new indicator may be added to the microprudential risk assessment matrix. A practical example of monitoring market-wide developments mentioned by the FSA in discussions with the assessors was the monitoring of the impact of aspects of the recent transition to IFRS 17, such as the effects on unexpired
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	versus expired policies and the related taxable income. The FSA also referred to work on monitoring claims payment developments across the sector, eg whether health insurance payouts are made within the required time limit. Moreover, price inflation (eg of spare parts, medication/hospital treatment) and loss ratios of motor and health insurance are monitored as a potential source of concern. The FSA also monitors the risks of systematic under-reserving across the sector and the potential impact of stock market movements and insurers' limited access to Omani government bonds. Finally, the FSA does not consider the surrender of life policies an issue, as the entire premium has to be paid upfront (credit life) and long-term (savings) products are limited. However, while the FSA monitors market developments and financial trends to a certain extent, its main focus is on individual insurers and there is limited reporting on developments from a macroprudential perspective. The FSA has not executed stress testing or performed scenario analysis eg for natural catastrophes, dependency of cash deposits on a few banks only or a liquidity crunch during a pandemic. The FSA is aware that a major part of its profit comes from investment income. In this respect, liquidity monitoring could prepare it for adverse market circumstances, eg unrealised gains or investment losses. The CBO publishes an annual Financial Stability Report (FSR) that includes a systemic risk survey and lists 13 hypothetical events, some of which are relevant to the insurance sector, eg a rise in interest rates, higher inflation, cyber risk, climate change and natural disasters ("inward risks"). The FSA responds to the survey and provides input through an insurance lens. It also reviews the draft FSR. At present, the FSA does not actively use the FSR to inform its own analysis. However, the FSA Management regularly discuss risks with the FSA Executive President, who is also the Vice-Chair of the JFSC. The CBO's reporting does not currently cover the insurance sector in depth given its small size relative to the banking sector and the low likelihood that it will pose financial stability risks ("outward risks"). Assessing systemic importance The FSA does not have a framework for assessing the potential systemic importance of individual insurers, potential transmission channels or the build-up of potential systemic risk in the sector. The FSA takes the view that, due to the small size, simple structure and product range, and developed legal entity supervision of the sector, outward (systemic) risk is expected to be low. On the other hand, it acknowledges that the insurance sector could be affected by macroeconomic and other risks from the financial sector, as well as external risk factors such as climate change or cyber risk. In the assessors' discussions with stakeholders, risk factors such as climate change, premium payment arrears, court discretion on compensation for bodily injury claims, and limited access to government bonds or concentration of cash investments in a small
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	number of Omani banks (deposit concentration risk, interconnectedness) were mentioned as market-wide risks. Supervisory response At present, no holistic view of the insurance market is developed within the FSA for macroprudential supervisory purposes, nor does the FSA have a formal process for using the results of macroprudential supervision and assessment of the potential systemic importance of insurers and the sector in its regulation and supervision. This reflects the limited extent of outward risks. Equally, the FSA does not yet carry out thematic/horizontal reviews of issues that represent common exposures of the sector to external developments (inward risks), eg climate change or cyber risk. The FSA contributes to the national Risk Register Committee on risks to the economy and the financial sector, for example the impact of a market/stock exchange collapse. Transparency A comprehensive set of data, including most prominent indicators and statistics on the insurance sector, is published through the Insurance Market Index reports and also provided at the open data website (the latter in accordance with the Open Government Data Policy). This includes premiums, claims data, costs/expenses, retention ratios, number of insurance policies issued, number of employees etc. In addition, the interactive analytical digital platform Bayanat was recently introduced. It discloses both financial (eg quarterly and audited annual reports) and non-financial information (eg number of employees, chief executives, board members). All insurers operating in Oman are included. For branches of foreign entities, information is less granular but still covers separate audited financial reports for most. Bayanat also allows for a graphical display of the information and comparison of insurers. In contrast to international practice, insurers' solvency ratios are not published. Future developments Since last year, the FSA has set up a Risk Management Bureau, which is responsible for managing the FSA's own risks and for market-wide risk assessments and risk monitoring of sectors supervised by the FSA. The Office has so far provided feedback on the risk assessment matrix for insurers and plans to carry out cyber risk audits. It will also begin sector-wide monitoring, including stress testing, of the insurance market within the next two years. It has submitted a policy proposal to the FSA Board (Audit & Risk Committee) for an internal risk register, the monitoring of insurance sector risks and the establishment of early warning systems.
Assessment	Partly Observed
Comments	The FSA collects detailed information that it mainly uses to assess the risks of individual insurers and, to a certain extent, to analyse developments in the

	insurance industry. Additional data could be collected to better identify and capture common exposures and market developments, such as asset-liability mismatches/duration gap, intragroup transactions and drivers of claims inflation (ICP 24.1). Although the size of the market and of individual insurers does not warrant concerns from a systemic risk perspective (ICP 24.3), the FSA should do more to develop a macroprudential supervisory approach. It does not yet have a systematic approach to identify market-wide vulnerabilities or to develop its view of the sector's exposure to external factors or its potential impact on the financial system and the real economy (ICP 24.2). Macroprudential aspects are rarely included in the FSA's supervision (ICP 24.4). The FSA is, however, already working to develop its capacity in these areas, supplementing the work of the supervision teams with specialist analysis by its Risk Management Bureau, which seems likely to cover many of the gaps identified in this assessment. The FSA also publishes extensive data on insurers, though data on branches of foreign insurers is less detailed. The FSA could further develop its reporting on important sector-wide developments, including measures of financial soundness such as solvency ratios, at least in aggregate (ICP 24.5). It is recommended that the FSA: • Complete the establishment of policies and procedures for a macroprudential supervisory framework, including identification of vulnerabilities (inward and outward risks) and systematic analysis of market-wide developments, and execute stress testing; and • Include summary findings on sector-wide risks in its annual report.
ICP 25	Supervisory Cooperation and Coordination The supervisor cooperates and coordinates with involved supervisors and relevant authorities to ensure effective supervision of insurers operating on a cross-border basis.
Description	<i>Agreement on the identification and role of GWS</i> The FSA has powers to cooperate and coordinate supervisory activities with other supervisors. Article 6(9) of the FSA Charter issued with Royal Decree No 20/2024 includes as one of the FSA's functions communications with counterparts inside and outside the Sultanate. The FSA has signed various MoUs with other supervisors to facilitate such work (see ICP 3). There is one recently established insurance group based in Oman with insurance operations in Oman and elsewhere in the region (see ICP 23). The FSA has been exercising oversight of the establishment of this group (at least in relation to changes in licences required in Oman) and is aware of its group structure. However, the FSA has not yet established a process for cooperation

	and coordination with the other supervisors of group legal entities, including for agreement on which authority will be the GWS. Other domestic insurers do not generally have operations outside Oman. However, the one specialist reinsurance group does. <i>Suitable coordination arrangements</i> There has been no consideration yet of whether to establish a college of supervisors or whether to adopt other means of cooperation and coordination. Oman's only insurance group is represented in multiple jurisdictions, and MoUs have been agreed with some but not all. The FSA may be able to rely on the IAIS MMoU, or it may consider establishing an MoU specifically for the other supervisors of the group governing, in particular, the operations of the supervisory college, if it chooses to establish one. <i>Supervisory cooperation as an other involved supervisor</i> There are eight branches of foreign insurers licensed to undertake insurance operations in Oman. One domestic insurer is the Oman-incorporated subsidiary of a foreign insurer. The FSA is an other involved supervisor in these cases. The ultimate parent companies and their home supervisors are located in many jurisdictions, including Canada, the United States of America, India, Qatar and Iran. In some cases, the insurance legal entity in Oman is part of a regional subgroup. However, while the FSA exchanges information with home supervisors in some cases, there is no formal process for cooperation with such authorities. The FSA is not a member of any supervisory colleges. <i>Crisis management coordination</i> The FSA has not yet made any arrangements for handling a crisis that might affect the insurance group of which it is (or is likely to be) GWS or where it has responsibilities as an other involved supervisor.
Assessment	Partly Observed
Comments	The FSA has concluded agreements with multiple jurisdictions for the purpose of coordination and cooperation. However, it has not yet initiated a process for identifying and agreeing on the GWS for the one (recently established) insurance group in Oman (ICP 25.1), and there are no coordination and cooperation arrangements as yet for the purposes of group supervision (ICPs 25.2 and 25.4–25.6) either for day-to-day supervision or for crisis management purposes (ICPs 25.7–25.9). The FSA is an other involved supervisor in the case of eight foreign insurer branches and one subsidiary of a foreign insurer. It is not presently engaged in systematic cooperation and coordination with the other relevant supervisors (ICP 25.3). It is recommended that the FSA establish processes and plans for cross-border supervision as home supervisor, giving priority to arrangements for the

	one insurance group in Oman, and a strategy for ongoing cooperation where it is the other involved supervisor.
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The Authority's response to the assessment

The Financial Services Authority of the Sultanate of Oman (FSA Oman) extends its deepest appreciation to the IAIS Secretariat for its expert guidance and unwavering support throughout the Member Assessment Programme (MAP) processes.

The MAP has been instrumental in benchmarking the FSA Oman's supervisory practices against global standards, providing a valuable framework for identifying strengths and addressing areas for improvement.

The FSA Oman would like to share with you its feedback as an evaluated jurisdiction, upon completion of the MAP. The feedback is outlined in four sections as follows.

Preparatory work and engagement

The FSA Oman approached the MAP with a deliberate strategy to maximise its impact, implementing a comprehensive three-phase preparation plan:

- **Familiarisation and learning from peers:** The FSA Oman thoroughly reviewed IAIS methodologies and collaborated with Morocco's ACAPS and Albania's AFSA to gain practical insights. This peer engagement was pivotal in identifying potential challenges and adopting best practices.
- **Capacity building:** Key staff participated in an IAIS-organised bootcamp on risk-based supervision and emerging trends, enhancing their ability to lead the MAP process. Internal workshops ensured alignment across departments and clarified roles and expectations.
- **Stakeholder collaboration:** Engaging with industry stakeholders enriched the FSA Oman's preparations, fostering transparency and inclusivity in the assessment process.

The on-site visit: key learnings

The on-site visit was a transformative experience, marked by the professionalism and depth of the IAIS team. Interactive discussions and stakeholder interviews offered invaluable perspectives, highlighting global best practices and actionable recommendations. The balanced approach of the assessment team – combining rigorous evaluation with constructive guidance – reinforced the developmental nature of the MAP process.

Strategic impact of the MAP

It is anticipated that the MAP will significantly influence the FSA Oman's strategic direction, equipping it to address emerging challenges and align more closely with international standards. Key outcomes include:

- **Regulatory innovation:** The MAP underscored the importance of addressing risks such as climate change, cyber threats and cross-border supervision. The FSA Oman is prioritising these areas, with a focus on developing comprehensive regulatory frameworks.
- **Enhanced governance:** Insights from the MAP are shaping improvements in corporate governance structures, emphasising group supervision and policyholder protection.
- **Market confidence and stability:** The MAP has bolstered confidence in the FSA Oman's supervisory capabilities, fostering a resilient and transparent insurance market while mainstreaming financial stability as a core objective.

**Commitment to continuous improvement**

The FSA Oman remains committed to implementing the MAP recommendations; ensuring sustained alignment with IAIS principles; and fostering a dynamic, globally competitive insurance sector in Oman.

Acronyms

AAOIFI	Accounting and Auditing Organization for Islamic Financial Institutions
ACCA	Association of Chartered Certified Accountants
AML/CFT	Anti-money laundering and combating the financing of terrorism
ALM	Asset-liability management
ARM	Associate in Risk Management
ATR	Acquisition and Takeover Regulation
BDIS	Banking Deposits Insurance Scheme
CBO	Central Bank of Oman
CCL	Commercial Companies Law, Royal Decree No 18/2019 of February 2019
CEO	Chief Executive Officer
CII	Chartered Insurance Institute, London
CMA, CMA Oman	Capital Market Authority, Sultanate of Oman, the functions of which were absorbed into the new FSA established on 25 March 2024 per Royal Decree No 20/2024
Code for Insurers	Code of Corporate Governance for Insurance Companies
DNFBPs	Designated non-financial businesses and professions (relevant for AML/CFT)
ERCML	Executive Regulation of the Capital Market Law, Decision No 1/2009 of 18 March 2009
ERM	Enterprise risk management
FATF	Financial Action Task Force
FIU	Financial Intelligence Unit
FSA, FSA Oman	Financial Services Authority, established on 25 March 2024 per Royal Decree No 20/2024, replacing the CMA
FSAP	IMF-World Bank Financial Sector Assessment Program

FSA Charter	Financial Services Authority Charter, which was issued with and is attached to Royal Decree No 20/2024 of 25 March 2024
GCC	Gulf Cooperation Council
GDP	Gross domestic product
GWPs	Gross written premiums
GWS	Group-wide supervisor
IAIS	International Association of Insurance Supervisors
IASB	International Accounting Standards Board
ICL	Insurance Companies Law, Royal Decree No 12/1979 of 21 March 1979
ICP	Insurance Core Principle
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
JFSC	Joint Financial Stability Committee
KRIs	Key risk indicators
MOCE	Margin over current estimate
MoU	Memorandum of Understanding
IAIS MMoU	IAIS Multilateral MoU on Cooperation and Information Exchange
MSX	Muscat Stock Exchange
NCFI	National Centre for Financial Information, Oman's Financial Intelligence Unit, operating as a part of the ROP
OACPA	Oman Association of Chartered Public Accountants
OMR	Omani rial
ORSA	Own risk and solvency assessment
PJSC Regulation	Public Joint Stock Companies Regulation, Decision No 27/2021 of 25 February 2021

ROP	Royal Oman Police
STRs	Suspicious transaction reports
TIL	Takaful Insurance Law, Royal Decree No 11/2016 of 6 March 2016
USD	US dollar

Annex – Institutional and market overview

Geography and population

1. **The Sultanate of Oman is a geographically large country on the Arabian Peninsula with a population of around 5.3 million.** The country, which is located on the southeastern coast of the peninsula, overlooks the mouth of the Persian Gulf and shares land borders with Saudi Arabia, the UAE and Yemen. It shares the strategically important Strait of Hormuz with Iran. The capital and largest city is Muscat. Oman is geographically diverse, with mountain ranges, extensive desert (which limits the fertile land available for agriculture) and a long coastline on the Gulf of Oman, Arabian Sea and Persian Gulf.
2. **The country is experiencing high population growth.** The growth rate was estimated at 4.5% in 2023.¹⁰ Around 60% of the population are Omani nationals.

Economy

3. **Oman's economy has proved resilient to recent global shocks and is growing.** Supported by favourable oil prices and recent economic reform measures, the economy recovered from the Covid-19 pandemic shock with inflation remaining low. GDP growth in 2022 was over 9%, driven by the hydrocarbon sector, but it fell back to 1.2% in 2023 and is expected to be around the same level 1% in 2024 before increasing to 2.5% in 2025, driven by agricultural and construction activities and a robust services sector.¹¹ Inflation increased moderately in 2022 but slowed to around 1% in 2023 and 2024 and is expected to remain broadly stable, reflecting subsidies on basic food items, caps on domestic fuel prices and the currency peg to the US dollar (OMR = USD 2.6).
4. **Fiscal and current account balances are in surplus, and government debt is low and falling.** Oil and gas production reach around one million barrels per day or equivalent, and most oil output is exported, contributing to a positive current account balance (2.4% of GDP in 2023). The fiscal balance has moved from deficit to surplus since 2022, reflecting prudent fiscal management as well as higher oil prices, with the positive central government balance increasing to 6% of GDP in 2023. Central government debt as a share of GDP has fallen from about 60% in 2021 to 36% in 2023. Oman's sovereign credit rating has recently been upgraded to investment grade, and sovereign spreads are in line with the average for GCC countries.
5. **Oman is seeking to diversify the economy.** There are plans to reduce reliance on oil and gas by developing other sectors, including tourism, construction and the financial sector. The original Vision 2020 programme that set out development objectives has been replaced by the Vision 2040 programme, which emphasises fiscal sustainability as well as structural reforms such as strengthening the governance of state-owned enterprises and measures to increase non-oil private sector growth, facilitating job creation and investment in cleaner sources of energy.

Government and legislative powers

6. **The Sultanate of Oman is an absolute monarchy.** Under the Basic Law of the State enacted in 1996, all legislative, executive and judiciary power rests in the hands of the Sultan, since 2020 His Majesty Sultan Haitham bin Tariq. All primary legislation is issued by the Sultan after consideration by the Council of Ministers. The Sultan is also currently the Prime Minister and

¹⁰ See United Nations, *World Population Prospects 2024*.

¹¹ See International Monetary Fund report: 2024 Article IV Consultation, January 2025

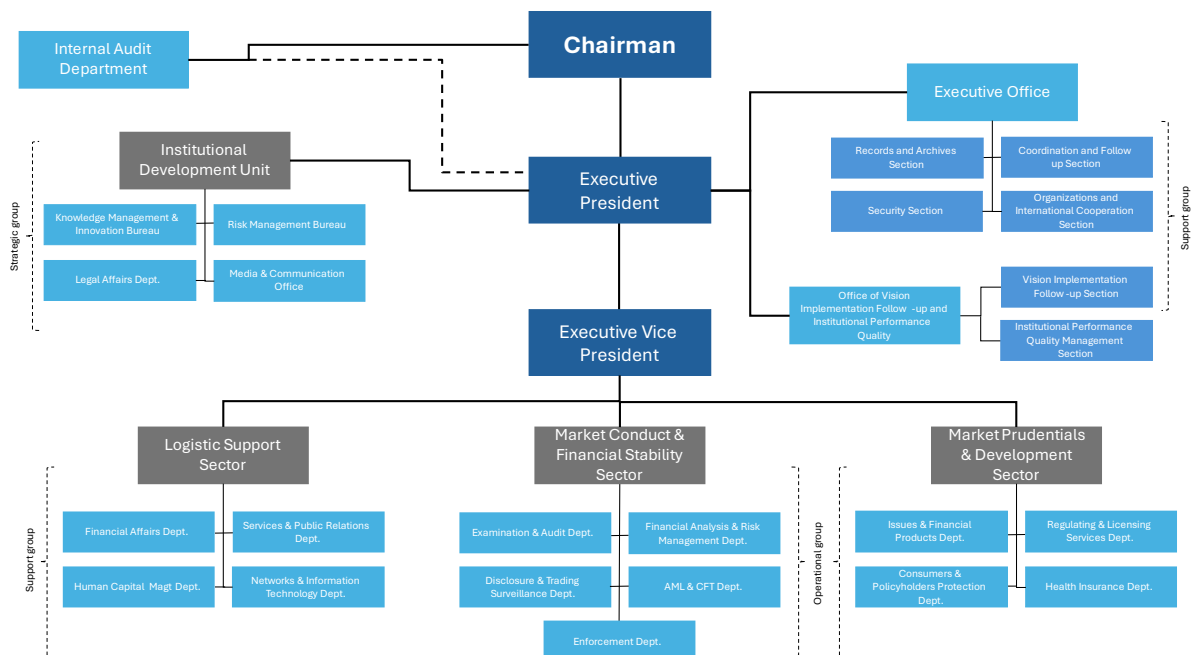
chairs the Council of Ministers. The Sultan appoints ministers and judges and is the supreme commander of the armed forces. Secondary legislation (regulations and other instruments) may be issued, where provided for in law, by ministries and other public authorities such as the FSA.

7. **The Sultan is supported by a consultative body, the Council of Oman.** The Council, which has a role in legislation but is not a legislative body, comprises both the Council of State, the members of which are appointed by the Sultan from a pool of experts, and the Consultative Assembly (or Shura Council), elected by citizens. The two bodies may be consulted on and debate legislative proposals and policy issues. There are no political parties.
8. **The judicial system comprises various levels of courts overseen by the Supreme Judiciary Council, chaired by the Sultan.** The Supreme Court is the highest court and hears appeals from the six Courts of Appeal located across Oman. There are multiple Courts of First Instance and an Administrative Court established to resolve administrative disputes. The Supreme Judiciary Council is responsible for the administration and development of the court system and Public Prosecution Office as well as for proposing draft laws and royal decrees related to the judiciary.

Institutional framework and arrangements

9. **Financial sector regulation and supervision responsibilities fall mainly to the CBO and the FSA.**
 - Under the Banking Law of 2025, the CBO supervises banks and is responsible for financial stability. It has a dedicated Financial Stability Unit and carries out stress testing and vulnerability assessments. Its president chairs the JFSC, comprising the CBO, the FSA and other ministries and authorities.

Table 7: FSA Organisational structure



- The FSA was established in early 2024, assuming the responsibilities of the former CMA under the ICL (1979), the Securities Law (2022) and other legislation. The FSA also assumed responsibility for regulation of the accounting and auditing professions and is developing a new legal framework for their future regulation.

10. **There is also a framework for AML/CFT regulation and supervision.** Five authorities are responsible for supervision of financial institutions and DNFBPs.
11. **As an independent government agency, the FSA is responsible for its own budget and organisation.** Under its founding law (Royal Decree No 20/2024), the FSA enjoys financial and administrative independence and reports to the Council of Ministers. It is funded by fees and charges paid by the entities for whose regulation and supervision it is responsible as well as investment income.

Industry structure and recent trends

12. **There are 17 insurers in total, and numbers have been declining due to mergers.** The FSA distinguishes between domestic insurers incorporated in Oman, of which there are nine including one specialist reinsurer, and foreign insurers, which are branches in Oman of insurers incorporated in foreign jurisdictions and of which there are eight. Of the domestic insurers, two are Takaful insurers providing only Takaful products. One domestic insurer is foreign-owned. Mergers and withdrawals have reduced the number of insurers from 23 in 2011 (when insurance sector regulation was last assessed under the IMF-World Bank Financial Sector Assessment Program (FSAP)). The FSA has not licensed a new entrant to the market in the past 10 years.
13. **The market is largely open to foreign participation.** Although there are some restrictions on foreign investment, ownership and control of domestic insurers by foreign entities is permitted. Foreign insurer branches have long been permitted under an exception to a general requirement limiting entry by branches of foreign entities. Foreign insurers accounted for 15% of total insurance sector gross written premiums (GWPs)¹² in 2023. However, FSA will not be licensing new foreign insurers to operate as branches in Oman in the future (existing branches are permitted to remain).
14. **There is one domestic insurance group.** The recent expansion of the largest domestic insurer into the Gulf region has resulted in the creation of an insurance group with its parent company in Oman. The structure and operations of the group are still developing following its expansion, which has also increased its already high market share in Oman to around 35% of total insurance sector GWPs.
15. **Many insurers operate as composites.** Insurers (including Takaful insurers) do not have to establish separate operations for life and other types of insurance, including health (amendments to the ICL made health insurance into a separate type of insurance alongside life and general insurance in 2021).
 - Some – especially foreign – insurers specialise in one type of insurance (foreign insurers accounted for 30% of life insurance GWPs in 2023 and 45% of sector-wide assets related to life insurance).

¹² References to GWPs are to direct premiums only, ie excluding premiums received for reinsurance contracts. They include the premiums received outside Oman by branches of domestic insurers – one has significant branches outside the jurisdiction.

- Most domestic insurers offer life insurance, health and general insurance within a single insurer, although there are specific requirements (including solvency standards) for separate types of insurance.
- Takaful insurers can also provide all types of insurance: Takaful business, mostly provided by the two specialist insurers and over 50% of which is general insurance, accounts for around 15% of total GWPs.

16. Ownership of domestic insurers is often via family-owned investment vehicles also active in non-financial business. Domestic insurers must be listed on the MSX, although the purpose of this requirement was mainly to bring insurers within the FSA's framework of requirements for listed companies generally, in particular for reporting. Shares available for trading may be limited. There is no significant ownership linkage with banks in Oman and no state ownership of domestic insurers.

17. There is one specialist reinsurer. Any insurer may write reinsurance business, but most is written by the specialist reinsurer (it reported GWP, measured in accordance with IFRS 4, of OMR 46.2 million (ca. USD 120 million) in 2023). Established in 2008 to write facultative and treaty business for the domestic and international markets, the company is in practice orientated towards markets in the Middle East, Africa, central and eastern Europe, central Asia and other parts of Asia. It has one branch in Doha, Qatar. There are no requirements for Omani insurers to reinsure with the company.

18. Penetration, especially of life insurance, is low by comparison with some jurisdictions in the region (Table 8). The overall penetration ratio of 1.3% of GDP reflects mostly non-life business (life penetration in 2023 was only 0.2%). The low ratios appear to reflect the limited range of compulsory business (mainly motor third party liability insurance) and the provision of generous health and social security arrangements as well as cultural factors. Oman is exposed to natural catastrophes, but the perceived rewards of insurance cover are reduced by the government financial support that has been made available after recent events.

Table 8: Insurance penetration and density in selected countries in 2023

	Insurance penetration (%)	Insurance density (USD)
Sultanate of Oman	1.3	283
Countries in the region:		
Kuwait	1.0	388
UAE	2.9	1,531
Saudi Arabia	1.6	472
Bahrain	1.7	480
Qatar	1.0	740
Countries with similar per capita income:		
Portugal	4.1	1,126
Greece	2.4	555

Source: [Swiss Re sigma 3/2024 - World insurance: strengthening global resilience with a new lease of life](#), 16 July 2024.

19. **Health insurance is a significant line of business (“insurance type”), with potential to grow further (Table 9).** It accounted for nearly 40% of total GWPs in 2023, a 13% increase on 2022, and is expected to continue to provide significant growth. Its development has been facilitated by the establishment of a health insurance platform (Dhamani) that links insurers, hospitals (and other service providers) and the FSA. Much stronger growth would result from making health insurance compulsory, for example for private sector employees.
20. **The next largest line of business is motor insurance (Table 9).** Motor accounts for around 20% of GWPs, split evenly between third party liability and comprehensive. The only other significant general insurance line of business is property insurance, accounting for 15% of total GWPs in 2023.

Table 9: GWPs of insurers by type of insurance in 2022 and 2023

Insurance type	2022 (in OMR million)	2023 (in OMR million)
Individual life	18.327	19.914
Group life	48.945	47.504
Life total	67.271	67.418
Comprehensive motor	53.636	53.744
Third party motor	52.906	57.383
Motor total	106.543	111.127
Property	90.026	84.994
Marine	14.250	18.065
Engineering	25.511	20.987
Liability	13.870	17.360
Health	191.517	216.213
Other	32.338	29.348
Total	541.326	565.512

Source: FSA, *Insurance Market Index Edition 2022–2023*, August 2024.

21. **Life insurance business is mostly credit life insurance, where the bank is the beneficiary.** Effectively a compulsory line, credit life is a requirement imposed by banks when making personal loans, together with a requirement for policyholders to insure their property. To ensure continuing coverage, the FSA requires insurers to collect premium payments upfront for such contracts, regardless of the duration of the coverage. Savings products such as endowments are also available, but volumes are currently low.
22. **All domestic risks must be insured by Omani insurers, and reinsurance is a key market driver.** With the exception of the one specialist reinsurer, insurers write mostly domestic risks. The requirement for all such risks – however specialist or technical – to be insured by an Omani insurer has led some insurers to reinsure all or most of the individual risks in certain business lines. The availability and price of reinsurance is a key driver of some lines. In 2023, retention ratios for the market were between 9% and 24% for general insurance lines other than motor.

Insurers retained around 90% of motor insurance premiums and 80% of health insurance premiums.

23. **Insurance products are distributed mainly through brokers, banks and direct channels.** Agents (other than banks) also provide services on a tied basis, but they have limited market share (6% in 2023), as does the direct online sales channel. There are various models of bancassurance, such as banks providing premises for insurers' staff to make sales to bank customers (or just providing customers' details to insurers) and banks' own staff acting as insurers' agents. Brokers include offices of major international broker groups (with some local ownership), specialising in commercial lines, and local businesses working with retail customers. There are (as of October 2024) 36 brokers and 143 agents licensed by the FSA, not including banks.
24. **Insurers' investments are concentrated in corporate bonds, equities and bank deposits (Table 10).** These accounted for some 80% of the total investment allocation of insurers in 2023. Insurers have relatively limited investment in government securities (15% of the total). They do not invest in derivatives or more complex products.

Table 10: Total investments of insurers by type of investment in 2022 and 2023

Investment type	2022 (in OMR million)	2023 (in OMR million)
Real estate	22.92	24.48
Government bonds	124.93	115.60
Government-guaranteed bonds	0.80	4.36
Corporate bonds	61.15	71.03
Shares in national companies	36.10	46.47
Shares in other companies	137.86	159.91
Secured by life assurance policies	0.63	0.29
Other security	14.19	14.72
Deposit (general and health)	304.98	316.84
Deposit (life)	128.38	84.93
Total	831.92	838.62

Source: FSA, *Insurance Market Index Edition 2022–2023*, August 2024.

25. **Overall growth in the market has been limited since 2019, though recent years saw stronger performance.** Total GWPs have risen in the five years from 2019 to 2023 from OMR 486 million to OMR 565 million, an increase of only 15%. However, growth rates of 13% and over 4% were achieved in 2022 and 2023.
26. **The sector has been profitable in recent years, including during the pandemic, but profits have been affected by recent weather-related events.** The sector has recorded net profits in recent years, highest in 2020. In 2024, profits have been affected by regional storms and flood experience, including events elsewhere in the Gulf.

27. **Capital adequacy is hard to assess due to ongoing regulatory change.** The market is transitioning, under FSA guidance, to accounting for insurance liabilities under IFRS 17 (for financial reporting and solvency purposes), while the introduction of risk-based capital (as developed by the FSA) is still recent (see ICPs 14 and 17). Moreover, there is no ORSA framework yet (see ICP 16) to provide FSA with reliable internal measures of risk-based capital from insurers.
28. **The sector appears to be adequately capitalised, with exceptions.** Solvency levels in 2022 (the latest shared by the FSA – such data is not published) showed sector coverage (as a % of the minimum margin requirement, which is 100%) of 178% (general), 141% (life) and 109% (health). Solvency requirements are applied to each type of insurance, even when the insurer is a composite (see ICP 17). However, a small number of insurers subject to particularly close supervision by the FSA are struggling to meet minimum requirements.

Risks and vulnerabilities

29. **The main risks to insurers are related to the core insurance business.** Insurers face a wide range of insurance risks, in the case of the composite insurers, across life, general and health portfolios, although with some diversification benefits.
- Motor insurance is competitive (the more so since the establishment of a comparison aggregator service, now widely used by policyholders for renewals); motor third party liability premiums are controlled and there are risks relating to under-pricing and under-reserving for claims.
 - Oman is exposed to natural catastrophes, particularly tropical cyclones in the Arabian Sea. The worst recent experience, Shaheen in October 2021, led to claims totalling OMR 53 million,¹³ which compares with around OMR 125 million in total general insurance claims paid in 2002 and 2023.
 - Life insurance risks are limited to mortality as there is little long-term savings or retirement-related business such as annuities. The sector did not experience significantly increased claims because of the Covid-19 pandemic.
30. **There are significant risks relating to reinsurance, which is also one of several sources of liquidity risk.** The high overall importance of reinsurance, while varying by insurance type/business line, exposes insurers to the capacity of reinsurers (including related group insurers in the case of the foreign insurers) to pay claims, although the risk is mitigated by the heavy reliance on highly rated reinsurers in the international market. In addition to the liquidity risk from reinsurance, insurers face risks from high levels of premium payment arrears in commercial lines of business¹⁴ and from pressure to settle claims promptly and, in the case of payments to hospitals under health insurance policies, within deadlines set by the FSA.
31. **Insurers face financial risks arising from investment portfolios.** The significant shares of corporate bonds, equities and bank deposits in the total investment allocation of insurers exposes them to a wide range of investment risks. They do not, however, invest in derivatives or more

¹³ As at end-2022, including claims in course of settlement.

¹⁴ No authoritative estimate of the amount and length of such arrears was available during the discussions in Muscat for this assessment, although insurers, brokers and the FSA agreed they are excessively high and hard to manage. Late payment by policyholders has been allowed to become an embedded practice. Insurers were reportedly often reluctant to enforce premium payment by, for example, suspending cover.

complex products. As there is limited long-term savings-related life insurance business, they do not face market risks related to potential mismatches between assets and long-term liabilities.

32. **Operational risks are mitigated to an extent by a high degree of digitalisation.** The FSA and government have encouraged insurers to collaborate in the development of IT platforms, including the Dhamani health insurance system (see above). They are also digitalising many aspects of their operations, including policyholder servicing. As in many markets, there are risks from insurance fraud, but risks relating to money-laundering appear to be low given the nature of the insurers' products at present.
33. **A key risk stems from the challenges of profitably growing business in current market conditions.** Insurers face strategic risks from the low propensity of Omanis to buy insurance where not compulsory. There are, however, expectations of continued growth in the market as awareness of the benefits of insurance increases, supported by initiatives in this area such as the FSA's awareness and financial literacy campaigns. Insurers are also looking to grow the market through development initiatives, on which the sector is working with the FSA and the government. These include:
 - A review of motor insurance regulated premiums;
 - Proposals to mandate a wide range of health insurance products (which, according to insurers' estimates, could double or triple the total number of policyholders); and
 - Plans to mandate cover against natural catastrophes, possibly as an add-on to general insurance products.

Decisions on these initiatives had not been taken at the time of the assessment.

34. **Future growth will also require development of technical capacity and more qualified staff.** According to discussions with market participants for the purposes of his assessment, there is low availability of skilled and experienced staff (especially actuaries) amongst Omani nationals. Insurers are limited in their ability to recruit from outside Oman by the government's Omanisation policy, which requires a minimum percentage of staff (75%) to be Omani nationals. There are some initiatives to develop local capacity by attracting more staff into the insurance sector and training them with the required skills and expertise, but more may be needed.