



# Bancatakaful

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**IFSB Observer Member**



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- 1. Global overview of the Takaful Industry**
- 2. FWU's International business model**
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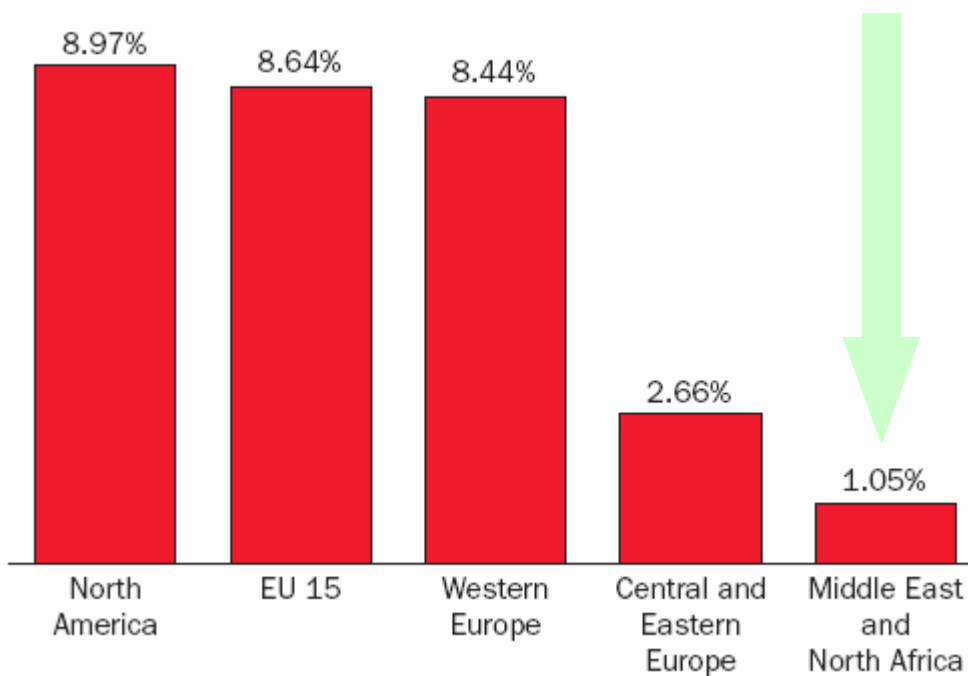


# Evolution of the GCC Insurance sector

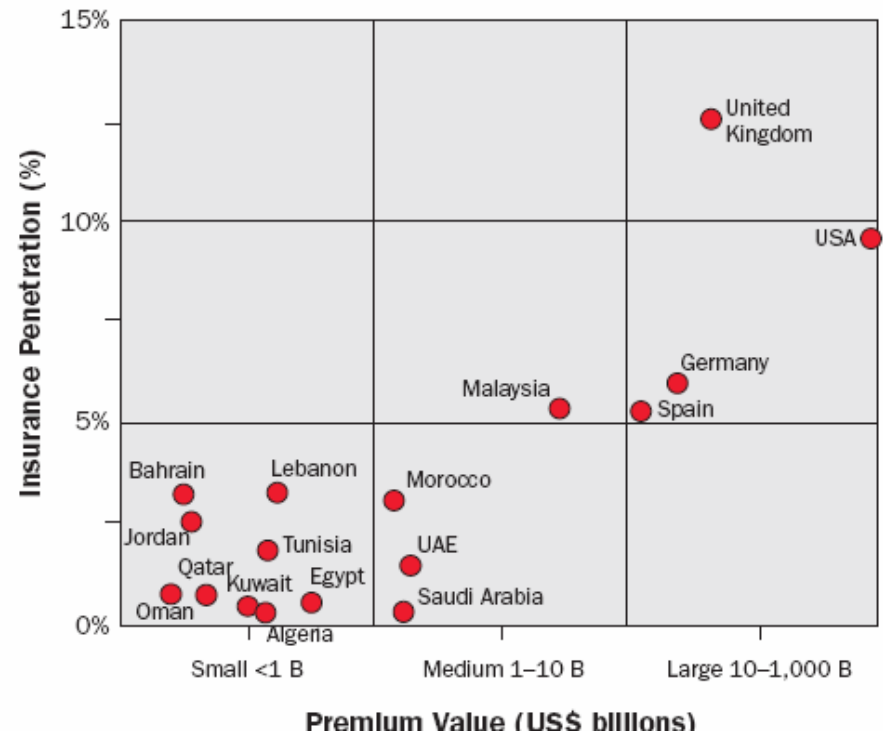
Insurance penetration = GPI (Gross Premium Income / GDP)

## Measure of the development of the GCC insurance sector

Gross Premium Income as a Percentage of GDP (2005)



Insurance Penetration by Country (2005)



Source: BoozAllenHamilton – May 2007 – “Promoting the Growth and Competitiveness of the Insurance Sector in the Arab World”

# Insurance supply-and-demand perspective in the GCC

## Factors contributing to the market potential future growth



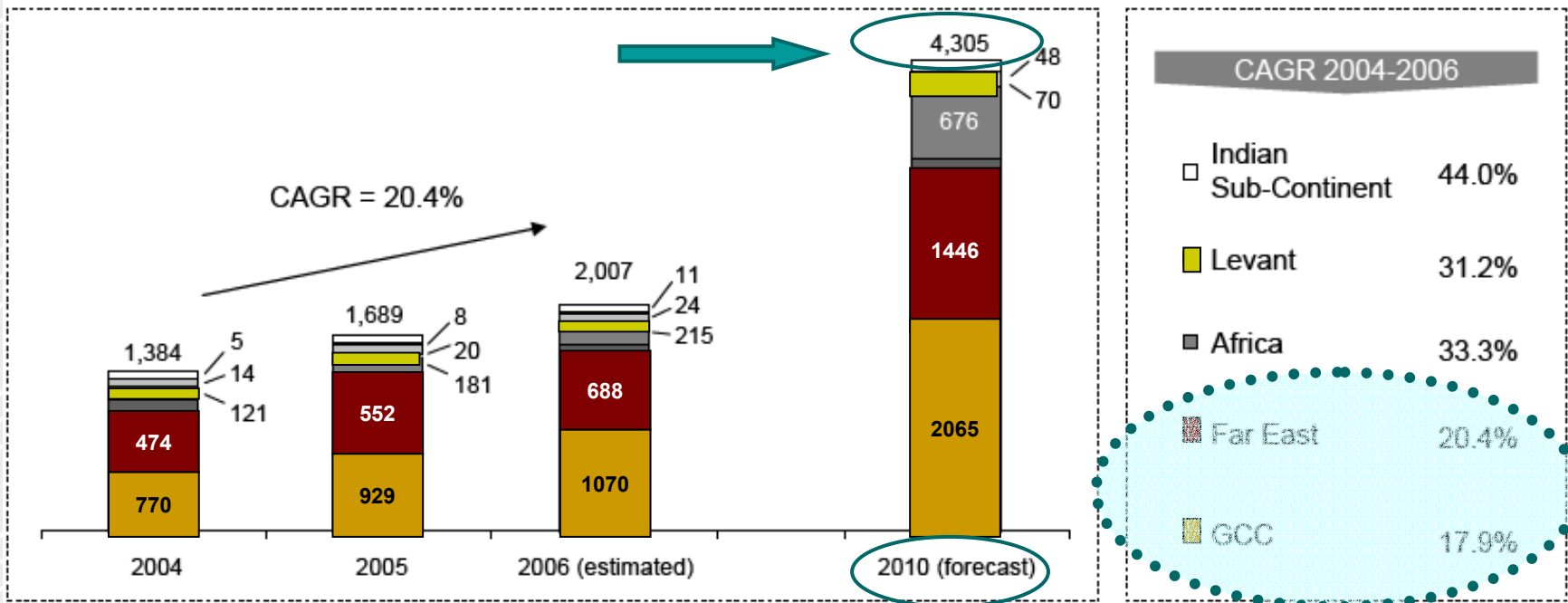
- Macro Economic Growth in energy rich countries and large infrastructure investments
- Emergence of compulsory insurance (such as automobile and health)
- Restructuring and privatisation of government pensions and programs (education, pensions)
- Growth of the financial sector and the islamic banking
- Demographics of the region: as the population matures, the insurance demand will increase
- Emergence of Takaful as an alternative to conventional products
- Fragmented supply base with a large number of small competitors , no presence of foreign banks
- Nascent Intermediary distribution channels

# World Takaful Growth



The global Takaful industry is growing by 20% per annum and accepted contributions worth USD 2 billion in 2006

Global Gross Takaful Contributions by Year (US\$ mn)\*



Iran - Gross Takaful Contributions by Year (US\$ mn)



\* Note: Iran's financial services sector, which is entirely Islamic, has been shown separately from the global analysis because of its size. The forecast for 2010 assumes growth at the individual regions' respective CAGR for 2004-2006.

Source: Takaful Re Limited and Middle East Insurance Review (2008), Ernst & Young Analysis

# Takaful operators worldwide

A total of 133 Takaful operators existed in 2006, with the GCC accounting for the largest regional concentration in the world...

Total Operators (2006)  
133

Other regions -  
2 operators.

Levant: 4 Takaful operators

Indian sub-continent - 9 Takaful operators; however, none yet exist in India.

Far East -  
22 Takaful operators.

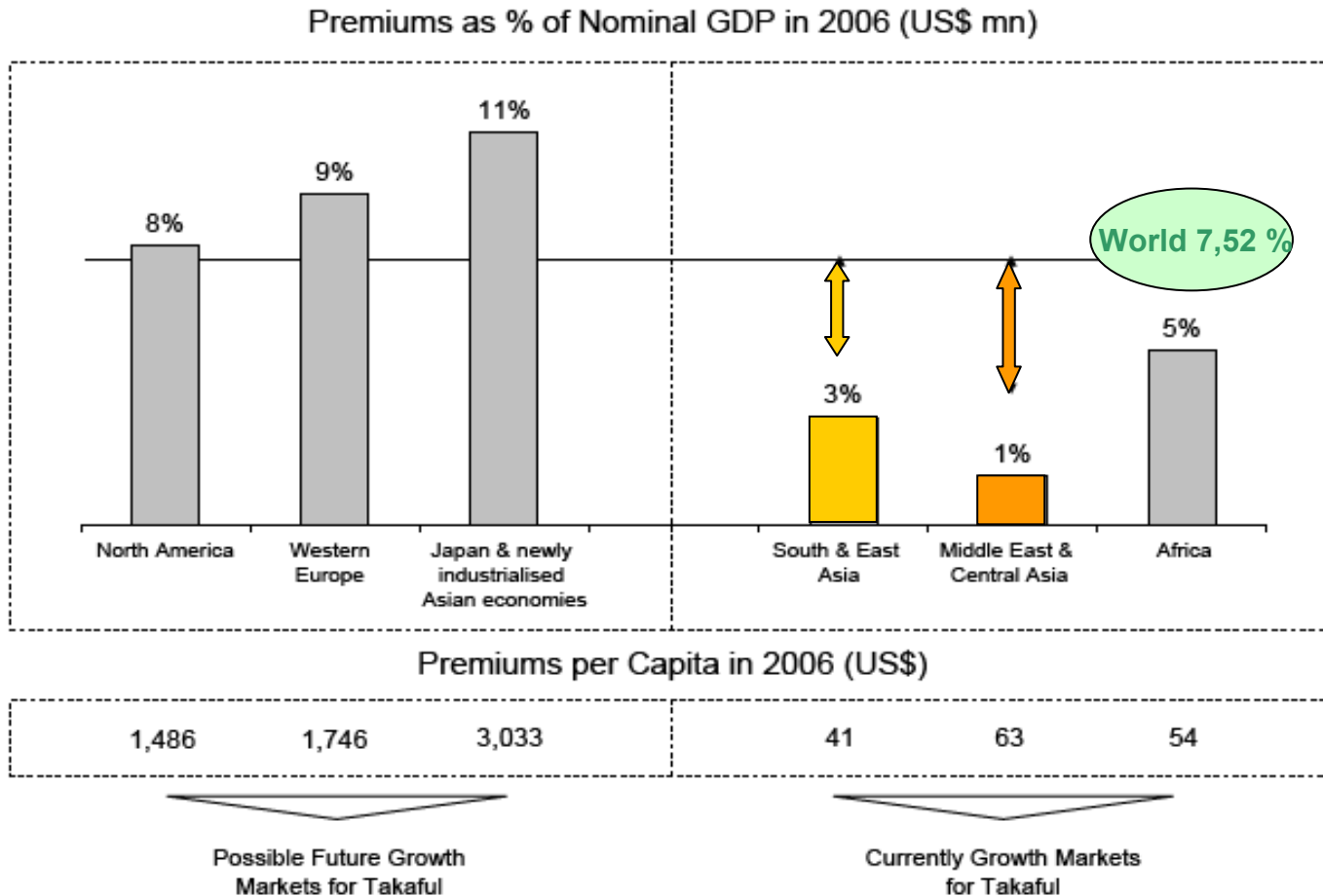
Africa - 21 Takaful operators, the majority of which are found in Sudan.

GCC: 59 Takaful operators, majority of which in KSA

Iran - 17 Takaful operators.

# World Takaful Market Potential

Muslim-majority regions (most OIC countries) display an underdeveloped insurance sector...



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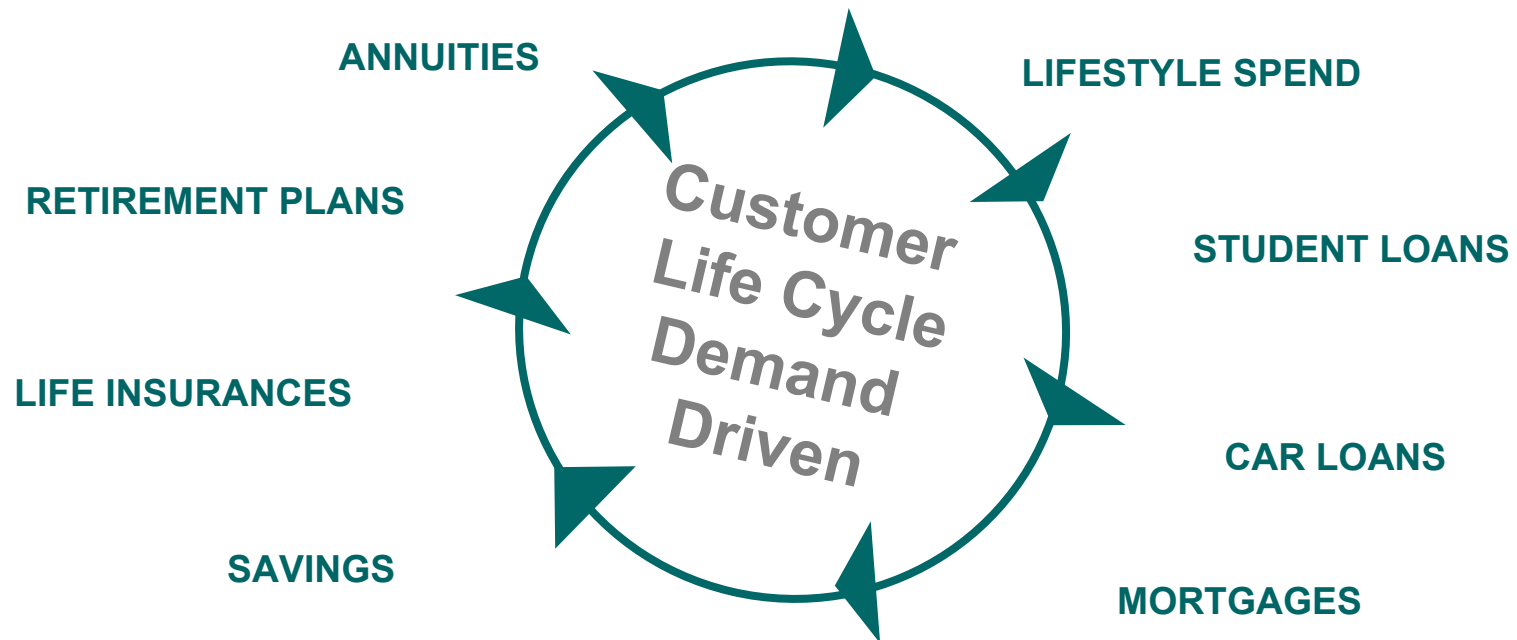
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# FWU's definition of Bancatakaful



« *Bancatakaful is defined as the delivery and distribution of a suitable range of tailored 'bankable' protection and long term savings and pension products designed to meet the lifecycle needs of the customer base of a bank or other financial institution.* »



- 
- A decorative vertical bar on the left side of the slide, composed of five stacked chevron shapes pointing upwards. The colors transition from dark teal at the top to bright green at the bottom.
- 1. Leader in Product Design & Development**
  - 2. Development of IT Systems to support our delivery of products and services**
  - 3. Open architecture and Quant fund selection and allocation model**
  - 4. Customer training and implementation support**
  - 5. Competitive Re-takaful solution**

# FWU: Pioneer in bancatakaful

## PRODUCT

Actuarial  
and Legal  
services

Life Insurance

Asset  
Management

Re-Insurance

## DISTRIBUTION

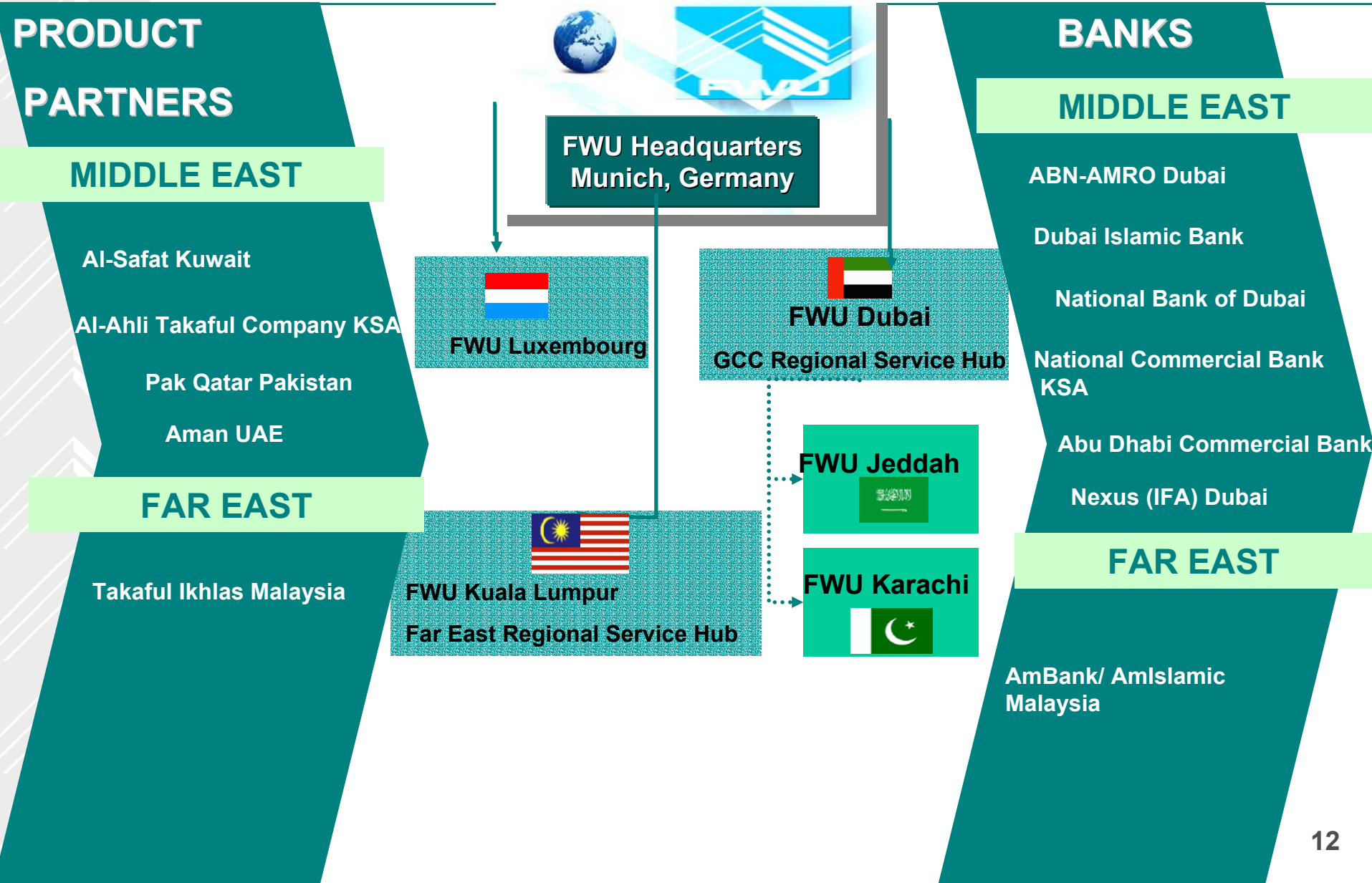
Systems

Marketing

Customer Services

bancatakaful experience  
in several emerging markets

# International product and bank distribution partners



## PRODUCT PARTNERS

### MIDDLE EAST


- Al-Safat Kuwait
- Al-Ahli Takaful Company KSA
- Pak Qatar Pakistan
- Aman UAE

### FAR EAST

- Takaful Ikhlas Malaysia



FWU Headquarters  
Munich, Germany

  
FWU Luxembourg

  
FWU Dubai  
GCC Regional Service Hub

  
FWU Kuala Lumpur  
Far East Regional Service Hub

FWU Jeddah  


FWU Karachi  


## BANKS

### MIDDLE EAST

- ABN-AMRO Dubai
- Dubai Islamic Bank
- National Bank of Dubai
- National Commercial Bank KSA
- Abu Dhabi Commercial Bank
- Nexus (IFA) Dubai

### FAR EAST

- AmBank/ Amlslamic Malaysia

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# FWU Group's "White Label" Savings, Education and Retirement Plans – Product Highlights



## REGULAR

## LUMP SUM

**Min/Max entry age**

**Min. 18 – Max. 60 years**

**Min. 18 – Max. 50 years**

**Product Tenure**

**Min. 7– Max. age not to exceed 70 at maturity**

**Frequency of Contributions**

**Monthly, Quarterly, Half-Yearly or Yearly**

**Single**

**Contribution Method**

**Payments collected on 1st of due month**

**Payment collected as stated in Contract**

**Appointment of Beneficiaries**

**Maximum up to 4 beneficiaries at any time can be appointed**

**Takaful Benefits**

**Applicant can choose 60% or 100% of Total Contr.**

**Not higher than initial Lump Sum Contr**

# FWU Group's "White Label" Savings, Education and Retirement Plans – Product Highlights

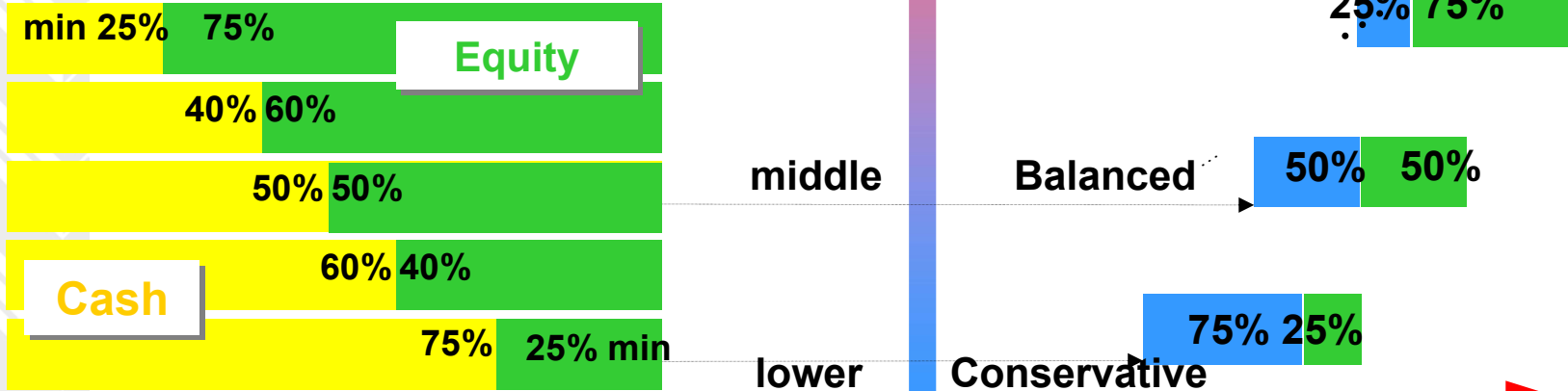


## Allocation of investment

### Option 1: 100% Equity:

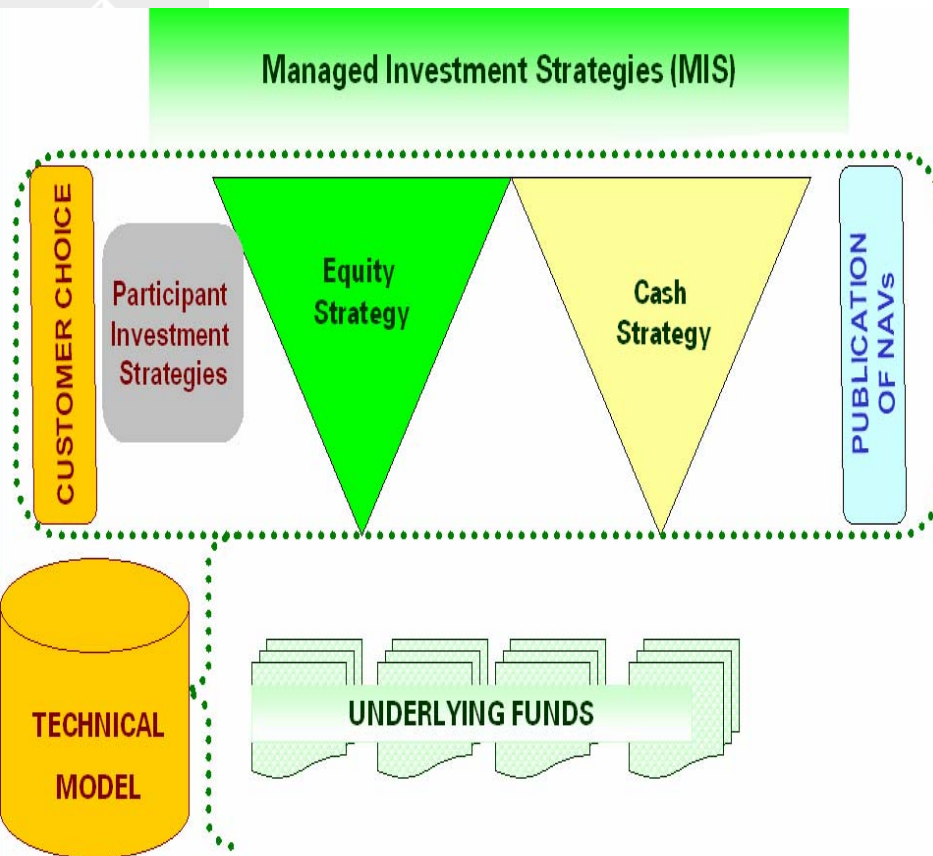


### Option 2: Cash & Equity:



**Cash:** minimum 25%, maximum 75%  
**Equity:** minimum 25%, maximum 75%

# Dynamic Fund Select & Allocation Model (SAM)



- ▶ A Quantitative approach using a proprietary model
- ▶ **SAM (Selection and Allocation Model)**, relies on quant methodology and uses **MATLAB®** technology-
- ▶ Monthly rebalancing of the Investment Strategies
- ▶ Fund selection and weights are reviewed monthly
- ▶ Investments in Sharia Compliant open ended unit trust and individual securities

# Sample Shariah Compliant Funds Universe Managers



Amana Mutual Funds Trust



BNP PARIBAS



OASIS



GLOBAL FUND MANAGERS



# FWU Internet-based Life Office System

White  
labelled  
savings  
plans

POS  
Web-based  
system

Faster  
Easier  
sales  
process

Customer  
Convenience

Training and  
dedicated  
local  
Implementation  
support

Customised  
to the needs  
of the  
Distribution  
bank

Ready to  
start  
solution  
Accessible  
worldwide  
24/7

On-line  
direct risk  
assessment  
Monitoring  
of multiple  
bank  
branches

Only id-card  
needed  
No medical  
visit  
Total sales  
process  
12-18 min

Learner's  
mode and  
Training  
Real time  
application  
feedbacks

# Bank Income Simulation



## Assumptions

Average duration

10 years

Lapsation rate

15 % (\*\*)

Fund growth rate

7% p.a.

Average contribution

Regular  
400 USD/Month

Lump sum  
50,000 USD

Income/plan/year

1,854 USD

3,694 USD

5 Year Volume (\*)

9,600

3,200

(\*) Total number of plans sold in 5 years (\*\*) 15% year 1 declining to 4% from year 4

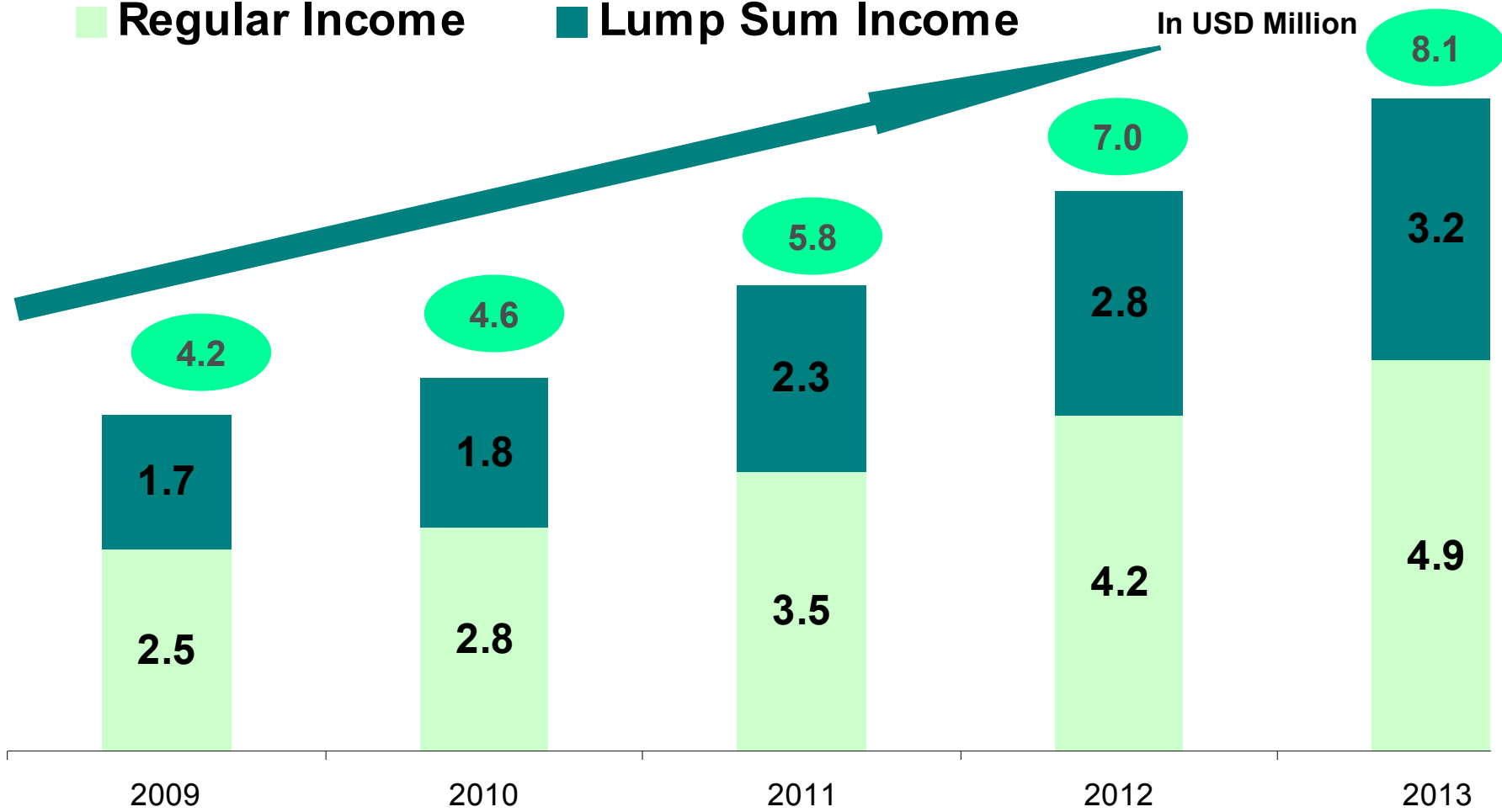
# Bank Income Simulation



■ Regular Income

■ Lump Sum Income

In USD Million



# Value added for Bank Distribution Partner and Individual Customer



## BANK DISTRIBUTION PARTNER

## INDIVIDUAL CUSTOMER

Enhance retail product offering with own brand

Lifecycle Savings & protection plans

Low cost market entry

Transparent terms and conditions and charging structure

Increase fee annuity revenues

Enhance returns through Dynamic Fund Allocation Model

Expand and retain individual customer relationships

Plan accumulates collateral value

Rapid sales process

Payment and Investment flexibility

Optimise synergy between bank customer and product groups

Choice of beneficiaries

# The value added – why FWU Group



**ENTREPRENEURIAL  
PARTNER**

**INNOVATION**



**Customised  
product  
design**

**Sophisticated  
POS &  
Administration  
System**

**Product training  
and sales  
support**

**Dynamic funds  
select and  
allocation model**

**Business simulation model**

**Cost efficient  
Agency structure**

**Regional service hubs**

**Unique Retakaful arrangement**

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The **FWU-Group** is an international provider of white labelled unit-linked investments of both conventional and **takaful** variety involving a high degree of customization, product and process innovation and use of state of the art technology

**New targets market include: Morocco, Egypt, Turkey**

## FWU's International Advisory Board

- **Abdulahadi Al-Shaif**, Chairman (Ex-NCB CEO)
- **Dr. Mohamed Daud Bakar**, President, International Institute of Islamic Finance Education, Malaysia. Dr. Mohamed is also Chairman of the Syariah Advisory Council of Bank Negara Malaysia.
- **Abdulaziz Al-Mansour**, CEO Al Safat Takaful, Kuwait
- **Abdulkader Thomas**, CEO Shape Financial Corporation, Kuwait
- **Ayman Khaleq**, Partner, Vinson & Elkins, Dubai
- **Professor Dr. Volker Nienhaus**, President, University of Marburg, Germany and adviser to IFSB.

## FWU's Sharia Board Members

Since the year 2000, FWU AG has its own Sharia Advisory Board with the following members:-

- **Sheikh Dr. Mohamed Ali Elgari** (Professor at King Abdul Aziz University)
- **Sheikh Dr. Nazih Hammad** (Member of the Islamic Fiqh Academy, Professor at Mecca University)
- **Sheikh Dr. Abdul Sattar Abu Ghuddah** (Professor at Mecca University)

Together with our Sharia Board, we developed all our Takaful products as well as a Retakaful solution.

# Takaful Industry Awards won by FWU in 2007



## Euromoney

„Best Life Takaful Provider“ in 2007



## World Finance

Winner for „Takaful Life & General“ in 2007



## Globexa Communications

„Financial Bridges Award for Best Islamic Finance Organisation“ in 2007



## Islamic Business & Finance (Dubai)

„Best Takaful Operator“



## 2007 Islamic Finance news Annual Poll (Malaysia)

“Best Islamic White Label Provider”



# FWU Group Service Providers



**Lead Bank**

**Independent Rating Agency**

**Deutsche Bank**



**Custodian Bank**



**RBC DEXIA**  
INVESTOR SERVICES

**Legal counsel**

**Linklaters**

**Auditors**



**PRICEWATERHOUSECOOPERS**



**Trade Associations**



# Rating Result



## Evaluation of Financial Standing

Based on the analysed documents and  
information the

**FWU group**

is receiving from us dated September 19, 2007 the  
following rating

**BBB+**



# Rating Result



## Evaluation of Financial Standing

Deutsche Bank AG, Global Banking, Client Analytics has carried out a comprehensive rating analysis for the

**FWU group.**

On the 6-level-rating-scale of the Initiative Finanzstandort Deutschland (IFD) the rating result as of September 19<sup>th</sup>, 2007 is

**Rating Level 1.**

(corporation with very good until good financial standing)

# Profile of Financial Standing



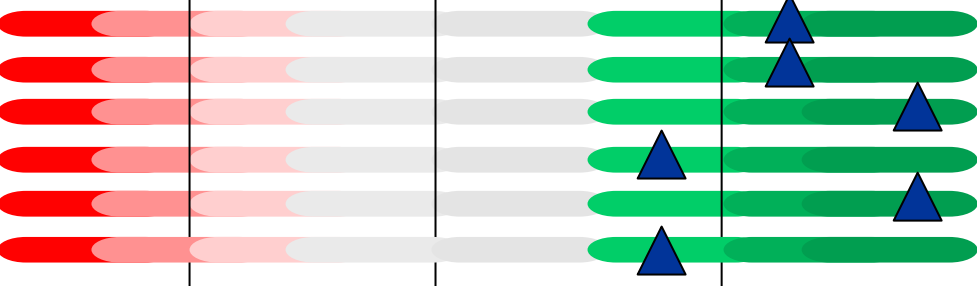
## Market Positioning/ Competition

1. Quality of product spectrum
2. Competitive Position
3. Influence on relevant market
4. Sales power
5. Dependence on distribution channels
6. Mid-/long term market perspectives
7. Flexibility/adjustment to future market requirements
8. Technical structure/regional positioning
9. Other risk factors



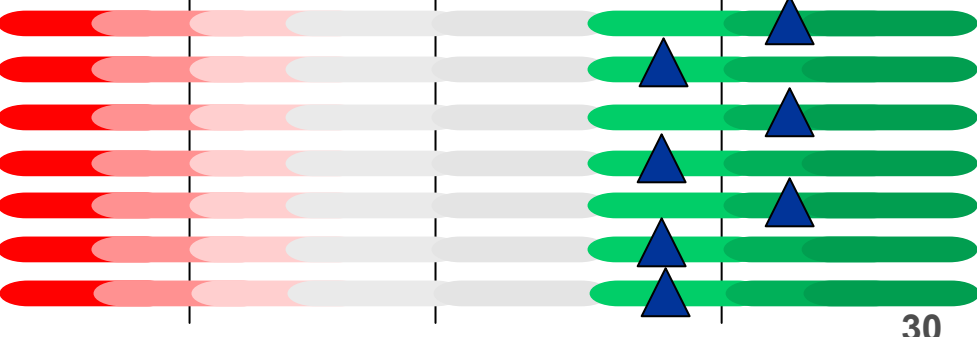
## Corporate Strategy Management

11. Long term corporate concept
12. Management organisation/-structure
13. Level of competence-/leadership
14. Successor arrangements
15. Turnover of key personnel
16. Quality of planning and accounting system



## Financials

17. Sales development
  - Operative profit/performance
  - Capital efficiency
  - Equity structure
  - Liquidity-/Financial structure
  - Ability to repay debt
  - Development since last business report and business perspectives



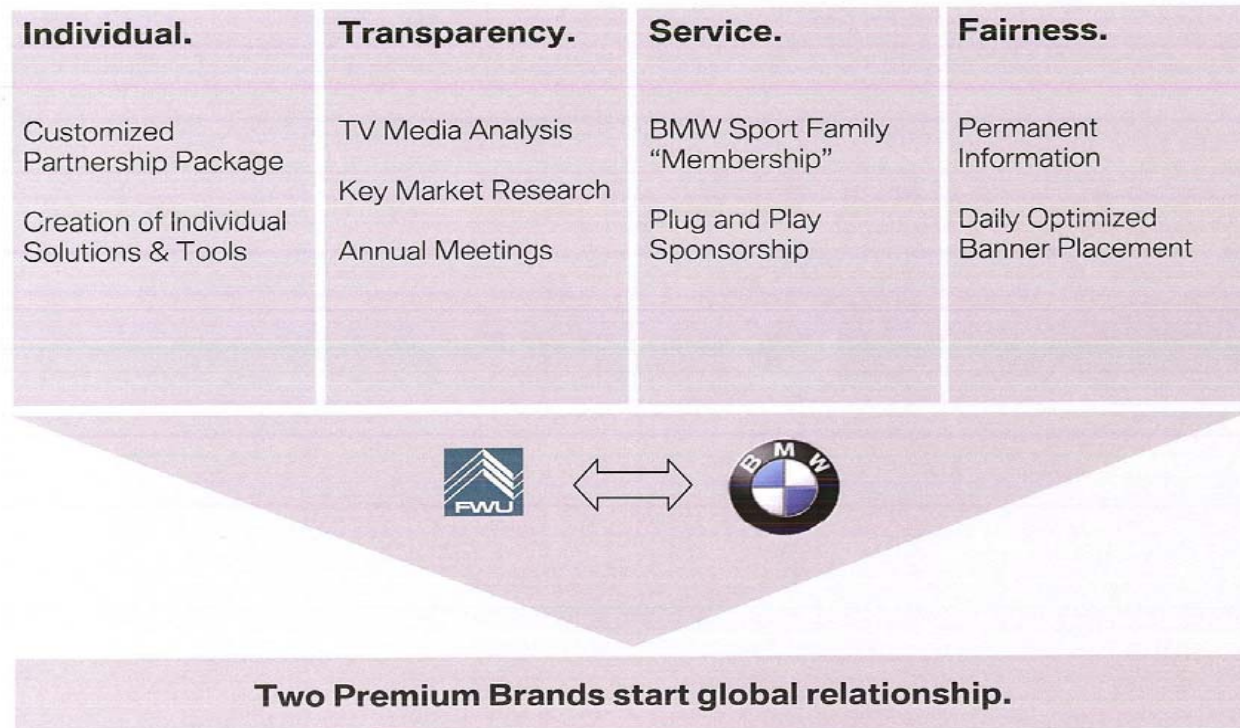
# Successful Partner Philosophy



BMW Golfspport  
Partnership  
Proposal FWU

BMW  
Sports Marketing  
March 2008  
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## BMW International Open 2008. Partner Philosophy.





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