

II<sup>e</sup> Forum Français de la Finance Islamique



# Bancatakaful

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IFSB Observer Member



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- 2. European Markets**
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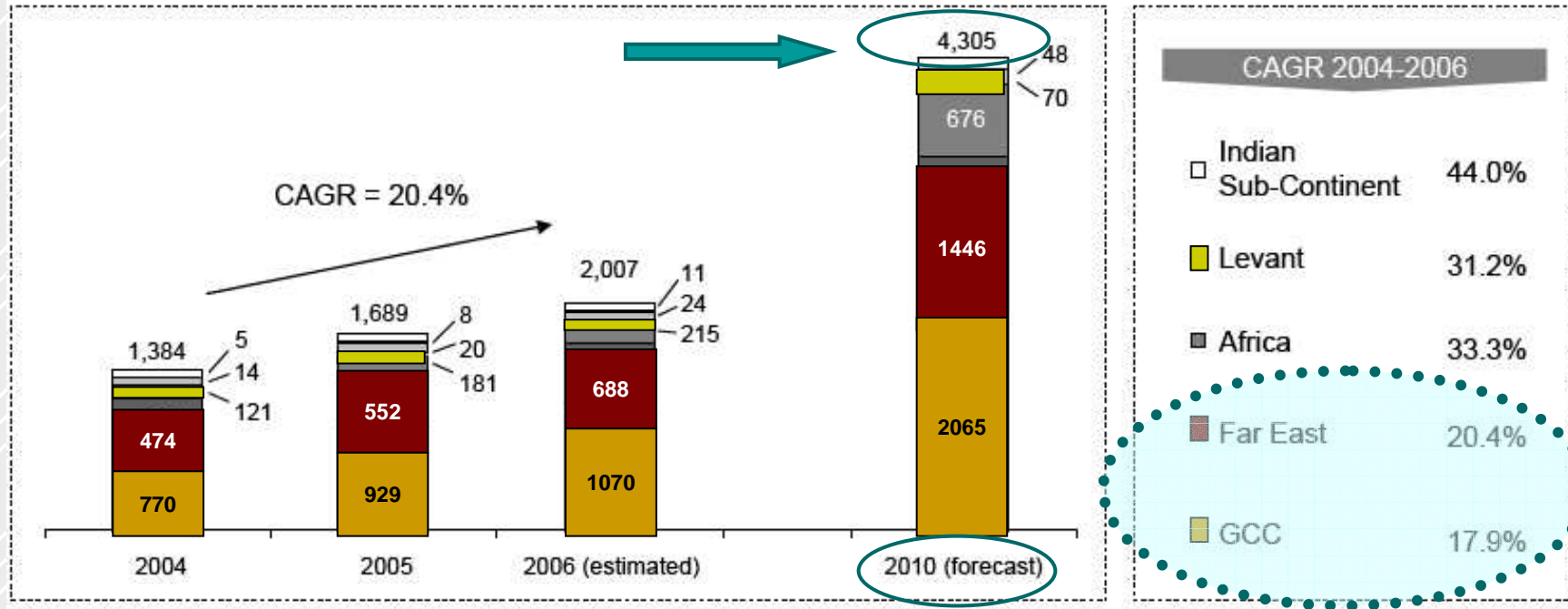


# World Takaful Growth



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)



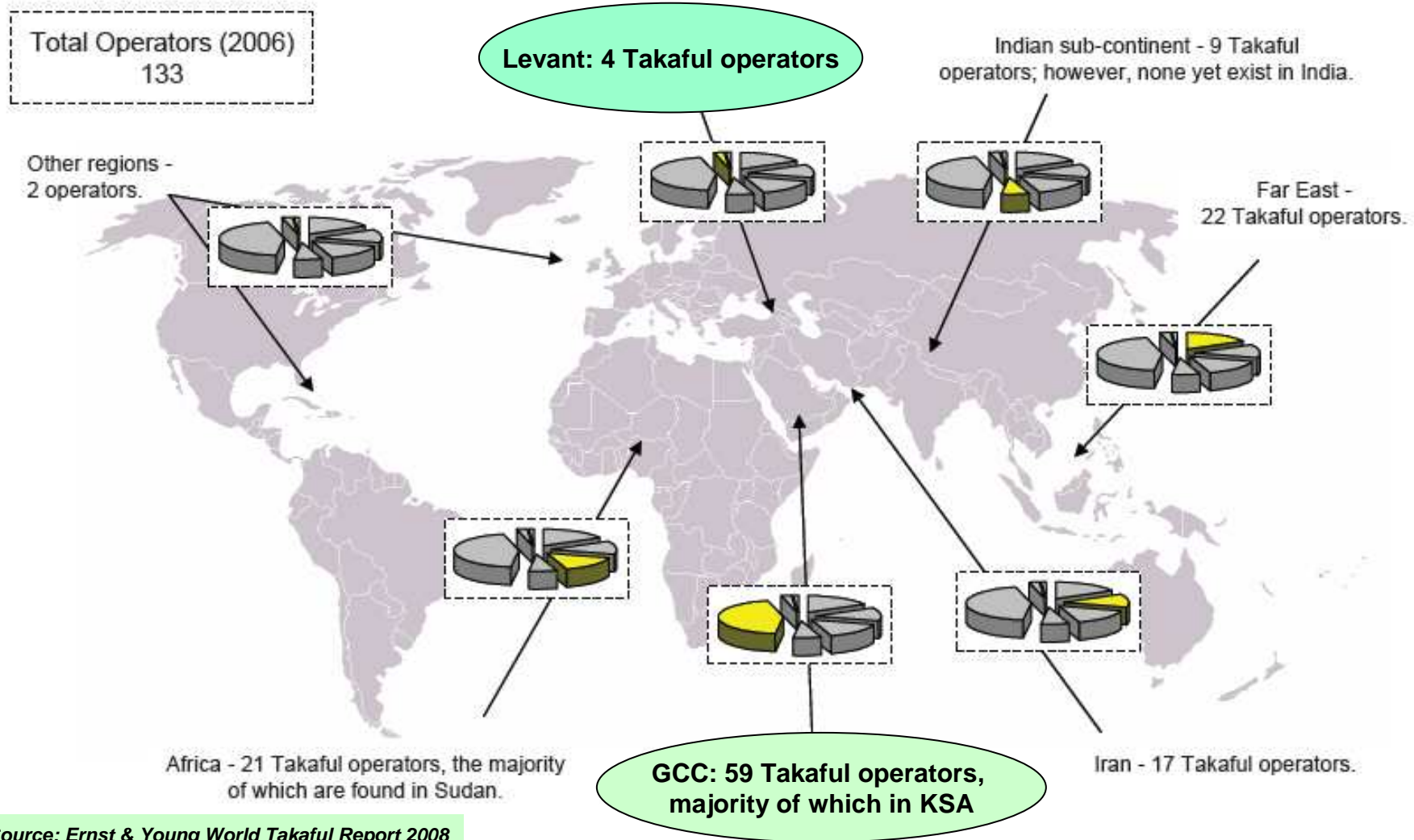
\* Note: Iran's financial services sector, which is entirely Islamic, has been shown separately from the global analysis because of its size. The forecast for 2010 assumes growth at the individual regions' respective CAGR for 2004-2006.

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...

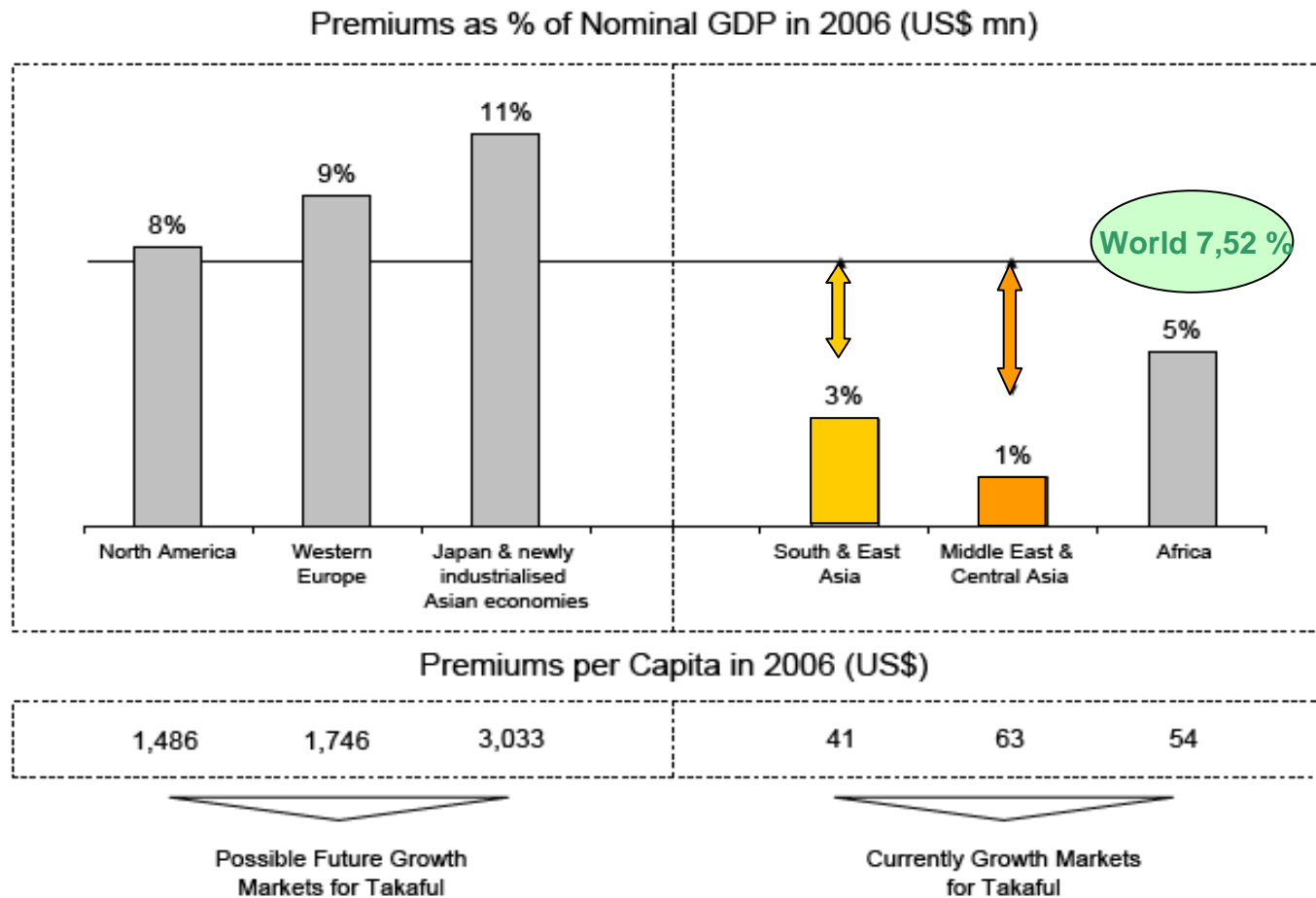


Source: Ernst & Young World Takaful Report 2008

# World Takaful Market Potential



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



Source: Ernst & Young World Takaful Report 2008

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# Takaful opportunities in Europe



- **Takaful insurance industry is currently growing at 15-20% globally per annum versus 5-10% for conventional insurance**
- **With over 20 million Muslims, Europe presents a largely untapped target market**
- **Nascent market in Europe means “first-mover” advantages still exist**
- **Wider appeal than just Islamic insurance –Takaful as a price-competitive ethical product**
- **In Turkey, the Participation banks expanded their operations but there is not yet any Takaful offering.**

# Takaful challenges in Europe



- **Critical mass**
- **Marketing to non-Muslims**
- **Shariah compliance**
- **Regulatory and accounting challenges**
- **Shortage of skilled resources**
- **Investment compliance**
- **Limited Retakaful capacity**

# European Market opportunities



## U.K.

- > 2 million UK Muslims
- 70% < 35 years of age
- Concentration of 70% of Muslim UK Population in London, Birmingham, Blackburn, Leeds)
- > 80% claim always to seekout Halal products
- < 50% think it extremely or very important to buy Halal (Takaful) insurance
- > 90% claim not to have heard of Takaful
- Principle Insurance is the first Takaful operator in the UK under „Salam Halal“ brand name.

## France

- France is a secular state
- Paris aims at competing with London as a European Hub for Islamic finance
- French muslim community is five times more numerous than in the UK and represents 10% of french population.
- No takaful operator yet in France.

*Source: Moody's special comment - Notable Trends in Global Islamic Finance August 2008 and Principle commissioned research with GfK Nop and Synovate.*

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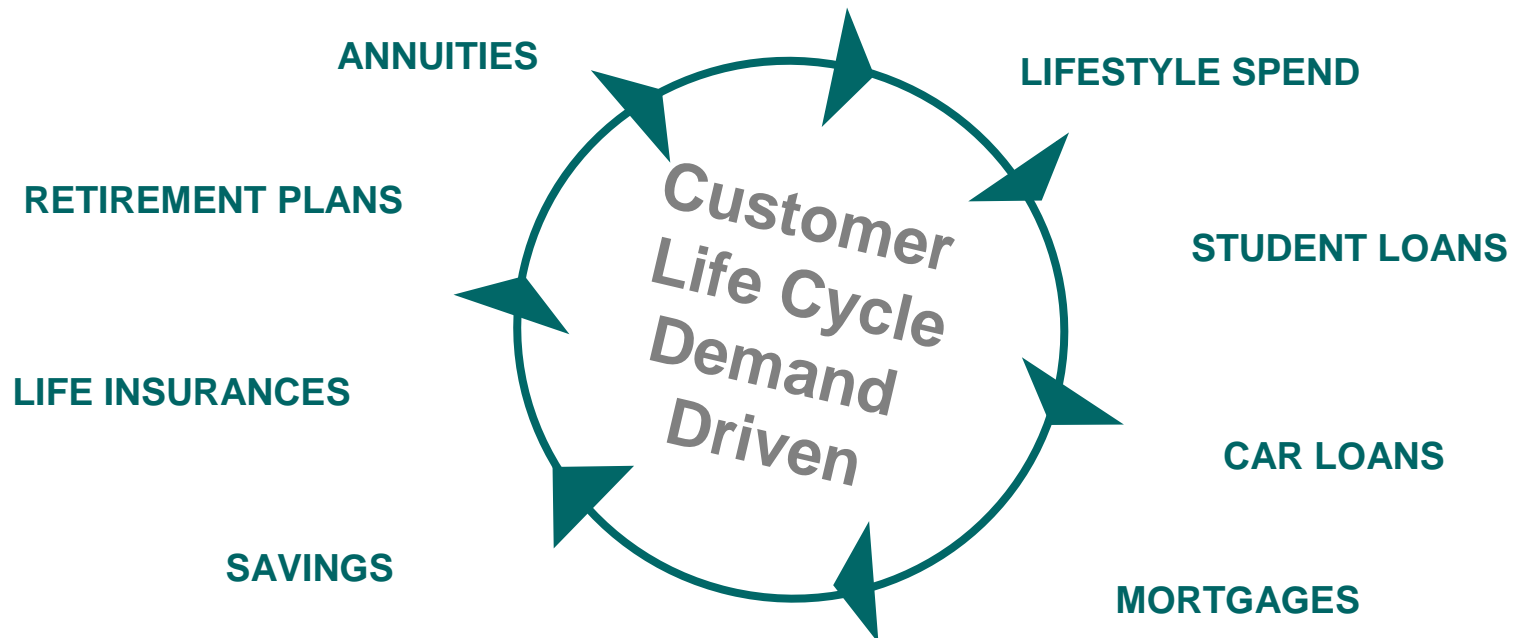
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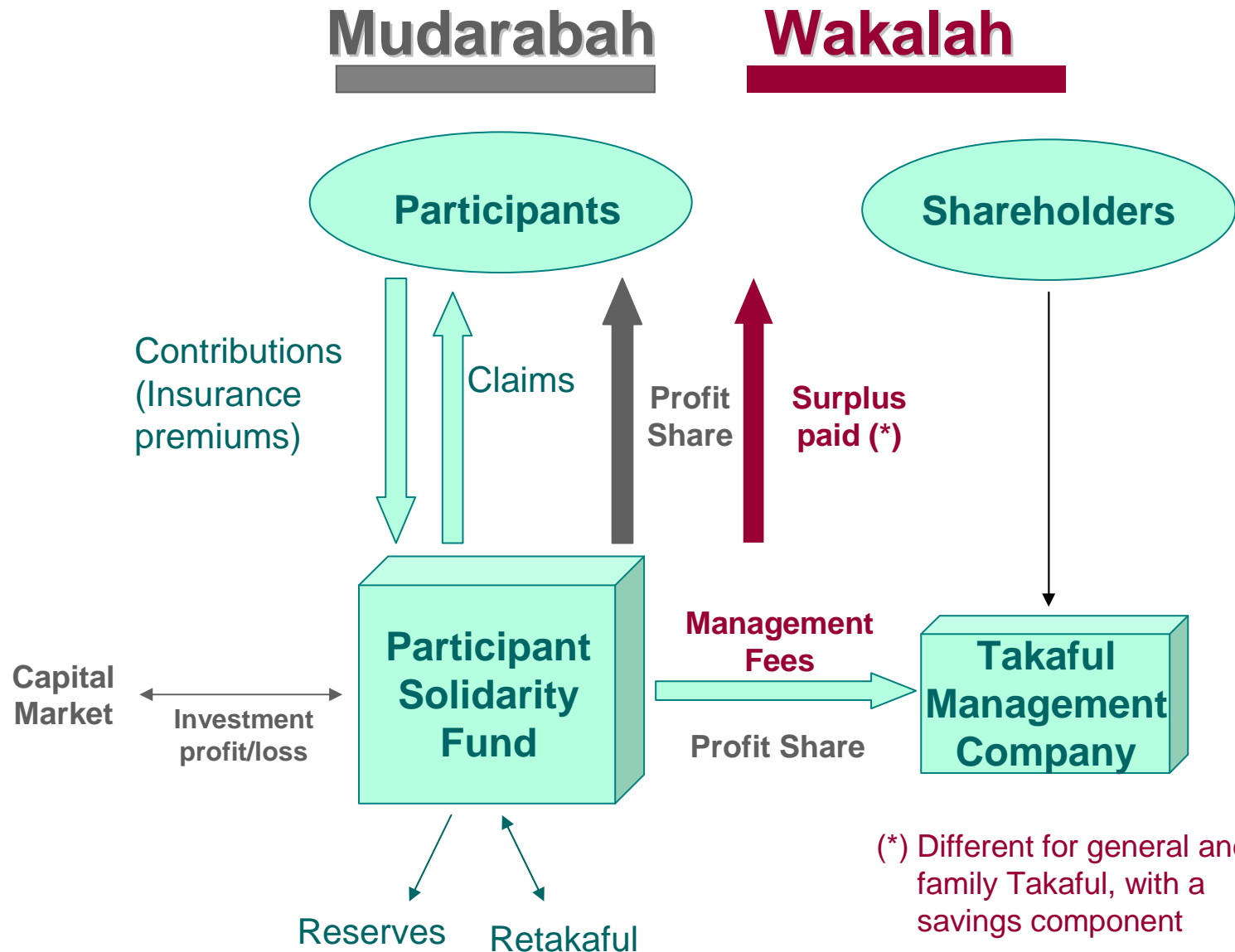
## FWU's definition of Bancatakaful



**« 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. »**



# Business Model for Takaful Operators



Disclaimer: This diagram mainly illustrates the most important business flows

# Comparison of the Wakalah vs Mudarabah business models



Wakalah	Mudarabah
<ul style="list-style-type: none"> <li>➤ Surpluses repaid to participants</li> <li>➤ Fee income for Takaful operator</li> <li>➤ Takaful fund only covers claims</li> <li>➤ Takaful operator profitability results from management fees minus costs</li> <li>➤ Participants give donation (Tabarru)</li> <li>➤ Funds invested for shorter periods as surplus repaid after claim payment, although some surplus builds claim reserves.</li> <li>➤ More suitable for household, vehicle and general insurance</li> </ul>	<ul style="list-style-type: none"> <li>➤ Profit-sharing by participants</li> <li>➤ Profit-sharing by Takaful operator</li> <li>➤ Takaful fund generates profits</li> <li>➤ Takaful operator profitability depends on investment performance of participant solidarity fund</li> <li>➤ Participants give insurance premium</li> <li>➤ Funds invested for longer term with performance incentives for the Takaful operator</li> <li>➤ More suitable for long-term savings plans and family Takaful</li> </ul>

Source: Prof. R. Wilson, „Concerns and Misconceptions in the Provision of Takaful“.In: „Islamic Insurance: Trends, Opportunities and the Future of Takaful“, Chapter 7, p. 79. Ed. by Sohail Jaffer, Euromoney Books (London, U.K.)

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# Growth drivers



The Takaful industry is poised for significant growth as demand increases and industry enablers are further aligned ...

## Demand

- Economic growth
- Increase in GDP per capita
- Youthful demography
- Increasing awareness of Takaful
- Greater desire for Sharia compliant offerings
- Increase in asset based,
- Sharia compliant financing

## The Global Takaful industry

- Compulsory protection
- Licensing and increased competition
- Better regulation
- Greater role for private sector participation
- Increased market-led initiatives
- Demand Supply

## Supply

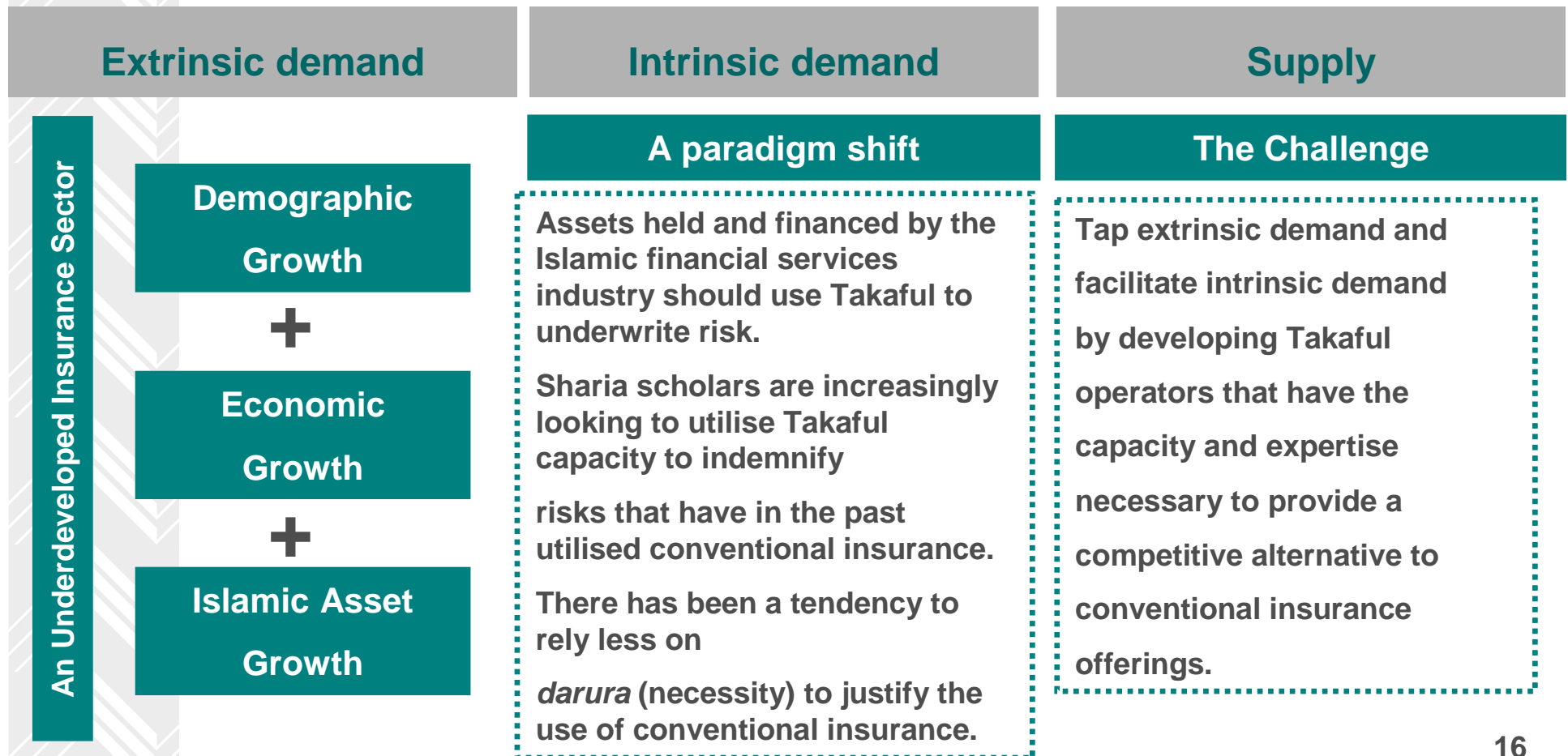
- Fragmented landscape
- Undercapitalised
- Limited reTakaful capacity
- Problematic asset management
- Local solution offerings
- Local distribution channels

## Facilitation

# Growth drivers

Extrinsic demand drivers suggest upside potential for the Takaful industry, with emerging intrinsic demand further augmenting growth...

## Realising the full potential of Takaful

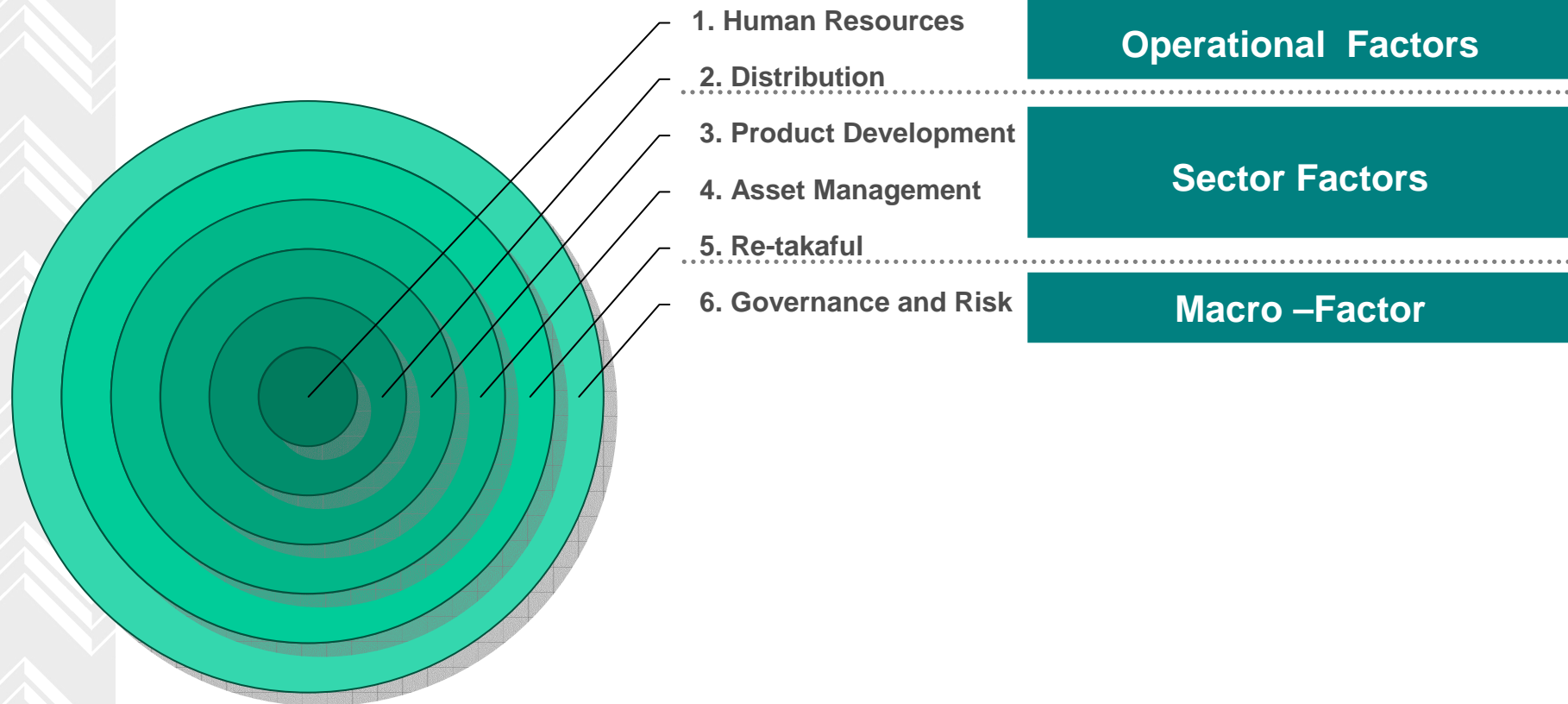


# Challenges

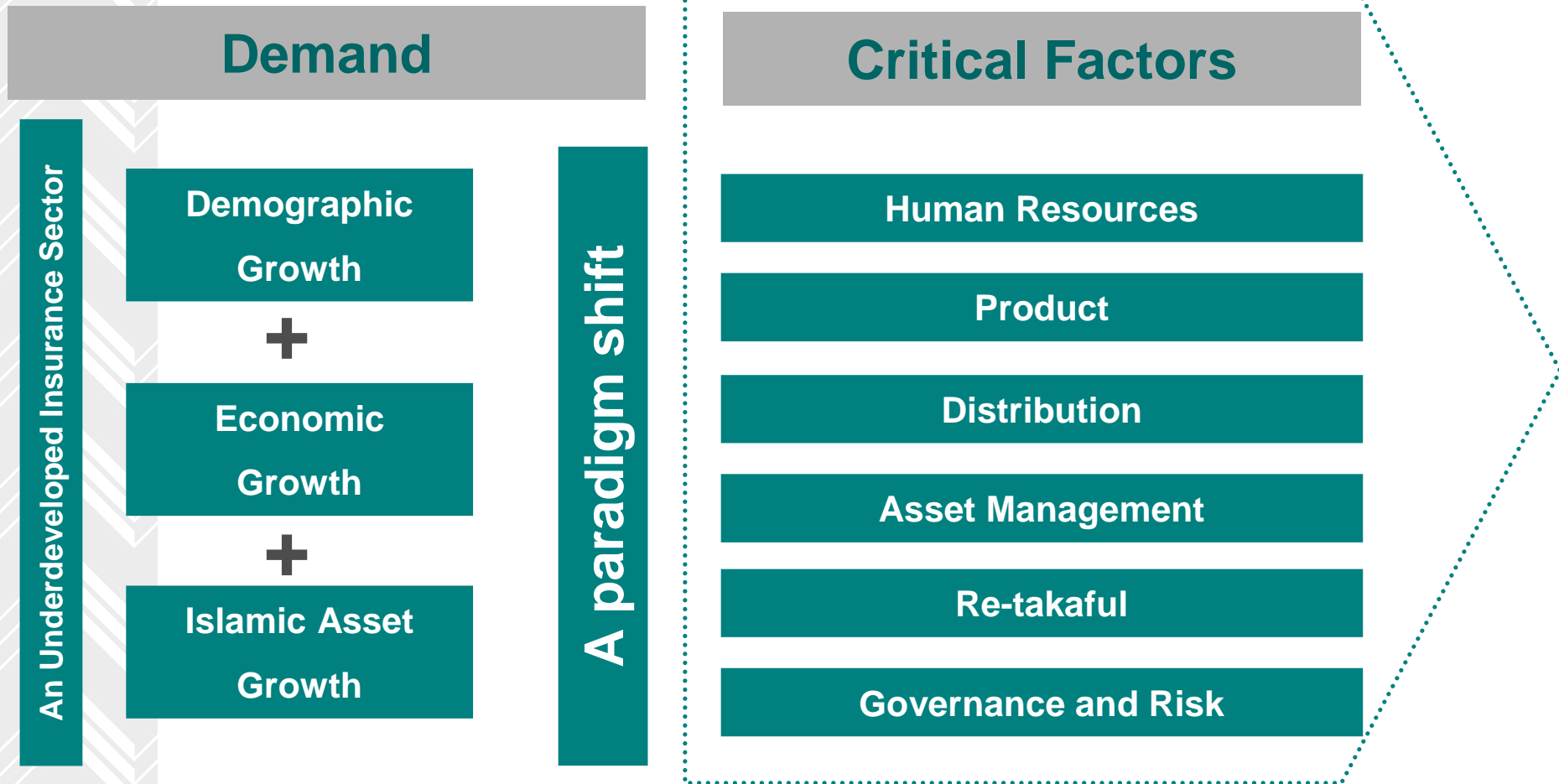
Industry experts have highlighted six areas which are most likely to affect future profitability and growth...

Summary of Discussions with Senior Management from the Takaful industry:

“In order of priority, which factors are most likely to effect the future profitability of your institution?”



# Conclusion

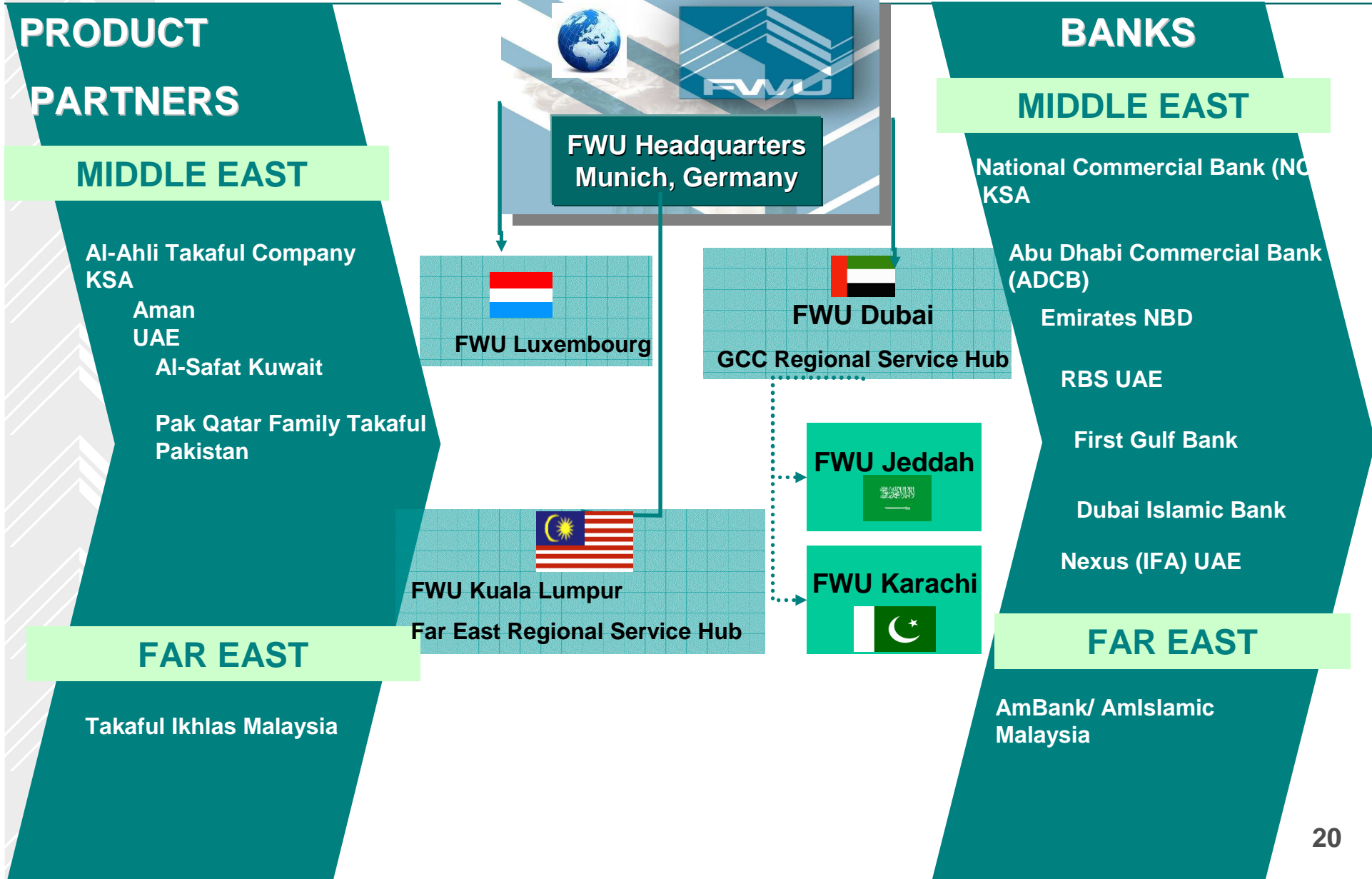


# Conclusion



- **Niche Customer Segment evolving for Takaful Family products**
- **Attractive packaging and competitive pricing is needed for Takaful products to overtake conventional ones**
- **Convergence between SRI/Ethical Investments and Sharia Compliant products will spur banks to offer these products to their end-customers**
- **Single EC passport for insurance providers is an advantage for the Takaful Industry.**

# International product and bank distribution partners



## Contact details



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