



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

The Key Role of
Retakaful
in the development
of
Takaful market

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Summary

- Update on the Takaful / Islamic market statistics
- The growing Retakaful capacities
- The role of Retakaful in the development of Takaful markets



Update on the Contributions per Region

Region	2005	2006	2007 Est.
Africa	181.1	215.2	246.4
East Indian Sub-Continent	7.8	11.2	12.8
Far East	536.7	695.4	872.4
GCC	1,547.1	2,088.5	2,560.8
Levant	14.7	17.7	21.7
Middle East (Non Arab)	2,372.4	2,880.1	3,505.0
Grand Total	4,659.8	5,908.1	7,219.1

Definitions

Islamic = Takaful

+

Cooperative
Companies (KSA)

+

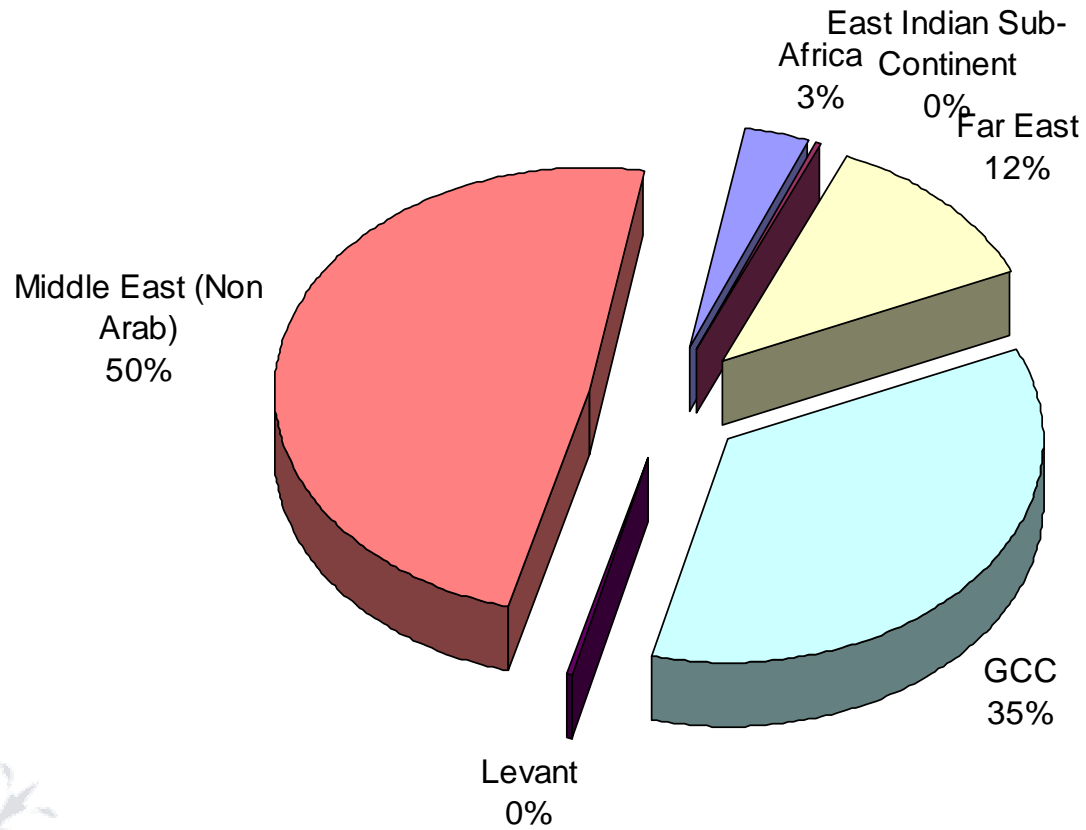
Iranian market

KSA: Article 1

Insurance in the Kingdom shall be undertaken through registered insurance companies operating in a cooperative manner as it is provided within the article establishment of the National Company for Cooperative Insurance promulgated by Royal Decree M/5 dated 17/5/1405 H, and in accordance with the principles of Islamic Shari'a.

Iran : The Shari'a law is the corner stone of the whole system

Contributions by Region

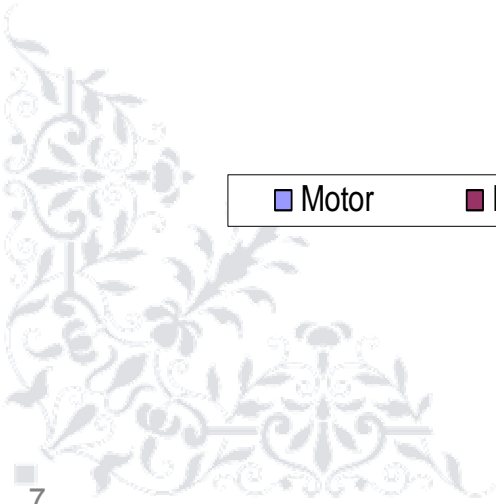
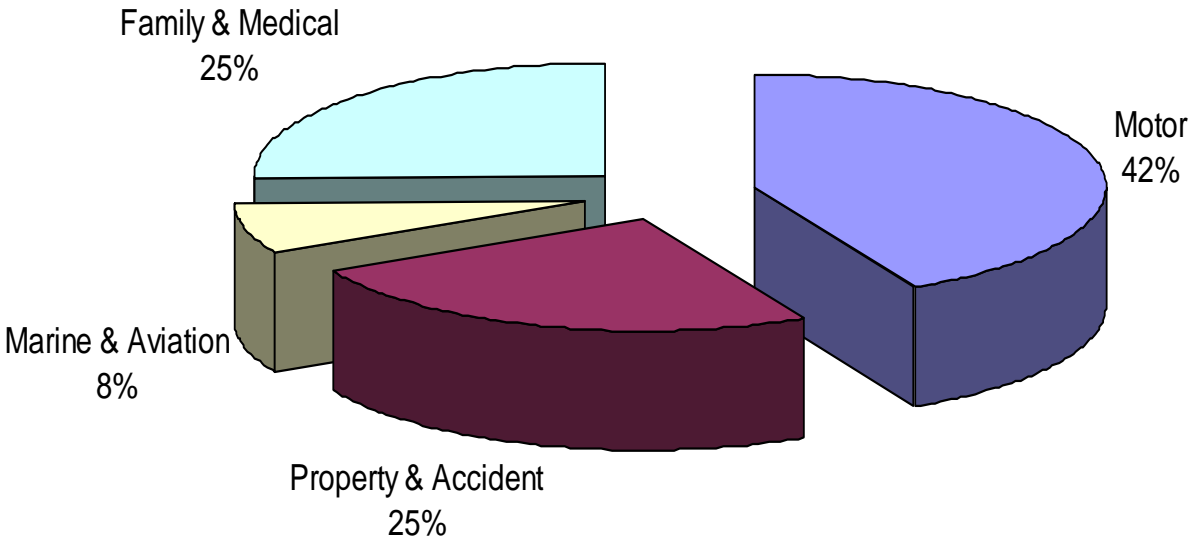


■ Africa ■ East Indian Sub-Continent ■ Far East ■ GCC ■ Levant ■ Middle East (Non Arab)

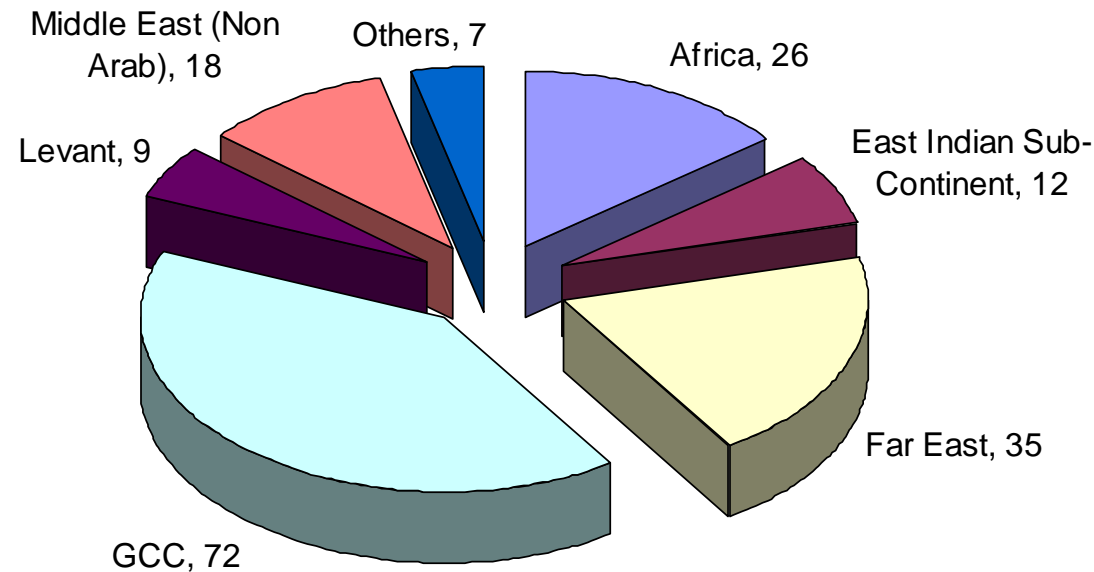
Contributions volume and split by LOB

- Islamic insurance is growing all over the world:
 - The contribution increased in 2007 from USD 5.9 to 7.2 billion
 - There is no major change in the split by geographical area;
- Cooperative KSA is the main component of the GCC Islamic/ Takaful markets;
- The Iranian market represents over all 48%;
- Motor remain the main line of business 42%, property 25% and Family + Medical 25%;
- The differences in statistics comes from the definition and whether cooperative Saudi model and Iranian markets are included or not

Contribution Split 2007 by Line of business



Number of Islamic/Takaful companies



179 companies

* GCC: 72 companies including all licensed companies in KSA

Middle East vs. Far East

Middle East

- Three models:
 - Hybrid Takaful model: Bahrain, DIFC
 - Sudanese full cooperative model
 - Saudi cooperative model
- Specific situation in Iran; the insurance industry is not qualified as Takaful, however, the whole system is Islamic by law
- No specific regulation for Takaful in UAE, Qatar, Oman, Syria, Lebanon, Iraq, Yemen or Egypt
- Except Bahrain and Sudan, no real political support to Takaful
- Lack of products innovation
- Focus on industrial risks and Motor
- Lack of Takaful mindset

Far East

- Structured and mature Takaful market, and substantial and increasing market share in Malaysia (6%) and Brunei
- Specific regulation in Malaysia
- Support for Takaful on the political level
- However, the Indonesian situation is different, as the market is split between two full fledged operators and a large number of small windows, which are not able to grow the Takaful market share
- Focus on family Takaful and Personal lines
- Islamic Finance / Takaful dedicated educational system

Middle East vs. Far East Main Findings

	MENA	Far East
<ul style="list-style-type: none"> Contribution to the Global Takaful 	<ul style="list-style-type: none"> GCC 35 Levant 0 Iran 50 Africa 3 <p>Total 88%</p>	<ul style="list-style-type: none"> Far East 12 Indian Sub Cont 0 <p>12%</p>
<ul style="list-style-type: none"> Number of companies 	<ul style="list-style-type: none"> GCC 72 Levant 9 Iran 18 Africa 26 <p>Total 125</p>	<ul style="list-style-type: none"> Far East 35 Indian Sub Cont 12 <p>47</p>
<ul style="list-style-type: none"> Split by Line of business <ul style="list-style-type: none"> Family & Medical General 	<p>20%</p> <p>80%</p>	<p>64%</p> <p>36%</p>
<ul style="list-style-type: none"> Growth 	<ul style="list-style-type: none"> GCC 23 Levant 23 Iran 22 Africa 14 <p>Total 22%</p>	<ul style="list-style-type: none"> Far East 25 Indian Sub Cont. 14 <p>25%</p>

Existing Takaful & Growing Retakaful capacities

- ❖ 8 Retakaful (Aril, BEST Re, Takaful Re, Hanover Re, MNRB, Al Fajer Re, Saudi Re, Tokio Marine);
 - 4 Rated A
 - 3 Rated BBB
 - 1 Not rated

- ❖ Retakaful divisions: MNRB, Munich Re, Swiss Re
 - All rated A and above

Sample for requested capacities

Million USD

Cedant	Property	Engineering	Accident	Marine	N.M XL	Marine XL	Motor XL
• Africa							
Sudan	30	12,5	9		0.5	10	
• Middle East							
KSA 1	122	122		26			13
KSA2	60	60	10	8			4
Kuwait	11,2	11,2	1,5	1,5			1,5
UAE 1	34	34	2,5	8,5			2,5
UAE 2	17,75	17,75	20,5	2,4	4		
• Far East							
Company 1	30	9	7	5			
Company 2	39	16,8	2,4	16,2	9		
Company 3	73,80	29,7	9	15,7	7,5		6

Update on the Capacity vs. demand

- ❖ Treaties: few big players are asking for huge capacities:
 - USD + 67 million
 - Only 2 companies need capacity exceeding USD 45 million

- ❖ Facultative:
 - Property & Engineering: Available capacity 156.5 million, which can accommodate all the small and medium size Fac business
 - Marine: USD 81.5 million

- ❖ Retakaful are not far from catering for most of the Takaful general needs

- ❖ Especially if we keep in mind that Takaful should be more focused on personal lines than major industrial and commercial risks

- ❖ However, the need for conventional capacity will remain for large risks or specialty lines; as Retakaful/ Reinsurance are global activities by nature

Retakaful current relation to Takaful (1)

- ❖ Retakaful are mostly providing underwriting capacity to Takaful operators;
- ❖ Providing limited training due to own resource constraints and media coverage although direct insured do not always see it;
- ❖ Not doing anything significant on product development: most of the time adapting conventional products;
- ❖ Not playing an active role in increasing insurance awareness with individuals which is the only way to increase the contribution of personal lines;
- ❖ Individuals in Oil producing countries have on average more disposable income than the average South African, yet personal lines and Life premium in South Africa is more than similar insurance/Takaful in the whole Islamic countries, including those with high income

Retakaful current relation to Takaful (2)

- ❖ Limited role or no role at all in participating in the direct Takaful capital and Management;
- ❖ Except one operator, Retakaful being still new; they do not have the necessary Capital and/or the human resources for this;
- ❖ The core problem is that Takaful are often small entities with limited professional capabilities;
- ❖ Therefore, the general trend is for price cutting and cash flow underwriting (Motor) than in real market development;
- ❖ In some market a plethora of Takaful entities (like in Kuwait and soon in UAE) without any discipline. This hampers development instead of helping it and does not project the image that would encourage the uninsured to come to Takaful or others to shift from conventional to Takaful

Future Role of Retakaful in the development of the Takaful markets

The Retakaful must provide:

- ❖ Underwriting:
 - The needed capacity for the development of the industry,
 - To move from the follower position to lead the companies programs;
 - To be able to price all lines of business, especially the one who are not yet accepted by Retakaful i.e. Energy, liability, Aviation, Liability...
 - To have a dual strategy:
 - ✓ For personal lines: to develop Family Takaful offer; and look for synergy with banks
 - ✓ For industrial risks, to acquire the expertise, the tools & the pricing models;
- ❖ Active role in the Takaful company's capital & Management; this will make companies more professional, limit the competition and impact the Takaful practices and trend;
- ❖ Awareness campaign toward the large public and active role in promoting the concept, the best practices and standards;
- ❖ Training the new and existing Takaful staff; and converting them from conventional to Takaful mindset.

Retakaful and Micro-insurance

- ❖ Is Micro Takaful about small contributions? Or a concept having an objective i.e. the reduction of the poverty?
- ❖ The first option is a simple Takaful offer to a segment (very low income population) by a commercial entity looking for profit; while the second objective is more "in line" with the essence and the principles of solidarity and brotherhood.

Both options should be beneficial for the community and Takaful; and could make the concept more popular.

Retakaful / Takaful should work in a joint venture with the Micro Finance Institutions, preferably NGO's.

- ❖ The best scenario is a joint venture between a Takaful operator and a kind of Islamic Grameen Bank; even if the Grameen is a success story and a model, the whole project is considered non Shari'a compliant because of the Riba; and even if the ultimate objective of the Grameen is really to service the community;
- ❖ Malaysia: Takaful Ikhlas is offering family Takaful products with small contributions
- ❖ Indonesia: The first micro Takaful products by Allianz recently launched
- ❖ What's the next step? East Africa? Egypt?

Think
Takaful



Act
Takaful



أفكارنا تدور حول تغيير التكافل ، فإننا نعمل من أجل تقديم أفضل الخدمات لشركائنا الإحصائية



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