

International Takaful Summit London

„Takaful for All“

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I. The concept of Takaful for all

It is based on the principle “Ta’awun” which means “Mutual Protection”.

It is a mutual sharing of risk as well as financial aid to benefit policy holders who need it most.

How can Takaful reach all?

- ➔ **Awareness** – penetration of Takaful still low in most Muslim countries, lack of awareness contribute to this factor. Government campaigns such as the one launched by Bank Negara Malaysia contribute to increase Takaful awareness in the South Asian country
- ➔ **Pricing** – needs to be within purchasing power of mass consumers. Challenge as surplus accumulated in Takaful funds is owned by participants, not by shareholders
- ➔ **Customer segmentation and profiling** – in order to tailor product to mass market, need to understand customers needs by implementing rigorous profiling = good risk management and adapt product to requirements
- ➔ **Distribution and White Labelling** – Banks are trusted source of financial services in Emerging markets, white labelling contributes to increase the appeal of Takaful products

II. Microinsurance

Definition

Insurance products that offer coverage to low-income households. A microinsurance plan provides protection to individuals who have little savings and is tailored specifically for lower valued assets and compensation for illness, injury or death.

Microinsurance is often found in developing countries, where the current insurance markets are inefficient or non-existent.

Facts and Figures

80%

Of the world population
live in Emerging
Markets



9%

Of insurance
premiums worldwide

II. Microinsurance

Corporate Social Responsibility (CSR) Initiative versus Commercial approach

- Some insurers see microinsurance as a CSR initiative
- Contributes to efforts to commit to be a good corporate citizen
- Contributes to efforts to help the community



- Should also be seen as a market opportunity
- Insurers need to make the investments needed to provide valuable protection to big numbers of low-income households
- Distribution by institutions that people can trust
- Eg: Munich Re launched microinsurance product against floods in Indonesia



- Possibility of partnership between insurers and community groups
- Clear products designed by specialists but distributed by local community or religious organisations

III. Basic Takaful product in Malaysia

Bijak Malaysia

- ➔ Bijak Malaysia is designed to be as simple as possible to enroll in
- ➔ Non-participating whole life plan with limited premium payment
- ➔ Provides comprehensive coverage against death and disability
- ➔ Affordable monthly premiums
- ➔ Guaranteed Triennial Cash Payment for life and Guaranteed Maturity Benefit
- ➔ There are no stringent medical underwriting requirements
- ➔ Simple health declaration form is all that is needed to get started
- ➔ Initiated by National Insurance Association in Malaysia

III. Basic Takaful product in Malaysia

Bijak Malaysia Benefits At A Glance

Protection Benefit				
% of Sum Assured	Death Benefits		Total & Permanent Disability (TPD) Benefits* (up to age 65)	
	Natural Causes	Accidental Causes	Natural Causes	Accidental Causes
First 2 policy years	25%**	400%	25%**	200%
Policy year 3 up to age 55 years	200%	400%	200%	200%
From age 56 years to 65 years	100%	200%	100%	100%
Thereafter up to age 88 years	100%	100%	Nil	Nil
Survival Benefit				
Triennial Cash Payment	5% of Sum Assured paid out every three years up to policy maturity			
Maturity Benefit	100% of Sum Assured benefit payout at age 88			

* Coverage for TPD ceases at age 65

** Lien is applicable only for deaths and TPD due to natural causes during the initial two (2) years of the policy inception, due to underwriting constraints.

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