

# Creating an Inclusive Takaful Proposition

Presented By

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- What is Inclusivity in Takaful?
- What are the benefits?
- Some considerations/issues
- Illustrations of inclusivity
- Conclusion



# What is Inclusivity in Takaful?

*“Inclusion is a process of identifying, understanding and breaking down barriers to participation and belonging”*

(Early Childhood Forum 2003)

- Takaful is based on principles of mutuality and solidarity
- Inclusivity in broader context would mean
  - **Exploring appeal to non-Muslims**
    - Key in pluralistic societies
    - Key to breaking the “niche” mentality
  - **Participatory approach to packaging of Takaful proposition**
  - **Embedded Distribution and Delivery**

# Inclusive Takaful – Appeal to Non-Muslims

- Highlight attraction of Takaful principles to wider audience
  - Transparency
  - Mutuality / Solidarity
  - Prohibition of Interest / Usury
  - Surplus distribution
  - Ethical / Socially responsible investments

**Highlight common aspects rather than differences**

**Explain concepts on broader level**

**Use labels other than Takaful to reach wider audience**

# Inclusive Takaful – Participatory Proposition Development

- Emphasizing Solidarity
- Emphasizing ownership of solutions by participants
- Endorsement by community leaders
- Focus on Risk Management solutions
  - Participants' needs, not “insurance”
  - Cooperative spirit and mutuality, not profit objectives
- Realignment of motives of
  - Operator & Shareholders
  - Participants
  - Distributors

**Participation of target population in design and delivery of solutions**

# Inclusive Takaful – Embedded Distribution

- Aim to achieve distribution embedded in
  - Lifestyle
  - Culture
  - Activities
  - Society
- Leverage unique distribution channels and strategies
  - Utilize religious and communal relationships
    - Through religious leaders
    - Mosque-based distribution
    - Communities and Affinity groups

**Distribute to widest possible audience but don't lose sight of already existing networks**

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# What are the Benefits of Inclusive Takaful?

- Increasing overall penetration
- Access of non-Muslims will boost credibility of Takaful
- Better Harmony within pluralistic communities
- Lower cost of distribution
- Better underwriting results through self-policing
- Saves cost of formal education/campaign on Takaful
- Addresses concerns of regulators in pluralistic societies
- Will foster healthy competition with conventional insurers
  - Not simple cannibalization
  - Added penetration of risk management solutions

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## Some Considerations/Issues

- Role of the Shariah Board would require expansion
  - Accommodate scholars who could add perspective from ethics not contradictory to Shariah principles
  - Delicate balance has to be maintained in order not to create divisions
  - Wider Shariah Board can address concerns of non-Muslims in addition to Muslims
- Regulatory Issues
  - Licensing of distributors
  - Reviewing informal distribution arrangements
  - Framework for reviewing contractual arrangements
  - Maintaining level playing field with conventional insurers
- Investment of time and resources in:
  - Design and development of product solutions
  - Design and implementation of solution delivery

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# Illustrations of inclusivity

- **Malaysia** (*Muslim country with large non-Muslim population*)
  - Non-Muslims contribute to the success of Takaful in Malaysia
  - Innovative product solution and delivery channels
- **Sri Lanka** (*Non-Muslim country with significant Muslim population*)
  - Several Takaful companies despite Muslim minority
  - About 15% of Takaful policyholders are non-Muslims
  - Expansion into Maldives
- **Russia** (*Former communist country*)
  - First Takaful company established in 2009
  - Estimated market potential \$2.6 billion
- **Nigeria** (*Pluralistic*)
  - Takaful companies are being established
  - Several more are wrestling with inclusive Takaful proposition
  - Potential for micro-Takaful
  - Social structure geared towards mutuality in form of tribes / clans / communities

# Illustrations of inclusivity - Continued

- **India** (*Large Muslim population*)
  - Concerns about the religious implications
  - Keen interest exists towards Takaful
  - Major potential for micro-Takaful
- **Morocco / Turkey** (*Secular outlook with large muslim population*)
  - Ethical label would be well received
- **European Union**
  - Leveraging on history of mutual insurance
  - Increased emphasis on ethical funds, etc
  - Islamic finance well received

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# Conclusion

- Takaful has appeal beyond Muslim population
- Takaful penetration requires engagement with target population
- Takaful proposition must be focused on risk management solutions to avoid tainting by “insurance”
- Realignment of motives of players is critical to its survival
- Imperative to deliberately investment in the development and delivery of product solutions uniquely fitting to Takaful

**Borrowing concepts from conventional insurance may get Takaful off the ground but it will only fly on the wings of original thinking**



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