

# Capitalising on market opportunities

Many of the key stakeholders of the takaful sector were present at the International Takaful Summit in London to reflect on opportunities and synergise in moving the industry further ahead.

By Mr Ridwan Abbas

The International Takaful Summit 2009 held in London last month was a reminder of Europe's ambitions to stamp its mark on the Islamic finance industry. And with roughly one in three financial sector jobs in the UK being in insurance, it was rather natural for takaful and the city of London to gravitate towards each other.



Sir David Lewis

While the affection is mutual, London still has some way to go in becoming a centre for Islamic insurance. In his opening remarks, former Lord Mayor of London Sir David Lewis renewed the call for Lloyd's to authorise the formation of a takaful or retakaful syndicate as soon as possible.

"I understand that they have received a number of approaches and are willing to work on viable propositions and ensure they comply with all their franchise standards. However, they view this as a long-term development which in my mind is a pity...Lloyd's should work with a short-term timetable to authorise a syndicate which must comply with all requisite standards," he said.

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**Former Lord Mayor of London Sir David Lewis, renewing calls for Lloyd's to authorise a takaful syndicate soon**



Sir Lewis also lamented the British government's decision not to issue a sovereign Sterling sukuk, having been poised to do so last November. However, he remains sanguine of London's potential in playing a significant role in the future development of takaful.

"London is the world's leading centre for international insurance, people trust London and the London market, and we should be a very suitable place for takaful and retakaful to prosper. And I hope in the next 12 months we see genuine progress in the UK takaful market," he said.

## Takaful beyond the tipping point



Mr Ajmal Bhatti

Having undergone several phases of development, the next stage of growth requires a leap for takaful to move from being perceived as a niche and into the mainstream. In deliberating the way forward, CEO of Takaful Tokio Marine Middle East, Mr Ajmal Bhatti, spoke about the value of facilitating microtakaful in large parts of the developing world – allowing for mass exposure for takaful in countries with genuine demand for Islamic finance, while fulfilling the spirit of mutual cooperation in takaful.

Mr Bhatti also reiterated the importance of protecting the sanctity of Shariah to preserve the ideals of takaful. "Shariah credibility is a must to promote takaful for its social goodness and its ethics...for this we have to work on strengthening and extending the screening process of investments, redefining darurah (necessity) principles and have a universally acceptable Shariah rating system."

He also called for concerted efforts towards greater transparency and ease of access to financial data in order to generate credible vital industry statistics, adding that a "global regulatory standardisation of takaful" would be highly useful.

## Managing assets

In addressing the challenges of takaful expansion, CEO of Allianz Takaful, Dr Abdul Rahman Tolefat, touched on asset



Dr Abdul Rahman Tolefat



management issues calling for more highly rated sukuk funds to be introduced. He proposed that governments allocate part of their sukuk issuance to the takaful industry, and also highlighted the difficulty in designing pension products due to the lack of long-term sukuk.

“If I want to buy sukuk for 30 years to match my liability for pensions or for Islamic annuity, there is no way to find such sukuk in the market and this really limits our growth. So we need the banks, the takaful and retakaful industry to come together to find a way forward to resolve this matter,” he said.

An asset management panel session sought to highlight developments in Islamic asset management that are of importance to takaful companies. Chief Operating Officer of Prime Rate Capital Judith Benson talked about the expansion of Shariah-compliant short-term liquidity mechanisms, describing the group’s efforts in formulating such an instrument by way of a fund – based on the principles of a murabaha contract – that allows same day access to cash with competitive returns.



Dr Zeid Ayer

Chief Investment Officer of CIMB-Principal Islamic Asset Management, Dr Zeid Ayer, spoke on the misconception of the restricted selection for Islamic funds – stating that 50% of the S&P 500 (by market capitalisation) is Shariah-compliant. He added that Islamic funds have not proven inferior to their conventional counterpart, based on the comparison of the 10-year annualised return of the Dow Jones Islamic Market (DJIM) Index and the Dow Jones World Index.

### Experience in Malaysia and UK



Mr Tarmidzi Nordin

Subsequent proceedings also gave an insight into the promotion of takaful in two highly contrasting markets: Malaysia and the UK.

Mr Tarmidzi Nordin, CEO of Etiqa Takaful – Malaysia’s largest takaful company, explained at length about Etiqa’s successful bancatakaful model with its parent company Maybank. He emphasised the importance of an integrated model where the bank is more than merely an agent to

the insurance company.

“It is not like an agency approach where you hope the bank can deliver, but this is a commitment from the bank. For example, marketing campaigns, product launches, sales targets have all been agreed in advance,” said Mr Tarmidzi.

He added that while Maybank is its parent, Etiqa is also exploring opportunities to implement similar integrated bancatakaful models with other interested banks.

Speaking a year after Salaam Halal Insurance – which trades as Principle Insurance Holdings – became the first takaful operator licensed in the UK, Chief Executive Bradley Brandon-Cross said that despite pockets of scepticism, there is enormous interest among consumers especially since the company started listing its services on web comparison sites.



Mr Bradley Brandon-Cross

He noted the market was taking shape and that levels of engagement with consumers have improved markedly since the start of the year. Salaam Halal Insurance continues to engage in promotional activities across several mediums, including television commercials, print advertisements, direct mailers and road shows.

A highlight of the two-day conference was the 2nd Takaful Awards Ceremony which recognised the outstanding contributions of stakeholders in the takaful sector. A total of 16 awards were handed out to various players in the industry.■



# Takaful recognises its star performers

Various stakeholders in takaful and retakaful convened for the 2nd International Takaful Awards to acknowledge the achievements of the industry and recognise companies that have displayed exceptional performance over the past year.

The ceremony held at the Jumeirah Carlton Tower, London on 1 July 2009 featured awards in 17 categories.

Winners were selected by a panel of judges which included lawyers, journalists and eminent industry practitioners. The evening culminated with Dr Saleh Malaikah, CEO of SALAMA Islamic Arab Insurance Company, being presented with the Outstanding Contribution Award for his unyielding dedication to the development of takaful.

## 2nd International Takaful Awards: The Winners



Best Takaful Company

Salama



Best Retakaful Company

Takaful Re



Best Takaful Reinsurance

Hannover Retakaful



Best Takaful Product

SABB Takaful



Best Asset Management House

NCB Capital



Best Takaful Ratings Company

Standard & Poor's



Best Takaful Advisory Firm

Ernst & Young



Best Takaful Marketing

SABB Takaful



Best Takaful Law Firm

Norton Rose



Best Financial Centre

Central Bank of Bahrain

## 2nd International Takaful Awards: The Winners



Best Islamic Fund

CIMB Principal



Best Bancatakaful

Etika



Best New Takaful Company

Allianz Takaful



Best New Re-Takaful Company

Al Fajer Re



Best Takaful Brokerage Firm

Aon



Outstanding Contribution Award

Dr Saleh Malaikah

## Winners say

"In this fast growing and increasingly competitive sector, we were able within a short period to establish our company as a market leader in and out of Saudi Arabia. It is a great honor for us to win these awards, particularly in the present hard economical circumstances."

**Dr Yazid Al-Ohaly, Chairman of SABB Takaful, winner of Best Takaful Product & Best Takaful Marketing**

"We are thrilled to be recognized by the Islamic finance community for our continuing support of the Shariah-compliant risk-management industry, which is driving increased acceptance and understanding of the Takaful business model."

**Mr Yann Le Pallec, Managing Director, Standard & Poor's, winner of Best Takaful Ratings Co**

"The award proves that even though we are a new company, we have gained acceptance in the market. We are grateful to receive this award and we thank the promoters, sponsors and most importantly our valued clients".

**Mr Jan Davis, Chief Executive Officer, Al Fajer Re, winner of Best New Re-takaful Co**

"We are delighted to receive this prestigious award in what has been a very difficult year for the industry. Recognition such as this is important in reinforcing our market presence, as we build a competitive edge in a full range of products."

**Mr Ahmed Farid, Chief Executive Officer, NCB Capital, winner of Best Asset management House**

"The CBB recognises that Takaful is a new insurance market and acted in 2008 to enhance its reporting requirements, proactively aiming to secure the future development of the Takaful industry. We are very pleased that this work has been recognised through this Award, and we are confident that the regulatory environment is in place to continue the outstanding performance of the Takaful industry in Bahrain."

**HE Rasheed Mohammed Al Maraj, Governor of the Central Bank of Bahrain, winner of Best Financial Centre**

"We are dedicated to the takaful industry and feel privileged to have received this prestigious award. We have had a huge amount of support from our clients and are very grateful to them."

**Ms Susan Dingwall, Partner, Norton Rose, winner of Best Takaful Law Firm**