



DEVELOPMENTS IN SAUDI TAKAFUL MARKET

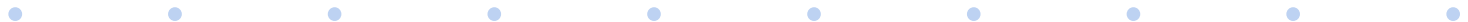


Presentation by:
V. A. Tommy
Deputy General Manager
Al Rajhi Co for Cooperative Insurance, KSA
Tel: 966 1 475 2211; Fax: 966 1 475 1852;
Email: tommy@alrajhiinsurance.com.sa



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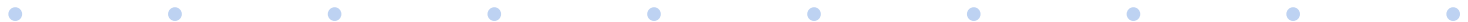
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ARCCI - Profile

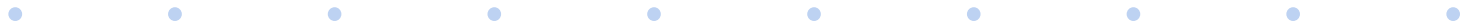
- **ARCCI – the latest Insurance Company to obtain a Royal Decree (received on June 30th 2008)**
- **ARCCI promoted by Al Rajhi Bank and Al Rajhi Insurance Company BSC (C), Bahrain.**
- **Al Rajhi Insurance – Operating since 1990**
- **With SR 200 Million as paid up capital, 30% of the new company (Al Rajhi Co for Cooperative Insurance – ARCCI) would be owned by Saudi Public**
- **ARCCI will run on Takaful principles and be fully compliant with Sharia’h.**
- **ARCCI is in the process of obtaining a fatwa from their Shaira’h Board for all their products.**





ARCCI – Profile..... Cont'd

- **Al Rajhi Bank (one of the two main promoters of ARCCI) is the World's largest Islamic Bank.**
- **Al Rajhi Bank has more than 500 branches and 2,500 ATMs in the Kingdom.**
- **Al Rajhi Bank has a fully owned subsidiary in Malaysia with 16 branches currently.**
- **Al Rajhi Brand is synonymous with Islamic Financial Services – amongst Saudi Public.**





Saudi Insurance Scene Prior to Year 2005

- **More than 100 Insurance Companies operating in the Kingdom.**
- **Only one Insurance Company was recognised – NCCI (Taawunia)**
- **All other 100 + Companies operating as Agents for Insurers registered in foreign jurisdictions – mostly from Bahrain Offshore.**
- **‘Fly By Night’ Insurers were the norm.**
- **Meethaq, SACIR, Saudi Aman, European Saudi Insurance – did the vanishing tricks.**
- **Losing Public Faith in the Insurers and insurance.**





Saudi Insurance Scene Prior to Year 2005....Cont'd

- **Majority did not believe in conventional insurance.**
- **Medical and Motor Insurance (except for vehicle license or Ruksa Insurance) was not compulsory.**
- **Sharia'h Scholars opposed insurance as was practised.**
- **Insurance was mostly bought by MNCs operating from KSA and others when mandated by Financial Institutions.**



Saudi Insurance Scene Post Year 2005

- **SAMA makes the entry to the Chaotic insurance Market.**
- **Released the Implementing Regulations for Cooperative Insurance Companies.**
- **Existing Insurers given three year extension (up to March 2008).**
- **Clear Mandate – Either Exit or form Cooperative Insurance Company.**
- **Monitoring of Operating Insurers.**
- **Returning Faith of Public in Insurers.**
- **Sharia'h Scholars seriously debated on the acceptability of Takaful for protection.**





From Chaos to Order – Via SAMA Regulations

- **Implementation of the Regulations started in right earnest.**
- **Over a period of 15 months – 21 Insurers given the Royal Decree and Eleven amongst them got full license.**
- **Minimum Capital for Insurers – SR 100 Mln.**
- **For insurers who accept facultative reinsurers, minimum capital – SR 200 Mln.**
- **Solvency Margin being monitored – the higher of minimum capital, premium solvency margin or claim solvency margin to be maintained always.**
- **Financials of Insurers subject to joint audit (by two firms to be approved by SAMA).**
- **Every Insurer to have a SAMA approved Actuary.**





From Chaos to Order – Via SAMA Regulations.. Cont'd

- **Compliance with SAMA Regulations is strict – Every Insurer to have a Compliance Officer.**
- **For Insurers who write Medical Insurance, there is also a separate monitoring through Council for Cooperative Health Insurance (CCHI).**
- **CCHI was formed to promote, regulate and implement a compulsory medical insurance.**
- **Medical Insurance is made compulsory in phases.**
- **By the end of year 2009 – all the residents of the Kingdom (Saudis and Expats) to come under Health Insurance.**





Saudi Insurance Market – Statistics - 2007

Class of Insurance	Premium in Yr 2007	Premium in Yr 2006	%ge of Total Prm	Growth in 2007
General Insurance	SR 5.2 Bln	SR 4.5 Bln	60%	15%
Health Insurance	SR 3 Bln	SR 2.2 Bln	36%	38%
Protection & Savings	SR 0.33 Bln	SR 0.22 Bln	4%	50%
Total	SR 8.6 Bln	SR 6.9 Bln	100%	24%

Source: SAMA Survey Report 2007



Saudi Insurance Market – Statistics 2007... Cont'd

- **64% of the Business generated from Compulsory Lines – namely Motor and Medical**
- **Health Insurance contributed 36% of the total GWP – and 43% of NWP.**
- **Motor Insurance Contributed 28% of the total GWP – and 41% of NWP.**
- **Top 8 Companies produced 61% of the total GWP; the balance 34 Companies accounted for 39% of GWP.**
- **Overall retention ratio for the market was 65% - contributed largely by 94% retention for Motor and 78% for Medical.**





Saudi Insurance Statistics – As at 30.06.2008

- **42 Insurance Companies operating in the country; however only 11 are fully licensed.**
- **Out of 11 licensed companies, 9 have foreign participation.**
- **14 Insurance Companies have got the Royal Decree from the Council of Ministers.**
- **21 Insurance Companies are listed in Tadawul (Saudi Stock Exchange)**
- **8 Insurers are under the process of Licensing at Ministry of Commerce.**

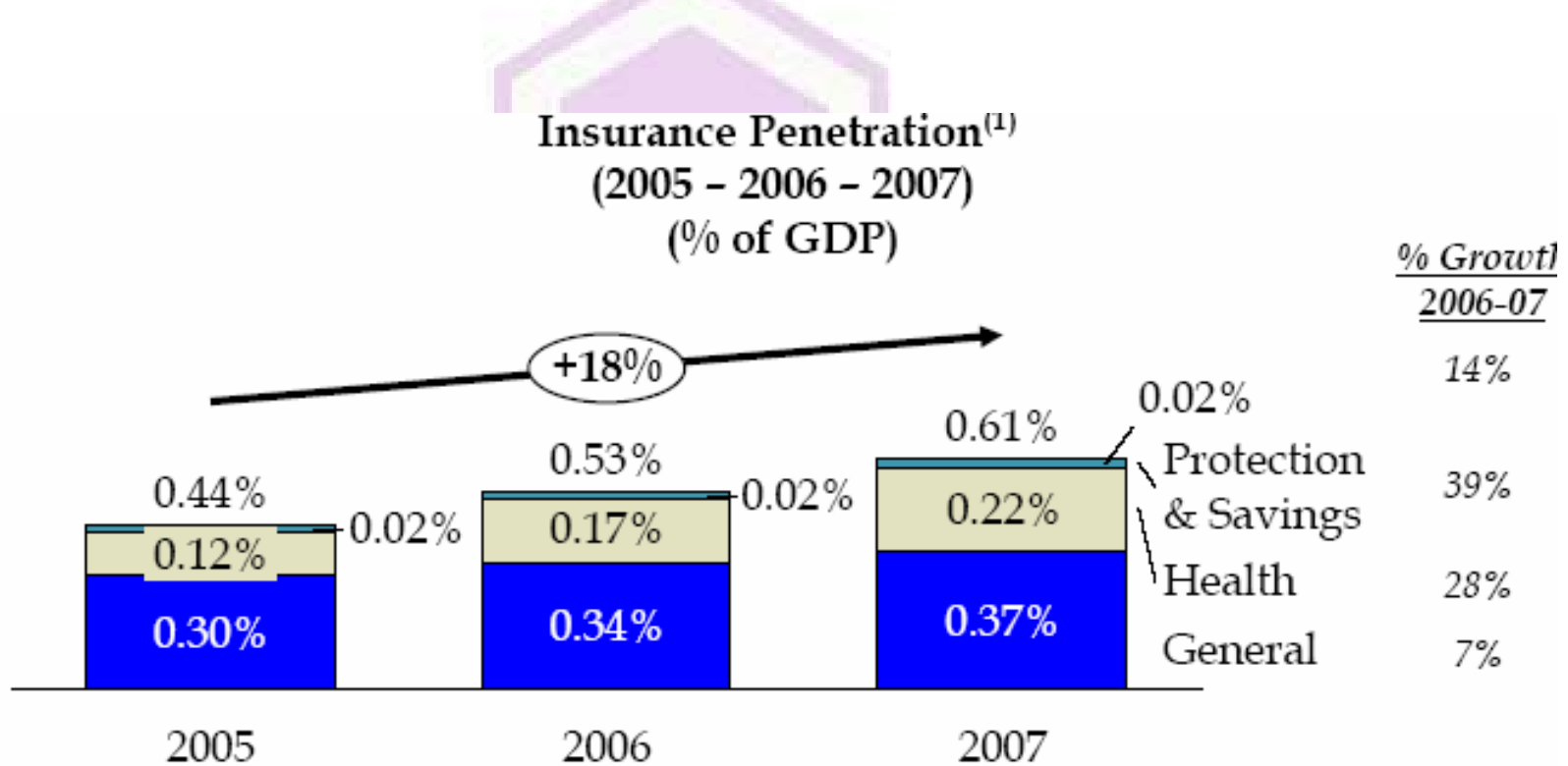
By the end of the year 2008, 33 Insurance Companies are expected to be fully licensed (including the Sole Reinsurance Company – Saudi Re)

All others will either exit or merge with licensed ones.





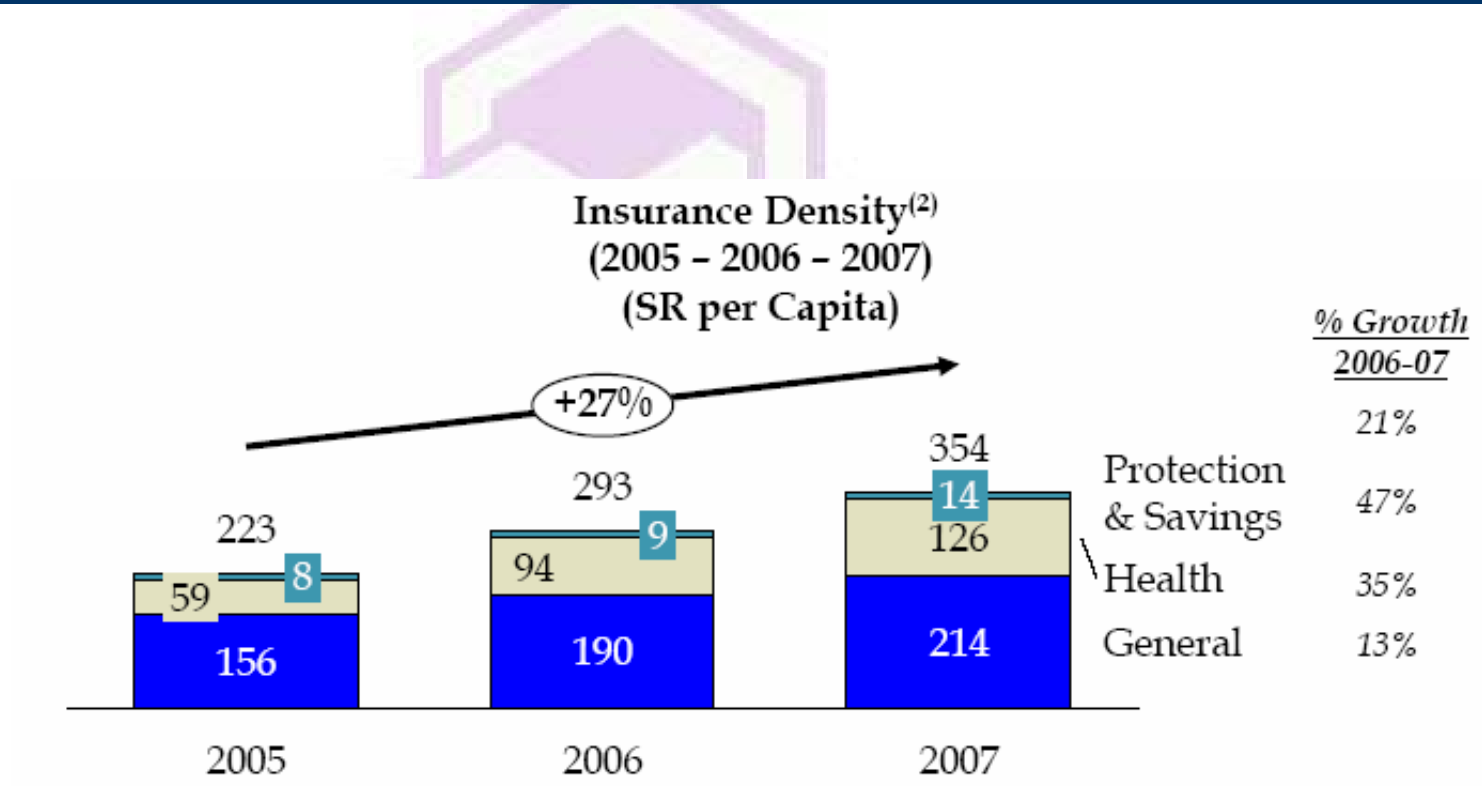
Saudi Insurance Market – Statistics... Cont'd



Source: SAMA Survey Report 2007



Saudi Insurance Market – Statistics....Cont'd



Source: SAMA Survey Report 2007



Saudi Market - Unique Features

- **Insurers have to work on Cooperative Principles and in accordance with Sharia'h Rules.**
- **Motor TPL and Health Insurance are compulsory.**
- **Minimum Retention for an Insurance Company is 30%.**
- **Minimum 30% is to be reinsured locally within KSA.**



Difference Between Cooperative Insurance and Takaful

Cooperative Insurance (as per SAMA rules)	Takaful Insurance (as per Sharia'h Board of ARCCI)
Operations as per Sharia'h Law (No need for an independent Sharia'h board)	Operations supervised and monitored by Sharia'h Board – reporting to the shareholders.
Products to be approved by SAMA	Products AND PROCESSES to be approved by Sharia'h Board (in addition to SAMA).
Reinsurance Treaties and Reinsurers to be approved by SAMA	Reinsurance to be placed with Retakaful Companies (which have to be supervised by Sharia'h Board)



Difference Between Cooperative Insurance and Takaful, Cont'd

Investments guided by written investment policy approved by SAMA	Investments exclusively in Sharia'h compliant vehicles monitored by Sharia'h board.
Financials to be Audited by Statutory Auditors (approved by SAMA)	Accounts to be audited by Sharia'h Committee (in addition to SAMA approved Audit)
10% of the Policy Holders (PH)' Account Surplus to be distributed to PH	100% of the Policy Holders' Surplus to be distributed to PH.
Deficit in Policy Holders' Account to be FULLY MET by the Shareholders.	Deficit in Policy Holders' Account met by Quard Al Hassan (Interest Free Loan)



Saudi Market - Potential for Takaful

Potential for Takaful is High due to:

- **KSA has one of the lowest insurance penetration rate (0.61%) and density (SR 354).**
- **Resident Population exceeds 25 Mln, the highest amongst GCC Countries.**
- **Ratio of protection and savings insurance in the overall market is amongst the lowest in the world (4%).**
- **Entry of Islamic Banks into insurance (e.g., Al Rajhi Bank and NCB promoting Insurance Companies)**



Saudi Market - Potential for Takaful.. Cont'd

- **Entry of Banks into insurance increases the potential for Banka Takaful.**
- **Compulsory Motor and Medical Insurance will bring in more individuals under Takaful fold.**
- **Fatwas from Sharia'h Scholars endorsing insurance products will motivate the believers to buy takaful products.**
- **Entry of new players into Takaful and Retakaful will promote Takaful.**





Banka Takaful Possibilities – Insurers Promoted by Banks in KSA

Promoting Bank	Insurance Company
1. Al Rajhi Bank	Al Rajhi Co for Coop Insurance
2. Al Ahli Bank (NCB)	Al Ahli Takaful
3. Saudi British Bank (HSBC Bank)	SABB Takaful
4. In Saudi Bank (Calyon, France)	Allianz Insaudi Insurance
5. Al Jazira Bank	Takaful Taa'wuni



Saudi Market - Potential for Takaful.. Cont'd

Potential through Banka Takaful

NO INTEGRATION



Banctakaful by selling takaful products through a bank's distribution channels to bank's customers.

Banctakaful by fully integrated system (marketing, personnel, IT, back-office etc.) enabling the bank to present customers regularly with relevant products from "a seamless menu" covering all their financial needs – isalmic banking, takaful and shariah compliant investment.

FULL INTEGRATION



Saudi Takaful Market – Challenges

- **Lack of Local Talent in Insurance.**
- **Lack of Sharia'h Experts with insurance know how.**
- **Lack of work permits for foreign talent.**
- **Lack of insurance awareness amongst public.**
- **Lack of Common ground amongst Scholars on Takaful Concepts, Rulings and Practices.**
- **Lack of Educational and Training Services in Insurance.**
- **Lack of Diverse & Innovative Sharia'h Compliant Investment Vehicles.**





Conclusions

- **KSA is virtually a Virgin Market for Takaful – Opportunities are Sky High.**
- **With a low insurance density of USD 100 for a 25 Mln Population, endorsement from Sharia'h Scholars on Life Insurance will revolutionise the Protection & Savings Products Sale in the Kingdom.**
- **With a talent crunch coupled with Visa Restrictions, challenges for Takaful Industry is huge.**
- **Government is determined to create a local talent pool of insurance professionals and the Private sector is complementing this initiative.**
- **With Islamic Scholars and Others willing to learn and get trained in insurance, Takaful Market is in the midst of a BOOM.**
- **Above all there is FAITH IN THE SUCCESS OF TAKAFUL amongst all the key players – SHARIA'H SCHOLARS, RESIDENTS, GOVERNMENT AND BUSINESS SECTORS.**





THANK YOU

CONTACT

V. A. Tommy

Deputy General Manager

Al Rajhi Co for Cooperative Insurance

Platinum Centre – Al Malaz

Riyadh – 11517

Tel: 966 1 475 2211; Mobile: 966 50 51 51 104

Email: tommy@alrajhiinsurance.com.sa ;

vatommy@gmail.com

