



Building the Next Generation of Takaful Solutions: Leveraging Product Innovation as a Growth Engine

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Takaful Industry Overview

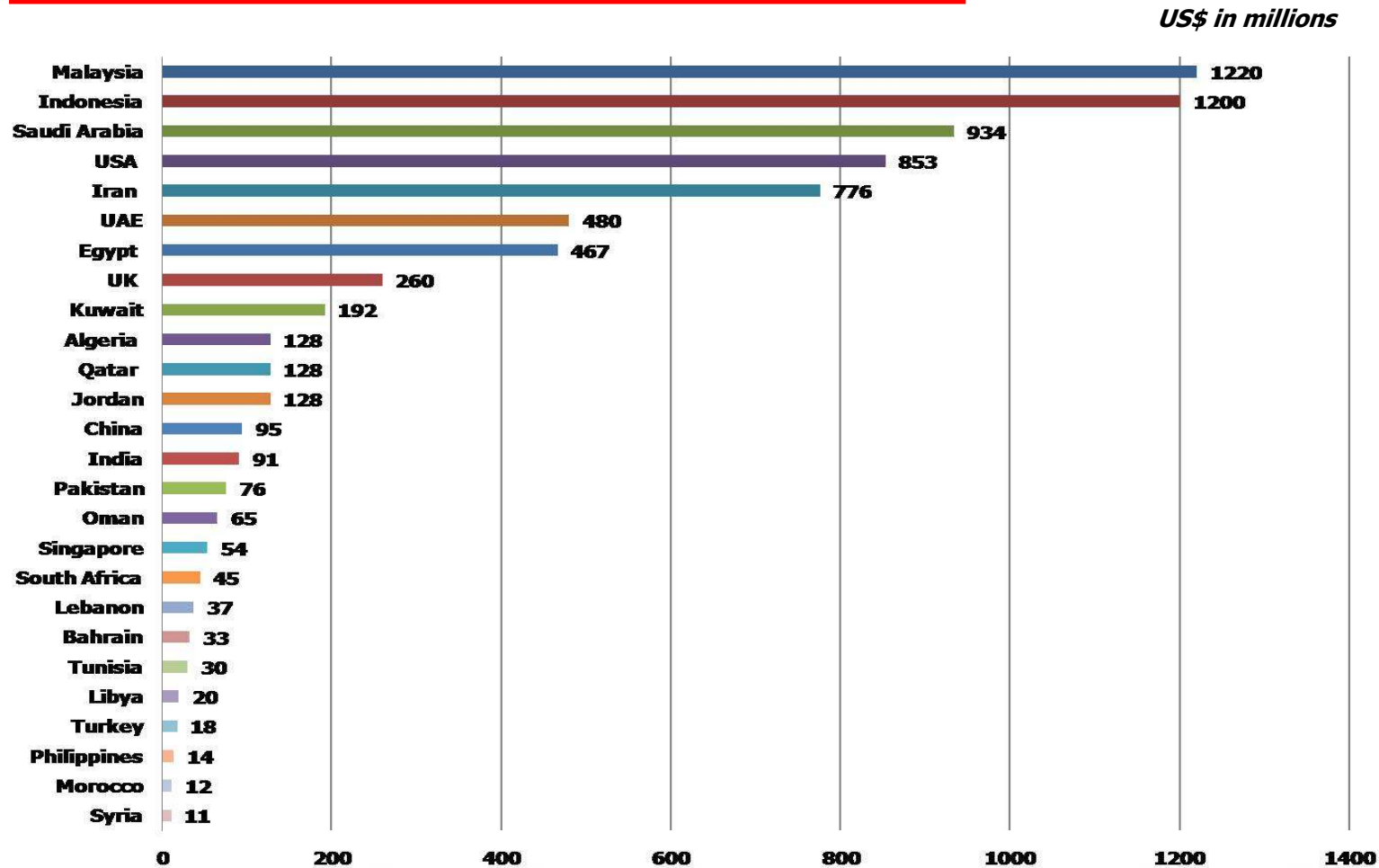
The **Takaful Industry** is witnessing significant growth as an **Islamic alternative** to the conventional insurance and has grown from being a regional business to a **global** one.

Comprehensive data on the number of Takaful operators is limited but there are currently well over **130 Takaful operators worldwide**, with more new entrants being established on a frequent basis.

Source: Fitch Rating Takaful Review and Outlook: October 2007



Takaful – Projected Growth by 2015



Source: Salama

The Need for Innovation

Considering the **significant growth** of takaful operators, one might argue that the industry does not need to pursue radical innovation. However, an analysis of the industry relative to other financial services paints a different picture.

Growth is slowing down and returns are declining.

Underscoring this decreased relevancy are **low ownership rates** with **core takaful products**.



Is Now the Time?

Is now the time for breakthrough innovation in the takaful industry particularly in family takaful?

The answer is emphatically – and urgently – **“yes.”**

The **retirement of the babyboom generation** presents takaful operators with an **opportunity** that is **unprecedented** in its **size** and **scope**.



Is Now the Time?

Takaful operators are **uniquely positioned** to respond to one **critical opportunity**: providing products that address **consumers' concerns** that they will outlive their **retirement savings** or not have **sufficient assets** to maintain their **independence**.



Takaful – Products

Takaful products can be classified under two categories:

- **Risk** Type Products
- **Investment** Type Products with an Element of Risk



Takaful – Products

The renaissance in socially responsible investing and **customer demand** in **Shari'a Compliant solutions** has enhanced the community banking appeal of Takaful products.

The considerable **economic growth** in the Muslim countries i.e. GCC Region, coupled with a sizable, **underinsured population**, means that there are substantial prospects for further development of **personal lines cover**.



How to Innovate?

1. A New Approach to Product Development
2. Underwriting and Pricing
3. New Distribution Models
4. Operations Led Innovations



A New Approach to Product Development

Takaful operators can **accelerate the process of product development** and **reduce their costs** by implementing a **“design-to-cost”** process that allows **multiple products** to be created from a **single platform**.



Underwriting and Pricing

As the market for savings products i.e. annuities grows, takaful operators can **manage their risk** and **speed the sales process** by purchasing customers' **health information**, readily available in electronic form, rather than relying on **traditional underwriting methods**.



New Distribution Models

Takaful operators can create **new distribution models** that position them for the **changing demographics** around the globe.



Operations Led Innovations

Takaful operators can substantially lower their **operational costs** and increase the number of people with **access to the product** and investing the savings in targeted advertising.



Conclusion

Innovations such as these will drive growth by helping the takaful industry meet the needs of many consumers who lack access to its products today.

By **focusing** on **consumer needs** and **developing new products, distribution approaches,** and **operating models**, the industry can achieve a step change in its performance.

Takaful operators that can act promptly to address the issues raised – will be well positioned to win the race to capture the enormous opportunity.





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