

# Challenges Facing Takaful Industry

International Takaful Summit  
1 and 2 July 2009  
London

Dr. A.Rahman Tolefat, CEO of Allianz Takaful

## Agenda Outline

### Overview about Takaful Industry challenges

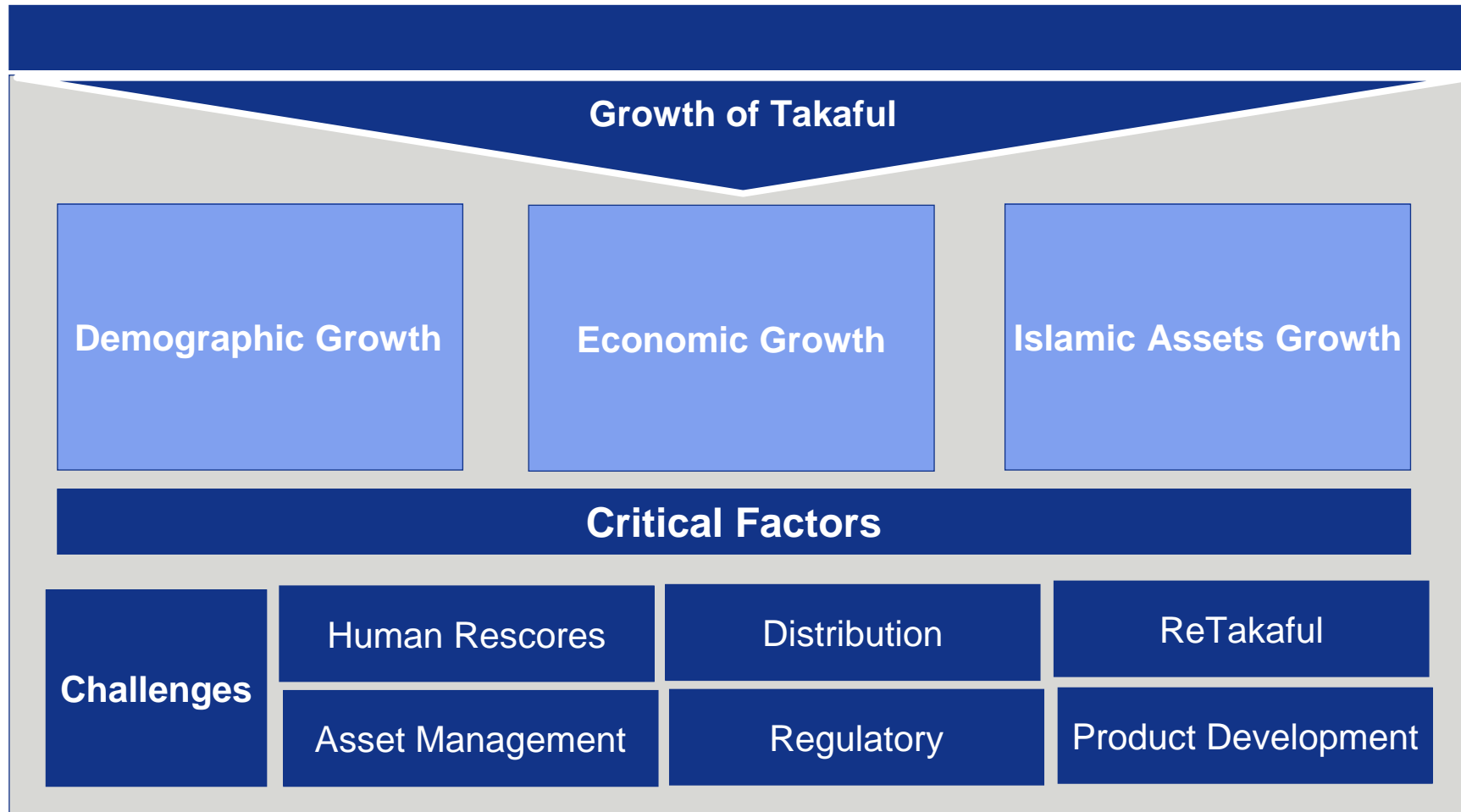
Regulatory Challenges

Assets Management Challenges

Product Challenges

Distribution challenges

# Industry's Growth and Challenges



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## Agenda Outline

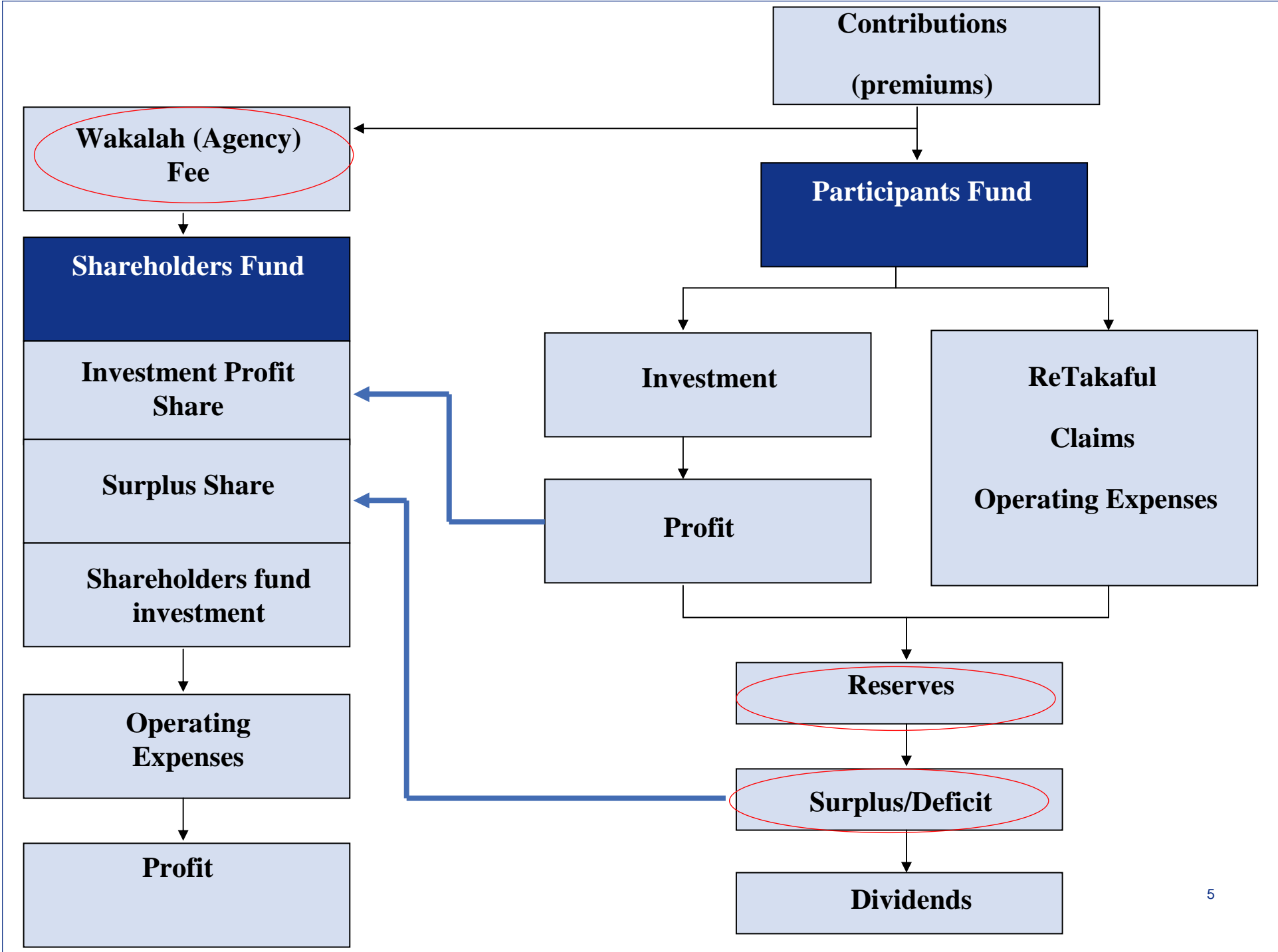
Overview about Takaful Industry challenges

**Regulatory Challenges**

Assets Management Challenges

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## Corporate Governance

Who is protecting the interests of Participants?

Currently



Is this enough ?!

- **There are two parties:**

- **Regulator-** the current regulations & supervision. (Corporate Governance and Business Conduct)
- **Shari’ah Board-** from the ethical prospective

- **Regulator:**

- The regulation needs to be adapted to cater for unique characteristics of Takaful.

- **Shari’ah Board:**

- The shari’ah Board does not have the right competencies to perform this job.
- It is not stated in the Shari’ah Board Mandate.

## Elements of conflict of Interests (1/2)

### Wakalah Fee

- The shareholders are in favour to charge higher fee.

### Reserves

- Distribute profit to participants before take reserves.
- Charge incentive fee before taking reserves or distributing anything to participants

### Deficit

- The deficit incurs in Takaful fund could be resulted from mismanagement or misconduct by the operator.

### Investment

- The company may place shareholders fund in better investment opportunities vis-à-vis Takaful funds

## Elements of conflict of Interests (2/2)

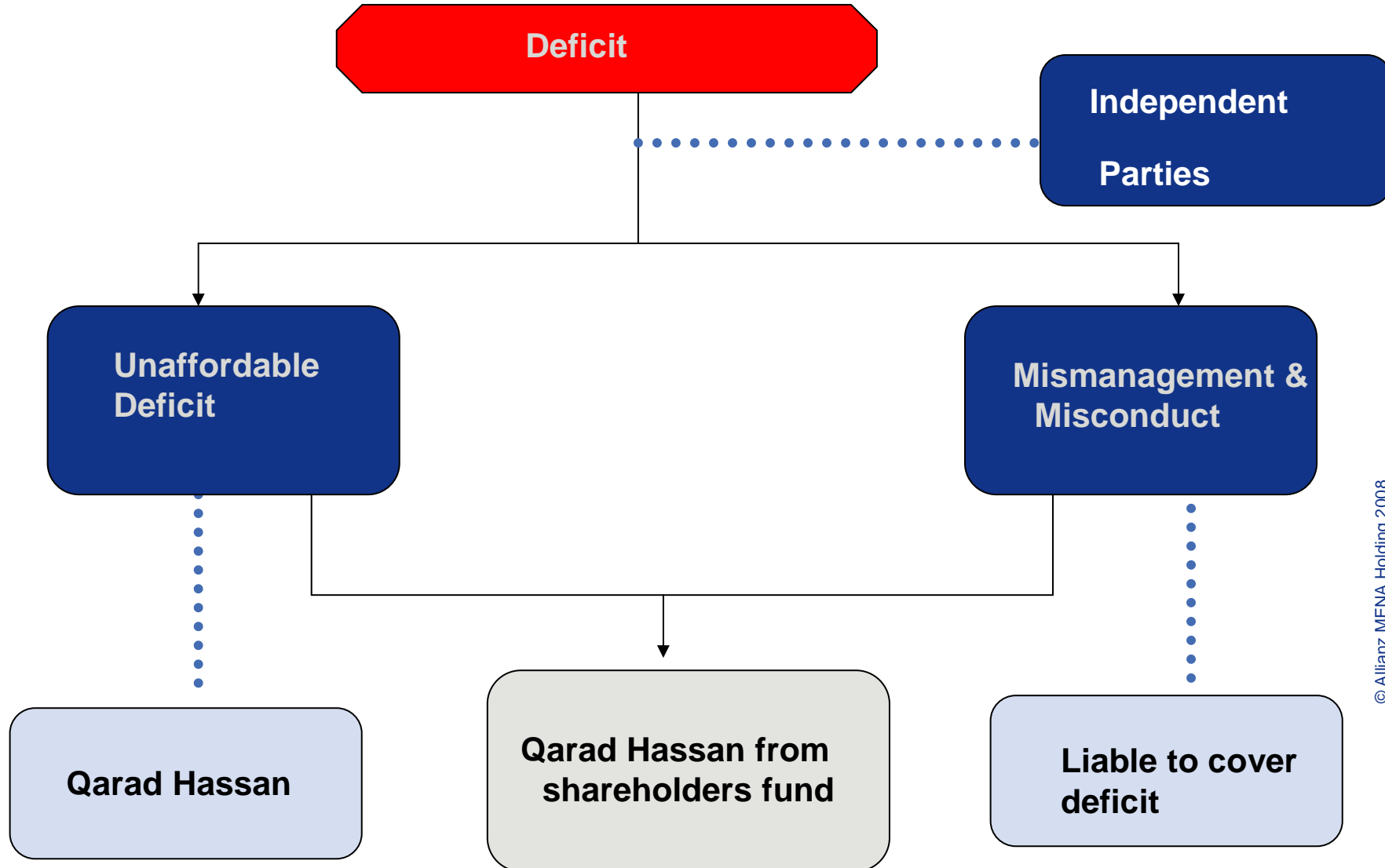
### Competition

- The competition could lead the operator to pass the risk to Takaful pool without proper pricing.

### Family Takaful

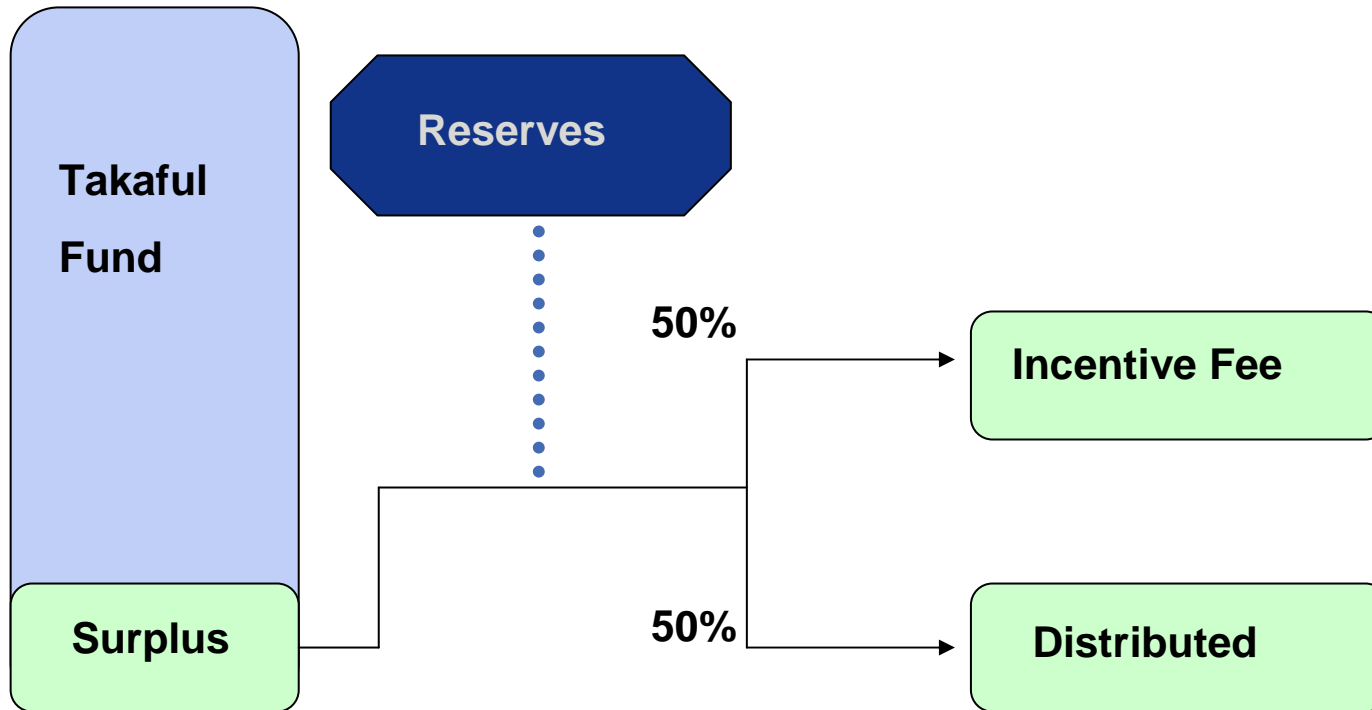
- The amount that goes to risk pool and the remaining amount which goes to saving pool.

## Deficit Debate

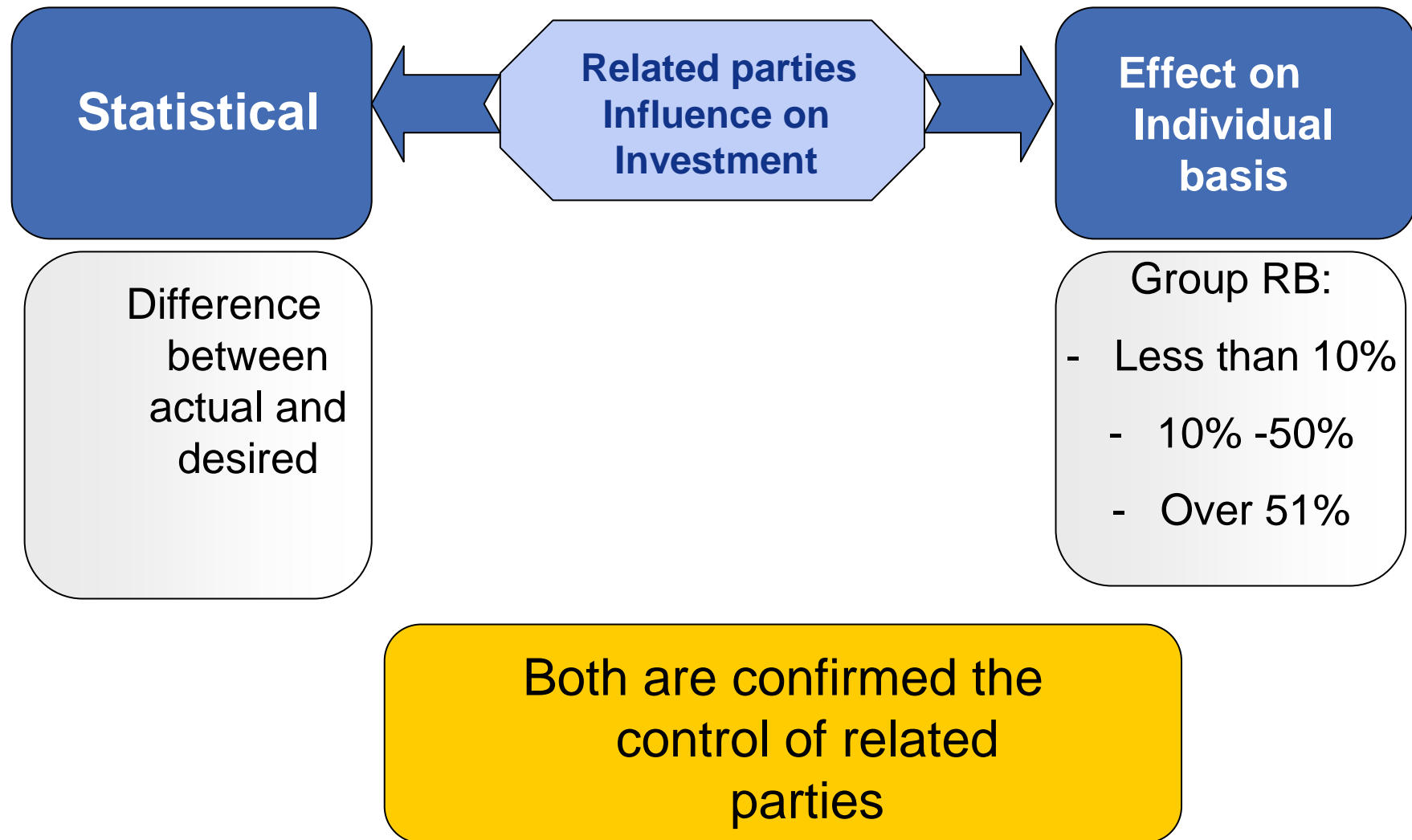


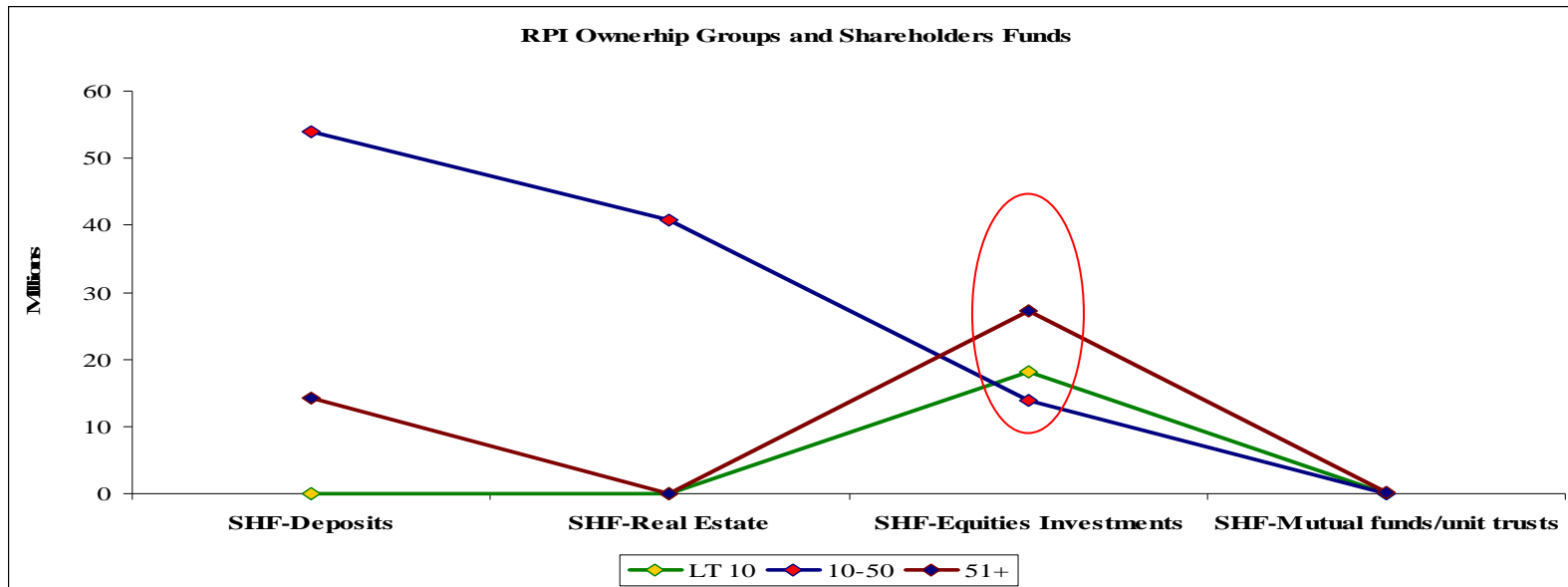
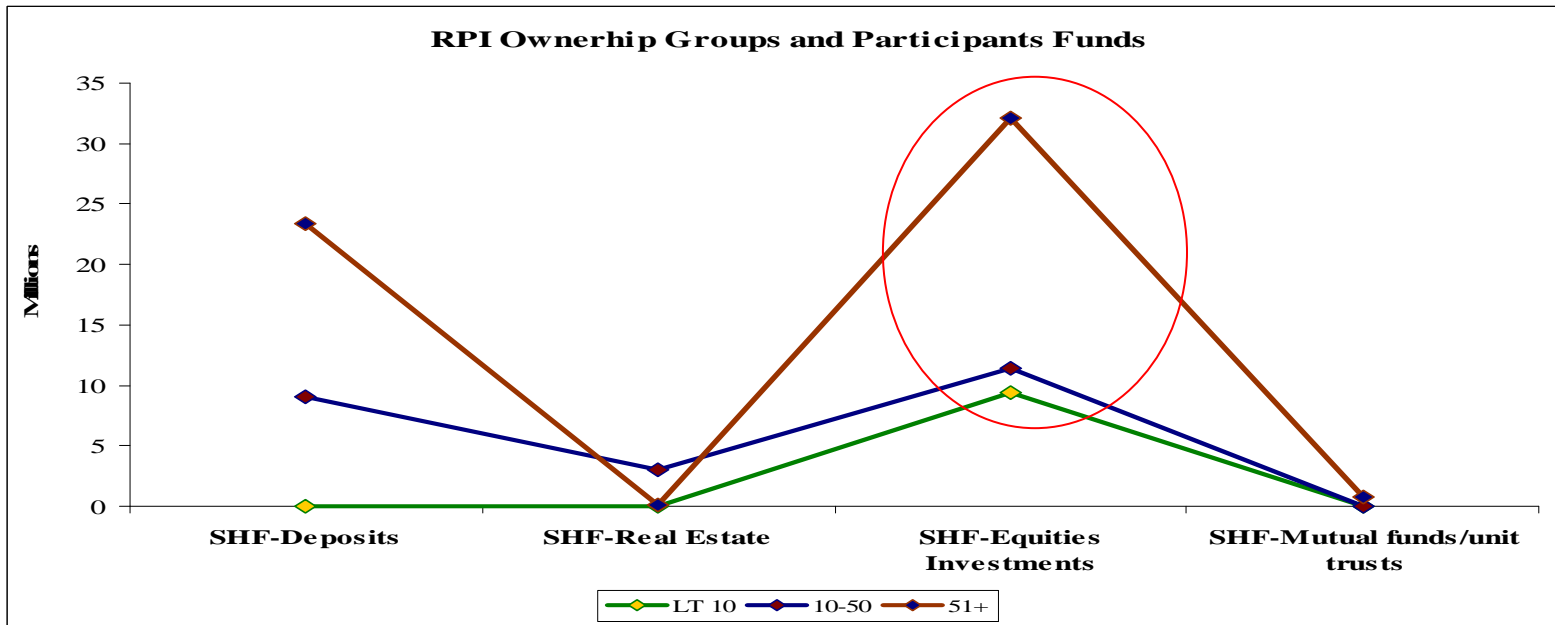
**Reserves**

- Distribute profit to participants before taking reserves.
- Charge incentive fee before taking reserves or distributing anything to participants



## Investment with Related Parties



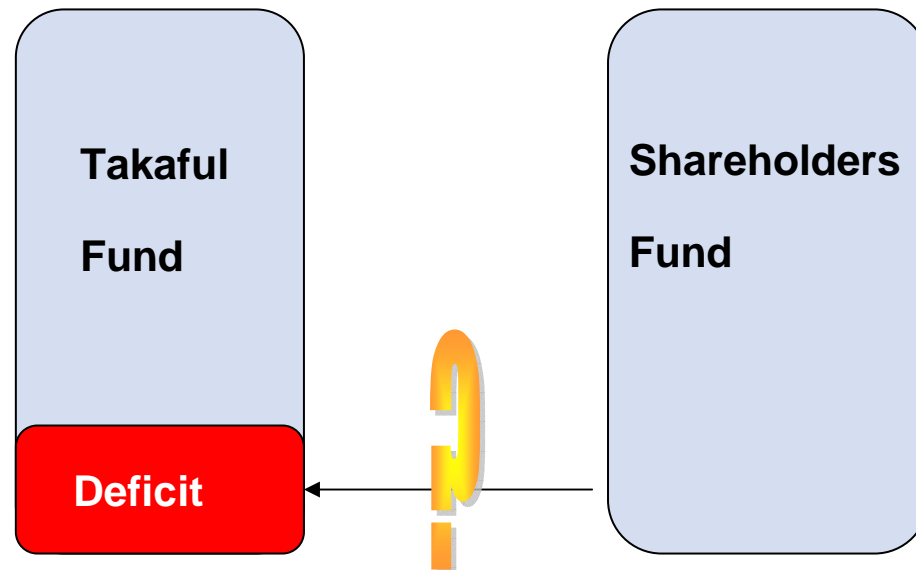


## Solvency Margin and Shareholders Fund

There are two views regarding capital of Takaful companies:

- ➔ Lender of Last resort
- ➔ Just to meet the Legal Requirements

**How the regulators ensure that there are liquid assets to support Takaful fund all the times?**

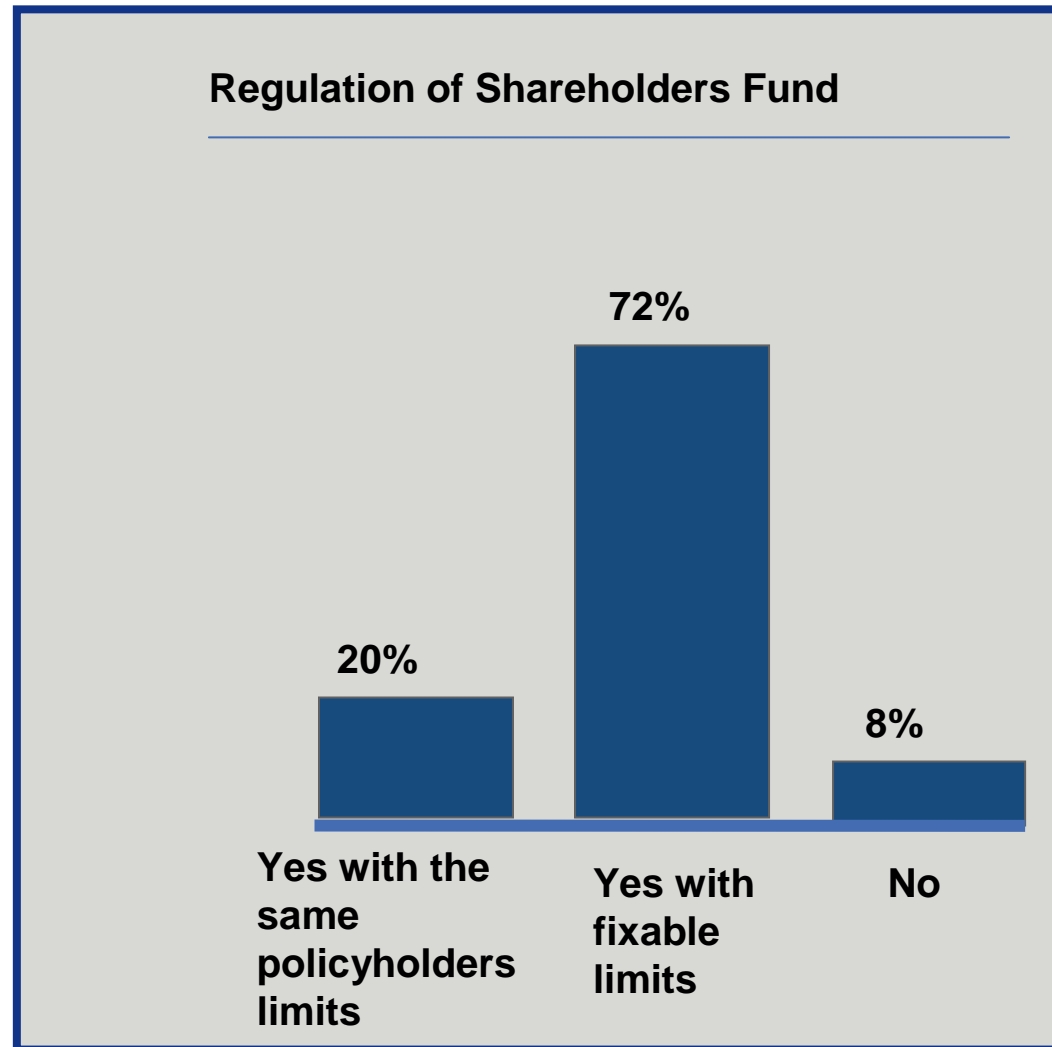


# Solvency Margin & Capital Adequacy

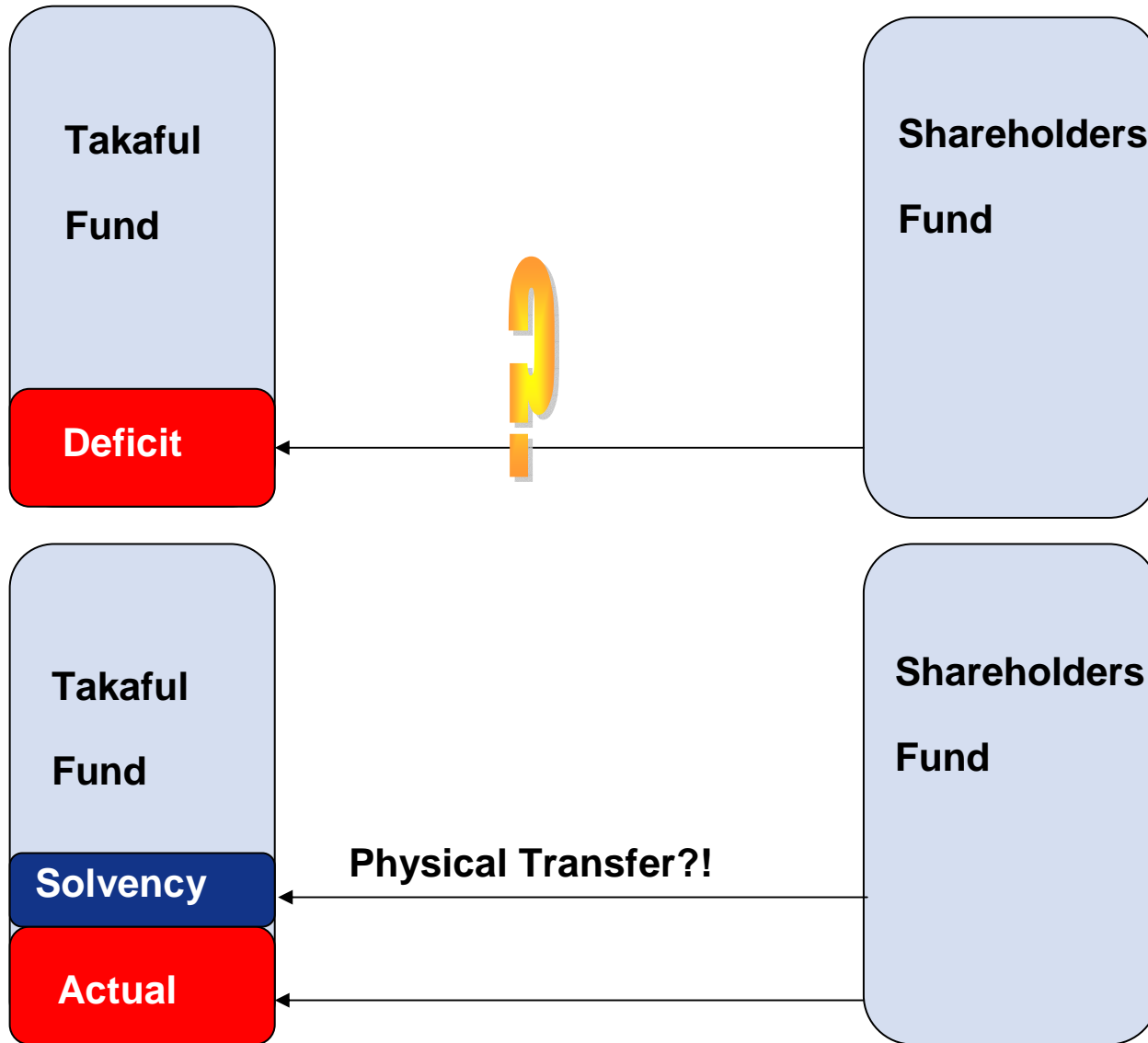
## Shareholders Fund

Does the shareholders fund need to be regulated ?

Reponses	Detail
1	Yes with same policyholders limits
2	Yes with flexiable limits
3	No need to regulate fund



Source: PHD study form the presenter



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Overview about Takaful Industry challenges



Regulatory Challenges

**Assets Management Challenges**

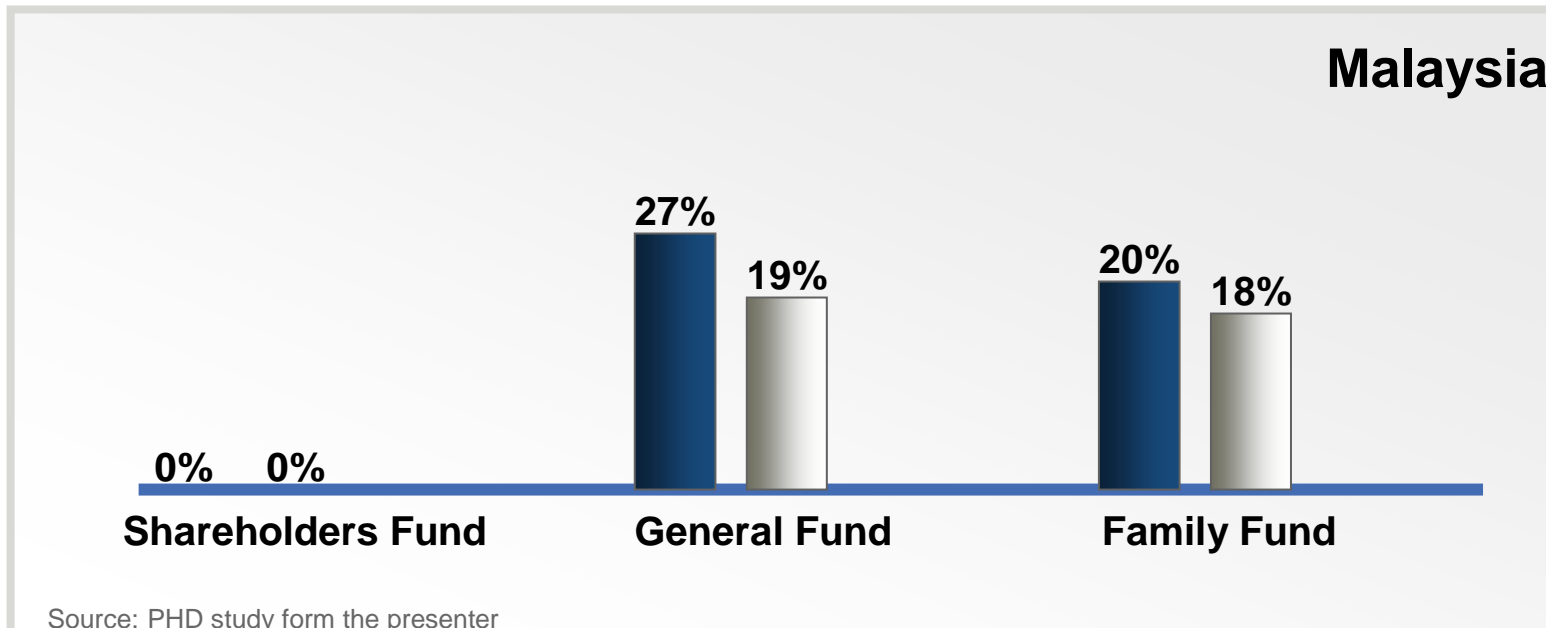
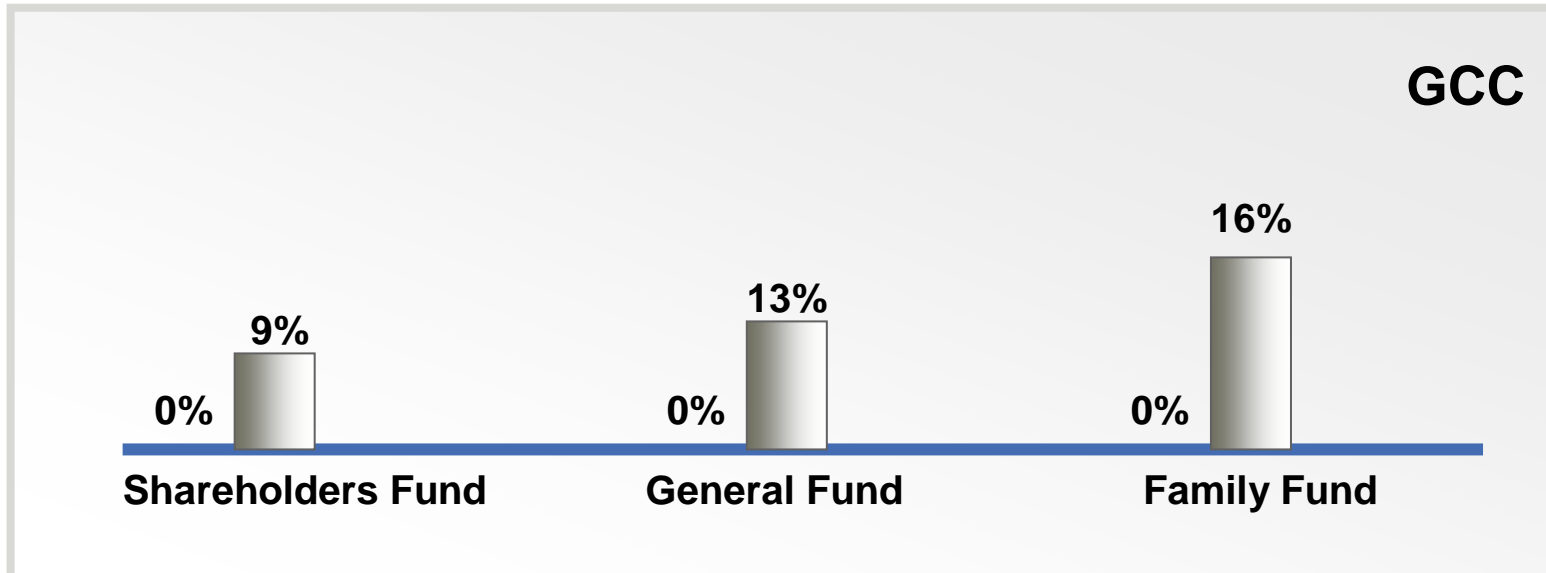
Product Challenges

Distribution challenges

## Assets Management Challenges

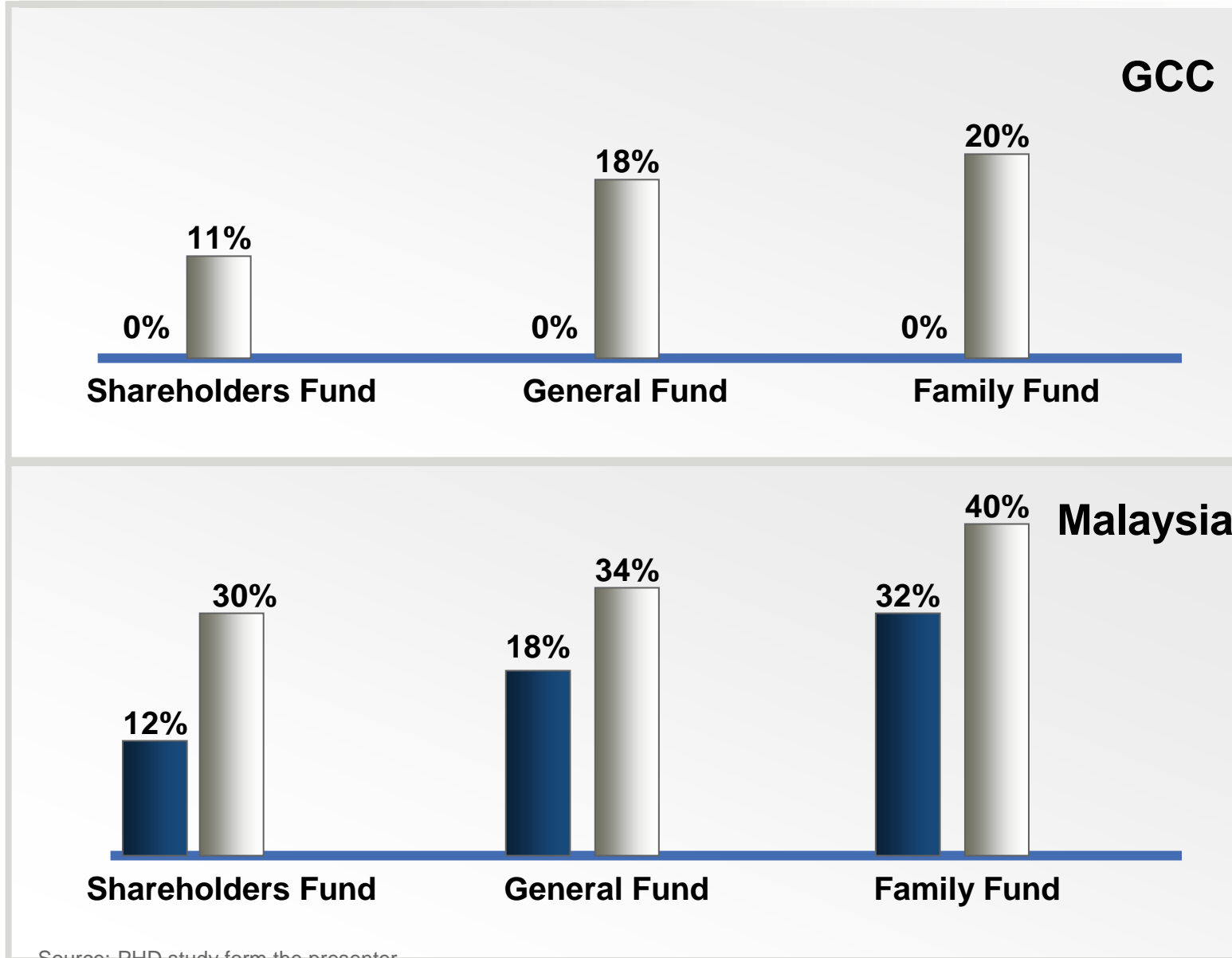
Asset Management challenges ...		...The way forward
<b>Short Term</b> 	<p><b>Lack of Short term investment :</b> Currently almost all Takaful companies have invested their short term assets in Investment Accounts with Islamic Banks/Windows.</p> <ul style="list-style-type: none"> <li>•Low income compared to conventional Insurers.</li> <li>•Where short sukuk exists, there's a lack of tradability .</li> </ul>	<ul style="list-style-type: none"> <li>•Highly rated sukuk funds.</li> <li>•Government to issue more short term sukuk and tradable sukuk. i.e, sukuk Al-Salam structure is not convenience.</li> </ul>
<b>Long Term</b> 	<p><b>Lack of longer term sukuk:</b></p> <ul style="list-style-type: none"> <li>•Only medium term assets available from 5 – 7 years.</li> <li>•No possibility that the GCC government will issue long term sukuk.</li> <li>•Lack of good rated corporate sukuk.</li> </ul> <p><b>Difficult to acquire medium term sukuk</b></p> <ul style="list-style-type: none"> <li>•Government sukuk is very expensive as the banks have the ability to acquire these sukuk from primary market.</li> </ul>	<ul style="list-style-type: none"> <li>• Governments need to allocate certain part of their issuance of sukuk to Takaful industry.</li> <li>•The rated Corporate needs to be given incentives to issue more sukuk as medium for financing for both medium and long term sukuk</li> </ul>

# GOVERNMENT SUKUK



Source: PHD study form the presenter

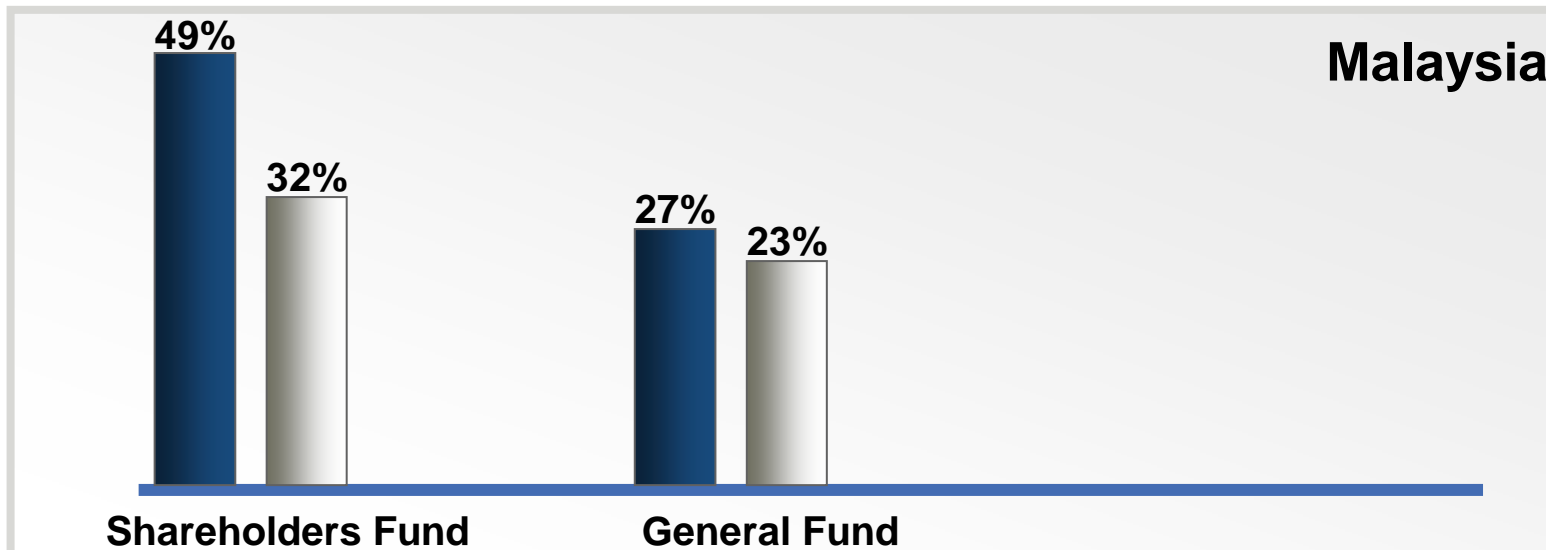
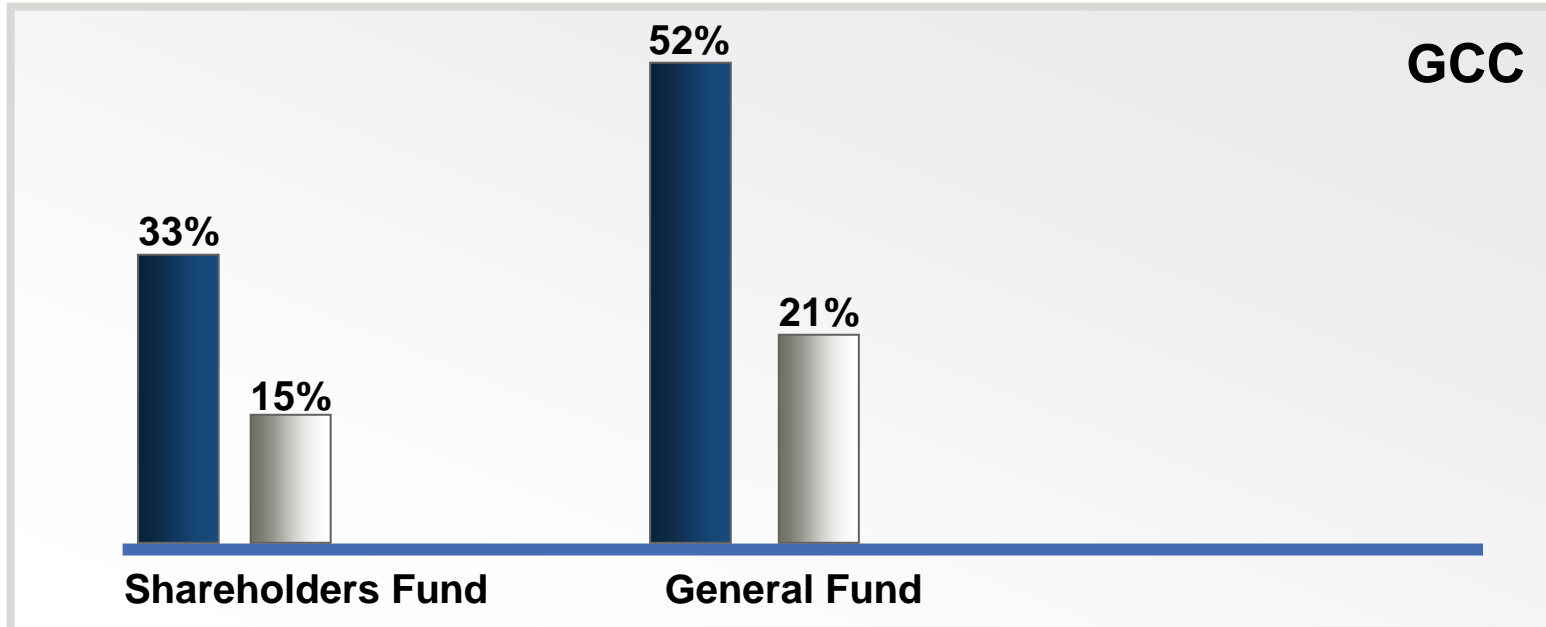
# CORPORATE SUKUK



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Source: PHD study form the presenter

ONE YEAR OR LESS INSTRUMENTS



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**Product Challenges**

Distribution challenges

## Product Challenges

Product Development challenges ...		... The Way Forward
<p><b>Islamic annuity</b></p> 	<ul style="list-style-type: none"> <li>•Difficult to design due to lack of long term sukuk.</li> <li>•Excellent Demand on this product.</li> </ul>	<p><b>Allianz Takaful as a leading company is working to provide this solution and plan to offer this product in the market by next year. ...</b></p>
<p><b>Group pension Scheme</b></p> 	<ul style="list-style-type: none"> <li>•No customization.</li> <li>•Asset management challenges.</li> <li>•One of the most growing market.</li> </ul>	<p><b>Segmentation is key advantage of Allianz Takaful to cater for customer requirements.</b></p>
<p><b>Product segmentation</b></p> 	<ul style="list-style-type: none"> <li>•Lack of product segmentation in the market.</li> </ul>	

## Segmentation Approach

Product Segments	Protection	Investment
Child Education Plan with Parental Takaful Benefits	High	High
Islamic Retirement Solutions	Low	High
Mass Market / Telesales Products	High	Low
Ladies Products	High	High
Youth Products	High	High
High Net Worth Individuals Products	High / Low	High

Segmentation is one of the key elements for Takaful Companies to succeed

## Customer Services Innovation

### Added Value Services

- Introduce added value services for each product

### Customer Focus Organization Structure

- Each of the process in the company linked to target service date for the customers.
- KPI for each process.

### Customer Satisfaction

- Regular Check on customer Satisfaction.
- Customer Focus initiative “CFI” program
- Ideas to Success “I2S”.

## Customer Focus Initiative

“A promise is a promise..”

**The Promise – A promise is a promise**

**The Delivery – Delivering in Moments of Truths**

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**Distribution challenges**

## The Innovation in Distribution Channels leads Takaful industry for significant growth

“Creating Real partnership with promoters and Distributors”



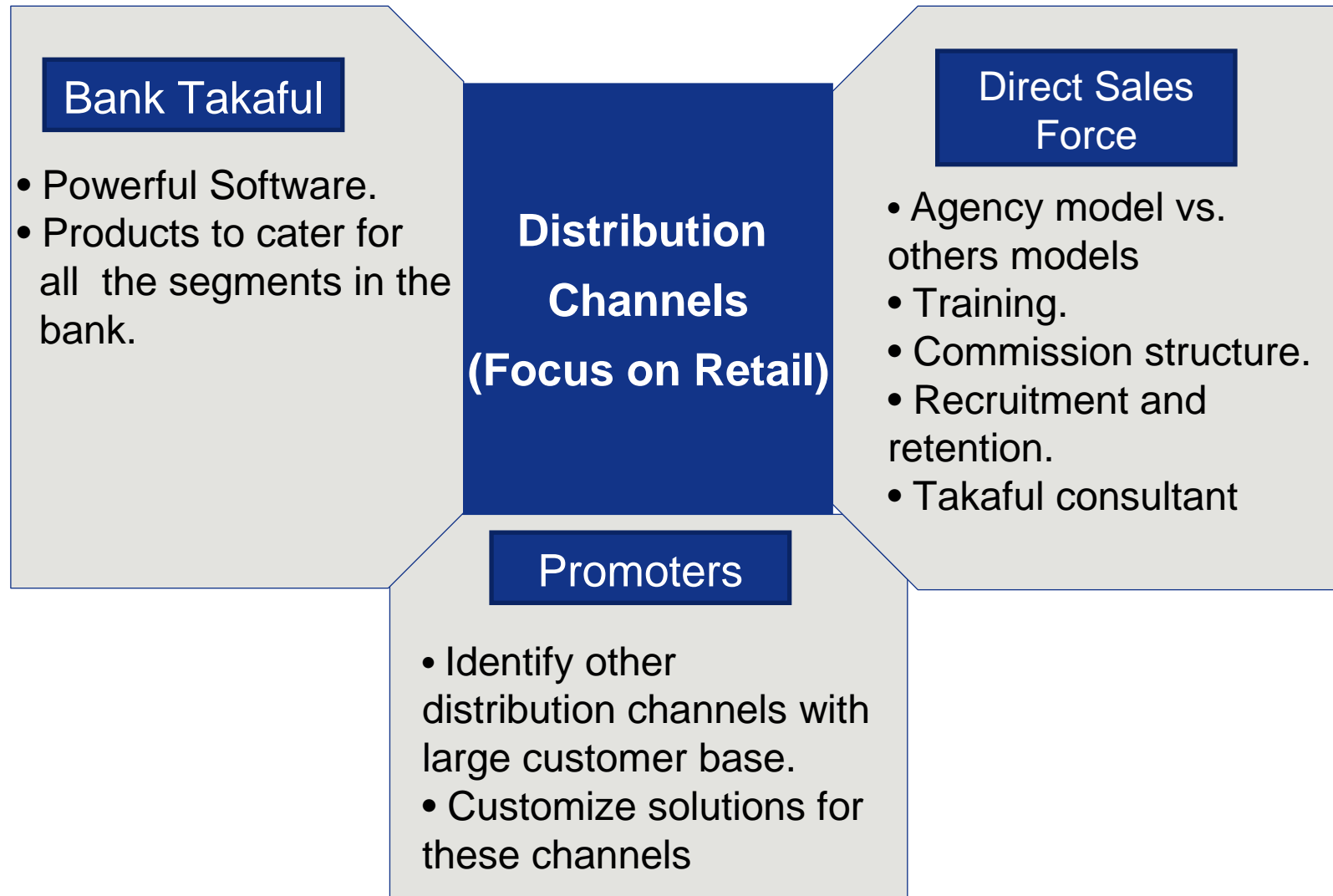
### Challenges

- 1 Educate Locally incorporated bank and give them full support
- 2 Increase number of promoters.
- 3 How to delight them!

### Real Partnership

 Creating real partnership with Distributors

## The Innovation in Distribution Channels leads Takaful industry for significant growth

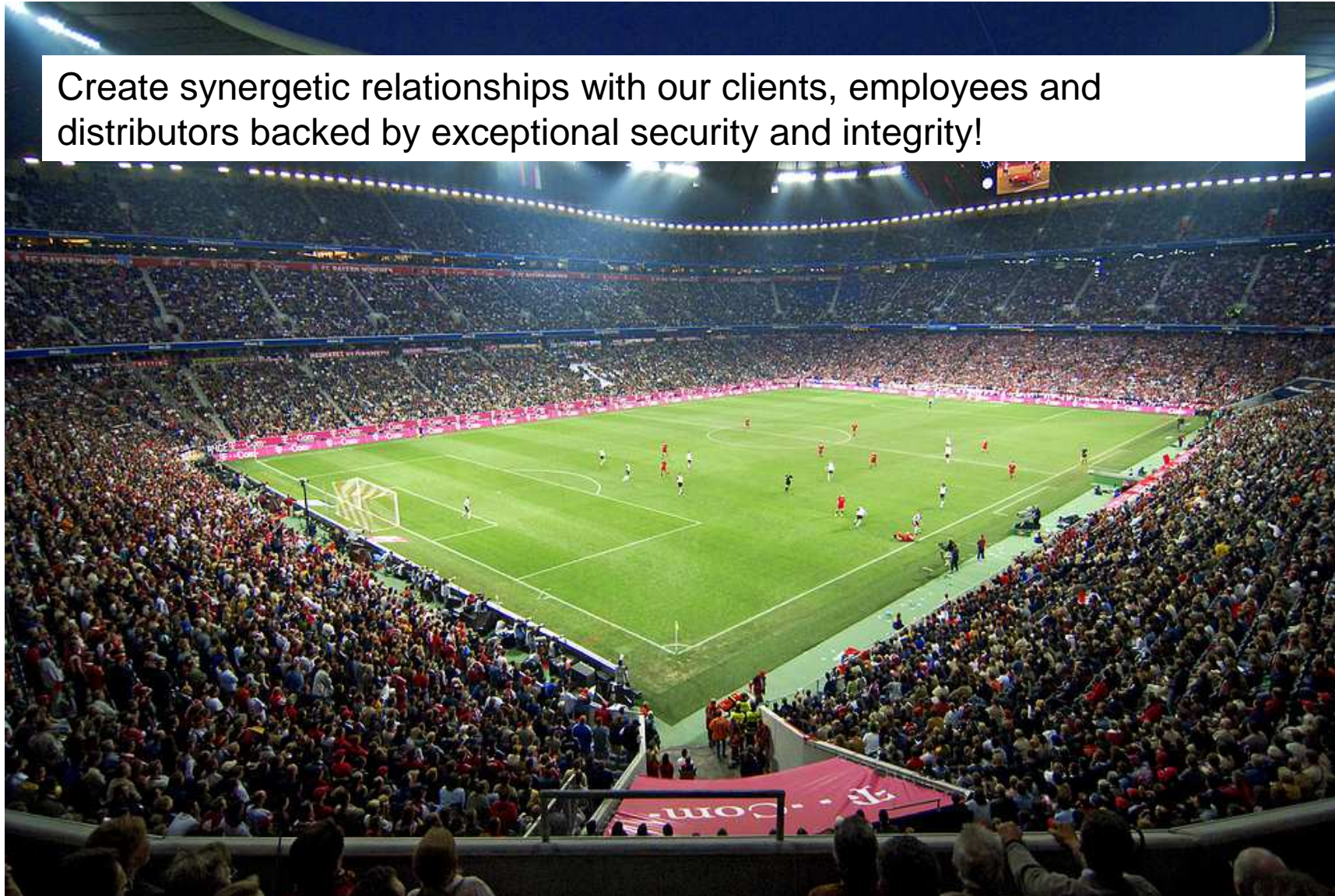


## “Creating Real Partnership...”



## We are Allianz

Create synergetic relationships with our clients, employees and distributors backed by exceptional security and integrity!



The background of the slide is a photograph of the Allianz Arena stadium at night. The stadium's facade is illuminated with a vibrant blue light, creating a grid-like pattern of glowing panels. The sky above is a deep twilight blue. In the foreground, the entrance area of the stadium is visible, with some people and lights. The text "Thank you" is centered in a white, sans-serif font within a dark blue rectangular box.

Thank you

The Allianz logo, consisting of the word "Allianz" in a bold, blue, sans-serif font followed by a circular emblem containing three vertical bars, is positioned above the word "Takaful" in a smaller, blue, sans-serif font. Both are set against a white rectangular background.

**Allianz**   
Takaful