



Insurance Funds - Examining The Growth Potential For Takaful In Europe

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Presented at:

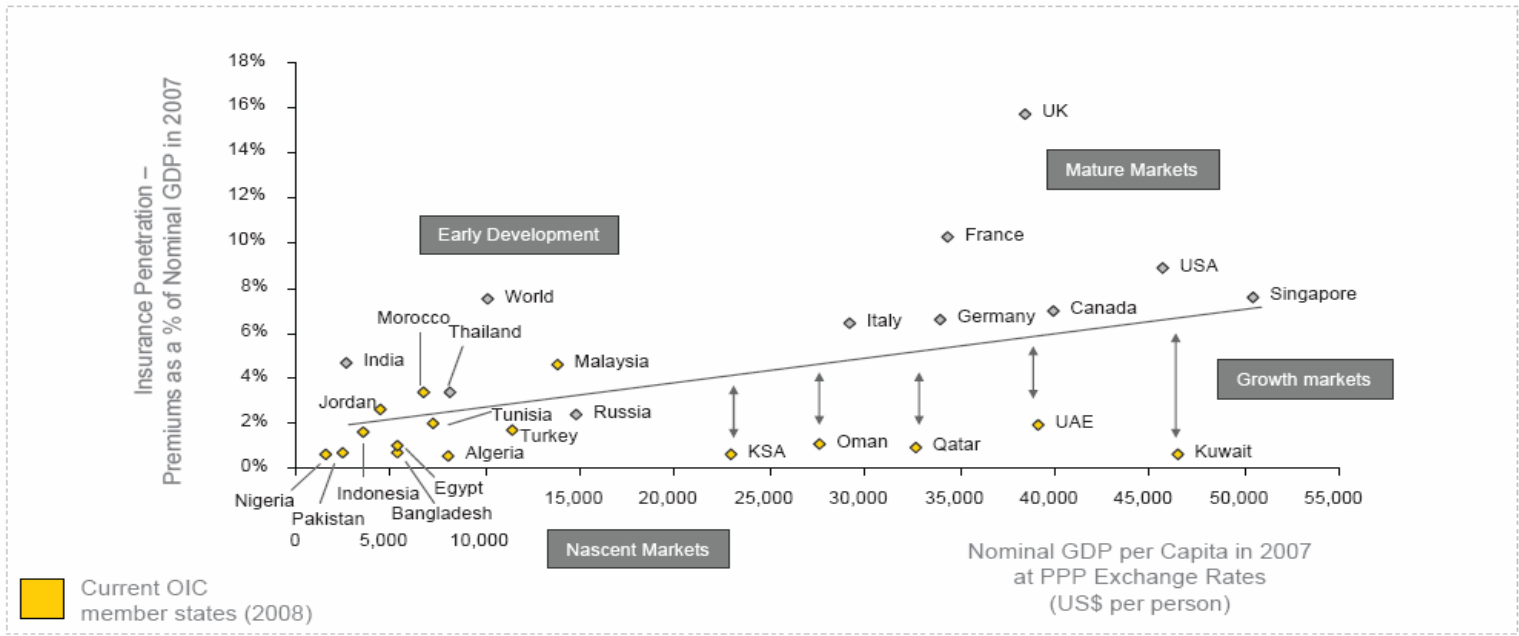
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Global Dimensions of the Takaful / Re-Takaful Industry

- Number of Providers – 143 (179 Including Windows)
- Contributions Pool – US\$3.4 Billion
- General / Life Split – Moving Towards Life Takaful
- Growth Potential – Difficult Present Landscape with Significant Growth Opportunities (US\$7.7 Billion end 2012)

With insurance penetration levels in Muslim countries at their current levels, there is considerable latent demand for Takaful

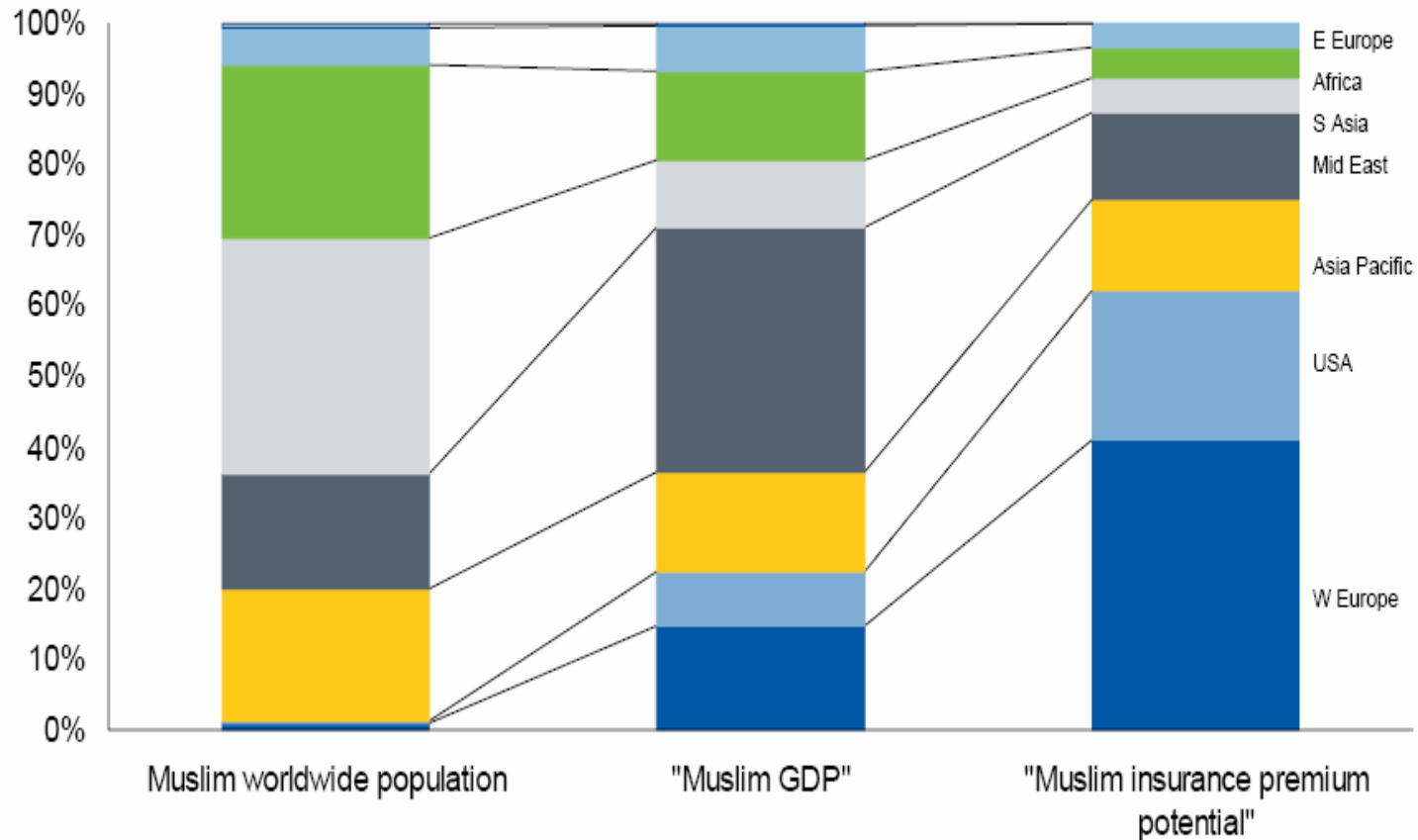
Insurance Penetration and GDP per Capita for Select Countries (2007)



Source: Swiss RE - Sigma No. 3 (2008), Global Insight, Ernst & Young analysis

However, Takaful is not necessarily just for traditional Islamic countries (or just for Muslims)

Share of today's potential Islamic market by region



Source: Swiss Re Sigma, census data, Oliver Wyman analysis

1. Muslim insurance premium potential insurance spend' estimates the amount spent by the Muslim population on insurance products (conventional or otherwise) today

Challenges

- Building USP for Takaful
- Asset Management
 - Access to all Asset Classes
- Marketing and Distribution
 - Niche Markets
 - Bancassurance Channels
- Technology Platform(s)
 - Customised CRM to Capture Unique Market
 - Bespoke Accounting and Reporting
- Enabling role of the Shari' ah

Building USP for Takaful

- Mutual / Co-Operative in Spirit
- Enhanced Role of Members
- Social Provision
- Community Based Risk Sharing
- Examples
 - Co-Operative Societies
 - Friendly Societies
 - Qard al Hashanah “Banks”

Enabling Role of the Shariah

- **Credibility**
 - Composition and Competence
- **Safeguarding Members' Interests**
 - Conflicts of Interests
 - Surplus Distribution
- **Corporate Governance and Transparency**

Asset Management

- Critical Role of Asset Management
- Regulatory Aspects of Takaful Asset Pool Management
- Availability of Asset Classes
- Risk / Return Profile in a Restricted Asset Class Scenario

Marketing & Distribution

- Understanding the Market
 - Size, Composition, Access
- Effective Ways of Promoting the USP
- Marketing Channels
 - Niche Market
 - Bancassurance Channels
 - Virtual Channels
- Product Education for the Market

Different regions will clearly need different approaches

Classification of potential markets

	Existing Takaful countries	Developing Islamic markets	Major developed markets
Examples	<ul style="list-style-type: none"> Malaysia, Singapore 	<ul style="list-style-type: none"> Middle East, e.g. Bahrain, Saudi, Turkey 	<ul style="list-style-type: none"> W Europe (e.g. UK, Germany) USA
Muslims as % population	<ul style="list-style-type: none"> Medium 	<ul style="list-style-type: none"> High 	<ul style="list-style-type: none"> Low
Wealth levels (GDP/capita)	<ul style="list-style-type: none"> Medium 	<ul style="list-style-type: none"> Low-Medium 	<ul style="list-style-type: none"> High
Typical insurance penetration (as % GDP¹)	<ul style="list-style-type: none"> 5% 	<ul style="list-style-type: none"> <1% 	<ul style="list-style-type: none"> 8-12%
Key challenges for insurers	<ul style="list-style-type: none"> “Building out the existing model” <ul style="list-style-type: none"> Getting foothold in already “proven” concept Growing insurance penetration Capturing share from existing insurers 	<ul style="list-style-type: none"> “Raising insurance penetration rates” <ul style="list-style-type: none"> Building insurance awareness in low-penetration markets 	<ul style="list-style-type: none"> “Capturing share with a new model” <ul style="list-style-type: none"> Getting premium from already-insured Muslims and non-Muslims Some potential to increase penetration among non-insured Muslims

1. Source: Sigma, including Life and non-Life premiums

Technology Platforms

- Importance of Technology
 - Niche Market
 - Mature Market
- Appropriate and Responsive Technology
 - Product Launch Cycle
 - Market Penetration and CRM Features
- Versatile Technology Provider

The Salaam Insurance Experience

- Niche Markets and Stand-alone Model
- Capital Requirements
- Marketing and Technology Synchronisation
- Product Area Choices
- Factoring in Consumer Education
- Establishing Takaful USP

Future Directions

- Use of Existing Modalities
 - Mutual Societies
 - Friendly Societies
 - Windows
- Potential Product Areas
 - Savings Linked Takaful
 - Pensions Provision



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