

World Islamic Insurance Directory 2010



Initiated by
 **Takaful Re**
تكاful ري ليميتد Takaful Re Limited

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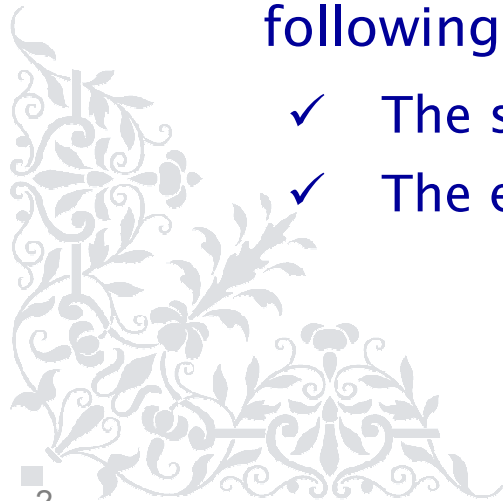
5th World Takaful
Conference

Dubai 12th April, 2010

 **Takaful Re**
تكاful ري ليميتد Takaful Re Limited

Introduction

- The 4th edition of World Islamic Insurance Directory (WIID);
- The 4th edition captures the information from more than 180 companies across 33 countries;
- The statistics presentation is highlighting the following:
 - ✓ The sustainable growth in Takaful
 - ✓ The expected development.



Data collection methodology

- A comprehensive questionnaires obtained from the companies;
- We use the published annual financial reports, if the questionnaire was not received;
- We are also using the market statistics issued by the regulators (KSA, Iran, Bahrain & Malaysia) as a guide in the Global Statistics;
- Takaful Re and MIR are doing their best to maintain the reliability of the data;
- The accuracy is dependent on the companies Financial statements and submitted information.

Definitions

- **Different definitions → different statistics:** How can we define a Takaful company?
 - ✓ Is Saudi cooperative model Takaful?
 - ✓ Can we consider the Iranian markets as Islamic?



Definitions

Islamic = Takaful
+
Cooperative
Companies (KSA +
Sudan)
+
Iranian market

KSA: Article 1

Insurance in the Kingdom shall be undertaken through registered insurance companies operating in a cooperative manner as it is provided within the article establishment of the National Company for Cooperative Insurance promulgated by Royal Decree M/5 dated 17/5/1405 H, and in accordance with the principles of Islamic Shari'a.

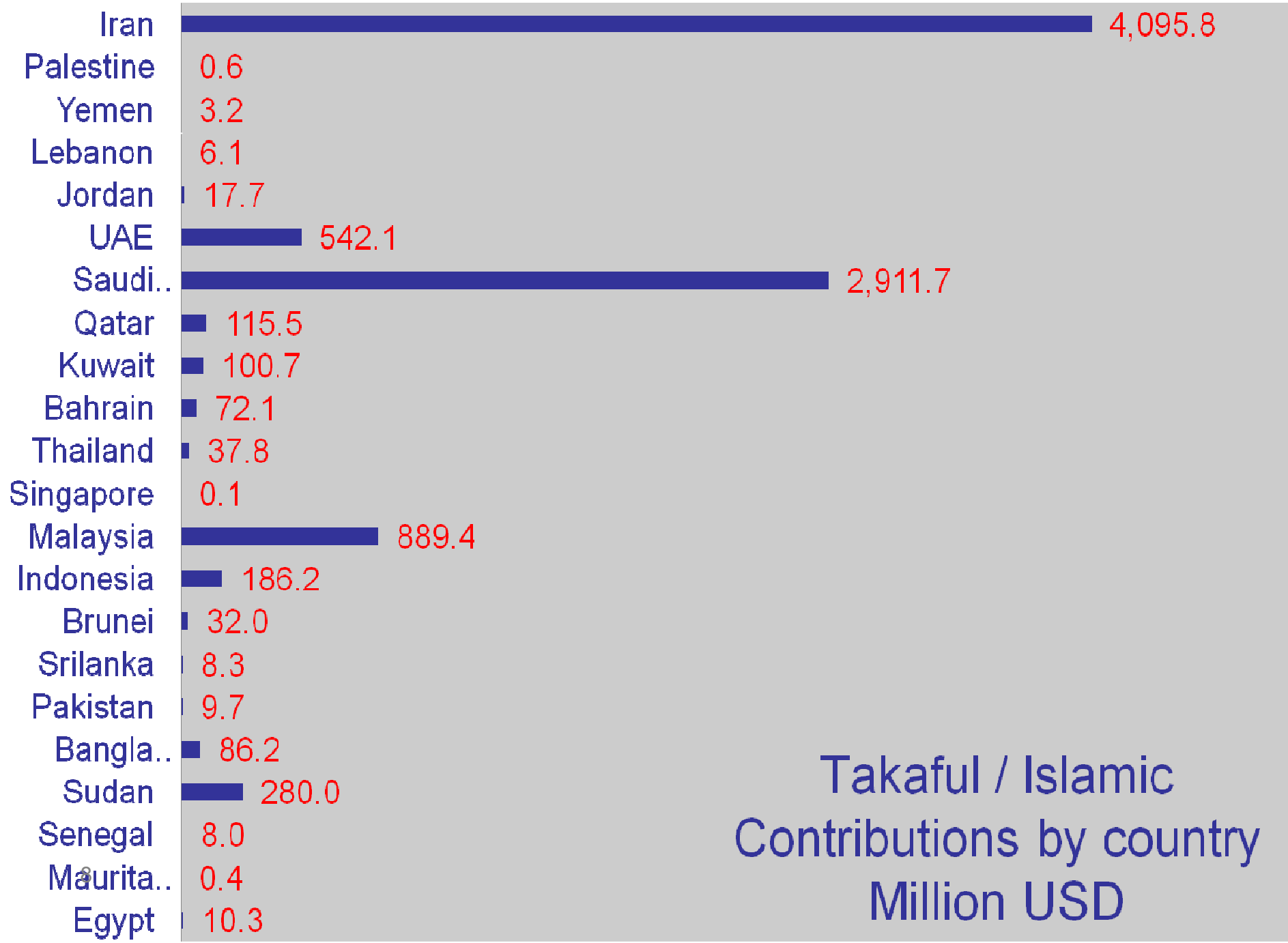
Iran : The Shari'a law is the corner stone of the whole system

Total contributions per Region

| Region | 2005 | 2006 | 2007 | 2008 |
|---------------------------|----------------|----------------|----------------|---------------|
| Africa | 181.1 | 215.2 | 276.1 | 298.7 |
| East Indian Sub-Continent | 7.8 | 11.2 | 76.1 | 104.2 |
| Far East | 536.7 | 695.4 | 901.4 | 1145.5 |
| GCC | 1,547.1 | 2,088.5 | 2,847.6 | 3742.1 |
| Levant | 14.7 | 17.7 | 21.7 | 27.6 |
| Iran (*) | 2,372.4 | 2,880.1 | 3,415.5 | 4,095.8 |
| Grand Total | 4,659.8 | 5,908.1 | 7,538.4 | 9413.9 |
| | Growth | 27% | 26% | 25% |

Takaful / Islamic by region in %

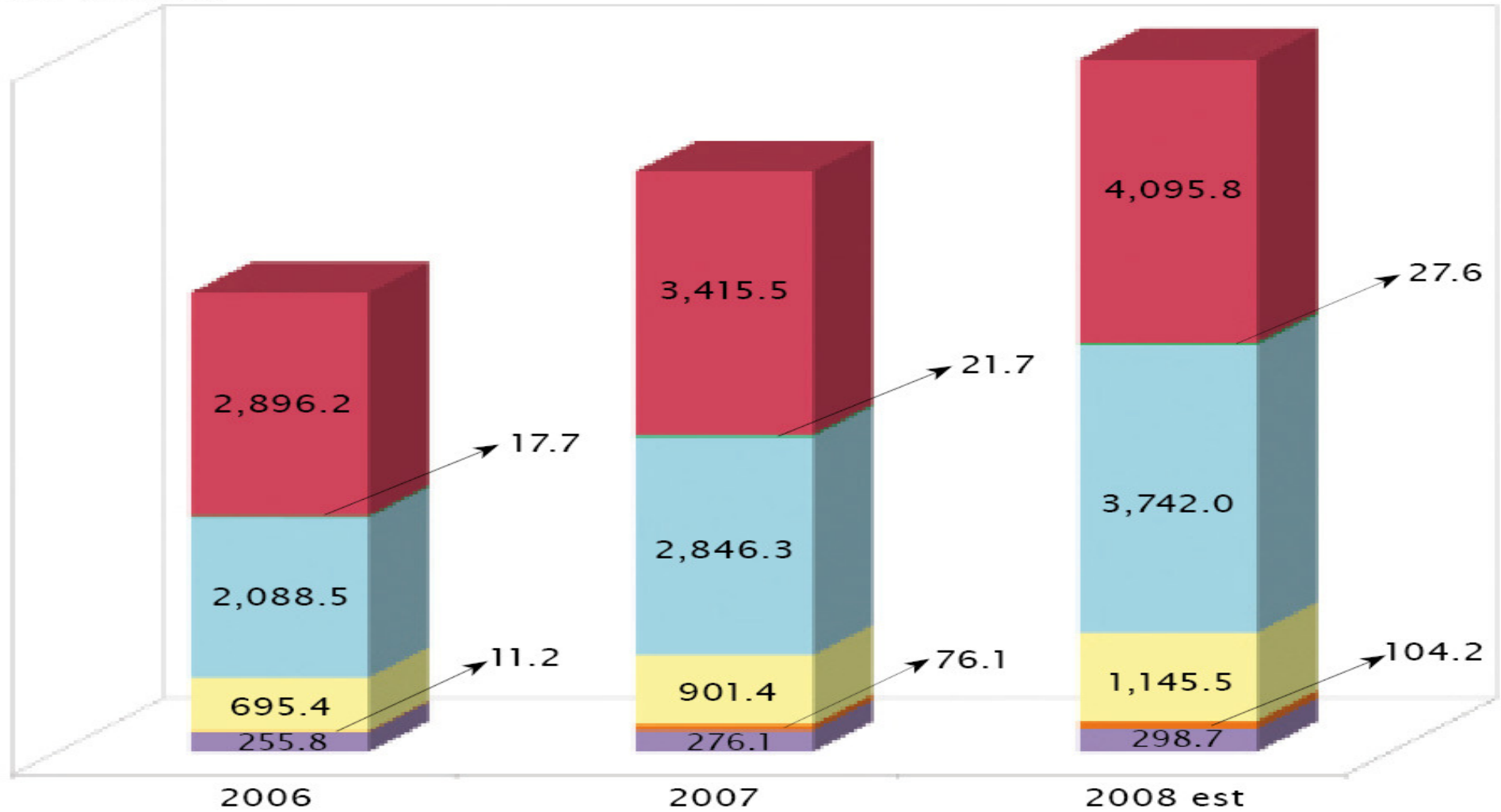
| Region | 2005 | 2006 | 2007 | 2008 Est. |
|-----------------------------|--------|--------|--------|-----------|
| ➤ Africa | 3.9% | 4.3% | 3.7% | 3.2% |
| ➤ East Indian Sub-Continent | 0.2% | 0.2% | 1.0% | 1.1% |
| ➤ Far East | 11.4% | 11.7% | 12.0% | 12.2% |
| ➤ GCC | 33.0% | 35.0% | 37.8% | 39.8% |
| ➤ Levant | 0.3% | 0.3% | 0.3% | 0.3% |
| ➤ Iran | 51.2% | 48.6% | 45.3% | 43.5% |
| Grand Total | 100.0% | 100.0% | 100.0% | 100.0% |



Takaful / Islamic Contributions by country
Million USD

Global Takaful / Islamic Insurance Gross Contribution Income by Class 2008 (Est.)

US\$ Millions

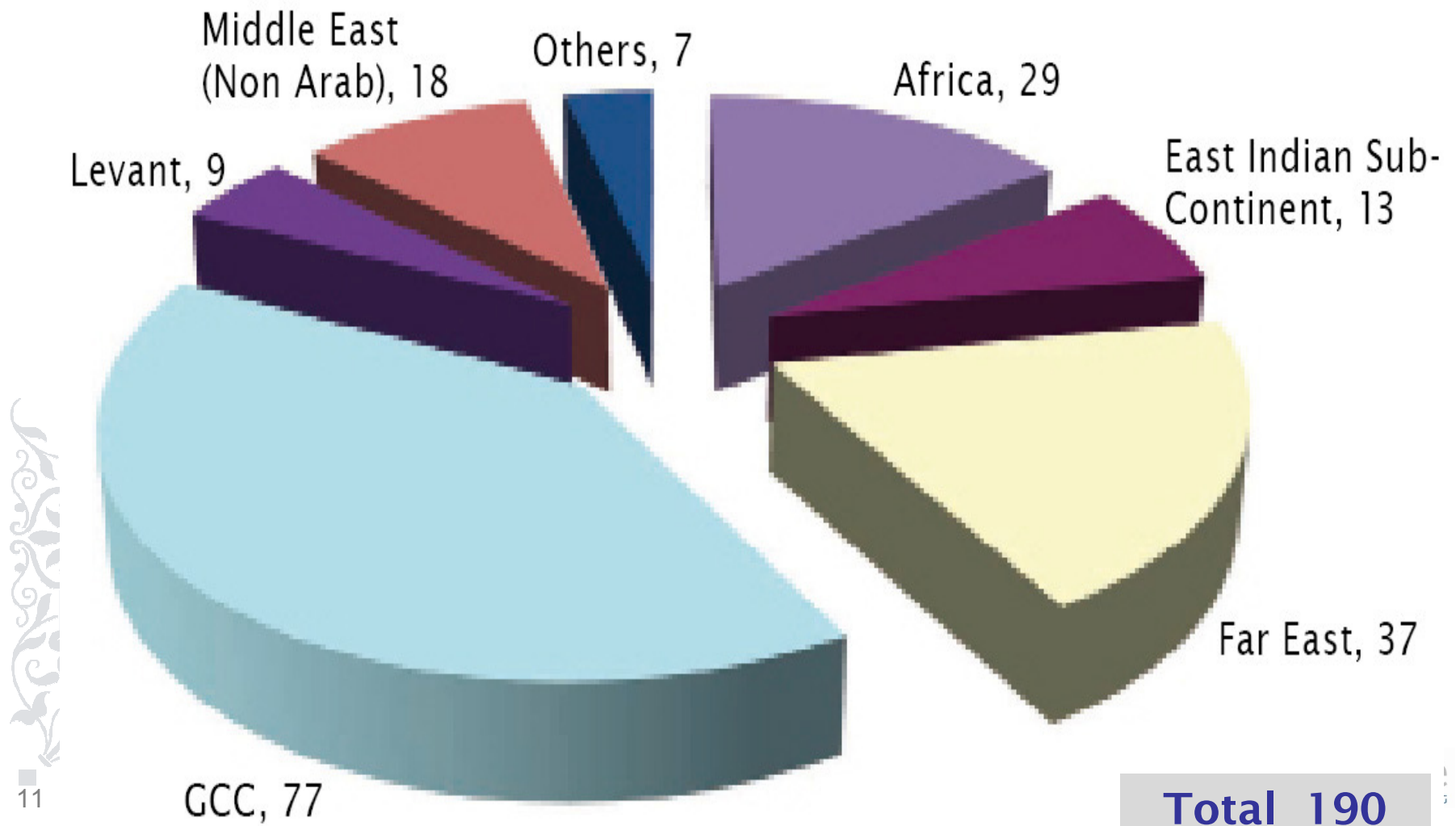


| | | | | | |
|----------|-----------------------------|------------|-------|----------|--------------------------|
| ■ Africa | ■ East Indian Sub-Continent | ■ Far East | ■ GCC | ■ Levant | ■ Middle East (Non Arab) |
|----------|-----------------------------|------------|-------|----------|--------------------------|

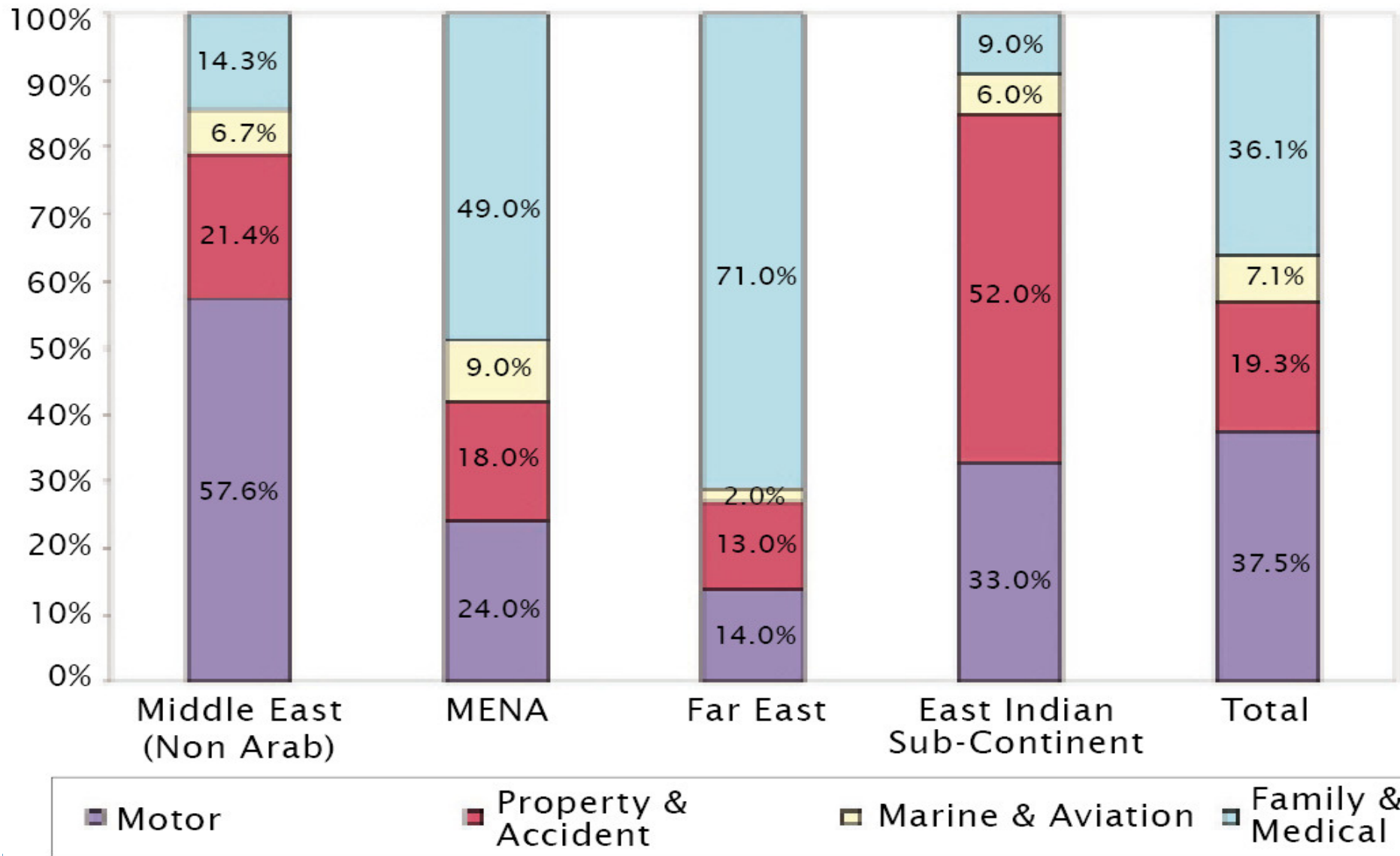
Takaful / Islamic Growth in %

| Region | 2006/2005 | 2007/2006 | 2008/2007 |
|-----------------------------|-----------|-----------|-----------|
| ➤ Africa | 41% | 8% | 8% |
| ➤ East Indian Sub-Continent | 44% | 579% | 37% |
| ➤ Far East | 30% | 30% | 27% |
| ➤ GCC | 35% | 36% | 31% |
| ➤ Levant | 20% | 23% | 27% |
| ➤ Middle East (Non Arab) | 21% | 18% | 20% |
| ➤ Grand Total | 27% | 26% | 25% |

Number of Islamic Operators



LOB per Region 2008 Est.



Middle East vs. Far East Main Findings

| | MENA | Far East |
|--|--|--|
| <ul style="list-style-type: none"> ▪ Contribution to the Global Takaful | <ul style="list-style-type: none"> · GCC 39.8 · Levant 0.3 · Iran 43.5 · Africa 3.2 · 88.3 | <ul style="list-style-type: none"> · Far East 12 · Indian Sub Cont 0 · 11.7 |
| <ul style="list-style-type: none"> ▪ Number of companies | <ul style="list-style-type: none"> · GCC 72 · Levant 9 · Iran 18 · Africa 26 · 125 | <ul style="list-style-type: none"> · Far East 35 · Indian Sub Cont 12 · 47 |
| <ul style="list-style-type: none"> ▪ Split by Line of business | <ul style="list-style-type: none"> · Family & Medical 49 · General 51 | <ul style="list-style-type: none"> · Family & Medical 71 · General 29 |
| <ul style="list-style-type: none"> ▪ Growth | <ul style="list-style-type: none"> · GCC 31% · Levant 27% · Iran 20% · Africa 8% · 24% | <ul style="list-style-type: none"> · Far East 27% · Indian Sub Cont. 37% · 28% |
| 13 | | |

Questions

- Is Takaful an important contributor to the insurance industry in the GCC?
- What was the added value of Takaful to the GCC in the past years?
- Is Takaful increasing the awareness and/or penetration of insurance?
- What are the main challenges facing Takaful?
 - Lack of **differentiation**? Are Takaful really different from conventional????
 - **Shari'a compliance? Corporate Governance?**
 - Mindset?
 - Critical mass?
 - Credibility?
 - Are the existing Retakaful capacity sufficient? What about Retrotakaful?
- Relations with conventional: competition? Complement each other? Or conventional should be the promoters of Takaful?
- What can be /should done to improve Takaful visibility & **market penetration** ?
- What will be the future of Takaful in a very competitive environment?

Outlook

- Middle East:

- Increasing number in the recent past which implies a substantial growth in years to come, as the companies will fight for their market shares;
- Need for change: **mindset**, political support and **legal framework**, products innovation;
- K.S.A. to convert progressively to a full fledged Shari'a compliant system, with SSB and fair surplus distribution.

- Far East:

- Malaysia: 10% market share achievable in the coming 2 years;
- Indonesia: as the largest Muslim country needs clear strategy for Takaful;
- Brunei: market dominated by Takaful.

Current challenges for Takaful

- **Conventional mind set** & lack of knowledge, which needs (*):
 - To adopt a pragmatic and gradual implementation approach to install confidence;
 - Creating awareness & enhancing Takaful knowledge;
 - Common understanding on concepts;
 - Promotion of education programs;
 - Shari 'a issues: Governance framework & more harmonization;
 - **GCC: except BIBF no dedicated or specific education/training program;**
 - **Different Takaful models & practices which leads to more confusion and question the seriousness of Takaful business model.**
- **Limited investment opportunities**
- Solvency & **compliance with international standards**
- Retakaful capacity
- **Low efficiency** ...but improving
- Economic slow down

Future challenges (*)

➤ Innovation

- ✓ New products and concepts
- ✓ Investment avenues
- ✓ Extensive human capital support is critical

➤ Strategic Alliances

- ✓ Retakaful arrangement
- ✓ Stronger world-class Takaful operators
- ✓ Link Takaful operators with counterparts in other jurisdictions
- ✓ Equity participation in Takaful operators of other Islamic countries
- ✓ Cross border business operation and investment activities

➤ Regulatory Framework

- Changes to Takaful legislation
- Harmonization with IAIS principles – Role of IFSB & AAOIFI

Thank you,

