



Session 4: Building the Next Generation of Takaful Solutions: Effectively Tapping Potential in Under-Penetrated Markets

Reaching Out With Low Cost Takaful Solutions

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Dubai

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With the Takaful industry outpacing the conventional insurance market globally, there are enormous prospects for moving the Takaful industry to the next level of excellence in order to fully realize its market potential



Takaful and Socio-Economic Goals



Takaful offers significant prospects for improving the lives of the low income communities in Muslim countries through low cost Takaful solutions including Microtakaful



Takaful enhances the social safety net for the lower income segments of society by providing financial protection against losses and other unfortunate events that could affect their livelihood



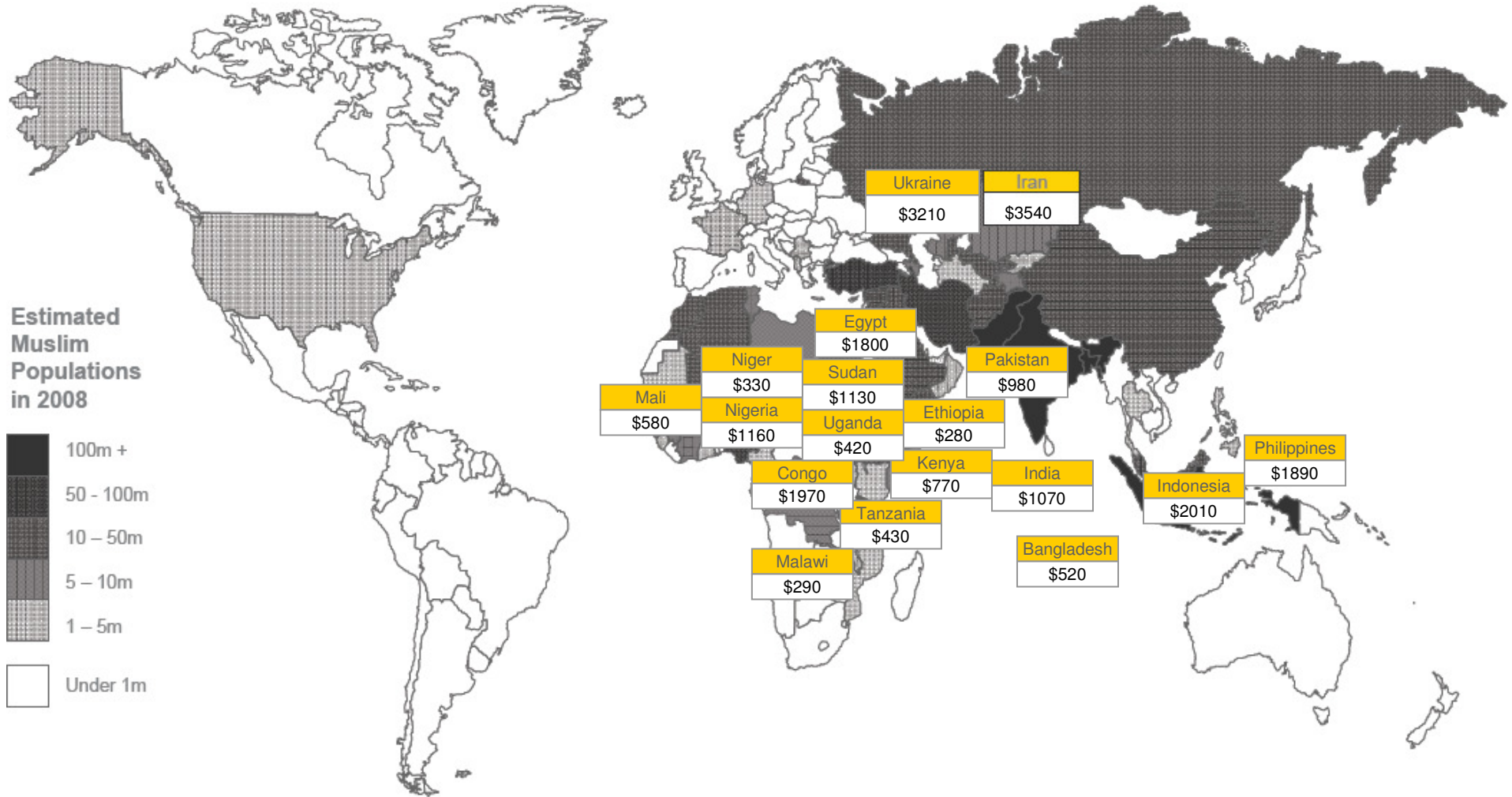
Takaful, with its strong emphasis on the virtues of mutual assistance, can evolve viable structures or modalities that serve this segment of society



A properly structured Microtakaful arrangement can indeed become a profitable and sustainable business venture

Potential Untapped Muslim Markets

Global Estimated Muslim Populations in 2008



Source: CIA World Fact book; Global Insight; Ernst & Young analysis

Note: Muslim populations have been determined using estimated Muslim percentages of totals and 2008 population data.

Gross national income per capita 2008 – US Dollars (Source: World Development Indicators Database, World Bank, 1 July 2009)

The Demand

Microtakaful addresses two of the largest groups on earth – the underfinanced and the Muslim population; some people will come under both groups.

Priority risks for low income people in selected countries	
Country	Priority Risk
Malawi	• Death (especially in relation to HIV/AIDS), food insecurity, illness, education
Philippines	• Death, old age, illness
Indonesia	• Illness, children's education, poor harvest
Ukraine	• Illness, disability, theft
Pakistan	• Property loss, healthcare, children's education
Uganda	• Illness, death, property loss

- Risks to health (hospitalisation costs) are the primary concern
 - Death of the breadwinner are the secondary concern
- In rural areas, loss of crops and livestock, as well as price fluctuations are also important risks

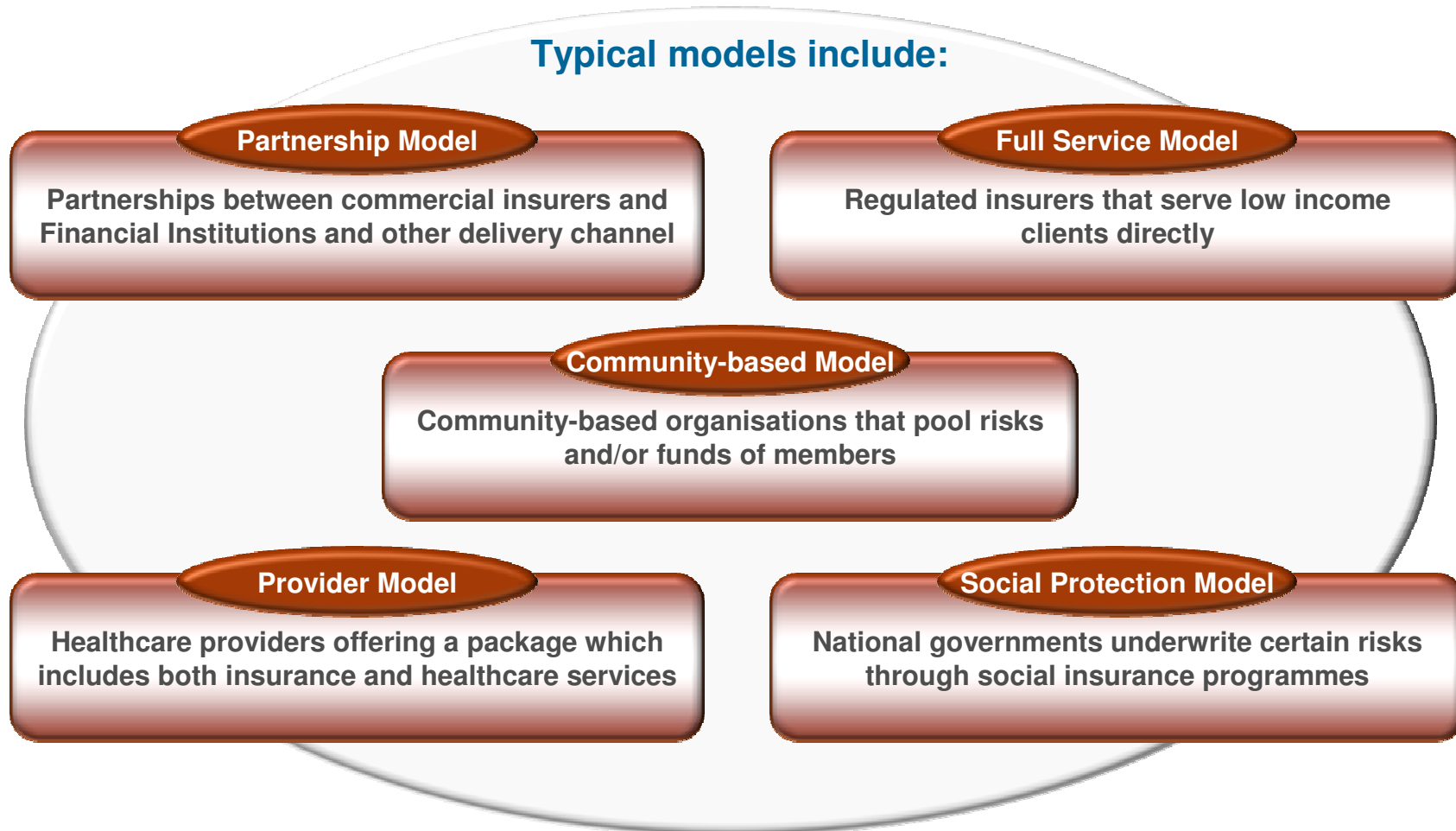
Key Success Factors (KSFs)

By keeping the premium rates as low as possible, it would not only create better demand for takaful products, but also enable many businesses and families to have access to takaful protection.



Delivery Models

Because microtakaful premiums are small, delivery channels tend more often to be institutions rather than individual agents.



Etiqua's way of humanizing the insurance and takaful business

Etiqua took the opportunity to bring low cost Takaful solutions to the market by tying up with National Cooperative Organisation of Malaysia (ANGKASA).



- Skim Tabarru' Koperasi, group takaful protection scheme that caters specifically for all cooperatives' members
 - Death benefit & other benefits such as total permanent disability
 - Coverage up to 80 years old
 - Low premium; more people can afford
 - Simple & crystal clear; participants know what the benefits are at first glance

Potential Market

- 3,453 co-operatives
- 3.5 million members

- Over **120** cooperatives have participated in the scheme
- More than **110,000** members enjoying the takaful protection and benefits

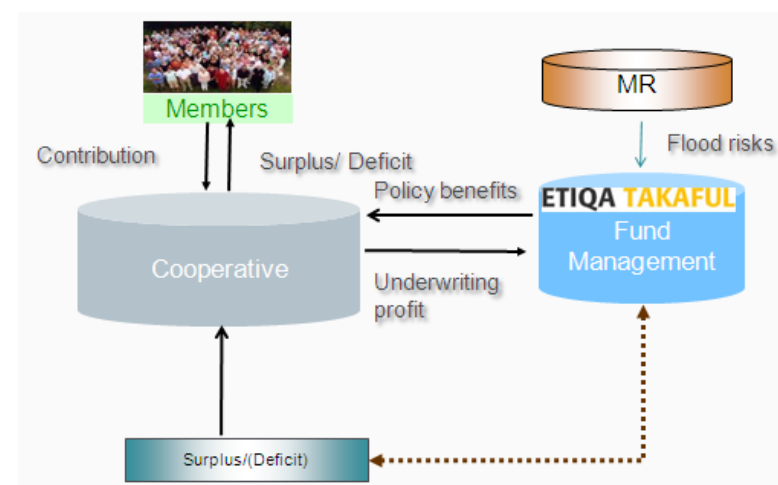
Etiqa's way of humanizing the insurance and takaful business

Etiqa will be developing an innovative insurance solution for the low income household that are vulnerable to the natural catastrophic events e.g. flood.

eTiQa



- Non-life product based on Index (parametric) insurance
 - Simple and transparent shariah complied insurance solution
 - House coverage & loss of income
- House coverage premium as low as RM40 per annum with maximum coverage of RM30,000
- Payout is based on an agreed value and triggered by an index describing to the identified event only (e.g. intensity of rainfall, lack of rain, height of flood etc.)



Cooperatives Societies in Some Countries

Tanzania



The Tanzania Federation of Co-operatives (TFC)
• 5,205 co-operative societies
• 3.6 million members

Kenya



• 12,000 Primary Co-operatives Societies
• 7 million members

Ethiopia



Agricultural Cooperatives of Ethiopia (ACE)
• 4,052 agricultural cooperatives
• 4.5 million members (smallholder farmers)

Nigeria



• 50,000 Co-operatives Societies
• 5 million members

Microtakaful can be effective even in markets with little experience of Takaful, as long as products, procedures and policies are simple, the premiums are low, the administration is efficient and distribution channels are innovative.

