

# **Contrasting the GCC and the Malaysian Takaful Experience**

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# *Agenda*

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- **Background**
- **The GCC and the Malaysian Markets**
- **Ratings Impact and Future Development**

# The Background

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- **Why is everyone focusing on these markets?**
  - Substantial levels of growth, driven by booming economies
  - Increasingly wealthy, yet underinsured populations
  - Underdevelopment relative to the ‘mature’ markets in Europe

# The Background – GCC relative to Malaysia

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- What is happening in the conventional markets?
- PREMIUM GROWTH IN GCC CONSIDERABLY IN ADVANCE OF THE OTHER MARKETS:
  - GCC 2006 GPW growth 22% pa
  - GCC 2006 shareholder funds growth 24% pa
  - Malaysia 2006 GPW growth 5%
- TAKAFUL GROSS CONTRIBUTION GROWTH OF ABOUT 35-40%

Growth prompted by:

  - Booming local economies
  - Expansion of compulsory lines
  - Recognition of social benefits from insurance

# Key Figures

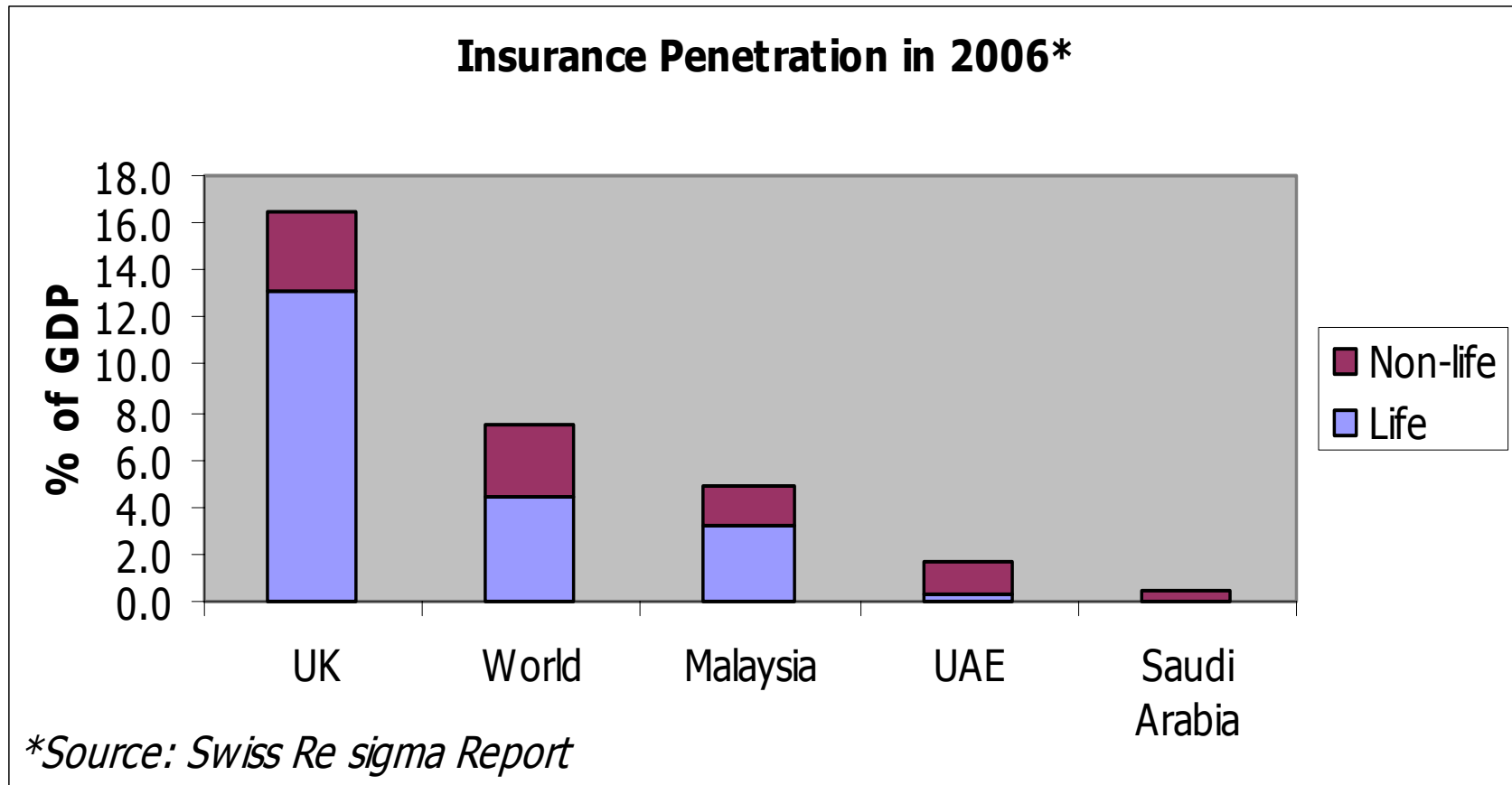
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- **Historic Underdevelopment, But Some Progress Made**

<i>Country</i>	<b>2006 Premiums per capita, USD*</b>				<b>2006 GDP per capita</b>
	<i>Total Premiums</i>	<i>Life</i>	<i>Non-Life</i>	<i>Life/Non- Life (%)</i>	
Malaysia	292.2	189.2	103.0	184%	5,930
- of which Malaysian Takaful Market	18.2	13.1	5.1	257%	N.A.
Saudi Arabia	63.1	0.8	62.4	1%	13,849
UAE	585.4	89.8	495.6	18%	34,681
UK	6,466.7	5,139.6	1,327.1	387%	39,224
<b>World</b>	<b>554.8</b>	<b>330.6</b>	<b>224.2</b>	<b>147%</b>	<b>7,379</b>

\*Source: Swiss Re sigma Report and Bank Negara Malaysia

# Scope for Market Development



# The GCC and Malaysian Takaful Experience

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- **Why is Malaysia further along the development path?**
  - More supportive regulatory and legal frameworks
  - Broader development of distribution channels and product lines
  - Broader Islamic capital markets
  
- **What is the impact?**
  - Potential for lower industry risk, but pricing pressures in the Malaysian market may come sooner?

## Takaful: The Future?

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- **2006e Global Takaful Market - \$2.6bn**
- **2020e Global Takaful Market - \$20bn (based on 15 p.a. growth)**
- **2006 UK Insurance Market - \$418.4bn**
- **One quarter of the world's population are Muslim, but largely in less developed economies**
- **So representing far from a quarter of the world's insurable risks**
- **Takaful has an assumed “personal lines” bias, so can it also offer an attractive ethical alternative for both Muslims and non-Muslims?**



# Ratings Impact

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- **Standard & Poor's criteria for 'conventional' insurers can accommodate the specificities of re/takaful models**
- **Key success factors:**
  - Product Innovation & Service Quality
  - Promotion & Distribution
  - Policyholder Security, Risk Management & Profitability
- **We view the recent entrance and announcements of international groups into the family takaful segment as positive**

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