



Regis

IS IT TIME FOR A RE-BOOT OF TAKAFUL

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**Insurance.
Redesigned.**

IS IT TIME FOR A RE-BOOT OF TAKAFUL?

1. Takaful
2. The Discretionary Mutual
3. Similarities between Mutuals & Takaful
4. How can we Re-boot Takaful?
5. Mutual success

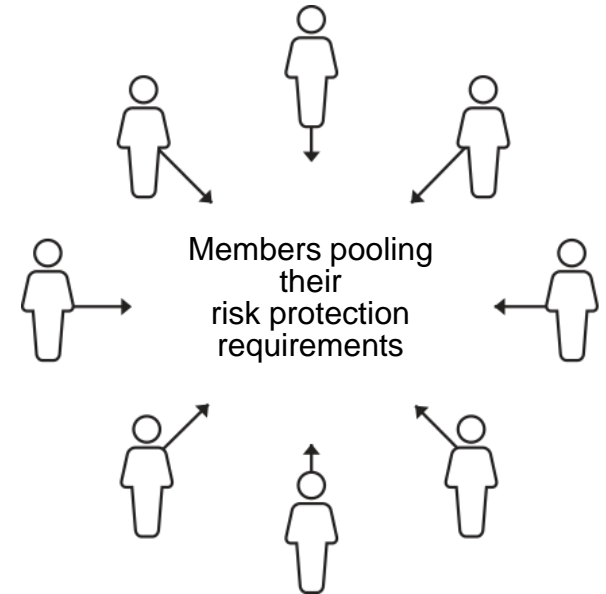
Takaful

Takaful agreements have a basic objective of mutual assistance amongst its members in their time of need.

A Takaful risk pool is created through **donations** from its members, not premium, and the investments are in Sharia compliant assets.

Policyholders are in effect “members” of a mutual.

Mutuality is a tried and tested alternative to insurance.



Takaful versus Insurance

Insurance is not Sharia compliant for two main reasons:

- The insurance contract is a commercial contract where the insurer takes speculative risk for profit.
- The investments of insurers includes investments which are prohibited by Sharia law

Discretionary mutuals

A Takaful structure looks like a discretionary mutual.

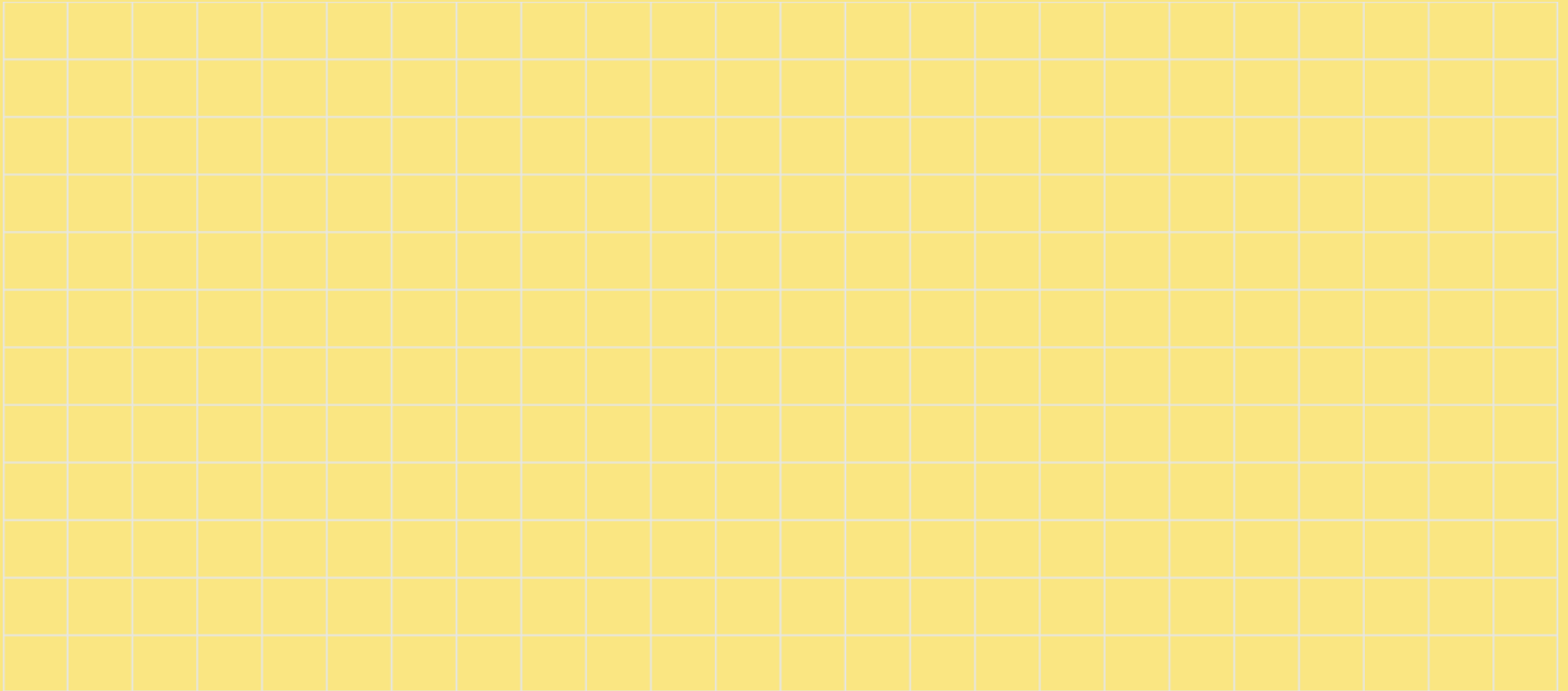
What is a **discretionary** mutual?

Discretionary Mutuals & Takaful

In its most basic form the discretionary mutual model is very similar to Takaful.

Issue	Insurance	Takaful	Discretionary Mutual
Objective	Profit	Mutuality amongst its participants	Mutuality amongst its members
Basis	Risk Transfer	Co-operative risk sharing	Mutual risk sharing
Ownership	Shareholders	Participants	Members
Management	Company	Operators	Mutual Managers
Contract	Contract of Sale	Co-operative	Membership
Investments	Interest Based	Sharia compliant	At instruction of the board (elected members)
Surplus	Shareholders' account	Participants account	Mutual account

How can we Re-boot Takaful?



Re-booting Takaful



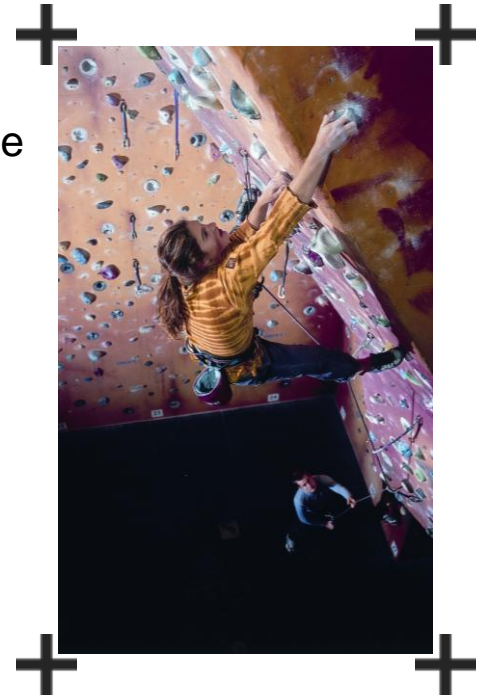
Question

Is just having a common faith enough “glue”?

Re-booting Takaful

The Glue

- In this context there is a difference between the retail space and the commercial space
 - Retail is much more difficult
- Whereas the commercial space is easier because the risks are better defined and common within each industry



Re-booting Takaful

Ownership and control

- A mutual can only be owned by its members
- In a successful mutual they must have control



Re-booting Takaful

Critical mass

- Critical mass is very important – usually defined in terms of contributions
- Again easier in the commercial space than the retail space



Re-booting Takaful

Risk selection

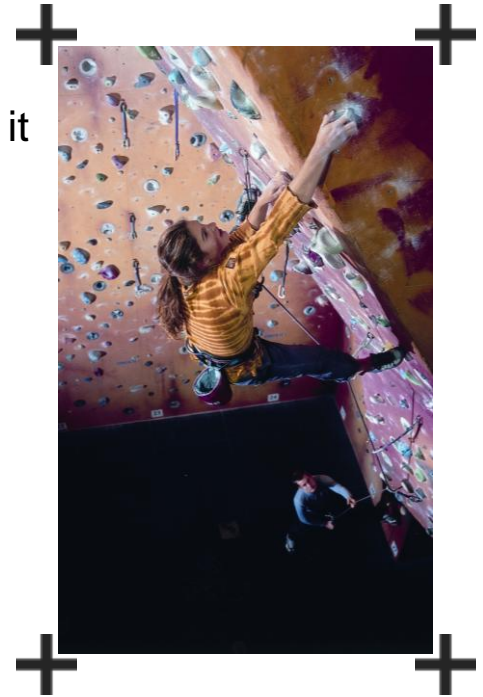
- In every group there are good and bad performers – Pareto Rule 80/20
- just defining risk acceptance based on faith may not work
- Nobody wants to cross subsidise poorer risks in the group
- A well constructed and selective Takaful mutual removes this risk



Re-booting Takaful

Managers / Operators

- Finally you have to have good professional management to ensure it works properly under the direction of the elected board of its members
- The structure must be resilient and any risks must be within the financial capability of its members



Mutual success

A selection of mutuals borne from defined groups with common needs



Activities Industry Mutual (AIM)

Activities Industry Mutual was formed to provide cover at a fair price and offer long term stability, so that charitable trusts, small businesses and sole practitioners across the sector could get on with delivering great outdoor experiences.



The Fire & Rescue Indemnity Company Mutual

The Fire & Rescue Indemnity Company Mutual has been set up to provide an alternative to conventional insurance for like-minded fire authorities that are prepared to take a proactive approach to risk management.



John Holland Group Mutual (JHGM)

The innovative protection provided by the mutual enables JHG to provide cost effective injury and sickness salary continuance and related benefits to its employees together with enhancement of workers compensation benefits.



The Livery Companies' Mutual

The Livery Companies' Mutual has covered the historic buildings and treasures of these unique City of London institutions, and other similar risks, using the discretionary Mutual model.



The Masonic Mutual Limited

Masonic Mutual

The Masonic Mutual has been set up to help provide tailor-made coverage solutions for Masonic buildings, contents (including regalia) and commercial and liability exposures.



The Military Mutual

The Military Mutual has been formed to support The Military Covenant by offering cover for the whole of the Military Family, taking into account the unique circumstances of serving military personnel.



The Retail Mutual

The Retail Mutual was established in 1999 to provide a fairer alternative to conventional insurance for newsagents. In 2017 the NFRN Mutual transformed into the Retail mutual to support independent retailers on the high street



Unimutual

Unimutual is now the leading provider of liability risk protection to the sector for general third party liability, professional liability and medical practice and clinical trials, but is also the leading provider of risk protection for the very substantial property assets of the university sector.

Thank you

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