

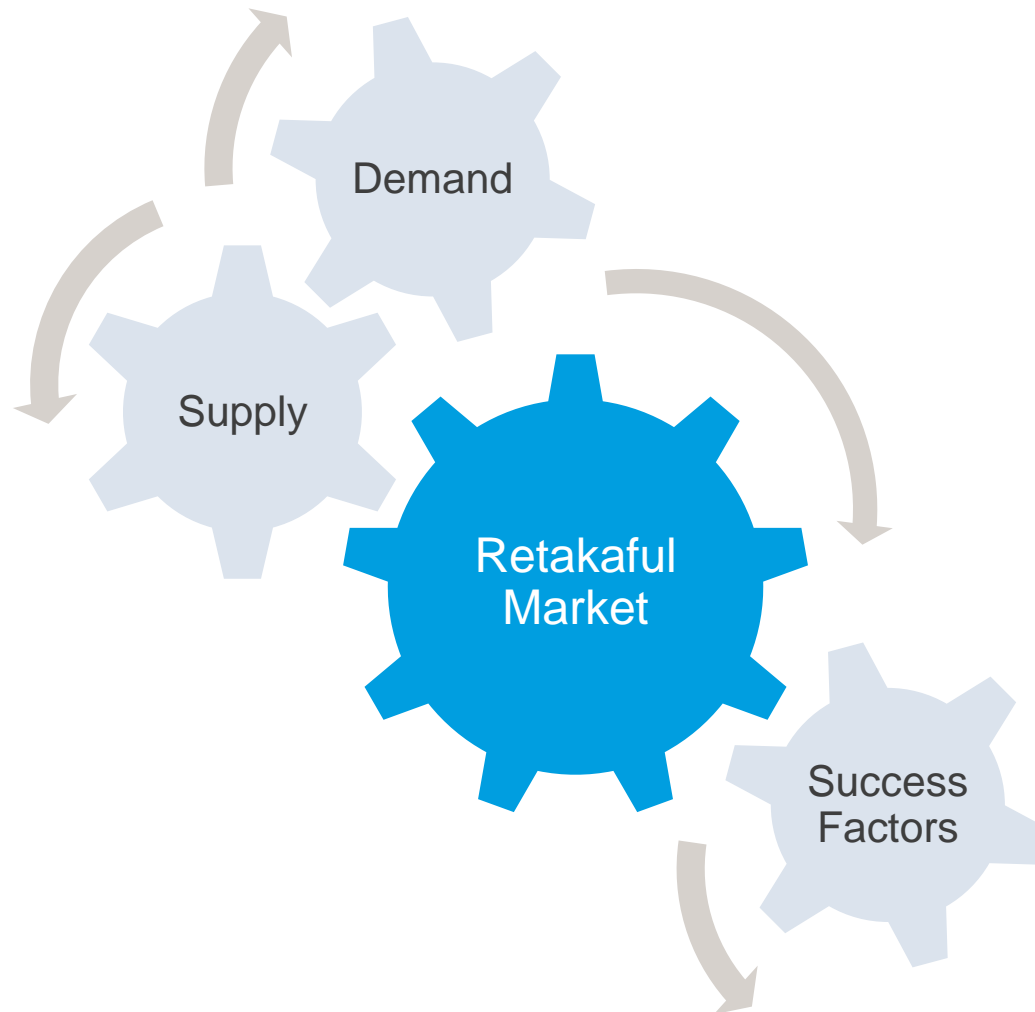


somewhat
different

Retakaful Environment

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Retakaful Operating Environment



Retakaful operating environment

Demand

- ▶ While interest is seen across the globe the main markets remain MENA and South East Asia
- ▶ The buying behavior is very similar in both regions
- ▶ The relative roles of family and general takaful is the sharpest difference between the two regions
- ▶ Cash flow underwriting is still a primary consideration for the portfolio mix and the retakaful buying and retention decisions of takaful operators

Retakaful operating environment

Supply

- ▶ Over the past ten years capacities are increasing steadily between fully-fledged and windows/branches
- ▶ Quality, expertise and value added services are the key factors in evaluating retakaful supply
- ▶ Supply's main limitations are special products and capacity issues



Retakaful operating environment

Market Issues

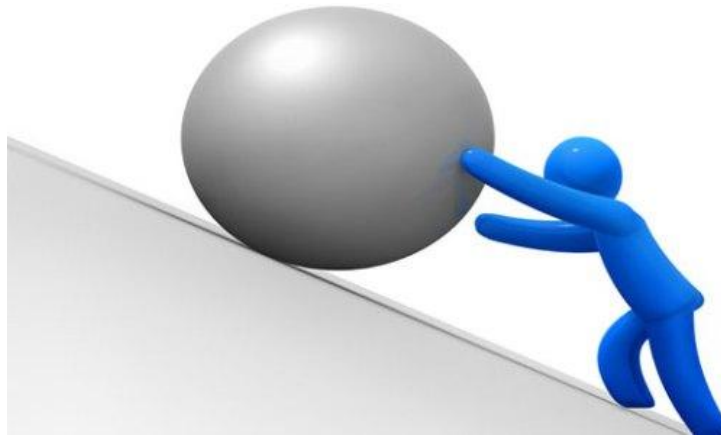
- ▶ Commoditization: in some cases, retakaful buyers go as far as considering reinsurance a viable substitute for retakaful
- ▶ Leakage: because of commoditization, short supply, quality and expertise issues, and retakaful underwriting discipline, some takaful business seeks risk management in the reinsurance market



Retakaful operating environment

Challenges

- ▶ Competition: on two fronts: retakaful and reinsurance
- ▶ Capacities: there is no retrotakaful
- ▶ Regulatory changes: the regulatory landscape is very dynamic and market participants must adapt
- ▶ Investment returns: limited venues and low returns
- ▶ Human resources: finding and retaining talent will always be challenging



Retakaful Success Principles

Four basic elements

- ▶ Long-term investors: retakaful is not a venue for a “quick buck”
- ▶ Expenses: wild overheads can ruin a retakaful operation
- ▶ Wakala fee: excessive deductions from the retakaful fund can lead to perpetual deficit
- ▶ Underwriting discipline: the viability and sustainability of the retakaful fund should always be the primary concern



Thank you very much