

Takaful – the default option for Muslim countries

World Takaful Summit 2011

Abid Shakeel

Islamic Financial Services Advisory



THE WORLD TAKAFUL
REPORT
تقرير التكافل العالمي

Transforming Operating Performance

The World Takaful Report 2011



Our IFSG Advisory Credentials

Ernst and Young are the global market leaders in Islamic financial services

Islamic Finance Center of Excellence, Leadership Team



Ashar Nazim



Abid Shakeel



Sohaib Umar

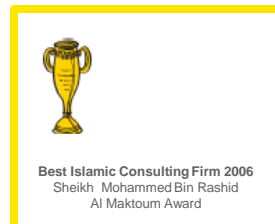
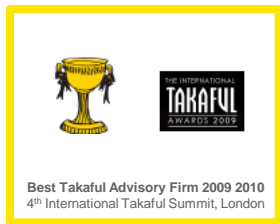
- ▶ Award winning Global Islamic Finance Center of Excellence
- ▶ Est. 1998, 13 years track record
- ▶ 300 unique projects
- ▶ Contributing to pioneering initiatives
 - ▶ Islamic banking regulatory framework
 - ▶ Accounting and Auditing Organization for Islamic Financial Institutions
 - ▶ Islamic Financial Services Board
 - ▶ International Islamic Financial Market
 - ▶ International Islamic Rating Agency
 - ▶ Liquidity Management Center
- ▶ Serving 70% of the Top 20 GCC Islamic financial institutions

Select credentials...

- ▶ First FSA licensed Takaful Operator
- ▶ First FSA licensed Islamic Retail Bank
- ▶ First Prudential Regulatory Framework for Islamic Financial Institutions (GCC)
- ▶ Islamic Finance Rulebook for Regulatory Authority (GCC)
- ▶ First Islamic National Savings Scheme (GCC)
- ▶ First Islamic Liquidity Management Centre
- ▶ First Awqaf based Islamic Financial Institution
- ▶ Several Bank Conversions, Greenfield Islamic Banks and Windows

Our Islamic Financial Services Group is the acknowledged market leader in providing Islamic banking advisory services

Our Industry Awards

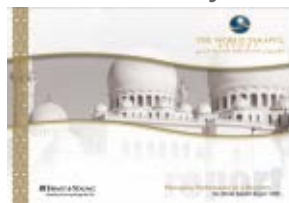


Our Thought Leadership Reports

2011 “Transforming Operating Performance”



2010 “Managing Performance in Recovery”



2008 “Highlighting a new growth opportunity in Islamic Finance”



2010 “Post Crisis: Waking up to an investor-driven world”



2009 “Opportunities in adversity - the future of Takaful”



2008 “Surviving and adapting in a downturn”





Growth of the Takaful industry



Global gross takaful contributions continue to post healthy growth, reaching US\$ 7 billion in 2009

CAGR (2005 - 2008) = 39%
Growth (2009) = 31%

Year	Segment 1 (Dark Gray)	Segment 2 (Medium Gray)	Segment 3 (Light Gray)	Segment 4 (White)	Total Employees (thousands)
2004	770	474	14	5	1,384
2005	1,238	544	17	8	1,988
2006	2,088	695	18	11	3,068
2007	2,846	901	22	11	4,122
2008	3,742	1,145	28	104	5,323
2009 (e)	4,886	1,480	39	193	6,975

Iran - Gross Contributions by Year (US\$m)						
2,164	2,561	2,896	3,644	4,128	4,144	
						13% 0.4% 



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Continued strong growth in the takaful industry suggest that global contributions could reach US\$ 12 billion by 2011

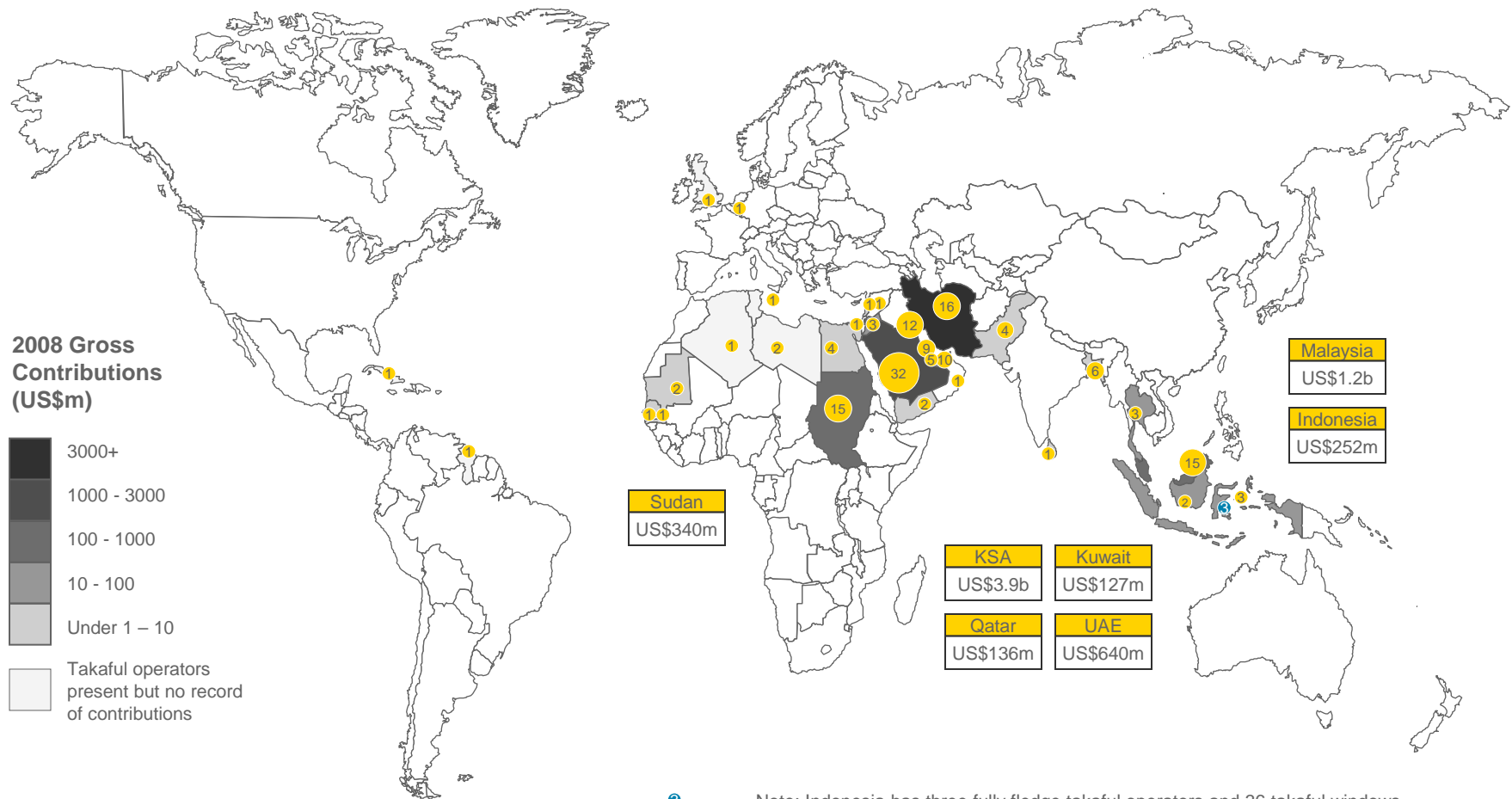
WTR11 Forecasts for Global Gross Takaful Contributions (US\$m)



Current Contribution Concentrations

The takaful industry is concentrated in the MENA and South East Asia

Global Takaful Operators (2008) and Contributions (2009)

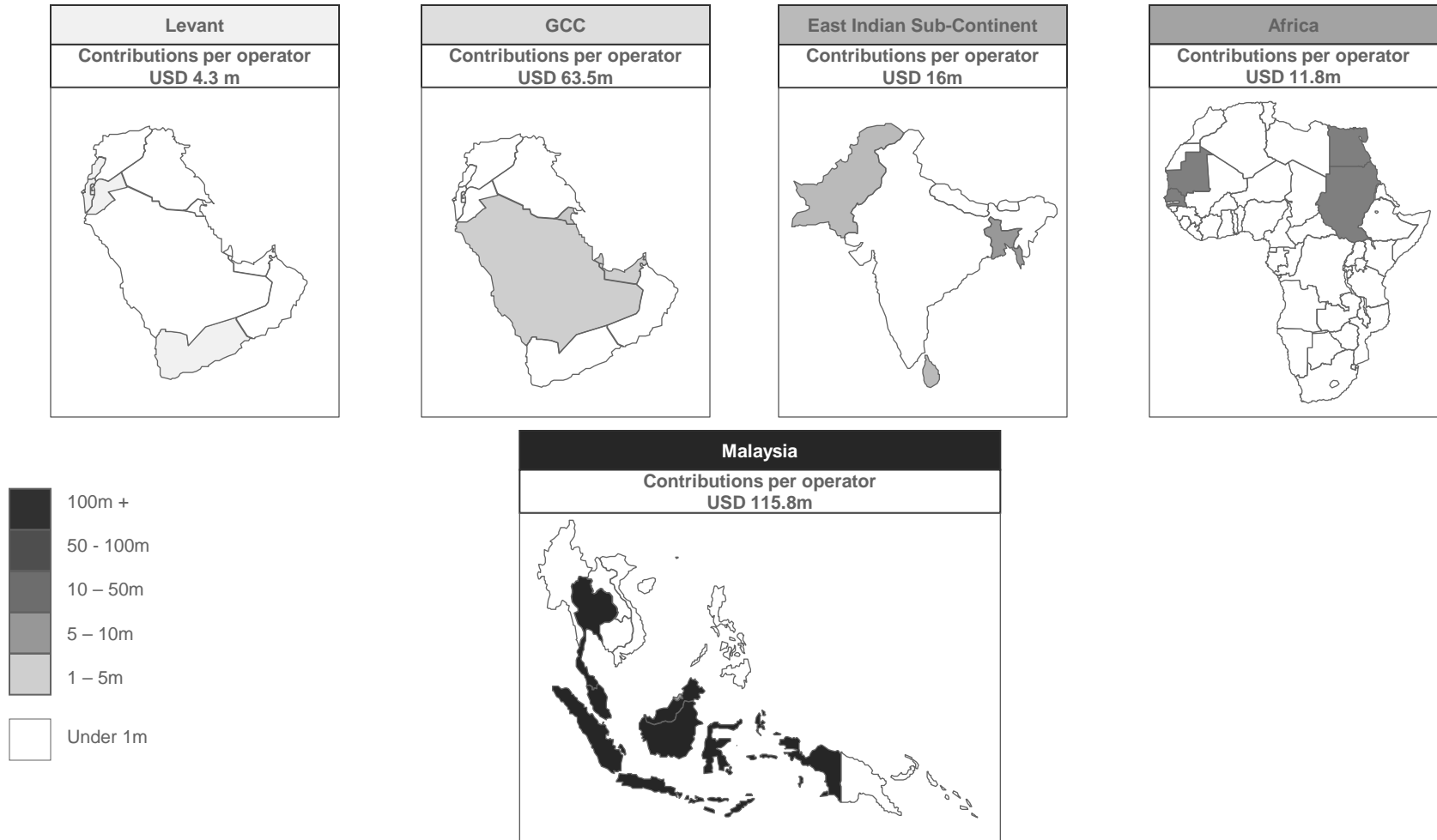


Note: Indonesia has three fully fledged takaful operators and 36 takaful windows. The number of takaful operators shown on this slide are updated as of 2008. 2009 data was not available at the time of print.

Source: World Islamic Insurance Directory 2010; Ernst & Young analysis

Current Contribution Concentrations

Despite having a large number of operators, Malaysia has a relatively high ratio of gross written contributions per operator.

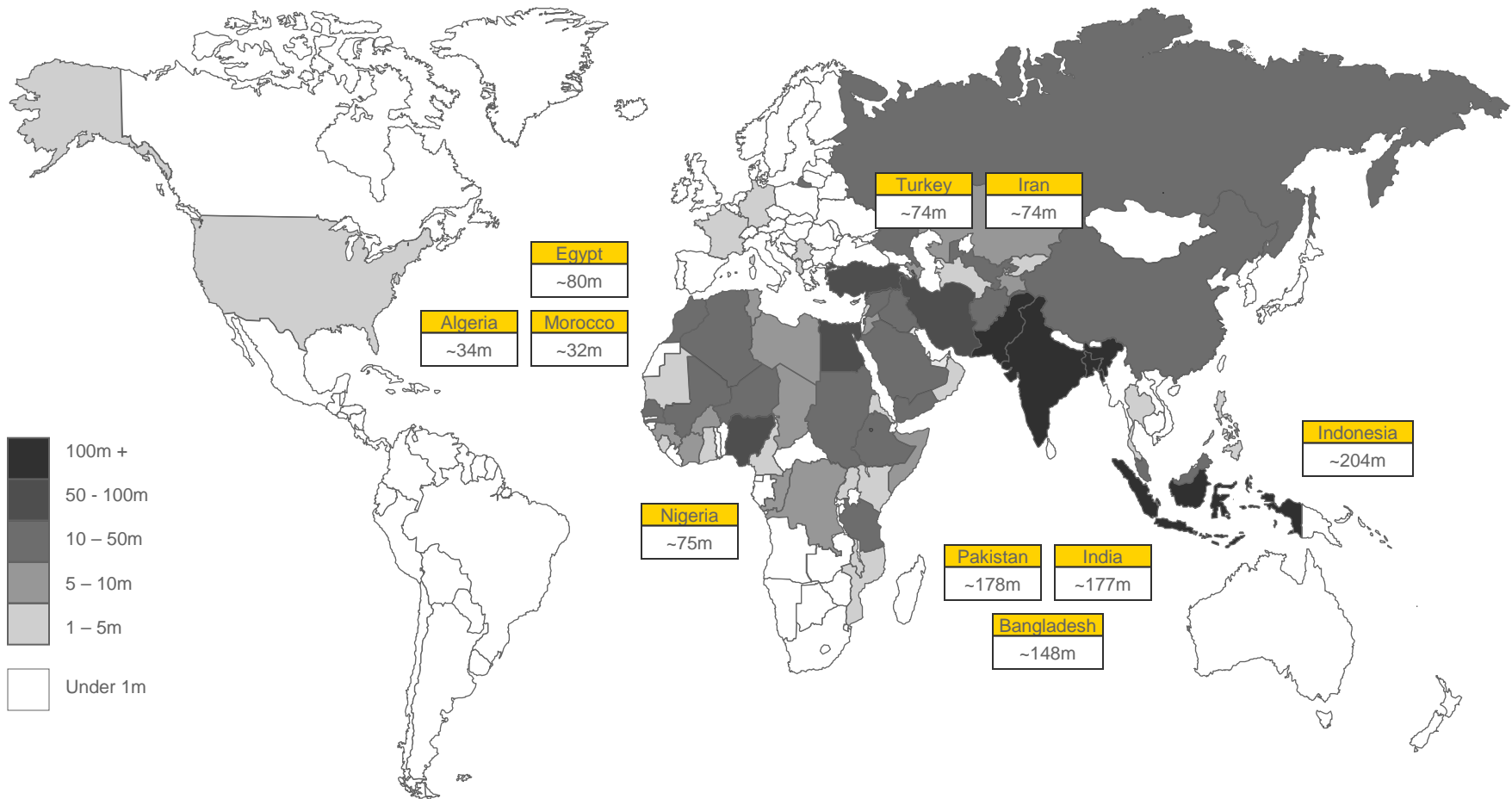


Source: World Islamic Insurance Directory 2011; Ernst & Young analysis

Muslim Population Centers

Large Muslim population centers can be found throughout the emerging markets of MENA and Asia

Global Estimated Muslim Populations in 2010

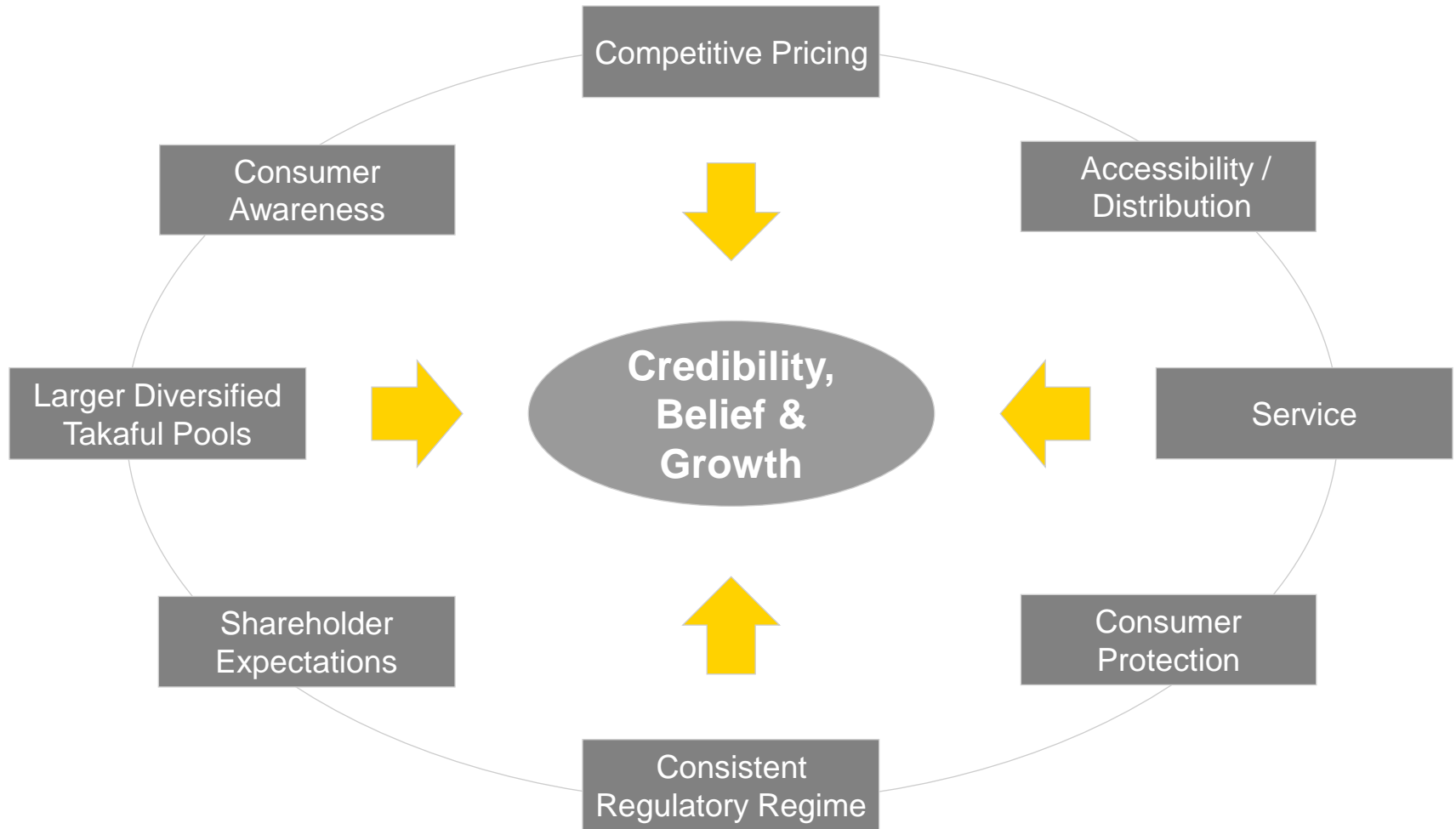


Source: Pew Research Center, Ernst & Young analysis



Takaful As A Brand – Critical Success Factors

Critical Success Factors For Takaful





Challenges For Takaful Operators

These factors were verified through our industry interviews...

*“Almost 70% of all respondents believe **competition** is the biggest threat...”*

*“Over 75% of respondents believe the **socio-political uncertainty** will impact the takaful industry...”*

*“70% are concerned about **underwriting performance**...”*

Our findings have shown that takaful operators are under intense competitive pressure, which is augmented by other key business risks.

Holistic solutions are required to address these multiple challenges. The end game will be to effectively engage with customers in the most cost efficient way.

*“70% of respondents believe they have **misaligned costs**...”*

*“Over 50% of all respondents are concerned with **regulatory change**...”*

*“Over 60% believe a shortage of **operational expertise** will prevent the company from performing to its full potential...”*

Key Strategic Issues

Ernst & Young's way forward

Mitigating Key Strategic Business Risks

1

Managing competition

- ▶ Focus on personal lines and family takaful are priorities.
- ▶ Access to more lucrative commercial lines requires further differentiation.

2

Developing talent pools

- ▶ Long-term incentives, key-person-risks, recognize internal talent.
- ▶ Partnerships and outsourcing should remain considerations.

3

Managing socio-political uncertainty

- ▶ Maintain stakeholder confidence.
- ▶ Identify business risks, enhancing reporting lines and actively engage.

4

Responding to regulatory change

- ▶ Consult with regulators.
- ▶ Prepare for change.
- ▶ Understanding the practical implementation.

5

Achieve Cost Competitiveness

- ▶ Soft market conditions and intense competition.
- ▶ Understand your cost base, benchmarking and build efficiency.

6

Creating financial flexibility

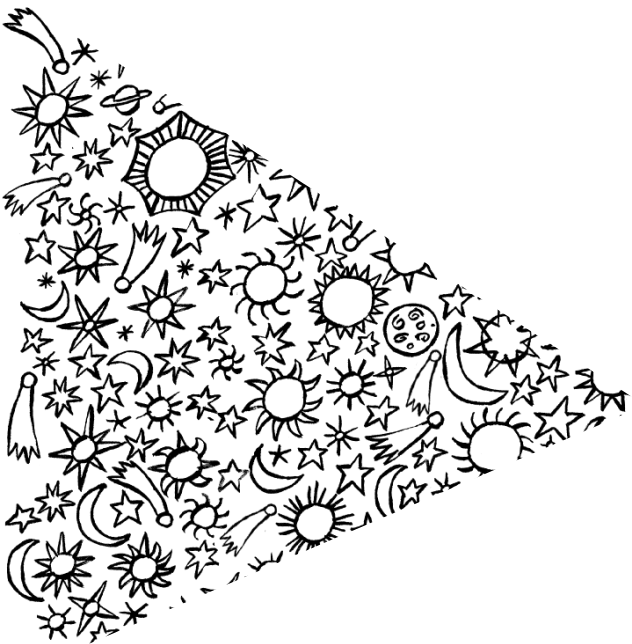
- ▶ Careful consideration of new regulations.
- ▶ Prudent usage of retakaful.

Source: Ernst & Young analysis

How do you successfully compete for growth? Lessons learnt from high performers...

The markets you operate in play a central role in determining the opportunity you have ...





Thank you

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