



# Reflections on Globalising the Takaful Brand

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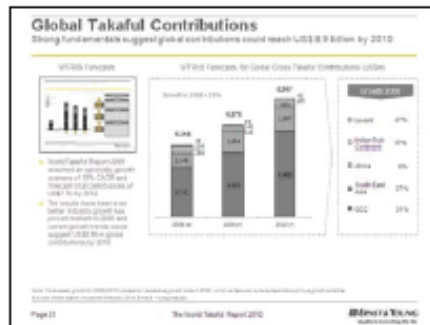
**With the Takaful industry outpacing the conventional insurance market globally, there are enormous prospects for moving the Takaful industry to the next level of excellence in order to globalise the Takaful brand.**



# Global Takaful Contributions

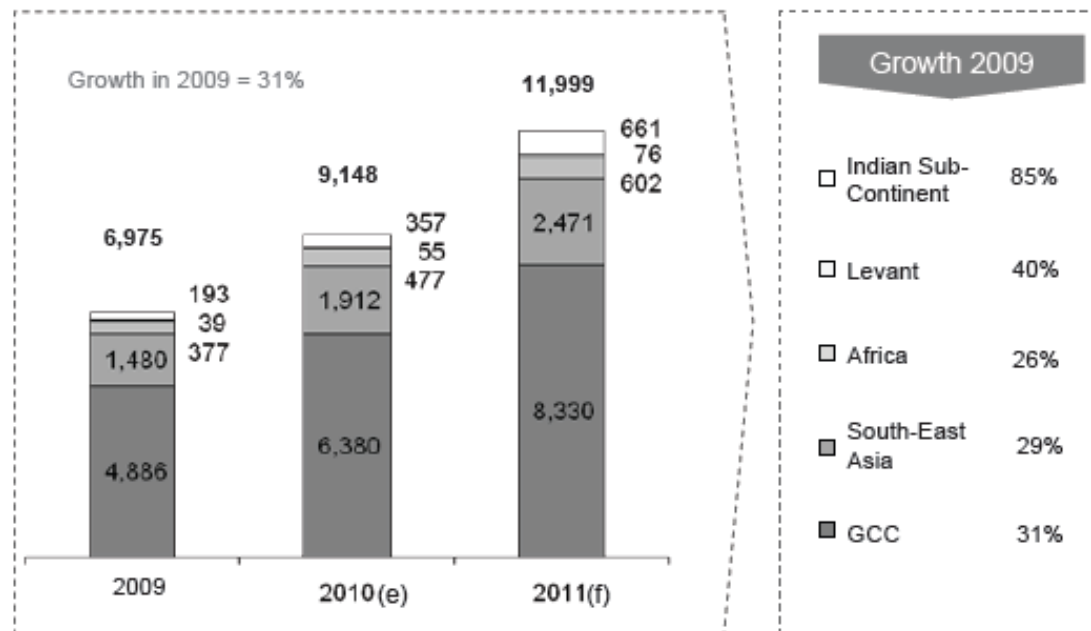
Continued strong growth in the takaful industry suggest that global contributions could reach US\$12 billion by 2011 from only US\$2 billion in 2005.

## WTR10 Forecasts



- ▶ The World Takaful Report 2010 forecasted total contributions to reach US\$6.8b in 2009.
- ▶ The results have been slightly better despite the economic slowdown in key markets. Takaful growth has continued to remain strong in 2009 and current growth trends would suggest US\$12b in gross contributions by 2011.

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

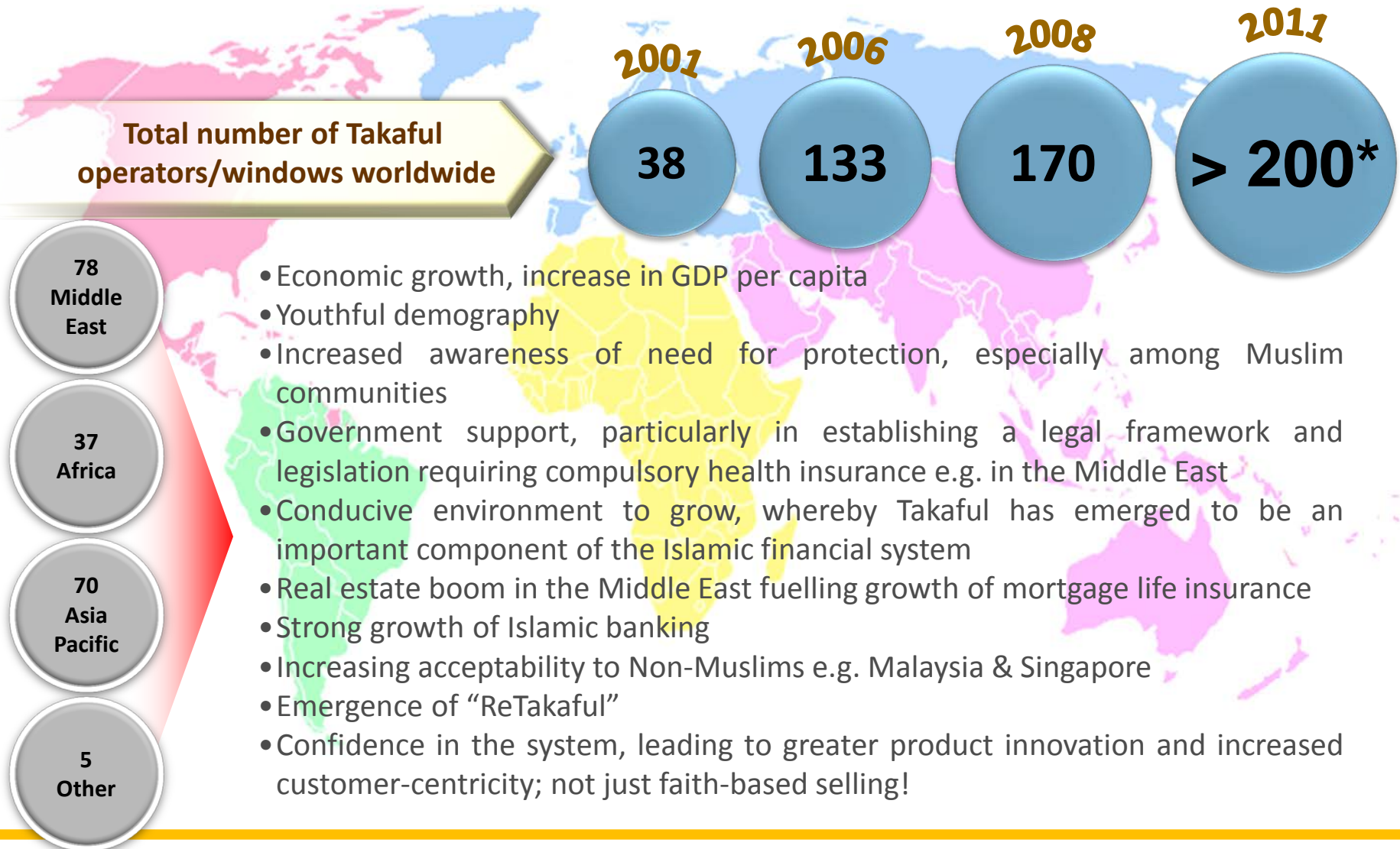


Note: Forecasted growth for 2010-2011 is based on respective growth rates in 2009, which we feel are more representative of true growth potential.  
Source: World Islamic Insurance Directory 2010, Ernst & Young analysis

Note – Levant: The countries bordering on the eastern Mediterranean Sea from Turkey to Egypt (Israel, Jordan, Lebanon, Palestine, Syria)  
Source: World Takaful Report 2011, Ernst & Young

# Reality Check: How Many Takaful Operators Are There In The World?

Takaful is growing very rapidly around the world.

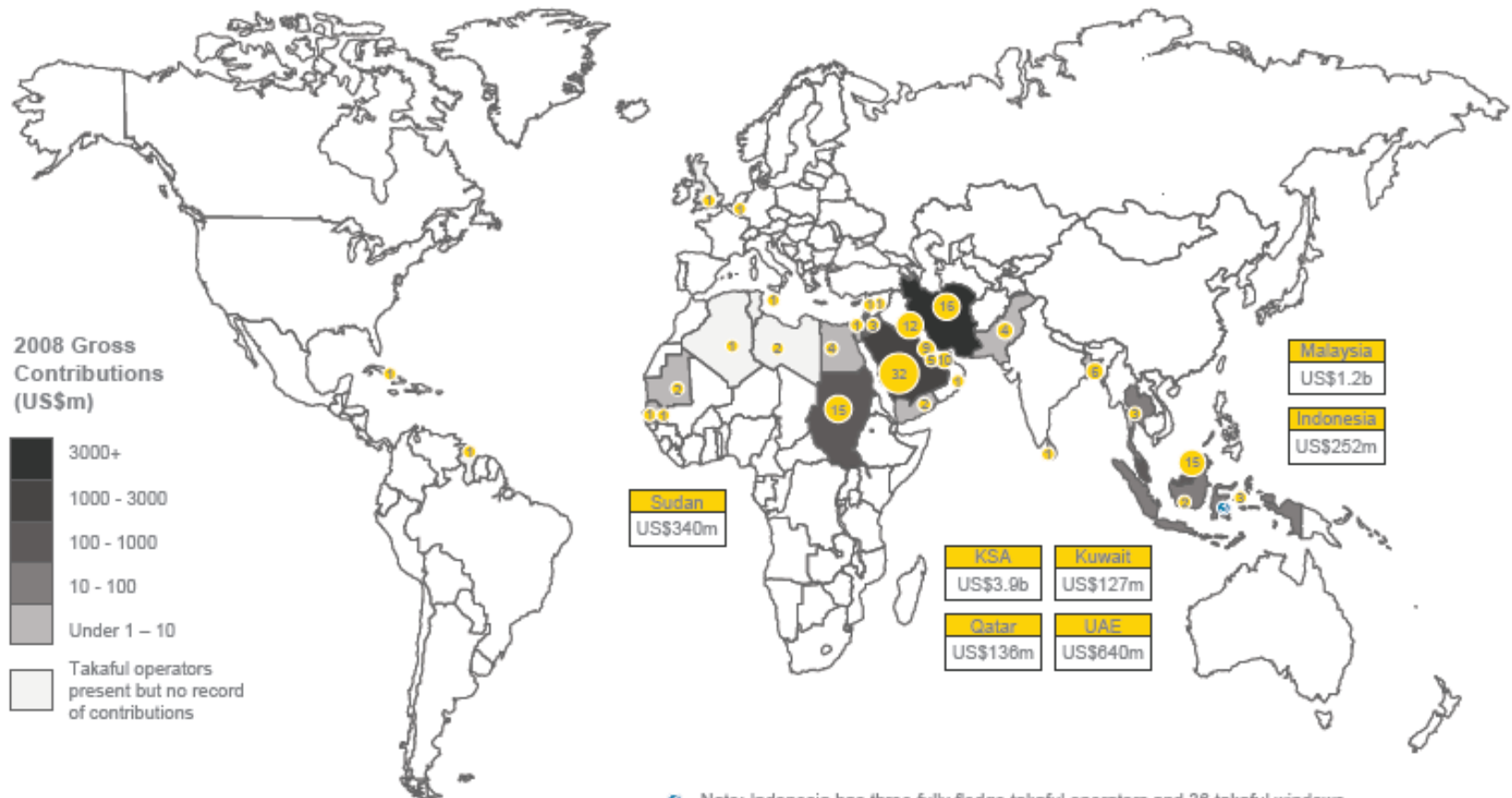


\* The rapid pace of takaful worldwide is such that it is anybody's guess just what the number is. Estimates range from as few as 80 to as many as 250! (Source: MIR Takaful Market – 2007)

# Current Contribution Concentration

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

Global Takaful Operators (2008) and Contributions (2009)

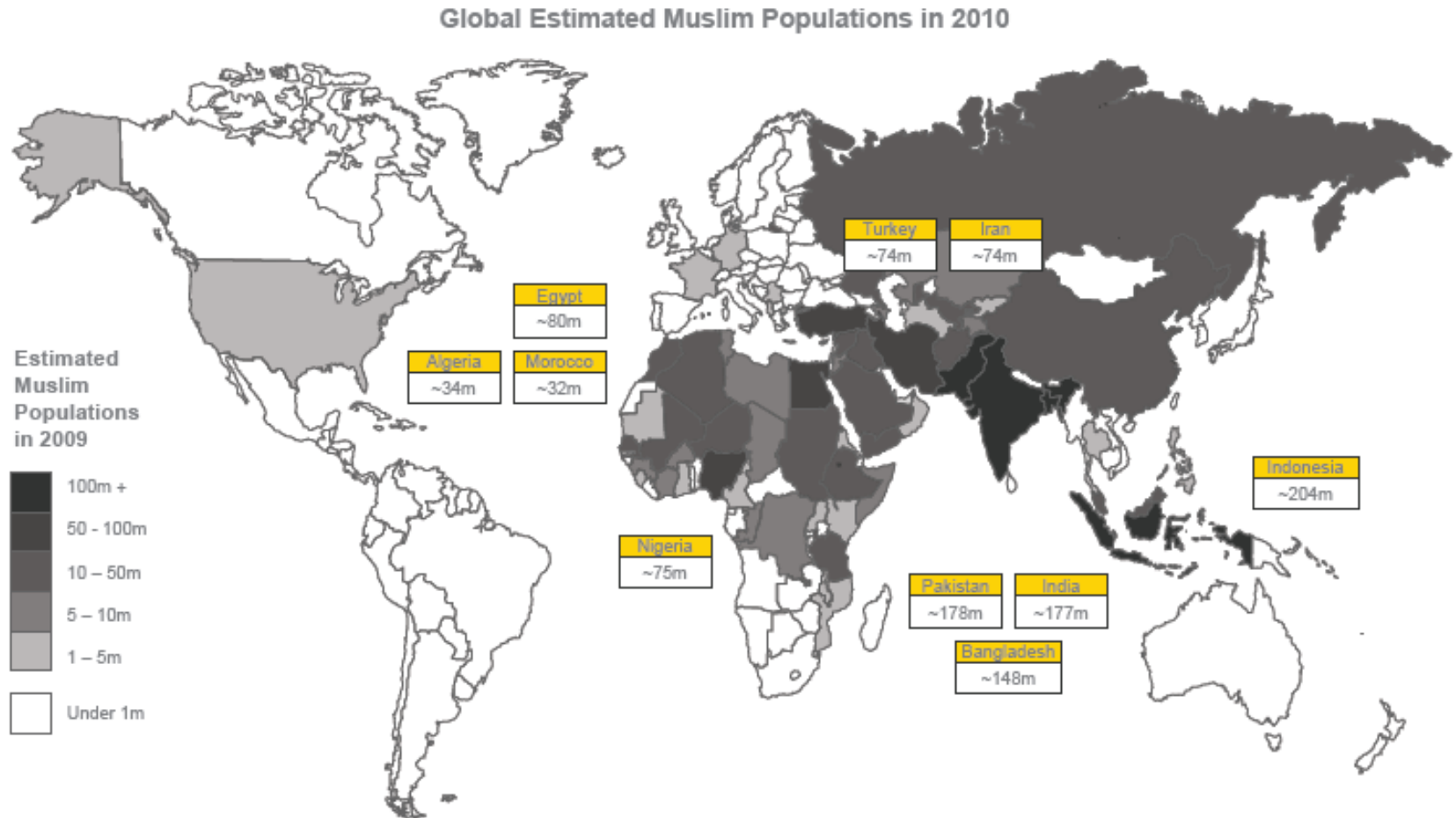


Note: Indonesia has three fully fledged takaful operators and 36 takaful windows. The number of takaful operators shown on this slide are updated as of 2008. 2009 data was not available at the time of print.

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

# Potential Untapped Muslim Markets

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



Source: Pew Research Center, Ernst & Young analysis

# Where Does Takaful Grow Further?

The Takaful business has an explicit ethical structure which can be marketed to both Muslims and non-Muslims.

## Current Muslim Market:

- The world's 1.6 billion Muslim represent a huge potential customer base
- However, most Muslims are either uninsured or underinsured
- Significant enticement to the Takaful operators around the world to venture into international market
- Opportunity for Family Takaful to grow in the Arab countries
- Underpenetrated and is estimated to contribute 6% of gross contributions in the Arab countries compared to 73% in Malaysia

## Non-Muslim Market:

- Takaful does not need to be limited to the Muslim community
- E.g. Europe with a significant Muslim population, there is a potential market among Muslims as well as non-Muslims, despite the obvious religious and cultural differences
- Can be reached without focusing on the religious aspects of Takaful but the inherent features of Takaful
- An “*element of profit sharing, transparency over product profitability and the limitations on acceptable investment*” may be attractive to the growing “ethical investment” segment

From humanity perspectives, only **80 million** of the world's **2.5 billion** poor are currently covered by some form of microinsurance. Only **3%** of the poor in **India** and **China** are insured, and only **0.3%** of the poor in **Africa** are insured. In **23** of the **100** poorest countries in the world, there is currently no identified micro-insurance activity. The majority of the population is in the low-income bracket.



# Takaful and Co-operative and Mutual Insurance

It is well-known that in most non-Islamic countries there are co-operative and mutual insurance companies.

**“ Muslim jurists conclude that insurance in Islam should be based on principles of mutuality and cooperation , encompassing the elements of shared responsibility, joint indemnity, common interest and solidarity”.**

The presence of co-operative and mutual insurance is encouraging the introduction and the extension of Takaful industry as both have very much in common especially in practicing mutual risk sharing amongst members/participants.

Mutual and co-operative insurance, conceptually harmonize with the central philosophy of Takaful, though in operational mechanism both entities may differ in some areas.

Greater opportunity for the co-operative and mutual insurer to introduce a Takaful scheme along with its existing mutual and co-operative insurance products.

Due to these similarities, there is a large success potential for Takaful in Western countries with similar insurance landscape e.g. Europe & North America.

However, only a small percentage of people among the market's potential (customers and distributors) understand the concept of Takaful product offerings, and there should be a new way of approaching business.

The term Takaful refers to Islamic insurance, although those wishing to promote it to a wider global audience prefer to call it co-operative insurance.



# Universal Acceptability of Takaful by Non-Muslims

Takaful is also gaining in popularity among both Muslims and non-Muslims customers seeking ethical financial services.

## Malaysia:

- Takaful is popular amongst Muslims and non-Muslims.
- The belief that Takaful is only for Muslims has somehow been refuted.
- Over one-quarter of Etiqa's policyholders are non-Muslims.
- Islamic banking products such as home loans and Takaful have drawn interest from Malaysia's ethnic Chinese and Indian minorities.

## Singapore:

- Takaful has attracted a good proportion of non-Muslim clientele.
- Currently, 3 main companies providing Takaful cover; HSBC Insurance & NTUC Income (provide Family Takaful based on investment-linked (ILP) concept and United Overseas Insurance.
- Approximately 22% of the present takaful policyholders are non-Muslims.
- According to Oliver Wyman research, one Shariah-based investment-linked fund in Singapore has 50% non-Muslims participation and the product has been notably successful even when marketed to an 85% non-Muslims population.

- **The strength of Takaful products lies in its ethical structure.**
- **The ethical structure of Takaful serves as an offshoot of the principles of fairness and the sharing of each other's burden.**
- **This will extend protection to the less fortunate members of the community.**
- **On the basis of this common humanity, Takaful products stand a chance to be well-accepted by both Muslims and non-Muslims.**

Source: Oliver Wyman (Takaful: A new global insurance growth opportunity)



## How Do We Reach Consumers in the Global Market?

# Reaching Out to Consumers

Takaful products and services need to be spread to more countries, to be accessible by more consumers, to have greater range of products to meet wider public needs, so that the benefits of Takaful can be made available to the global community.

To tap the potential, 3 key aspects must be first addressed:



1

**Knowing the market needs & its environment**

2

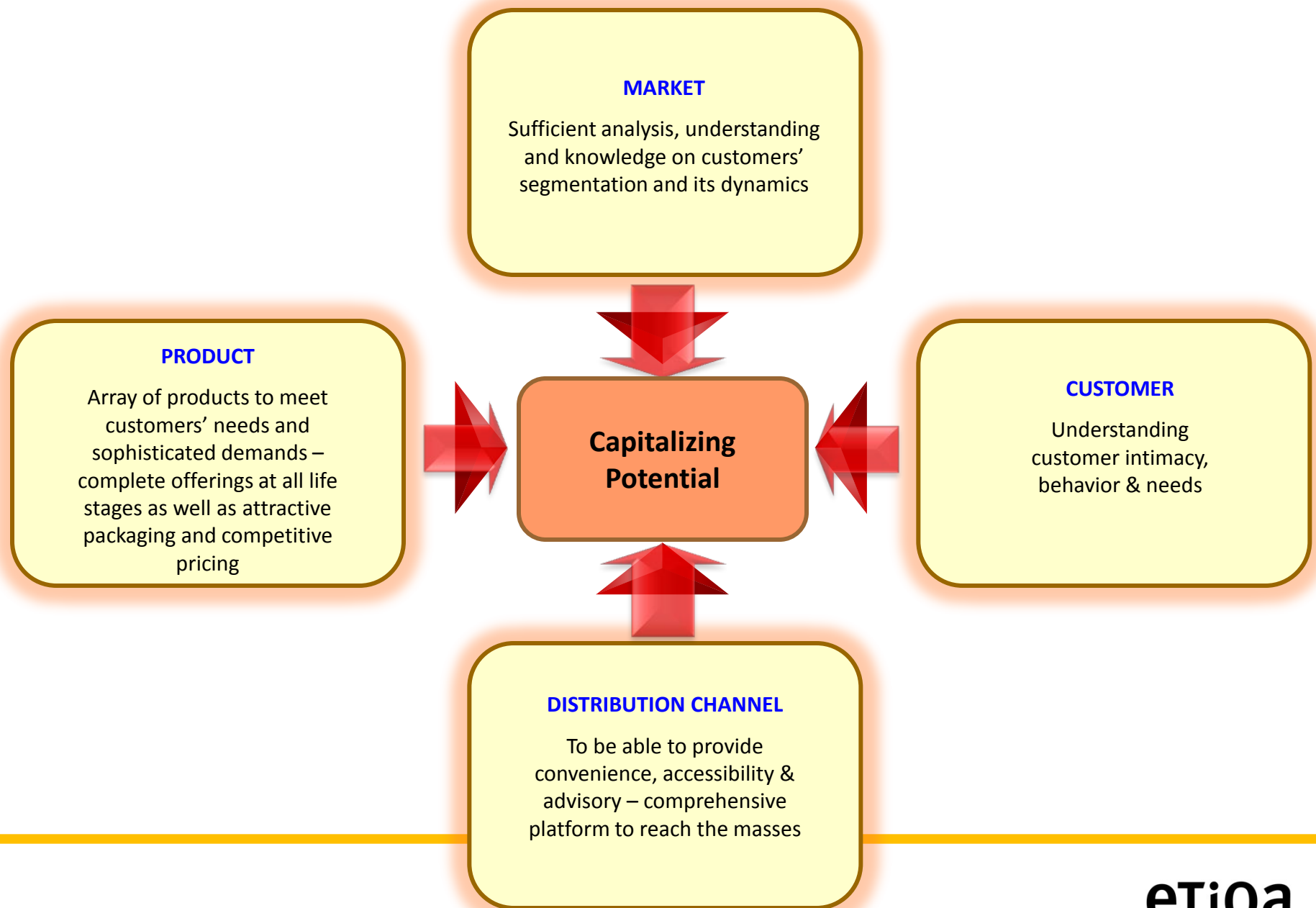
**Knowing the challenges & mitigating factors**

3

**Distribution reach – bridging supply & demand**



# Knowing the Market Needs & its Environment



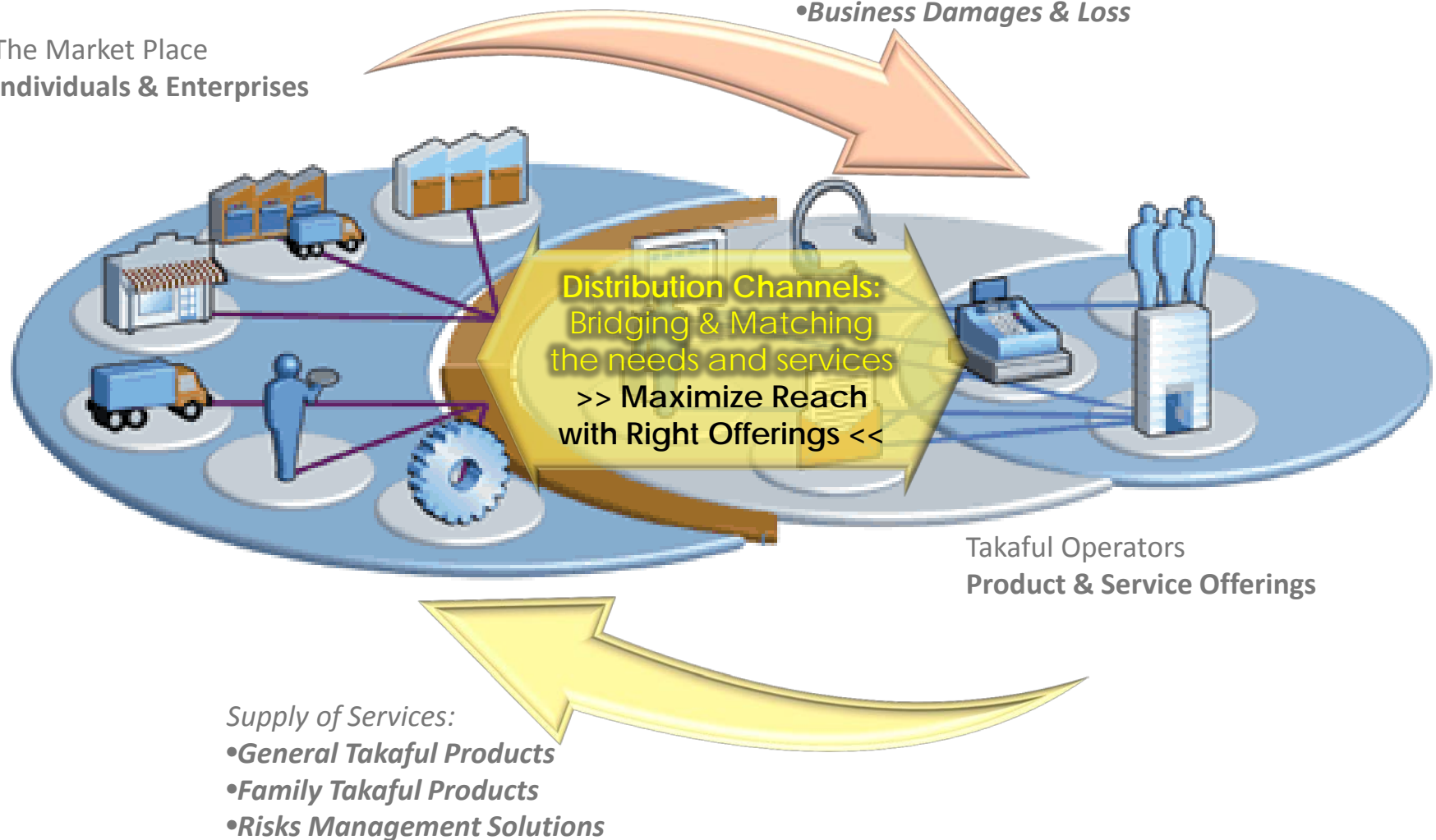


# Distribution Reach – Bridging Supply & Demand

The Market Place  
Individuals & Enterprises

*Demand for Protection:*

- *Personal Loss & Injuries*
- *Business Damages & Loss*



*Supply of Services:*

- *General Takaful Products*
- *Family Takaful Products*
- *Risks Management Solutions*

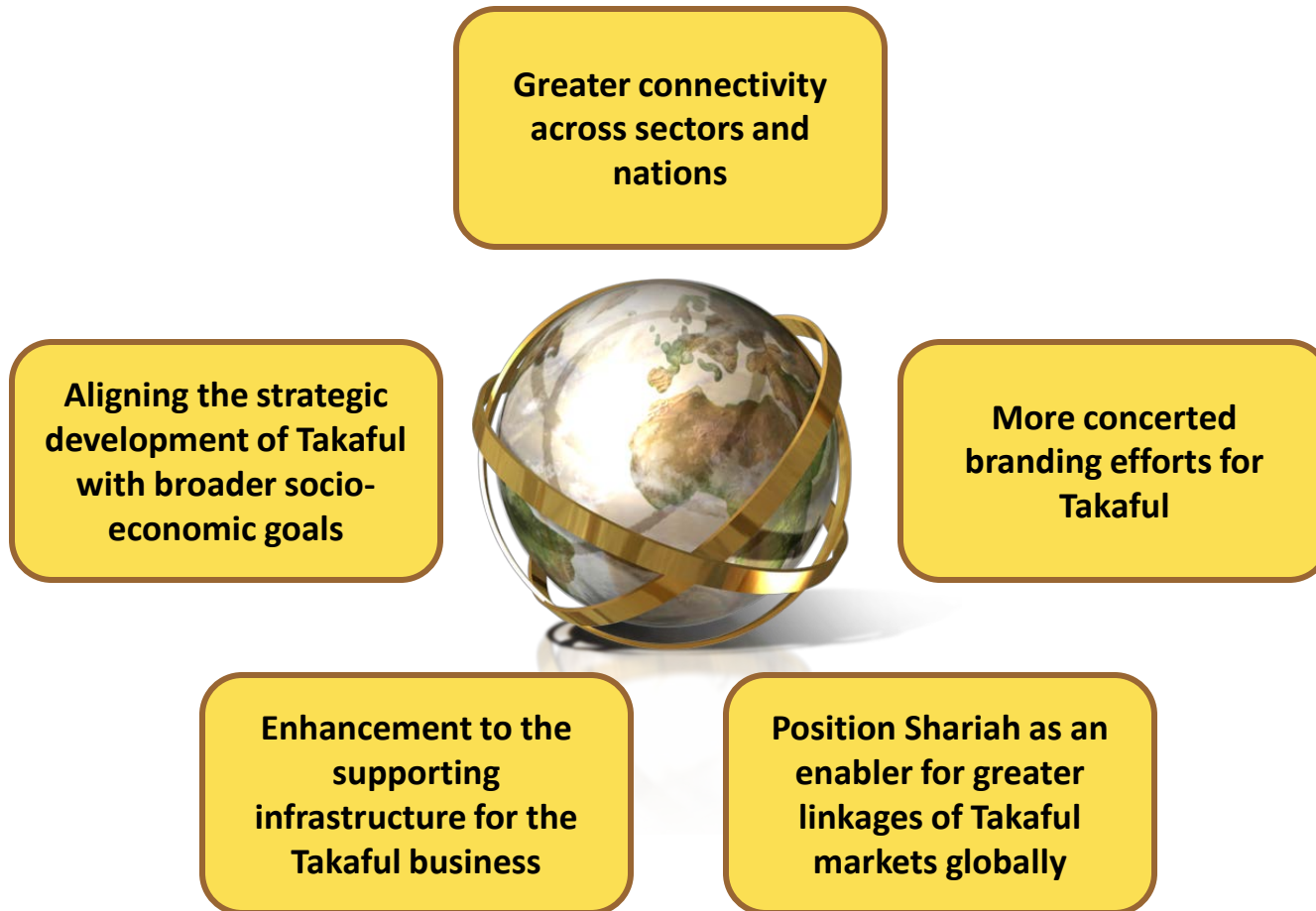


**How Do We  
Collectively Move Takaful to the Next  
Level of Excellence?**



## Strategic Priorities: Globalising The Takaful Brand

The future prospects of the Takaful industry will be very much dependent on the combined efforts of all relevant parties; the regulators, market participants, Shariah scholar and the international community at large.





## **Reflections on Globalising the Takaful Brand**

# Reflections on Globalising the Takaful Brand



- Takaful values are universal and accepted across all religions, not just Islam.
- Islam does not forbid non-Muslims from distributing or obtaining Islamic products, and this is one key message the Takaful industry as a whole must clearly send out.
- Change in mindsets, not just among Muslims but non-Muslims too is crucial.
- Belief that Takaful is only for Muslims must be challenged and addressed without delay.
- An “**element of profit sharing, transparency over product profitability** and the **limitations on acceptable investment**” are powerful business arguments for attracting “ethical investment” segment to Takaful.
- Ethical positioning could provide a differential advantage as a growing number of consumers become more ethically conscious.
- Wider appeal than just Islamic insurance – Takaful as a price-competitive ethical product.



**Takaful is not a small niche market in a traditional Islamic geographies.**

**It is a broad and exciting global growth opportunity, offering a way to capture a huge and currently underserved population on the globe, especially in major Western markets**

**....and with profit streams that, under a correctly designed model, could be more stable than in conventional insurance**

**...however, as the Takaful industry is still small in comparison to its conventional insurance counterpart,**

**....it needs to gain worldwide brand recognition at a higher pace....to be ready for a global take-off.**

# Thank you

