



تكاful

Takaful

شركة أبوظبي الوطنية للتكاful ش.م.ع

Abu Dhabi National Takaful Co. P.S.C

Getting the Operational Dynamics Right in Bancatakaful

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The International Takaful Summit 2011

July 12-13, 2011

Jumeirah Carlton, Knightsbridge, London



Takaful Industry Overview

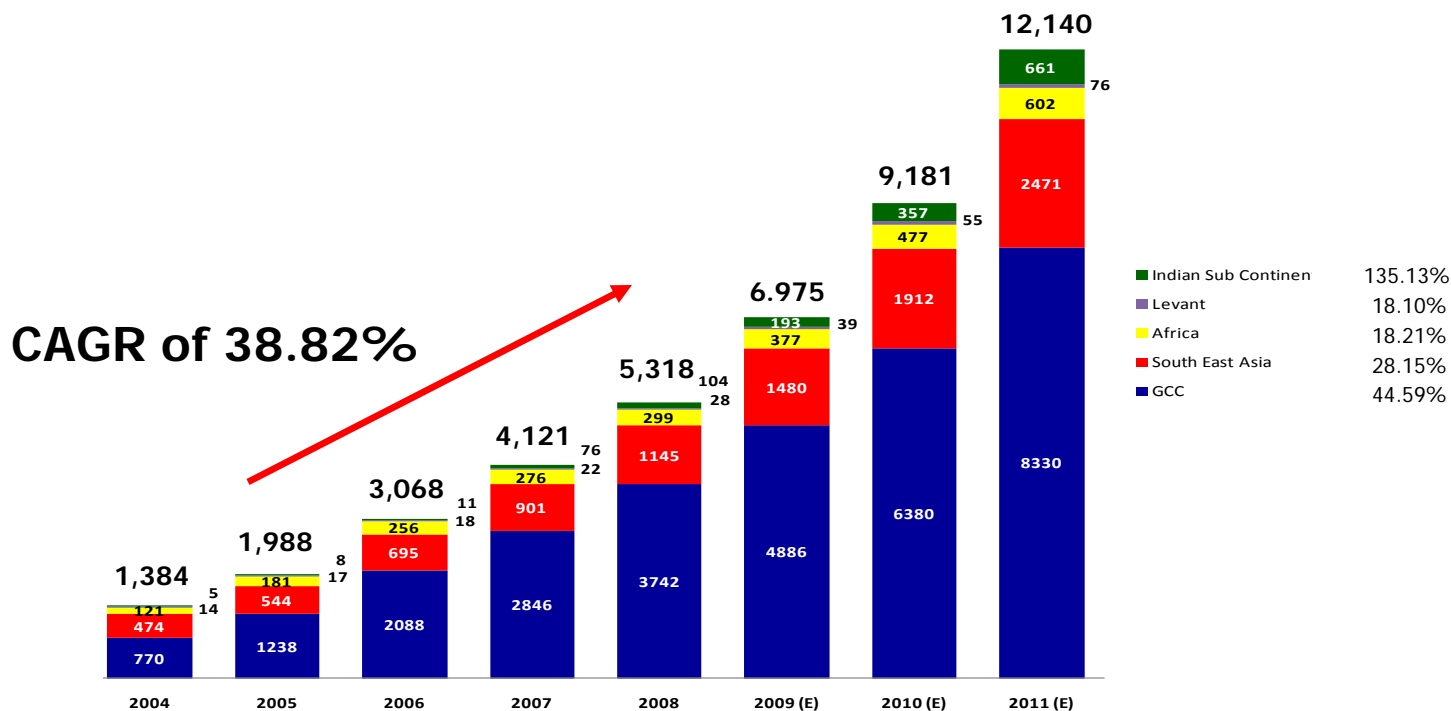
Shari'ah-compliant insurance, Takaful, is generally recognized as one of the **fastest growing businesses** in the field of Islamic finance.

Comprehensive data on the number of Takaful Operators is limited but there are currently well over **175 Takaful Operators worldwide**, with more new entrants being established on a frequent basis.



Gross Global Takaful Contribution Amounts *

Gross global Takaful contributions grew at a **CAGR of 38.82%** during **2005** to **2008** reaching **US\$ 6.975 billion** in **2009**.



Source: E&Y World Takaful Report 2011, Excluding Iran, *E= Estimate

Takaful Product Delivery Efficiency

While the challenge of developing Shari'ah-compliant insurance solutions is fast being overcome, ensuring that the product is delivered efficiently to consumers is perhaps a more formidable challenge.



What are the most effective ways of distributing Takaful products?

The Rise of Bancatakaful

Historically, direct marketing was the favored mode of distribution. In addition, the direct sales remain an important distribution channel today.

But as the volume and sophistication of Takaful products have expanded, new and more efficient channels that are capable of achieving enhanced economies of scale have emerged. Amongst them, the **most promising** and **efficient** means of distributing Takaful is through **Bancatakaful**.

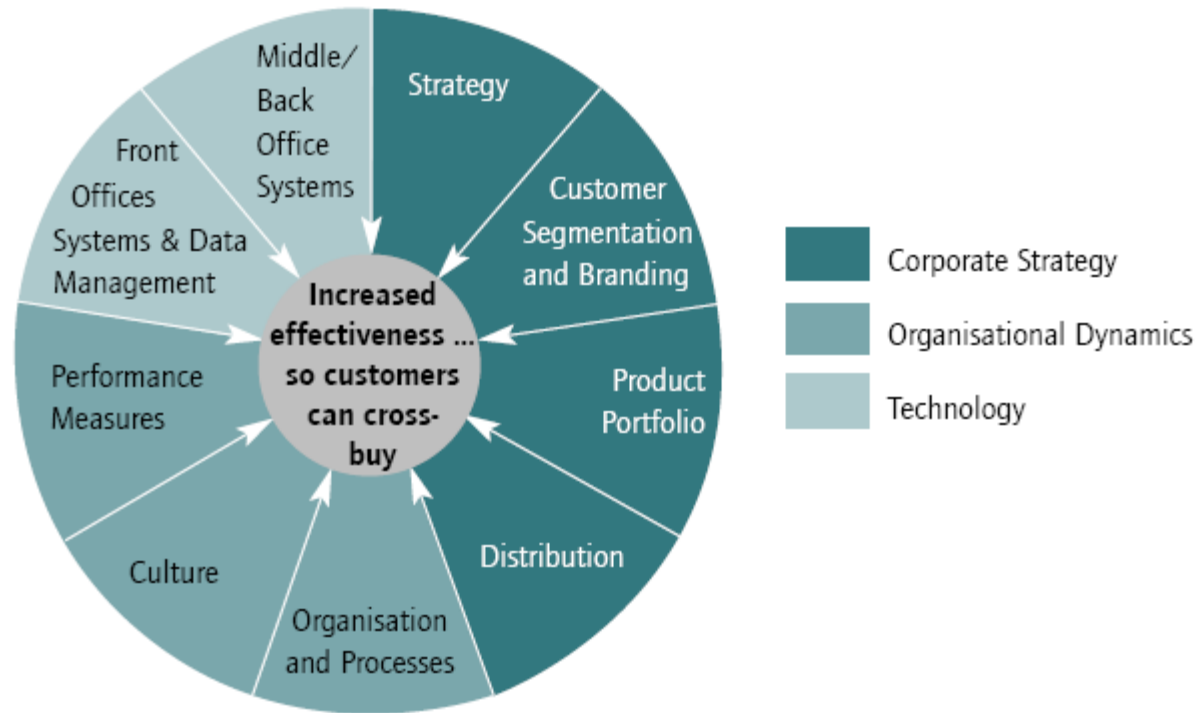
Takaful Operators are finding **Bancatakaful** to be among the major contributors to their businesses, with some achieving nearly **35%-40%** of their premium income through Bancatakaful Operations during the years **2009-2010**.

Bancatakaful Reviews

Bancatakaful has received mixed review – there are some cases that are success and there are some that are not so successful.

*...this is brought about by a lack of interest by the **branch management**, poor **product promotions**, failure to integrate **marketing plans**, improper **database expertise**, poor **sales channel linkages**, inadequate **incentives** to bank staff, resistance to change and **negative attitudes** toward insurance.*

Components of a Successful Bancatakaful Operation



The Beginning

Forming a strategic alliance involves a **great effort** for the bank and the insurer.

Any communication between the two during the pre-selection process creates an expectation of what it will be like working with each other.

Effective communication is **vital for success** and the bank and the insurer must understand each other's **requirements**, develop **common objectives** and be committed to achieving a **mutually desired** and **acceptable outcome**.

The bank and the insurer must realize that the strength of such strategic alliance depends on the **actual strengths** they both bring to the business and not their perceived or desired strengths.



Perfect Model or a Customer Proposition?

...Putting the Carriage before the Horse

In the initial stages, many companies focus too much attention on deliberating over and building a Bancatakaful infrastructure and the search for the “**perfect model**” at the expense of a clear and well thought through customer proposition.



What is in it for Us?

A great amount of time is usually spent over **negotiating** the financial terms and conditions even before business operations have been determined and validated.

What is more important is that both the bank and the insurer believe that the financial terms and conditions are **fair** as well as **attractive** to themselves so they will be fully **committed**.

Constant **negotiations** on the financial terms and conditions **work against** all efforts of **optimizing** the strategic alliance and business.



The Priority Should be “How To”

The bank and the insurer should look at the **roles** and **responsibilities** of each other.

This provides a basis to determine a financial structure that is fair to both of them. Thus, rather than the numbers themselves, the **priority** should be “**how to**” optimize the strategic alliance and business.



The Ultimate Vision of a “Big Bang Launch”

Many strategic alliances launch their Bancatakaful Operations with the ultimate vision of a big bang launch from day 1.

A handful of such can be considered a true success.



The Phased Approach

The correct launch approach is the **phased approach** in which the Bancatakaful operation is launched in small phases consisting of smaller components of the total offering.



The Phased Approach

It provides several advantages including **simple implementation, prioritized decision making, focused market penetration** through a valuable customer proposition, **tools to measure success** and **rectify factors of failures** and the **business model viability** before committing to lump-sum investment and a **learning curve** to **modify future initiatives** of the operation.



Information Technology

The business should drive IT

*...Investing heavily in an IT infrastructure needs to be **carefully** thought through and should very much **depend** on the **strategy** and resulting **business requirements**.*

This will allow to focus on **strengthening** the **customer value proposition** and creating the necessary **front-end aspects** of the Bancatakaful offering.



Keeping it Simple

Simple products are easy to describe and easier to understand.

...There are many retail offerings that do not meet the basic criteria of being simple relative to the market.

Lessons from other markets should be tailored to **customer demographics, social and cultural factors, regulation, customer preferences** and market stage of **development** and **sophistication**.



Execution Excellence is the Key to Success

Banks and insurers should **focus** on what is important and adopt a **relentless ambition** to build a leading Bancatakaful business.

Post implementation, the hard work will begin as organizations must carefully **monitor** their businesses, learn from the **results** and **modify** to create **significant** and **meaningful** businesses.





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