



**Championing Takaful Penetration in GCC Countries:
Effectively Tapping Potential in Under-Penetrated Markets
through Product Innovation**

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Takaful Industry Overview

Takaful is generally recognized as one of the **fastest growing businesses** in the field of Islamic finance.

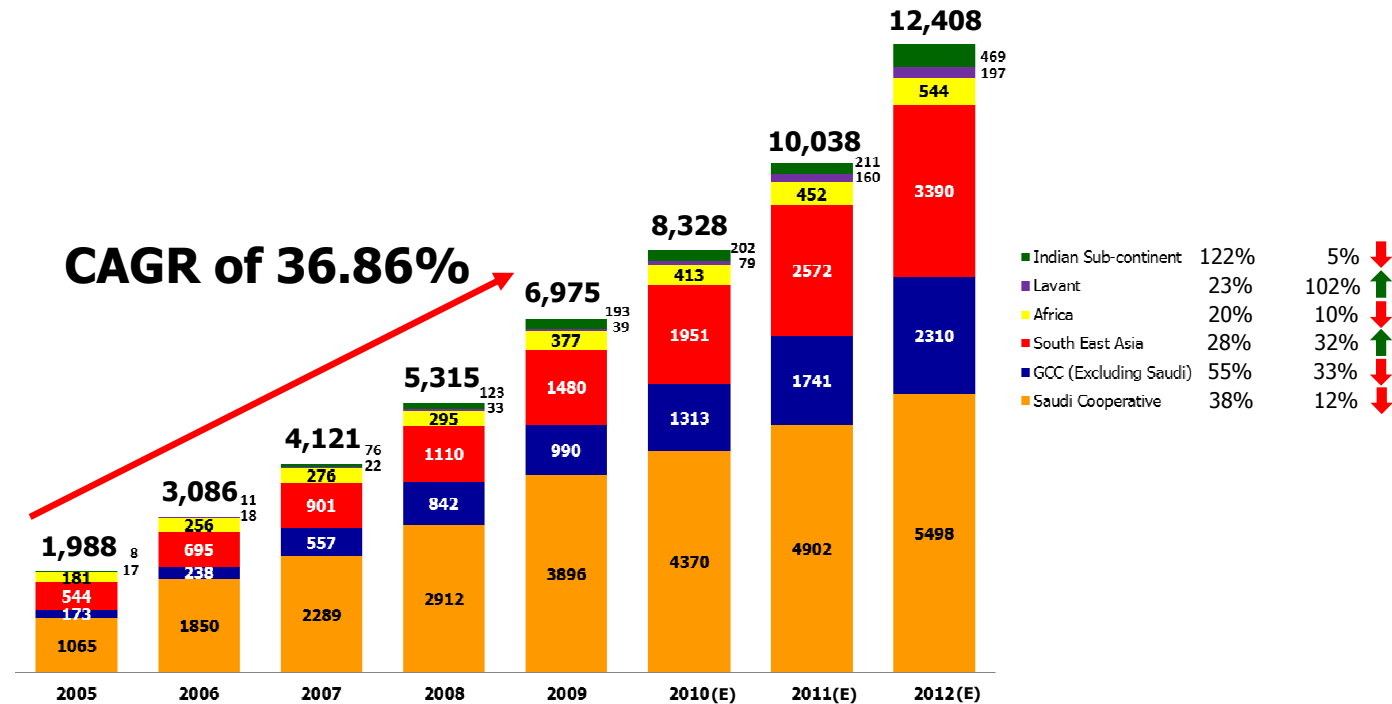
It is estimated that there are currently well over **195 Takaful Operators worldwide.**

The **GCC** still holds the largest number at **77** Takaful Operators, but registered relatively low average contributions of US\$63.5 million per operator while **Malaysia** leads the world with US\$115.8 million with **14** Takaful Operators.



Gross Global Takaful Contribution Amounts

Gross global Takaful contributions grew at a **CAGR of 36.86%** during **2005** to **2009** reaching **US\$ 6.975 billion** in **2009**.



Source: E&Y World Takaful Report 2012

Takaful Contribution Concentration Centers

The **GCC** has a high number of Takaful operators and relatively low average contributions per operator. **77 operators grew their contributions by an average of US\$10m in 2010.**

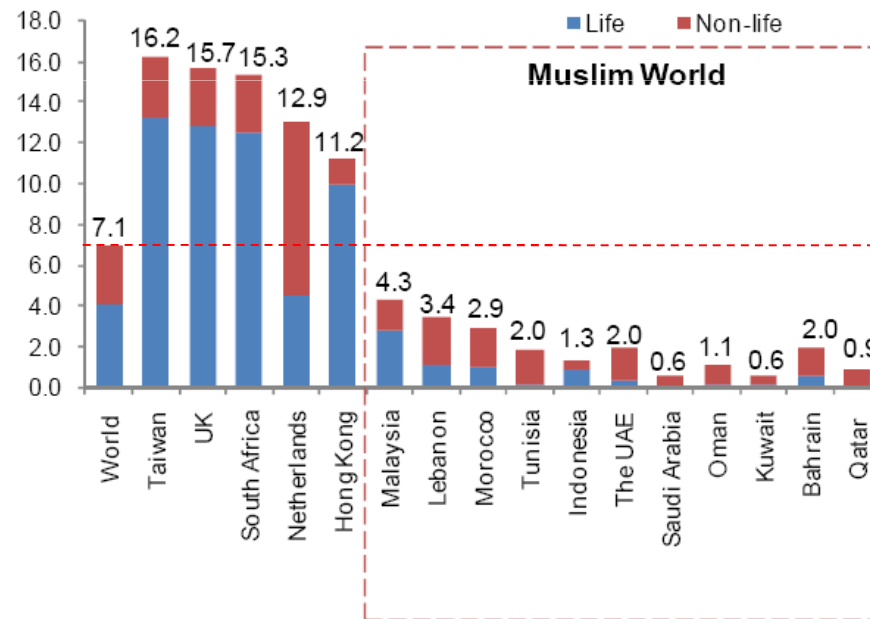
Malaysia has a relatively high ratio of average gross written contributions per operator. **14 operators grew their contributions by an average of US\$20m in 2010.**

Medical Takaful has become a major business line in **GCC**. **Family Takaful** is the dominant business line in **Malaysia**. Marine and Aviation Takaful business activity remains minimal.



Low Penetration in Muslim Countries

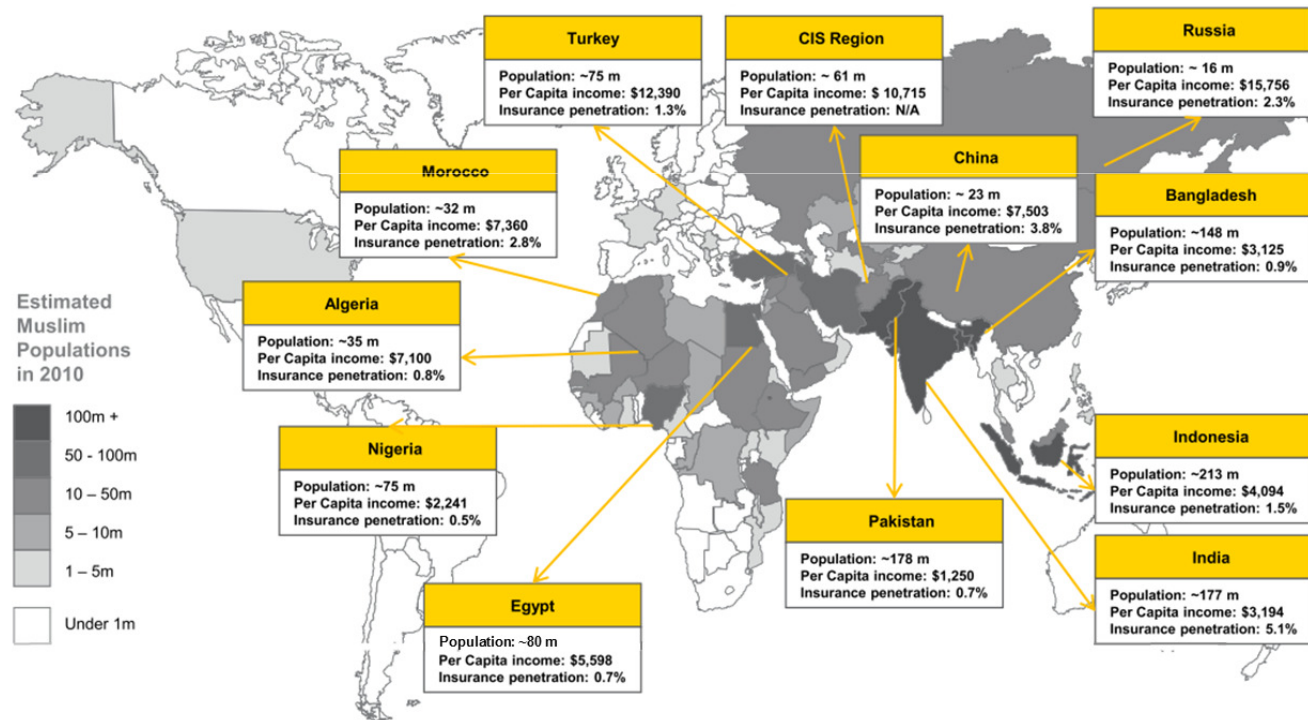
Insurance penetration in Muslim countries is **low** and was around **1.4%** of the **GDP** when compared to the **global average** of **7.1%**.



Source: Swiss Re 2009

Takaful Industry Growth - Potential

The **potential** for **Takaful Industry** to grow in Muslim countries and worldwide is **tremendous**.



Source: E&Y World Takaful Report 2012

Takaful Industry's Untapped Potential

Takaful industry is currently concentrated in limited markets, segments and business lines. However, there is immense unrealized potential that can be achieved through:

1. Potential Market Space in Takaful Hubs.
2. Untapped Customer Segments.
3. GCC's Untapped Business Lines.
4. Global Market Potential.
5. Frontier Market Potential.
6. Potential of Dormant Markets.
7. Micro-Takaful
8. Distribution & Reach.
9. Potential of Value Driven Segment.

The Need for Innovation

Considering the **significant growth** of takaful operators, one might argue that the industry does not need to pursue radical innovation. However, an analysis of the industry relative to other financial services paints a different picture.

Growth is slowing down and returns are declining.

Underscoring this decreased relevancy are **low ownership rates** with **core takaful products**.



Is Now the Time?

Is now the time for breakthrough innovation in the takaful industry particularly in family takaful?

The answer is emphatically – and urgently – **“yes”**.

The **retirement of the babyboom generation** presents takaful operators with an **opportunity** that is **unprecedented** in its **size** and **scope**.

They are **uniquely positioned** to respond to one **critical opportunity**: providing products that address **consumers' concerns**.



Takaful – Products

Takaful products can be classified under two categories:

- **Risk** Type Products
- **Investment** Type Products with an Element of Risk

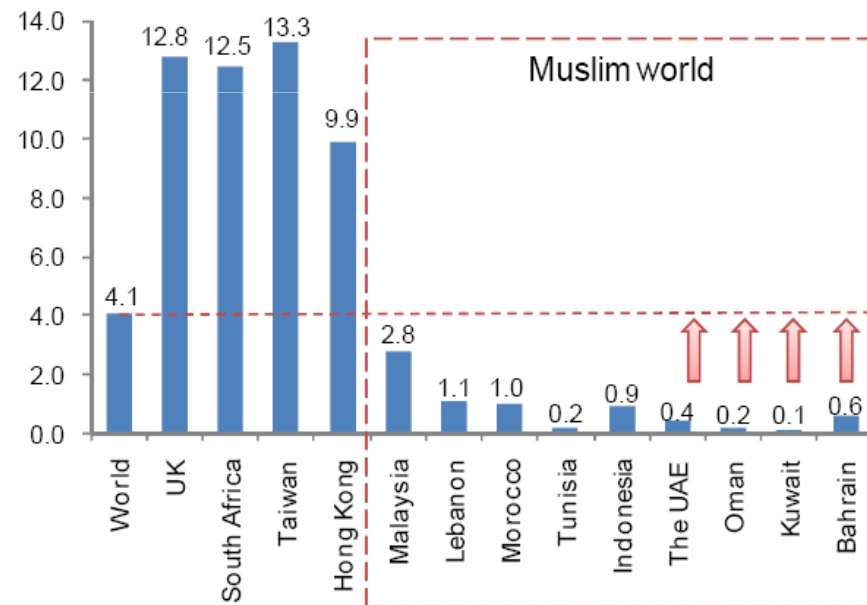
Takaful products can be broadly grouped under two primary categories: **General** and **Family** Takaful.

Takaful market is largely dominated by general Takaful.



Takaful – Products

Penetration in family Takaful still lags behind general and health Takaful as the lack of awareness still pose a challenge.



Source: Swiss Re 2009

Takaful – Products

The considerable **economic growth** in the Muslim countries i.e. GCC Region, coupled with a sizable, **underinsured population**, means that there are substantial prospects for further development of **personal lines cover**, which remains underdeveloped and tend to be less exposed to cyclical market swings.



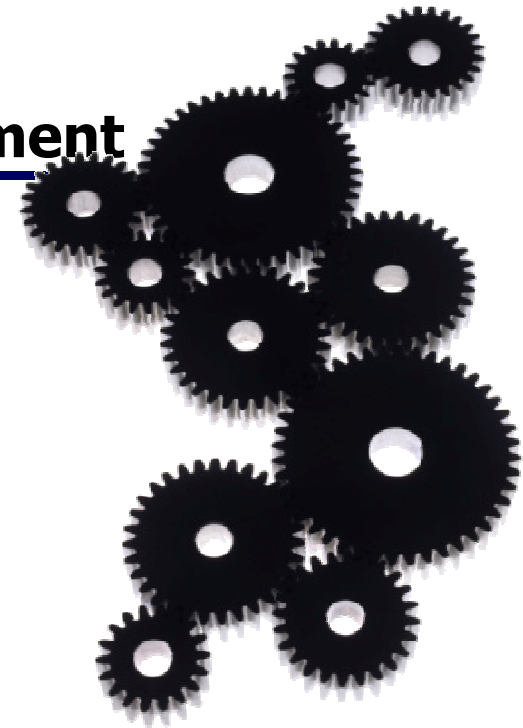
Innovation is the Key

1. A New Approach to Product Development
2. Underwriting and Pricing
3. New Distribution Models
4. Operations Led Innovations



A New Approach to Product Development

Takaful operators can **accelerate the process of product development** and **reduce their costs** by implementing a “**design-to-cost**” process that allows **multiple products** to be created from a **single platform**.



Underwriting and Pricing

As the market for savings products i.e. annuities grows, takaful operators can **manage their risk** and **speed the sales process** by purchasing customers' **health information**, readily available in electronic form, rather than relying on **traditional underwriting methods**.



New Distribution Models

Takaful operators can create **new distribution models** that position them for the **changing demographics** around the globe.



Operations Led Innovations

Takaful operators can substantially lower their **operational costs** and increase the number of people with **access to the product** and investing the savings in targeted advertising.



Conclusion

Innovations such as these will drive growth by helping the takaful industry meet the needs of many consumers who lack access to its products today.

By **focusing** on **consumer needs** and **developing new products, distribution approaches, and operating models**, the industry can achieve a step change in its performance.

Takaful operators that can act promptly to address the issues raised – will be well positioned to win the race to capture the enormous opportunity.





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