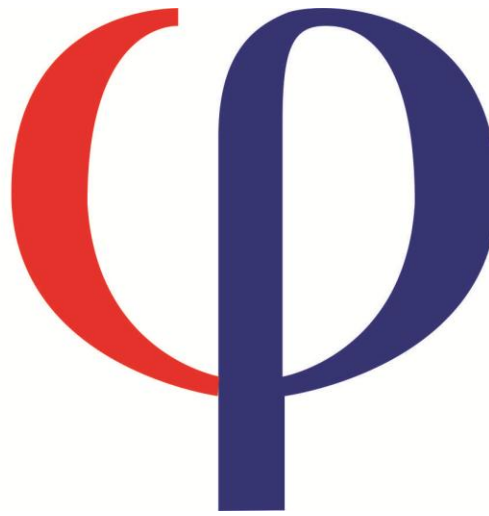


**AMANA
COOPERATIVE
INSURANCE**



**أمانة
للتأمين
التعاوني**

Bringing Cooperative Insurance in Line with Takaful

International Takaful Summit, Cairo

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Cooperative insurance background

1976: Makkah First international conference on Islamic economics

1977: Saudi Arabia Fatwa issued by higher council in favor of Islamic insurance model

Cooperative concept was the choice of the Saudi law makers due to its voluntarily nature, social, economic, and cultural benefit.

Cooperative insurance background

- The basic fundamentals underlying the Takaful concept are very similar to co-operative and mutual principles to the extent that the cooperative and mutual model is one that is accepted under Islamic law.
- The Cooperative insurance model entitles the participant to share in the net surplus of the Company rather than only receiving the surplus from the claims pool. If the Company achieves a net surplus at the end of the year, a pro-rata share of 10% of that net surplus will be distributed to the Participant

Cooperative insurance background

In 2011 Saudi Insurance companies were required to convert their existing products to adhere to the Cooperative insurance model

Insurance Market in Saudi Arabia

- The overall insurance Gross Written Premiums increased by SR 2.117 Billion (\$ 564 Million) to reach SR 18.504 Billion (\$ 4.9344 Billion) in 2011, compared to SR 16.387 Billion (\$ 4.369 Billion) in 2010, which represents a growth rate of 12.9%
- Health insurance remained the biggest line of business in 2011. Its contribution to total GWP slightly decrease from 53% in 2010 to 52.5% in 2011, while General insurance's contribution to total business volume increased from 40.7% in 2010 to 42.6% in 2011
- Health insurance accounted for SR 1.100 Billion (\$ 293 Million) of the SR 2.117 Billion (\$ 564 Million) increase, which represents a 52.5% contribution to the market's GWP increase
- Protection and Savings insurance remained the smallest line of business accounting for 5% of total GWP, with a decrease in its written premiums by 6.9% in 2011

Example of compulsory growth in cooperative model

Cooperative Health Insurance (CHI)

- Enacted in 1999
- Implemented on 3rd Q 2006
- Started in phases with organizations of 500 staff members and more.
- 508,474 insured members at end of 3rd Q 2006
- By Year 2011 there was 7,983,597
- Ex-pats 5,674,313 and 2,264,284 Saudis
- Expected to reach 8.5 Million insured members in 2012

- Saudi Economy
- Health Delivery
- Social Lives
- Attracted specialized expatriate professional

Change Management

- I have conducted a research on: The Resistance to change in Saudi private and government Providers after the implementation of CHI.
- Participants:
 - Private hospitals
 - Insurance companies
 - Ministry of Health
 - National Guard Hospital
 - Ministry of Health hospital “public hospitals”

Recommendations

- Appropriate Orientation Programs
- Training Programs
- Adopting Standards (NCHIS and others)
- Accreditation Programs
- Health Insurance Programs
- Quality Improvement
- Fair pay & Incentives
- IT Systems Improvement
- Privatize and Invest in Health Facilities

Theoretically, Takaful is perceived as cooperative insurance, where members contribute a certain sum of money to common pool. The purpose of the system is not profits but to uphold the principle of “bear ye one another’s burden”

- It is more of a charity work
- It is made to help the needy
- It contributes to time of need
- No time limit to pay back
- Community oriented
- It encourages social economy

Takaful Negative effect

- It discourages competition
- Less accountability in decision making
- Dependability
- Discourages free market
- Discourages entrepreneurial ship

Saudi Efforts to line up between the two methods

Lining up between Takaful and Co-operative Methods in Saudi Arabia took several steps:

1- Takaful scholars worked closely with Cooperative Insurance Companies to Identify the common grounds such as:

a- The investments of shareholders fund and policy holders fund to be sharia compliant.

Saudi Efforts to line up between the two methods

b- The insurance products to be in compliance with Sharia principles

c- Surplus distribution to be open to BOD decision for distributing a minimum of %10 of profits instead of being with a 10% maximum.

d- Adjust the policy wording to reflect more sharia compliance wording similar to Takaful but in a less concentrated approach.

The main factors of adopting the cooperative model

Shari 'a Compliance is a fundamental principal in the Saudi Culture

- Reinsurance uncertainty and long term commitment concerns for the Takaful model.
- Insurance funds Investment issues; Sharia compliance
- Capital commitment of the Cooperative model vs. the Takaful model.
- Growth factors are motivating the industry.

Conclusion

Depending on what each company's ambitions based on its economical environment as well as the country's economical strength should make the right choice between cooperative and Takaful design

THANK YOU