



Swiss Re

General Public Release

# Modalities for supporting Takaful provisions by Retakaful providers

SWISS RE  
**150**  
YEARS

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**International Takaful Summit – 25<sup>th</sup> and 26<sup>th</sup> February 2014**

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# Primary missions of the Retakafulers

## At first sight, similar to conventional reinsurance...

- Capacity is normally not a major issue for life or Family Takaful. But the GCC, with high property prices, observes an increasing demand for higher covers.
- Pricing expertise: determining the right Best Estimate (challenging mitigation between contribution and repaid surplus in a competitive environment)
- Mitigation of the risk / law of large numbers

## But sometimes, the basic principles of Takaful impose a different discipline

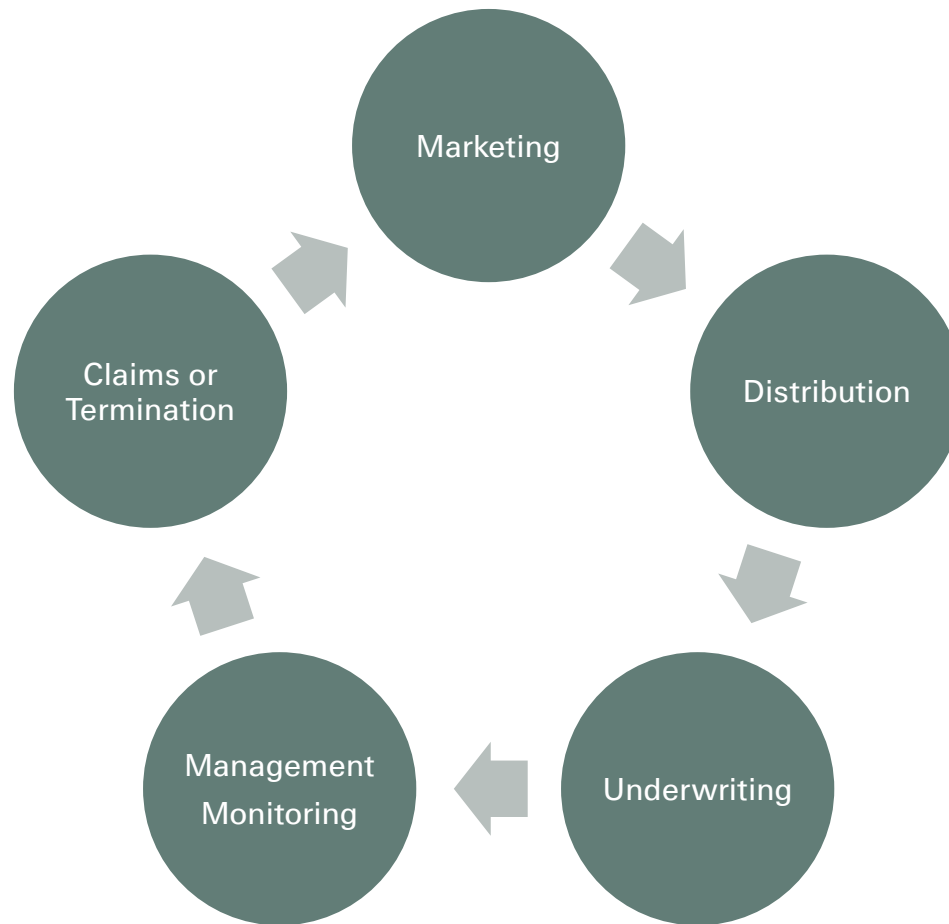
- What about volume discount in Group Family Takaful? Can it be applied to the pooled contribution, or the Wakalah fee?
- Which impact of the qard eh-hasn on the costing?
- What about the exclusions and/or the extensions?
- How can we handle level premiums, single premiums as compared to risk premiums?
- Can we cover all reinsurance covers into a retakaful one? Even CatXL?

The specific nature of  
Re/takaful challenges our  
attitude toward risk

Need for a long term vision

# Paving the way for a sustainable and integrated Family Takaful industry

# The risk life cycle of Family Takaful



## Stress is put on the customer behaviour

- The untapped potential of Takaful is not a myth. The protection gap is huge even in the Western world. However:
  - tax incentives?
  - social security cover?
  - cannibalism with conventional?
  - cultural attitude?
- Adjusting new (conventional) trend observed in most mature markets, especially fitting to the regional Takaful context
- Product development: tailor-made product

## Case study

- Micro-Takaful is an example that it's not all about capacity:

The case of i-Br1m in Malaysia.

- Flexibility and innovation to support the Re/Takaful demand:

HNW support for the Gulf countries

# Client centricity with a long term vision

## Necessity of a converging industry

# Diversity of approaches for a converging view

# Takafulers and Retakafulers share many common interests

- Risk appetite and management
- Fair pricing, especially with surplus simulation
- Customer centricity (consumer behaviour analysis) and enlarging the customer's range

## But the view angle can significantly vary

- Portfolio steering is mostly influenced by distribution
- How should we underwrite/price a retakaful participant as compared to a conventional policyholder?
  - socio-economic impact?
  - biometric aspect?
  - Other?
- Capital requirements and different return patterns

# Cooperation to extend the reach of the Re/-Takaful offer

There is already a growing cooperation on:

- Human resources
- Regulation
- Product development to match customers needs

The future of family Re/-Takaful depends on diversity of the offer, including geographic. The exploration of new territorial areas is a domain where more extended cooperation is possible and necessary.

- How to penetrate totally untapped markets? The instance of Western Africa.
- What about the case of mature non-Muslim markets? A case study of France.

# Shared concern for a sustainable and diversified industry

# Writing business for a sustainable industry



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