



somewhat  
different

# Retakaful

Thoughts on Filling the Gaps in Retakaful Provision

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# A brief introduction to a brief presentation

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- ▶ Takaful and retakaful are fairly young industries and gaps are expected
- ▶ Challenges exist on both front and back end of the Sharia compliant supply chain
- ▶ The gaps in retakaful are created by both the supply and demand sides

# Where do the gaps come from?

## Overview

### ► Supply

- Capacity
- Appetite
- Pricing
- Expertise
- Training
- Innovation
- Sharia compliance
- Rating

### ► Demand

- Capacity
- Retention
- Competition
- Sharia-compliance
- RBC

# The Supply Side

## The retakaful provider

- ▶ Capacity and Appetite
  - Capacity is available but needs to be allocated wisely
  - Risk appetites differ by lines of business and with cycle management approach
- ▶ Pricing
  - Our young markets are price sensitive
  - Retakaful needs to be priced reasonably with the underlying risks in mind
- ▶ Expertise and Training
  - Cedants expect sharing expertise and transferring knowledge
  - Training is essential and needs to be designed to meet the needs

# The Supply Side

## The retakaful provider (continued)

### ► Innovation

- New products and new opportunities
- Exchange and “brainstorming” between retakaful buyers and sellers is essential

### ► Sharia Compliance

- Commitment to compliance must be on both ends of the chain: takaful and retakaful

### ► Rating

- It is important, but proves challenging with deterioration in pricing and margins

# The Demand Side

## The takaful provider

### ► Capacity

- While capacity is available, capacity requirements need to be in line with the portfolio in question

### ► Retention

- Adequate retention is essential as investment returns diminish
- Adequate retention aligns interests and is in the best interest of all concerns

### ► Competition

- Price sensitivity is on both the direct and the retakaful sides
- Competition is good, but technically sound pricing is a matter of survival

# The Demand Side

## The takaful provider (continued)

### ► Sharia Compliance

- Commitment to compliance must be on both ends of the chain: takaful and retakaful (again)

### ► Risk Based Capital

- RBC plays a major role in retakaful selection
- RBC regulation needs to consider the special nature of takaful and retakaful



# Where do the gaps come from?

## and what to do about it

### ► Supply

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- Rating

### ► Demand

- Capacity
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**Thank you very much**