

Business Solutions for Takaful Provision

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TODAY'S AGENDA

1. Introducing Takaful Outsource, LTD
2. Some Basic Definitions
3. Product Centricity
4. Customer Centricity
5. Product Centric / Customer Centric Paradigm Shift
6. Ethical Consideration vs Shareholder Metrics (CLV)
7. Analytical Technology (Predictive Analytics, Big Data, Social Media)
8. Practical Examples
9. Summary

Takaful Outsource, Limited (TO) is a consulting and outsourcing firm specializing in serving the global takaful industry, particularly insurance/takaful companies, reinsurance/retakaful providers, private institutions, training institutes, and government regulatory authorities.



A solution is:



- ❖ A product, combination of products, services, or a mix of products and services;
- ❖ Vendor or service that provider will offer to client;
- ❖ Provided to address the client's specific business problem or other need.

Business Solutions:

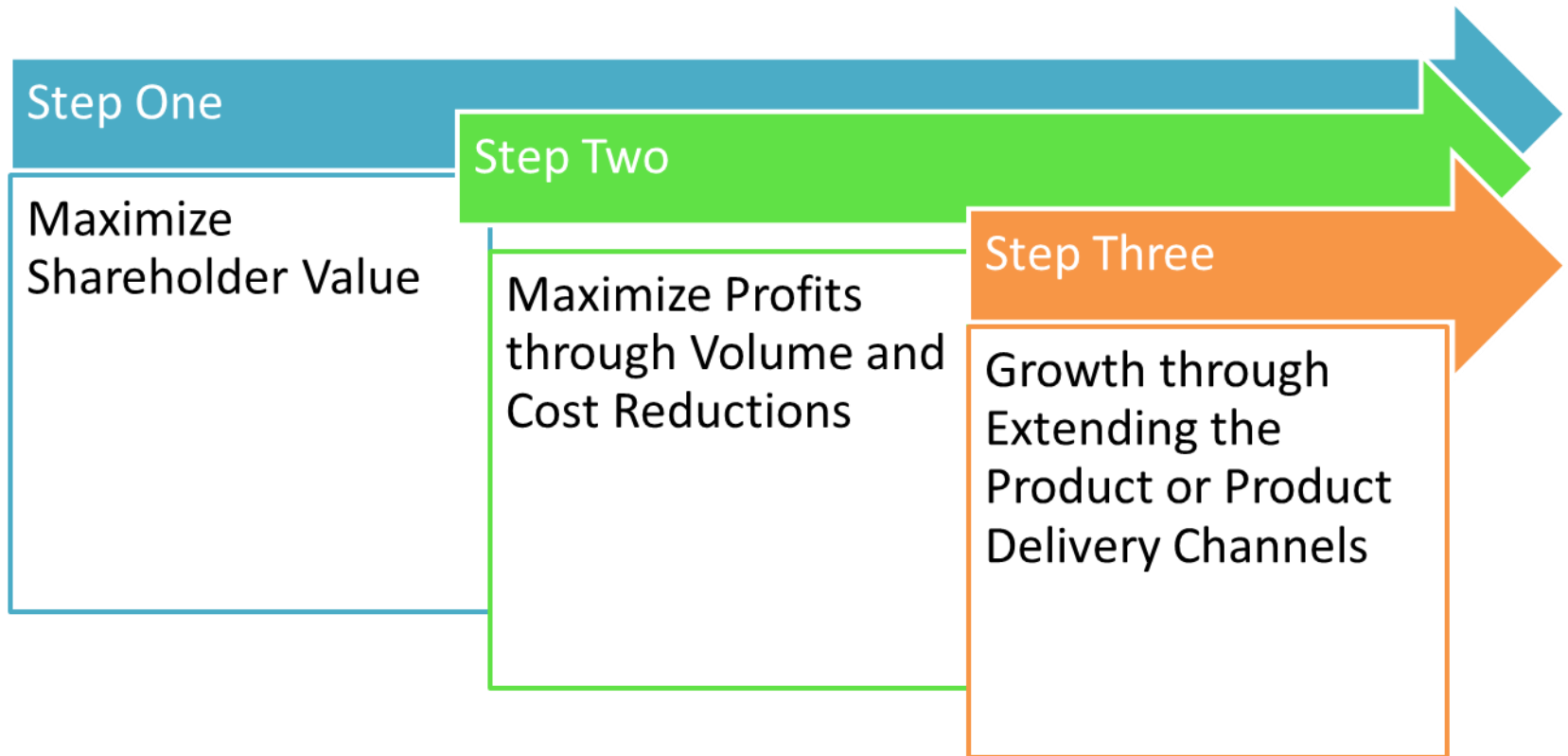
- ❑ Answers to the needs of business decision makers taking risks as they face ***challenges*** and ***opportunities***
- ❑ Associated with improving individual, team, and organization performances that directly impact *bottom-line* results for organizations



= : = : = : = : => Takaful Provision



Traditional Steps in Running A Business



This is the typical Product Centric Paradigm

What is a Customer Centric Organization?

1. Commitment to customer success
2. Engaging with customers
3. Provides top-down support
4. Recognize the customer across all lines of business
5. Designs processes from the customers' point of view
6. Measures what matters most to customers
7. Fosters customer innovation

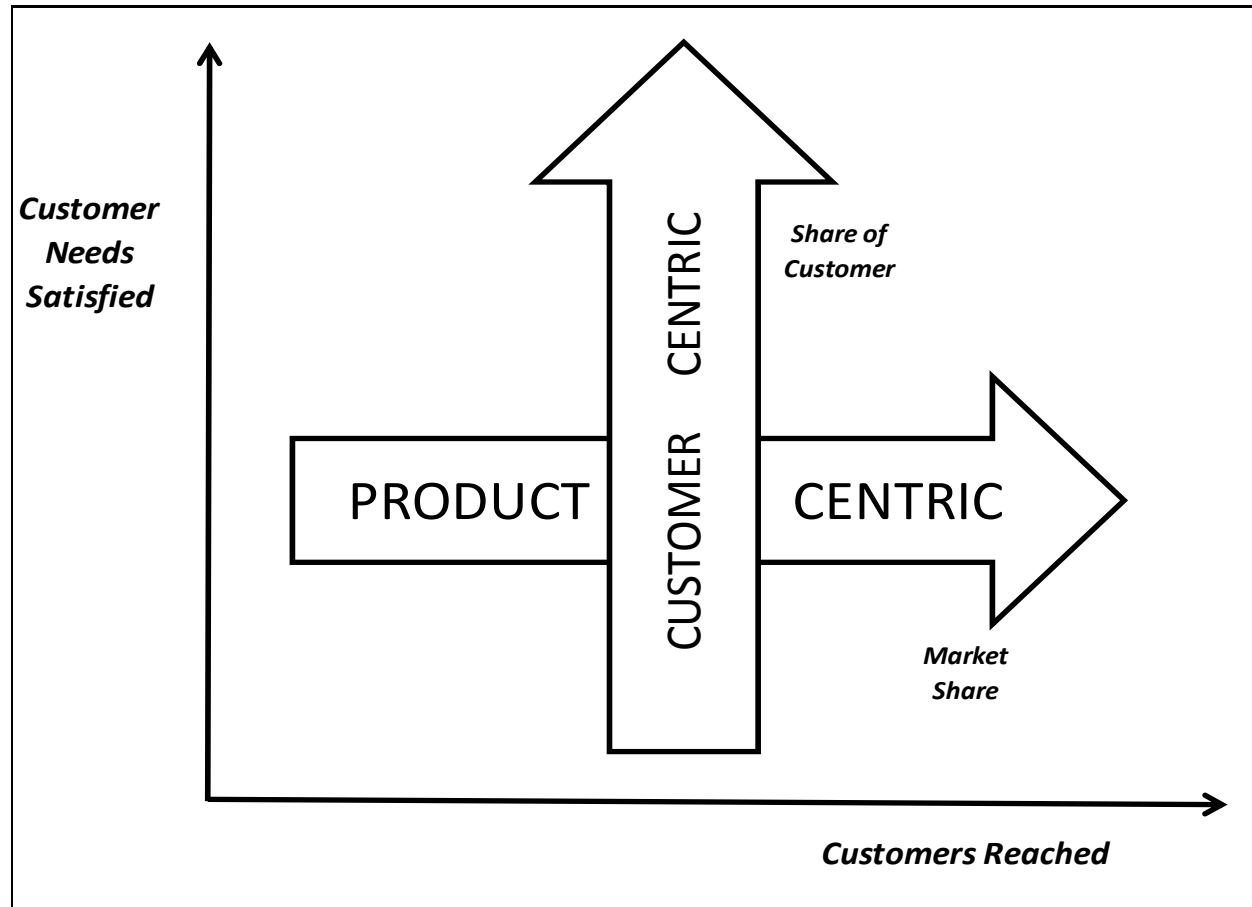


What *truly* is Customer Centricity?

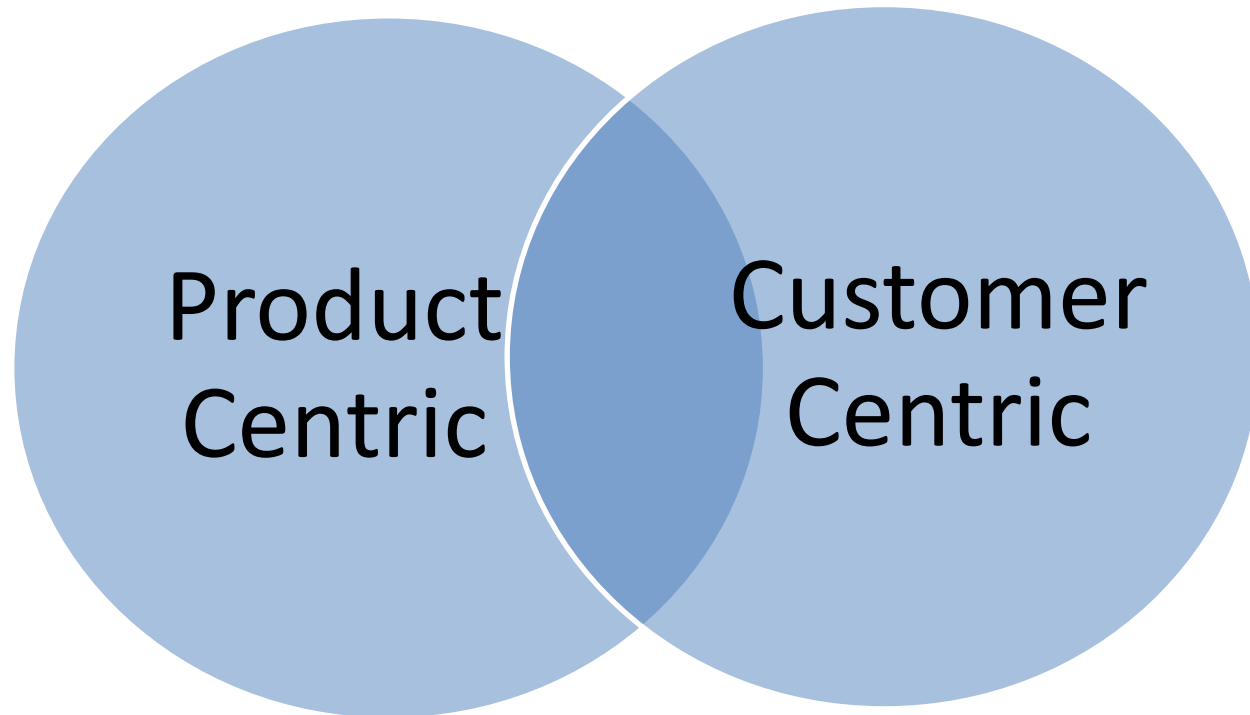
- Celebrate Differences (distinguish profitable from less profitable)
- Focus on future profitability (Customer Lifetime Value)
- Efficient customer acquisition, retention, development
- Data Driven Relational Expertise

A Customer Centricity Keynote by **Peter Fader** Offers New Strategies – Wharton School of University of Pennsylvania

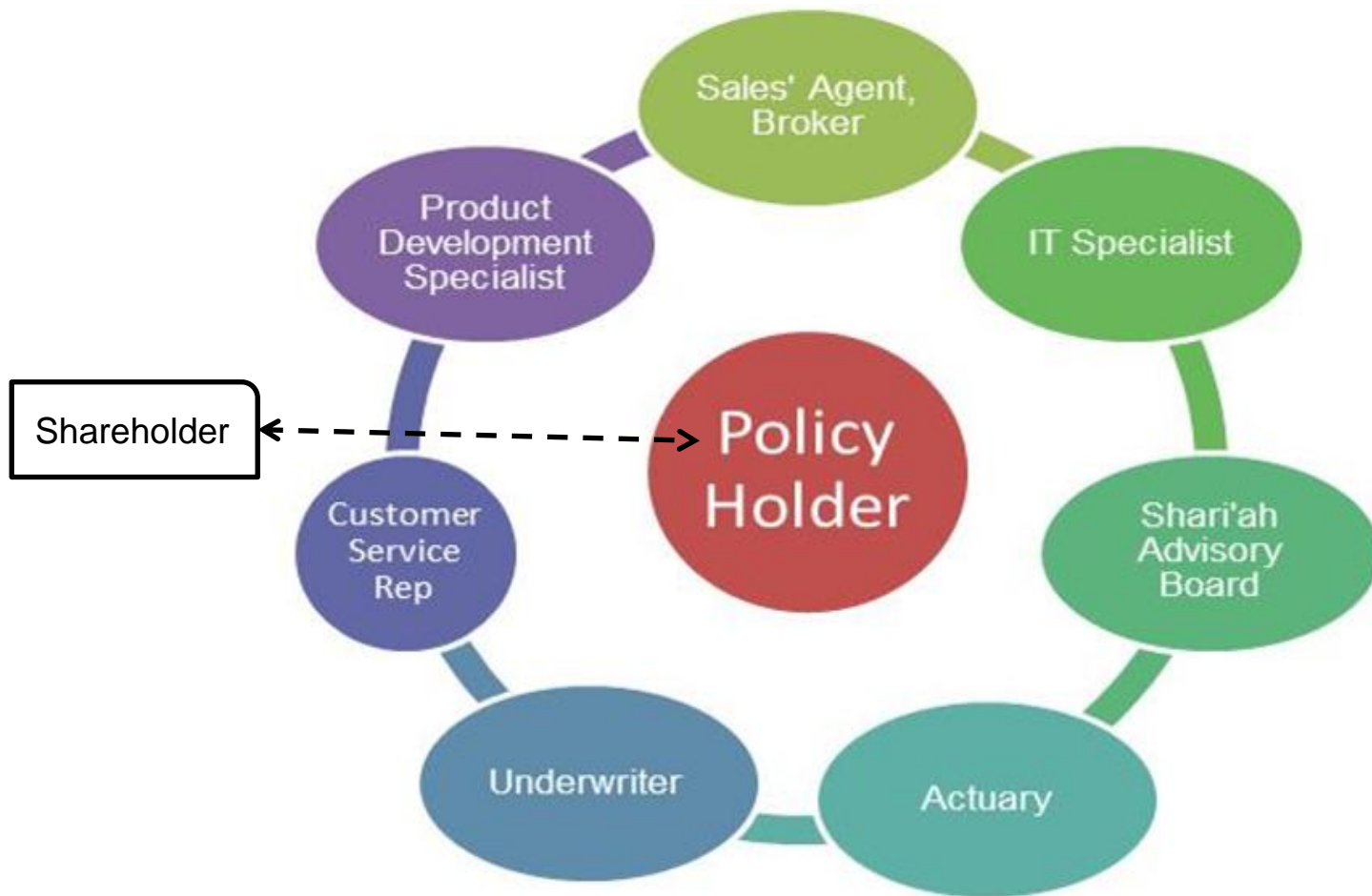
Product Centric to Customer Centric Paradigm Shift

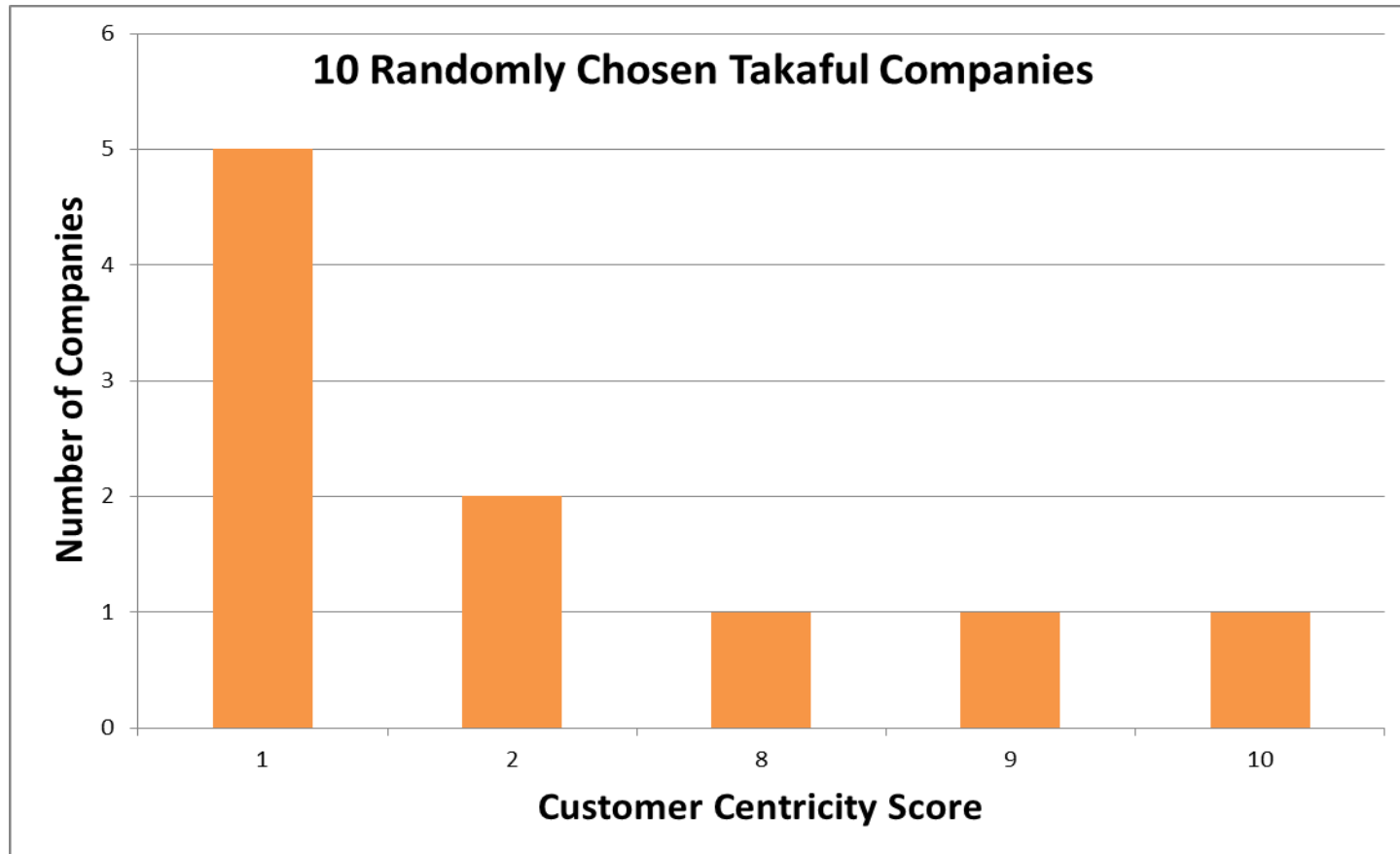


Goal in Customer Centricity is the same as
in Product Centricity: **Maximize Profits**



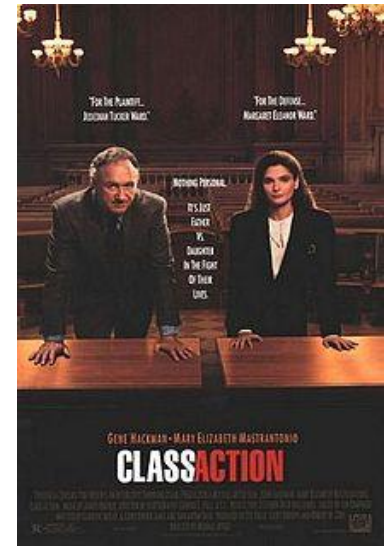
Holistic Takaful Product Life Cycle Management





Class Action (Hollywood Film – 1991)

Starring Gene Hackman and Mary Elizabeth Mastrantonio



- Auto manufacturer in the film retains actuarial consulting firm
- Projections of actuaries for probable deaths and injured car-owners weighed against the cost of re-tooling and re-manufacturing the car without the defect (exploding gas tanks)
- Resulting decision to keep the car as-is to positively benefit short term profitability



“Vanilla” Family Takaful Term Protection Product - CLV

Impact of Term on Young Age on Lifetime Profit Margin

	MODAL POINTS		
Age	25	25	25
Gender	Male	Male	Male
Term (Years)	25	35	45
Level Sum Covered	100,000	100,000	100,000
Annual Gross Level Contribution	496.24	745.71	1,224.52

(1)	Present Value of Shareholders' Profit	151.49	1,134.61	3,332.66
(2)	Present Value of Lifetime Contributions	2,890.07	4,420.90	7,286.49
(3) = $\frac{(1)}{(2)}$	Lifetime Profit Margin	5.24%	25.66%	45.74%

Impact of Term on Middle Age on Lifetime Profit Margin

	MODAL POINTS		
Age	45	45	45
Gender	Male	Male	Male
Term (Years)	5	15	25
Level Sum Covered	100,000	100,000	100,000
Annual Gross Level Contribution	594.22	810.10	1,375.81

(1)	Present Value of Shareholders' Profit	(0.00)	244.83	1,876.62
(2)	Present Value of Lifetime Contributions	1,961.70	4,295.86	7,875.95
(3) = $\frac{(1)}{(2)}$	Lifetime Profit Margin	0.00%	5.70%	23.83%

“Vanilla” Family Takaful Term Protection Product - CLV

Impact of Age on Short Term for Lifetime Profit Margin

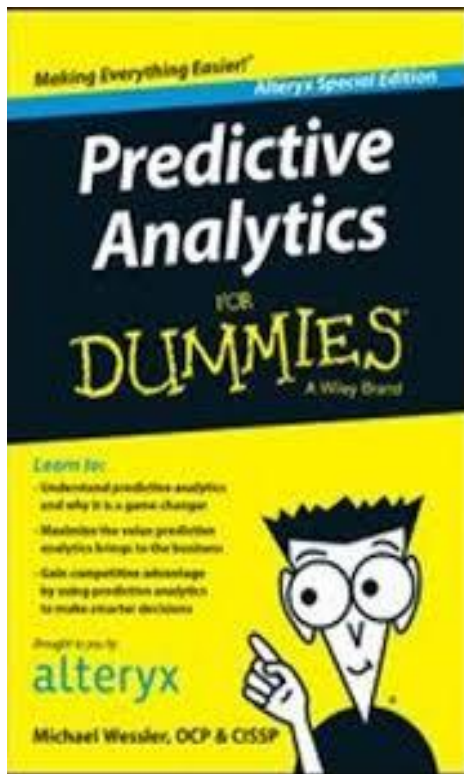
	MODAL POINTS		
Age	25	35	45
Gender	Male	Male	Male
Term (Years)	5	5	5
Level Sum Covered	100,000	100,000	100,000
Annual Gross Level Contribution	416.36	436.48	594.22

(1)	Present Value of Shareholders' Profit	64.28	3.82	(0.00)
(2)	Present Value of Lifetime Contributions	1,448.67	1,448.34	1,961.70
(3) = $\frac{(1)}{(2)}$	Lifetime Profit Margin	4.44%	0.26%	0.00%

Impact of Age on Long Term on Lifetime Profit Margin

	MODAL POINTS		
Age	25	35	45
Gender	Male	Male	Male
Term (Years)	25	25	25
Level Sum Covered	100,000	100,000	100,000
Annual Gross Level Contribution	496.24	724.69	1,375.81

(1)	Present Value of Shareholders' Profit	151.49	675.21	1,876.62
(2)	Present Value of Lifetime Contributions	2,890.07	4,206.23	7,875.95
(3) = $\frac{(1)}{(2)}$	Lifetime Profit Margin	5.24%	16.05%	23.83%



Predictive Analytics is the process of using a set of sophisticated analytic tools to develop models and estimations of what the environment will do in the future.

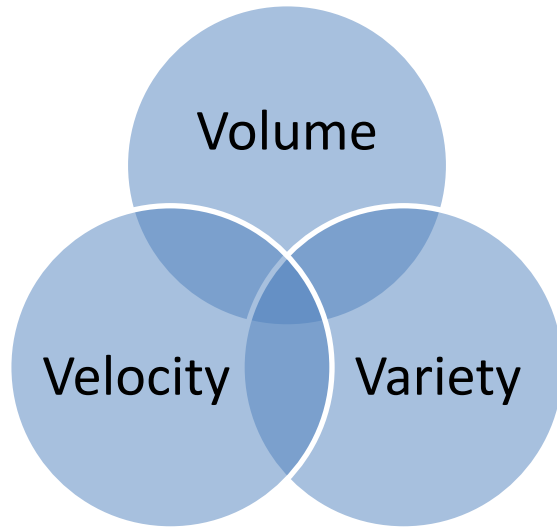
- ☐ *Create a prediction of the future based on data*
- ☐ *Take advantage of opportunities that might occur*

Predictive models can:

- ✓ Proactively provide better customer service
- ✓ More efficiently acquire more profitable customers
- ✓ Sell more products and services to existing customers
- ✓ Keep profitable customers longer

Evolving Questions

- Where do customers live, and what do they do for a living?
- How much will wealthiest customers spend for product or service?
- If customers buy product A, what percentage will also buy product B?



Big Data is “high-volume, high-velocity, and/or high-variety information assets that require new forms of processing to enable enhanced decision making, insight discovery, and process optimization.”

Big Data comes from multiple sources:

- online access
- mobile devices
- social media
- scientific devices
- e.g. Twitter Tweets, generated every day



Social
Media (FB,
Twitter, etc.)

شركة التكافل

CUSTOMER Fitness to
PRODUCT

PRODUCT Fitness to
CUSTOMER

Customer FB Post or Tweet of
New Baby

Takaful Co Congratulates; Suggests
Education or Marriage Plan

Customer posts **Job
Promotion** on LinkedIn

Takaful Co Congratulates; Suggests
("Upper-Writing) Product Upgrade
[higher contribution / sum assured]

Customer posts frequent **SHARK
Diving** Instagram Pictures

Takaful Co Underwriters Exclude or
Suggest Rate Loading for Extra Mortality

Progressive's **Dave Pratt** on the Evolution of UBI

- 15-year-long effort to take usage-based insurance (UBI) into the mainstream
- Predictive models are the “secret sauce” that gives the company a competitive advantage in the UBI space
- *“We can look at [a driver’s data] and compare them to our loss experience and that’s how we can tell that people who don’t hard brake very much are less likely to have accidents. That’s what drives our pricing models.”*
- Trying to attract and keep good customers for a long time
- Forgo short term higher profit margins
- Identify the safest drivers, give them discounts, and keep them a long time



Health Insurance Example:

- ✓ Continuous monitoring of an insured using their smartphone
- ✓ If any one of several key biofeedback measures begins to register out of a normal range, the insured receives a text to schedule a doctor visit
- ✓ Insurer is constantly aware of the health of the insured and takes proactive steps to intervene appropriately when needed



Business Solutions for Takaful Provision Require:

Product Centric / Customer Centric “Hybrid” Operators

Meeting ever-changing customer needs and expectations without compromising adherence to Shari'ah rules and principles

Zero-tolerance among staff for anything less than the highest of ethical standards

Embracing evolving technology (Social Media, Smartphone Apps, etc.)

Finding tools to analyze under-utilized data to quickly respond to market conditions

Development of resources and expertise

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Thank
You