

Building a sustainable Takaful model within growth and developed markets



International Takaful Summit

17th February, 2015

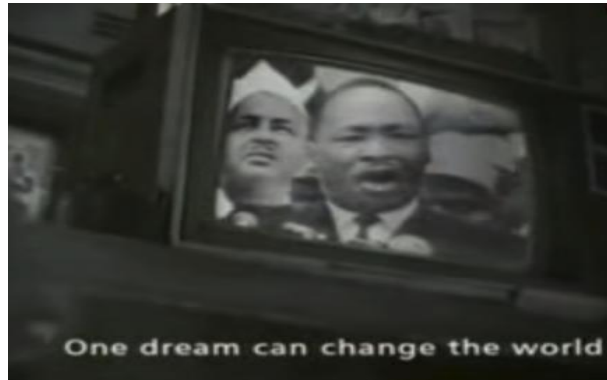
The Savoy Hotel, London



Sohail Jaffer

Can *Takaful* communicate its true potential to the world ?

Takaful has a strong content & competence ... Communication holds the key



Climate
Change



Women
Empowerment

Can *Takaful* compete & be a financial service of choice ?

... Takaful shall focus on its strengths and the rest will follow

“Democracy is the worst form of governance, still the best available option”

“The real hallmark of education is what's left in your mind when you have forgotten everything else”

At times, it is lack of choices which forces consumer to choose a product or service which isn't ideally suited

Takaful is like a good education which every consumer remembers & prefers (if made available)

Analogy – Sky is the limit & innovation is a critical factor

Before iPod –
People were still
listening to music

Before iPhone –
People were still
talking

Before iPad –
People were still
browsing

Before Takaful – People were still choosing Insurance



iPod



iPhone

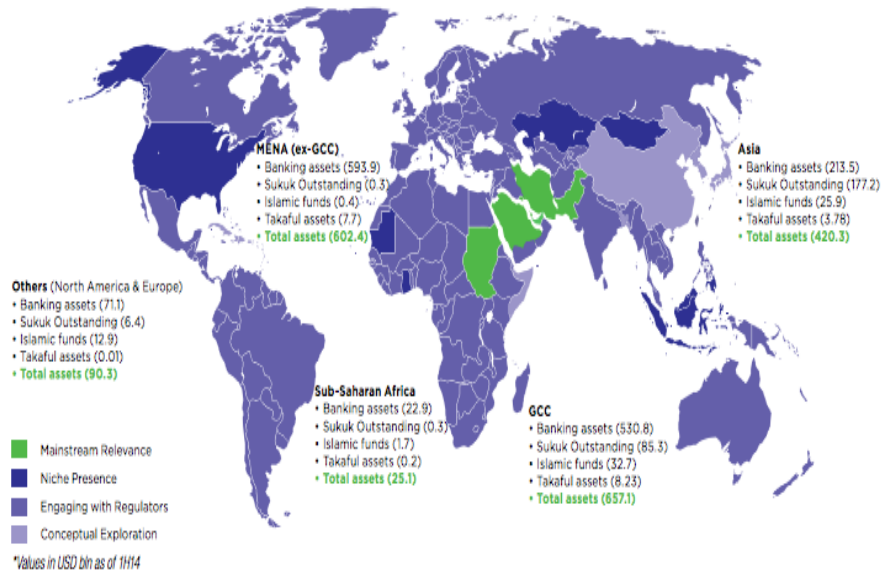


iPad

Growth & Developed markets – Prospects for Takaful

... Takaful shall grow its footprint in Economies that matter

DNA of Takaful is rooted in Middle East - South East Asia



Global Presence of Islamic Finance (2014)

Source: KFHR



France



UK



Germany



Nigeria



Indonesia



India



Turkey



South Africa

Grow the footprint

- ① New Markets
- ② New Products

Focus on Innovation

*Analogy – Game of Cricket
grew beyond traditional
players (Australia/UK) &
formats (Test/ODI/T20)*

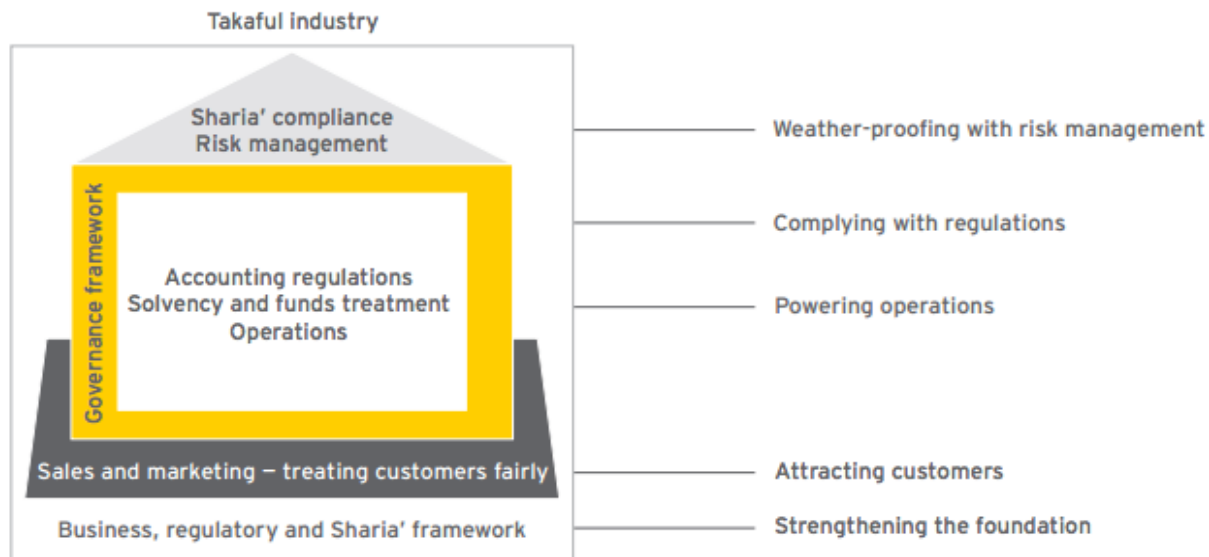


The Ashes (1876)
England Australia
Test Cricket

Oman wins T20
Cup UAE 2015
(01/25 : 01/30)

Takaful has a mature & sustainable ecosystem

... Regulators in Growth & Developed markets demand it



Source: EY's Global Takaful Insights 2013: finding growth markets

Characteristics

Transparency / Full Disclosure of T&C

Mutuality / Risk sharing in transactions

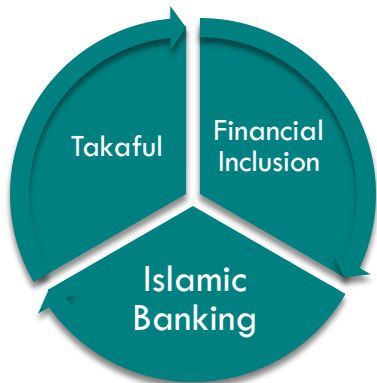
Surplus Re-distribution: Underwriting profits belong to participants

Ethical Investment principles:
Avoidance of industries that promote low ethical values

Takaful with its value system, integrity of market participants could set right examples for industry

Islamic Banking & Takaful

... a case for *Financial Inclusion*



*Financial Inclusion is possible.
“Banking the unbanked” is the
first step...
“Insuring the uninsured” could
be the next big thing ...
Is Takaful prepared for the
opportunity ?*

Financial Inclusion
facilitates
establishment &
delivery of financial
products for the
underserved/disadva
ntaged

Islamic Finance
expands Financial
Inclusion, ensuring
that those who avoid
non-halal
conventional finance
system are not left
out on benefits of
banking system

Takaful completes the
financial package by
providing a means of
managing mortality
and morbidity risks
(related to
unexpected events)

*Use Case - Islamic Finance may facilitate provision of mortgages for
the purchase of a home. Takaful will provide for the payment of the
outstanding loan if the borrower unexpectedly dies*

Takaful is an economic necessity

... delivers a Financial peace of mind

Takaful exists because, without it, most people cannot afford to recover from unexpected loss or damage. Hence, Takaful is an economic necessity

Microtakaful

Community Welfare

Poverty Alleviation

Family Takaful

Risk of dying prematurely

Pension Takaful

Risk of living too long

Critical Illness

Risk of losing income during illness / disability

Credit Life Takaful

Risk of leaving debts unpaid after death

Problem statement

Our customers want to know that in times of stress in their lives will they be taken care of?

Business Solution

Takaful with an excellent customer service at all touch points, executed efficiently & with care could be a suitable customer solution.

Analogy

In a beverage market, the biggest competitor to Coke & Pepsi is drinking water as it quenches thirst

Takaful on a related note also caters for a customer segment which has chosen to remain uninsured



The Changing face of Takaful

Drawing Parallels – Old Vs. New

Parameter	Traditional Thinking – Product Factory approach	Modern Thinking – Customer focused approach
Market Intelligence	Validate assumptions	Lead a transformation effort directed towards customer focus, deeply embedded in product and channel design
Product Innovation	Develop product based on product attributes & features	Quality is conformance to requirements. Entire portfolio vis a vis dynamic understanding of customer needs.
Market Communication	Develop ad hoc product based communication strategies	Pro-actively build & effectively execute need based & segment-targeted communications
Training	Provide sales force training on specific products	Pro-actively build and effectively execute a learning road map and segment-targeted training
Sales	Sell based on (historical) product and channel strengths with only top-line in mind	Sell by matching clear customer needs and preferences to the right products and channels. Cross selling. Big data
Re-takaful	Increase across-the-board Takaful capacity	Execute a needs-based re-takaful plan, matching the targeted segments to required risk coverage
Claims	Do it because you have to & no other option available	Leverage it as a specific marketing differentiation instrument & an opportunity to attract customer attention

Convergence of Takaful & Mutuality

- a road towards responsible ownership

Mutuality is a key attribute of Muslim society & Takaful operation

Under Takaful, participants are encouraged to spend & contribute into a fund that will help to ease hardship faced by members/dependents

Shareholders assist them by initiating a company that will manage Takaful Fund efficiently & fulfill the interest of participants

In total, with the combination of the effort of participants & shareholders, Takaful excels by providing an avenue or mechanism for Takaful participants to obtain social security

This is clearly part of the intention of Shari'ah that at all times calls for mutuality (Ta'awun)

Solidarity

Co-operation

Shared
responsibility

Common
interest

Joint
guarantee

Assist those
who need
assistance

Community
pooling
system

Self reliance

Self sustaining for community
well being

Takaful has evolved into a mutual hybrid

(More similarities, Less Differences)

Takaful & Mutual – Opportunities for co-operation

Status of sector

- Mutual insurance has been formally established for centuries
- Key success factors
- Experience from period of demutualisation

External environment

- Customer trend is towards ethical & transparent service providers
- Value based proposition

Operational

- Staff loyalty and belief in principles
- Mutuals actively work with each other.
- Governance
- Surplus distribution

Addressing Market Gaps

The Difference: Takaful & Mutual models

External Shareholders are providers of capital

Sharing of underwriting surplus

Shareholder provides interest free loan in event of underwriting losses

Governance is with shareholders

Promoting Takaful through CSR (Corporate Social Responsibility)

Drawing
Parallels

A Takaful company is required to be a socially responsible business entity

CSR is a company's commitment to operate in an economically, socially & environmentally sustainable manner whilst balancing the interests of diverse stakeholders (CSR Asia)

The very nature of Takaful compels it to be society conscious

The continuing commitment by businesses to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large World Business Council for Sustainable Development (WBCSD)

- Communities
- People
- Employees
- Environment

Corporate Social Responsibility: Doing the Most Good for your Company and Cause“ (P. Kotler)

The Road Ahead ...

The Why's

Takaful is not a "nice to have", it is a must have :
Important in an age of unpredictable & irregular income

In absence of formal insurance or Takaful, consumer would be forced to look for informal means

The How's

Through CSR or otherwise, Takaful should be championing sustainable economic development through mutually rewarding partnerships that are fair and in line with Takaful's underlying values

A potential Impact

Once the operations of Takaful insurance are properly rooted, it will enable the Takaful industry to contribute more towards the nation's Gross Domestic Product (GDP)

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