

WORLD ISLAMIC INSURANCE DIRECTORY



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Initiated by



Takaful Re
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**MIDDLE EAST
INSURANCE REVIEW**
INCORPORATING GLOBAL TAKAFUL

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

W.I.I.D Presentation

by

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Takaful Re

World Takaful Conference
Dubai, 14 - 15 April 2009

Introduction

- The World Islamic Insurance Directory (WIID), over the three editions has become the main source of statistics on Takaful;
- The 3rd edition captures the information from more than 160 companies across 26 countries;
- More important, this edition has improved the accuracy of the statistics and the profile of the companies;
- The statistics presentation aims to respond to the following questions:
 - Is Takaful really growing? How much was the growth in the past years? Is this growth sustainable?
 - What are the prospects for the development of Takaful in the coming years in MENA and Far East?
 - Is Takaful moving really to the west? In UK, USA & Canada, the experience is still new to draw conclusions.

Data collection methodology

- The WIID is a compilation of comprehensive questionnaires obtained from the companies;
- In some cases, the data is sourced from the company's annual report, when the questionnaire was not returned to us;
- For some countries considered as Islamic (KSA, Iran), we are using the market report;
- The Directory reflects the information provided to us by the companies and the markets reports;
- Takaful Re and MIR are doing their best to maintain the reliability of the data. However, the accuracy is not guaranteed as we do not audit the companies Financial statements;
- The WIID can improve the accuracy and the quality of the information if we could receive a positive feedback from all the companies.

Definitions

Islamic = Takaful

+

Cooperative
Companies (KSA)

+

Iranian market

KSA: Article 1

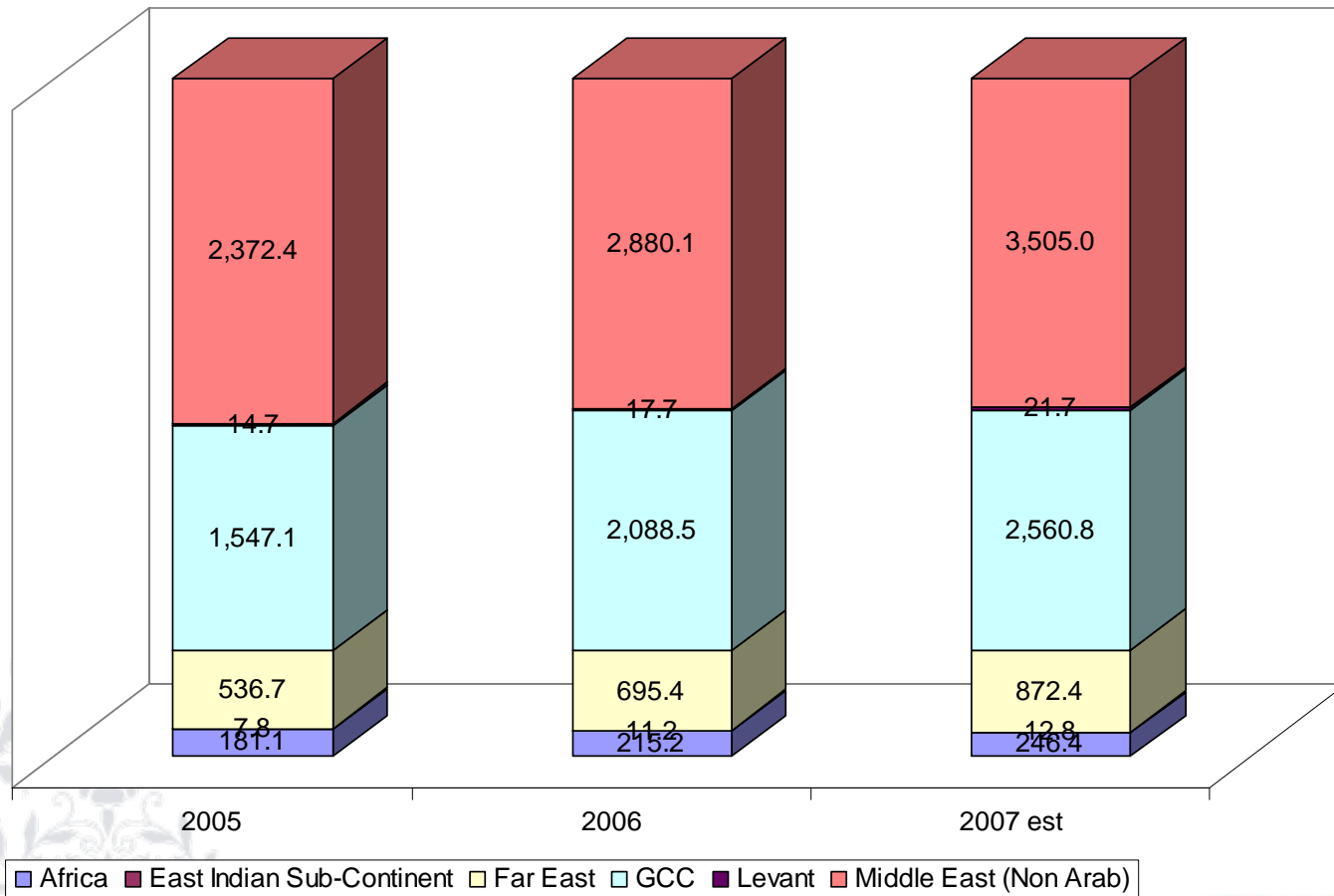
Insurance in the Kingdom shall be undertaken through registered insurance companies operating in a cooperative manner as it is provided within the article establishment of the National Company for Cooperative Insurance promulgated by Royal Decree M/5 dated 17/5/1405 H, and in accordance with the principles of Islamic Shari'a.

Iran : The Shari'a law is the corner stone of the whole system

Contributions per Region

Region	2005	2006	2007 Est.
Africa	181.1	215.2	246.4
East Indian Sub-Continent	7.8	11.2	12.8
Far East	536.7	695.4	872.4
GCC	1,547.1	2,088.5	2,560.8
Levant	14.7	17.7	21.7
Middle East (Non Arab)	2,372.4	2,880.1	3,505.0
Grand Total	4,659.8	5,908.1	7,219.1

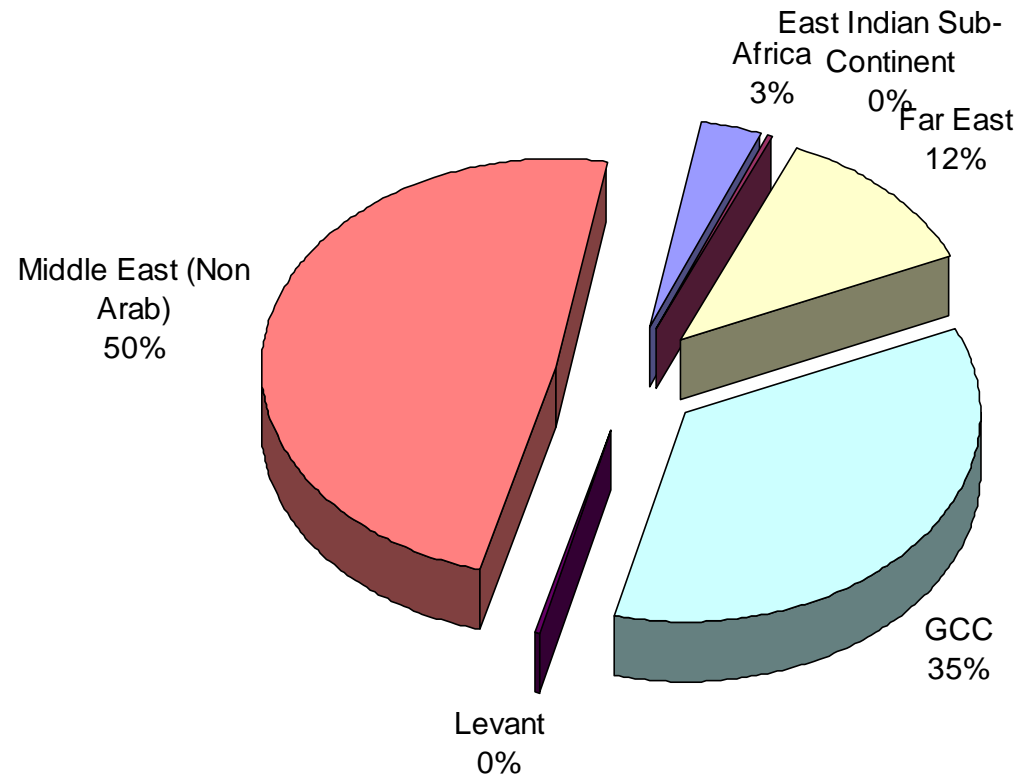
Contributions 2005/06/07



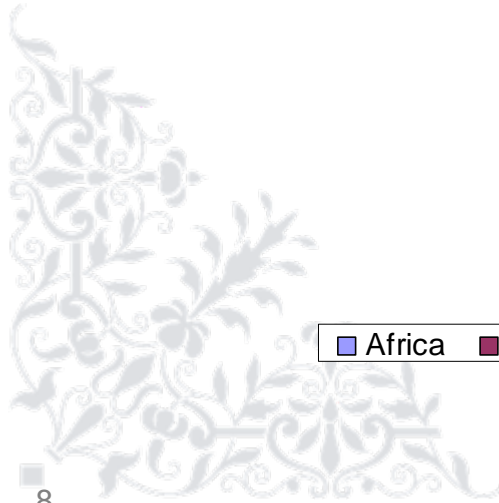
Islamic / Takaful Market by region

Region	2005	2006	2007 est
Africa	3.9%	3.6%	3.4%
East Indian Sub-Continent	0.2%	0.2%	0.2%
Far East	11.5%	11.8%	12.1%
GCC	33.2%	35.3%	35.5%
Levant	0.3%	0.3%	0.3%
Middle East (Non Arab)	50.9%	48.7%	48.6%

Contributions by Region



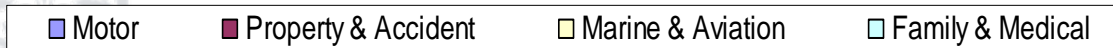
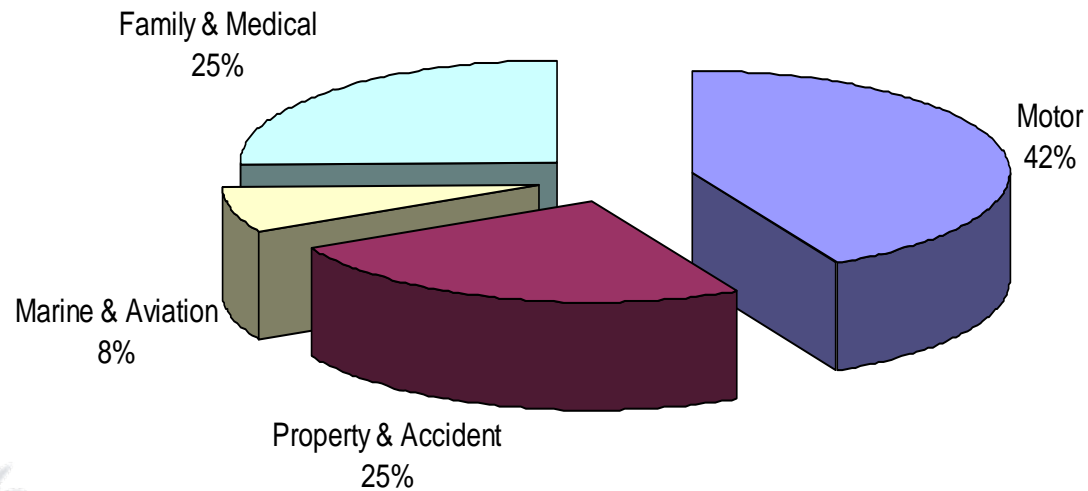
■ Africa ■ East Indian Sub-Continent ■ Far East ■ GCC ■ Levant ■ Middle East (Non Arab)



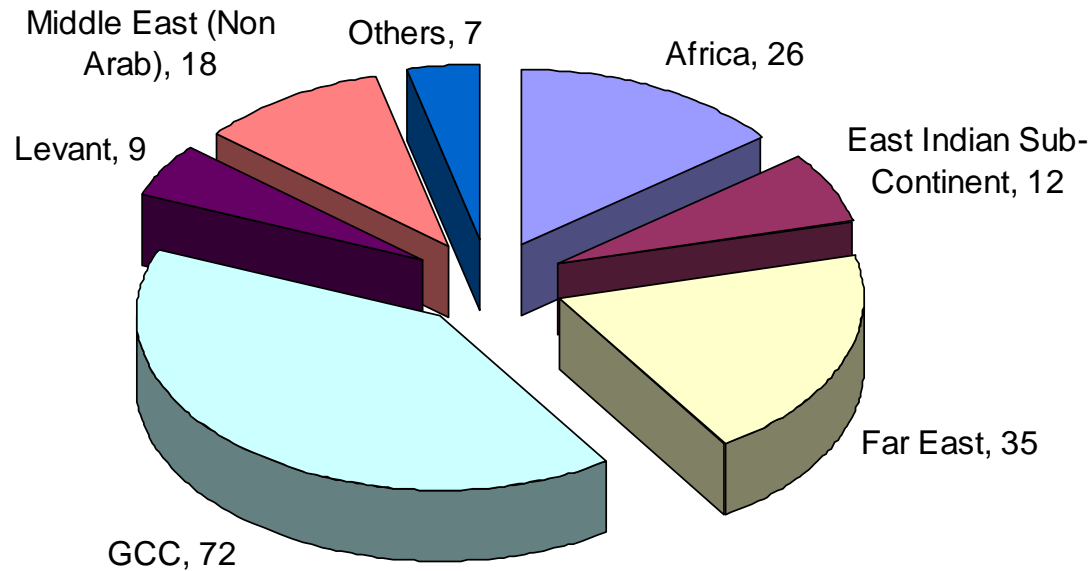
Contributions volume and split by LOB

- Islamic insurance is growing all over the world:
 - The contribution increased in 2007 from USD 5.9 to 7.2 billion
 - There is no major change in the split by geographical area;
- Cooperative KSA is the main component of the GCC Islamic/ Takaful markets;
- The Iranian market represents over all 48%;
- Motor remain the main line of business 42%, property 25% and Family + Medical 25%
- The differences in statistics comes from the definition and whether cooperative Saudi model and Iranian markets are included or not

Contribution Split 2007 by Line of business



Number of Islamic/Takaful companies

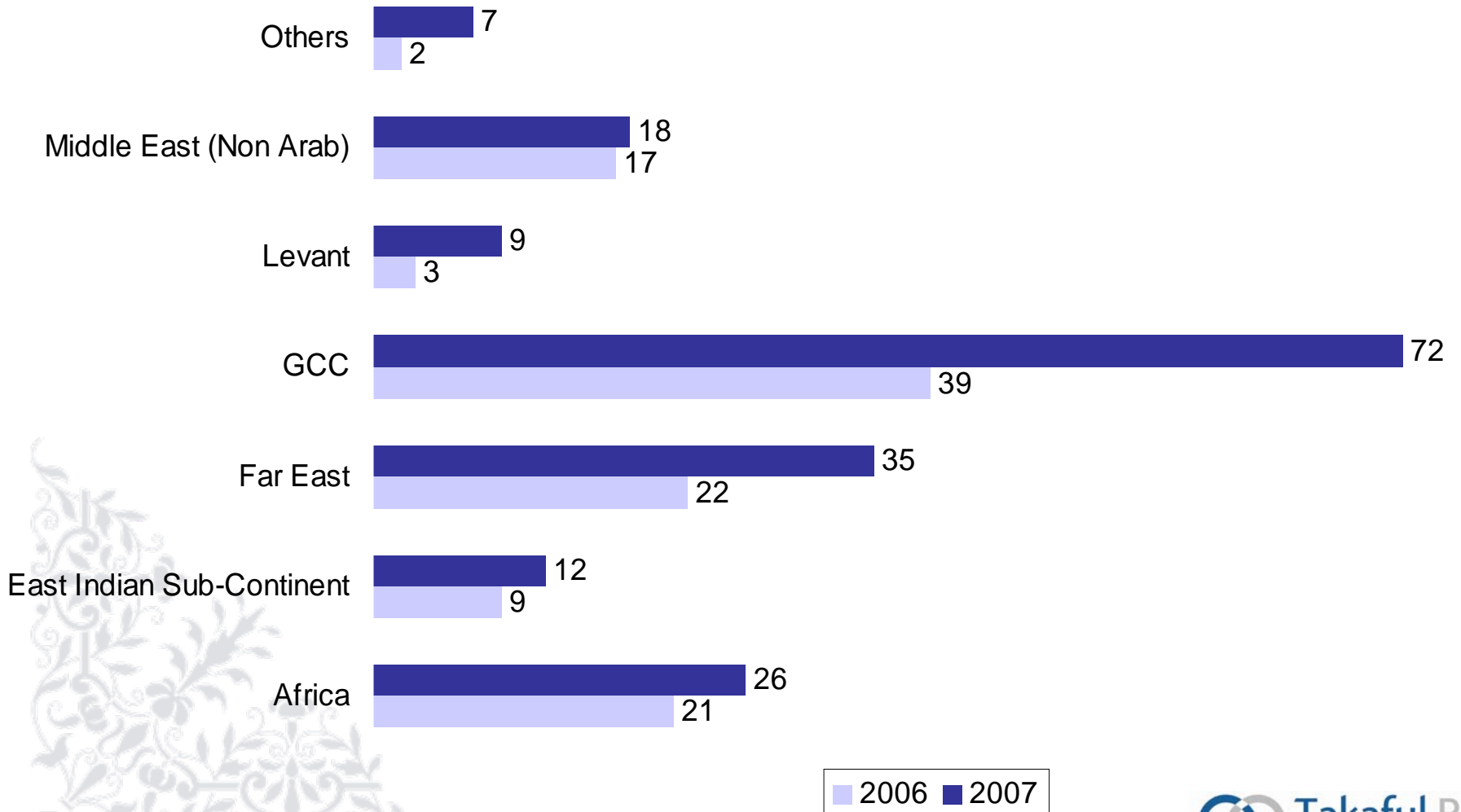


179 companies

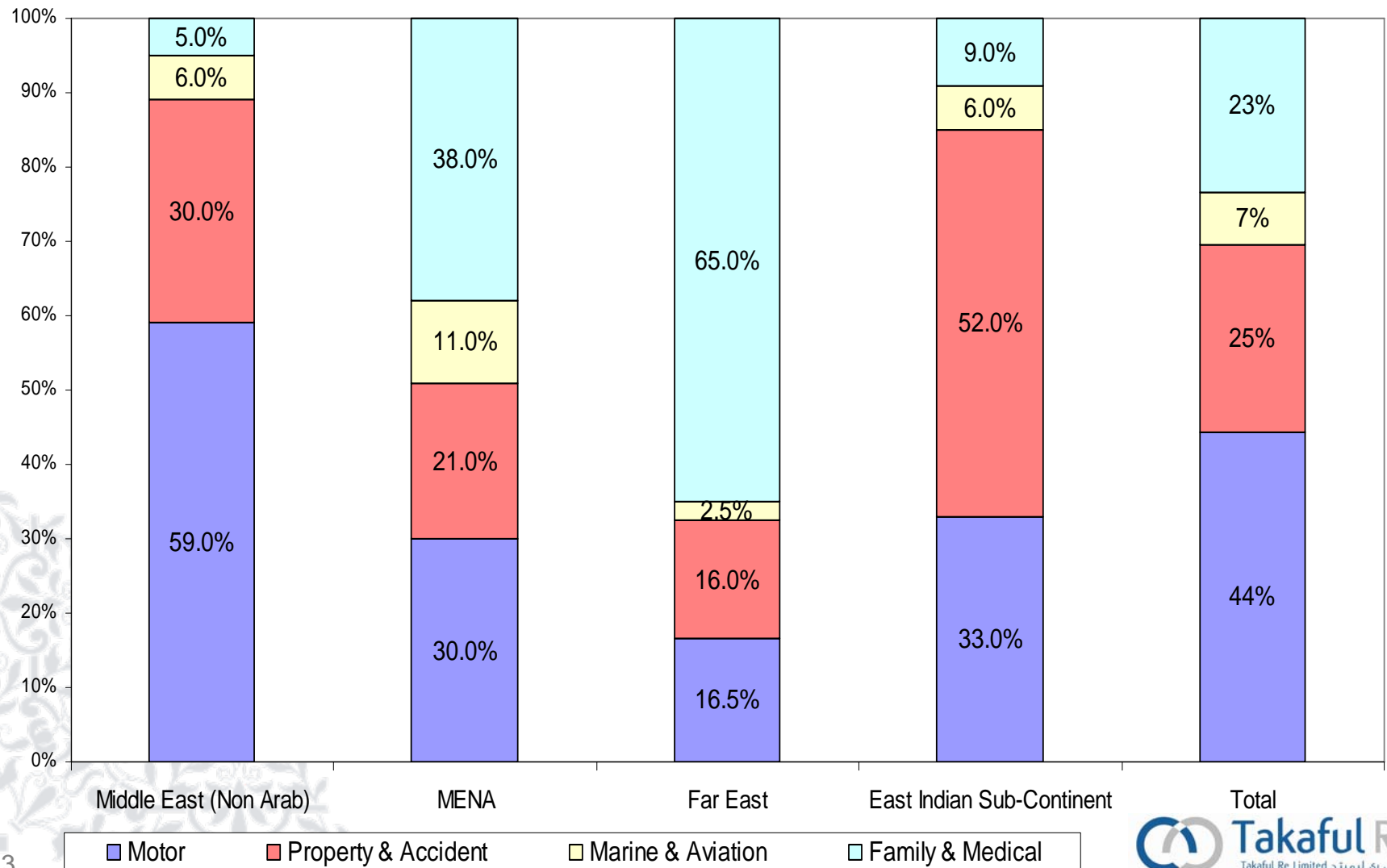
■ Africa ■ East Indian Sub-Continent ■ Far East ■ GCC ■ Levant ■ Middle East (Non Arab) ■ Others

*** GCC: 72 companies including all licensed companies in KSA**

Number of Islamic Operators 06/07



LOB per Region



Islamic / Takaful markets growth

Middle East & N. Africa

Country	Growth		
	2005 / 04	2006 / 05	2007 / 06
Egypt	28%	47%	28%
Mauritania	0%	0%	0%
Senegal	-2%	19%	14%
Sudan	53%	18%	14%
Africa	50%	19%	14%
Bahrain	3%	125%	25%
Kuwait	55%	9%	6%
Qatar	36%	49%	4%
Saudi Arabia	112%	35%	24%
UAE	36%	57%	28%
GCC	101%	35%	23%
Jordan	-25%	18%	25%
Lebanon	100%	20%	8%
Yemen	25%	50%	53%
Other Arab	7%	20%	23%
ME N- Arab	10%	21%	22%

Far East

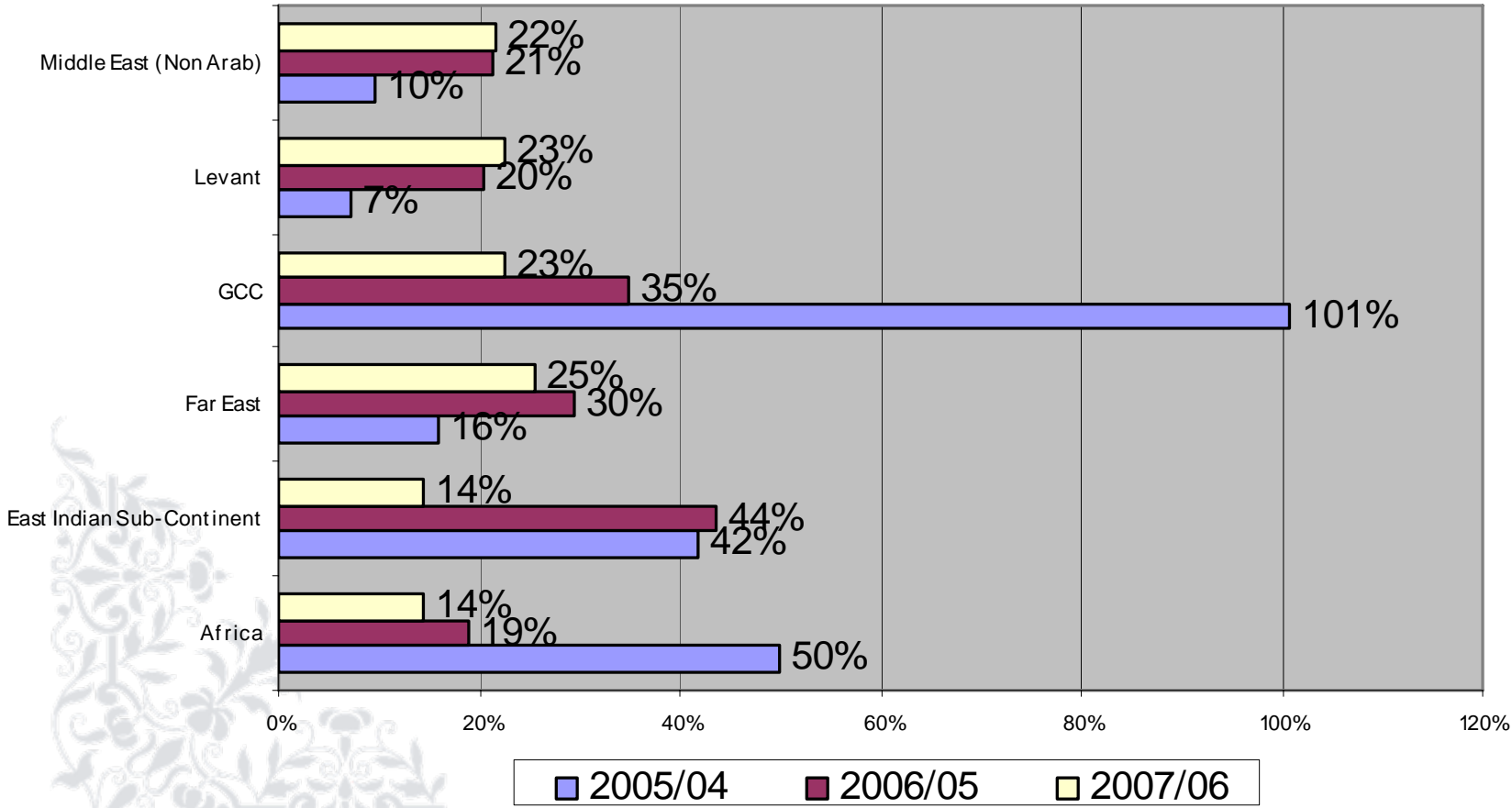
Country	Growth		
	2005 / 06	2006 / 05	2007 / 06
Bangladesh	13%	20%	19%
Pakistan	100%	100%	50%
Sri Lanka	75%	62%	10%
Indian sub	42%	44%	14%
Brunei	20%	11%	7%
Indonesia	1%	8%	30%
Malaysia	20%	36%	27%
Singapore	100%	0%	0%
Thailand	5%	8%	8%
Far East	16%	30%	25%
Global	32%	27%	22%

Growth Rate Per Region

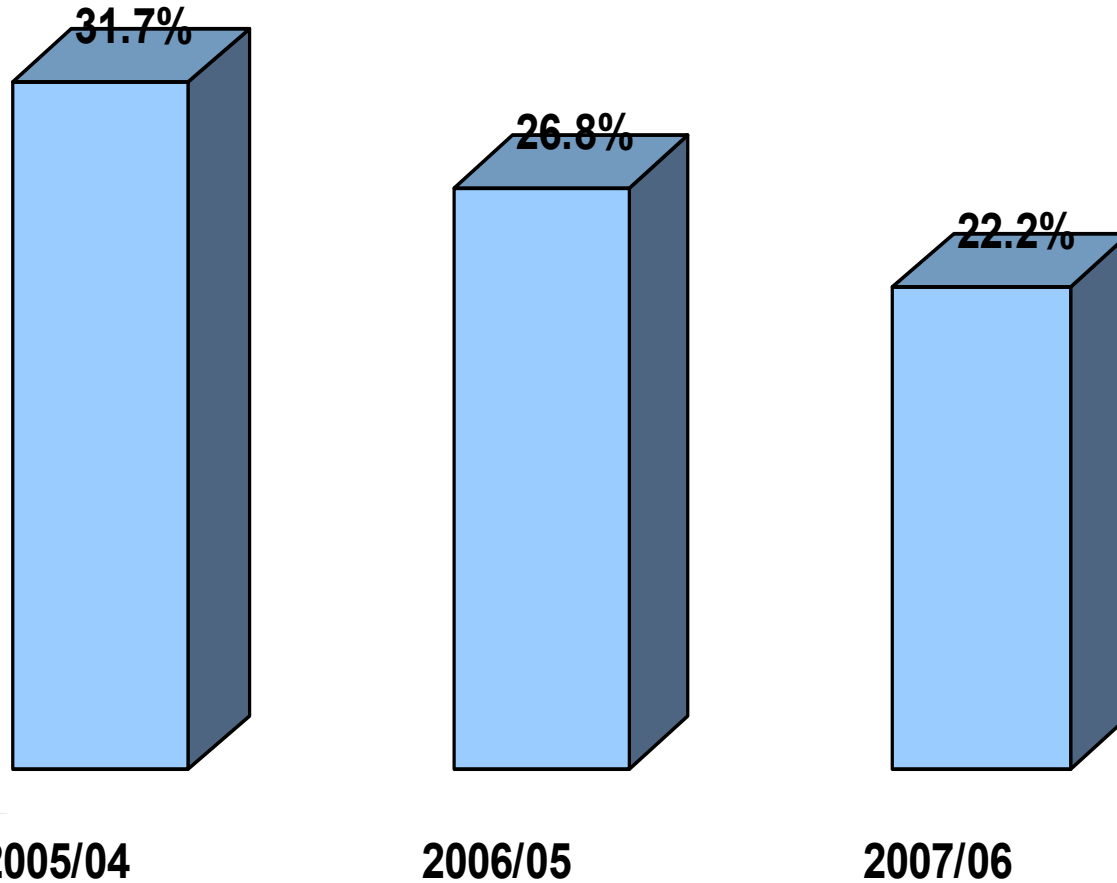
Region	2005/04	2006/05	2007/06
Africa	50%	19%	14%
East Indian Sub-Continent	42%	44%	14%
Far East	16%	30%	25%
GCC	101%	35%	23%
Levant	7%	20%	23%
Middle East (Non Arab)	10%	21%	22%
Grand Total	32%	27%	22%

* The % doesn't reflect always the growth, but the fact that more companies are compiled or the market report become available

Growth Rate Per Region



Global Growth Rate



*** The average growth for the last three years is >22%**

Middle East vs. Far East

Middle East

- Three models:
 - Hybrid Takaful model: Bahrain, DIFC
 - Sudanese full cooperative model
 - Saudi cooperative model
- Specific situation in Iran; the insurance industry is not qualified as Takaful, however, the whole system is Islamic by law
- No specific regulation for Takaful in UAE, Qatar, Oman, Syria, Lebanon, Iraq, Yemen or Egypt
- Except Bahrain and Sudan, no real political support to Takaful
- Lack of products innovation
- Focus on industrial risks and Motor
- Lack of Takaful mindset

Far East

- Structured and mature Takaful market, and substantial and increasing market share in Malaysia (6%) and Brunei
- Specific regulation in Malaysia
- Support for Takaful on the political level
- However, the Indonesian situation is different, as the market is split between two full fledged operators and a large number of small windows, which are not able to grow the Takaful market share
- Focus on family Takaful and Personal lines
- Islamic Finance / Takaful dedicated educational system

Middle East vs. Far East Main Findings

	MENA	Far East
<ul style="list-style-type: none"> ▪ Contribution to the Global Takaful 	<ul style="list-style-type: none"> • GCC 35 • Levant 0 • Iran 50 • Africa 3 	<ul style="list-style-type: none"> • Far East 12 • Indian Sub Cont 0
Total	88	12
<ul style="list-style-type: none"> ▪ Number of companies 	<ul style="list-style-type: none"> • GCC 72 • Levant 9 • Iran 18 • Africa 26 	<ul style="list-style-type: none"> • Far East 35 • Indian Sub Cont 12
Total	125	47
<ul style="list-style-type: none"> ▪ Split by Line of business <li style="padding-left: 20px;">▪ Family & Medical <li style="padding-left: 20px;">▪ General 	<ul style="list-style-type: none"> <li style="padding-left: 20px;">20 <li style="padding-left: 20px;">80 	<ul style="list-style-type: none"> <li style="padding-left: 20px;">64 <li style="padding-left: 20px;">36
<ul style="list-style-type: none"> ▪ Growth 	<ul style="list-style-type: none"> • GCC 23 • Levant 23 • Iran 22 • Africa 14 	<ul style="list-style-type: none"> • Far East 25 • Indian Sub Cont. 14
Total	22	25

Takaful development Prospects

- **Middle East:**

- Increasing number in the recent years, which implies a substantial growth in the years to come, as the companies will fight for their market shares;
- K.S.A. to convert progressively to a full fledged Shari'a compliant system, with SSB and fair surplus distribution.

- **Far East:**

- Malaysia: 10% market share achievable in the coming 3 years;
- Indonesia: as the largest Muslim country lacks a clear strategy for Takaful;
- Brunei: market dominated by Takaful, especially for Motor and personal lines;

- It is obvious that financial crisis will not encourage investors to start new companies and the recession will affect all operators (conventional and Takaful)

What are the key issues impacting the Takaful industry? (*)

1. **Lack of awareness**, e.g. no clear public education of Takaful and Insurance concepts. Different markets have different awareness levels, e.g. Pakistan - awareness of Takaful as Shari'a compliant alternative, Indonesia - general awareness and affordability
2. **Lack of specialized skills and capabilities**, at different levels:
 - Board and Management levels,
 - Operational levels and Technical skills, e.g. in product development,
 - Distribution Management, and
 - Regulatory capabilities and management
3. **Difficult to compete with Conventional players**, who has:
 - much longer history of establishment,
 - better capacity,
 - better skills, products and infrastructure.
 - better investments, hence able to price their products lower
4. **Need to change existing mindset**, that
 - Takaful is a product only for the Muslim population, and
 - Takaful is *copying* what the Conventional players are doing.
 - Rather
 1. Position Takaful as an *Ethical Product*, and
 2. Define clear and distinct Takaful value proposition in products or services

What are the opportunities available for the Takaful today?(*)

1. Further and accelerated growth, especially in Family Takaful/ Retail & Individual products
2. Further development of the ecosystem of Islamic financial industry, incl. asset management for Takaful, Retro-Retakaful, etc
3. Untapped markets in some countries for Takaful, e.g. in Europe, Africa, China/ Asia Minor
4. Increasing opportunities to sell Takaful to non-Muslim population, i.e. "Takaful for all"
5. The strong growth of Takaful also created demands,
 - Increased demands for Takaful professional training and certification
 - Increased needs for Takaful databases and statistics
 - Increased demands for clear Shari'a authority/ views/ opinions/ decisions on Takaful matters
6. **Multiple spokesperson for Takaful, e.g. at ISFB, AAOIFI**

Think
Takaful



Act
Takaful



Thank you,

أفئنا دؤرهن بقير التكافل ، فإفئنا لفهل من أجل تفصهر أفضل لفصوات. لفوكاتنا الفسلففة

