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Al-Sukuk.com

Newsletter N°1 – June2010

The first newsletter of Al-Sukuk.com will be focussed on Takaful Re. This company is based in Dubai (DIFC) and provides a complete range of retakaful services and products to Takaful and Islamic companies. Mr Chakib Abouzaid, CEO of Takaful Re has kindly accepted to answer our questions.

Al-Sukuk.com: First of all, can you please tell us about your company and its origins?

M. Chakib Abouzaid:

Takaful Re is a full fledged Islamic reinsurer or Retakaful; in 2005 Arab Insurance Group decided to launch Takaful Re being the first Company dedicated to Retakaful with a sizeable capital (paid USD 125 million and authorized 500 million). Others global and regional reinsurers decided to have also their Retakaful arm, and we have now 12 companies; some of them are fully fledged, and others are offering both Retakaful and reinsurance capacity for

Next events

30 June 2010

The Takaful Summit Series

7 July 2010

Islamic Finance in France

5-7 July

Asia Islamic Banking
Conference

News

DIFC Economics workshop discusses about renewable energy

Waqf Fund Holds 3rd Roundtable Discussion

Bahrain Financial Exchange Membership Drive a Success

Al Rajhi Bank Gets The "EuroMoney" Reward For Best Bank

Ads

Takaful documents: We are looking for documents concerning the Takaful industry in order to publish them in Al-Sukuk.com in a document repository. Thanks to send them to

pub@al-sukuk.com.

conventional insurers.

Al-Sukuk.com: Many people are not very familiar about retakaful operations, can you explain us what it is and how it differs from conventional operations.

M. Chakib Abouzaid:

Retakaful operators are offering reinsurance to Takaful or cooperatives companies; i.e. we are trying to make the full chain Shari'a compliant; since the beginning of the Islamic insurance in Sudan in 1979 and Takaful in Malaysia in 1984, the missing link was the non Shari'a compliance of the risk transfer (reinsurance cessions) to conventional reinsurers. Now, Retakaful are offering risk sharing instead of risk transfer and making all possible to meet the specific needs of our Takaful operators. As the direct Takaful, Retakaful companies must have their Shari'a Board, have two set of financial statements (policyholders fund and shareholders fund segregation), Retakaful are committed to the surplus distribution and our investments are all with Islamic banks and/or in Shari'a compliant instruments.

Al-Sukuk.com : What are your key products ?

M. Chakib Abouzaid: We are offering almost all lines of business (LOB) as any traditional reinsurer i.e. General Retakaful including Fire, Engineering, Motor; Group and individual Family Takaful (or Life insurance) and medical. These three groups are the main lines requested by our Takaful companies; however, Retakaful being a new industry, it is too early for us to offer specialty lines and/or capacities for mega projects or aviation. The fact that some international players have opened their Retakaful operations will help in meeting the demand for specialty lines. I tend to consider that Takaful / Retakaful are part of the insurance industry and mutual movement; therefore, we will continue supporting each other in some specific areas.

Al-Sukuk.com: In terms of clients and markets, would you tell us more about your targets?

M. Chakib Abouzaid:

Our markets are Takaful / cooperative companies worldwide i.e. 180 entities including some windows; considering the concentration of Takaful in the Middle East (especially GCC) and far East, it is normal to have the majority of our clients from these two areas; however, we keep supporting all Takaful initiatives in Africa and even in Europe. Takaful Re is dealing with 78 on Treaties (annual contracts fro the same LOB) and 114 on facultative (day to day and case by case businesses for large and some specific LOB)

Al-Sukuk.com: How is Takaful re organised i.e. tell us about your staff and organisation, locations?

M. Chakib Abouzaid:

Takaful Re was launched by Arab Insurance Group (Arig) our main shareholder and the largest reinsurer in the Middle East; the business model which was adopted from day one was a full outsourcing agreement; the advantage of outsourcing to Arig is the cost efficiency, especially during the first years; but most important is to benefit from the accumulated 28 years expertise of Arig. From the first year, we have started to move progressively the functions to Takaful Re; we have already shifted the marketing and underwriting in order to differentiate ourselves and build capabilities; we will continue reducing the outsourcing to be limited to some functions which has to be centrally managed to benefit from the economy of scales i.e. investment –although our investment must be Shari’a compliant- and IT.

Al-Sukuk.com: Concerning retakaful and Takaful market, what do you expect for the next years?

M. Chakib Abouzaid:

During the past five years before the recession, the growth exceeded 20%; however, we have seen a real drop

in the number of new Takaful, a reduction in the volume of business generated by Takaful as a consequence of the recession, especially in the GCC. The current trend is for more competition between Takaful and also with the conventional; therefore the contributions (premiums) base is shrinking while the liabilities are increasing; this should lead to a different approach from Takaful. Being start up and small to medium size companies, Takaful needs to assess the market current conditions, and found their proper way to develop the industry; as competing for the large risks with conventional will lead to deterioration in the policyholders fund performance. The future outlook will depend on the regional economic situation, especially in the Middle and Far East correlated to the oil prices and the government spending in infrastructure projects; and also on the development of the Islamic Finance. After the difficulties faced by Nakheel, TID Kuwait and some regional players, which impacted the whole Islamic Finance industry, it is normal to see investors focusing on their core business. I do not expect to see new operators launched, which is –in my humble opinion- positive as we need to see the existing Takaful developing and increasing their market share in a less competitive market.

Al-Sukuk.com thanks you for your answers. If you wish to know more about Takaful Re, you can visit the company web site: www.takaful-re.ae.

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