

19 mn customers for Allianz

The year 2007 was another very successful year for Allianz in New Europe. Gross premiums written in the property and casualty as well as life and health business grew by 21 percent from 3.34 billion euros in 2006 to 4.03 billion euros in 2007. All countries in New Europe contributed to this outstanding overall growth rate.

The life and health business recorded statutory premiums of more than 1.0 billion euros in 2007, increasing by 24 percent from 836 million euros in 2006. This represents an average double-digit growth rate across the countries in the region New Europe.

Besides Allianz Slovenska poistovna, once again Allianz Poland was the main driver for this positive performance. Allianz Poland reported an increase in premiums of 64 million euros, amounting to 431 million euros in 2007. This positive development was due to the diversity of sales channels Allianz Polska has developed over the years.

Gross premiums written increased by 19 percent from 2.5 billion euros in 2006 to 3 billion euros in 2007. Especially the Allianz companies in Russia and in Poland contributed to this result. Allianz in Russia recorded an increase of 263 million euros amounting to a total of 913 million euros in 2007. Thereof the acquisition of Progress-Garant contributed 130 million euros. Allianz in Poland increased gross premiums written by 30 percent from 283 million euros in 2006 to 367 million euros in 2007. The good sales performance of the Allianz tied agent network as well as the dealer channel facilitated this development.

In February 2007, Allianz acquired the majority shareholding in ROSNO. The company is one of the largest Russian insurance companies. In September 2007, Allianz entered the insurance market in Kazakhstan by acquiring 100 percent of the shares in ATF-Polis. "Thus Allianz is well positioned

to participate in the dynamic growth of the Kazakh market", explains Werner Zedelius.

In several countries throughout New Europe, Allianz has also established its position as a major player in the pension business. With current pension reforms underway, Allianz has proven that it can provide clients with attractive products in a rapidly developing market environment for old-age provision.

In the past year, Romania introduced its second pillar pension system. Allianz Tiriac Private Pension has very successfully captured a market share of more than 25 percent meaning that already over one million customers have chosen Allianz products for their old age provision.

Allianz is active in Bulgaria, Croatia, Czech Republic, Hungary, Kazakhstan, Poland, Russia, Romania, Slovakia, Ukraine. Full year 2007 figures including for companies acquired during the fiscal year 2007.

Takaful Re posts \$11.6 mn net profit

Takaful Re Limited (TRL) announced net profits of US\$ 11.6 million for the 2007 Financial Year compared to US\$ 1.3 million in 2006 achieving a spectacular growth.

From the second year of operation, TRL's Board of Directors has recommended a cash dividend of 5% on the company's paid-up capital (US\$ 0.05 per share). The dividend remains subject for approval by the company's Annual General Meeting to be held on 25th March 2008.

Gross contributions increased by 35% to US\$ 20.34 mil-

lion in 2007 from US\$15.05 million in 2006; in a very competitive market.

The total investment earnings increased in 2007 to US\$ 11.8 million from US\$ 5.4 million in 2006; the average rate of return on investments was 9.1 % despite the volatility of the regional markets.

Shareholder's equity stood at US\$ 138.2 million and the book value per share was US\$ 1.11 at the end of December 2007.



Takaful Re

Takaful Re Limited تکافل ري ليميتد

HR challenges on the insurance front

After the rapid development which has taken place in most Arab markets due to adopting liberal market policies and economic booms, many organizations faced numerous challenges to remain in the competition

There is a common agreement that the success of any organization largely depends on the flexibility of their policies and strategies because the requirements differ from one stage to another. We are now facing the challenges of what is called information explosion and rapid IT development.

Development is, therefore, closely linked to training of human resource which is the mainstay of any development plan by any organization. The traditional way of looking at the human resources has completely changed in advanced countries long time ago because they realized quickly that training of their human resources

ensures efficiency of the organization as a whole.

The case is not the same in the Arab markets. Many sectors, including insurance, are striving to enforce their market shares. Insurance experts and professionals always stress the importance of regularizing the sector and develop its performance to meet its obligations.

Ground Realities

With the growing demand and the wide scope of insurance services, many insurance organizations realized that they are not ca-



Abdul Muttalib al Jaidi



Shakib Abu Zaid

Dubai Group buys Kuwaiti Al Fajer Retakaful

Dubai Group has acquired a 51 per cent controlling stake in Al Fajer Retakaful Insurance Company KSCC, through its global Shariah compliant investment company Dubai Islamic Investment Group.

Al Fajer Re, a closed Kuwaiti shareholding company, is the first licensed retakaful company in Kuwait and the third in the Gulf region, and is considered to be the largest global retakaful by paid up capital of US\$ 178.5 million.

Dubai Islamic Investment Group's investment in Al Fajer Re marks Dubai Group's foray into the retakaful sector as a first step to drive the segment globally. Dubai Islamic Investment Group will bring extensive experience from its current investment portfolio owning stakes in Bank Islam Malaysia, the largest and oldest Islamic Bank in Malaysia, National Bonds UAE, the National Shariah-compliant Saving scheme and the strength of its sister companies under Dubai Group in Islamic finance, including takaful and retakaful products.

Salaam Al Shaksy, Chief Executive Officer of Dubai Islamic Investment Group,

said: "We primarily focus on investments and establishing businesses through strategic alliances that help deliver exceptional returns, long term growth and sustainable shareholder value. Al Fajer Re offers tremendous growth potential and is an appropriate addition to our existing portfolio."

The worldwide takaful industry is one of the fastest expanding segments in global insurance, registering 15-20 per cent growth per annum, according to latest industry estimates. The international takaful market is expected to be worth over US\$ 6 billion by 2010 and currently generates premiums of approximately US\$ 3.5 billion a year.

Al Fajer's core business model is to focus on Property & Engineering, Marine, Casualty & Motor and Family Retakaful. Underlying the Kuwaiti retakaful company's development is an in-depth strategy of diversification along the current lines of business and geographical spread, allowing its product portfolio to be more adaptable to market conditions.

Dubai Islamic Investment Group seeks to tap the immense growth opportunities



Salaam Al Shaksy

within the Shariah-compliant investments industry. This is being achieved by leveraging on its Shariah based approach when eyeing the possible Private Equity and Public Equity spectrum. This is in addition to focusing on the Shariah lifestyle such as healthcare, education, halal foods and several other industries.

Takaful Re opens branch in Labuan



Takaful Re

Takaful Re Limited تکافل ري ليميتد

As part of its commitment to providing the best services to the Retakaful industry, Takaful Re Limited (TRL) incorporated an offshore branch in Labuan in August 2007 to underwrite General Retakaful business. TRL was able to successfully obtain the Retakaful operation license, after only 2

months of application with the Labuan Offshore Financial Services Authority (LOFSA).

The offshore branch will service the leading Takaful markets in the Far East including Malaysia, Indonesia, Brunei, Pakistan and Sri Lanka. And to ensure the

best level of service and dedication for its clients, Takaful Re has appointed Brighton Management Limited to manage and supervise all related matters with LOFSA.

Takaful Re is a significantly capitalized Islamic reinsurance company committed to actively contribute to the growth and development of the Takaful industry in accordance with Sharia' principles. In October 2006, and a year after its first business commencement, TRL was assigned a BBB 'Stable' long-term counterparty credit and insurer financial strength ratings by Standards and Poor's.

'Difference of opinion is good'

In a freewheeling dialogue with INSURE Editor in Chief Abdulrahman Abdullah, Takaful Re Managing Director Chakib Abouzaid shares his perception. Excerpts:

How do you evaluate the Re Takaful industry in the Arab world especially reinsurance with regard to products and regulations?

To assess the size of Takaful industry in the Arab world, you need to have accurate statistics on each market. Unfortunately there is a lack of statistics that reflect the actual size of commercial insurance and Takaful. Despite the fact that Takaful companies have been operating only a few years ago, we can say that they have made great strides especially if we look at the number of companies that have been created in the Arab countries in the last three years. As for the number of companies operating in Takaful business, there are 9 in Kuwait, three in Egypt, Syria and Jordan.

From my own point of view, Takaful industry will potentially meet a resounding success in Saudi Arabia because the Saudi law is based on Sharia. Re Takaful industry in the Arab world has went through two different stages; during the first stage companies were not able to expand therefore they limited to only Islamic companies. At the second stage which was launched by Takaful Re in 2005, Takaful industry has reTakaful operators that provide financial cover, professional standards, and good classification.

As for the regulatory framework, it should be noted that some countries like Bahrain and Sudan have already made regulations for Takaful insurance like. Other countries have provided the regulation for Cooperative insurance. The possibilities to issue Takaful regulations by countries like Egypt, Kuwait, U.A.E and Jordan are not ruled out.

As for the products, there is no doubt that Takaful products are known for being dynamic and able to meet market requirements. The company made concerted efforts during the last few years to enhance its presence in the market.

Currently, it is trying to distinguish itself from other commercial companies. Such a process will definitely take time and great effort. Many Takaful companies are now among the most active players in the insurance market in a number of countries. We are making endeavors to broaden the base of Takaful insurance and develop its products.

What is the size of Takaful industry in the Arab world compared to traditional insurance?

The gross premium size in Arab world amounted to US\$10,161 billion in 2005 with the bulk of it's from U.A.E, Morocco and Saudi Arabia.

To give a specific answer to this question we have to first agree on what is meant by Takaful or Islamic insurance. From my own point of view, Takaful industry should include the Saudi cooperative insurance. So, if we added the figures of the Saudi Cooperative market, we can say that the size of Takaful premiums amounts to \$1,815.5 million, about 17, 86% of the total premiums. At the same time, there is a big room for development of Takaful industry especially.

All the insurance companies that have been created in the Gulf region recently are Takaful companies. The growth rates amounted to 32% in Saudi Arabia, 37% in U.A.E and Sudan. The Financial Islamic sector has been very dynamic in the last few years which in turn will have a positive impact on Takaful insurance (finance of loans, corporate, groups). A growing demand for Takaful insurance has been recorded.

What are the most growing, lucrative and risky Takaful insurance types in the Arab world?

Takaful companies provide all types of insurance; the same as the traditional companies. This leads us to an important ques-

tion: Is it cost effective to operate in all kinds of insurance? The answer is a big 'No'.

It is true that individuals and small enterprises constitute the bulk base of Takaful industry. Therefore, we have to work hard to develop this base especially individual insurance, family Takaful (Life) and small enterprises.

As for the risk factors in Takaful insurance, it should be noted that insurance itself is related to management of risks. Therefore any risk at any of the insurance branches may be alleviated by good rates and selective underwriting.

Some countries impose insurance rates on the TPL. This makes the insurance sector unable to raise the rates and therefore there will be a constant deterioration for the motor insurance in these countries.

What are the most emerging, fastest growing and biggest markets for Takaful insurance in the Arab world?

All the Arab markets are emerging simply because the insurance contribution to the GDP is very marginal - 0.4% to 3.2%. The individual spending on insurance is also very low. This means that there is a big opportunity for insurance growth in the Arab world.

During the last few years, a number of markets have achieved remarkable growth and most likely they will achieve more in the years to come. The Gulf region markets, especially in Saudi Arabia, have achieved more than 30% growth rates in the last few years and are expected to continue growing especially on the backdrop of soaring oil prices.

Many newly created companies are operating in Takaful industry. What are the main reasons behind this and can we say that the focus of the Arab insurance industry in the years to come will be on Takaful?

The high demand for Takaful by different sectors of society coupled with the fact that the economy is moving towards Islamic institutions that can add Takaful products (family insurance) to the wide range of products they provide.

Takaful companies can also identify investment opportunities that meet the requirements of Sharia. To put it simply we can say that the Arab insurance market is in dire need for some types of insurance like commercial insurance. It also needs to

broaden the base of Takaful insurance.

What are the points of strength of Takaful insurance and the areas that needs more development?

The points of strength may be summarized as follow:

- *Takaful products completely meet the requirements of Sharia and fill an existing gap in the market.*
- *Separation between policyholder accounts and shareholders accounts makes Takaful insurance more transparent.*

• *The distribution of the insurance surplus makes Takaful insurance have more merits compared to commercial insurance.*

• *If Takaful companies have the required resources, they will achieve remarkable progress in the years to come.*

Points of weakness

• *They suffer from the same weakness area suffered by the commercial insurance like lack of awareness.*

• *It did not succeed in distinguishing itself from the commercial insurance. This gives*



rooms for questioning credibility.

- *Takaful industry was created only few years ago and has not yet matured in the Arab world.*

Is the difference between the Sharia councils of the insurance companies operating in the same country a point of weakness or strength?

Difference of opinion is good. We should note that the Accountability and Revising Authority for the Islamic Financial Institutions has issued the Standard Islamic Insurance Criteria in 2007. The same authority published the accounting principles for Takaful companies in 2004. Both criteria are available for professionals and interested readers.

Many countries – for instance, Sudan - have unified its regulations to become Islamic or provided the regulatory framework like Bahrain or forced all insurance companies to become cooperative by the force of law like Saudi Arabia.

What are the main reasons behind lack of trained human resources in insurance sector?

While many countries have considerable number of insurance professionals like Lebanon, Egypt, Morocco, Tunisia etc, a number of countries, especially in the Gulf region suffer lack of trained human resources. The main reasons behind such lack of resources can be summarized as follows:

- *Lack of national capacities in most sectors, which make the reliance always on the expatriate workers.*
- *Many youth with university degrees do not show interest in insurance sector.*
- *Shareholders and management of some companies do not show the required interest to nationalize jobs.*

On the national level, we should devise an educational strategy and fund the implementation of it. Instead of forcing insurance companies to achieve a certain rate of national workers, they can allocate a certain amount of its premiums to establish a training center that will grant accredited certificates in association with international renowned institutions.

On corporate level, companies should allocate a portion of its revenues for training locals. If companies are deterred from doing the same because some of its trained employees may migrate to other company, then such initiatives may be done through insurance societies and organizations like St Joseph in Beirut and Development Fund Institute that cover Morocco, Tunis and Algeria.

Gulf countries have huge resources but lack the clear vision that can be translated into an action plan. Till we achieve this aim, we have to remain relying on expatriates.

