

## Takaful Network Meeting: In the Spirit of Mutuality

Bringing takaful companies and co-operatives under one roof to discuss and share their experiences, as well as to enhance networking among members, were the aims of ICMIF's inaugural Takaful Network Meeting, which was hosted by Etiqa, with the theme "A New Beginning in Overcoming Challenges."

The similarity in values between co-operatives and takaful was highlighted in the keynote address by Tuan Hj Mohd Tarmidzi Ahmad Nordin, CEO of Etiqa Takaful, who pointed out how the relatively nascent takaful industry can benefit from the rich experience of cooperatives and skip the learning curve that new industries often have to undergo. Co-operatives can, on the other hand, learn from the Shariah principles that takaful practitioners adhere to.

For example, he said, co-operatives have been successful in overcoming the challenges of human capital and increasing the awareness and penetration of insurance, and this is where takaful players can learn in terms of how to position their products in the consumer market to increase the appeal of their products.

The link between co-operatives and takaful was further emphasised by Mr Mohamad Salihuddin, CEO of Prudential BSN Takaful Berhad (PruBSN), who said that both fields should not compete but, rather, complement one another. "Takaful should be the system, and not an insurance alternative. Ethical insurance should be the way forward, be it takaful or co-operatives."

The principles of mutuality should permeate every aspect of takaful, said Professor Dr Mohd Ma'sum Bilal, Group Executive Chairman of the Middle Eastern Business World Group, and be practiced within takaful corporations in distribution of surplus and in the sharing of benefits. He also pointed out that in takaful especially, there should be no discrimination, with every human being treated equally and interfaith application of takaful encouraged.

### Takaful Markets Around the World

Speakers from takaful operators from various parts of the world, including from far-flung markets such as Canada and Trinidad & Tobago, shared their experiences.

### Bahrain

Mr Gopi Roa, General Manager of Family Takaful, Solidarity, said that insurance regulation in Bahrain was comprehensive, with specific sections pertaining to takaful. There are also low entry barriers to insurance and takaful companies as well as brokers. Together with the growing realisation of takaful as an ethical alternative, increased use of Islamic banking and financial services, the property boom and mortgage needs of the population combined with the growing religious sentiments, these point to the many opportunities for takaful growth in the country. In Bahrain, overall insurance premium growth, comprising both convention and takaful, was 26% from 2005 to 2006, with life growing at 49% and non-life at 21%.

However, the takaful market in Bahrain still has to face challenges such as the acceptance and entrenchment of conventional insurance in the country, the view of takaful as a cost alternative rather than an inherently different product, and the lack of product differentiation from conventional insurance. Tapping into uninsured segment of the market is the key to driving the growth of takaful in Bahrain, Mr Roa concluded.

### Indonesia

According to Mr Dadang Sukresna, President Director of Takaful Indonesia, the Indonesian takaful industry has grown from five takaful companies and windows in 2002 to three retakaful windows and 34 takaful companies and windows in 2007. Total takaful premiums also increased from US\$13.49 million in 2002 to \$54.23 million in 2006 and expected growth in 2007 is around 50%-60%. With the world's largest Muslim population, and a takaful market share of only 1%, the opportunity for growth is immense.



**Malaysia**

Mr Ahmad Feizal Sulaiman Khan, Head, Business Development, Etiqa said that the success of takaful lies in whether it can become a one-stop centre, offering holistic Shariah-compliant services, including wealth management, entrepreneurial development, capital preservation and protection. “To bring about further success, takaful needs to reposition itself to emphasise universal values, such as ethics, mutual sharing and ownership and transparency. It can also build on the success of Islamic banking,” he added.

The role of the Malaysian International Islamic Financial Center (MIFIC) in promoting the development and liberalisation of Islamic banking and takaful in the open market was also underscored by Mr Ahmad Feizal. Shariah interpretation should be harmonised with the objective to grow the combined takaful market globally and to allow for reciprocal business between Islamic countries.

**Sri Lanka**

Mr Aashiq Aminuddin, Assistant Marketing Manager of Amana Takaful Insurance, shared how it partnered with opinion leaders in each of the communities targeted by the company, such as garment factory workers and security guard personnel, to market microtakaful. Emergency settlement floats for each community were set up and channel partners, such as micro-finance institutions, were given the rights to settle claims in the shortest amount of time.

Amana Takaful also sponsors events within each of these communities such as water projects and education grants.

**Canada**

There is growing interest among Canadian non-Muslims in Islamic finance and a governmental task force has been set up to investigate the potential, observed Mr Pervez Nasim, Chairman, Islamic Co-operative Housing Corp & Ansar Financial Group. This would aid the progress of takaful as there is a lack of Shariah-compliant investment opportunities in Canada. Other market challenges faced in Canada include the lack of local Shariah scholars and shortage of trained in experienced staff on both the religious and insurance fronts.

**Trinidad & Tobago**

Even with a small population of approximately 80,000 Muslims in Trinidad & Tobago (T&T), the Takaful T&T Friendly Society (TTTFS) has managed to introduce the concept and practice of takaful in the country at the micro level, through their Funeral Benefit Scheme (FBS) – a mutual aid scheme where members contribute to a common pool with the purpose of sharing each others’ burdens with specific reference to funeral expenses.

The society has also developed an investment fund, a hajj fund, a wafq fund and a zakah scheme. Under the society, the Islamic institutions of zakah and wafq have been merged with takaful in promoting the welfare

of their members. Zakah recipients are sponsored their membership fees into the society, FBS contributions and a sum of money to be put into an investment fund for the individual. To date, there are 45 zakah recipients enrolled in this scheme. In 2004, a wafq fund was established by TTTFS to supplement the funeral grants from the FBS by an additional US\$315.

**Microtakaful**

Mr Chakib Abouzaid, CEO of Takaful Re, further emphasised the importance of microtakaful, by calling on ICMIF and takaful companies to work hand in hand to raise the awareness of such products. With ICMIF’s experience in microinsurance, takaful companies would certainly benefit.

**Enhancing Networking**

Day one of the Meeting ended with a panel discussion on how to enhance networking within the takaful community, as well as with co-operatives. Membership in ICMIF was offered as a possible solution, as ICMIF has the experience and the facilities to promote networking among its members.

**Field Visits**

Field visits to Etiqa and Takaful Ikhlas on the second day of the Meeting gave delegates the opportunity to learn about each company’s marketing strategies and operations.

In line with the objectives of ICMIF, the atmosphere throughout the Takaful Network Meeting was friendly and casual and feedback from the delegates was positive.

Mr Imitiaz Ali, Manager of TTTFS, said: “I’m impressed. (Etiqa & ICMIF) have done a lot in organising this event and ensure that we are comfortable. The seminar session was productive, and the site visits are good as we can see the companies and meet the people.”

