

# World Islamic Insurance Directory 2010

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

## 5<sup>th</sup> World Takaful Conference

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# Introduction

- The 4<sup>th</sup> edition of World Islamic Insurance Directory (WIID);
- The 4<sup>th</sup> edition captures the information from more than 180 companies across 33 countries;
- The statistics presentation is highlighting the following:
  - ✓ The sustainable growth in Takaful
  - ✓ The expected development.

# Data collection methodology

- A comprehensive questionnaires obtained from the companies;
- We use the published annual financial reports, if the questionnaire was not received;
- We are also using the market statistics issued by the regulators (KSA, Iran, Bahrain & Malaysia ) as a guide in the Global Statistics;
- Takaful Re and MIR are doing their best to maintain the reliability of the data;
- The accuracy is dependent on the companies Financial statements and submitted information.

# Definitions

- **Different definitions** → **different statistics**: How can we define a Takaful company?
  - ✓ Is Saudi cooperative model Takaful?
  - ✓ Can we consider the Iranian markets as Islamic?



# Definitions

Islamic = Takaful  
+  
Cooperative  
Companies (KSA +  
Sudan)  
+  
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.

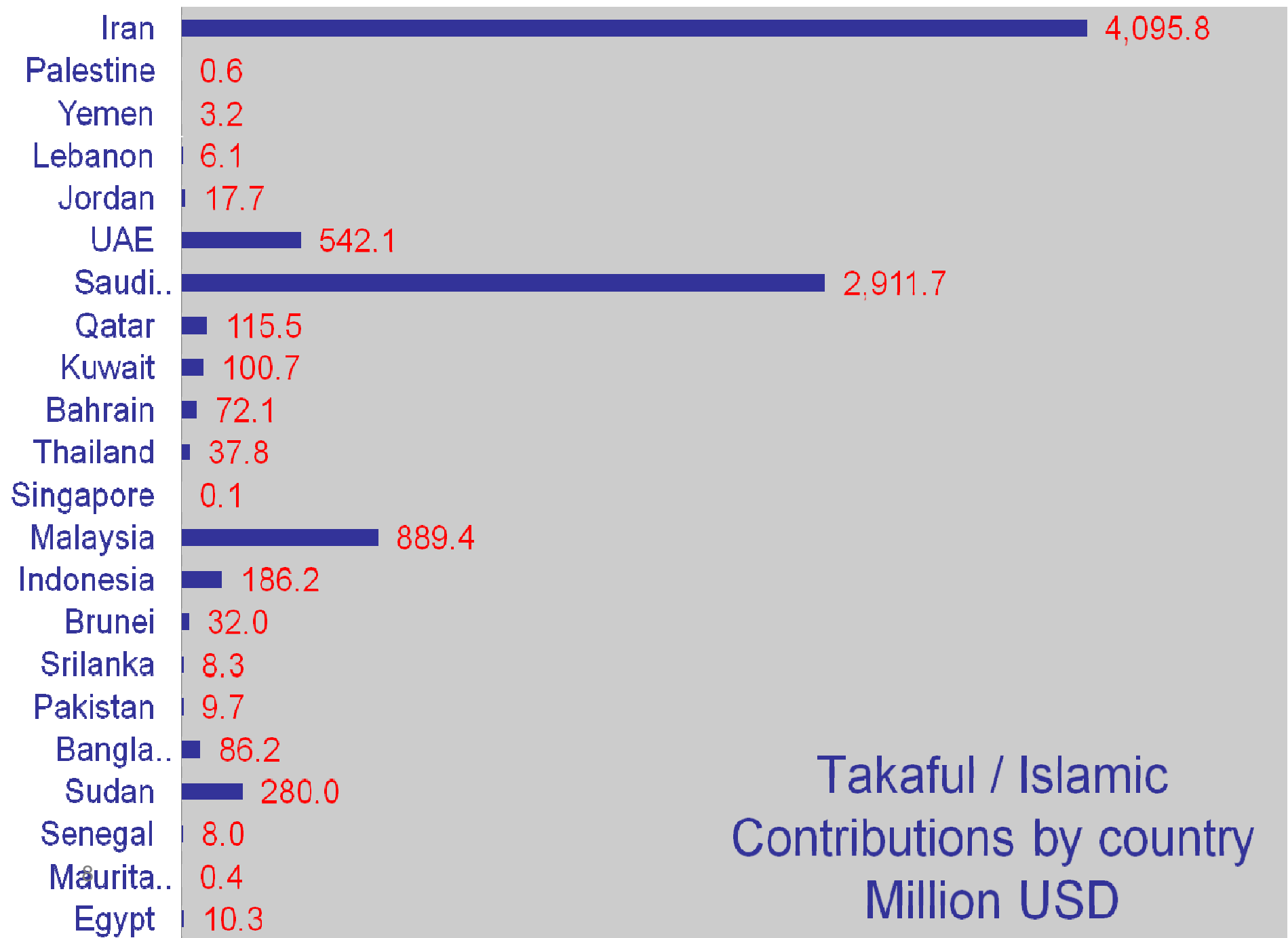
**Iran** : The Shari'a law is the corner stone of the whole system

# Total contributions per Region

Region	2005	2006	2007	2008
Africa	181.1	215.2	276.1	298.7
East Indian Sub-Continent	7.8	11.2	76.1	104.2
Far East	536.7	695.4	901.4	1145.5
GCC	1,547.1	2,088.5	2,847.6	3742.1
Levant	14.7	17.7	21.7	27.6
Iran (*)	2,372.4	2,880.1	3,415.5	4,095.8
<b>Grand Total</b>	<b>4,659.8</b>	<b>5,908.1</b>	<b>7,538.4</b>	<b>9413.9</b>
	<b>Growth</b>	<b>27%</b>	<b>26%</b>	<b>25%</b>

# Takaful / Islamic by region in %

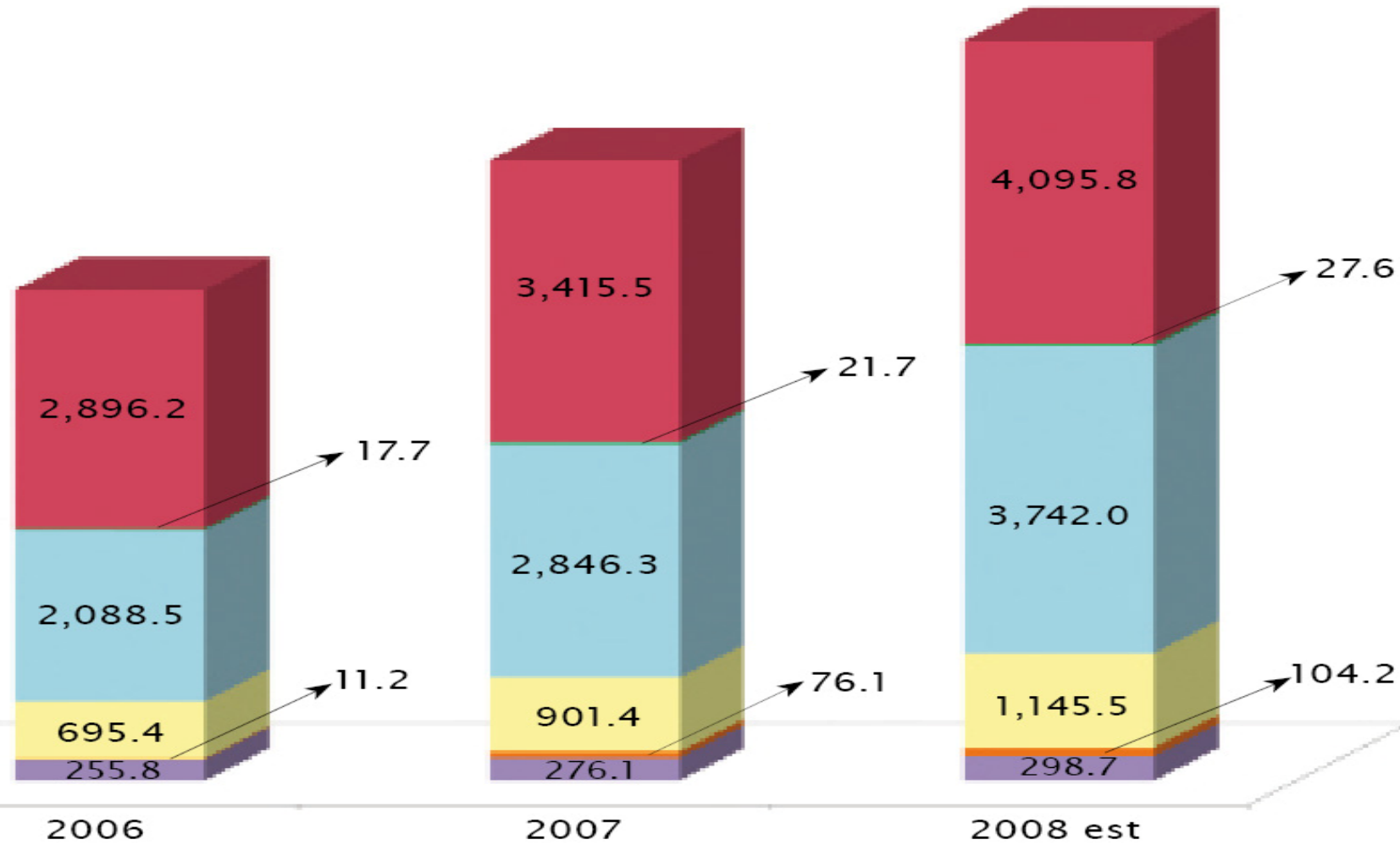
Region	2005	2006	2007	2008 Est.
➤ Africa	3.9%	4.3%	3.7%	3.2%
➤ East Indian Sub-Continent	0.2%	0.2%	1.0%	1.1%
➤ Far East	11.4%	11.7%	12.0%	12.2%
➤ GCC	33.0%	35.0%	37.8%	39.8%
➤ Levant	0.3%	0.3%	0.3%	0.3%
➤ Iran	51.2%	48.6%	45.3%	43.5%
<b>Grand Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>



# Global Takaful / Islamic Insurance

## Gross Contribution Income by Class 2008 (Est.)

US\$ Millions

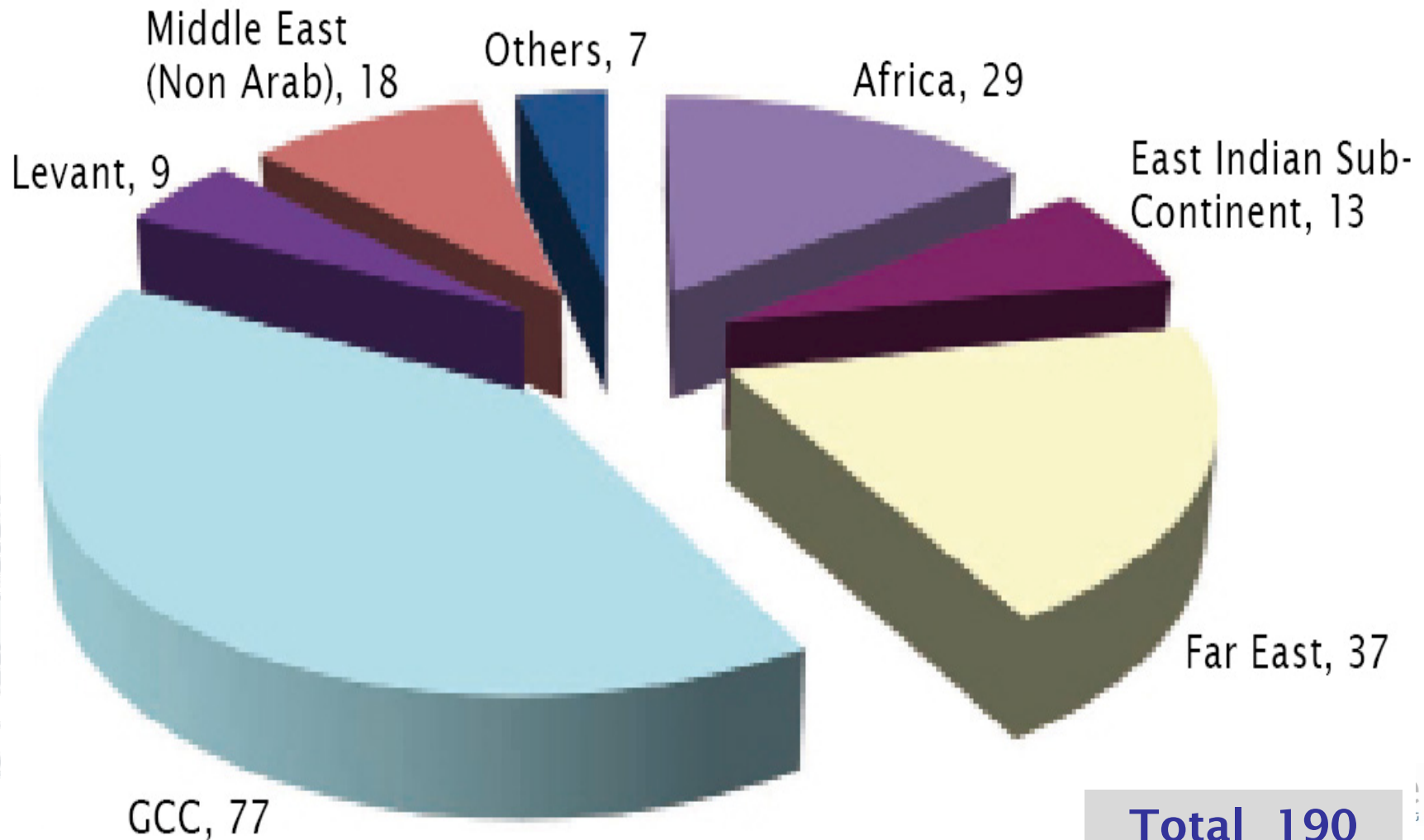


- Africa
- East Indian Sub-Continent
- Far East
- GCC
- Levant
- Middle East (Non Arab)

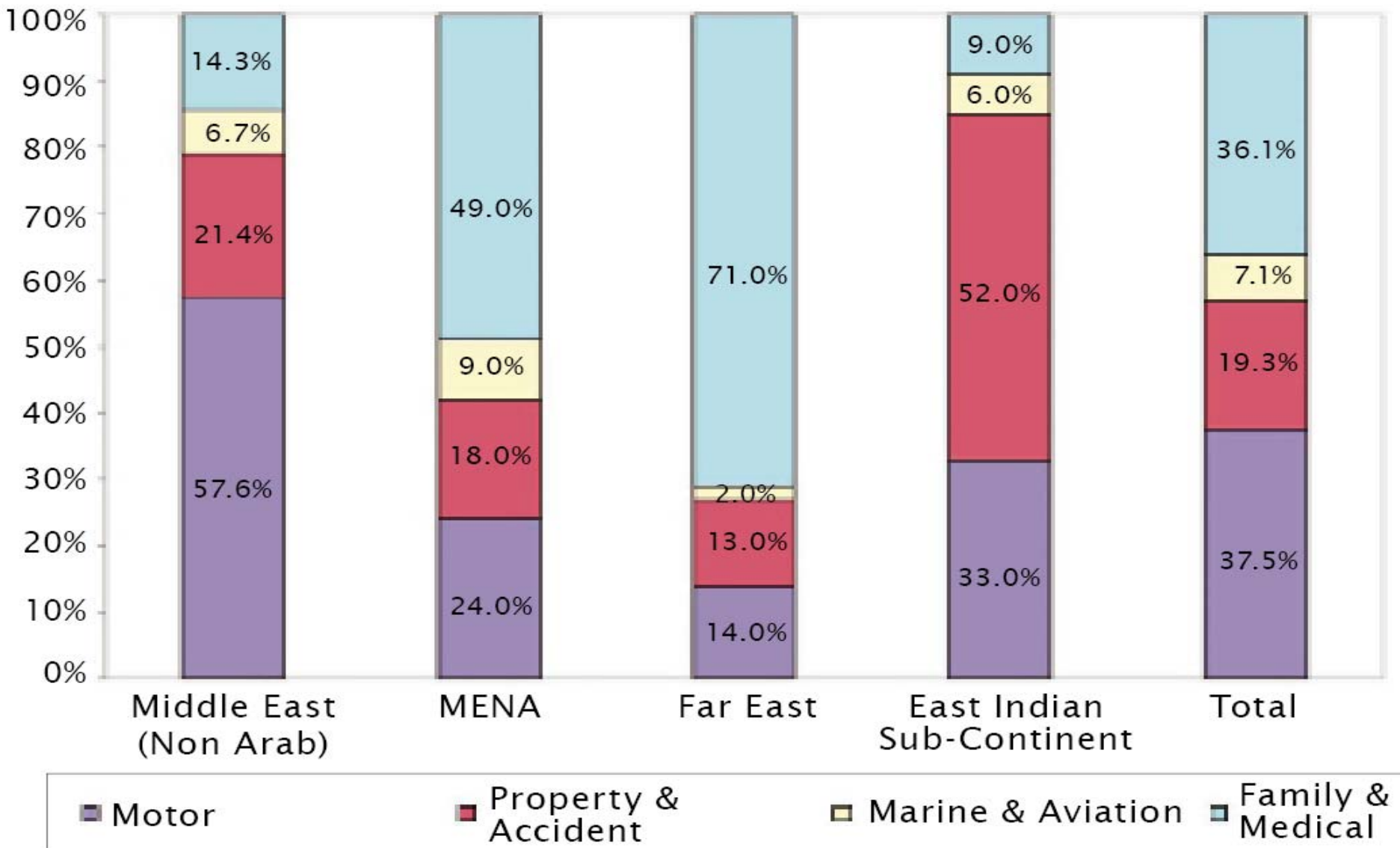
# Takaful / Islamic Growth in %

Region	2006/2005	2007/2006	2008/2007
➤ Africa	41%	8%	8%
➤ East Indian Sub-Continent	44%	579%	37%
➤ Far East	30%	30%	27%
➤ GCC	35%	36%	31%
➤ Levant	20%	23%	27%
➤ Middle East (Non Arab)	21%	18%	20%
➤ Grand Total	27%	26%	25%

# Number of Islamic Operators



# LOB per Region 2008 Est.



# Middle East vs. Far East Main Findings

	MENA	Far East
<ul style="list-style-type: none"> <li>▪ Contribution to the Global Takaful</li> </ul>	<ul style="list-style-type: none"> <li>· GCC 39.8</li> <li>· Levant 0.3</li> <li>· Iran 43.5</li> <li>· Africa 3.2</li> <li>· <b>88.3</b></li> </ul>	<ul style="list-style-type: none"> <li>· Far East 12</li> <li>· Indian Sub Cont 0</li> <li>· <b>11.7</b></li> </ul>
<ul style="list-style-type: none"> <li>▪ Number of companies</li> </ul>	<ul style="list-style-type: none"> <li>· GCC 72</li> <li>· Levant 9</li> <li>· Iran 18</li> <li>· Africa 26</li> <li>· <b>125</b></li> </ul>	<ul style="list-style-type: none"> <li>· Far East 35</li> <li>· Indian Sub Cont 12</li> <li>· <b>47</b></li> </ul>
<ul style="list-style-type: none"> <li>▪ Split by Line of business</li> </ul>	<ul style="list-style-type: none"> <li>· Family &amp; Medical <b>49</b></li> <li>· General <b>51</b></li> </ul>	<ul style="list-style-type: none"> <li>· Family &amp; Medical <b>71</b></li> <li>· General <b>29</b></li> </ul>
<ul style="list-style-type: none"> <li>▪ Growth</li> </ul>	<ul style="list-style-type: none"> <li>· GCC 31%</li> <li>· Levant 27%</li> <li>· Iran 20%</li> <li>· Africa 8%</li> <li>· <b>24%</b></li> </ul>	<ul style="list-style-type: none"> <li>· Far East 27%</li> <li>· Indian Sub Cont. 37%</li> <li>· <b>28%</b></li> </ul>
<p>13</p>	<p><b>Total</b></p>	<p><b>Total</b></p>

# Questions

- Is Takaful an important contributor to the insurance industry in the GCC?
- What was the added value of Takaful to the GCC in the past years?
- Is Takaful increasing the awareness and/or penetration of insurance?
- What are the main challenges facing Takaful?
  - Lack of **differentiation**? Are Takaful really different from conventional????
  - **Shari'a compliance**? **Corporate Governance**?
  - Mindset?
  - Critical mass?
  - Credibility?
  - Are the existing Retakaful capacity sufficient? What about Retrotakaful?
- Relations with conventional: competition? Complement each other? Or conventional should be the promoters of Takaful?
- What can be /should done to improve Takaful visibility & **market penetration** ?
- What will be the future of Takaful in a very competitive environment?

# Outlook

## • Middle East:

- Increasing number in the recent past which implies a substantial growth in years to come, as the companies will fight for their market shares;
- Need for change: **mindset**, political support and **legal framework**, products innovation;
- 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 2 years;
- Indonesia: as the largest Muslim country needs clear strategy for Takaful;
- Brunei: market dominated by Takaful.

# Current challenges for Takaful

- **Conventional mind set & lack of knowledge, which needs (\*):**
  - To adopt a pragmatic and gradual implementation approach to install confidence;
  - Creating awareness & enhancing Takaful knowledge;
  - Common understanding on concepts;
  - Promotion of education programs;
  - Shari 'a issues: Governance framework & more harmonization;
  - **GCC: except BIBF no dedicated or specific education/training program;**
  - **Different Takaful models & practices which leads to more confusion and question the seriousness of Takaful business model.**
- **Limited investment opportunities**
- Solvency & **compliance with international standards**
- Retakaful capacity
- **Low efficiency** ...but improving
- Economic slow down

# Future challenges (\*)

## ➤ Innovation

- ✓ New products and concepts
- ✓ Investment avenues
- ✓ Extensive human capital support is critical

## ➤ Strategic Alliances

- ✓ Retakaful arrangement
- ✓ Stronger world-class Takaful operators
- ✓ Link Takaful operators with counterparts in other jurisdictions
- ✓ Equity participation in Takaful operators of other Islamic countries
- ✓ Cross border business operation and investment activities

## ➤ Regulatory Framework

- Changes to Takaful legislation
- Harmonization with IAIS principles – Role of IFSB & AAOIFI

*Thank you,*

