

6th World Takaful Conference

World Islamic Insurance Directory
Presentation

Dubai 10th April, 2011

Introduction

- The 5th edition of World Islamic Insurance Directory (WIID);
- The 5th edition captures the information from more than 190 companies across 34 countries;
- The statistics presentation is highlighting the following:
 - ✓ Takaful/Islamic Markets in Middle & Far East
 - ✓ The sustainable growth in Takaful
 - ✓ The expected development

Data collection Process

- A comprehensive questionnaires sent to each company covering the required information
- We search for the annual financial reports to fill any missing information
- We bundle all the available market statistics with the information collected from the received questionnaires
- We use market analysis reports issued by reputable organizations especially
- We use our internal market trip reports as an indicator for required information
- The accuracy is dependent on the companies Financial statements and submitted information

Difficulties

- Intensive follow up process to enable us to collect as much data as possible
- Markets with no official statistics (issued by regulatory authorities)
- Market statistics with no split between Islamic & Conventional
- Companies with Islamic operations/windows, where the financial statements are consolidated
- Unlisted companies with no published financial statements
- Even though each participating company will receive a complimentary copy of the directory, still some companies are not very enthusiastic in responding to the questionnaires

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

Saudi

- The supervision of insurance sector was entrusted to SAMA by virtue of a Royal Decree issued on 2/6/1424H (31/7/2003) approving the Cooperative Insurance Companies Control Law
- Cooperative Health Insurance Act Issued By Royal Decree on August 1999, impact on insurance industry practically started in 2007
- Till now, 32 companies having been licensed, and 3 are under incorporation;
- The market developed from GWP of SAR 10.9 Billion (USD 2.9 Billion) in 2008 to SAR 14.6 Billion (USD 3.89), in 2009, and expected to exceed SAR 18 Billion in 2010
- The growth rate increased from 27.2% in 2008 to 33.8% in 2009:
 - Health Insurance increased by 51.8%
 - General Insurance increased by 14.4%
 - P&S (Family) increased by 68.9%

LOB	2007		2008		2009	
P&S	327	4%	594	5%	1,003	7%
Health	3,065	36%	4,805	44%	7,292	50%
General	5,191	60%	5,520	51%	6,315	43%

UAE

- The Insurance industry in UAE follows under the Federal Law No.(6) issued in 2007 cancelling the Federal law No. (9) issued in 1984
- The Executive committee for the Insurance Authority was established in 2009
- The market currently has 8 Takaful Operators and one under establishment
- The Takaful market has developed by approx. 18% in 2009
- Takaful Law was introduced in 2010 ; which will harmonize the legal framework, and enhance the development of Takaful

Egypt

- The Egyptian Financial Supervisory Authority is a public Authority, having a legal status, established in accordance to law 10 of the year 2009
- Effective July 1st, 2009, the EFSA has, in accordance with law No. 10 of 2009 regarding organization of regulation of markets and non-banking financial instruments, replaced the Egyptian Insurance Supervisory Authority (EJSA) in terms of enforcement of provisions of the law on supervision and regulation of insurance promulgated by Law No. 10 of 1981
- The market currently has 8 Takaful Operators
- The Takaful market has developed by more than 300% in 2009 (due to the new operators)
- The Takaful market share is still 4.2% as of 2009, expected to increase massively as 4 operators practically started in 2010

Malaysia

- Takaful Act was issued in 1984, Royal assent (24th Dec.), publication in the Gazette (31st Dec.)
- The Central Bank of Malaysia (Bank Negara Malaysia) is the regulatory Authority of the Insurance Industry including Takaful
- The market currently has 10 Takaful Operators (Local & Multinationals); 4 licenses (AIA, Great eastern, ING, AMMB) for Family Takaful were issued in September 2010
- The Takaful market has developed by approx. 30% in 2009 compared to 27% in 2008
- The GWP for Takaful reached US\$ 1.16 Billion in 2009
- Malaysia remains the main Takaful market, and a center for Islamic Finance.

LOB	2007		2008		2009	
Family	1,976	78%	2,373	78%	2,718	77%
General	567	22%	652	22%	804	23%

Islamic /Takaful Contributions by Country

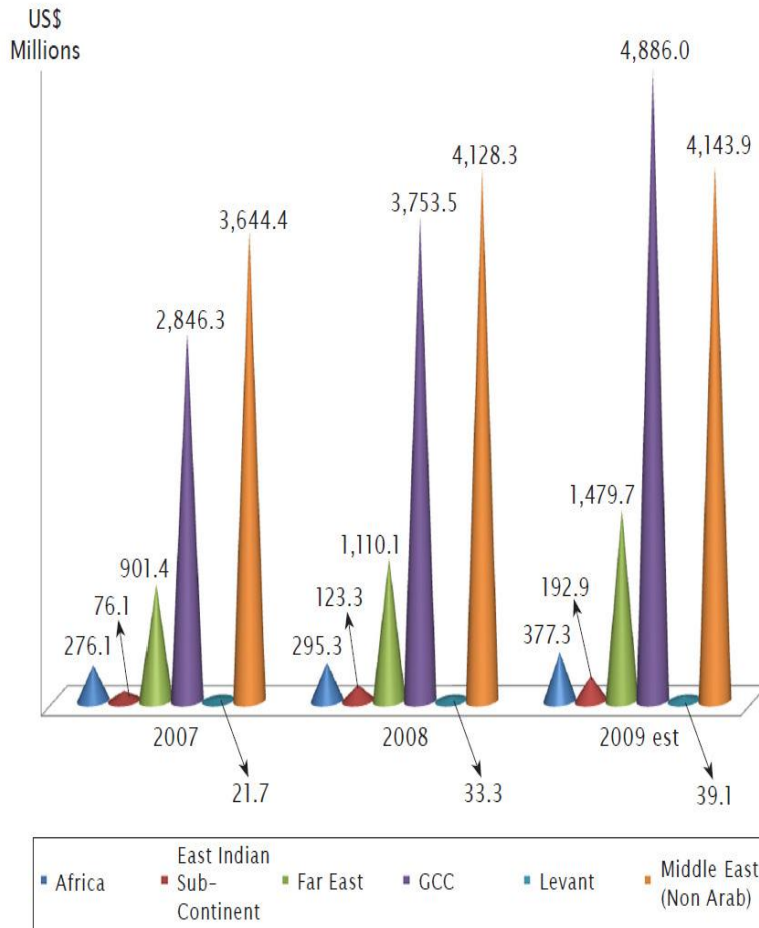
Region	Country	GWP in USD (M)		
		2007	2008	2009 est.
Africa	Egypt	6.1	6.2	29.3
	Mauritania	0.4	0.4	0.4
	Senegal	8.0	8.0	8.0
	Sudan	261.6	280.7	339.6
Sub-total		276.1	295.3	377.3
East Indian Sub-Continent	Bangladesh	64.7	104.6	165.6
	Pakistan	3.9	9.8	17.2
	Sri Lanka	7.5	8.9	10.1
Sub-total		76.1	123.3	192.9
Far East	Brunei	32.0	32.0	32.0
	Indonesia	133.0	150.8	251.5
	Malaysia	701.3	889.4	1,158.3
	Singapore	0.1	0.1	0.1
	Thailand	35.0	37.8	37.8
Sub-total		901.4	1,110.1	1,479.7
GCC	Bahrain	40.7	70.9	86.6
	Kuwait	95.0	100.7	127.7
	Qatar	52.6	128.1	136.1
	Saudi Arabia	2,288.8	2,911.7	3,896.0
	UAE	369.2	542.1	639.6
Sub-total		2,846.3	3,753.5	4,886.0
Levant	Jordan	14.2	21.9	24.2
	Lebanon	5.2	6.1	6.1
	Yemen	2.3	3.2	3.4
	Palestine	-	2.1	5.4
Sub-total		21.7	33.3	39.1
Middle East (Non Arab)	Iran	3,644.4	4,128.3	4,143.9
Grand Total		7,766.0	9,443.8	11,118.9

Islamic /Takaful Contributions by Country

Region	Country	Growth		
		2007	2008	2009
Africa	Egypt	30%	2%	373%
	Mauritania	0%	0%	0%
	Senegal	14%	0%	0%
	Sudan	7%	7%	21%
Sub-total		8%	7%	28%
East Indian Sub-Continent	Bangladesh	1440%	62%	58%
	Pakistan	1850%	151%	76%
	Sri Lanka	10%	19%	13%
Sub-total		579%	62%	56%
Far East	Brunei	7%	0%	0%
	Indonesia	66%	13%	67%
	Malaysia	27%	27%	30%
	Singapore	0%	0%	0%
	Thailand	8%	8%	0%
Sub-total		30%	23%	33%
GCC	Bahrain	21%	74%	22%
	Kuwait	6%	6%	27%
	Qatar	5%	144%	6%
	Saudi Arabia	24%	27%	34%
	UAE	468%	47%	18%
Sub-total		36%	32%	30%
Levant	Jordan	25%	54%	11%
	Lebanon	8%	17%	0%
	Yemen	53%	39%	6%
	Palestine	0%	0%	100%
Sub-total		23%	53%	17%
Middle East (Non Arab)	Iran	26%	13%	0%
Grand Total		30%	22%	18%

Islamic /Takaful Contributions by region

Gross Contribution Income by Region 2007 - 2009 est



Region	2007	2008	2009 Est.
Africa	276.1	295.3	377.3
East Indian Sub-Continent	76.1	123.3	192.9
Far East	901.4	1,110.1	1,479.7
GCC	2,846.3	3,753.5	4,886.0
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Middle East (Non Arab)	3,644.4	4,128.3	4,143.9
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Growth

30%

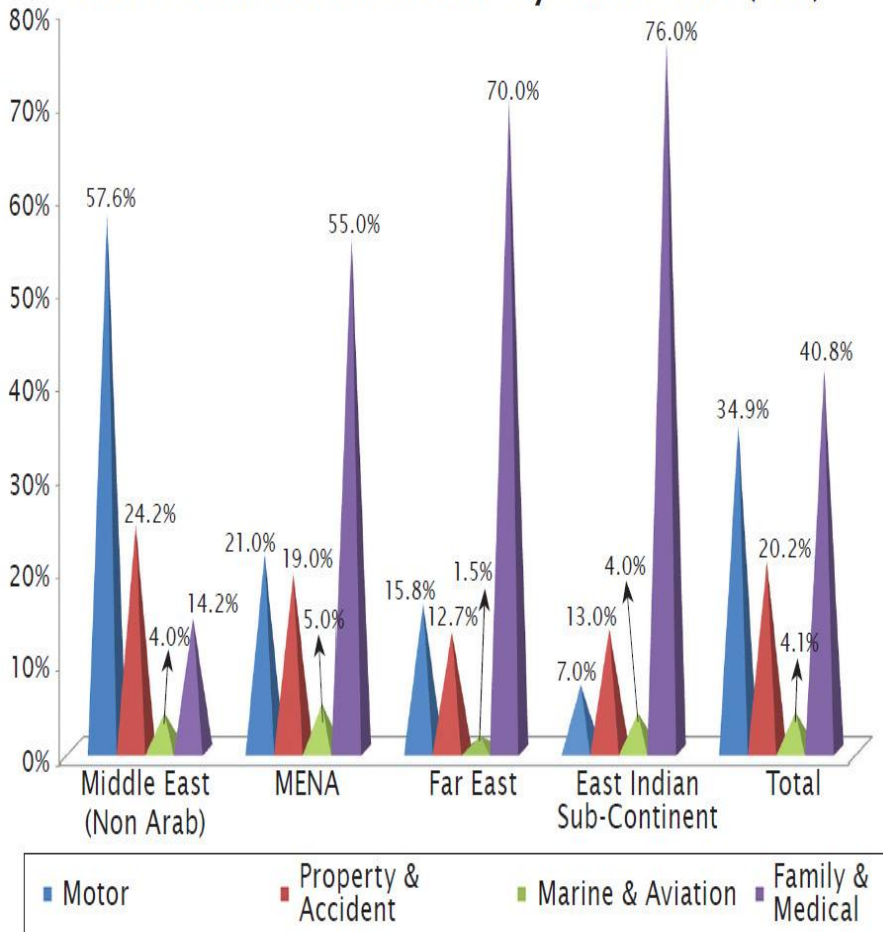
22%

18%

- Lower overall growth in the 3 previous years, due to the economic slowdown, market competition, and low inflation;

Islamic /Takaful Contributions by Line Of Business

**Global Takaful / Islamic Insurance
Gross Contribution Income by Class 2009 (Est.)**



- Medical remain the main LOB in the ME;
- In the Far East, Family Takaful is the main driver for Takaful; while in the Middle East is stagnant;
- Except Iran, the Motor seems declining in Far & Middle East;

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 43.9 ▪ Levant 0.4 ▪ Iran 37.3 ▪ Africa 3.4 	<ul style="list-style-type: none"> ▪ Far East 13.3 ▪ Indian Sub Cont 1.7
Total	85%	15%
<ul style="list-style-type: none"> ▪ Number of companies 	<ul style="list-style-type: none"> ▪ GCC 77 ▪ Levant 9 ▪ Iran 18 ▪ Africa 32 	<ul style="list-style-type: none"> ▪ Far East 40 ▪ Indian Sub Cont 12
Total	143	52
<ul style="list-style-type: none"> ▪ Split by Line of business 	<ul style="list-style-type: none"> ▪ Family & Medical 35% ▪ General 65% 	<ul style="list-style-type: none"> ▪ Family & Medical 71% ▪ General 29%
<ul style="list-style-type: none"> ▪ Growth 	<ul style="list-style-type: none"> · GCC 30% · Levant 17 % · Iran 0.4 % · Africa 28 % 	<ul style="list-style-type: none"> ▪ Far East 33% ▪ Indian Sub Cont. 56%
Total	15%	36%

General remarks

- However, there are number of challenges facing the industry:
 - Lack of added value i.e. companies are not innovating; no differentiation;
 - Awareness is still lacking & penetration very low;
 - Very low underwriting performance; and accumulation of deficit;
 - Lack of transparency and needs for more Shari 'a compliance
 - No critical mass, except KSA

Current & Future challenges for Takaful

Current

- Conventional mind set;
- Lack of knowledge, (*):
 - Creating awareness & enhancing Takaful knowledge;
 - Common understanding on concepts & models
 - Education & trainings, especially in ME
 - Shari 'a issues: Governance framework & more harmonization:
 - Different Takaful models & practices which leads to more confusion and question the seriousness of Takaful business model
- Lack of confidence in Sukuks
- Policyholders funds Solvency
- Compliance with international standards
- Markets fragmentation & competition
- LSR & specialty lines: need of additional capacity
- Efficiency: deficit, low ROE;
- Political risk : Middle East & Pakistan;
- Economic recession;

Future

- Innovation
 - New products and concepts
 - Investment avenues
 - Extensive human capital support is critical
- Regulatory Framework
 - Changes to Takaful legislation
 - Harmonization with IAIS principles (Solvency II)
 - IFSB & AAOIFI: need for close collaboration
- New territories: Indonesia, North Africa

Possible solutions

- Strategic Alliances
 - 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
- Retakaful: Pooling & Retrotakaful

Outlook

❖ Middle East:

- Cooperative / Takaful industry are important contributors to the insurance industry in the GCC;
- Increasing number in the past years; however, except KSA, majority of companies did not reach a critical mass:
 - Potential substantial growth in years to come, and increasing market share,
 - Increasing competition between Takaful & vis a vis of conventional
- Real need for change:
 - To resolve takaful model issues: deficit
 - Mindset, political support and legal framework, products innovation

❖ Far East:

- Malaysia: sustainable growth, Family Takaful development;
- Indonesia: as the largest Muslim country needs clear strategy for Takaful;
- Brunei: market dominated by Takaful

Thank you,