



Fundamental & Essence of Takaful
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Agenda

Introduction & Evolution of Takaful

Takaful Models

Difference between Conventional Insurance & Takaful

Takaful Oman At a Glance





Introduction to Takaful



Concept of Takaful

- ◆ Takaful comes from the Arabic root-word kafala — guarantee
- ◆ Takaful in Arabic means guaranteeing each other for mutual protection.
- ◆ Practiced by Muslim Immigrants (Muhajirin) of Mecca & Muslim Residents (Ansar) of Medina following migration (Hijra) of Prophet Mohammed (Pbuh) 1400 years ago
- ◆ Uncertainty (Al-Gharar), Interest (Riba) & Gambling (Maisir) is eliminated.
- ◆ Investments are in line with Shariah
- ◆ Constitution of Separate Participant's fund & Shareholders Fund
- ◆ Constitution of Shariah Supervisory Board.
- ◆ Advantage is not derived at a cost to others and surplus if any, is distributed fairly to the Participants.



Principles of Takaful

- Mutuality & Co operation
- Every Participant contributes / donates their subscription into a fund to help other Participants in need.
- Losses are divided and liabilities spread according to a community pooling system.
- Uncertainty (Al-Gharar) , Interest (Riba) & Gambling (Maisir) are eliminated.
- Payments made with the intention of Tabarru (Contribution)
- Investments as per Shariah
- Constitution of Separate Participant's fund.
- Constitution of Shariah Supervisory Board.
- Advantage is not derived at a cost to others and surplus, if any, is distributed fairly to the Participants.

Main Drivers of Takaful

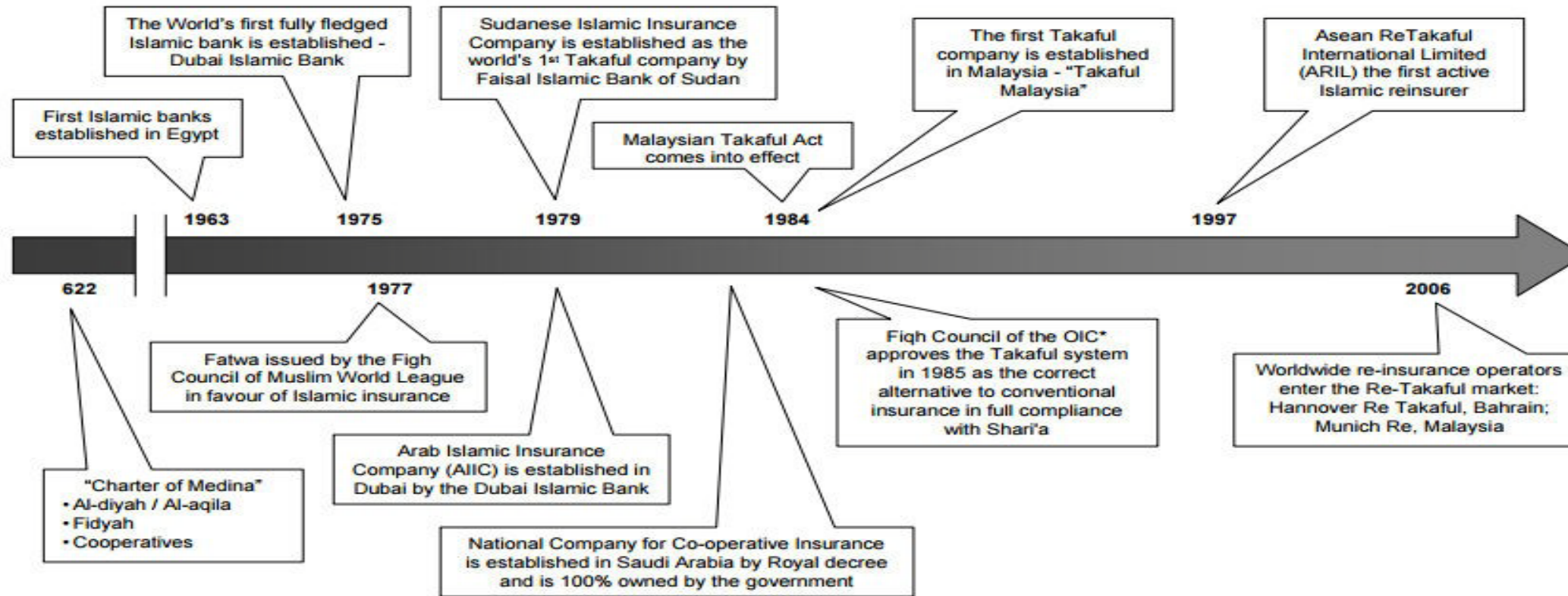
- Piety (Individual Purification)
- Brotherhood (Mutual assistance)
- Charity (Tabarru or contribution)
- Mutual guarantee
- Community well being as opposed to profit maximization

Objections to Conventional Insurance

- Scholars view insurance contract as an exchange contract – money being exchanged for money over a period of time.
- This brings about problem of gharar which leads to maisir & then riba
- Main Elements of Conventional Insurance are
 - Uncertainty
 - Gambling
 - Interest
 - U/W + Investment Profits belongs to the company

Notes : Scholars do not object to insurance per se but object to certain weaknesses in the contract of insurance

Evolution of Takaful



* The Organisation for the Islamic Conference (OIC).

Source: Factiva, Company Websites

Source: World Takaful Report 2007

REFERENCE -AL QURAN

"Help (ta ' awun) one another in furthering virtue (birr) & Allah consciousness (Taqwa) & do not help one another in furthering evil & enmity ." Al Maidha, Verse 2 (5:2)

Takaful is a form of mutual help (ta ' awun) furthering good virtue by helping others who are in need/ in hardship

Reference - Hadith

- ★ **“Tie your camel & then submit (tawakkal) to the will of Allah swt ”.**
- ★ The hadith above implied to a strategy to mitigate risk.
- ★ Takaful provides a strategy of risk mitigation /reduction by virtue of collective risk taking that distributes risks & losses to a large number of participants.

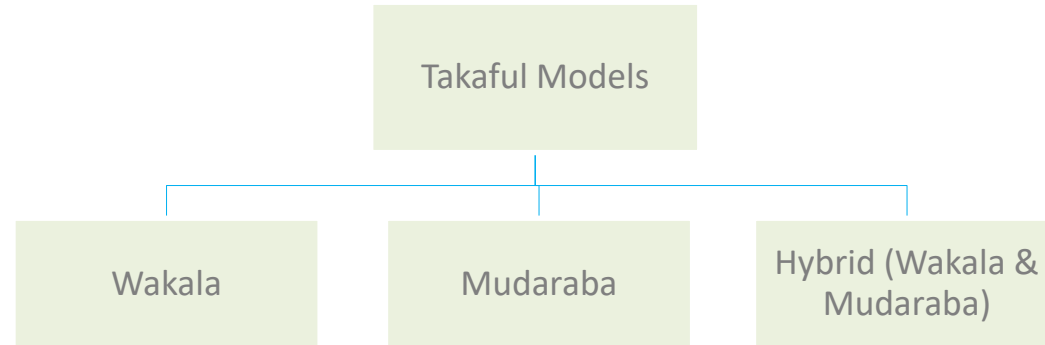


Takaful – through time

- Origins in the First Constitution of Madinah
- It evolved & continued in one form or the other during Abbasside period & even later during Ottoman empire.
- Serious efforts were made in modern times to come up with alternative to conventional insurance in 1970's.
- The first Takaful company , Islamic Insurance Company of Sudan was set up in Sudan in 1979 followed by Malaysia
- There are now 180 Takaful companies & 18 Re Takaful companies in 40 countries around the world.
- Average growth rate higher than conventional insurance companies (around 22%)



Takaful Models



Wakala Model

Co - operative risk sharing occurs among participants where a takaful operator earns a fee for services (as a Wakeel or Agent) and does not participate or share in any underwriting results as these belong to participants as surplus or deficit.

Mudaraba Model

The surplus is shared between the participants & takaful operator. Generally, these risk sharing arrangements allow the takaful operator a share in the underwriting results from operations as well as the favorable performance returns on invested premiums.

Takaful Model adopted

Hybrid Model followed in GCC

- A combination of the principal-agent and the principal-manager arrangements is used with Wakala for underwriting activities and Mudaraba for investment activities.
- The Hybrid model involves the Takaful Operator receiving a Wakala fee for managing insurance operations and receiving a Mudaraba fee for managing investments.

Takaful vs Conventional Insurance

Takaful	Conventional
Risk Sharing with Pooling	Risk transfer to the insurer
Contributions are made as donation to the Pool	Premiums are paid as a price for the risk coverage
Gharar (Uncertainty) is eliminated as contributions are made for mutual assistance and not for making profits: which is acceptable	Gharar: Insurance premiums are paid in “exchange” for a payment at an uncertain event: death, fire, etc
Contributions are made as a donation to the pool for mutual help and solidarity – not in anticipation of receiving benefit	Maisir: Insured or the Insurer can make a lot of profit by betting on loss occurrence
	Maisir: Also regarded as acquiring wealth through luck or by chance at the expense of others

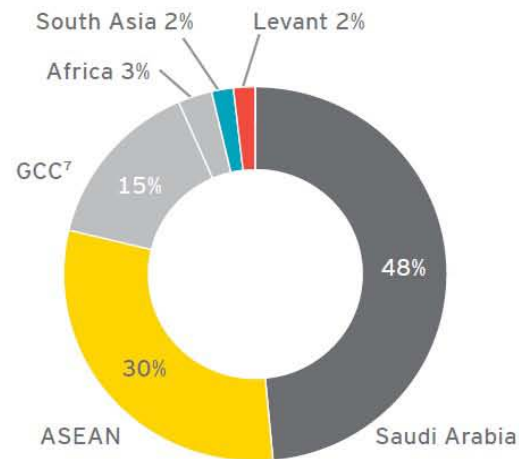
Takaful vs Conventional Insurance

Takaful	Conventional
Halal Investments only (<i>RIBA is removed</i>)	Any approved investment involving <i>RIBA</i>
Surplus shared among participants	Profits are shared between insurers and the shareholders
Sharia Board along with the regulator	Regulator
Retakaful	Reinsurance

Takaful and Retakaful Practices across different markets

1. Takaful is offered in most of the Muslim countries, and a few non-Muslim countries having a sizeable Muslim population (Singapore, UK)
2. The SE Asian region (Malaysia, Indonesia) are largely family takaful dominated.
3. The GCC region is mostly dominated by non life and health.

Chart 5: Share of global gross takaful contribution by region, 2014f



Saudi Arabia cooperatives account for nearly half (48%) of share of global⁶ gross takaful contributions.

ASEAN countries, namely Malaysia and Indonesia, account for nearly one-third (30%) of total gross takaful contributions, followed by other GCC⁷ countries at 15%.

Africa, South Asia and Levant account for 7% of global takaful contributions.

Source *EY_Global_Takaful_Insights_2014.pdf*

Takaful Oman-At a glance



Vision

To be one of the leading Takaful companies in Oman by maximizing value to all stakeholders under a Shari'a compliant framework.



Mission

To promote Takaful awareness through offering innovative Shari'a compliant products and services that deliver exceptional value and are tailored to the specific needs of customers through a highly dedicated professional team.

- ◆ First Full fledged Takaful Company in Sultanate of Oman ,May 2014
- ◆ Paid up Capital of OMR 10 million
- ◆ Promoters – OMR 6 million
- ◆ IPO raised OMR 4 million (as per CMA regulation)
- ◆ IPO Over subscribed by over 5 times
- ◆ Company is listed in Muscat Securities Shariah Market
- ◆ Reputable & Strategic Regional & Local promoters having stake in the company.



Promoters

Name	Nationality	No. of Shares subscribed	Amount Subscribed (RO)	% of the Share Capital
T'azur Takaful Insurance Company (K.S.C.C.)	Kuwaiti	15,000,000	1,500,000	15%
ONIDCO SAOC	Omani	10,000,000	1,000,000	10%
Oman Investment Corporation SAOC	Omani	10,000,000	1,000,000	10%
OMINVEST SAOG	Omani	7,500,000	750,000	7.5%
Blue Door Investment Services LLC	Omani	7,500,000	750,000	7.5%
National Bank of Oman SAOG	Omani	5,000,000	500,000	5%
Bank Muscat SAOG	Omani	5,000,000	500,000	5%
Total-Promoters	-	60,000,000	6,000,000	60%
Public (IPO)	-	40,000,000	4,000,000	40%
Total	-	100,000,000	10,000,000	100%





Current Product Offering

- ❖ Motor Takaful
- ❖ Group Life/Group Credit Life Takaful
- ❖ Group Health/Medical Takaful
- ❖ Fire & Allied Perils Takaful
- ❖ Contractors Plant & Machinery Takaful
- ❖ Workman's Compensation Takaful
- ❖ Marine Takaful
- ❖ Erection All Risk Takaful
- ❖ Contractors All Risk Takaful
- ❖ Property All Risk Takaful
- ❖ Home Takaful
- ❖ Travel Takaful
- ❖ Personal Accident Takaful
- ❖ Fidelity Guarantee Takaful
- ❖ Money Takaful
- ❖ Public Liability Takaful
- ❖ Banker's Blanket Takaful
- ❖ Business Interruption Takaful
- ❖ Directors & Officers Liability Takaful
- ❖ Event Cancellation Takaful



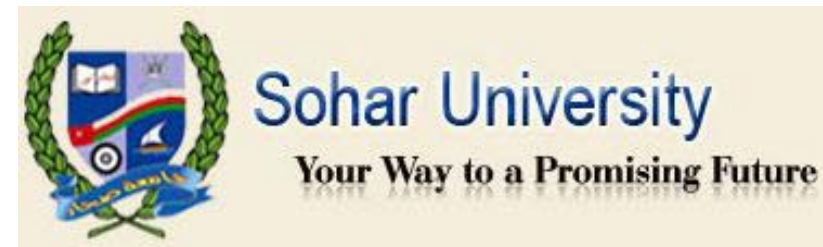
Takaful Oman – At a Glance !



- ❖ Born Takaful -Products Fully Sharia Compliant
- ❖ Robust, state of art system
- ❖ Backed by strong & reputed regional & local promoters
- ❖ Opportunity to the residents of Oman to spread the feeling of brotherhood & have their Insurance requirements compliant to Sharia.
- ❖ Flexibility to customize sharia compliant insurance solution as per customer requirement
- ❖ Fastest Growing Insurance Company to be set up in Sultanate ,garnered OMR 15 mn GWP in less than 2 years
- ❖ Strong Retakaful backup – our retakaful arrangements are only with 'A' rated companies
- ❖ Top Management of the company has strong flavor & history of setting up strong insurance & bancassurance business from scratch in the region
- ❖ Received Accolades & recognition both at local & regional level



Our Clients so far



Our Clients so far



مزن للصيرفة الإسلامية
Muzn Islamic Banking



بنك نزوى
Bank Nizwa



عبد الصمد القرشي
ABDUL SAMAD AL QURASHI

Shaksy
Engineering Services



مجموعة تاول
Towell Group



الخنجي القابضة ش.م.م.
AlKhonji Holding LLC.

Meera LLC
Miras Investment
Mazaya LLC
Al Jisr Charity



AL FAIRUZ TRADING & CONT. CO. LLC





Takafully Yours