



THE GLOBAL TAKAFUL INDUSTRY: CURRENT DEVELOPMENTS & FUTURE TRENDS

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- 1** An alarming deceleration from 22% (2007 to 2011 compound annual growth rate) to 16% in 2012
- 2** Regional structural differences remain
- 3** Key markets continue to offer growth prospects with low market penetration rates, but wider opportunities beckon in emerging markets
- 4** Takaful in most markets is still in its infancy. Its potential to replace conventional insurance in leading Islamic finance markets is untapped

Varying markets, varying potentials

- Growth and profitability prospects for takaful operators vary significantly by markets and sectors, depending on the market's economic maturity, industry and regulatory structure.

Growth \neq profitability

- Acquisition of market share, has not necessarily translated to profitability in many instances

Growth potential in rapid growth markets

- Regulatory enhancements are presenting new opportunities in rapid growth markets such as Turkey and Indonesia.

Malaysia, world's number one on family takaful

- With a proven model and regulatory clarity, the country is set to further build on this leadership position.

Large regional champions can lead industry

- There is a need for large, regional champions to lead growth in regional markets and to participate in international markets.



Europe (Britain):
Cobalt launched platform for writing large commercial risks (Sharia Compliant) - London Market



GCC/MENA - Dubai
Rulers' vision unveiled — Dubai aspires to become the capital of global Islamic economy

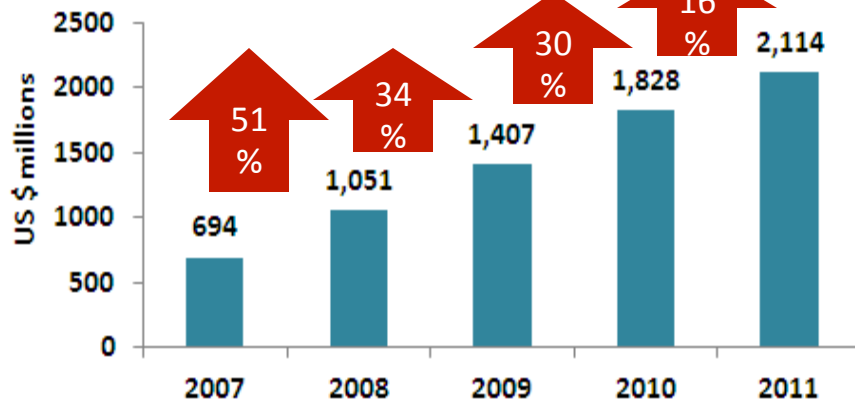


Indonesia: Proposed new act to phase out Takaful windows.
Malaysia: Islamic Financial Services Act (IFSA) required the separation of family and general takaful into separate entities

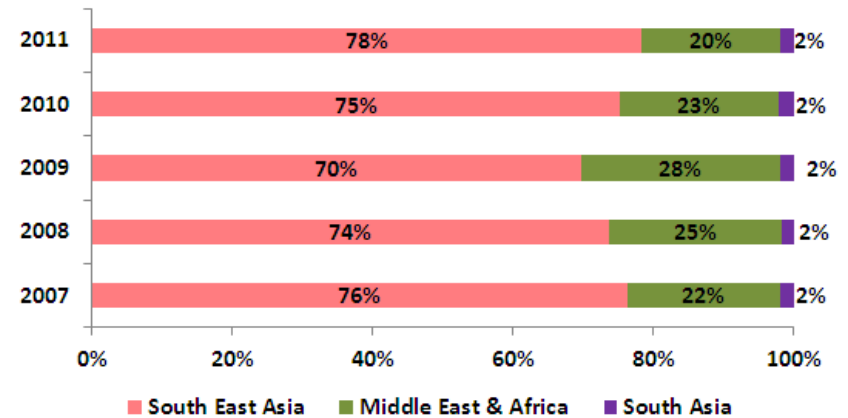
32%

Global Aggregate Family Takaful Gross Contributions compound annual growth rate (2007 – 2011)

Global Family Takaful Gross Contributions



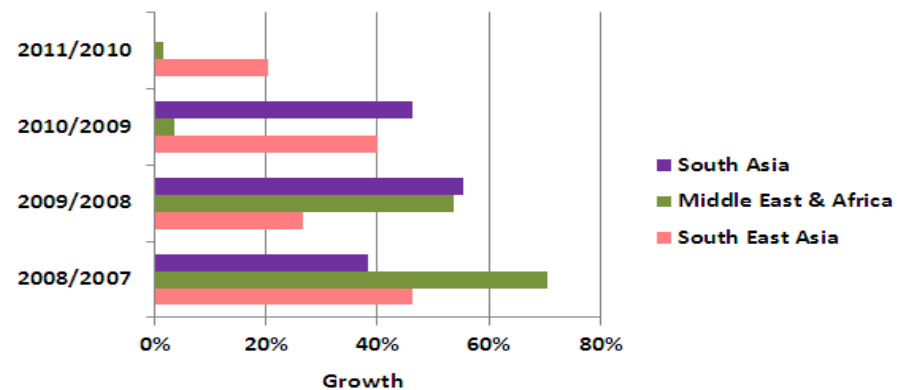
Regional Breakdown of Takaful Gross Contributions



Family Takaful contributions growth

- Different growth rates for each region within a year
- Over the 4 year period 2007 – 2011, all regions grew about 30%

Contributions Growth



Malaysia

Malaysia dominates family Takaful both on a regional and global scale

- Competitive market prevails with many large operators aiming to gain market share

Malaysian % of Family Takaful Contributions

South East Asia

71%

Global

56%

Indonesia

Family Takaful is growing rapidly in Indonesia at an annual rate of over 65% over the past few years

- Exponential growth off a low base aided through initiatives such as microtakaful
- Distribution strategy, as well as efficiency is vital due to the geography and population dispersion

Indonesian % of Global Family Takaful Contributions

2008

10%

2012

20%

Middle East

Family Takaful gross contribution growth has been stagnant in the Middle East over the past 3 years

- Economic revival in the region is expected to boost levels of new business and improve contribution growth

Regional share of family Takaful gross contributions

Saudi Arabia	60%
UAE	30%

Consumption growth in Africa often driven by energy sector, mining and population growth

Large Muslim
population

~27% of world Muslim population
percent of Muslim population living in Africa

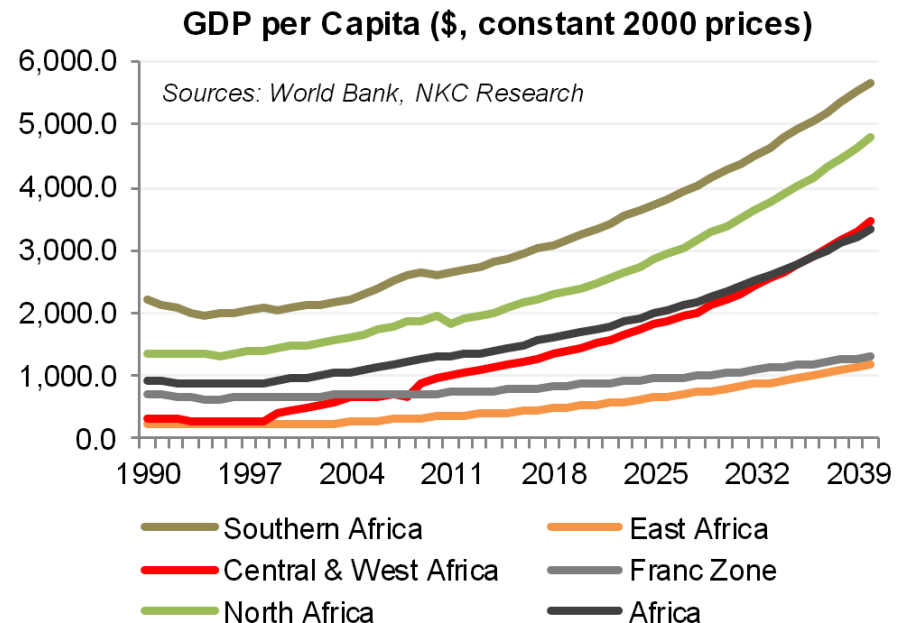
Low Life Insurance
Penetration

1.7% of GDP

*2010 life insurance density for Africa
(excluding South Africa)

Strong growth of GDP
per Capita forecast

➤ Life insurance demand is stimulated
by rising income levels



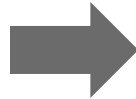
Source: KPMG Financial Services in Africa

* Making Finance Work for Africa

Insurance penetration: gross insurance premiums as a percentage of gross domestic product (GDP)

High Population growth, with even higher GDP growth

Large Muslim populations



Enormous growth potential for Family Takaful

Egypt



Largest Muslim pop'n in North Africa

Tunisia



Strong long term insurance potential noted by S&P

Nigeria



Largest Insurance market in West Africa

Kenya



Largest Insurance market in East Africa

Population (mln)

85.3

10.9

174.5

44.1

% Muslim population

90%

99%

50%

11%

Population growth
(2004-2011)

14%

9%

24%

24%

GDP per Capita growth
(2004-2011)

28%

21%

34%

17%

Low life
insurance
penetration



High
premium
growth



Significant potential for
Takaful market growth

Egypt



Tunisia



Nigeria



Kenya



2012 Life Insurance
Premium Growth

6.1%

-2.4%

17.9%

25.1%

Life Insurance Premiums
(US\$ millions)

785

123

474

436

Life Insurance
penetration rate

0.31%

0.27%

0.18%

1.03%

Non-Life Insurance
penetration rate

0.41%

1.53%

0.51%

2.02%

Number of Takaful
operators estimated

6

2

3*

2*

* Takaful windows also allowed

- ✓ Low Family Takaful penetration rates (gross contributions as a percentage of country GDP) indicative of low customer awareness of Takaful
- ✓ Customer education initiatives are important to build awareness; with collaboration between operators and regulators benefiting the industry

Innovative products that offer financial solutions can spur self-induced appetite

- For example, Shari'ah compliant Pension & Savings plans are an innovation for Muslim customers

Value Proposition of Takaful can appeal to both Muslims and non-Muslims

- ✓ Takaful products ultimately need to compete with conventional products by providing value that goes beyond religious appeal
- ❖ In order to broaden awareness of Takaful, it is becoming increasingly important to communicate the value proposition of Family Takaful products to both Muslim and non-Muslim customers

Transparency

Mutual Guarantee

Surplus Re-distribution

Ethical investment principles

- ❖ When competitively priced and distributed through appropriate channels, Takaful has the potential to appeal to any customer, both Muslim and non-Muslim

Regulation & Shari'ah interpretations varying across regions & operators

- ✓ Limited Takaful regulations lead to varying interpretations and uneven practices between Takaful operators. For example, not all Takaful operators distribute the entire surplus arising in the Re-Takaful fund.
- ✓ Some regulation, for example proposal to allow Takaful windows, while increasing accessibility to Takaful, may not result in pure Takaful operators or customers benefiting
 - Without proper customer education, regulation changes could result in the customer not receiving the product they think they are purchasing

Existing regulations prevent cross-border investments

- ✓ The Shari'ah compliant investment universe is limited. Regulation requiring Takaful operators to invest in local markets that often do not have suitable assets is problematic.
- ✓ Many local governments are conducting Sukuk issues

Regulatory enhancement can act as a catalyst for the Takaful industry

- ✓ Regulatory enhancements can benefit customers as well as company stakeholders.
- ✓ As Takaful regulation evolves and matures, organisations such as the Islamic Financial Services Board, offer a valuable platform for engaging with regulators and evolving industry standards

Efficient distribution channels

- ✓ Product distribution is particularly vital for the success of Family Takaful
- ✓ Focused distribution strategies are required that target customer segments
- ✓ In geographically vast regions, such as Africa, the cost of acquiring new business can be high, placing Takaful operators under pressure
- ✓ Bancassurance offers a solution for Africa, after having been used very successfully in both the Middle East and Malaysia / Indonesia

Customer segmentation of growing importance

- ✓ Many Takaful operators offer a single product to all customers
- ✓ Customer needs analysis is of growing importance, as this enables:
 - ✓ Suitable products to be developed for different target customer segments
 - ✓ Each customer segment to be offered Takaful products that meet their specific needs

- Bancassurance is an important & growing distribution channel for Takaful
- Implant models are required in certain markets (e.g. Egypt)
- Bancassurance offers Takaful operators access to large fertile bank customer base:
 - Provides platform for customer awareness of Takaful
 - Can contribute to rapid growth in new business

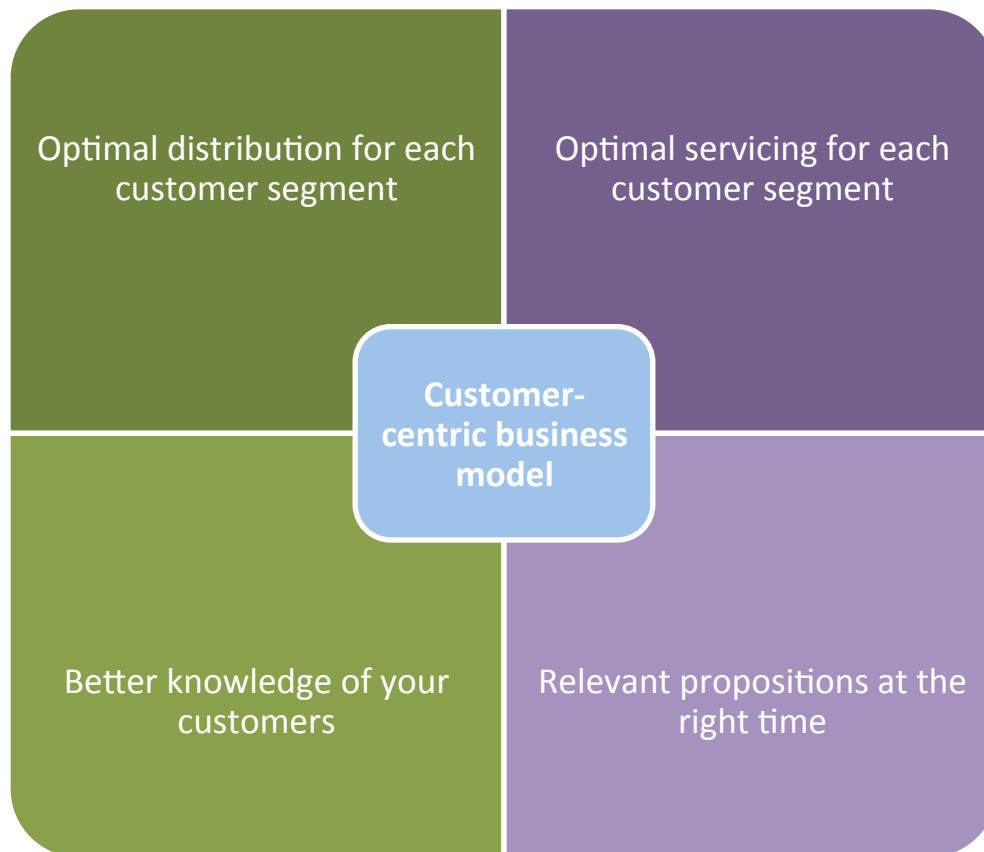
- Challenges need to be overcome to unlock opportunity of Bancassurance partnerships

Challenges to Bancassurance Partnerships

- ❖ Inequitable allocation of costs between partners
- ❖ Uneven recognition of the value that insurance sales add to the bank's core products and services
- ❖ Differing views of best product, best channel and customer segmentation of needs and wants
- ❖ Resistance to share data / information
- ❖ Attempts to dominate the relationship by either party

Tablet technology enhances productivity and operational process; optimising the customer experience as well as product revenues

What does it mean to be digital?



Digitization is not just about distribution through electronic channels; it has the potential to transform operational processes, as well as the way we interact with customers

Key considerations include:

- Understanding how customers want to interact digitally
- Leveraging new technology, consumer behaviour and buying trends
- Ensuring captured customer information is analyzed in a way to drive value
- Customer convenience

- 1 Insurance regulations are evolving and need fine-tuning for Takaful**
- 2 Local capital markets and Shari'ah compliant investment opportunities need to be further developed**
- 3 The Bancassurance market in Africa is emerging and can be developed further**
- 4 Significant untapped potential for Takaful in Africa; within both Muslim and non-Muslim customers**

Thank you...



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