

Global Takaful Insights 2013

Finding growth markets

IFN ASIA Forum 2013

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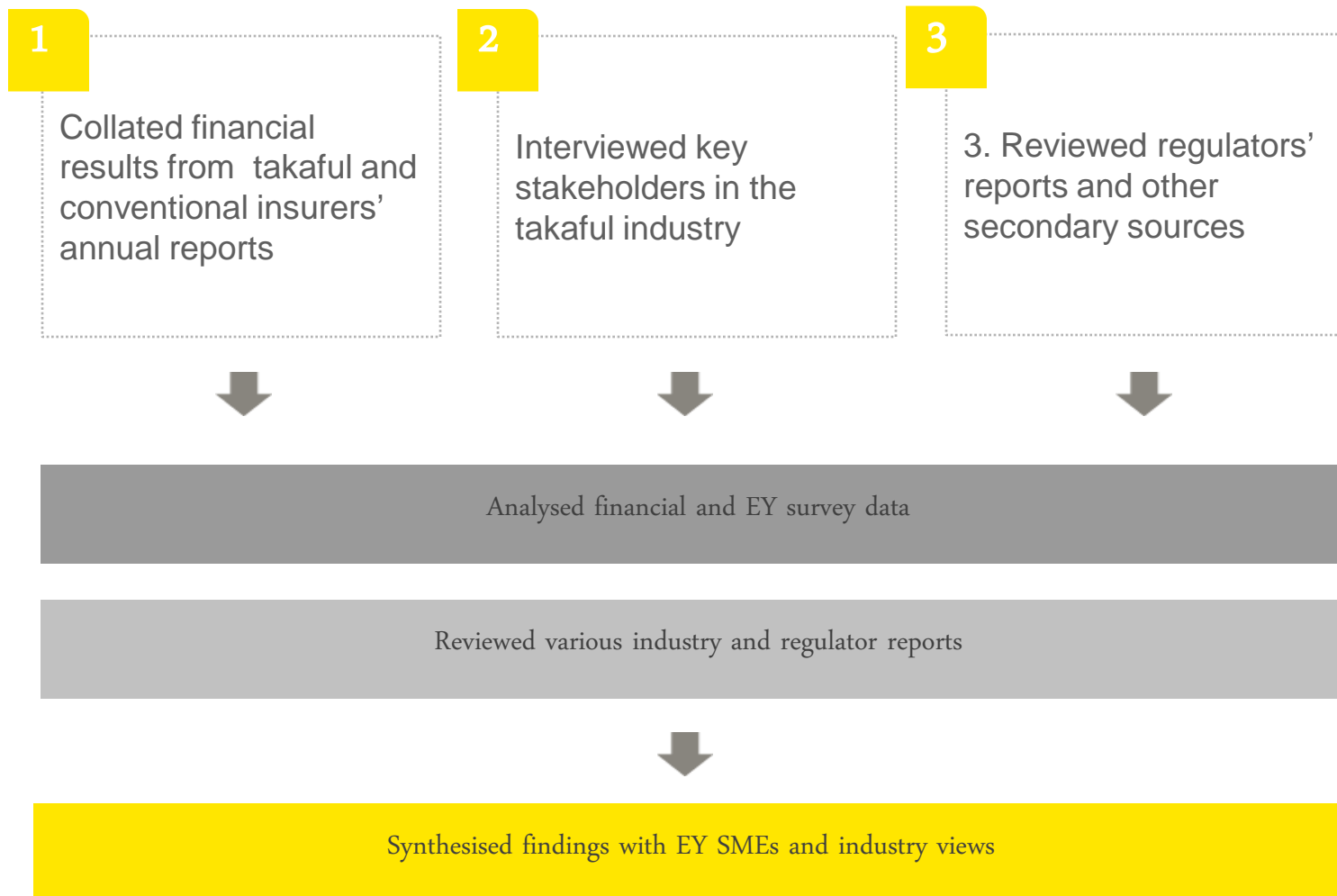
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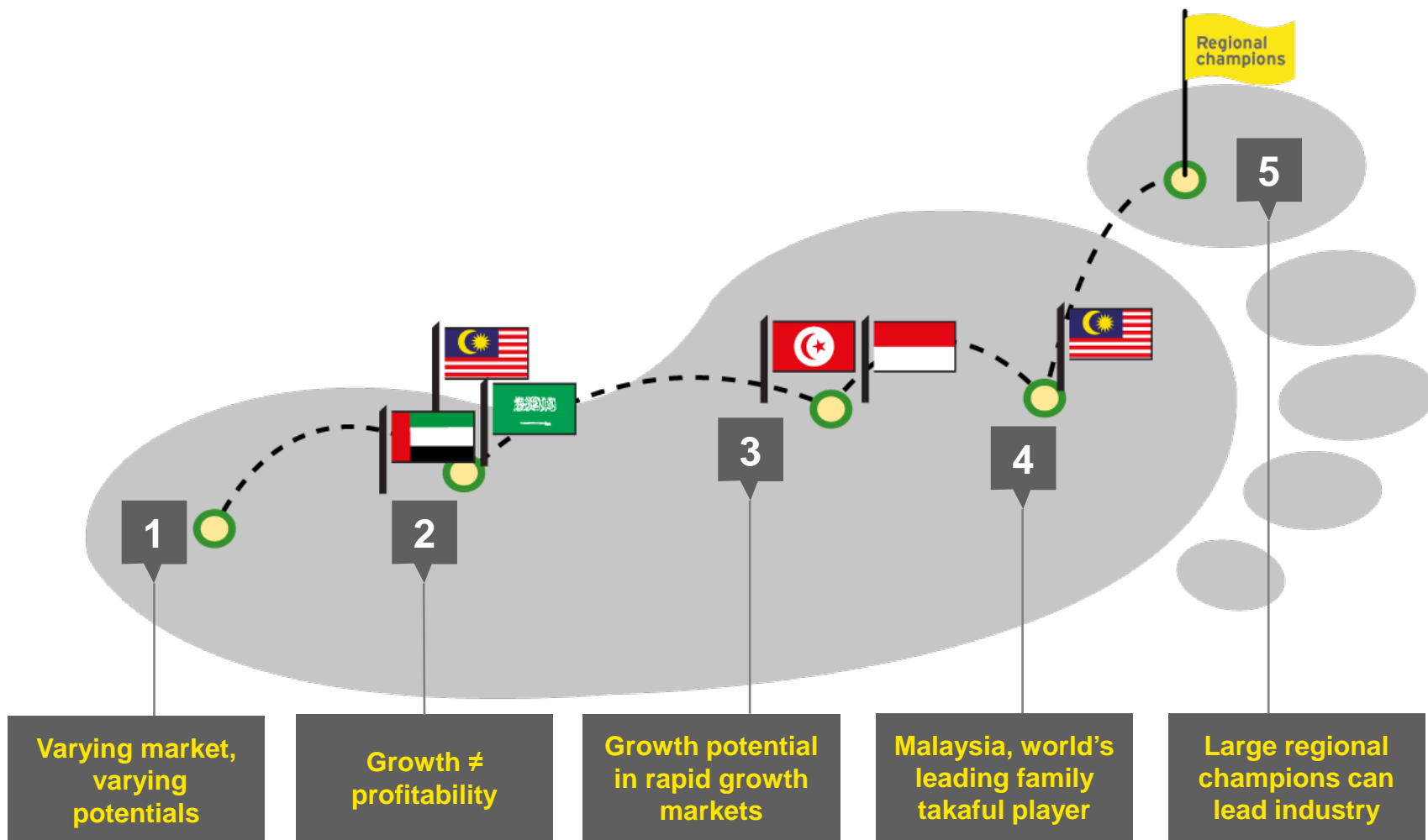


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What we have done to gather Insights



Report findings



Let's discuss the POVs

1. Varying markets, varying potentials
2. Growth \neq profitability
3. Growth potential in rapid growth markets
4. Malaysia, world's leading family takaful player
5. Large regional champions can lead industry

Varying markets, varying potentials

Growth and profitability prospects for takaful operators vary significantly by markets and products



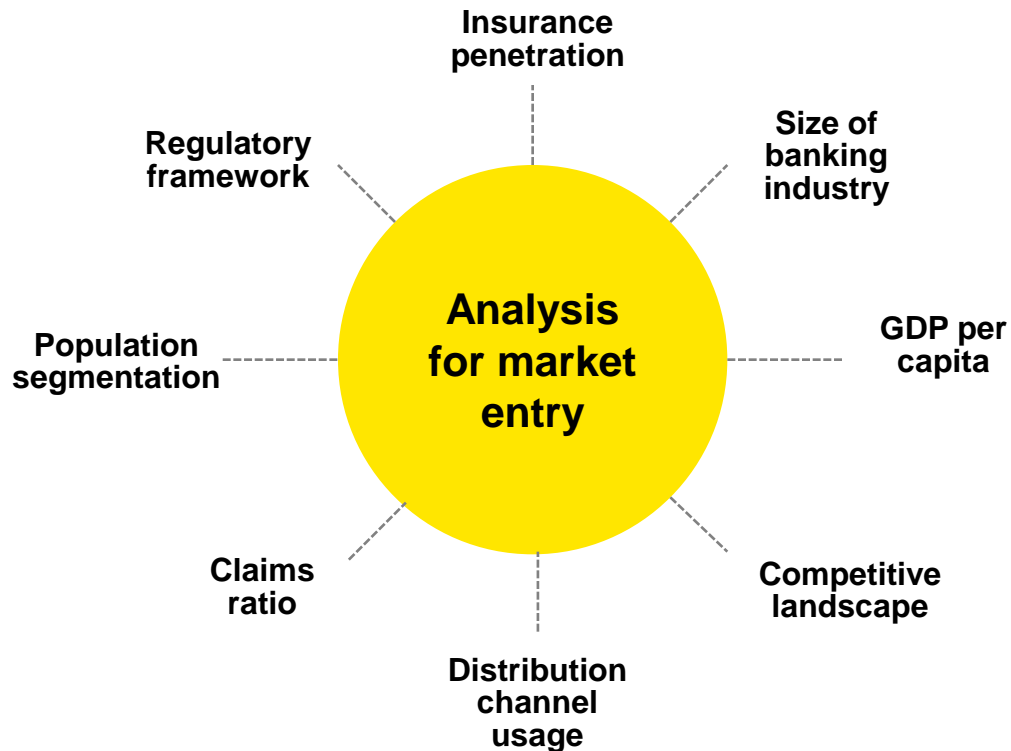
Growth ≠ profitability

Financial performance remains a challenge for takaful operators in many markets

Key strategic issues		
Efficiency in operation	Quality of underwritten business	Solvency and capital requirements
<ul style="list-style-type: none">▶ Most takaful operators have yet to achieve critical business volume▶ Takaful expense ratio remains higher than conventional peers▶ Distribution capabilities and service quality, remain key challenges▶ Shareholder expectations of return may be generally misaligned	<ul style="list-style-type: none">▶ Most takaful operators are start-ups or small players, limiting their access to quality customers▶ Concentration of business in the retail segment. Access to potentially lucrative commercial lines is limited▶ Complex risk are not well understood and potentially mispriced	<ul style="list-style-type: none">▶ Stricter solvency and capital requirement will make it harder for smaller players to be competitive▶ The result of having better capitalized companies may impact shareholder profitability and returns in the short to medium term.

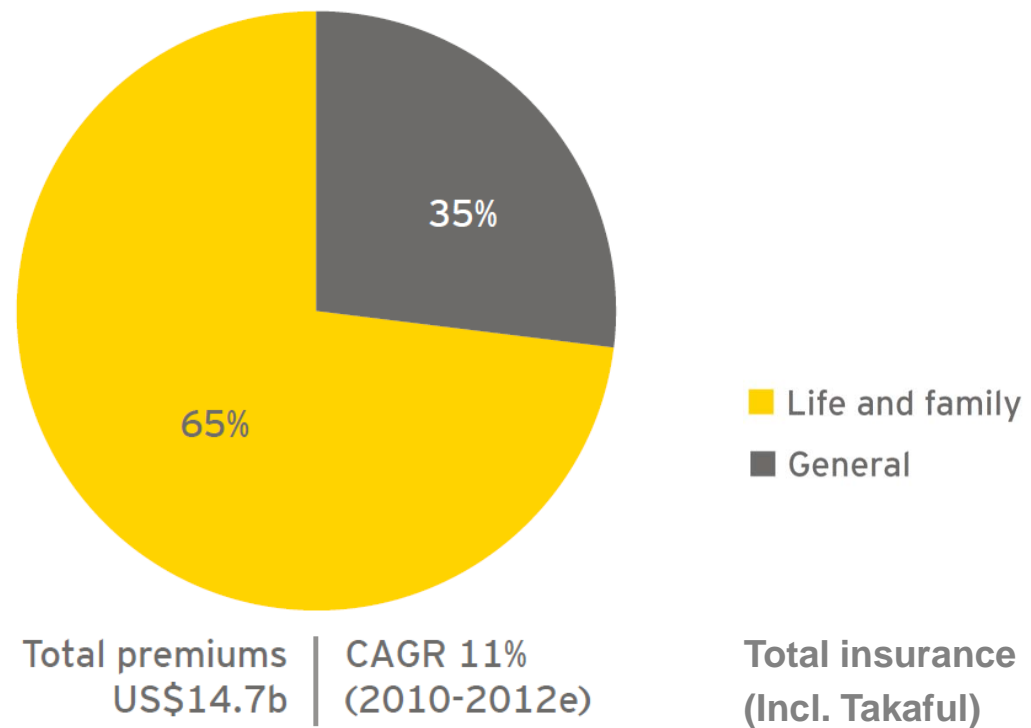
Growth potential in rapid growth markets

Regulatory enhancements are presenting new opportunities in rapid growth markets. The challenge is to build on the lessons learned from core Islamic finance markets to expeditiously address rising demand.



Malaysia, world's leading family takaful player

With a proven model and regulatory clarity, Malaysia is set to further build on her leadership position.



Large regional champions can lead industry

There is a dearth of takaful operators who are capable of providing leadership to the growing internationalization of the industry

Benefits of scale include:

- ▶ Diversifying across risk profiles with a wide range of products
- ▶ Ceding less business to retakaful companies
- ▶ Participating in retakaful activities with smaller operators

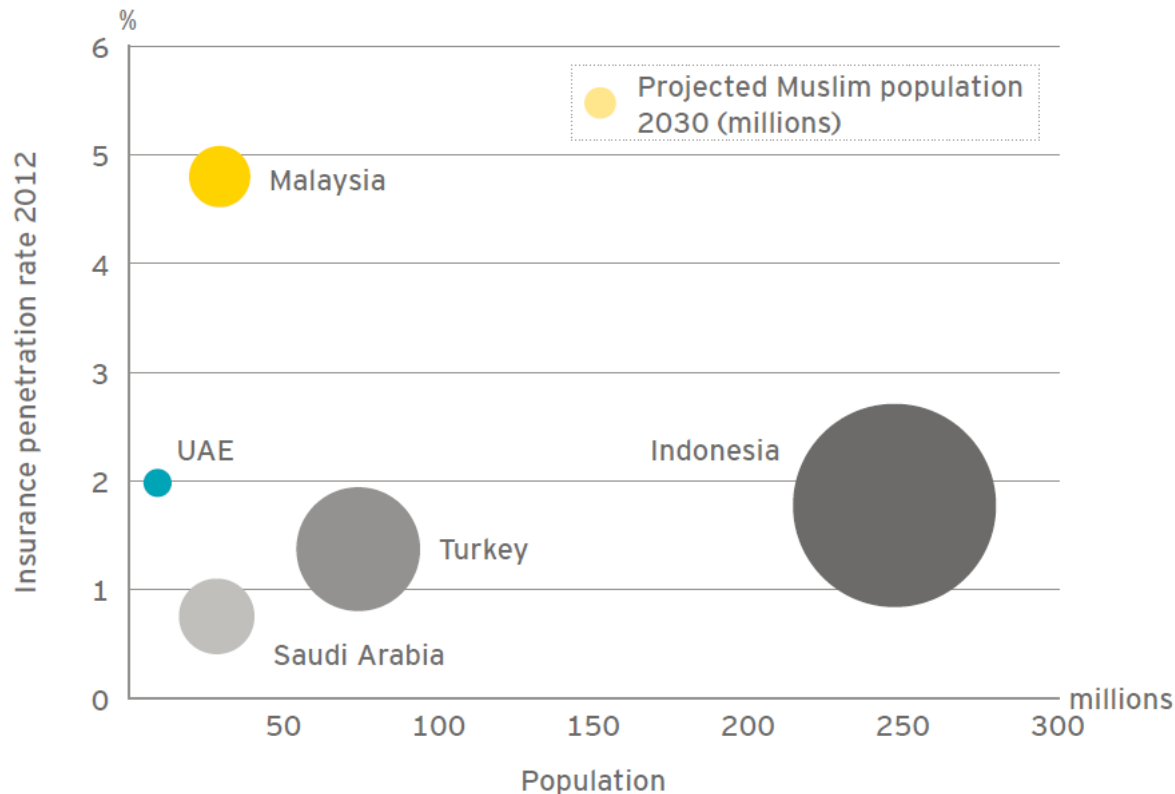
Strategic directions for operators:

- ▶ Continue to build scale in commercial lines
- ▶ Look beyond domestic markets
- ▶ Use actuarial analysis to price large risks

Looking beyond

Takaful's growth potential yet to be tapped – focus rapid growth markets and non-Muslim markets

Market potential – selected markets (including rapid growth markets)



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