



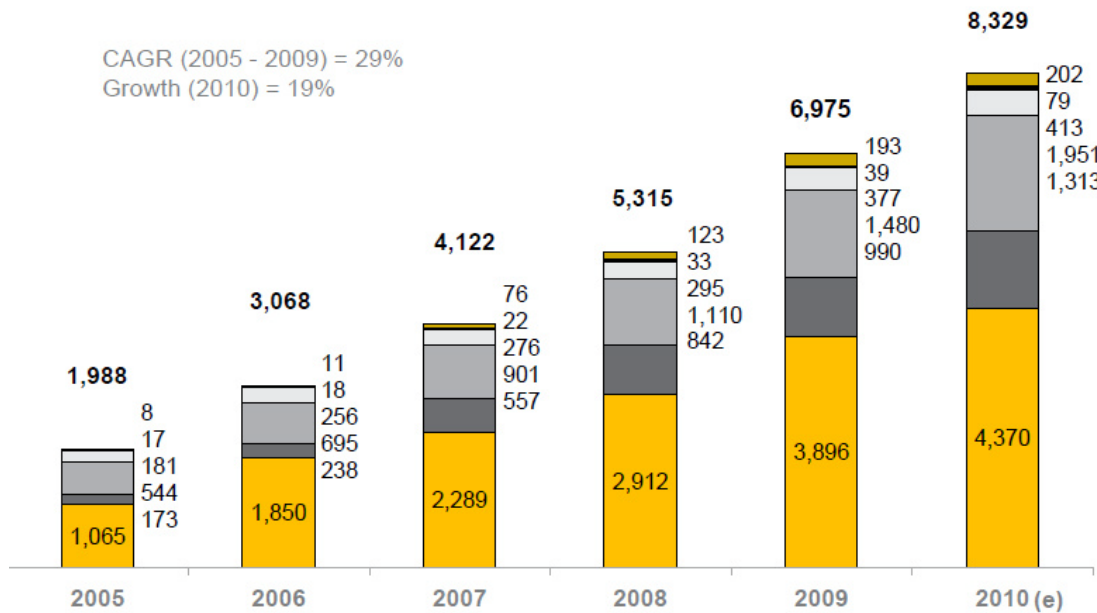
# Developments, challenges and opportunities in Takaful, Re-Takaful and BancaTakaful



# Concept in brief

- Takaful comes from the Arabic root-word 'kafala'
  - Which means Mutual Protection and Joint Guarantee
- Eliminates the elements of
  - Gharrar (Uncertainty),
  - Maisir (Gambling) &
  - Riba (Interest)
- Transparency & Participation
- Fundamentally, its risk sharing.

# Global Takaful industry



Global Takaful report 2012, Ernst and Young

- Overall market size was USD 8.3bn as at 2010. Saudi accounts for 52% of contributions
- Forecasted to be USD 12Bn by the end of 2012
- Global CAGR of 29.9% and SEA CAGR at 28% over 5 year period
- Family and Medical account for 48% of the total GWP
- Thailand Takaful revenue USD 38Mn in 2010 recording CAGR of 5%

# Sri Lankan Takaful industry

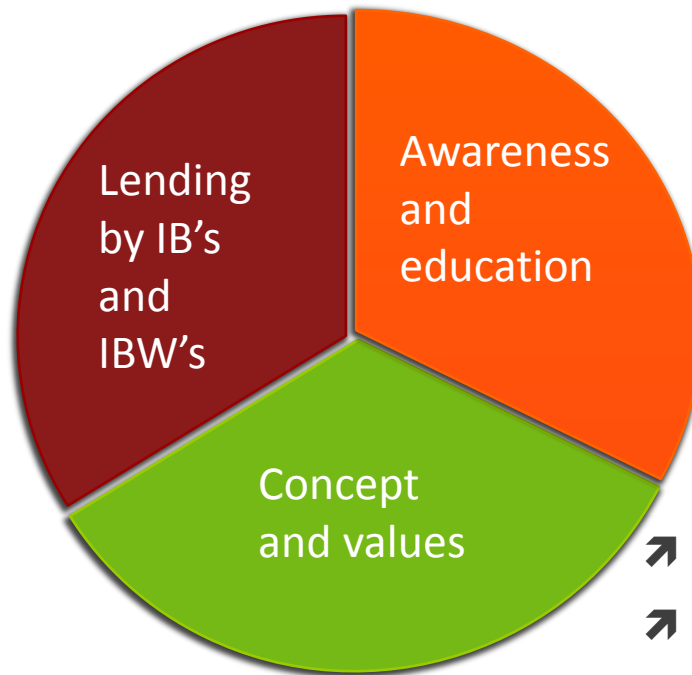
- Amana Takaful is the only Takaful operator, counting nearly 15 years of life and general operations
- Enjoys just over 2% total market share, with revenue of LKR 1.5Bn in 2012
- Overcome many market and regulatory challenges
- 3 new entrants expected in 2012

# Perception - Takaful – BMFM?

- A viable alternative for anyone seeking to manage financial risk: not necessarily Muslims
  - Thailand
  - Malaysia
    - Prudential Life 60 : 40
    - Etiqa life 50: 50
  - Sri Lanka
    - General insurance 40%
    - Family Takaful 5%

# Key drivers of Takaful

➤ Est 60% of conventional GWP driven via banks. Similar for Takaful?



- Communication
- Agents and sales channels

- For Muslims, Sharia compliancy.
- For others, values and guiding principles
- Surplus sharing and profit share
- Mutuality

# Market developments

## New entrants in 2013

General

1

Life

1

Composite

1

## Key strategy

Leverage existing channels and parents strength

## Benefits

Stronger voice for Takaful to  
develop market and lobby regulations

# Challenges

## Investments

- Impact on product pricing and benefits
- Need for Islamic corporate debt
- Need for Sukuks

## Talent

- Dearth of technical and Scholastic expertise;

## Price war

- Higher / stable investment income to cushion non tariff prices
- Critical mass for Takaful?

## Regulation

- Specialized Financial Services regulations
- An apex Sharia body

## Lapsation

- Drives cost of acquisition



# Opportunities

- **Product development / innovation**
  - Differentiated products/ benefits
  - Appealing to all market segments
  - Investment linked, Medical, personal lines etc
  
- **Bancatakaful**
  - Tie ups. Not necessarily Islamic
  - Products as part of a platter of offerings, driving choice
  - Tailor made solutions



# Opportunities

## ➤ **Micro insurance**

- An ideal model for Micro Insurance
- Growing number of MFI's
- Expatriate Sri Lankan workers and other segments

## ➤ **Awareness building**

- Value proposition of Takaful
- Integrated communications
- Drive advocacy by KOL's

## ➤ **Channels and delivery**

- Strategic tie ups
- Advisory
- Online



↗ Questions?

Thank you

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