



GLOBAL ISLAMIC
FINANCE FORUM



Islamic Finance: Opportunities for Tomorrow

Enhancing Takaful Infrastructure and Value Chain

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2010 Key Highlights for the Takaful Industry



- **Resilient Growth**
 - Takaful has experienced continued growth but penetration remains low in key markets

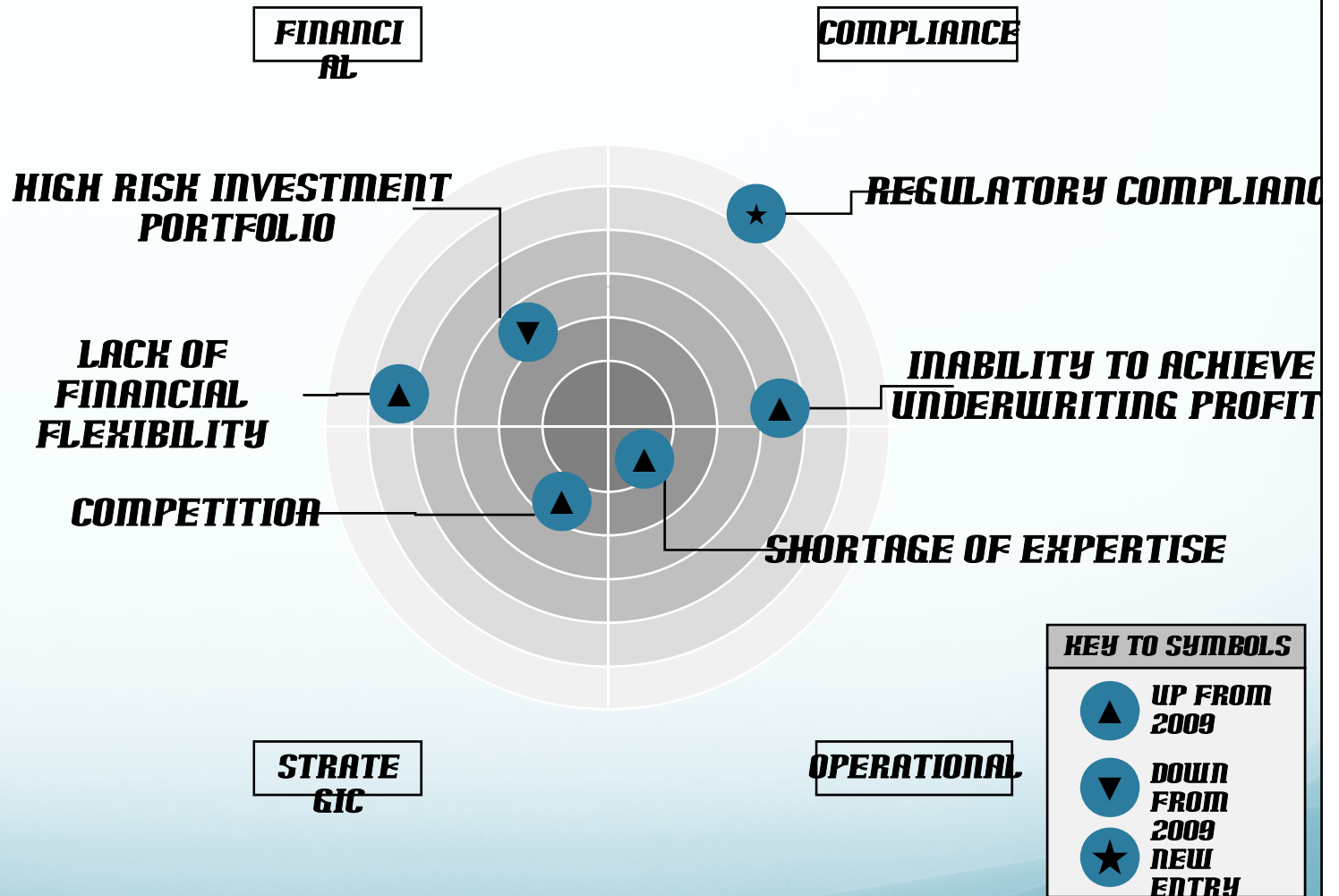
- **Takaful Varies Across Geographies**
 - Increased dialogue between regulators and Shari'ah scholars will help build consistency

- **Mixed Financial Performance**
 - Performance of operators in the GCC and Malaysia varies significantly due to different business and operational strategies

- **Challenging Business Environment**
 - Business risks from last year resonate in 2010 but shifts suggest M&A is likely

KEY BUSINESS RISKS 2010

1	SHORTAGE OF EXPERTISE
2	COMPETITION
3	HIGH RISK INVESTMENT PORTFOLIO
4	INABILITY TO ACHIEVE UNDERWRITING & PROFITS
5	LACK OF FINANCIAL FLEXIBILITY
6	REGULATORY COMPLIANCE
7	INABILITY TO TAP PENT-UP DEMAND
8	ENTERPRISE RISK MANAGEMENT
9	GLOBAL ECONOMIC DOWNTURN
	LACK OF



Gaps in the Takaful Industry

The Takaful industry has great potential

However, three areas have been identified, which need to be improved on to enable the industry to reach that potential:

- ➔ Product and Process Innovation
- ➔ Distribution
- ➔ Investments

Product and process innovation

Individual customers have a limited choice of products

Recommendations

- More product innovation by partnering with international players
- Listening to and developing solutions for relevant customer needs
- Avoid imitation of conventional insurance products

Distribution

Takaful industry is very fragmented, no critical mass

No regional or international cross border takaful provider with meaningful distribution

Recommendations

- Grow bancatakaful business and enhance channel management
- Develop product delivery applications designed to enhance customer convenience and overall service quality
- Training of bank sales professionals.

Investments

Investment portfolios concentrated on equities and real estate asset classes

More diversification is needed to enable risk diversification across markets and asset classes

Dearth of Shari'ah-compliant capital markets instruments exert pressure on returns

Recommendations

- Multi-manager/open investment architecture
- Manage Portfolio via professional fund managers
- Structured products such as FWU Group's Dynamic Protection Programme

Way forward

Key business risks can be mitigated through proper planning and effective strategy execution, role of Boards and senior leadership team will be instrumental:

- Developing talent pool
- Managing competition
- Balancing Investment portfolio
- Strengthening underwriting capabilities
- Creating financial stability
- Applying regulatory guidance as a business enabler

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