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The Development of Takaful & Retakaful

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TAKAFUL

An Introduction

- **Takaful** is an Islamic Insurance concept which is grounded in Islamic *muamalat* (man-to-man relationships), observing the rules and regulations of Islamic Law (Sharia).
- This concept has been practised in various forms for over 1400 years.
- It originates from Arabic word *Kafalah*, which means "guaranteeing each other" or "joint guarantee".
- In principle, the Takaful system is based on mutual co-operation, responsibility, assurance, protection and assistance between groups of participants.

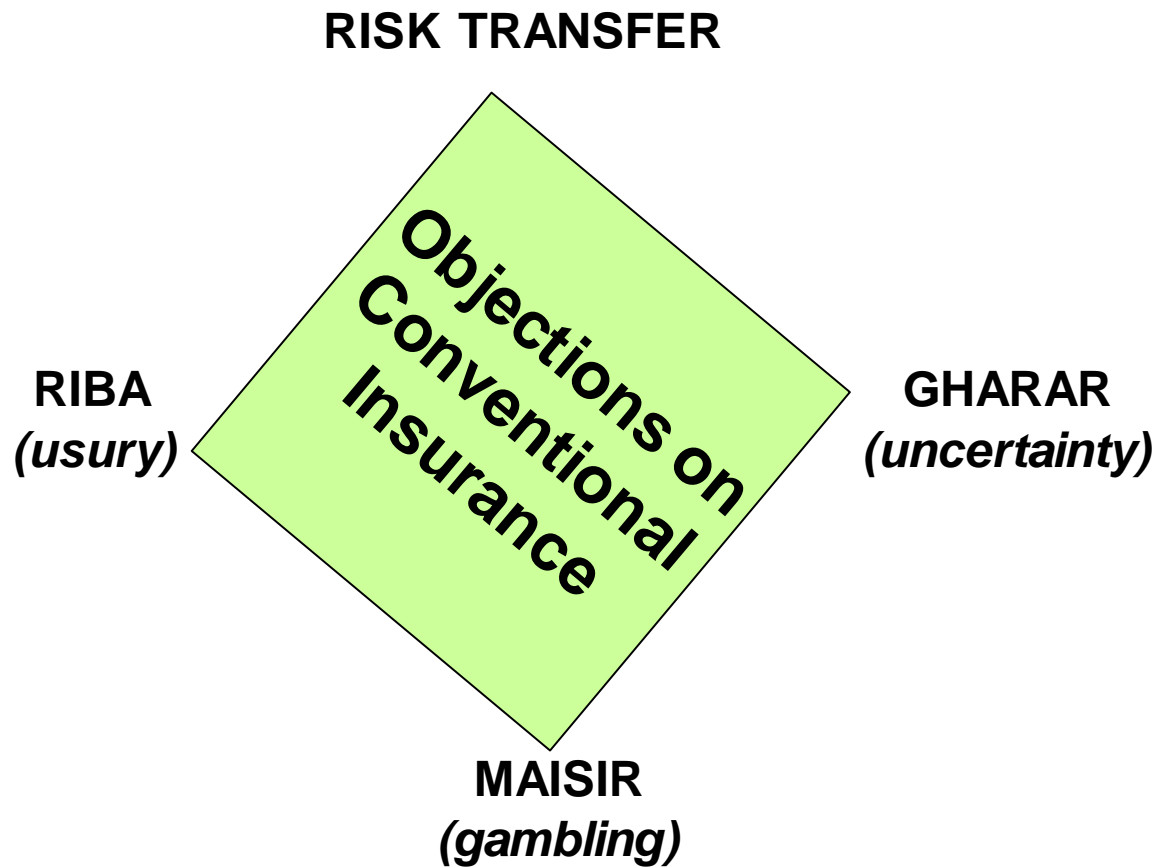
INSURANCE AND TAKAFUL IN RISK MANAGEMENT PROCESS

Insurance and Takaful as financial tools to control risk

- **Risk Management is** the process of dealing with risk that threaten life, asset or earning capability
- Three main steps of Risk Management are
 - Risk identification
 - Risk evaluation
 - Risk control
- Both Insurance and Takaful are tools to financially control risk

CONVENTIONAL INSURANCE

Islamic Scholars' Objections



ISLAMIC REFERENCES TO TAKAFUL

→ *Basis of Co-operation*

- Help one another in virtue, righteousness and piety (Surah Al-Maidah, Verse 2)
- Allah will always help His servant for as long as he helps others. (Hadith narrated by Imam Ahmad bin Hambal and Imam Abu Daud)

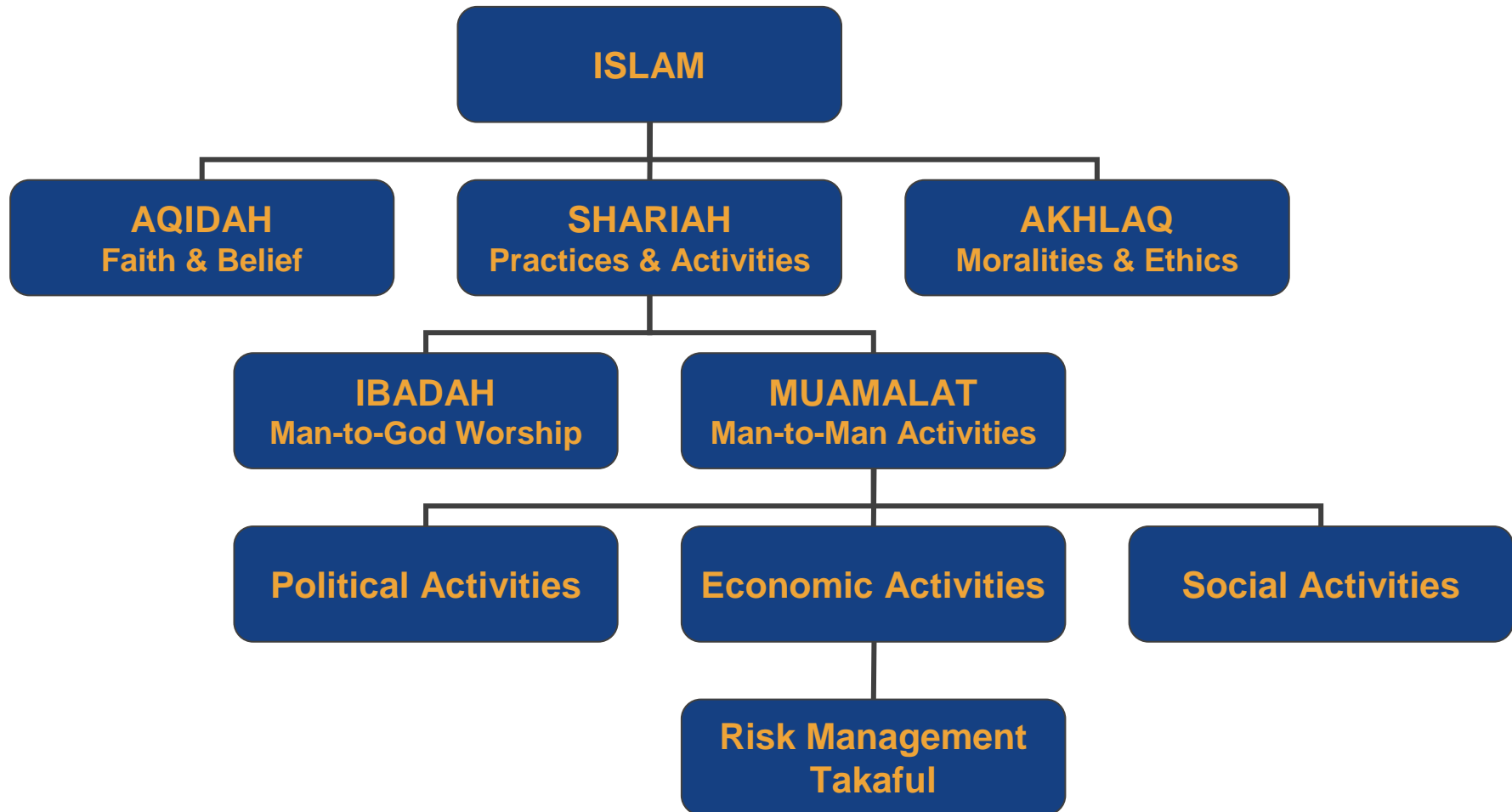
→ *Basis of Responsibility*

- The Believers, between each other, is just like the body; (Hadith Narrated by Imam al-Bukhari and Imam Muslim)
- The believers is just like a building and strengthen each other. (Hadith narrated by Imam al-Bukhari and Imam Muslim)

→ *Basis of Mutual Protection*

- Nobody will enter Paradise if he does not protect his neighbour who is in distress. (Hadith narrated by Imam Ahmad bin Hanbal)

TAKAFUL WITHIN ISLAMIC FRAMEWORK



ISLAMIC INSURANCE/TAKAFUL

Some Definitions

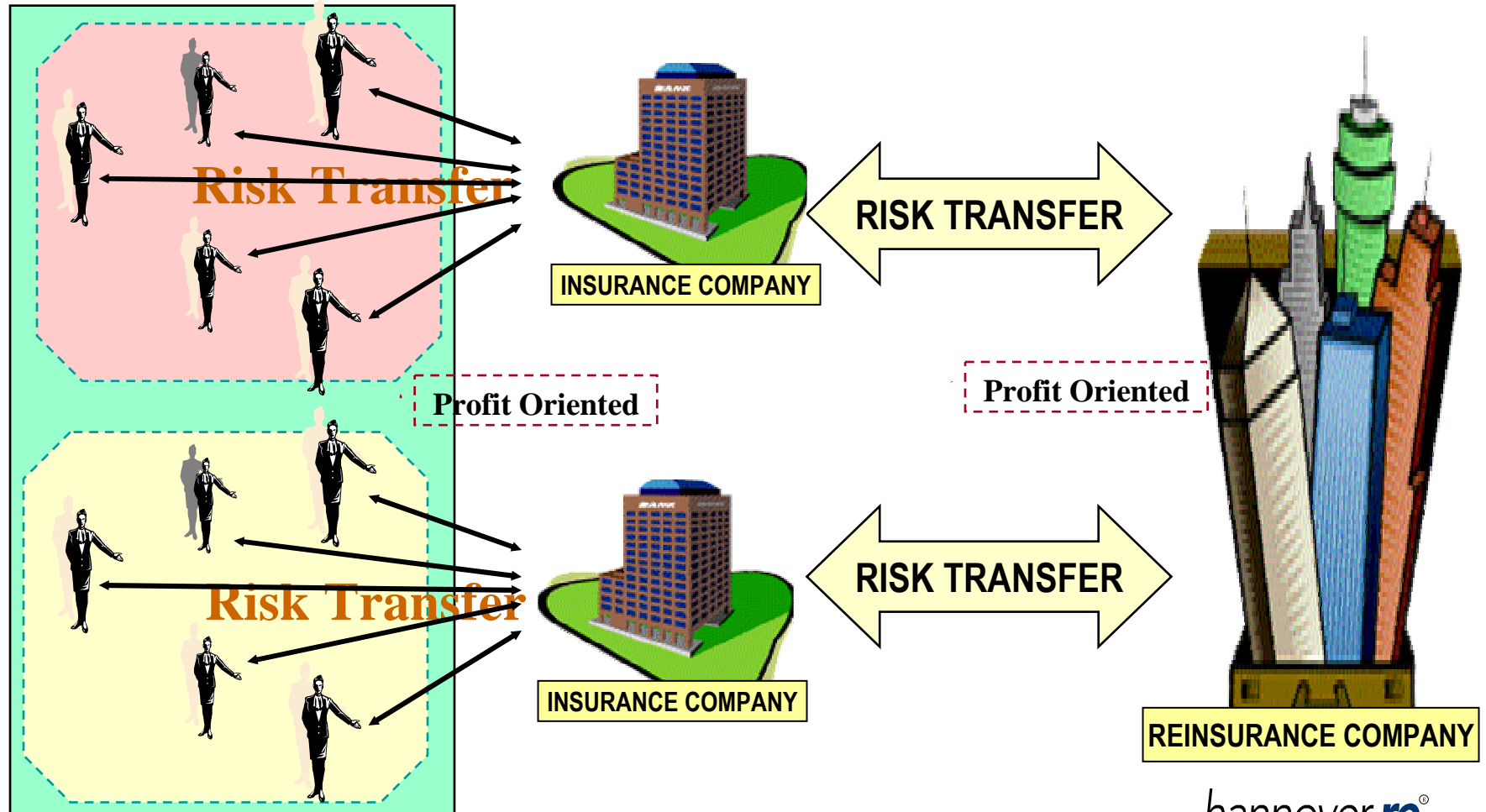
- **Islamic Insurance is a system through which the participants donate part or all of their contributions which are used to pay claims for damages suffered by some of the participants. The company's role is restricted to managing the insurance operations and investing the insurance contributions.**
- **A scheme based on brotherhood, solidarity and mutual assistance which provides for mutual financial aid and assistance to the participants in case of need whereby the participants mutually agree to contribute for that purpose.**

TAKAFUL & CONVENTIONAL INSURANCE: HEAD-TO-HEAD

CONVENTIONAL INSURANCE	TAKAFUL
Risk transfer mechanism from the risk owners to other party (the insurance company)	Risk Sharing mechanism amongst the risks owner that is administered by the company
The risk owner is the Insured	The risk owner is the participant of the group/pool that share risk among themselves (guarantee each other)
The company is the Insurer that bear the risk	The company is the operator or administrator of the risk sharing system
The whole premium belong to The company	The Contribution (premium) belong to participants collectively or in waqf model, belong to nobody
All Profit or Surplus goes to the company	Profit or surplus belong to the participants or the waqf fund
Deficit will be borne by the company	Deficit of the fund is responsibility of the participants, but the company is required to deal with it by giving Qard Hasan (benevolent loan)

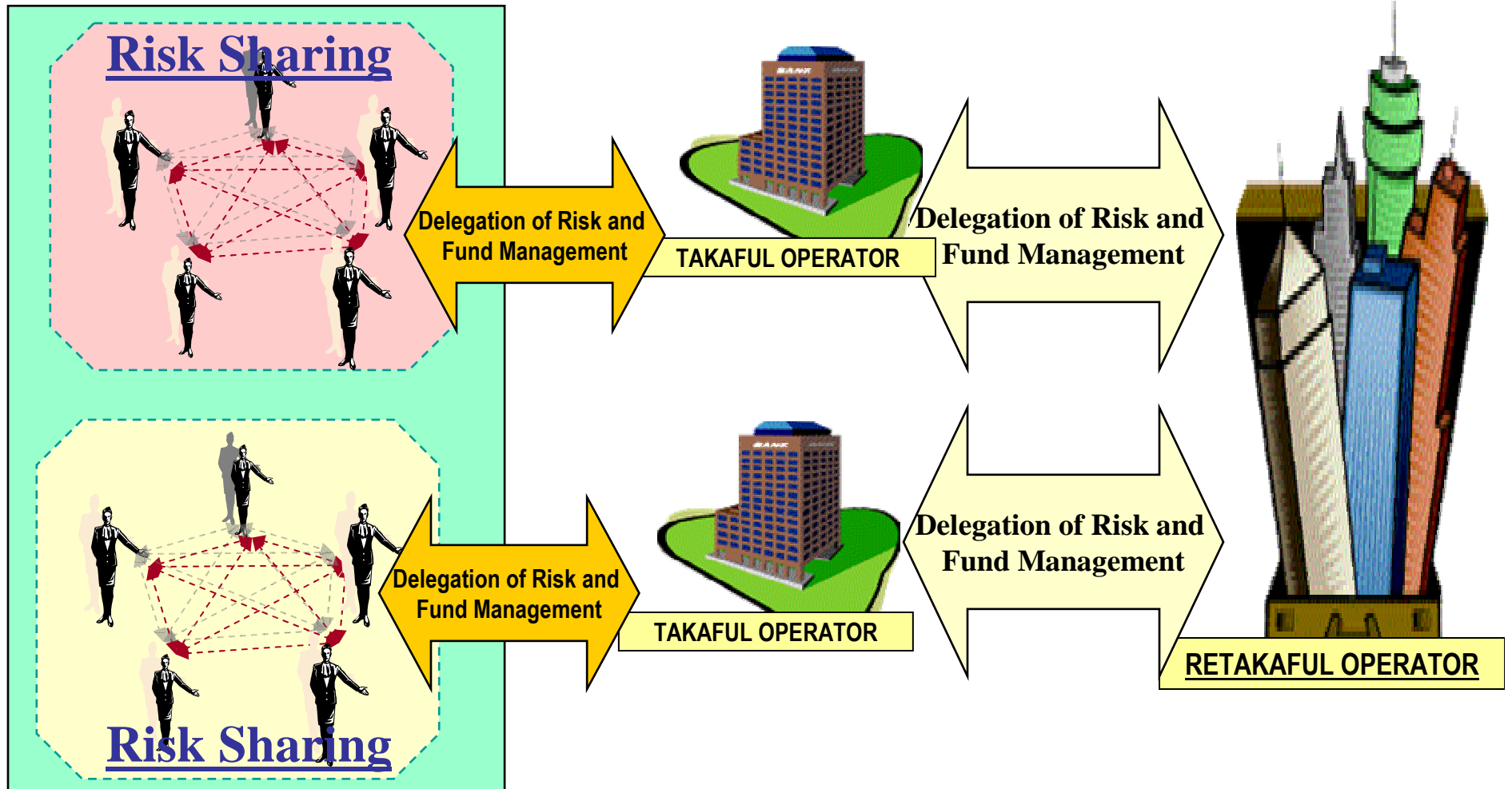
CONVENTIONAL INSURANCE

Risk Transfer

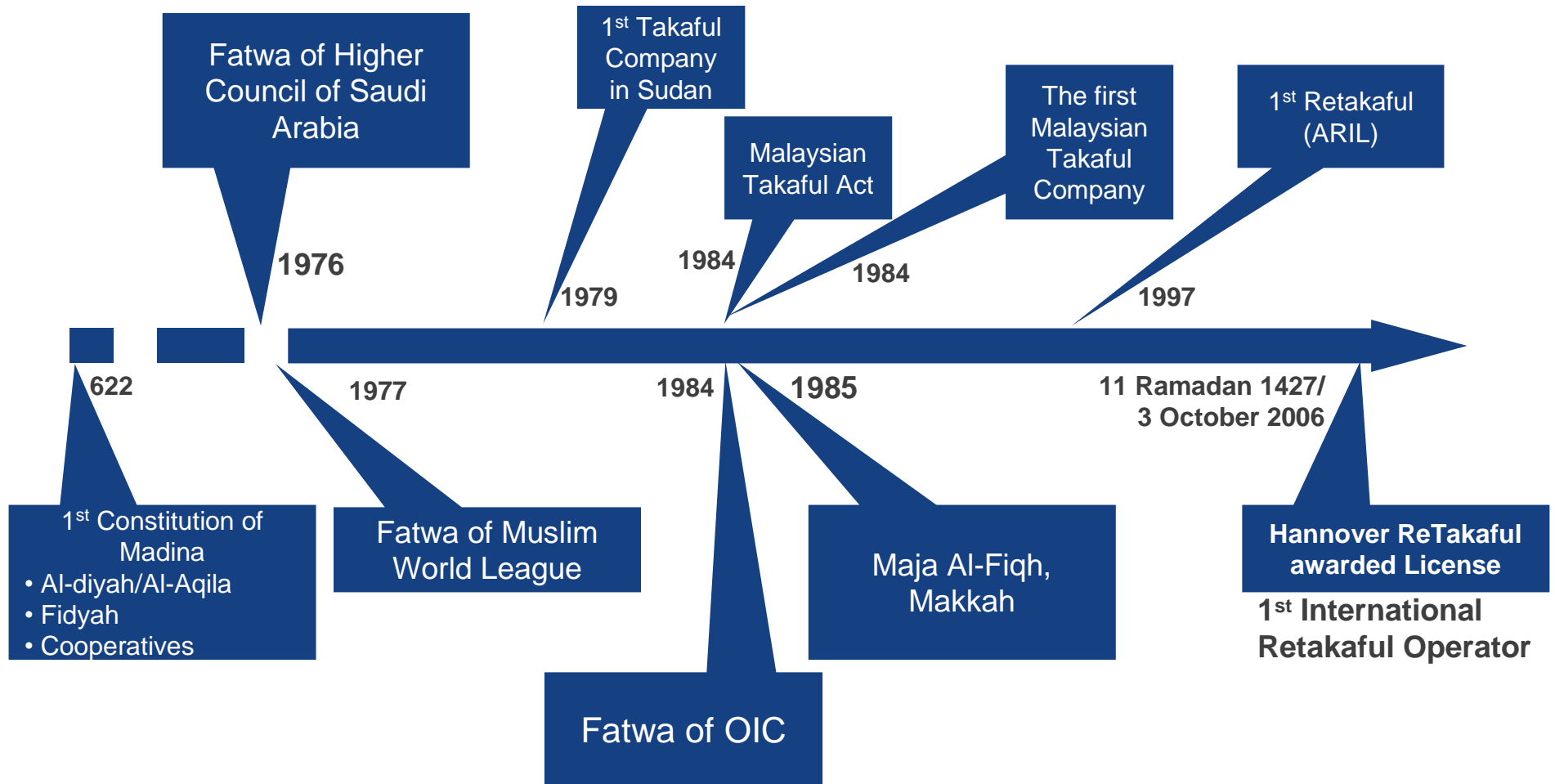


TAKAFUL

Risk Sharing



TIMELINE OF TAKAFUL

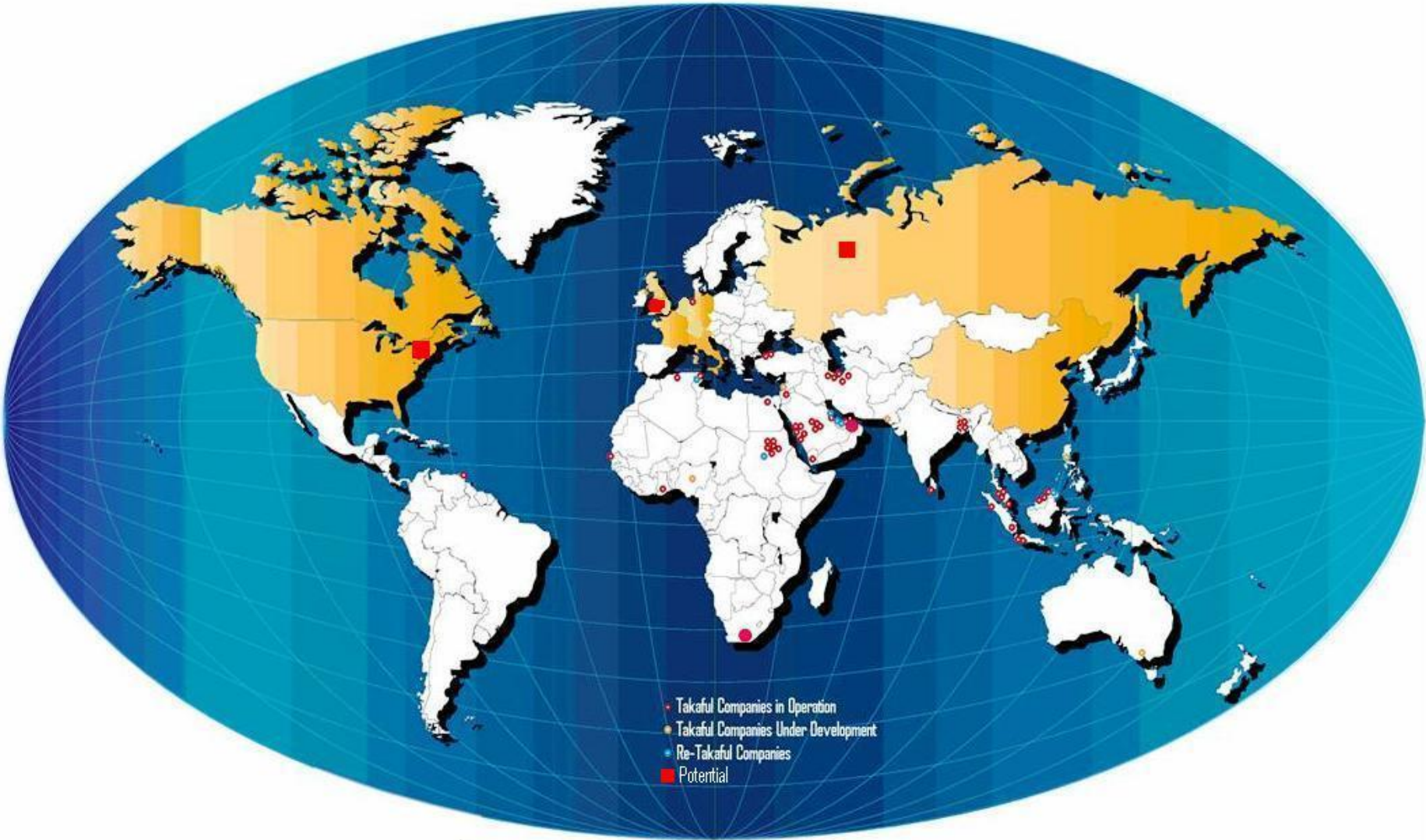


OPERATIONAL MODELS IN TAKAFUL

Mudharaba, Wakala and Waqf

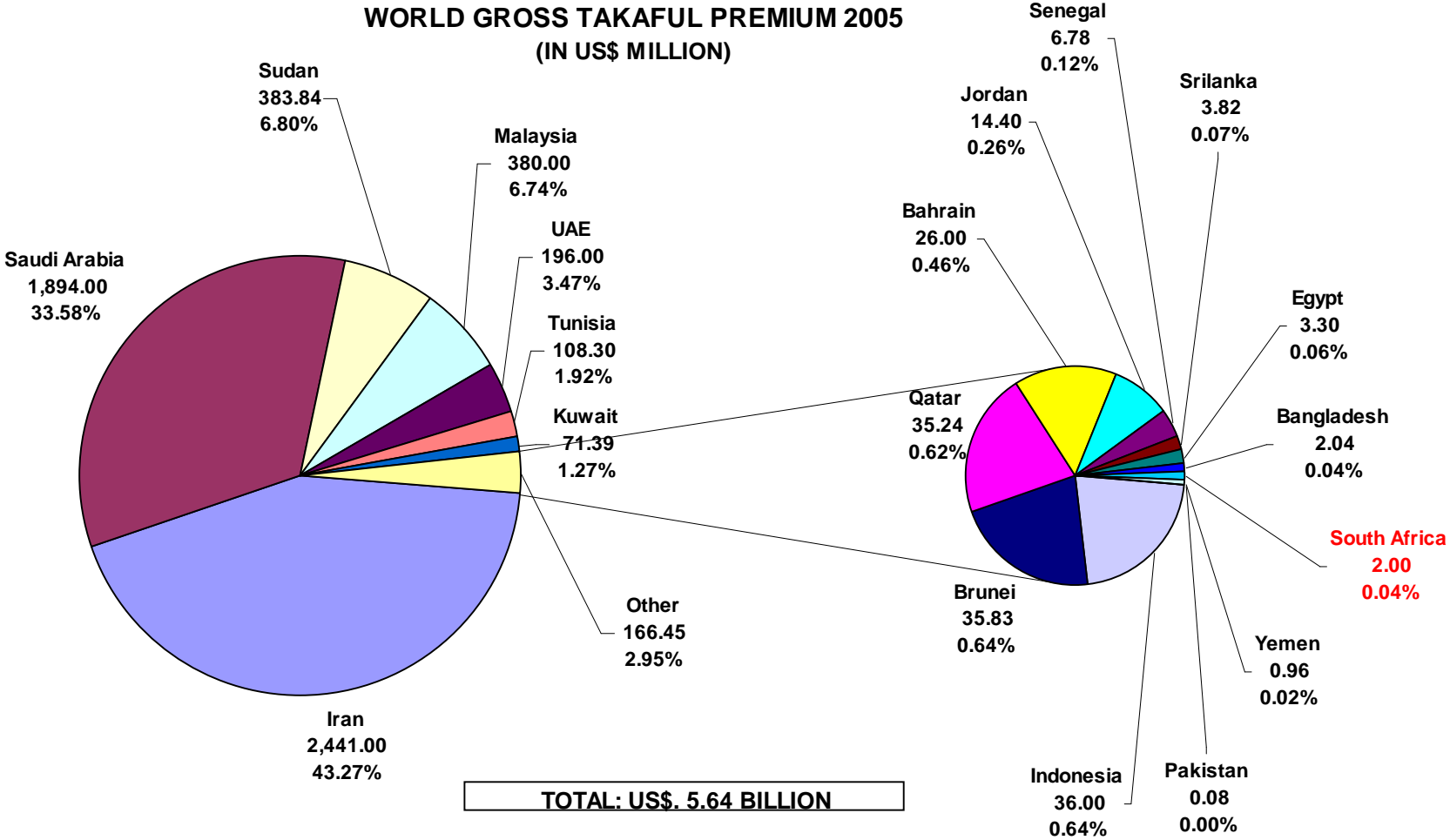
- No any single 'best' models globally agreed
- Three basic models are applicable in the market:
 - Mudharaba
 - Wakalah
 - Waqf

GLOBAL PRESENCE OF TAKAFUL



GLOBAL TAKAFUL CONTRIBUTION

The Big Five: Iran, Saudi, Sudan, Malaysia, UAE



REINSURANCE AND RETAKAFUL

- Reinsurance
- Retakaful
- Retakaful roles

RETAKAFUL OPERATORS WORLDWIDE

5 full-fledges Operators

Full-fledge Operators

- Hannover ReTakaful B.S.C © - Bahrain
- Takaful Re – Dubai, UAE
- Asean Retakaful International Limited (ARIL) – Labuan, Malaysia
- MNRB Retakaful – Kuala Lumpur, Malaysia
- Tokio Marine Retakaful –Singapore

Window Operations

- Munich Re – Retakaful Division – Kuala Lumpur, Malaysia
- Labuan Re – Labuan, Malaysia
- Converium – Labuan, Malaysia
- Best Re – Tunis
- ReINDO – Jakarta, Indonesia
- Nasional Re – Jakarta, Indonesia
- Marein – Jakarta, Indonesia

TAKAFUL IN SOUTH AFRICA

- Premium
- Number of Operator

WHY TAKAFUL FUTURE SHOULD BE BRIGHT?

- Moslem Population
- Demography
- Infrastructure
- Insurance Penetration
- International Consensus
- Understanding

EXPECTED MARKET DEVELOPMENT

Takaful/ Retakaful

- Growth Rates
- Saudi-Arabia
- The size of takaful
- Retakaful

EXPECTED MARKET DEVELOPMENT

Takaful Drivers

- Oil Price
- Infrastructure Development.
- Alternative
- Asset Management
- Bancatakaful

TAKAFUL

Challenges Ahead

- Misconception
- Financial strength
- Service level
- Micro-takaful
- Human Resources
- Retakaful
- Operational standard

Premium-league table

WE ARE AMONG THE TOP REINSURERS IN THE WORLD

(2006 figures in million USD¹⁾)

Rank	Group	Country	GWP	NPW
1	Swiss Re	CH	28,415	25,808
2	Munich Re	D	27,337	25,453
3	Berkshire Hathaway ²⁾	USA	14,126	13,474
4	Hannover Re	D	12,265	9,361
5	Lloyd's ³⁾	GB	10,887	8,726
6	RGA Re	USA	4,732	4,346
7	Everest Re	BDA	4,001	3,876
8	Transatlantic Re	USA	3,983	3,633
9	SCOR	F	3,875	3,620
10	Partner Re	BDA	3,734	3,689
11	XL Re	BDA	3,682	2,960
12	Korean Re	ROK	3,413	2,373
13	London Re	CDN	3,287	2,979
14	Assicurazioni Generali SpA	I	2,853	n.a.
15	Odyssey Re	USA	2,336	2,161

"Volume is vanity, profit is sanity"

1) Source: A.M. Best

3) 64 syndicates (as of Jul 2006)

2) GenRe Group; Berkshire Hathaway Re Group (National Indemnity)

n.a. = not available

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OUR ADVANTAGE EDGES

- Know-how, Expertise and Experience of involvement in various markets
- The tag-line of "*Somewhat Different*" will drive to strive in providing the unique and the best-fit solution to each customer
- Being part of Hannover Re Group
- Base in Bahrain, the prominent financial centre in the Middle East

CONCLUSION

- Takaful has many years ahead
- Back up by Islamic Banking
- Takaful has double digit
- Infrastructure Investments increase takaful contribution



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Thank you for your attention!

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