

# GIRO Workshop

## Issues in Islamic Finance and (Re)Takaful business

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# What is Islamic Finance?



What is Islamic Finance?

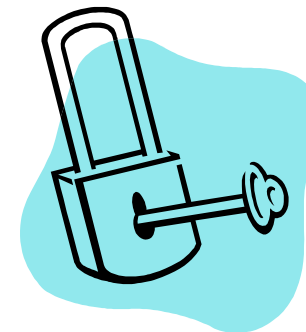
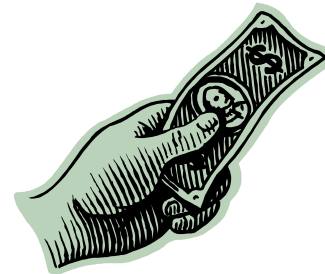
What it isn't:

What is Islamic Finance?

What it is

Products are broadly similar to conventional insurance:

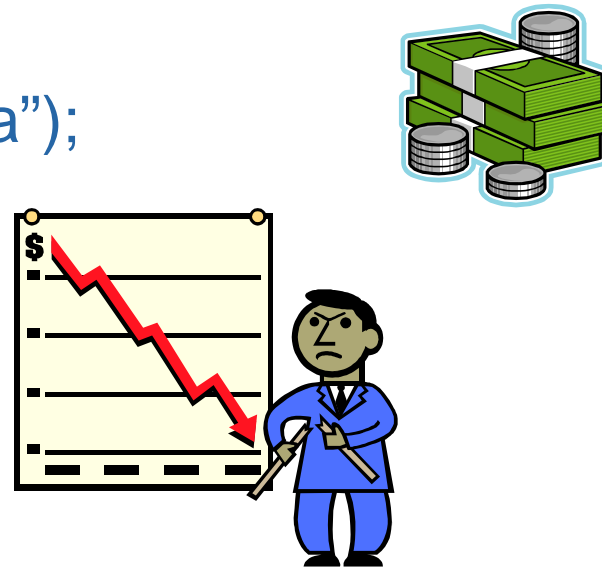
- Banking
- Mutual funds
- Securities
- Derivatives
- Leasing
- Hedge funds



What is Islamic Finance?

## What isn't allowed in Islamic Finance

- Making money on money (“riba”);
- Uncertainty (“gharar”);
- Gambling (“maisir”); and
- Participating in activities that are forbidden (“haram”)



What is Islamic Finance?

## Examples of halal investments

- Equities
- Sukuk bonds
- Property
- Collective investment schemes
- Islamic compliant banking



What is Islamic Finance?

## Sharia'h Supervisory Board

- an independent body of specialist jurists in Islamic commercial jurisprudence.
- is entrusted with the duty of directing, reviewing and supervising the activities of the Islamic financial institution in order to ensure that they are in compliance with Islamic Sharia rules and principles
- The fatwa's and rulings of the Sharia supervisory board are binding on the Islamic financial institution.



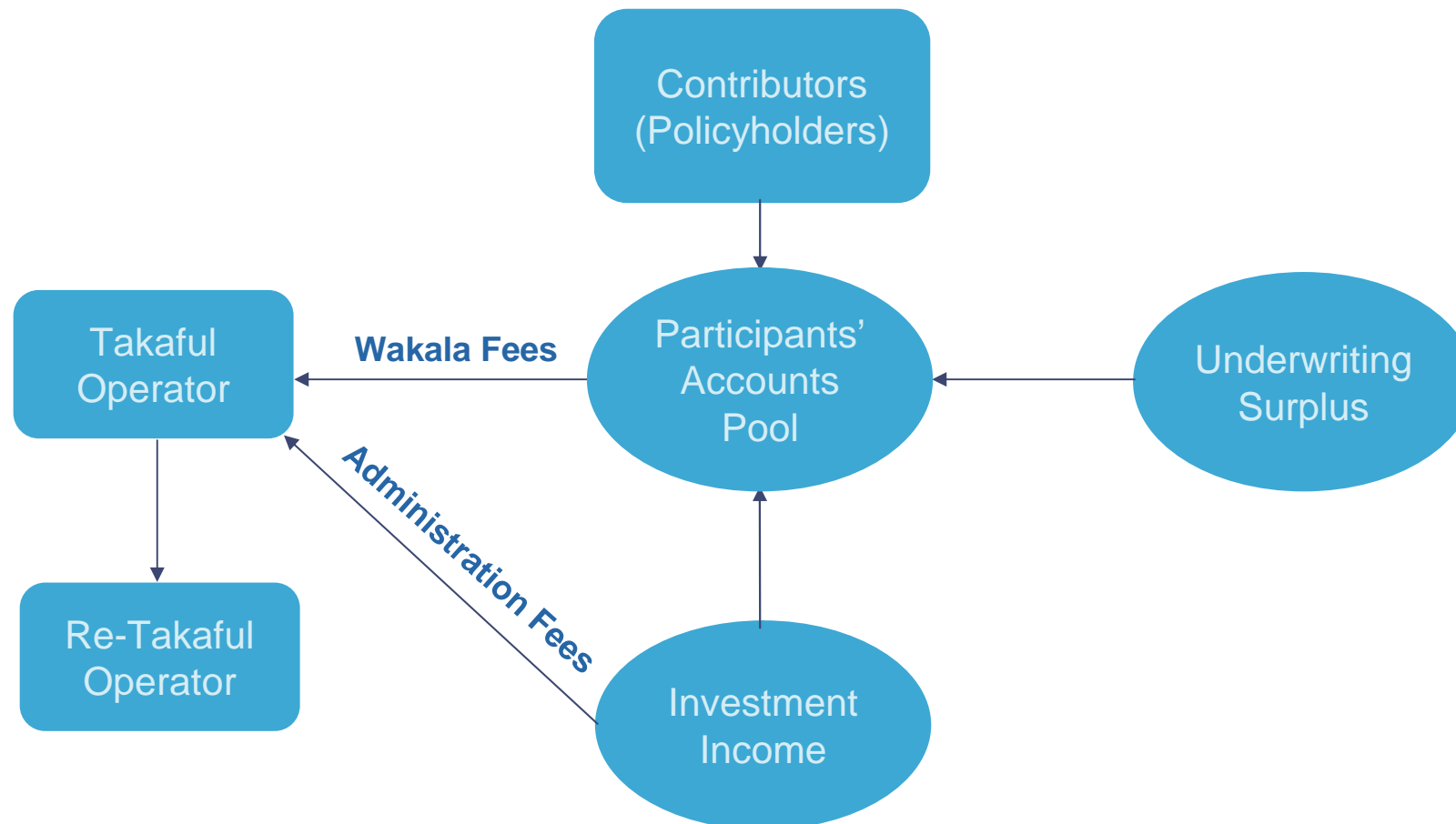
# What is Takaful and ReTakaful business?

## What is Takaful and ReTakaful business?

- Sharia compliant alternative to conventional insurance
- Based on solidarity, co-operation & mutual indemnification
- A mutual structure within a shareholder wrapper
- Literally “guaranteeing each other”
- Free of gharar, maisir and riba
- Assets to be in acceptable investments (“haram” – alcohol & gambling etc free)

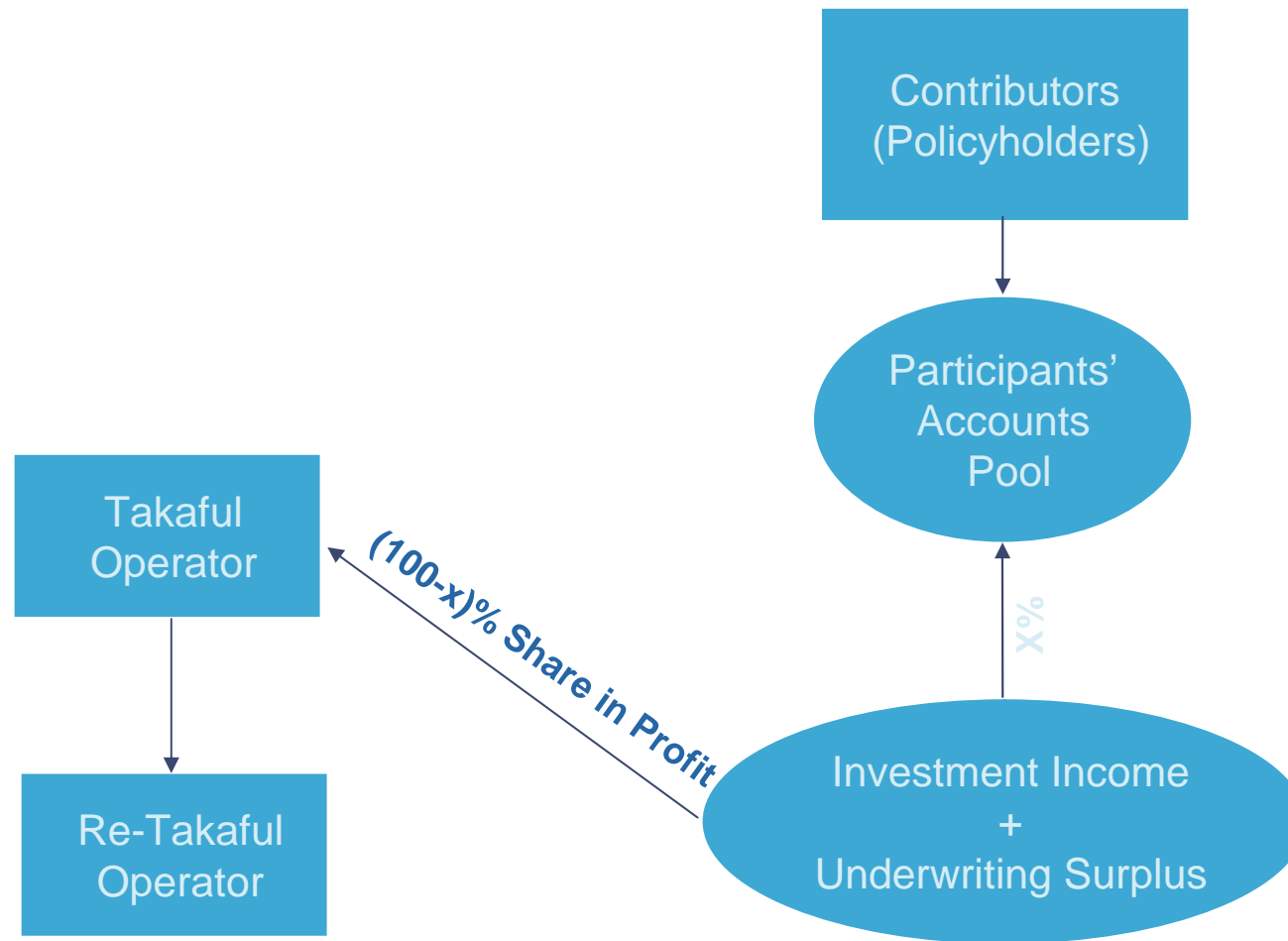
What is Takaful and ReTakaful business?

## Wakala (fee) model



What is Takaful and ReTakaful business?

## Mudaraba (profit sharing) model



What is Takaful and ReTakaful business?

## Types of business

- General Takaful
- Family Takaful
- ReTakaful

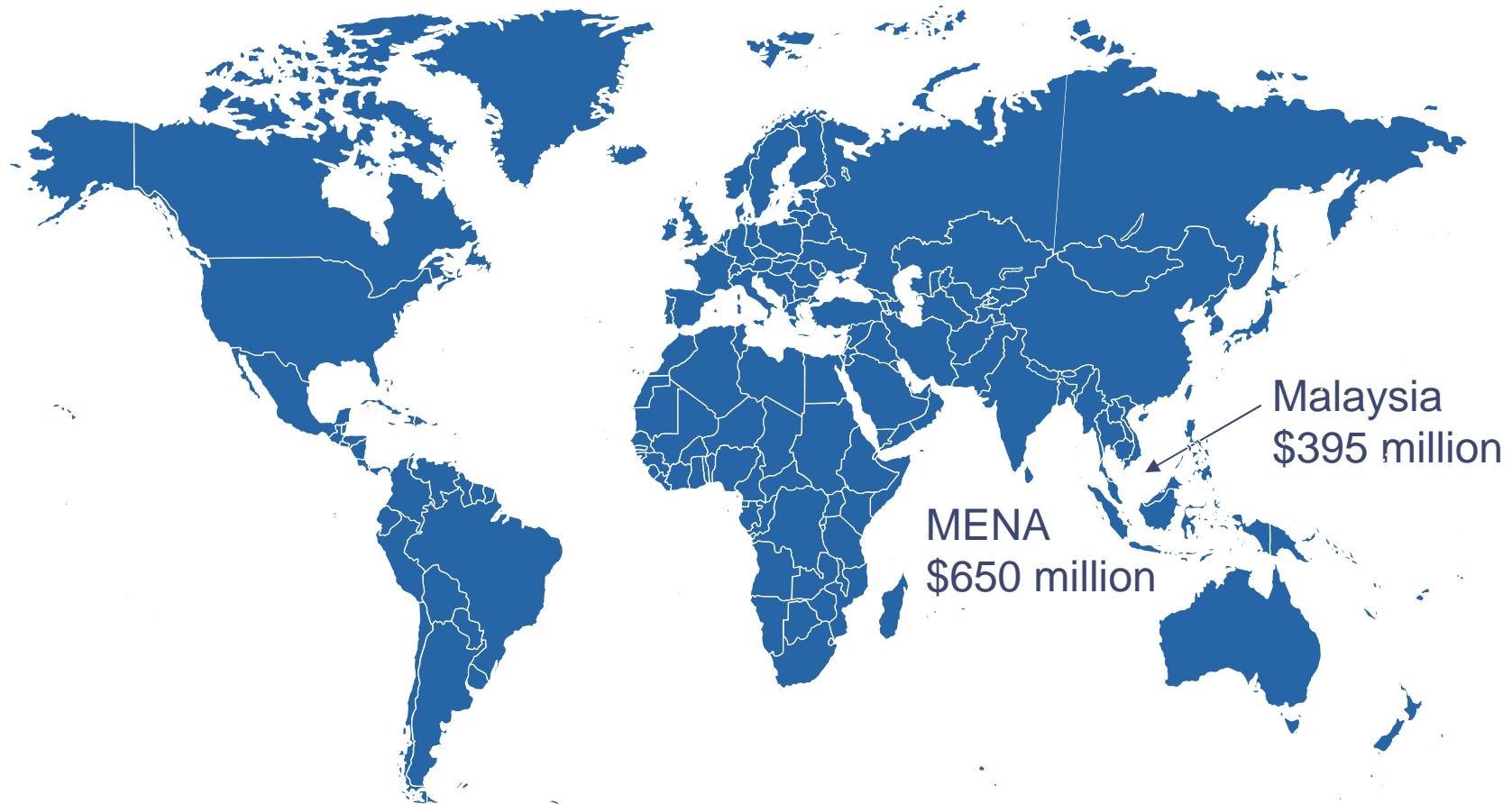
What is Takaful and ReTakaful business?

## ReTakaful

- In the event of insolvency of the Takaful operators (ceding Takaful), the ReTakaful operator may be required to provide an interest free loan from shareholder's fund to enable the Takaful operator to pay indemnities to participants.
- The methods of ReTakaful is similar to reinsurance:
  - Treaty or Facultative
  - Proportional
    - Quota Share and Surplus contracts
  - Non-Proportional
    - Excess of loss and stop loss contracts

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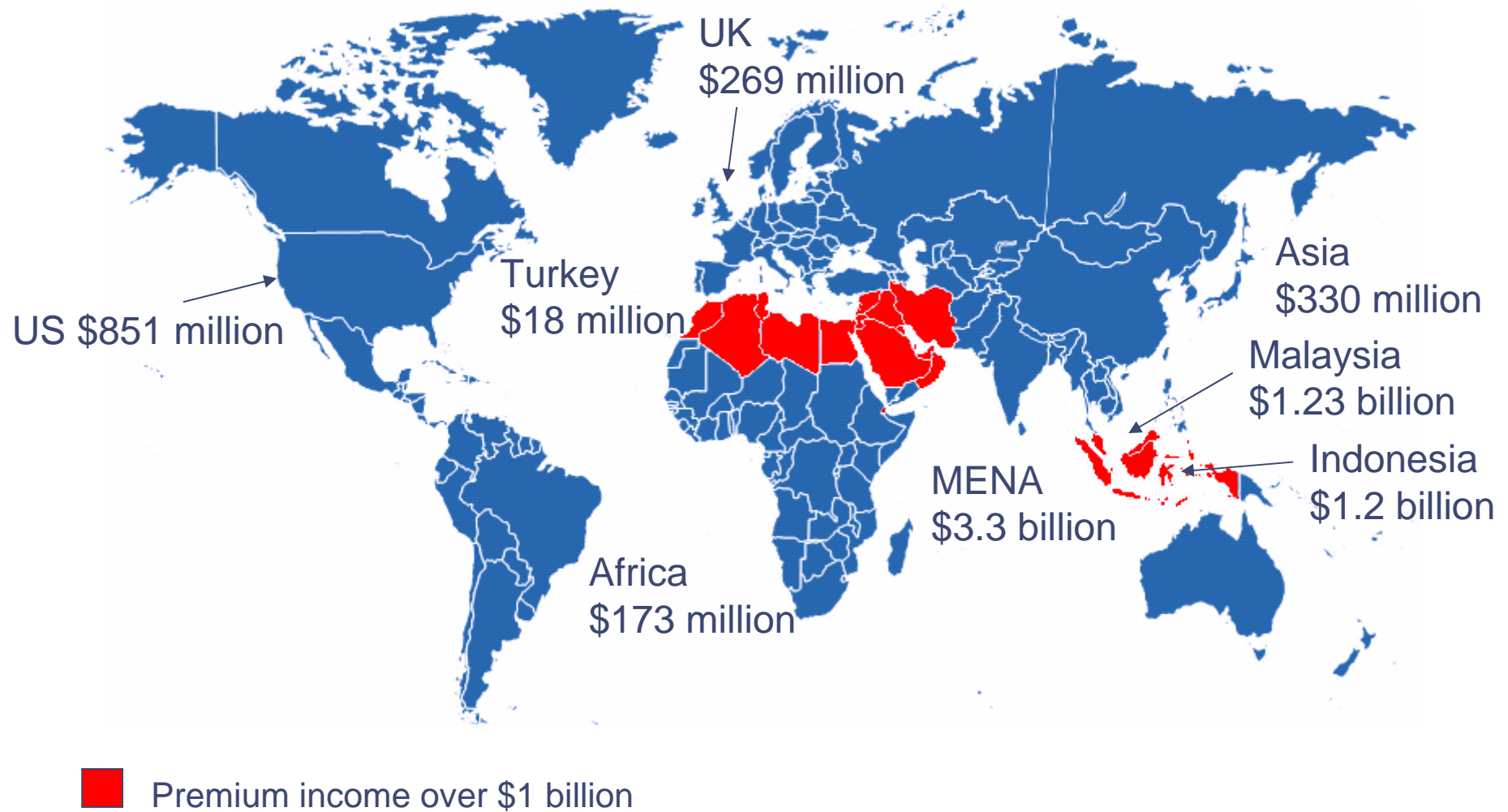
## Islamic Premium Income 2005



Source: Swiss Re sigma study 2003, AXCO Global Statistics 2005

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## Islamic Premium Income 2015



Source: Swiss Re sigma study 2003, AXCO Global Statistics 2005



# Current Challenges

# Current Challenges

- Geographical market
- Marketing to non-muslims
- Maintaining ethical issues
- Technical competence
- Sharia competence
- Financial strength and market share
- Conformity with regulation
- Risk management
- Lack of ReTakaful capacity
- Investment policy currently does not have huge impact on Takaful retention but should consider long-tail business

The views expressed in this presentation are those of the presenter and not necessarily those of PricewaterhouseCoopers

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