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of Actuaries

# Takaful

Mohammad Khan

21 October 2015



## Mohammad Khan

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- Partner in PwC Actuarial Services
- Head of general insurance personal and commercial lines at PwC
- Member of PwC's Global Islamic Finance Taskforce
- Fan of all things dessert



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## IFoA Royal Charter

- Promote high standards of professionalism and technical competence among actuaries throughout the world to ensure that the public interest is served.

### How have *you* helped?



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## Agenda

- What is Takaful?
- Growth and opportunities
- Challenges
- Who profits?

Enterprise  
 Sponsorship  
 Thought leadership  
 Progress  
 Community  
 Sessional Meetings  
 Education  
 Working parties  
 Volunteering  
 Research  
 Shaping the future  
 Networking  
 Professional support  
 Enterprise and risk  
 Learned society  
 Opportunity  
 International profile  
 Journals  
 Support

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## Pop quiz

How well do you understand Takaful?

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**Most buyers of Islamic financial products in any year are muslim?**

True

False



Islamic insurance does not allow any form of gambling or trying to take the place of Allah (God). You can get flood insurance cover under Islamic insurance?

True



False



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Islamic finance does not allow any form of interest. Can Islamic insurers invest in government and company bonds?

Yes



No



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Islamic insurance does not allow any form of gambling or trying to take the place of Allah (God). Are you always allowed to get term insurance cover under an Islamic life insurance policy?

Yes



No



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Islamic insurance does not allow any form of gambling or trying to take the place of Allah (God). You are allowed to get bodily injury insurance cover under an Islamic motor insurance policy?

True



False



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Under Islamic insurance, you must always pay out a claim if it will do social good?

True



False



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With Islamic insurance, you know how much money the Islamic insurer makes on your insurance policy?

True



False



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**On average, there are more than 20 Takaful companies in each Muslim country?**

True



False



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**Only three people are needed to decide whether a financial product is Islamic or not?**

True



False



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## Islamic insurance is like mutual insurance with a shareholder wrapper?

True

False



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## Let me take you Back to the Future...



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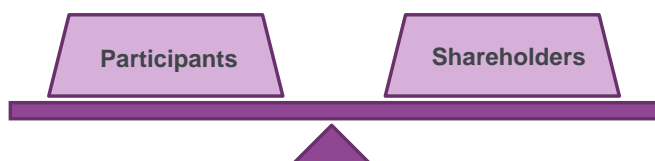
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## What is Takaful?

Takaful is Islamic compliant insurance dating back almost 1400 years.

- It is a cooperative insurance model where the insurance risk and benefits are shared between participants
- A takaful operator needs to balance the needs of the participants and any shareholders.



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## What is Takaful?

Why isn't conventional insurance allowed?

### Gharar

- Prohibition of uncertainty

### Maisir

- Prohibition of gambling

### Riba

- Prohibition of interest

Shari'a Law considers investment in the following *Haram* (prohibited):

- Alcohol
- Gambling
- Pornography

And recommends against:

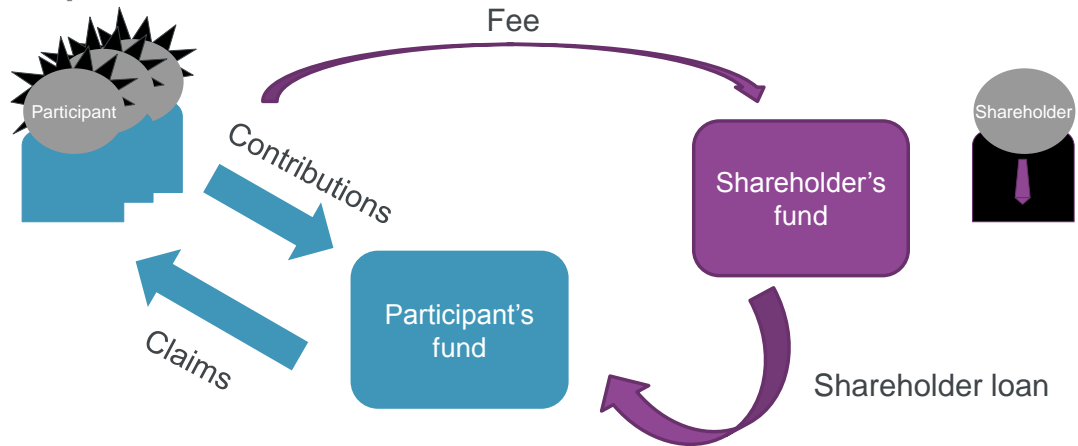
- Tobacco
- Weapons and defence

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## What is Takaful?

### Simplistic takaful structure

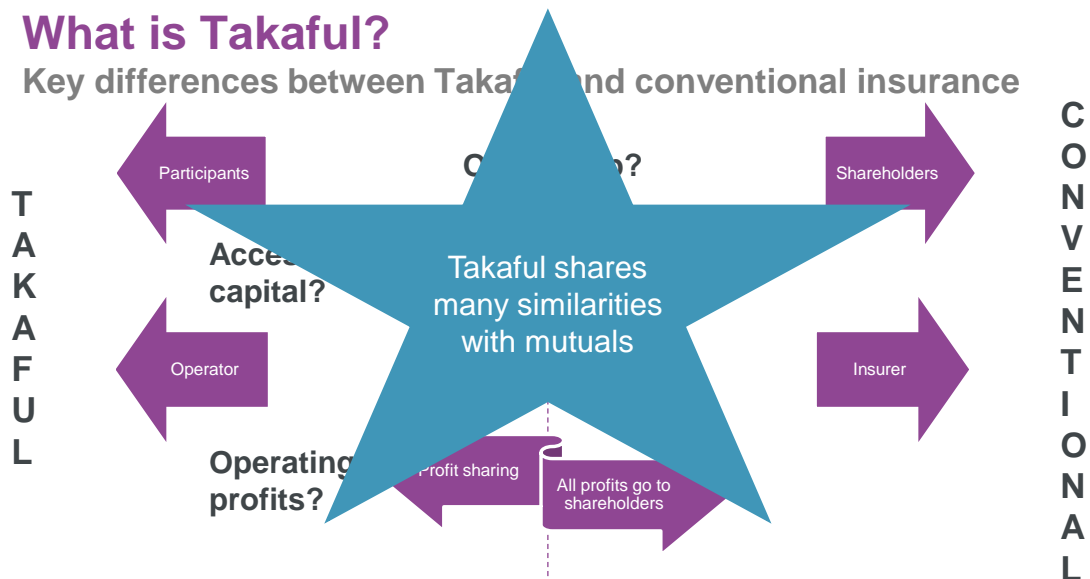


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## What is Takaful?



### Key differences between Takaful and conventional insurance

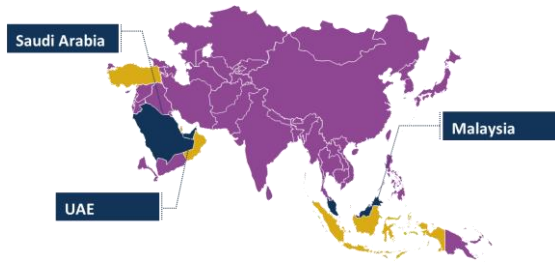


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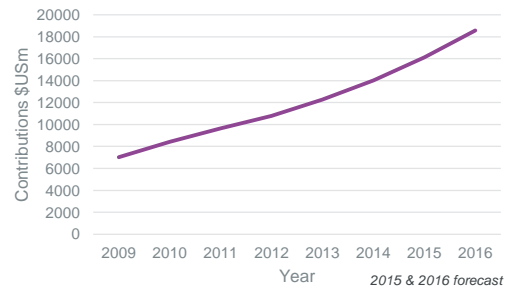
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## Growth and opportunities

- Key markets 
- Emerging markets 



### Global Takaful contributions US\$m



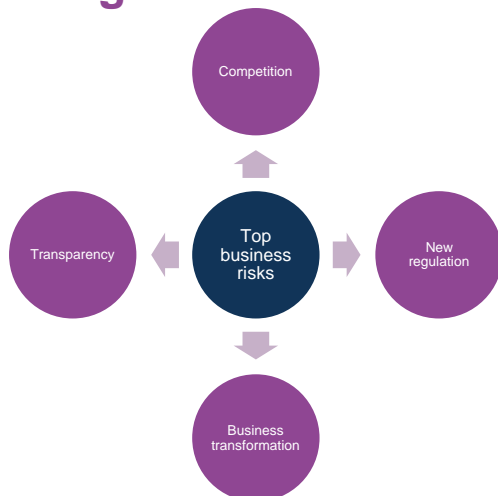
20% of the world population is Muslim

Takaful is 1% of the global insurance market

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## Challenges



- Saudi Arabia
- Bahrain
- United Arab Emirates
- Oman
- Malaysia
- Indonesia

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## Who profits?

### Wider population

- Provides Sharia compliant insurance.
- Appeals to the ethical consumer – can appeal to a mass market.
- Forms new communities.
- Reduces reliance on the state for protection.
- Supports the development of infrastructure.

### Insurers

- Enables growth in Islamic market.
- Enables access to emerging economies.
- Premium growth in takaful exceeds conventional insurance.
- Positive brand impact.
- Reduced initial capital required and entrance requirements.

### Policyholder

- Provides insurance to meet religious and ethical needs.
- Allows policyholders to share in the profit/loss of their risks.
- Reduces reliance on family and friends.
- Protected against shock events.

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## Questions

## Comments

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