Takaful
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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?

Agenda

• What is Takaful?
• Growth and opportunities
• Challenges
• Who profits?
Pop quiz
How well do you understand Takaful?

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

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

Yes  No
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

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

True

False

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

True

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

True

False

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

True

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

**True**

**False**
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.

![Balance Scale Diagram]

What is Takaful?

Why isn’t conventional insurance allowed?

<table>
<thead>
<tr>
<th>Gharar</th>
<th>Shari’ā Law considers investment in the following Haram (prohibited):</th>
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</thead>
<tbody>
<tr>
<td>• Prohibition of uncertainty</td>
<td>• Alcohol</td>
</tr>
<tr>
<td>• Prohibition of gambling</td>
<td>• Gambling</td>
</tr>
<tr>
<td>• Prohibition of interest</td>
<td>• Pornography</td>
</tr>
</tbody>
</table>

And recommends against:

- Tobacco
- Weapons and defence
What is Takaful?
Simplistic takaful structure

Participation fund
Shareholder’s fund
Claim
Contributions
Fee
Shareholder loan

What is Takaful?
Key differences between Takaful and conventional insurance

Takaful shares many similarities with mutuals

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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

Challenges

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

Questions
Comments

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