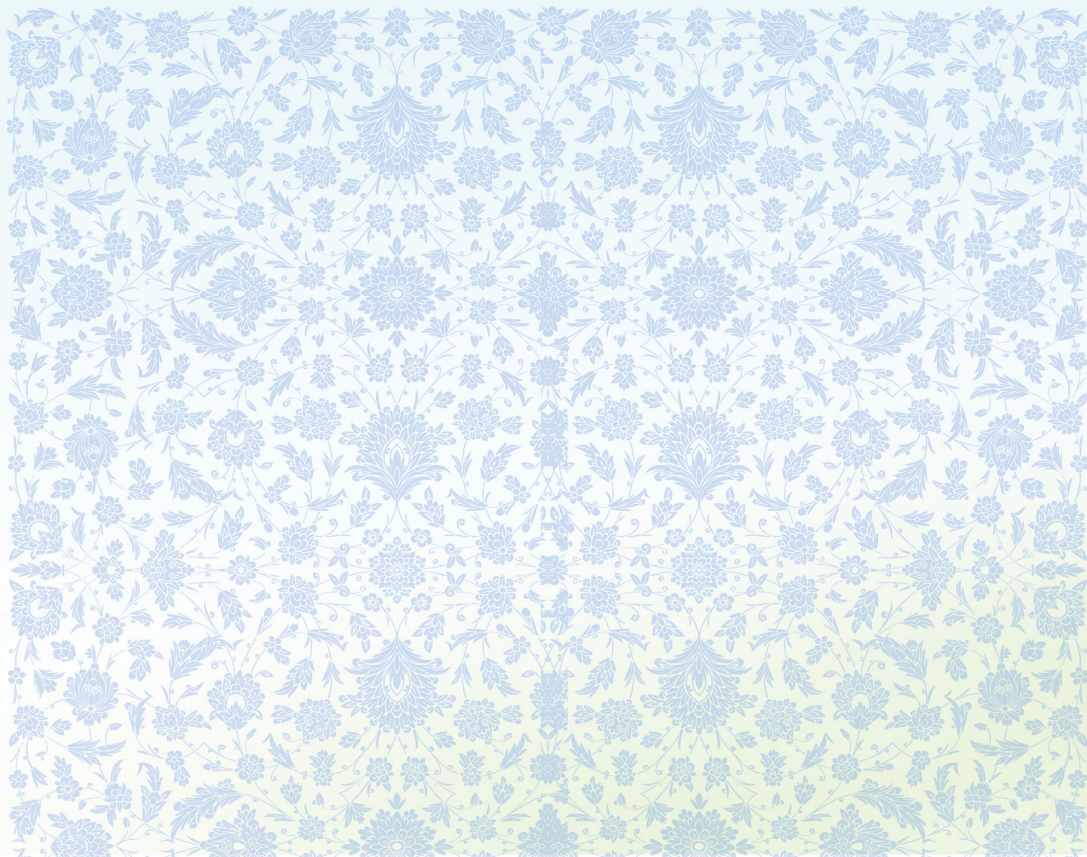


بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

**IN THE NAME OF GOD**





SID

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Iranian Insurance Research  
Center (IRC)



BIMEH MARKAZI  
CENTRAL INSURANCE OF IR IRAN



سندیکای بیمه‌گران ایران  
IRAN INSURERS SYNDICATE

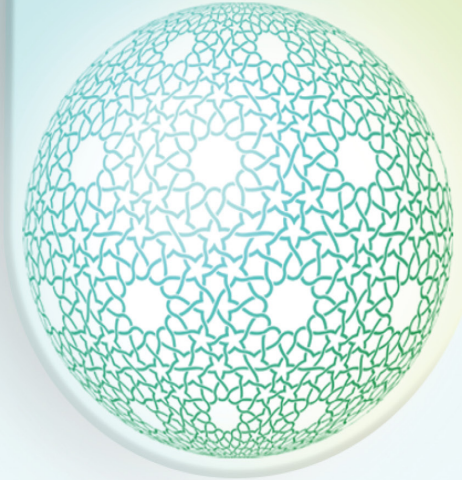


INSURANCE AND  
DEVELOPMENT CONFERENCE

30<sup>th</sup> National and 11<sup>th</sup> International Conference  
on Insurance and Development (ICID 2023)

## The Evolution of Insurance Industry Ecosystem

(Takaful, Governance, Modern Technologies)



# Takaful's Growth & Development

Mohammad Ajmal Bhatti



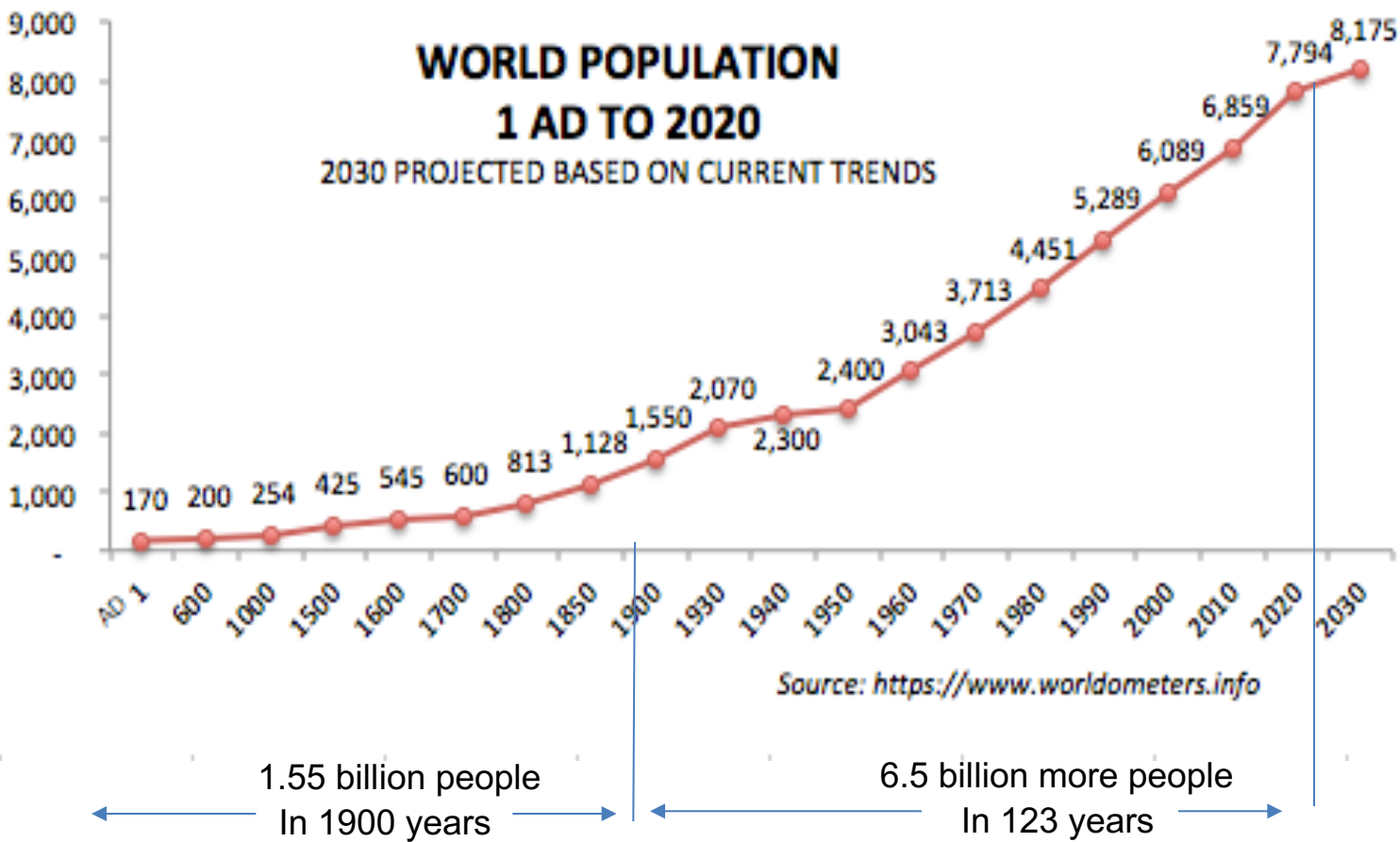
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Islamic  
Finance  
Council



# Demographic Changes





# Socio-Economic Changes

Imagine how each generation lived through and coped with the changing socio-economic eco-system impacted by the geopolitics of the times

| <i>Figures rounded</i>   | <b>1820<br/>(USD 1990 PPPs)</b> | <b>2023<br/>(In current USD)</b> |
|--------------------------|---------------------------------|----------------------------------|
| GDP Per Capita (USD)     | 1,200                           | 13,920                           |
|                          | Highest =\$1,561, Netherlands   | Highest =\$133,175, Luxembourg   |
|                          | Lowest ≈ \$523, China           | Lowest =\$302, Yemen             |
| Life Expectancy at birth | World average: 24 years         | World average: 73 years          |
|                          | Highest = 39 years, Netherlands | 85 years, Japan                  |
|                          | Lowest = 20 years, China        | Lowest = 54 years, Chad          |

*Source: IMF World Economic Outlook, World Bank  
GDP per capita since 1820, OECD, Bolt, Timmer, van Zanden | Worldmeters.info | Statista.com | Macrotrends.net*





# Generational Change

Tracking generations over time is of significant importance for innovating in order to best address the changing needs.

|           |                    |  |
|-----------|--------------------|--|
| Pre-1945  | Silent Generation  | Valued Stability. Dependable. Children expected to be seen, not heard. Career loyal, more focus on faith, relationships, family  |
| 1945-1964 | Baby Boomers       | Goal-centric, independent, self-reliant, competitive, strong work-ethics. The Age of TV, changing lifestyles & connectivity  |
| 1965-1980 | Gen X: Baby Bust   | Independent, adaptable, resourceful. Witnessed major cultural, political and technological changes (computer revolution, start of internet, mobile phones.   |
| 1980-1994 | Millennials: Gen Y | Internet in full swing. Weaker economies, recessions, job disruptions, affecting life choices. Adapted to innovations of social media, constant connectivity, on-demand entertainment  |
| 1995-2009 | Gen Z              | Bits of X & Y in them. When smartphones became popular, they are aged 10. In their teens this drove their life. They feel they have been the hardest hit when entering the working world and had to work the hardest than X & Y.                                   |
| 2010-2024 | Gen Alpha          | In 2020's they moved into adulthood, impacted by social media revolution, and becoming influencers was easy. Demanding doing things differently through digitalisation, staying longer in education, starting earning years later and staying with parents longer. |



# Takaful Vs Insurance: Key Difference

Ajmal Bhatti | Hanahn Khan | World-Of-Takaful

## TAKAFUL

- Unilateral contract of one party
- Participants mutually insure each other
- TO is manager (wakeel)
- Wakeel remunerated from margins in contributions

- Any deficit in Risk Pool financed by Shareholders on interest-free basis and recovered from future surpluses or written off

- Interest (Riba) strictly prohibited
- 3 guiding investment principles, investing to be good for **1. Society, 2. Business, 3. Environment**

- Purpose Driven
- Risk surplus belongs to Participants
- Surplus shared with TO on pre-agreed basis to reward good risk management

## INSURANCE

- Bilateral contract between 2 parties
- A Buy-Sell transaction
- Policyholders insured by company on One-to-one basis

- Risk Pool owned by Shareholders
- All surpluses and deficits belong to Shareholders

- Interest is part of investment strategy
- Speculative investments allowed

- Profit Driven
- Greater the risk, greater the reward
- Risk surplus belongs to Shareholders

## CONVENTIONAL INSURANCE

### MAIN OBJECTIONS

INVESTMENTS ARE  
INTEREST BASED

PROFIT MOTIVES LEAD TO  
SPECULATION AND  
EXPLOITATION

RISK TRANSFER GIVES  
SEMBLANCE OF  
GAMBLING

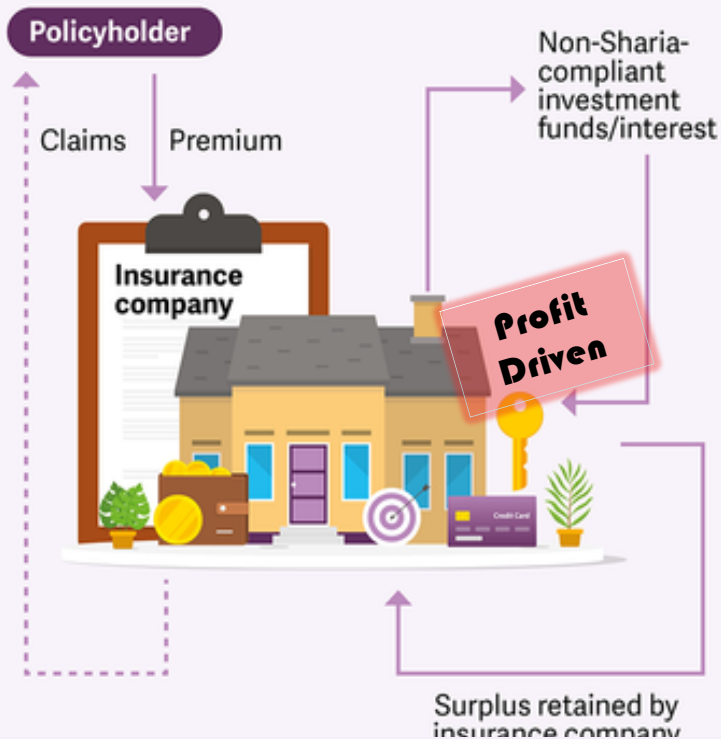


# TAKAFUL vs INSURANCE

Ali Bhuriwala | Ajmal Bhatta | Badri Management Consultancy

## CONVENTIONAL INSURANCE MODEL

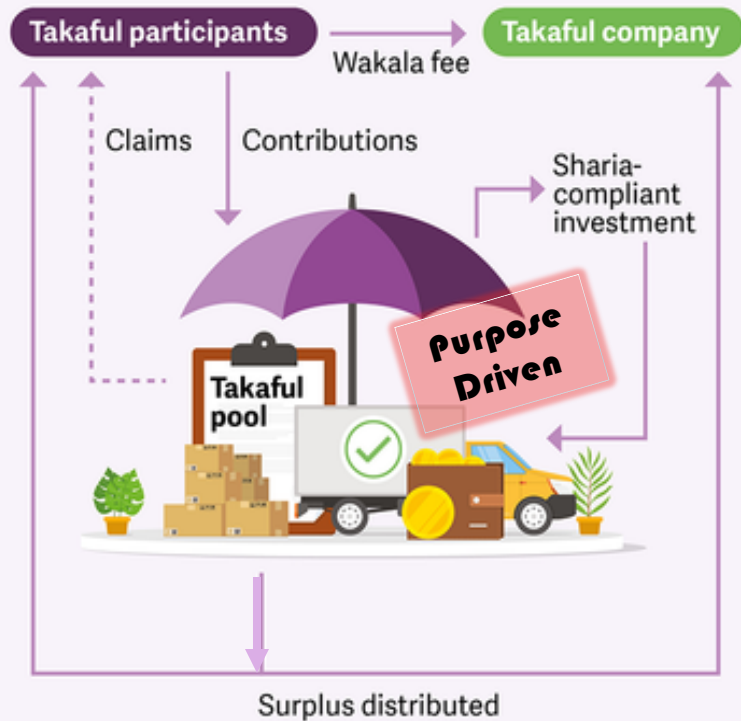
Risk is transferred to insurance company



**Claim: You Win .  
No Claim: We Win**

## TAKAFUL – MODIFIED WAKALA MODEL

Risk is shared between participants



Versus

**Claim Or No Claim ...  
Participants Gain**



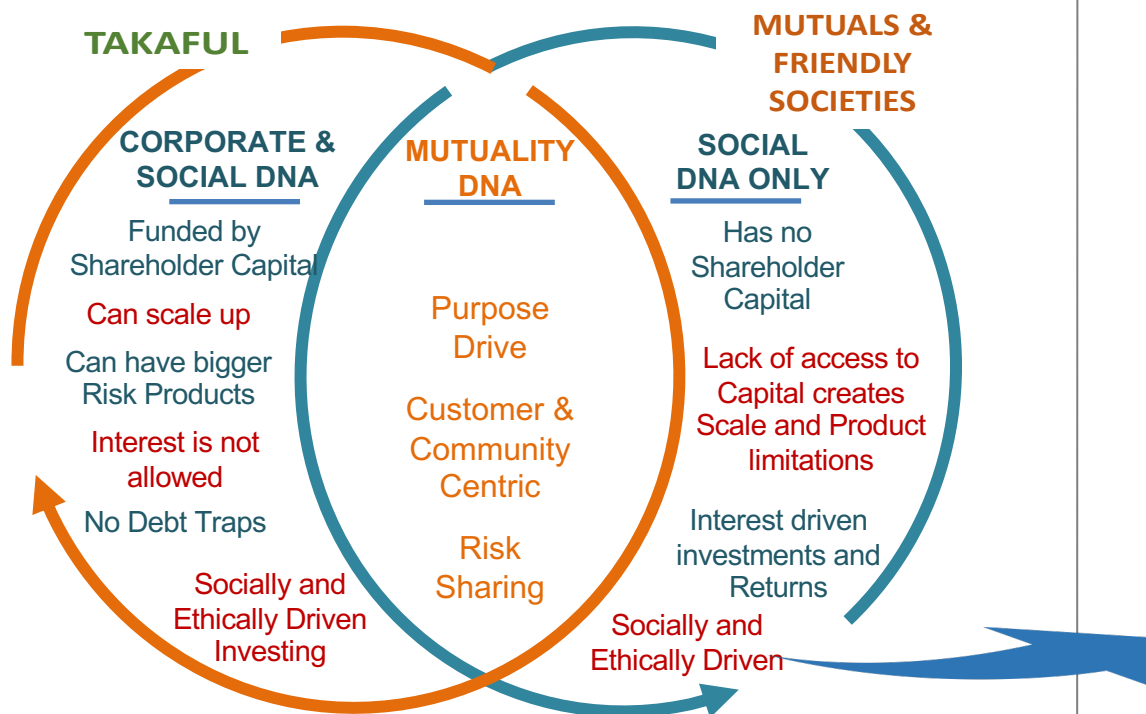


INSURANCE AND  
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30th National and 11th  
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# TAKAFUL IS A MUTUAL SYSTEM BUT IT IS NOT A MUTUAL COMPANY

Takaful has the best of both, the Mutuals & Friendly Societies as well as Conventional Insurance.



1. Mutuals & Friendly Societies were the biggest segment of insurance industry in Europe 20 years ago. Now it is a very small segment due to Demutualisation.
2. In 2007 - 2012, £1 billion in fines against UK companies. BUT, not a penny was levied against mutual insurers in that time.
3. No mutual insurer or friendly society collapsed during the last financial crisis, and none received state aid.





# WORLD OF TAKAFUL HEAT MAP 2022

## USD 25.5 BILLION PREMIUM CONTRIBUTIONS | 34 Countries

65%

**GCC**  
USD 16.335 Bn

- Bahrain
- Kuwait
- Oman
- Qatar
- Saudi Arabia
- UAE

**MIDDLE EAST & SOUTH ASIA**  
USD 6.167 Bn

25%

- Algeria
- Egypt
- Iran
- Jordan
- Lebanon
- Pakistan
- Palestine
- Tunisia
- Libya
- Morocco
- Syria
- Yemen

|            |            |
|------------|------------|
| Turkey     | Nigeria    |
| Gambia     | S.Africa   |
| Kenya      | Senegal    |
| Mauritania | Somaliland |
| Sudan      | Tanzania   |

**SOUTHEAST ASIA**  
USD 1.546 Bn

- Bangladesh
- Brunei
- Indonesia
- Malaysia
- Maldives
- Sri Lanka

6%

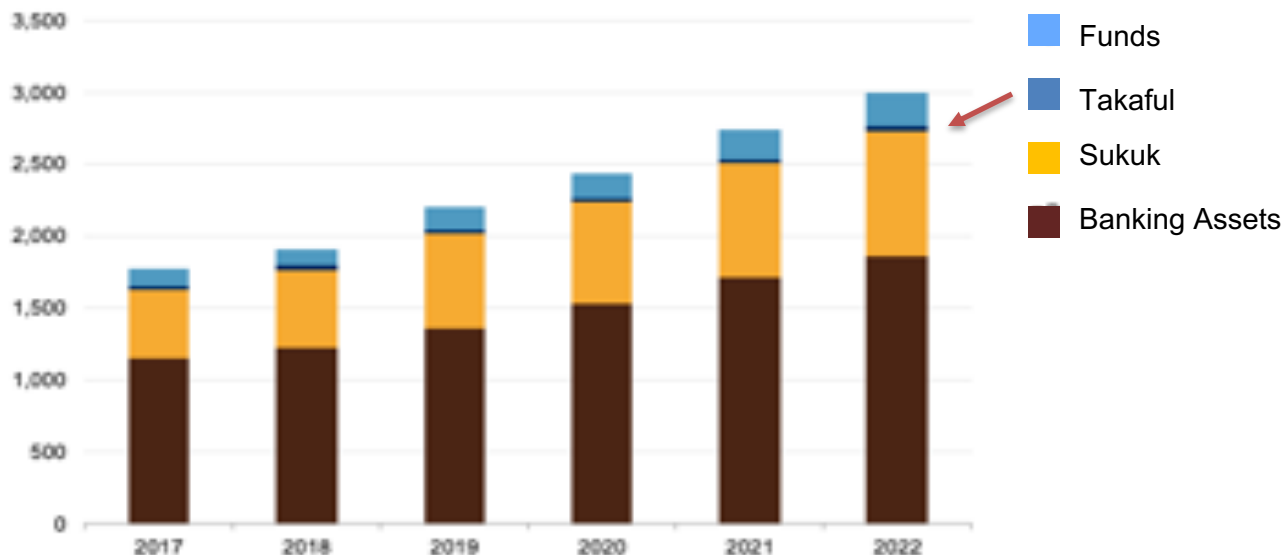
**OTHER MARKETS**  
USD 0.961 Bn

4%



# The Enigma: *Takaful is still a small portion of Islamic Finance*

Crossing the \$3 trillion mark



Source: Central Banks, CIBAFI, Eikon, S&P Global Ratings, S&P Global Market Intelligence.  
Copyright © 2023 by Standard & Poor's Financial Services LLC. All rights reserved.

|                        | Premiums         | Assets          |
|------------------------|------------------|-----------------|
| <b>Islamic Finance</b> | -                | USD 4 trillion  |
| <b>Takaful</b>         | USD 25.5 billion | USD 80 billion  |
| <b>Insurance</b>       | USD 7.0 trillion | USD 13 trillion |
| <b>Microinsurance</b>  | USD 78.0 billion | -               |

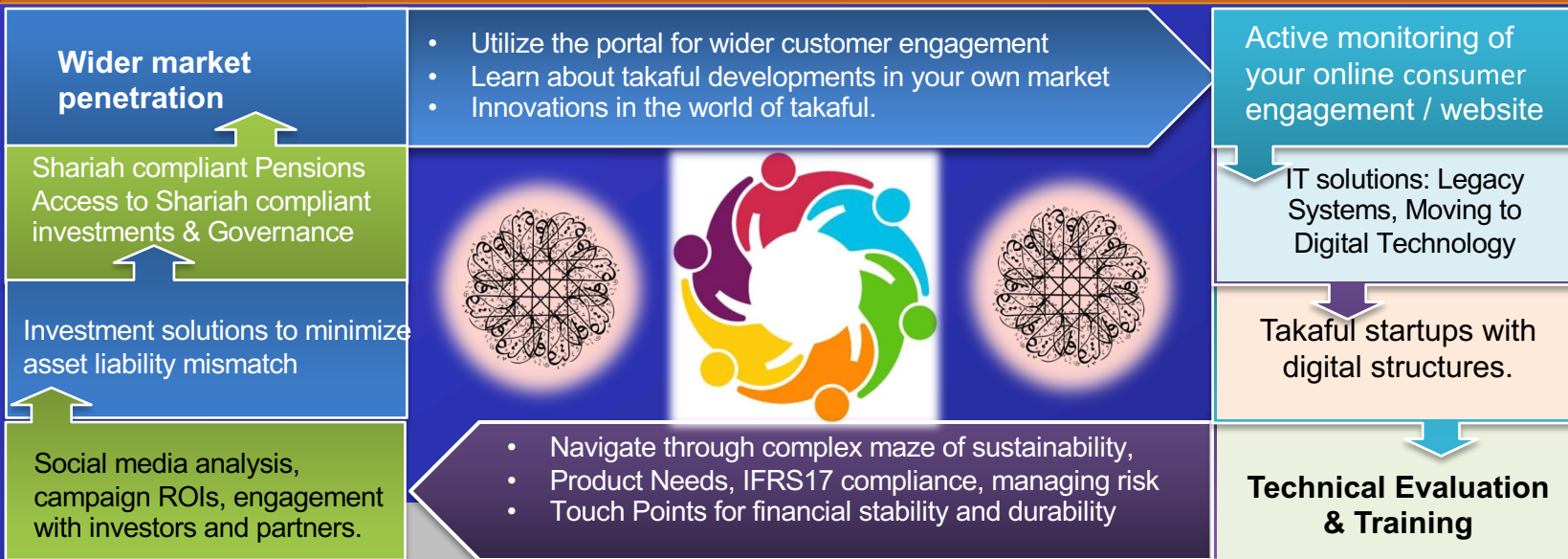


# A PORTAL TO FACILITATE CHANGE

## THIS PORTAL IS DUE TO BE LAUNCHED IN Q1/2024

### World of Takaful: Your Takaful Enabler

Available to 250+ Takaful companies in 34+ countries



## YOUR BUSINESS NEEDS: SUPPORTED BY WORLD OF TAKAFUL



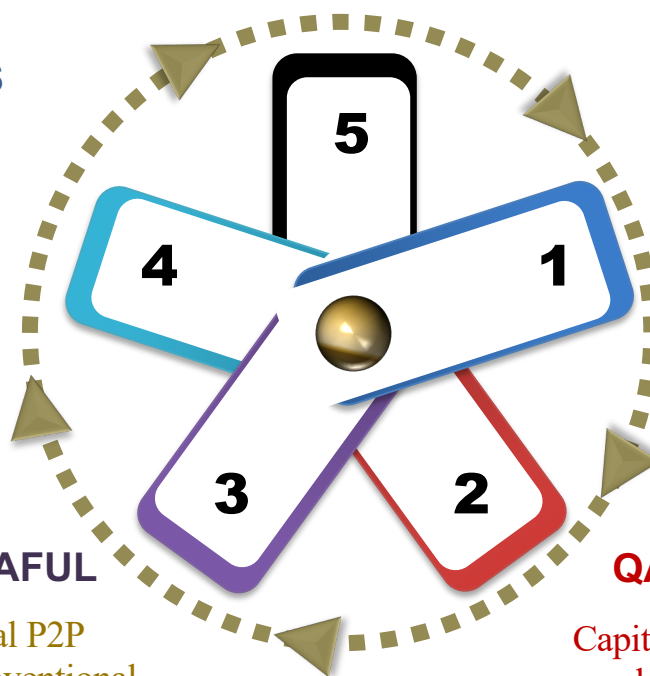
# MAKING TAKAFUL MORE TAKAFUL

## MICRO TAKAFUL

A dire need of the unserved segments of the population with no access to insurance due to financial and religious reasons

## TAKAFUL TOWNHALLS

To demonstrate company's commitment to being a purpose-driven entity. To engage with customers and foster a sense of affinity and loyalty, ultimately building and maintaining trust.



## WAKALA POOLS

Economies of scale, resulting in operational costs (Sum of the whole less than sum of individual parts).

## PEER-TO-PEER TAKAFUL

Takafulising conventional P2P insurance, by replacing conventional ways of investing with debt-free takaful ways of investing

## QARD CAPITAL

Capital generated indirectly from future surpluses of takaful fund to repay deficits initially funded by the shareholders





# MICROTAKAFUL -THE DIRE NEED

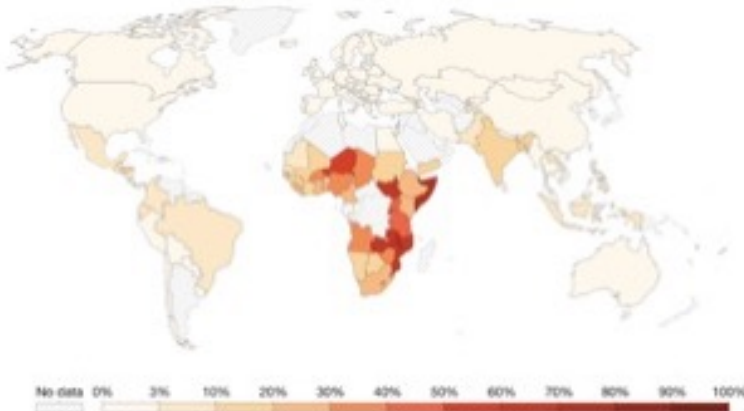
Microtakaful is a dire need of the unserved segments of the population  
with no access to insurance due to financial and religious reasons

Takaful industry has mostly focused on the more affluent segments of the market

## PEOPLE EARNING LESS THAN US\$ 2.15 PER DAY

Share of population living in extreme poverty, 2019

Extreme poverty is defined as living below the International Poverty Line of \$2.15 per day. This data is adjusted for inflation and for differences in the cost of living between countries.



Source: World Bank Poverty and Inequality Platform (2022)

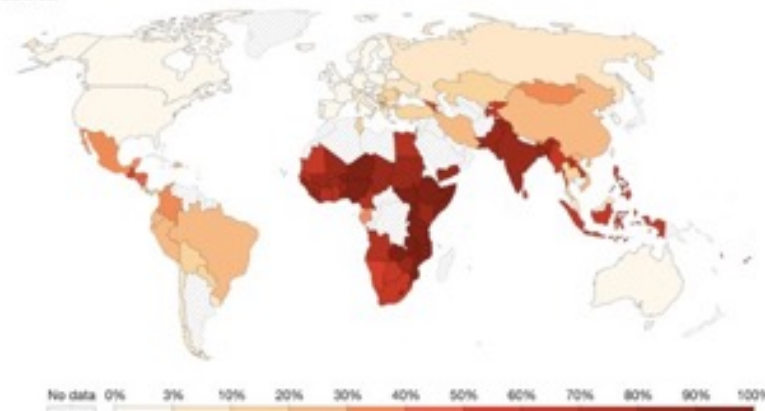
Note: This data is expressed in international-\$ at 2017 prices. Depending on the country and year, it relates to income measured after taxes and benefits, or consumption, per capita.

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## PEOPLE EARNING LESS THAN US\$ 6.85 PER DAY

Poverty: Share of population living on less than \$6.85 a day, 2019

The poverty line of \$6.85 per day is set by the World Bank to be representative of the definitions of poverty adopted in upper-middle-income countries. This data is adjusted for inflation and for differences in the cost of living between countries.



Source: World Bank Poverty and Inequality Platform (2022)

Note: This data is expressed in international-\$ at 2017 prices. Depending on the country and year, it relates to income measured after taxes and benefits, or consumption, per capita.

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# TAKAFUL CATCHING UP WITH INDUSTRY

*Technological advancements are making us think out of the box, from how it used to be, to opening fantastic opportunities in doing things differently and better.*

*Several takaful companies have adopted these innovations, either directly or with support of insurtechs.*

## SMART LOSS PREVENTION INSURANCE

Timely detection of problem by smart home sensors reduces the extent of damage. Examples are health devices, water leak and smart smoke detectors, minimizing loss of life and property.

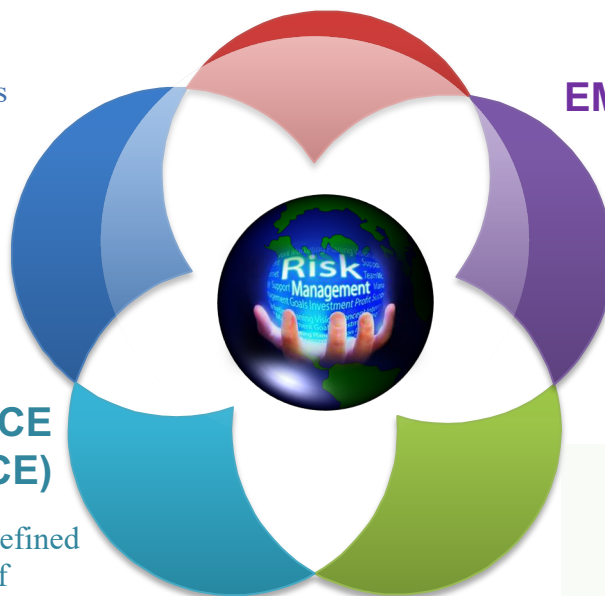
IoT smart devices:  
29 billion by 2030

## PARAMETRIC INSURANCE (OR INDEX INSURANCE)

Covers the probability of a predefined event happening instead of indemnifying actual loss incurred

## SWIFT RELIEF INSURANCE

Instant payment, enabling customer to receive a portion of settlement before the claim is finalized



## EMBEDDED INSURANCE

Risk protection embedded into purchase journeys

## TELEMATICS AND USAGE-BASED INSURANCE

Claims ↓ 20%  
Operating Costs ↓ 10%  
Fuel consumption ↓ 8-11%

142 million customers 2023



# Searching For the Silver Lining

## From Talking Expletives to Walking Realities

Takaful is

Insurance

but

Insurance

is not

Takaful

### The Goodness of Takaful

It must not only be experienced by customers  
but it must also be felt....  
.... and only then....

the ethical DNA of takaful,  
enshrined in the tenets,  
can make customers understand that  
takaful is not just insurance,  
it is much more than that.