



Issues in Takaful

SECP Takaful Conference

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Agenda



- Takaful – A product and an ideology
- Human Resource
- Awareness
- Marketing/Distribution
- Operations and Underwriting
- Claims
- Investments
- Conclusion

Takaful- A product and an Ideology



- Takaful is not only a tool to mitigate loss or to make halal profits. It is an ideology which promotes
 - Solidarity and joint guarantee
 - Self reliance and self sustainability for community well being
 - Assistance to those that need it
 - Community pooling system

Takaful- A product and an Ideology



- To understand the operational issues, it is critical to understand the basic difference between conventional insurance and Takaful
 - Risk Sharing Vs. Risk Transfer
 - Wakeel Vs. Guarantor
 - Ameen Vs. Owner
- The concept of Waqf brings the fundamental change in the nature of insurance business and the contractual relationship between insured and the insurer.

HR Issues



- Unavailability of trained and committed HR
 - A Nationwide issue
 - Financial sector, especially Islamic institutions, are facing this issue with greater severity
 - Insurance has not been the career of first choice.
 - Takaful could attract insurance practitioners who consider conventional insurance as Un-Islamic. These are sizable in number.
- Training and development
 - Lack of training culture in the industry
 - Lack of quality training resources

Awareness



- Takaful is a new concepts both for the general public and the Ulema
- Awareness amongst General Public
 - Low literacy rate
 - Misconceptions about traditional insurance
 - Low insurance penetration
- Awareness in Ulema
 - There is a need to publicize/publish the proceedings of Ijma' which took place in Darul-Uloom Karachi to declare Takaful as a shariah compliant risk mitigating tool.

Marketing/Distribution



- Best practices is an issue for conventional insurers as well.
- Relying on existing sales force could cause damage to the concept.
- Takaful operators should follow best practices with greater rigor and commitment.
- Developing a distribution channel which could convey the essence of Takaful and exploit the market opportunities is an uphill task.

Marketing/Distribution



- Takaful should not only be marketed to people who do not buy conventional insurance for religious reasons or buy in case of dire needs. It should be promoted as the tool of first choice for risk mitigating.
- Alternate distribution channels should be utilized e.g. Bankatakaful.
- Through Takaful, over all insurance penetration could be increased in the country and a huge untapped market could be tapped
- Positive response from the market. People are keen to know.

Initial set-up and underwriting



- Initial set up- unavailability of
 - Shariah compliant, efficient and cost effective business system
 - Time tested processes.
- Underwriting and Pricing
 - Takaful operator should be prudent and equitable
 - Wakala fee and other admin charges
 - Full disclosure
 - No hidden charges

Claims settlement



- Claims should be settled with Speed and accuracy
- Issue of ex-gratia claims
- Legal issues in case of non-payment of claims

Investments



- Limited investment opportunities
- Uncertainty regarding application of limits on investments imposed by regulators.
- It is suggested to issue separate investment guidelines for Takaful companies.

Conclusion



- There are challenges but the opportunities are far more than the challenges.
- To do justice to the Takaful concept a higher level of commitment and dedication is required from all stakeholders.
- Takaful operators should not exist to make profit. Rather they should make profit to exist and they should exist for the greater purpose which would be the well being of fellow humans when they are in need.

Jazak-Allah khair



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