



The principle that risk should be shared and not traded

– offering a way to capture an underserved customer base inside the major western markets

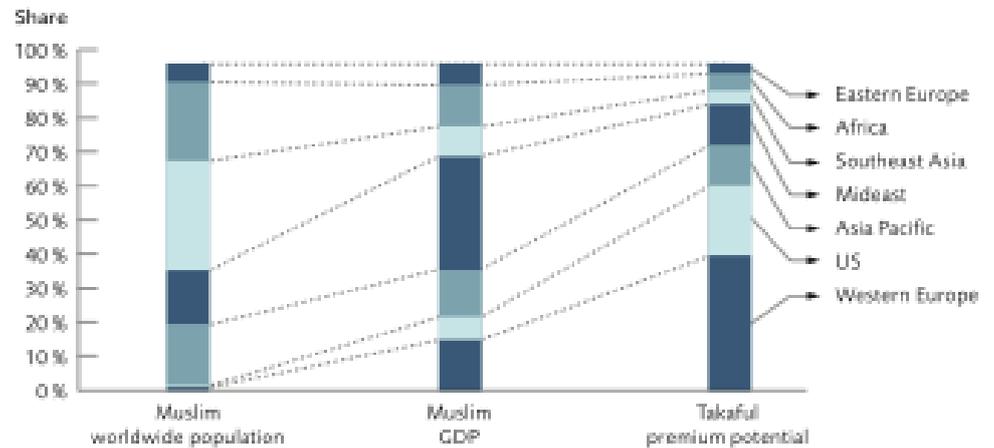
Takaful – Islamic insurance

What is Takaful?

Takaful is a form of insurance designed to provide life and non-life benefits to customers in a way that is compatible with the restrictions imposed by Islamic Shariah law – such as the prohibitions on Riba (interest) and Maysir (gambling); and the principle that risk should be shared and not traded.

A significant amount of business literature has been devoted to the principles of Takaful and its nascent success in the largely Islamic geographies through specialist Takaful providers. Over the last few 4 years, the concept and operational implications of Takaful are better understood and has started to draw the attention of global insurers. These global players are beginning to factor in the wealth and propensity to buy insurance amongst the Muslim population in Western markets. The conclusion that is taking shape is that Takaful is an exciting global growth opportunity, offering a way to capture a huge and currently underserved customer base inside the major Western markets.

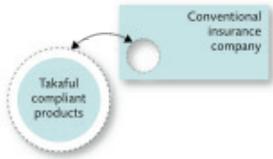
Share of potential Muslim market by region



Source: US State Department, Swiss Re, Oliver Wyman analysis.

The question facing these global insurers becomes – ‘How can I create a Takaful window within my business to allow a new Takaful compliant product whilst leveraging the scale and operational efficiencies of my entire portfolio of products?’ Early adopters in this second wave are increasingly utilizing the ‘Takaful window’ approach to access this business opportunity.

Takaful window



A window within a conventional insurer via which customers can conduct Business utilizing only Takaful compliant products.

- Global insurers are able to enter the Takaful market with the ability to leverage on the parent company's economies of scale in front and back offices.
- Operational hub and spokes would leverage a Takaful manufacturing platform in a single location but distribution in multiple location/markets.
- International experience makes market entry in Takaful relatively simpler.

Responding to this challenge, TIA Technology has made an investment to analyze and develop a TIA Takaful solution. In a differentiated approach, TIA has steered away from developing a specialized Takaful architecture. TIA has instead focused on achieving operational efficiencies through re-using the insurance services that are unaffected by Takaful requirements.

TIA has developed a slim Takaful module which appends to the TIA Solution. The Takaful module allows for the actuarial creation of Takaful compliant products together with the maintenance of the surplus calculation and distribution which complies with both the Wakalah and Mudharabah variants of Takaful. This module leverages the remaining functionalities of the TIA Solution to conduct quotation, underwriting, renewals, claims and settlement. This approach allows the insurer to re-use a large majority of its assets and leverage the scale and efficiencies of its front and back office which is unaffected by Takaful requirements.

TIA Solution Architecture Overview

The TIA Takaful solution successfully introduces a plug in approach towards introducing Takaful capability with minimal effort and will re-use all the Service Oriented Architecture within the TIA Solution, including the extensive service catalogue.

