TAKAFUL

Sudan: Working to create a better market

Despite the political instability and deteriorating economy, the Sudanese takaful market continues to register consistent growth rates – but more can be done to get the most out of this promising nation, says Shiekan Insurance & Reinsurance's Mr Salah Eldin Musa Sulieman.

By Osama Noor

The latest published results indicate that Sudan's takaful market's gross written contributions (GWC) reached a milestone of SDG22.3bn ($48.85m) in 2020 compared to SDG12.5bn in the previous year, representing a leap of 78%. Aside from the increased takaful activity and the operators' efforts in expanding the business, this surge in the size of contributions could also be attributed to the depreciation of the Sudanese pound.

Although the results of 2021 have not been published yet for the majority of companies, total GWC is expected to reach a new high of more than SDG60bn, said Shiekan Insurance & Reinsurance general manager Salah Eldin Musa Sulieman. In Sudan, all operators are shariah-compliant by law. Therefore, it is the only market in the region which is fully takaful. Almost 98% of the market contributions come from general takaful. Family takaful contributions remain in the range of 1.4% to 2.4% of the market's GWC. (See pie charts)

Investment returns also a showed persistent increase over the past five years (2016-2020) as they grew from SDG800m in 2016 to SDG 3.4bn in 2020. (See table 1)

Reports from the National Insurance Regulatory Authority (NIRA) have not included surplus in the published statistics. "Most companies, if not all, generated surplus from their operation which varies from one company to another from year to year as surplus is subject to a number of factors which include pricing, claims, management expenses, regulatory constraints and investment returns," said Mr Musa.

Dynamics of the market

The number of players in the market remained stable at 13 (including a national retakaful provider) until 2016. Since then, the number of operators has increased to 20. Seven new operators were licenced between 2016 and 2020, two of which are subsidiaries of the existing providers.

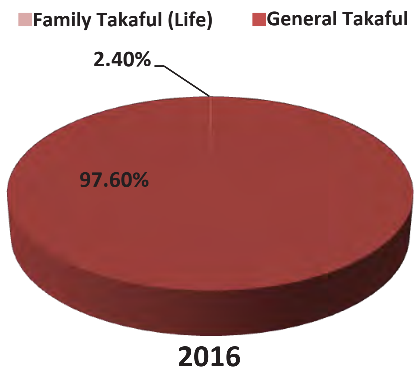
"Three of the new operators are purely life and medical as per the Insurance Act of 2018, which mandated the separation of general takaful operations from family takaful businesses," said Mr Musa.

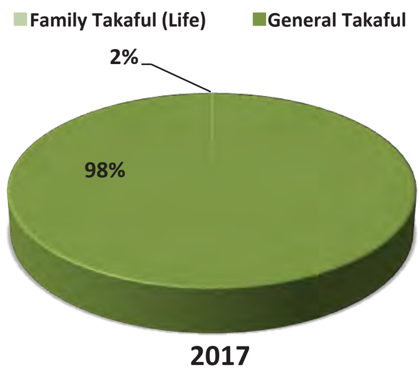
He said that there are a number of new companies in the process of receiving their licences. "The number of the retakaful operators remained unchanged; there is only one retakaful operator and one retakaful window."

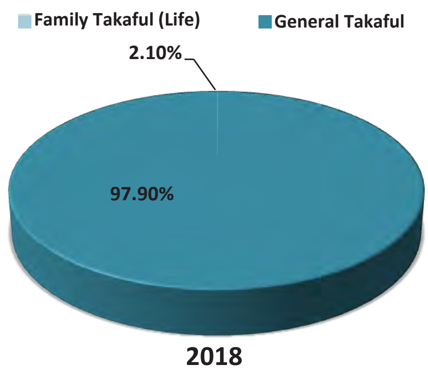
Revisiting the takaful model

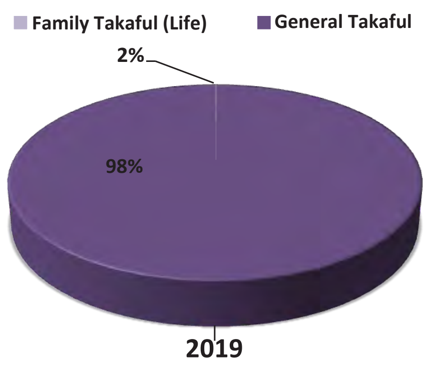
The launching and implementation of the new Insurance Act in 2018 has improved the regulatory environment substantially, though a number of players are not fully satisfied with the new regulation, said Mr Musa.

There have been several calls to revise the takaful model in Sudan in order to increase the attractiveness of the sector and improve efficiency of operators. Over the last couple of years, NIRA has organised a number of conferences and workshops which discussed various issues pertaining to the takaful market in Sudan –









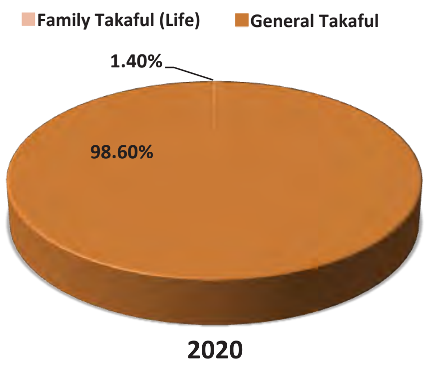


Table 1: Sudanese insurance market Premium growth for the period 2016-2020 (SDGbn)

Type	2016	2017	2018	2019	2020
Family takaful (Life)	0.07	0.1	0.2	0.2	0.3
General takaful	3	4.9	7.9	12.3	22
Total	3.07	5.9	8.1	12.5	22.3

Source: National Insurance Regulatory Authority (NIRA)

particularly those related to capital requirements, governance, human capital development, solvency margins, asset revaluation and the enhancement and development of takaful.

In Sudan, income generated from the investment of policyholders' funds constitutes an essential part of surplus, which is composed of the underwriting surplus plus the investment returns generated from the policyholders' funds after deducting the share of shareholders in these returns (on the mudaraba basis), which is currently a maximum of 50% as per legal requirements.

"The takaful conference which NIRA organised in October 2021 in collaboration with The International Federation of Islamic Takaful and Insurance Companies recommended the increase of this percentage to 70% so as to provide an incentive for investors to invest in takaful," said Mr Musa.

"Capital in takaful entities in Sudan is a just legal requirement (doesn't gain and doesn't lose) to incorporate the company. Shareholders, at the same time, do not have any share in the surplus realised, which remains 100% the property of policyholders. The recommendations of this conference have not been adopted yet by the concerned authority where the High Sharia' Supervisory Board have some concerns about this high percentage of mudaraba."

Potential and challenges

The takaful industry in Sudan remains promising with a huge untapped potential as reflected by the growth rates achieved over the recent period despite the political turmoil and overall instab ility the country has undergone, he said.

"These are testing times, and all market players should work hard and exert more effort to sustain growth and resilient. The takaful market in Sudan is very promising and has potential to develop and grow especially in the areas of agricultural insurance, livestock insurance, micro insurance and medical insurance."

On the other hand, given the adverse economic conditions and inflation rates, he noted that providers are faced with higher claims cost particularly in motor and medical insurance. "We need to keep an eye on inflation and economic growth," he said.

The way ahead

Mr Musa pointed out that Sudan is a very rich country in terms of natural resources ranging from vast areas of fertile land, the abundance of water resources and a large amount of livestock and minerals which if properly utilised will contribute to economic growth and high demand for insurance products.

He added that the market is working closely with regional and international organisations in the fields of financial inclusion to provide new innovative and affordable insurance products to smallholder farmers and pastoralists to enable them to keep their resources.

"[We want to] encourage them to invest more so as to benefit from improved use of resources and enjoy a better livelihood and contribute to the economic development of their communities and ultimately the GDP of the country. Nevertheless, there is an urgent need to revise the takaful model and enhance the regulatory environment so as to create a better marketplace for clients and providers at the same time," he said.