

The African Takaful Reinsurance Company (Africa Retakaful)

“How to start a Takaful Company”

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How to set up a Takaful Company

Policies, Procedures, Accounting.....

Key Functions:

- Legal and Regulatory Framework .
- Management and Corporate Governance .
- Technical Framework.
- Investment.

Legal and Regulatory Framework

- Governing Law/s

- * Domestic Regulations.
- * International Best Practice .

- Regulators

- *Formulation of regulations and policies .
- *Supervision .
- *Enactment of laws .

-Minimum Capital Requirement

- * To meet legal requirement for incorporation .
- * Strengthen the financial capacity .
- * Support business expansion .
- * Safeguard the takaful fund .

- Sharia' Supervisory Board

*Required by law to :-

- Determine the Sharia' rulings on all transactions .
- Ensure compliance with Sharia' principles and provisions.

- Supreme Sharia' Supervisory Board

*Required by law to :-

- Serve as reference point to settle disputes involving Sharia' issues .

- Memorandum and Articles of Association

- Standards – Setting Bodies

Management and Corporate Governance :

- Shareholders' General Assembly.
- Policyholders' General Assembly .
- Board of Directors .
- Top Management .

The key to successful operation is recruiting the right personnel who have ;

- Commitment.
- Dedication .
- Relevant experience

Technical Framework:

a) Takaful Model.

- Pure Mudaraba.
- Pure Wakala .
- Combined Model .
- Others .

b) Application / Proposal Forms .

Contract / Policy Wording .

c) General Principles Governing the Contract /Policy.

- Co-operative Insurance (Sharia' Compliance) .
- Mgt. Expenses /Wakala Fee.
- Surplus .
- Liquidation .

d) Accounting :

Segregation of Funds :

- Two Distinct Separate Accounts :

- i. Policyholders' Account
 - Contributions (Premiums).
 - Claims .
 - Reserves and Provisions .
 - Retakaful Contributions.
 - Mgt. Expenses / Wakala Fee .
 - Investment Returns .
 - Surplus.
- ii. Shareholders' Account :
 - Capital.
 - Legal Reserves.
 - Investment Returns.
 - Mgt. Expenses / Wakala Fee .

e) Information Technology

- Efficient use of information technology in all operations (U/W , Claims , Retakaful , Marketing etc) to ;
 - * meet customers' expectations .
 - * reduce overall expenses .



f) Production and Marketing

Production

1. Product Design

- Information gathering to identify consumers' demand and expectations .
- Data analysis .
- Design 100% takaful products in terms of coverage and benefits instead of (another products approach) .

2. Product Pricing

- Consumers would be expecting competitive prices for takaful products .
- The following principles should be taken into consideration when pricing takaful products .
 - Adequacy .
 - Reasonability – not excessive .
 - Flexibility - responsive to market and changing economic conditions .

Marketing

1. Marketing Plan

- Business Portfolio.
- Target Customers .

i. Primary targets

ii. Secondary targets .

- Geographical Coverage

2. Distribution Channels:

- Direct sales force .
- Agents .
- Bancatakaful (strategic partnership with reputable banks).

3. Competitive Advantage

- Surplus as a marketing tool .

g) Retakaful :

- * Adequate retakaful protection .
- * First class security.
- Priority to Retakaful operators .
- Dealing with Conventional Reinsurers subject to SSB's approval :
 - No ceding commission (net rate) .
 - No interest rate on reinsurers' reserves .

Investment :

- * Investment function is essential for the benefit of Shareholders and Policyholders .
- * Must be Sharia' compliant and approved by the SSB .
- * Must comply with investment requirements as per governing law/s .
- * Separate and independent entity within the organization to manage investment .
- * Adoption of prudent investment policies and strategies appropriate to the nature of each of the Policyholders' Funds and the Shareholders' funds available for investment .

Conclusion

The ability to set up a successful and credible takaful company is very much reliant on :

- The existence of supportive regulations and prudential policies .
- Sound corporate governance and efficient operating infrastructure .
- Qualified, committed and dedicated management.
- Prudent investment policies and strategies .



Thank You