

EXPLORING GROWTH OF TAKAFUL MARKET IN PAKISTAN

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SECP

SECURITIES & EXCHANGE
COMMISSION OF PAKISTAN

THE NEED FOR INSURANCE

- ▶ All humans and/or Organizations inevitably are exposed to various types of “RISKS”;
 - Life Risk;
 - Health Risk;
 - Property Risk; etcetera
- ▶ These RISKS arise the need to mitigate these RISKS, throughout the human and/or organizational life;
- ▶ The most widely available mean to mitigate RISKS around the globe is “INSURANCE”



INSURANCE FROM ISLAMIC PERSPECTIVE

- ▶ The Council of Islamic Ideology (Pakistan) in 1984, and the Grand Council of Islamic Scholars (Majama-al-Fiqh; Academy of the Organization of Islamic Conference) in 1985 delivered a majority decision stating that insurance is forbidden in Islam.



UN-ISLAMIC ELEMENTS IN INSURANCE

- ▶ All transactions undertaken by Muslims, including the purchase of insurance, should be shariah compliant and should avoid the following:
 - **Riba** (payment/receipt of interest);
 - **Maisir** (excessive risk taking);
 - **Gharar** (uncertainty and unclear terms in contract); and
 - **Haram** (investment in anything unacceptable and/or forbidden by shariah)



INSURANCE PENETRATION IN WORLD

Name of Country	Insurance Penetration (as a %age of G.D.P)	Name of Country	Insurance Penetration (as a %age of G.D.P)
Pakistan	0.7%	Australia	5.9%
United Arab Emirates	2.0%	Hong Kong	11.5%
Saudi Arabia	0.8%	Japan	10.1%
Oman	1.1%	China	3.8%
Qatar	0.8%	India	5.1%
Bahrain	2.6%	Korea	11.2%
Turkey	1.3%	United Kingdom	12.2%
Iran	1.4%	Thailand	4.3%
Bangladesh	0.9%	New Zealand	6%
Indonesia	1.5%	Taiwan	18.4%
Kuwait	0.5%	Singapore	6.2%

Source: Arab Insurance Market Review 2011 and E&Y Global Insurance Outlook 2012

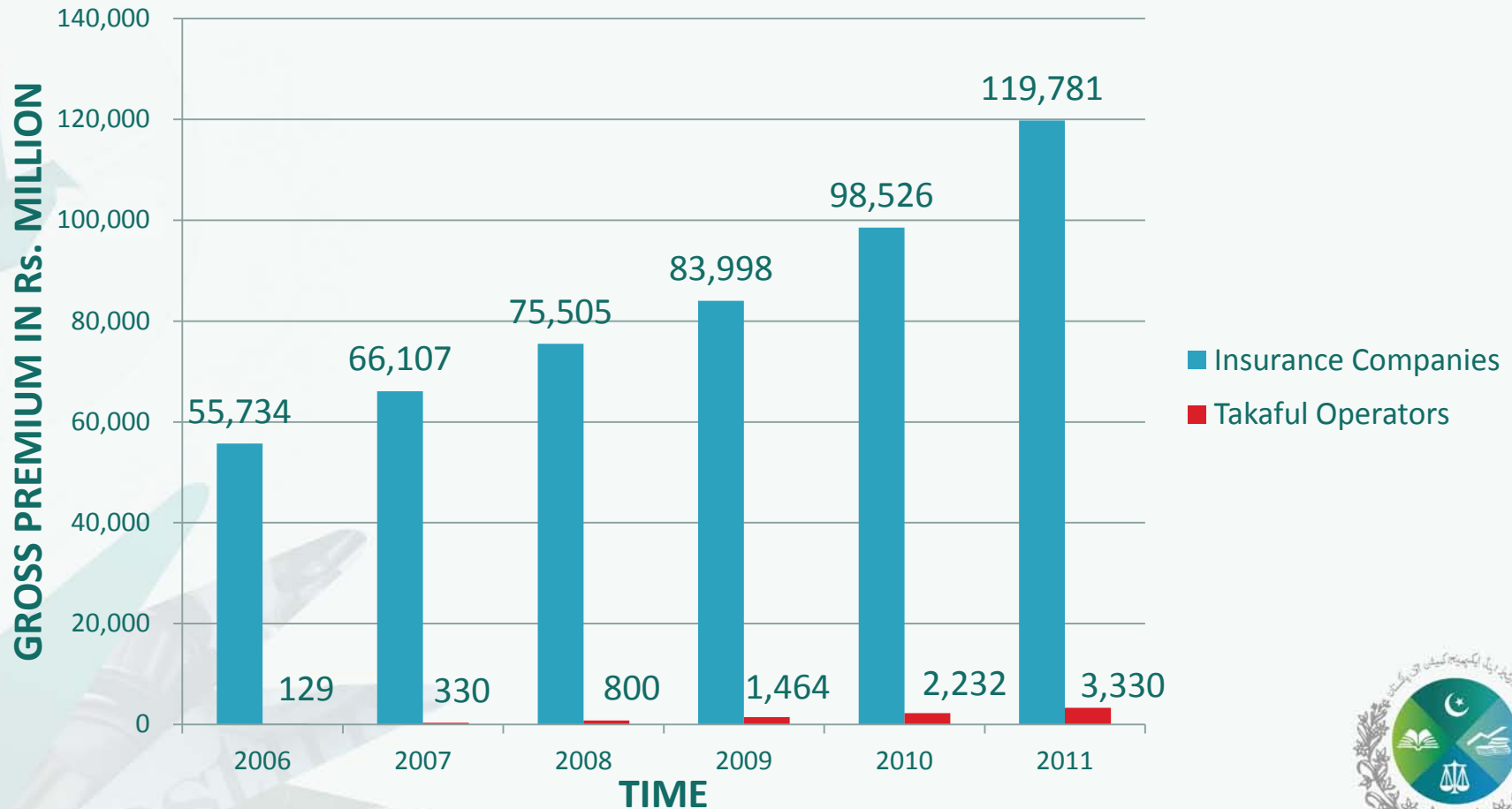


BRIEF FACTS

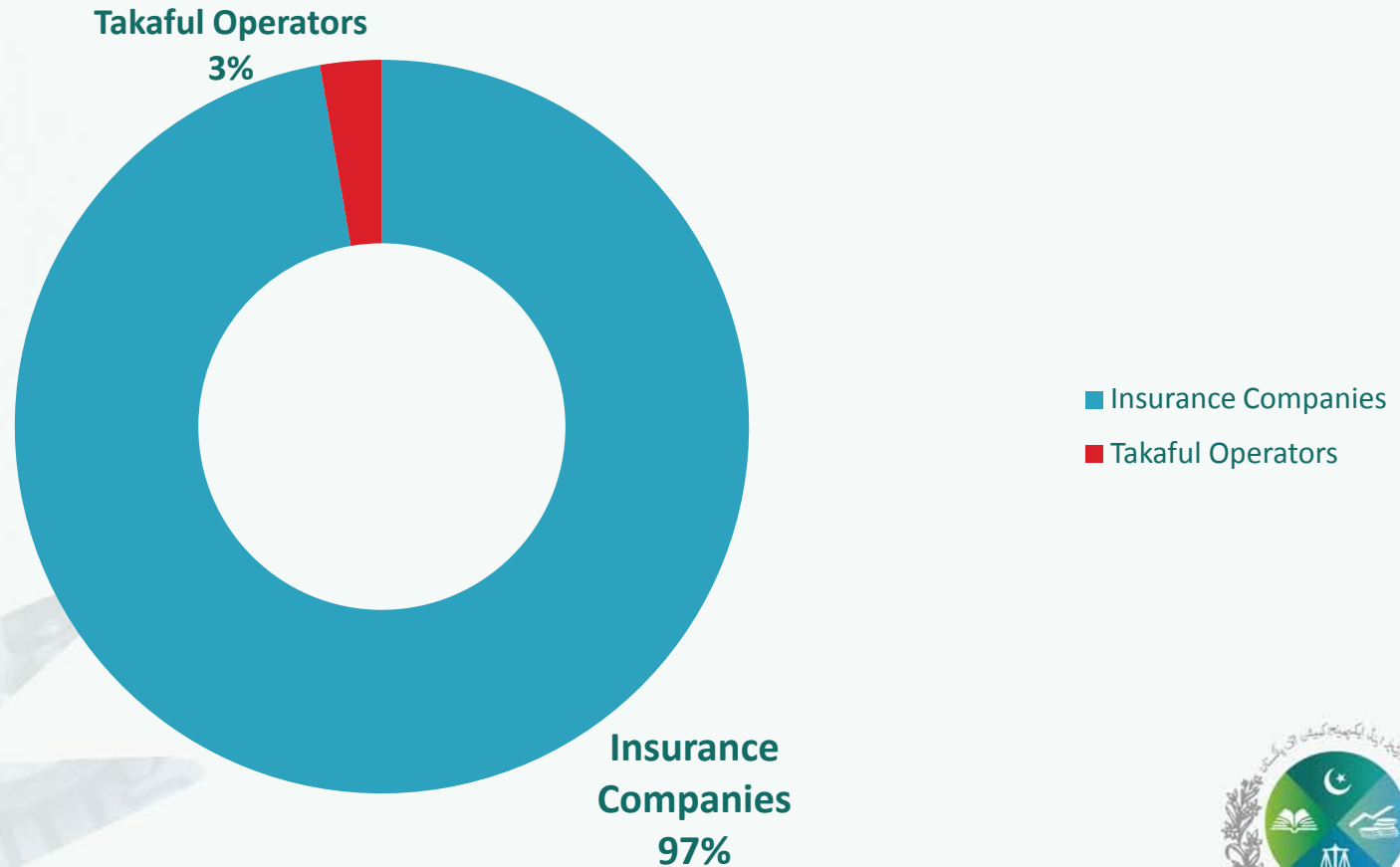
- ▶ No Muslim country falls amongst the top 10 countries of the world in terms of insurance premium volume.
- ▶ The top 10 insurance companies of the world are host to the non-Muslim countries;
- ▶ No Muslim country falls amongst the top 10 countries of the world in terms of insurance penetration.
- ▶ The average insurance penetration in European countries in the year 2012 was 8.2%. The only Muslim country in Europe i.e. Turkey had the lowest insurance penetration amongst the European nations i.e. 1.3%, which is far below the average insurance penetration of Europe.



INSURANCE & TAKAFUL COMPARISION IN PAKISTAN



SHARE OF INSURANCE & TAKAFUL SECTOR IN PAKISTAN



WAY FORWARD

Highlight the need for takaful / insurance

Comprehensive Training on Takaful

Introduce custom made products

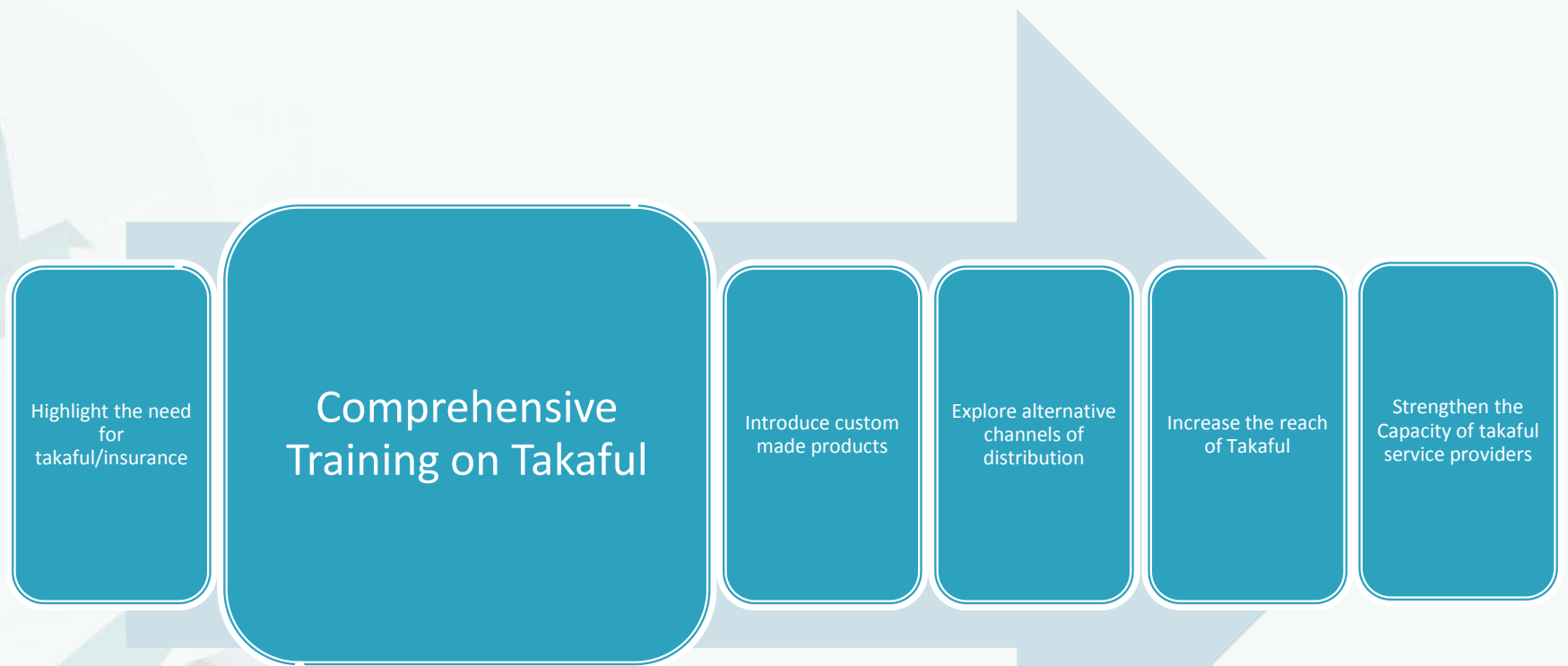
Explore alternative channels of distribution

Increase the reach of Takaful

Strengthen the Capacity of takaful service providers



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THANKS

