

The Speaker

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 **AFRICAN TAKAFUL**
& NON-INTEREST FINANCE
CONFERENCE

1&2 AUG
2023
LAGOS, NIGERIA

DR. HASSAN BASHIR
EXECUTIVE DIRECTOR
AIID-AFRICA, KENYA
SPEAKING AT THE CONFERENCE



THEME
LEVERAGING TECHNOLOGY TO BUILD ON THE OPPORTUNITIES
OF TAKAFUL AND ISLAMIC FINANCE IN AFRICA

For more information on participation & sponsorship, contact conference@noortakaful.ng or call +2348098721000

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Takaful: An Inclusive and Sustainable Model





Sustainability

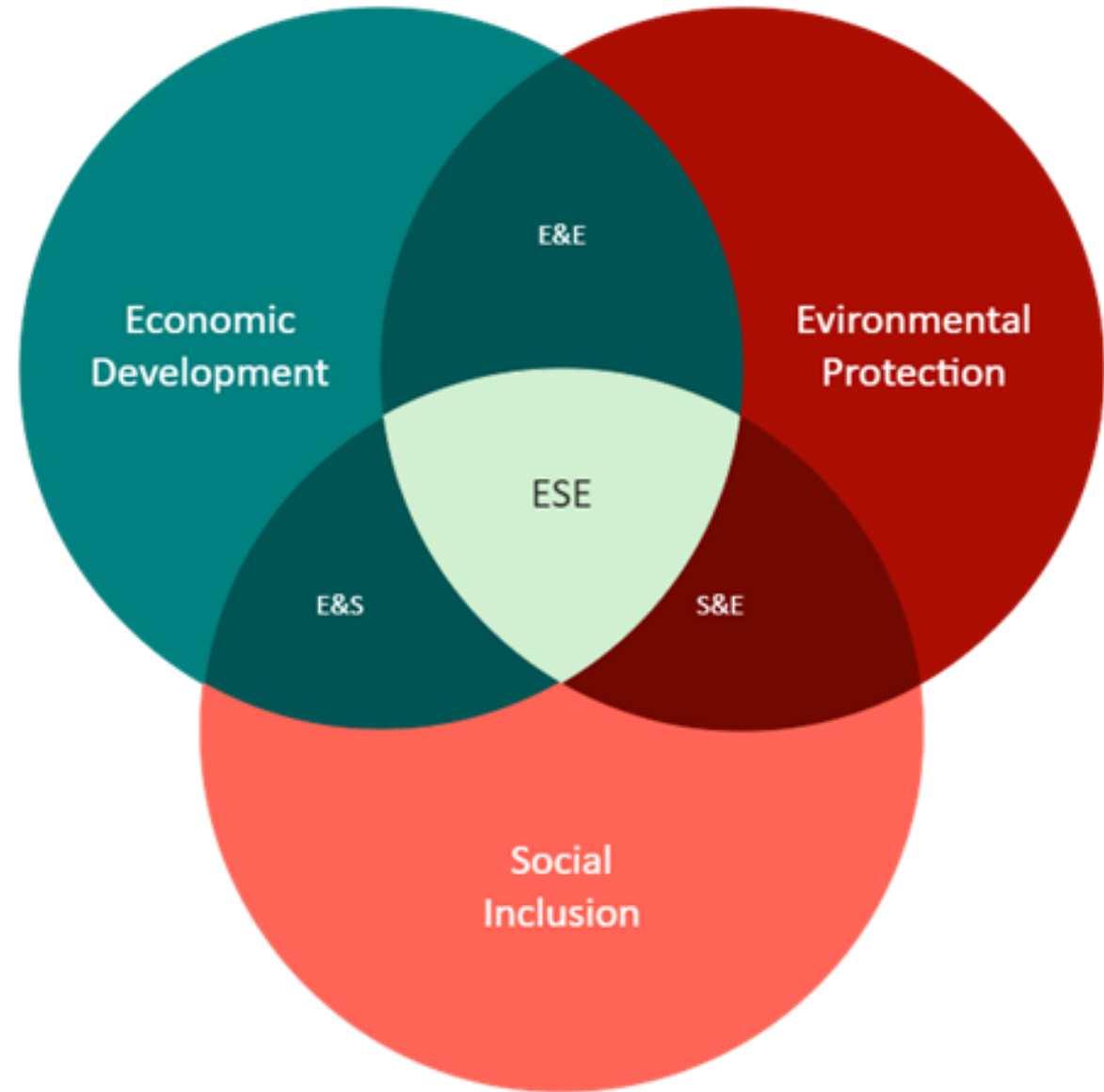
The Brundtland Report (1987) defined sustainable development as “...development that meets the needs of the present without compromising the ability of future generations to meet their own needs”.



Sustainable Development

Refers to the three main components of economic development, social inclusion and environmental protection (Sachs, 2015; Blewitt, 2022)

Components of Sustainable Development



Socially Inclusive by Design



A term Takaful is derived from the Arabic root word of kafala, which means “guarantee, bail, warrant or an act of securing one’s need”.

Socially Inclusive by Definitions



Takaful, is hence, defined as a “joint guarantee, whereby a group of participants agree to mutually guarantee each other against a defined loss” (Ali & Odierno, 2008).



“an arrangement based on **mutual assistance** under which takaful participants agree to contribute to a **common fund** providing for **mutual financial benefits** payable to the takaful participants or their beneficiaries on the occurrence of pre-agreed events” (IFSA, 2013).

Inherent in this definitions...

Solidarity

Co-
guaranteeing

Self-
guarantee

Mutuality

Cooperation

Community

Participation

Stakeholder
care

Inclusivity

Conventional Insurance – A Risk Transfer Model



Revenue



Less Claims &
OPEX



Add Inv
Income



Profit (Loss)



Shareholder
(or reinvest)

Relationship: Conventional Insurer and Customer

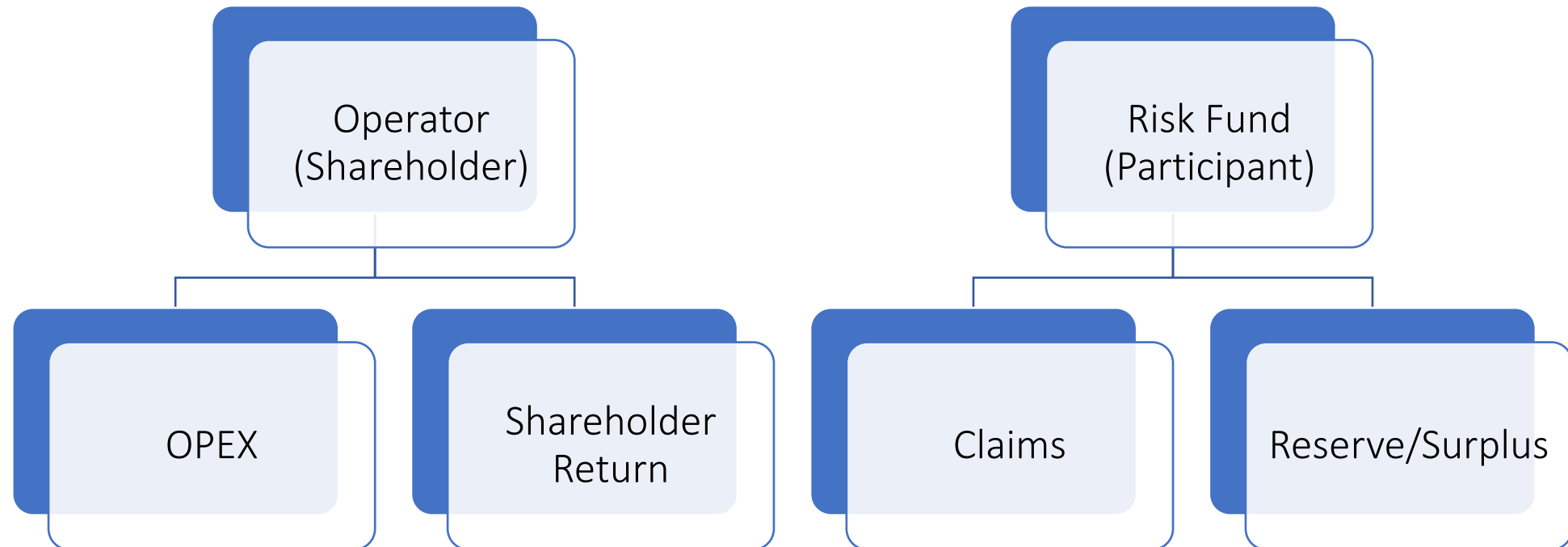


CLAIMS SETTLEMENT

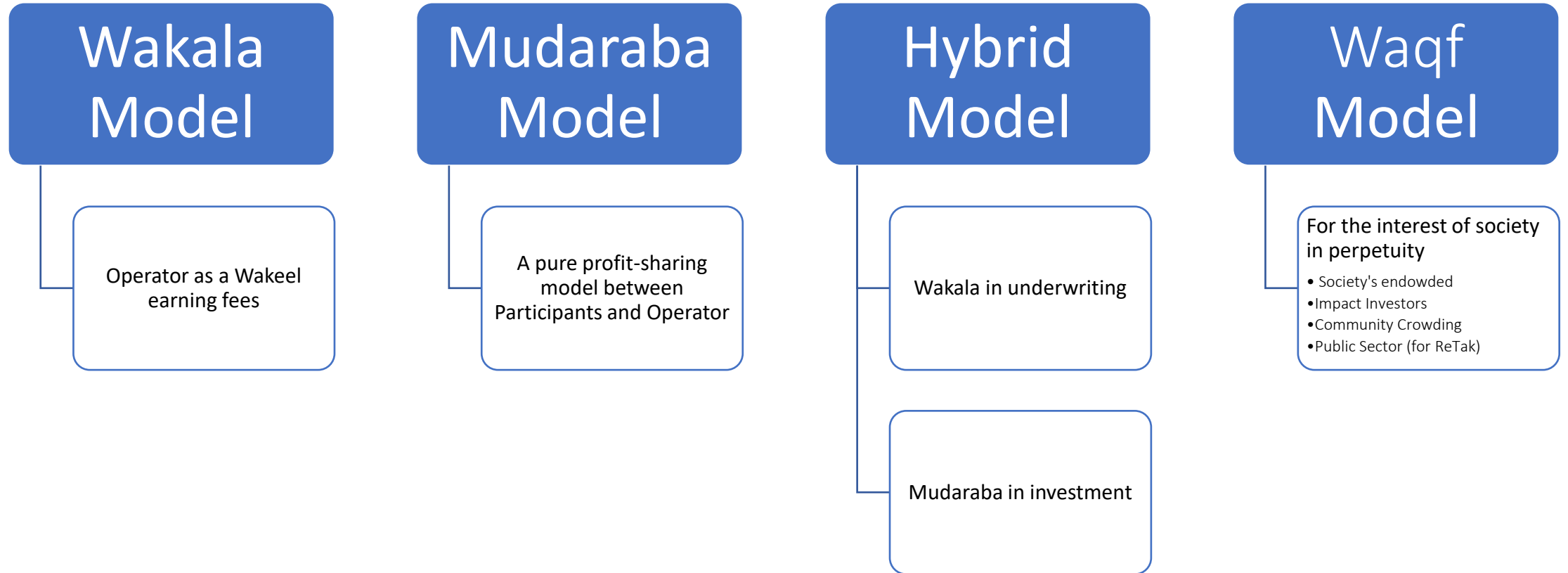


CSR TO SOCIETY

The Two Sides of the Takaful Model



Models of Takaful as Inclusive Sustainable Business Models



Takaful Business – Common Areas

01

General Takaful – pays claims and distributes surplus among participant.

02

Family Takaful – as a savings and investment model – focused on the family

03

MicoTakaful – an **excellent instrument** for sustainable social inclusion

04

ReTakaful – provides capacity to Takaful Operators

Relationship: Participant and Takaful Operator

01

A participant
of the pool for
co-protection

02

A co-owner of
benefits of
the Risk Fund
beyond claims

03

A potential
surplus
beneficiary

04

An investor in
common good
through
CSR/charity

Benefits of Multi-Layer Governance



IRA

Regulatory Authority



Shariah Supervisory

Shariah Governance

Internal Shariah Auditor

External Shariah Auditor

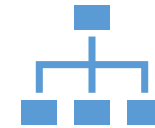


Board of Directors

Fiduciary Governance

Internal Auditor

External Auditor

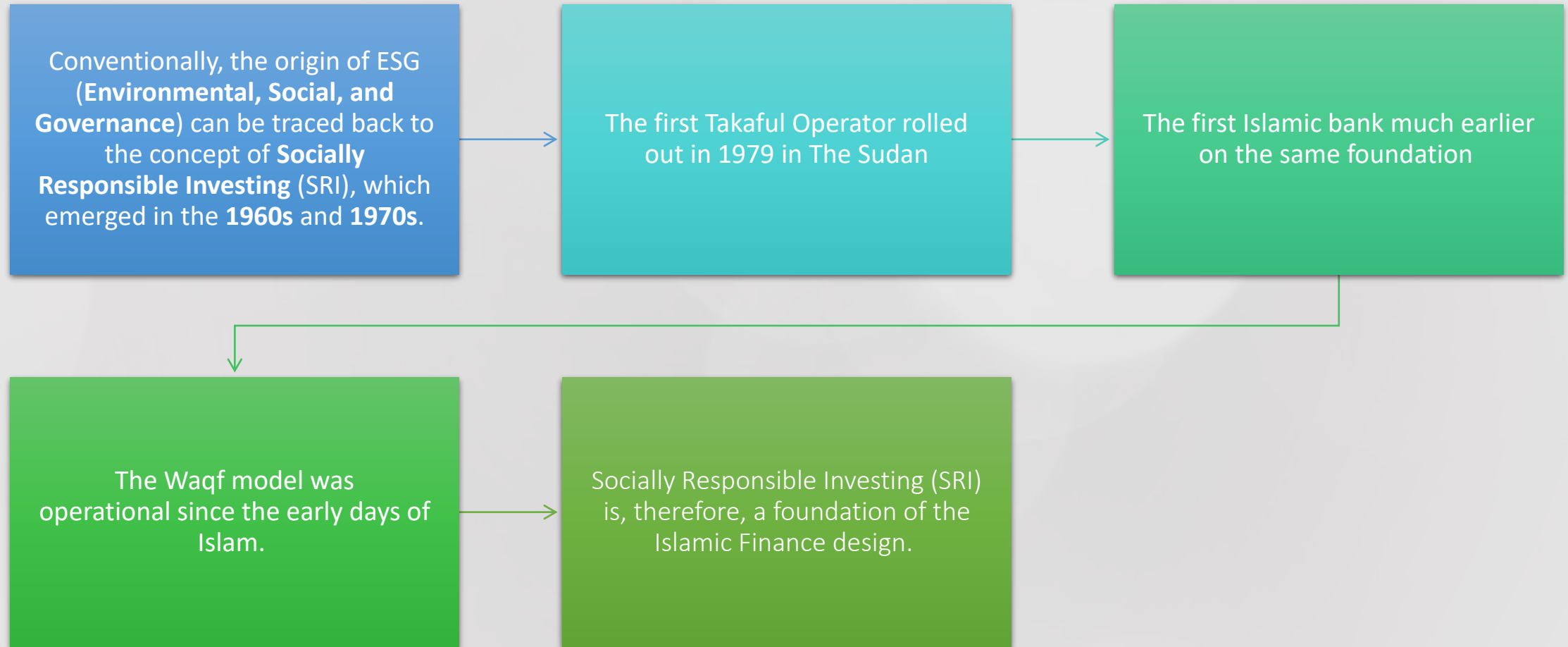


Management

Executive

Staff

A Long History of ESG in Islamic Finance





That said...

The Takaful industry must do better on a number of fronts:

- Recognize the importance of the **inherent fundamentals of the Takaful model**:
 - Ta'awun; Tabaru; Compassion, Empathy, Social Responsibility; Risk Sharing; Transparent Underwriting; Shariah Governance; Riba-free Investment; Annual Surplus Reporting;
- Recognize that these **in-built fundamentals of IF** define and underlie SRI, ESG, inclusivity, sustainability:
 - Recognize them; Records them; Report them
- Recognize that **compliance is a minimum** requirement for existing.
- **Offer innovations** (product and service) that serve participants and will want to contribute to.
- Build **capacity** to carry the burden for which you are licensed – to pay claims when they occur.



Malaysian Example

- At the country level, the launch of the **Value-Based Intermediation for Takaful (VBIT) Framework** in 2021 by the Bank Negara (BNM) and Malaysia Takaful Association (MTA) sets a commendable step in the right direction towards sustainable insurance and measurable ESG performance.

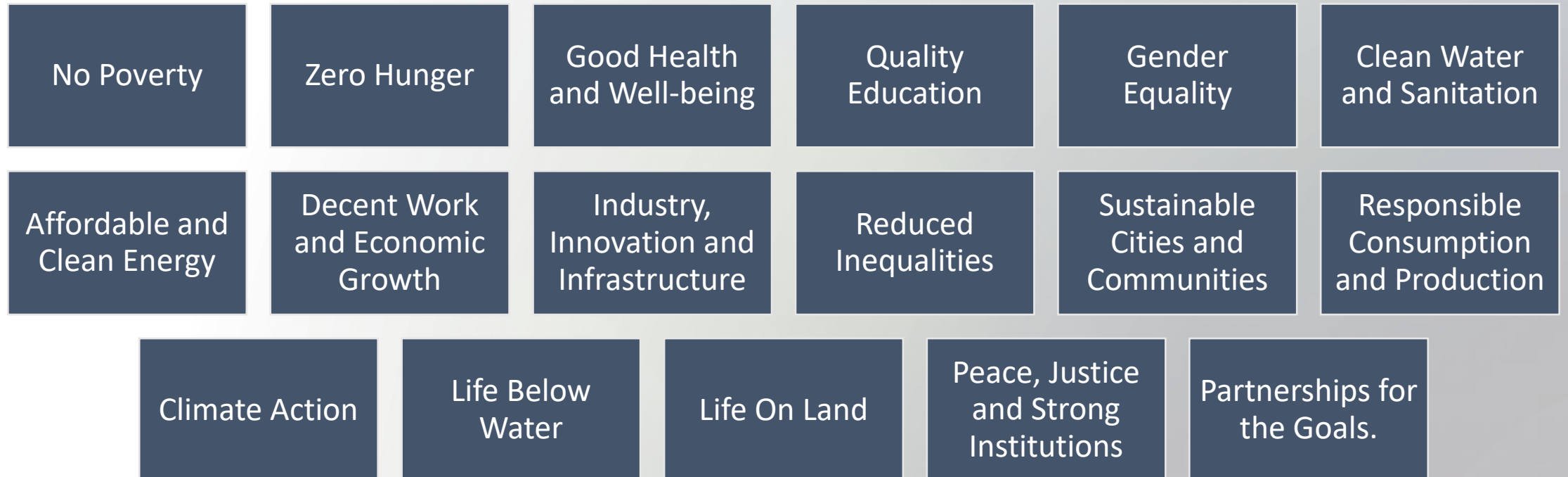


What then is the value proposition of the Takaful Model to society?

Value Proposition of the Takaful Model



So, how many SDGs does the Takaful model tick?





Thank You

