

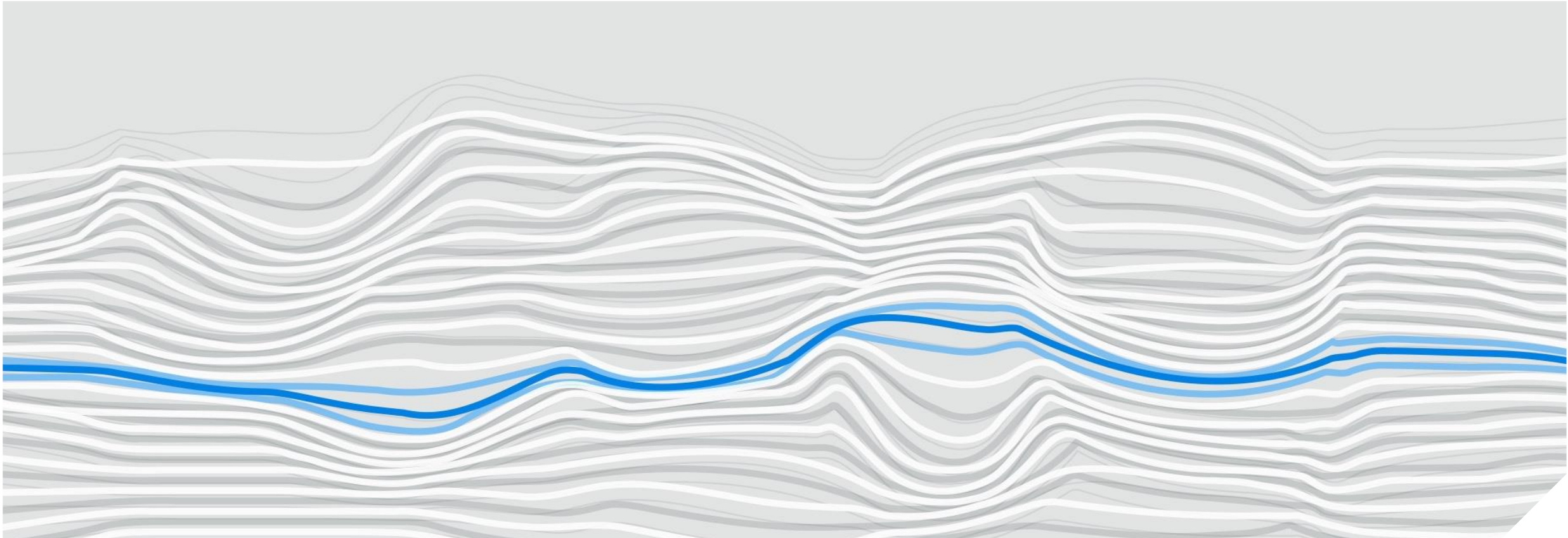
Financial Inclusion and Technology

Takaful as a form of Financial Inclusion

**MicroInsurance
Centre** at Milliman

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1 AUGUST 2023



United Nations – Sustainable Development Goals (SDGs)

How does Takaful fit ?



Differences between Non-takaful and Takaful Insurance

Takaful that is developed on three principles:

- 1) **Mutual responsibility**
- 2) **Co-operation with each other**
- 3) **Protecting one another from any kind of difficulties**, disasters and other misfortune based on ***Tabarru'*** (donations).

Journal of Islamic Finance Vol.3 No.2 (2014) 001–014

Non-Takaful

- ***Interest-based*** transactions
- Risk and surplus ***transfer***
- Follows ***standard*** regulatory framework

Takaful

- ***Avoids*** interest and uncertainty
- Cooperative risk and surplus ***sharing*** model
- Governed by ***Shariah board***

Myths of Takaful

Thus, how much should we focus on the Takaful aspect?

Religion-based

Based on Islamic law which might restrict growth

Only for Muslims looking for Takaful coverage

**44% of Africans are Muslim
(≈500 million)**

(In Nigeria ≈50%, >100 million)

(ResearchGate)

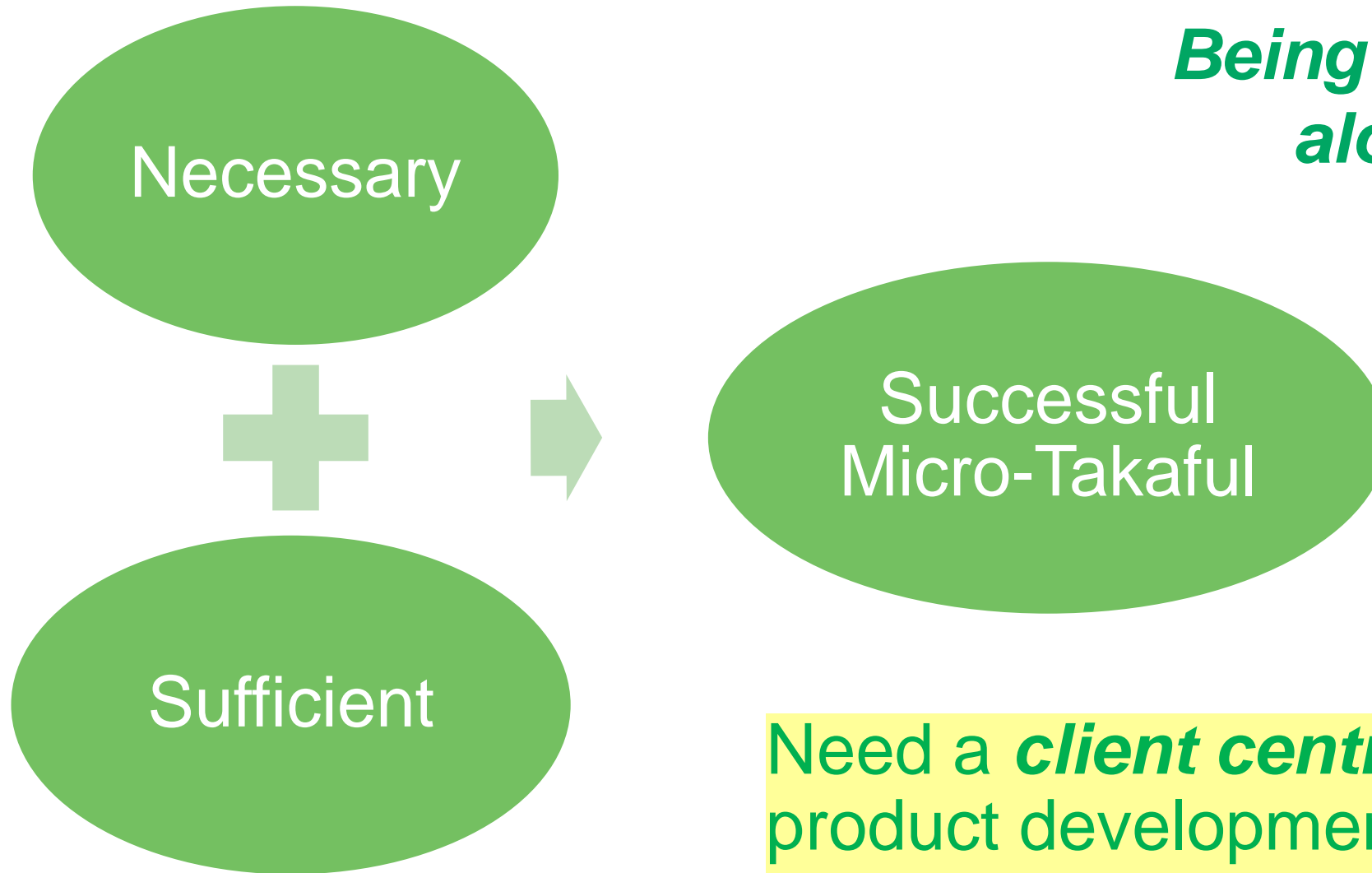
15% non-Muslims in Takaful membership

(2014 Hassan Bashir)

“the much larger non-Muslim population could find Islamic financial instruments attractive in broadening the range of available options”

IMF, 2014

What do people really want?



*Being Shariah compliant
alone is not enough!*

*Need a **client centric approach** to
product development, with Shariah
compliance.*

A good product is S.U.A.V.E.

What does SUAVE mean in a Shariah Context?
and
What is the role of technology?

Simple

Accessible

Efficient

Understood

Valuable

How do we define success in Micro-Takaful

1 Supply

2 Demand

3 Enabling environment

4 Distribution

How can technology facilitate these key success factors?

Supply

Streamlining the underwriting and risk assessment process through data analytics, enabling development of tailor-made takaful products.

Demand

Digital platforms increase accessibility & awareness, empowering easy access to takaful insurance coverage.

Enabling environment

Tech fosters transparency, efficiency, & regulatory compliance, attracting more stakeholders to the takaful insurance ecosystem.

Distribution

Innovative channels like mobile payments expand takaful insurance reach to underserved populations.

Actions for August

- *Do a self-check* on your products, especially micro, for SUAVE
 - Consider adjustments
- **Talk to 5 clients and 5 potential clients about your product**
- Discuss with your Shariah Compliance Board about ways to make you products more SUAVE
 - *Compliance board members and regulators* talk with 3 providers
- **Consider ways that *technology* can help you get to SUAVE**
 - **What options are available to you, talk with your IT team**
- *Identify changes* for implementation in September

**MicroInsurance
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Thank you

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Contents

- 3 **How is Takaful Insurance Important to the SDGs?**
- 5 **Differences between Non-Takaful and Takaful Insurance**
- 8 **What do people really want?**
- 10 **What is a good product?**
- 12 **What does S.U.A.V.E. mean in an Islamic context?**
- 14 **How do we define success in microinsurance?**
- 16 **How does technology help get to these markets?**
- 18 **Recommended short-term actions**
- 21 **Close/Thank you**