



D-8 Cooperation on Developing the Potency of TAKAFUL and MICRO-INSURANCE Business

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This paper is a draft. Strictly limited only for D-8 delegates who will attend the 2nd Financial Structure, Takaful and Microinsurance Meeting in Cairo, 4-5 October 2009

List of Content

Foreword by D-8 Secretary General

1. An Overview on the Takaful Industry and Business	1
2. An overview of Studies on the Micro-insurance Sector	12
3. D-8 Cooperation in Takaful and Micro-Insurance Markets	19
4. D-8 Strategy and Action Plan for Takaful and Micro-insurance Cooperation	24

Annex: List of D-8 Islamic Insurance Companies

References

Foreword

It is predicted that the international Takaful market could be worth \$8 billion by 2012, up from a mere \$1.4bn in 2004. The yearly growth of the Takaful market growth around 25 percent yearly since 2004, while the conventional insurance market was recorded low double digit growth at 10 percent in the same period.

International insurance companies, especially in the non-Muslim countries also observe and interested to have the opportunity to get this lucrative Takaful market; and looking the market in major Muslim countries. With their famous credible record in financial and insurance experience, as well as well famous world branded name they are getting to have the market. This is a challenge for Takaful companies in major Muslim population countries, such as D-8 countries: Bangladesh, Egypt, Indonesia, Iran, Malaysia, Nigeria, Pakistan and Turkey with total of population 930 million.

D-8 countries, especially such Malaysia and other member states, have been aware the Takaful potential business, of course based on the genuine *syariah* principle and prudent, as well as accountable and professional, needs to match the opportunity and the challenges. Therefore D-8 has been started to establish a platform of cooperation in Takaful since 2004. In addition, this Takaful services and operation are also linked to the growing in Takaful Micro-insurance that has social benefits as well as the business for financial and insurance companies.

I welcome the initiative of Egyptian Government, especially the EISA as the organizer, which kindly hosting the 2nd D-8 Financial Infrastructure, Takaful, and Microinsurance Meeting In Cairo, 4-5 October 2009, and willing together to explore experiences of good practices and exchange information among delegates on how to take the opportunity in Takaful and Micro-insurances businesses, including to nurture the appropriate regulations that needed in the operations.

This short book is prepared by D-8 Secretariat staffs for all delegates who will come and encourage coming to the Cairo meeting and subjected to be improved as part of discussion and report the meeting. I thank to my staffs and all of the delegates who participated to progress D-8 cooperation on Takaful and Micro-insurances businesses.

Istanbul, Turkey, August 10, 2009

Dipo Alam
D-8 Secretary General

I. An Overview of Studies on the Takaful Industry and Business

Insurance under Islamic System

About a quarter of the world's population belongs to the Islamic faith. Although they live all over the world, both in developed and developing countries, many Muslims live in the fast-growing emerging market economies. Insurance penetration, particularly life insurance, is low in Muslim countries. For example, premium written amounted around 1.5% of GDP in 2008, versus 2.8% of GDP in the emerging markets. While economic growth has been solid in most Muslim countries since the turn of the century, the insurance sector has lagged. One reason for the low penetration is that conventional insurance is not compatible with Islamic faith. In order to grow the insurance market in Muslim countries, it is important to understand the different Islamic insurance models along with their unique challenges and opportunities.

Conventional insurance involves the elements of uncertainty, gambling and interest, all of which are unacceptable under Islamic law. Muslims around the world have for generations grown up with the mindset that insurance is forbidden because it contravenes some of the Islamic doctrines. However, in 1985, the grand council of Islamic scholars (*Majama al-Fiqh: Academy of the Organization of Islamic Conference*) reached an agreement on insurance:

1. *The commercial insurance contract, as practiced by commercial insurance companies. Contains substantial uncertainty, which renders the contract defective. Consequently, it is forbidden.*
2. *The alternative contract which respects the principles of Islamic transactions is the cooperative insurance contract. It is built on the principles of voluntary contribution and mutual cooperation. The same applies to reinsurance which should also be built on the principles of mutual cooperation.*
3. *The academy calls on Islamic countries to establish mutual cooperative institutions for insurance and reinsurance.*

Meanwhile, The *Fiqh* Academy of the Muslim League also ruled, with one notable dissension from Professor Mustafa Al-Zarqa: "*Commercial insurance is a form of gambling, since the insured pays a premium and either receives no compensation or one far exceeding what he paid.*" These literatures declared that conventional commercial insurance was forbidden but insurance based on the application of cooperative principles, *Shari'ah* compliance and charitable donations, was acceptable. This allowed the creation on a new industry, Takaful, offering risk protection and savings products to the world's 1.6 billion Muslims.

Muslims conduct their lives according to the Islamic principles laid out in *Shari'ah*. Consequently, all transactions must be *Shari'ah*-compliant, including the type of insurance coverage purchased. Within this line, the following activities in conventional insurance (non-mutual) must be avoided:

- The company engages in investments that derive their income from interest and/or prohibited industries. This process is akin to *Riba* (usury) and/or relates to *Haram* (prohibited) activities.
- The company accepts premiums from the insured at a level which anticipates will cover claims and result in a profit. This process of anticipation is akin to *Maysir* (speculation)
- The insured pays premiums to the company in exchange for indemnity against risks that may not occur. This process of ambiguity is akin to *Gharar* (uncertainty)

Conventional form of insurance are prohibited under Islamic law as they law contain elements of *Maysir*, *Gharar*, and *Riba*. According to Ernst & Young analysis, Takaful, cooperative insurance, and propriety insurance can be compared:

	Takaful	Cooperative Insurance	Propriety Insurance
Contracts Utilized	Donation and mutual contract	Mutual contract	Exchange contract
Company Responsibility	Pay claims with underwriting fund; interest free loans in case of shortfall	Pay claims with underwriting fund	Pay claims from underwriting fund and shareholders' equity
Participants' Responsibility	Pay contributions	Pay contributions	Pay premiums
Capital Utilized	Participants' funds	Participating capital	Share capital
Investment Considerations	Shari'a compliant	No restrictions except prudential	No restrictions except prudential

Source: Ernst & Young, the World Takaful Report 2009

However, virtually all scholars agree that two forms of insurance are permissible as long as the investments are in *Shari'ah*-compliant assets:

- *Mutual insurance* - because it is based on voluntary contributions and mutual assistance in the interests of righteousness.
- *Social insurance* - because it involves social cooperation and mutual protection without profit motives; due to this, the arguments of uncertainty do not render these types of insurance contract invalid.

It has been argued that life insurance is permissible according to *Shari'ah*. Scholars now agree that, by modifying certain terms (e.g. benefits may only be paid to heirs), and excluding some products with embedded guarantees (e.g. whole life products), life insurance can be *Shari'ah*-compliant.

Takaful: Islamic Insurance

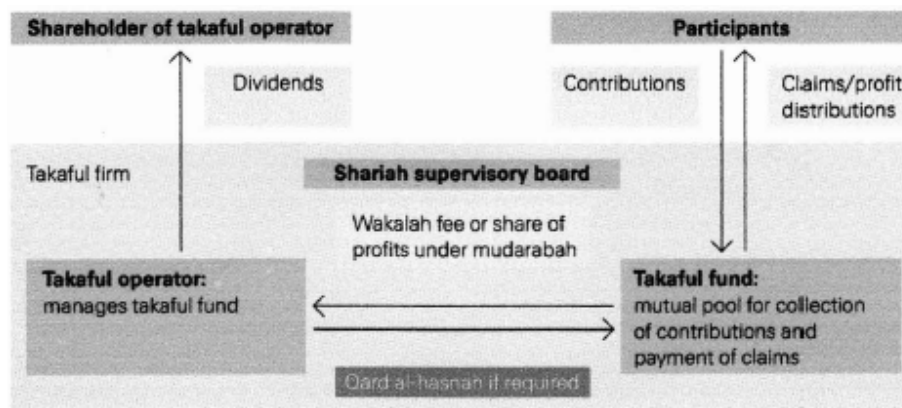
Takaful, meaning “guaranteeing each other” in Arabic, is an Islamic system of mutual insurance built around the concept of donation. Comprehensively, Takaful is a system based on the principle of mutual assistance (*Ta’awun*) and voluntary contribution (*Tabarru*), where the risk is shared collectively and voluntarily by a group of participants. Through payment of a voluntary donation and the clear definition of the type of loss, uncertainty (*Gharar*) and excessive risk taking (*Maysir*) are removed from the contract. Takaful has been practiced for centuries as a system of risk sharing. Each participant contributes to a fund to cover expected claims, while also benefiting from a share of investment returns. There are some parallels between Takaful and mutual or cooperative insurance. There must be cooperative principles in Takaful, but there need not necessarily be Islamic principles in conventional mutual or cooperative insurance.

Takaful can be considered a Shari’s compliant form of conventional cooperative insurance where it is based on principles of *Ta’awun* (mutual assistance) that is *Tabarru* (voluntary) provided. In other words, Takaful is similar to conventional cooperative insurance whereby participants pool their funds together to insure one another. More after, according to Ernst Young analysis, there are five key elements of Takaful framework:

- 1) Mutual Guarantee. The basic objective of Takaful is to pay a defined loss from defined fund. The loss covered by a fund created by the donations of policyholders. Liability is spread amongst the policyholders and all losses divided between them. In effect, the policyholders are both the insurer and the insured.
- 2) Ownership of the Fund. Donating their contributions to the Takaful fund, policyholders are owners of the fund and entitled to its profits (this varies slightly between the adopted models which are described later)
- 3) Elimination of Uncertainty. Donations, causing transfer of ownership to the fund, are voluntary to mutually help in the case of a policyholder’s loss without any pre-determined monetary benefit.
- 4) Management of the Takaful Fund. Management is by the operator, who, depending on the adopted model, utilizes either (or a combination) of two *Shari’ah* compliant contrasts, namely *Mudarabah* or *Wakalah*.
- 5) Investment Condition. All investments must be *Shari’ah* compliant, which prohibits investment in *Haram* industries and requires the use of instruments that are free of *Riba*.

Takaful has been practiced for centuries as a system of risk sharing. In line with this issue, Swiss Re Economic Research & Consulting has been made stylized profit-oriented Takaful operating model where various models exist as following:

- The creation of a *Shari'ah* supervisory board that oversees insurance operations and compliance with the *Shari'ah*
- The separation of shareholder funds from policyholder funds
- The commitment to distribute technical profits to policyholders
- The avoidance of investment in non-*Shari'ah*-compliant assets

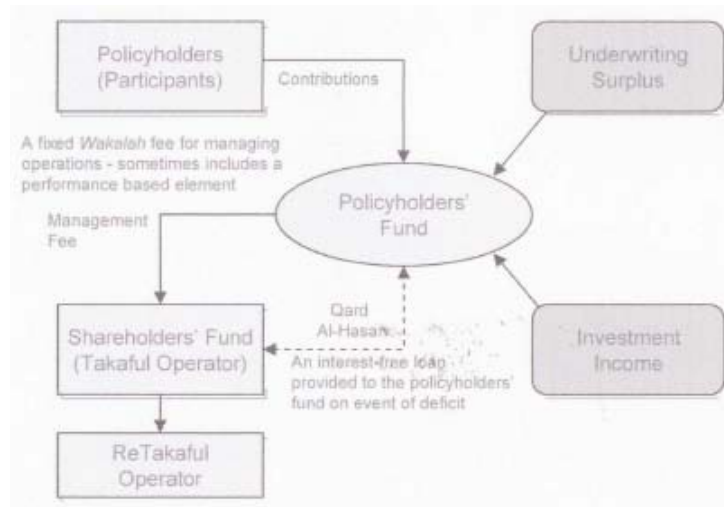


Source: Swiss Re Economic Research & Consulting

The Takaful industry currently employs three different models to execute its business with the combined model becoming the most dominant as follow:

1. Wakalah Model

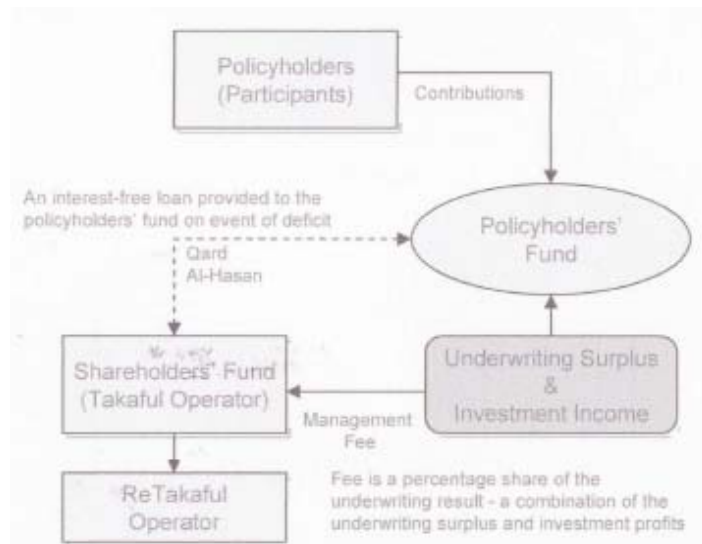
Using *the Wakalah* model, insurance companies act as pure operating agents for the participants – i.e. policyholders. This model is similar to a mutual fund in that the operating agent receives a set fee - a pre-agreed proportion of the contributions paid by the policyholders - to invest the Takaful funds and run the Takaful business on the ir behalf. The operating agent does not receive any of the underwriting and investment profits or incurs any underwriting and investment losses. If, however, the Takaful fund runs a deficit, the operating agent has to provide an interest-free loan (*qard al-hasnah*) to the Takaful fund, to be repaid when the fund has a surplus.



Source: Ernst & Young analysis, the World Takaful Report 2009

2. Mudarabah Model

The *mudarabah* model is essentially a profit-sharing model. A principal-manager agreement is used between the policyholders (*Rab al Mal* - capital providers) and the Takaful operator (*Mudarib* - entrepreneur) for both underwriting and investment activities. In contrast to the *wakalah* model, the operating agent receives a pre-agreed proportion of the surplus generated by the policyholders' fund and the profits earned on investment activities. As under the *wakalah* model, the operating agent must provide an interest-free loan to the policyholders' fund if a deficit occurs.



Source: Ernst & Young analysis, the World Takaful Report 2009

3. The Combined Model

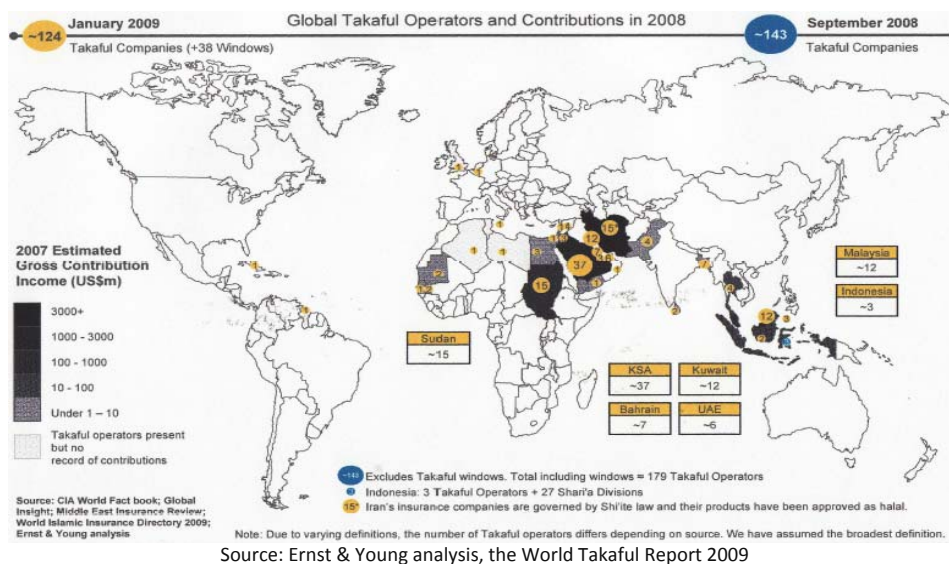
The combined model utilizes both contracts. The *Wakalah* contract is used for underwriting activities, while the *Mudarabah* contract is used for investment activities. This model is recommended by certain financial services regulators (including the

Central Bank of Bahrain). In addition, some financial regulators in the world also recommend this model because it leverages the strengths of the *wakalah* and *mudarabah* models. Applying the *mudarabah* model to investment activities helps mitigate principal-agent problems, whereas the use of the *wakalah* model allows the operator to recover the administrative costs of underwriting.

As noted that critics of the *mudarabah* model argue that, in the cooperative framework, the underwriting surplus is not considered a profit and the Takaful operator does not therefore have any right to it. Furthermore, the *mudarabah* contract entitles the Takaful operator to share in the underwriting surplus, but not to share in any deficit. Meanwhile, in terms of the technical aspects of the business, running a Takaful company is very similar to running a conventional insurance company. The main difference is the segregation of shareholder and policyholder funds under the Takaful model, although a segregation of funds is also required in some countries for certain lines of business (e.g. Germany). Another key difference is strict adherence to *Shari'ah* in their operations.

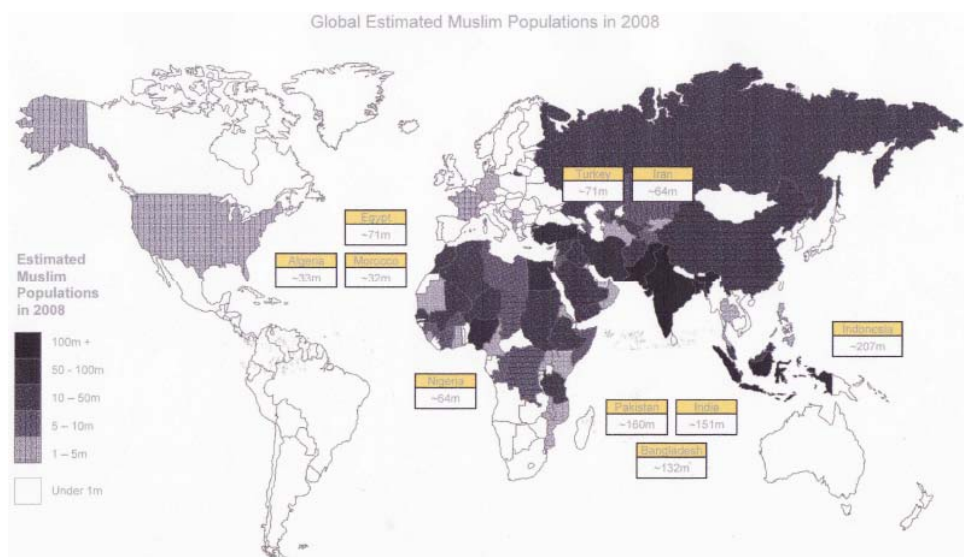
Market overview of Muslim Countries: The Islamic Insurance Market

The past 20 years have seen Takaful operations opening and rising in Islamic countries as well as countries having large Muslim communities. While still a relatively immature industry, Takaful is looking to ride on the back of the explosive growth of Islamic finance in the Arab world, and increase its share in the global insurance market.



Currently, it is understood that there are around 150 Takaful operators' worldwide, mostly providing general business. Although the availability of data on the Takaful industry has improved significantly in recent years, it could still be improved further. Market estimates differ

because of the varying definitions of Takaful and because some (re)Takaful companies also write conventional business, making it difficult to quantify the amount of "pure" Takaful contributions as well as there are still significant untapped markets in Asia and MENA in coherence with global estimation Muslim in 2008.



Source: Ernst & Young analysis, the World Takaful Report 2009

Takaful is the great success story of this region's insurance industry, but will it ever catch on in the West, and are its Gulf prospects truly long-term? In the Far East, Malaysia has been at the forefront of Takaful development. Singapore, Indonesia, and Brunei have also developed Takaful operations, and Bangladesh and Sri Lanka are also taking a more active role. In the Middle East, Takaful has developed in Saudi Arabia, Bahrain, Iran, and Qatar with new operations recently opening in Egypt, United Arab Emirates, and Kuwait.

Takaful in Malaysia: Well-developed Market

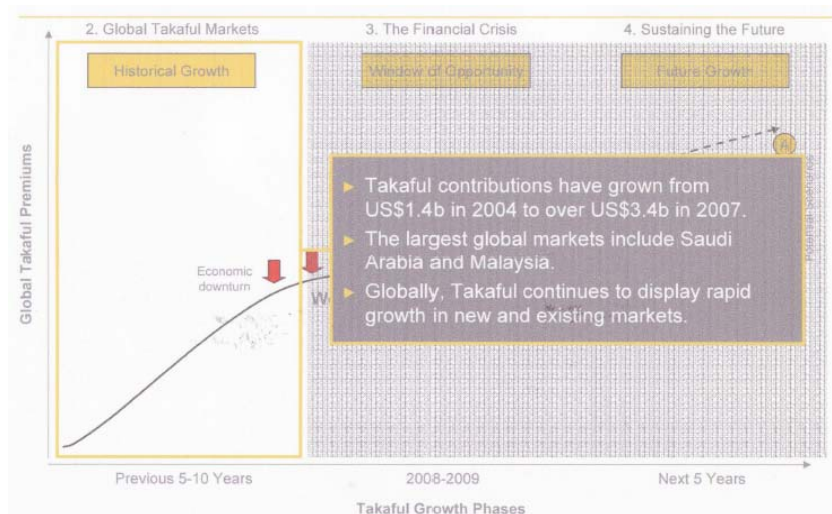
In 2007, premiums written in Malaysia - including takaful business - were estimated at USD 9.2bn. Over the last three years, the conventional life market which accounts for two-thirds of the total market has experienced strong growth. Due to the robust sales of investment-linked products, premium volume expanded by 5.9% (adjusted for inflation) in 2007, above the three-year average of 4.3%. Growth in the non-life sector was 2% in 2007; the sector was significantly affected by fierce price competition in the largest business lines - ie motor (44.5% market share) and property (18%). While life insurance dominates in the conventional market, the size of non-life and family (life) takaful are fairly equal total; takaful premiums in 2007 were estimated at 5.8% of the total market. The small size of the market suggests that takaful is in the early stages of development and has significant potential to grow. Because the base is so small growth has been quite fast - about 21% per year (adjusted for inflation) over the past three years. When looking back further takaful premiums written have expanded at an annual average rate of 17% between 1998 and 2007. Similar to the conventional market, takaful operators in Malaysia offer all lines of insurance. For non-life takaful figures as of 2007 showed that motor (48.4%) and fire (27.8%) were the most popular lines in the sector. which is very similar to the spending pattern observed in the conventional market. It is worth noting that a temporary plan (i.e. term policy) remained dominant in Malaysia family takaful: mortgage financing drove almost 90% of the sales. According to estimates, the takaful market is set to continue growing well into the future. There are currently eight takaful operators and two retakaful operators, with five foreign participations from the UK, Bahrain, Germany and Japan. These takaful operators conduct both domestic and foreign currency business. Malaysia continues to progress and build on the industry's rapid development by inviting financial institutions across the world to establish takaful and retakaful operations in Malaysia to conduct foreign currency business.

Takaful in Indonesia: Promising Market for the future Islamic Finance.

The Indonesian insurance market is relatively small despite its large population. Total conventional premium written in Indonesia amounted to about USD 6.9bn in 2007. Life business which accounted for 64% of the overall market has experienced almost double-digit real growth over the last three years due to the solid growth of investment-linked products. The non-life sector's results were less stellar during the same period, as the fire and motor businesses, the two biggest non-life lines, were negatively impacted by price competition and cuts in fuel subsidies. The Indonesian insurance market is highly fragmented, with more than 100 insurers. In early 2008, takaful products were sold by three pure takaful operators and 32 insurers in Indonesia. The takaful market has doubled in size from USD 56m in 2006 to approximately USD 150m in 2007. With the increasing awareness and acceptance of takaful products, the overall market is expected to expand to USD 1.2bn by 2015. Meanwhile, Islamic banking continuing to be a major growth component in the financial services world. Historically, this is a business that has been growing by 15 percent to 20 percent per annum. Obviously, given the economic environment in Indonesia today, that growth will slow. But it will exceed the growth of the conventional sector and will continue to grow into the future.

Source: <http://takaful-islamic-insurance-malaysia.blogspot.com>

Steps have been taken in Europe and the US, but these are still very young markets, even compared to the overall emerging global market for Takaful. There are no doubt tremendous opportunities for Takaful in those Western countries that have large Muslim communities, but significant investment is required to compete with the conventional insurance industry, and regulatory changes would be necessary, as seen in the Malaysian market, to allow Takaful to compete on equal terms.

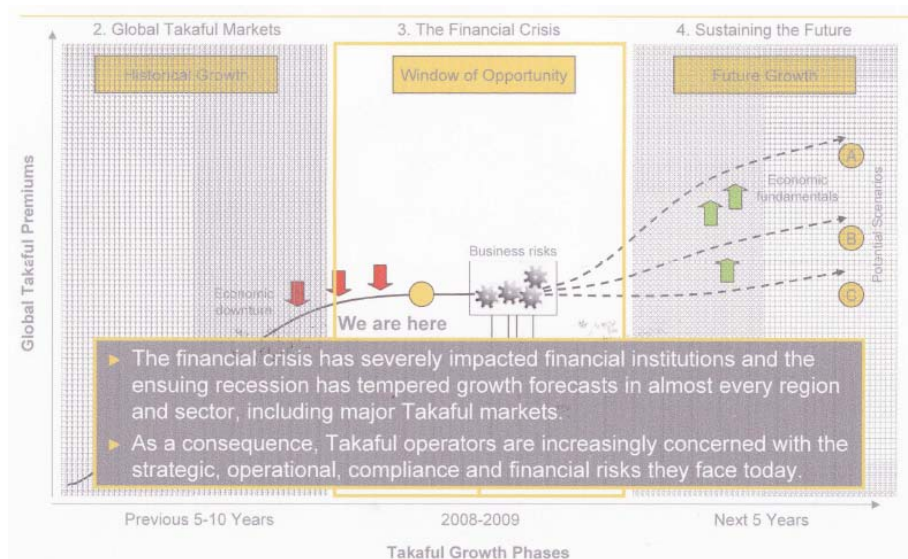


Source: Ernst & Young analysis, the World Takaful Report 2009

Estimating its size presents challenges as there is no single body tracks reported premiums for this segment. However, the Institute of Islamic Banking and Insurance has projected that the market will reach \$7.4bn in premium by 2015. Growth rates are estimated between 15% and 20% per annum. The potential for Takaful is enormous given that insurance penetration in most Islamic countries does not exceed 1% of gross domestic product. For comparison, in the United Kingdom 12.4% of GDP is expended on insurance whilst the figure is 9.4% in the US.

According to Global accountancy firm Ernst & Young, it is predicted that the international Takaful market could be worth \$7.7bn by 2012 growing, up from a mere \$1.4bn in 2004. Last October, the world's second largest reinsurer Swiss Re said in a report that Takaful grew 25 percent a year from 2004 to 2007, while the conventional insurance market posted low double digit growth at 10 percent in the same period.

Half of the market will go Takaful. It could be as high as that; up to 50 percent in five years. Like all Islamic financial products, Takaful has to adhere to the strict principles of *Shari'ah* law. Income derived from interest is forbidden, along with revenue derived from prohibited activities or trade such as gambling, pornography, and alcohol. Takaful in Arabic means joint guarantee and it works on the basis that a group of people agree to share risk by putting money into investment funds, sometimes through a charitable donation, and then draw on these funds when there is damage or loss to a party. In other words, Takaful operators that successfully manage their business risks will be well placed to take advantage of emerging opportunities.



Source: Ernst & Young analysis, the World Takaful Report 2009

More after, based on data compiled by Carpenter Bowring London, a company under the Marsh Mc Lennon Group, the world largest reinsurance broker, insurance penetration particularly for the life sector in premium terms in Muslims countries is less than 1% of GDP. It is therefore clear that Takaful has immense potential to be developed with its sheer market size hitherto remained untapped. For this reason, existing as well as would be operators must intelligently position them in terms of product design that can satisfy the needs of the market. In this regard, products that would help to improve savings among the masses, such as family Takaful plans which are essential components for ensuring economic growth should be actively promoted.

Countries with high savings rate would generally be able to sustain economic growth and would not have to depend upon assistance or aid from outside. Thus from the economic standpoint, Takaful would be useful not only as a means to inculcate good savings habit and cultivate thrift at the individual level, but also help to accelerate investment potential for the *ummah* as whole. This in turn would be beneficial for the economic development and well being of Muslim countries themselves.

But the rise of Takaful has not been plane sailing. It still only makes up a fraction of the global insurance market and the sector's growth has been hamstrung by a dearth of Takaful reinsurers. Some are emerging, such as the Dubai-based Takaful Re, but generally there are too few companies to underwrite the risks of the smaller Takaful players.

Therefore, many Takaful companies go down the conventional route when it comes to reinsurance, and because of the lack of options available to the industry, it usually comes with *Shariah* scholars' approval. In conventional insurance, risk is sold at a price depending on age, background and financial status, introducing a largely commercial aspect. In Takaful,

transactions that are deemed to be uncertain are banned. For example, a Western insurance broker will sell risk, such as home insurance, not knowing whether there will be claim on the house. In the West, insurance companies may invest in ventures which make their money from interest or in sectors that are forbidden by Islam.

II. An Overview of Studies on the Micro-insurance Sector

Micro-insurance Trends in Emerging Markets

Micro insurance is not a new invention. The “industrial insurance” sold at factory gates in American cities in the early 1900s made the Metropolitan Life Insurance Company the largest company – not just insurance company – in the world at that time. Their industrial insurance was the forerunner of today’s commercial micro insurance. It was simply a response to a market demand managed in a manner that made the products appropriate for the market. The delivery channels - agents at the factory gates – were specific to this market. The premiums reflected the particular risks of the factory worker market. Coverage responded to the workers’ specific needs. Premium collection – on payday as the workers exited the factories – was efficient. In short, industrial insurance was a response to a market niche that provided access to quality insurance products for low-income workers, and access to a huge market for the insurers. From industrial workers making premium payments at the factory gates, to increased efficiency of factory management collecting premiums, or even covering their employees directly, this historical micro insurance moved into the mainstream. From here, many developed countries were able to generate substantial pools of investment funds that helped drive ever-growing economies.

All households in developing countries, whether better or worse off, are exposed to a variety of risks, such as illness, disability, death, unemployment, crop failure, natural catastrophes, or crime. Low-income households, however, are less able to prevent and mitigate risks than others; and in the case of shocks, they are less able to cope with the consequences (Churchill, 2006). They are therefore more vulnerable to risks, i.e. they are more likely to experience a significant decline in wellbeing when a shock occurs (World Bank, 2001). Social protection measures, which include ‘all interventions from public, private, voluntary organizations and social networks, to support communities, households and individuals, in their efforts to prevent, manage and overcome vulnerability’ (CPRC, 2008, 53), are thus essential to prevent people from falling (deeper) into poverty (Jacquier *et al.*, 2006). One such measure is micro-insurance, which promises to be an effective strategy for people, both currently poor and non-poor, to mitigate risk and reduce their vulnerability to shocks (Dercon *et al.* 2008; Siegel *et al.* 2001).

Because most low-income people in developing countries are self-employed or employed in small firms, they have not had access to insurance products that fit their needs through adequate delivery channels, premiums, coverage, premium collection, and product simplicity. Fortunately, there are a variety of new innovations that hold the promise of both reaching the poorest and being profitable. This is the first in a series of short notes exploring this exciting new expansion of access to financial services. According to the *CGAP Working Group on Micro-insurance* that the protection of low-income people against specific perils in exchange for regular premium payments proportionate to the likelihood and cost of the risk involved. Low-

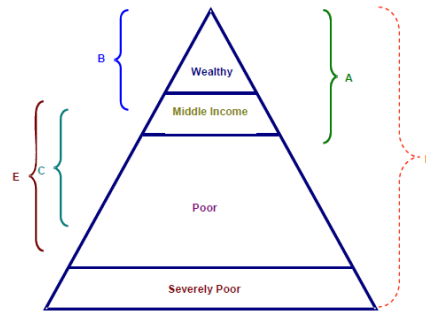
income people can use micro-insurance, where it is available, as one of several tools to manage risks. Other tools include community-based mutual support systems; risk avoidance and reduction; access to other risk-managing financial services such as savings and emergency loans; and social protection options available through the state. Together, these tools form a complex matrix through which low-income people manage their risks.

In many countries around the globe, microfinance institutions (MFIs), cooperatives, (rural) banks, service providers, commercial insurance companies, as well as informal groups, have started to provide the low-income population with micro-insurance. On the one hand, this has happened in response to the fact that poorer segments of society generally do not have access to formal insurance mechanisms, provided by either the state or private insurers, and instead rely on imperfect informal insurance. In many developing, particularly the poorest, countries, public social security systems cover employees of the formal sector, civil servants and the military but not informal sector workers, who make up the majority of the population. Market-based insurance is often non-existent, and where it exists, it is only accessible to the better-off, as premiums are beyond low-income people's capacity to pay. On the other hand, the emergence and expansion of micro-insurance were encouraged by the now extensive experience and widespread success with the provision of loans and savings products to the poor. In fact, many micro-insurance products are closely linked to MFIs, partly because existing networks make it less costly to deliver new products, and partly because these institutions have started to tie their loans to insurance against the death of the borrower.

The Thoughts of success in the micro-insurance Markets

The vision of good quality micro insurance products reaching hundreds of millions of low-income people across the globe is attainable, but many inputs are still required. At least, there are three components to achieve the thoughts of success in the micro markets, the market of micro-insurance, role and regulation of micro-insurance, and the innovations of micro insurance.

First, the market for micro insurance is represented by pyramid diagram produced by USAID in 2006. Formal sector insurance companies generally focus on the area identified as "A". In this realm the customers are corporations and wealthy individuals, and the products are voluntary products such as life insurance, and obligatory products required either by law (such as motor third party liability) or by banks (such as property loss and credit life). Also offered are products covering employees and civil liability. Most of the non-auto related commercial products are being sold within the area marked "B".



Source: USAID, 2006

The aggregate market for microfinance providers is generally in the area identified as “C”. Some MFPs require borrowers to obtain insurance for property, or credit-life insurance as a means of protecting the institution’s interests. Area “D” indicates the broad range of products offered by the social security and public health insurance systems of developing country governments. They include coverage for pensions, disability benefits, primary health care, and medications. The weakness of this sector is indicated by the dashed line that suggests incomplete coverage.

The potential market for micro-insurance is indicated as “E”. This extends above the MFP range in providing access to individuals and others that cannot obtain appropriate products from the commercial sector. The micro-insurance range also extends below the MFP range because it addresses agricultural coverage in some cases, and is now being sold through many delivery channels other than MFPs.

Meanwhile, for role and regulation of the micro-insurance, there are set of points from the conclusion of the very interesting presentation by M. Nelson Kuria, managing director of the Co-operative Insurance Company (CIC) of Kenya. He summarizes key factors for success in the micro-insurance markets:

- Insurance packages for co-operative and microfinance institutions in general has proven profitable over the year, hence sustainable, save for micro-health, which has required a recent reengineering,
- Innovative and competitive products have become known throughout the cooperative movement and micro finance institutions in Kenya and this is rapidly increasing among other communal groups, like churches,
- The pilot micro-insurance packages should be offered to other MFIs across the country. By targeting a homogenous segment, the inherent product risk will be spread over a wider group, thus enabling CIC to provide attractively priced products,
- Partnership with strategic partners are crucial in the distribution of micro-insurance policies to low income families, a market that has been neglected so far by traditional commercial insurers,

- Support from and collaboration with technical partners and donor agencies would enhance local operators capacity in designing and pricing the micro-insurance products that would be relevant and affordable for low income households,
- This in turn will enable low income persons to access financial services with a higher overall protection against life, health and property risks, hence enabling them to benefit from a specific income generating opportunity.

Even though there is a large and still growing literature on micro-insurance and its many facets, the question of micro-insurance in the context of social protection has so far received only limited attention from the international research community. Micro-insurance innovation schemes can be crucial components of more comprehensive social protection systems. For instance:

Market

- Low-income people have typically poor education, little experience with insurance, and a very weak trust of companies and agents.
- Reinsurers will play a more important role in terms of data on comprehensive losses and their capacity to absorb massive risks.
- To effectively reach low-income households, insurers need to build a trustful relationship with families so that they can appreciate insurance as an effective financial tool.

Ownership

- In order to create value, a structure of local decision-making and ownership is necessary. Enormous of micro-insurance then requires both the strengthening of local capacity coupled with links to broader risk pooling mechanisms.
- High value coverage is crucial for low-income households.
- Success with such tools requires a mechanism of educating people and appropriate controls, providing better information to potential policyholders.

Commercial micro-insurance

- Micro-insurance can be affordable, simple and valuable.
- To develop and offer products, micro-insurance needs to improve its delivery channels using better affordable technology and by introducing key leaders in communities to help generate enormous of micro-insurance.
- Reinsurers will play a more important role in terms of data on comprehensive losses and there to absorb massive risks.

The role of infrastructure and technology

- To make micro-insurance largely available, a balance between the level of human contact and the level of technology are key issues.
- Moving to less non-labour intensive means of selling and servicing micro-insurance in an effort to bring down costs is also essential.

- Maintaining and improving product values to policyholders, in order to cover lives of many millions of low-income people and their families.

Governments

- Appropriate policies, regulation, and supervision will help facilitate enormous of micro-insurance. Governments has several roles in providing social protection for those with very low-income. Too often, there is little or no consideration of how social protection and micro-insurance can work together, to make each more efficient, and thus more effective.
- Government's role is to address the needs of those who cannot reasonably be covered by using these other programs.

Donors

- Donors, from bi-and multi-lateral public sources, to foundations and others, are likely to have a significant role in the enormous of micro-insurance of micro-insurance products of value to the low-income markets.
- Donors have an important role bringing parties together, and in pushing processes and products to the next level of value with efficiency. In addition, public money should support these efforts and not replace or compete with them.

Micro-insurance market and provision in developing countries

As far as micro-insurance is concerned, global players are taking an interest, not last among them the AIG group is expanding his business far beyond its original Ugandan laboratory. In the last 12 months, they have started an ambitious program with already 17 new partnership with local microfinance institutions in Latin America (Mexico, Brazil), in Asia (India, Indonesia, Pakistan, Bangladesh). Already more than 3 million are insured with annual individual premium in the 5/10 US\$ range, but this is only a beginning the development plan calls for 20/25 million insured by the end of 2008, 50/100 million in 5 years and up to 500 million before 2020. AIG is even planning to enter directly the micro finance business in carefully targeted markets. However, it was enlightening to hear on micro-insurance for low income population directly from a West Africa experience.

The global outreach of formal micro-insurance still appears to be rather limited, as a recent study of the Micro-insurance Centre – a consultancy for micro-insurance – shows ut of the 100 poorest countries in the world, micro-insurance could be identified in 77. The number of micro-insured people was estimated to amount to 78 million, which is not a particularly high number, given that China and India are both among the 77 countries with micro-insurance. Due to the high population numbers in these two countries, the Asian region accounts for 86 percent of the global outreach of micro-insurance. Nevertheless, only 2.7 percent of the poor population

in Asia was covered by micro-insurance; and the coverage of the poor in Africa and Latin America was 0.3 percent and 7.8 percent, respectively.

Micro-insurance in Bangladesh: A promising sector.

In 1980, Grameen Bank of Bangladesh started lending to poor people without collateral security, thereby revolutionizing finance and banking. Inspired by this scheme initiated by Dr Mohammad Yunus, founder of Grameen Bank, a life insurance company – Green Delta of Bangladesh– came forward in 1988 to provide financial security to the poor in the form of micro-insurance at a small amount of monthly premium. After its introduction in Bangladesh, micro-insurance spread among other life insurance companies at a rapid pace. To date, almost every life insurance company in Bangladesh operates at least more than one micro-insurance project. For eight life insurance companies, more than 50% of premium income comes from micro-insurance. For others, micro-insurance constitutes an average of 30% of total premium income premium. In 2008, about two million new policies were sold under micro-insurance, compared to a million under ordinary individual life. Total micro-insurance premiums in 2008 has amounted to around half of ordinary and other life premiums. For the last few years, micro-insurance portfolio of different companies has grown at an average rate of more than 20% per annum. This spectacular growth of micro-insurance in such a short period reflects the necessity and acceptability of micro-insurance among the masses in the country. Given that this trend is expected to continue in the years to come, premium income under the micro-insurance portfolio will likely overtake ordinary life premium in about five to six years’ time.

Name of company	Number of policies sold in 2007			% of micro Takaful
	Total	Micro Takaful	Ordinary Life	
Prime Islami life Insurance Ltd	112,675	50,321	62,354	45%
Fareast Islami life Insurance Co Ltd	181,616	87,795	93,821	48%
Padma Islami life Insurance Ltd	336,749	218,423	118,326	65%
Total	631,040	356,539	274,501	57%

Micro-Takaful. The Bangladesh government started permitting Islami insurance (takaful) activities during early 2000. All the three life takaful companies have had micro-insurance products since their beginning and today these products constitute around 30% of their total business. The annual growth is around 30% which is very much encouraging.

Regulatory aspects. The insurance sector in Bangladesh is relatively small. However, the sector has shown remarkable growth in recent years. There are now 62 companies, including two public sector corporations operating in the country. The insurance sector, which is now an important component of the financial system of Bangladesh, provides a facility for the transfer of risk and the accumulation of long-term savings for promoting economic growth. The Insurance Act of 1938 prohibits one from carrying out any class of insurance business in Bangladesh unless a certificate of registration for that class of business is obtained from the office of the Chief Controller of Insurance. The Microcredit Regulatory Authority Act, on the other hand, allows microfinance institutions to provide insurance services to their borrowers and members of their families. Many NGOs have been providing micro-insurance services in one form or other to their members outside the radar of any regulatory framework.

Recent developments. The Asian Development Bank (ADB) has recently proposed a Grant Assistance of US\$2 million for the development of micro-insurance sector in Bangladesh. The objective of the grant project is to protect the livelihoods of poor households, especially women, from risks such as accidents, illness, theft, or natural disasters, to secure their welfare and productive or non-productive assets through the development of micro-insurance services. The objective is expected to be achieved through.

Source: www.meinsurancereview.com

Micro-insurance providers worldwide currently offer four types of insurance: life, health, accidental death and disability, and property insurance (Roth et al., 2007). Sixty-four million people are covered by life insurance, 41 million by accident and disability insurance, 36 million by property insurance, and 35 million by health insurance. Clearly, life insurance is the most widely distributed product. Reasons for this are manifold. Life insurance is one of the most

demanded forms of cover (together with health insurance), it is easy to price, resistant to problems of fraud and moral hazard, and independent from the existence of other infrastructure, such as clinics and hospitals. Although health insurance is a highly demanded insurance policy as well, the actual availability is well below three percent, even in the best cases.

Micro-insurance in Indonesia: Having Enormous Growth

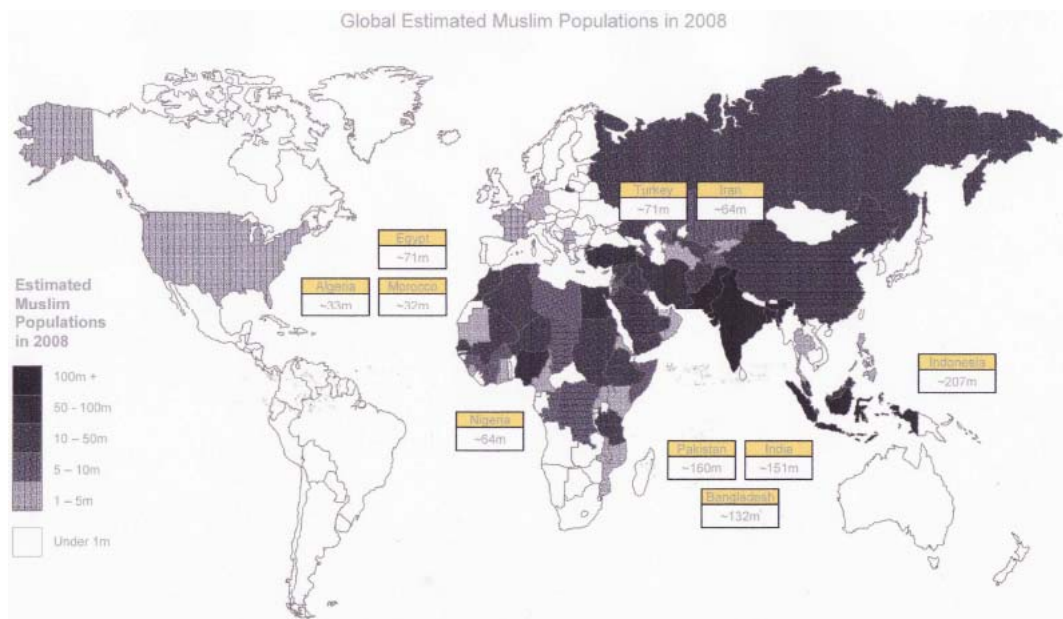
Allianz Life Indonesia said it has recorded a total of 1 billion Indonesian rupiahs (US\$82,271) in premium income from its micro-insurance business in 2008, representing year-on-year growth of more than 350% from 2007. The total number of its micro-insurance policies quadrupled to more than 178,000 in 2008 from the previous year. Allianz Life Indonesia's president director, Jens Reisch, said the life insurer's micro-insurance business was launched two years ago in Indonesia. He said the company has been trusted to insure around 230,000 customers domestically. According to Allianz Indonesia, in 2008 it settled 76 claims for micro-insurance customers. Reisch said the company's micro-insurance has a double bottom line: it has a positive social impact and is financially sustainable for us. "We believe that our micro-insurance approach helps especially low-income households to get access to proper insurance protection" said Reisch. Currently, Allianz Indonesia is cooperating with 21 microfinance institutions (MFI) in micro-insurance, including four cooperatives, 11 social foundations, four rural banks and two commercial banks. The life insurer also said its micro-insurance operations have reached six main Indonesian areas, including Sumatra, Jakarta, West and Central Java, Bali, Sulawesi and Sumba Island in East Indonesia. It expects its micro-insurance business to generate premium income of over 3 billion Indonesian rupiahs in 2009, serving at least 200,000 new customers. Apart from Indonesia, the German insurance group offers micro-insurance in India, Egypt, Colombia, Senegal, Cameroon, Ivory Coast and Madagascar. In India, Allianz formed partnerships with a microfinance institution Care International, providing insurance for people living near the coast and working in fishing, agriculture and plantations industries. Allianz said that it aims to reach 2 million micro-insurance customers around the world by the end of 2009.

Source: www.allianz.com

Property insurance (including home, crop, weather index, livestock and other possessions insurance) is not very widespread either; only 0.7 percent of poor people are covered by property insurance. On the one hand, many micro-insurers, particularly non-profit insurers, ignore property insurance, as demand for property insurance is significantly lower than demand for life and health insurance. On the other hand, underwritings and claims validations are very difficult in the property policy. Compared to other micro-insurance types, the number of accidental death and disability insurance products is much smaller; the largest numbers of products and numbers of lives covered can be found in South Asia.

II. D-8 Cooperation in Takaful Industry and Business Challenge

The Takaful business has proved its viability in a period of only two decades. According to Ernst & Young analysis, it has been growing at the rate of 10-20% per year compared to the global average growth of insurance 5% per year. A large number of Takaful Companies exist in the Middle East, Far East, Iran, Malaysia, Pakistan, Indonesia, and even in some non-Islamic countries. There are over 150 companies offering Takaful services in 30 countries around the world. Malaysia has developed *Re-Takaful* business as well. *Takaful* products are available to meet the needs of all sectors of the economy, both at individual as well as corporate levels to cater for short and long term financial needs of various groups of the society.



Source: Ernst & Young analysis, the World Takaful Report 2009

Along with rising of Takaful industry and business, D-8 taken initiated in its 2nd Heads of State Summit in Dhaka, Bangladesh on 1st and 2nd March 1999, issued Dhaka declaration which amongst others agreed to introduce, promote and develop Takaful in all D-8 countries. As stated in Dhaka Declaration Para 29 that Heads of state endorsed the proposal to enhance the capacity of an existing re-Takaful company to meet the needs of D-8 member countries. In this connection heads of state welcomed Malaysia's offer to convene a workshop in June 1999 in Kuala Lumpur to draw up the modus operandi and formulate the appropriate strategies to promote Takaful and re-Takaful. In respect of training, heads of state welcomed Malaysia's offer to conduct courses in conventional insurance and Takaful as well as to conduct training programmes, seminar, and attachment programmes in Islamic banking and finance, to enhance cooperation amongst the member countries. In relation to this it was also resolved that Malaysia be given the task to assume the lead role in planning, coordinating and providing technical expertise and other related resources for this purpose.

As a follow-up action, an "International Workshop on Re-Takaful" was held in Kuala Lumpur on 31st May and 1st June 1999, whereby a similar declaration was issued strengthening the earlier commitment of the D-8 Summit to hasten the pace of the introduction and development of Takaful amongst D-8 and other OIC countries. At the same time it was also agreed that the status of ASEAN Re-Takaful International Limited (ARIL) be transformed as the re-Takaful operator for the D-8, whose capital shall be expanded and to be subscribed by the member countries. In line with this move, ARIL has come out with a five-year strategic plan to increase its paid capital to USD50 million by 2006. Obviously, this development augurs well for Takaful as a whole and it opens up new opportunities as well challenges for the Takaful operators.

Furthermore, the 11th Session of the Commission meeting was held in Cairo, 6-7 June 2002 where all the member countries had attended the meeting. In this meeting, the commission had adopted set of points in various fields of D-8 cooperation; especially in finance-banking-privatization where the issue of Takaful had become the main issues in this field. The commission appreciated the efforts by Malaysia in promoting Takaful and re-Takaful and Islamic Banking initiatives among member countries as well as invited Malaysia to organize a meeting of competent authorities to discuss Takaful and re-Takaful. Besides, the proposal from the Egyptian entitled "Cooperation among the D-8 for the Development of Insurance and Takaful Business in the Wake of Globalization" as well as the Malaysian proposal on the modalities of establishing a mechanism of cooperation in the field of insurance.

Pursuant the adopted set of points in the 11th Session of the Commission, a convention on Takaful for D-8 and OIC member countries entitled "The Emergence of Takaful in the Wake of Globalization" was held in Kuala Lumpur in 1-2 November, 2002 where was also organized prior to the launching of the Islamic Financial Services Board (IFSB) by the central bank of Malaysia. In this convention, several resolutions were adopted by the delegates. The main issue is continuing discussions and forums with regard to Takaful as well as actualizing comprehensive regulatory frame work and capacity building for initiates a viable platform to enhance efficiency and competitiveness in Takaful industry and business.

As a follow up action of the decision adopted at the 11th D-8 Commissioners' meeting, Islamic Banking and Takaful, in collaboration with Insurance Regulations Department and Insurance Supervision Department successfully organized the inaugural Meeting of Takaful and Insurance Regulatory and Supervisory Authorities of D-8 on 13 July 2004 in Kuala Lumpur, Malaysia. The objective of this one-day event is to give the delegates an opportunity to share and discuss the development of Takaful and insurance industry in their respective countries as well as to establish a mechanism for cooperation in the development of Takaful among the regulatory and supervisory authorities of D-8 countries. More after, The Meeting had brought together representatives from the regulatory and supervisory authorities of five D-8 countries, except from Nigeria, Pakistan, and Turkey who not sent their delegates to this meeting.

The Meeting provided an opportunity for the delegates to gain further insights into the development and progress of the Takaful and insurance industry in member countries. In

addition, the proposed cooperation framework provided a common platform for the member countries to share the aspiration of the D-8 towards the development and growth of Takaful industry. At the end of the Meeting, a resolution was agreed by the delegates on the framework cooperation in Takaful among D-8 countries.

In addition, for the adopted resolution of this meeting, the meeting was agreed to focus on D-8 cooperation in Takaful and re-Takaful with objective to encourage member countries to establish the Takaful and re-Takaful sectors and the development of an effective regulatory and supervisory framework governing these business and facilitate capacity building in human resources. Within this line, mechanism for this cooperation is to convene the D-8 Takaful and Insurance Regulators Meeting (DTIRM) annually on rotation basis as well as agree to set up two working groups to take charge of the following areas: Education and training (headed by Malaysia) and Financial infrastructure development (headed by Egypt) whereby other members' commit to contribute to each of the working group. The last, the meeting agreed that each working group is required to study and recommend actions at the next meeting. The DTIR will report to the D-B Commissioners Meeting on the development and decisions adopted by the DTIRM.

Furthermore, as a concrete implementation of the resolution of this meeting, The Egyptian held the 1st Meeting on Financial Infrastructure Development for the D-8 in Cairo on 26 November 2007 with objective is to invite participants into a thought provoking discussions on the most contemporary issues, latest developments, and trends and the most up-to-date thinking in the fast growing world of Islamic Insurance, its business applications and innovations around the world in general and particularly activities in the region. More after, several set of recommendations was adopted with the main issue is to encourage and initiate Takaful business and industry as follow:

1. Every country in D 8 group should add link to the D8 website. (www.developing8.org).
2. Enhancing cooperation between D8 members regarding capacities building and exchanging of experiences through availing specialized training programs in all aspects related to Takaful.
3. Avail all seminars papers, articles I researches in the field of Takaful on the web page for the benefit of all users of D8 group members.
4. Maximize the use of our available insurance educational institutes in D8 countries through exchanging of yearly training plan.
5. Raising the number of actuaries though D8 group facilities.
6. Hold a special meeting concentrating on the topic of "The development of Takaful products".
7. Achieving communication channel for cooperation between counterparts in the D8 countries to exchange their experiences.
8. Designing a free of charge training program for D8 member countries.
9. Encourage D8 member to participate in the "GTG" Global Takaful Group association to enhance cooperation.

10. Encourage out sourcing between D8 countries taking into consideration the cost and benefits from one side and the regulatory framework on the other side.
11. Encouraging the governments of D8 countries to reduce tariff of investment instruments like (Sukuk) bonds.
12. We should develop the Takaful terminology between the D8 countries.
13. Prepare an action plan or road map for facilitating the cooperation in development of Takaful and Re-Takaful business.
14. Encouraging D8 countries representatives to attend the next annual conference in April 2008 in Malaysia.
15. Encouraging member states for meetings where ever occasion of D8 program or Takaful and Re-Takaful program is held.
16. Encouraging Micro - Takaful through sharing the Malaysian experience on this regard.

As the next concrete action of The Egyptian as the head of the D8 Financial Infrastructure Group, The Financial Services Authority (FSA)-Egypt is going to organize The 2nd Meeting on Financial Infrastructure Development for the D-8 Countries on 4-5 October 2009 in Cairo-Egypt. The objective of this meeting is to invite participants into though provoking discussions on the importance of micro-insurance and the strategy for developing micro-insurance in the D-8 countries.

The FSA is honored to raise the topic of this meeting, "Strategic Prospective View of Micro-insurance in D-8 Countries" as the main issue to exchange views and share experiences for enhancing micro-insurance products to satisfy the two faces of micro-insurances as extension of social protection to the poor and the other as new market for the insurance companies in D-8 countries. Meanwhile, the organizer raised this topic because of considering several important points of micro-insurance issue as follow:

- Financial Inclusion: One of several risk management tools to protect the most vulnerable populations and help them retain the assets they work so hard to build.
- Social Protection: Complement or substitute for government protection mechanisms such as health insurance and pensions for low income workers.
- Commercial: New markets for commercial sector which has relatively low penetration worldwide and needs to expand to grow.
- Macroeconomic: Insurance is a vital precondition for economic development, as it provides a reliable mechanism for individuals, institutions and governments to assume risks.

Within this line of several important points, the meeting has the following objectives : To provide customized support for developing micro insurance in targeted; (1) To faster development of sound legal, Regulatory framework for micro insurance; (2) To provide development of existing micro insurance products and learning from the experience of the members; (3) To promote development of basic and full range of micro insurance services to meet the needs of limited income families and farmers; (4) To promote human capital support by way of education, training and research in the field of micro insurance; (5) To create

awareness among the members regarding benefits of micro insurance in socio-economic development; and To increase capacity and support for Re-insurance arrangement for micro insurance.

IV. D-8 Studies on Action Plan Strategy for Takaful and Micro-Insurance Cooperation

Although the Islamic financial services industry has experienced impressive growth in the last decade, it has failed to make financial services accessible to the poor. This is in spite of poverty in both urban and rural parts of the 1.2 billion strong Muslim worlds being high and that five predominantly Muslim countries, where also D-8 member countries—Indonesia, Bangladesh, Pakistan, Nigeria and Egypt—account for more than 500 million of the world's poor, with incomes below the national poverty line. Of particular relevance to this challenge is the notion of financial inclusion gaining wide international acceptance. Major supra-national organizations such as the European Union and the World Bank have repeatedly expressed the views that giving the non-bankable a chance in life is a key element for social stability and sustainable development.

The Consultative Group to Assist the Poor (CGAP), the multi-donor consortium dedicated to advancing microfinance—has, for example, specifically included financial inclusion and the integration of microfinance with the formal financial systems as one of its key principles. In the context of Muslim societies, or Muslim groups living in non-Muslim societies, this notion of financial inclusion can only mean the integration of microfinance within the Islamic finance framework and the conceptualization of Shariah-compliant microfinance within the conventional financial system. In other words, to build an inclusive financial system and minimize exclusion there is a need of diverse approaches that take into account the religious and cultural sensitivities of Muslims. This will contribute to bring a large segment of the world's poor population into the fold of formal financial systems.

D-8 Challenges on Takaful and Micro-insurance Industry

Along with the rise of Takaful industry and business, as well as micro-insurance sector, D-8 had taken initiative in its 2nd Heads of State Summit in Dhaka, Bangladesh (1-2 March 1999), which resulted in the Dhaka declaration which among others agreed to introduce, promote and develop Takaful in all D-8 countries. In this meeting, Heads of state endorsed the proposal to enhance the capacity of an existing re-Takaful company to meet the needs of D-8 member countries. Pursuant to that, the 11th Session of the Commission meeting was held in Cairo, 6-7 June 2002, with full participation of all member countries. The meeting resulted in adoption of set of points in various fields of D-8 cooperation by the commission; especially in finance-banking-privatization points, where the issue of Takaful had become the main issues.

As a follow up action of the decision adopted at the 11th D-8 Commissioners' meeting, Malaysian Islamic Banking and Takaful, in collaboration with Insurance Regulations Department and Insurance Supervision Department of Malaysia successfully organized the inaugural Meeting of Takaful and Insurance Regulatory and Supervisory Authorities of D-8 on 13 July 2004 in Kuala Lumpur, Malaysia. The event sought to give the delegates an opportunity to share and discuss the development of Takaful and insurance industry in their respective countries, as well as to establish a mechanism for cooperation in the development of Takaful among the

regulatory and supervisory authorities of D-8 countries. The meeting agreed to focus on D-8 cooperation in Takaful and re-Takaful with objective to encourage member countries to establish the Takaful and re-Takaful sectors and the development of an effective regulatory and supervisory framework governing these business, and facilitate capacity building in human resources. Within this line, mechanism for this cooperation is to convene the D-8 Takaful and Insurance Regulators Meeting (DTIRM), which is annually held on rotation basis as well as agree to set up two working groups to take charge of the following areas: Education and training (headed by Malaysia) and Financial infrastructure development (headed by Egypt). As a concrete implementation of the resolution of this meeting, The Egyptian held the 1st Meeting on Financial Infrastructure Development for the D-8 in Cairo on 26 November 2007 with the objective to invite participants into a thought-provoking discussions on the most contemporary issues, latest developments, and trends and the most up-to-date thinking in the fast growing world of Islamic Insurance, its business applications and innovations around the world in general and particularly activities in the region. Several set of recommendation was adopted in the above meeting, with the main issue was to encourage and initiate takaful business and industry, especially for encouraging micro-takaful/insurance. This issue has further became the objective of the 2nd Meeting on Financial Infrastructure Development in Cairo, which will be held on 4-5 October 2009, to set a lively discussion and information-sharing consultation on the importance of micro-insurance and the strategy for developing micro-insurance in the D-8 countries.

Within this line, Islamic Banks in D-8 countries have already attained considerable success in the Banking sector. It is just beginning of Takaful business and it is likely to flourish in the Insurance sector in coming days, like in Malaysia, Indonesia, and Bangladesh. To attain the desired level by both the Islamic Bank and the Islamic Insurance, a strong relationship need to be built up between the Islamic Bank and the Islamic Insurance throughout the world. The following actions may be taken jointly by the Islamic Banks and Islamic Insurance Companies for their mutual growth and expansion and to face the challenges :

- Efforts should be made to change the legal framework for conducting banking and insurance operations according to Islamic Shariah.
- Sufficient training and research institute having logistics of modern technology may be established to train up the manpower.
- To create public awareness; seminar, symposium etc. both national and international level may be organised.
- Islamic Money & Capital Market should be developed.
- Central Shariah Council should be set up both for Islamic Banks and Islamic Insurances.
- Like Malaysia, both the Islamic Banks and Islamic Insurance Companies should be regulated by the same Regulatory Authority.
- Cordial and harmonious relationship between Islamic Banks and Islamic Insurance Companies should be developed.

Efforts should be made to establish more Islamic Insurance Companies and Islamic Banks. Islamic Banking and Islamic Insurance system have tremendous potentiality and prospect. The successful launching and operation of Islamic banks and insurance has established the fact that banking and insurance without interest is feasible, viable, competitive and sustainable on the face of competition from the conventional interest based system. The gradual and successful globalisation of Islamic Banking and Islamic Insurance coupled with growing awareness of the people about its financial and social benefits makes it clear that the current century is going to be the century of Islamic banking and insurance vis-a-vis complementation of Islamic ideals for the betterment of the people at large and establishing equity & justice for all.

Moreover, micro-insurance intends to offer the poor protection against specific risks in return for payment of regular premiums proportionate to the likelihood and cost of the risk involved. A growing body of literature on micro insurance highlights design and implementation challenges, but provides some successful pilots in developing countries along with valuable lessons for MFIs that intend to provide micro insurance services to their clients, especially for farmers and migrant workers. The available information, however, only provides guidelines to design and implement life, loan and health insurance that protect the poor from personal calamities. For example, Chinese insurance company has signed agreement with International Labor Organization (ILO) to provide micro-insurance for migrant workers against accidents and disease.

PICC Property & Casualty Begins Insuring Migrant Workers

PICC Property & Casualty Co., Ltd. started its trial run of micro insurance services to migrant workers from the Chinese rural areas lately, citing a report. The trail run is said to last three years in the Chinese regions like Guangdong Province and Chongqing municipality, where migrant workers will be insured against accidents and diseases. Afterwards, such services are expected to spread in the whole country. PICC property & Casualty signed an agreement with the International Labor Organization (ILO) not long ago, when the ILO was set to facilitate the Chinese insurer's migrant-worker-oriented micro insurance business via subsidies and technical support. In fact, many China-based insurance firms have put up their micro insurance products in the local rural market, including China Life Insurance Co., Ltd. (SHSE: 601628), China Pacific Insurance (Group) Co., Ltd., Taikang Life Insurance Co., Ltd., and New China Life Insurance Co., Ltd. By far, more than 6.1 million Chinese rural residents have bought personal micro insurance, involving premiums of CNY 140 million totally.

Source: www.cnstock.com (August 05, 2009)

Islamic microfinance must develop links with the formal Islamic banking sector and capital markets as there is little capital market activity that allows for securitization. These range from credit beyond enterprise finance, to savings, money transfer facilities and micro-insurance (takaful) while consumer loans and loans for speculative purposes are, of course, excluded from the range of *halal* financing. Combinations must be available over the long-haul if their impact

has to produce the expected results and they can be categorized in the sectors as shown in the table.

Despite the strong evidence that support the case for Islamic microfinance, experiments in D-8 countries are not numerous. One can mention Amana Ikhtiar Malaysia (AIM), a sort of Shariah-compliant replication of the Grameen model (Bangladesh) and The Allinz Insurance in Indonesia as the most important. Usually these institutions are not integrated into the formal financial systems and in most cases these projects have been initiated by international donor agencies, religious or political groups. Cases of Islamic banks practicing microfinance are even fewer. Savings, deposits services, insurance, remittance and other services are generally not available. Islamic microfinance must also develop strong links with the formal Islamic banking sector and the capital markets as there is, at least in our knowledge, hardly any capital market activity by Islamic microfinance providers that nowadays allows for securitization.

Although the Takaful industry, as well as micro-insurance sector, continues to demonstrate resilience and robust performance, in the recent years competitive elements confronting the industry arising from market liberalization, technological advancement and greater customer expectations are the catalysts towards further development of innovative products, effective services and improved efficiencies in operational process. The effective use of distribution channels, dynamic investment strategy and increased public awareness on Takaful and micro-insurance sector will definitely provide impetus for further growth of the Takaful industry. The endeavour to develop the Takaful industry that is competitive, dynamic and more resilient will be the result of the combined commitment and collaborative effort of the regulators, industry and market partners i.e. Islamic Banks and non-banking financial institutions. The aim shall be to create progressive world class Takaful Operators for promoting the development of Shariah based just and fare financial system for the Ummah.

Annex
List of D-8 Islamic Insurance Companies

No.	Country	Company	Address
1.	Bangladesh	<p>1. Fareast Islami Life Insurance Co. Ltd</p> <p>2. Islami BIMA (Takaful-Meghna Life Insurance)</p> <p>3. Islami Insurance Bangladesh Limited</p> <p>4. Prime Islami Life Insurance Limited</p>	<p>T.K Bhaban (13th Floor) 13, Karwan Bazar Dhaka-1215, Bangladesh Phone: 8802-8150127-30 Fax: 8802-8130611 Website: www.filicbd.com, www.fareastislamilife.com E-mail: filicbd@yahoo.com</p> <p>Biman Bhaban (2nd floor) 100, Motijheel C/A., Dhaka-1000, Bangladesh Phone : 880-2-9558297, 9558993, 9556204 Fax No. : 880-2-7171942 Website: www.meghnalife.com E-mail : mlicoltd@citechco.net</p> <p>BIWTA Bhaban (6th floor), 141-143, Motijheel C/A, Dhaka-1000, Bangladesh Phone: 8802-9554819, 9571866-67 Fax: 8802-9567629 Website: www.islamiinsurance.com E-mail: iibl@bangla.net</p> <p>Raj Bhaban(6th Floor) 29,Dilkusha C/A, Dhaka - 1000. Phone:9560889,9554538,9570729 Fax:880-2-9564390 Website: www.primeislamilifebd.com Email: plicl@bdonline.com , pli@proshikanet.com</p>

		<p>5. Takaful Islami Insurance Limited</p> <p>6. Islami Commercial Ins. Co. Ltd.</p> <p>7. Padma Life Insurance Co. Ltd.</p>	<p>42, Dilkusha C.A (7th Floor), Dhaka-1000, Bangladesh. PABX: 88-02-9570928-30 Fax: 88-02-9568212 Website: www.takaful.com.bd E-mail: takaful@Dhaka.net, info@takaful.com.bd</p> <p>28 Dilkusha C/A (6th Flr.) Dhaka-1000, Bangladesh Phone: 9557763, 9559964 Fax: 880-2-9559964</p> <p>Rupali Bima Bhaban (10th Flr.) 7 Rajuk Avenue Dhaka-1000, Bangladesh Phone: PABX-9551138, 9551798</p>
2.	Egypt	<p>1. Egyptian Saudi Insurance House (ESIH)</p> <p>2. Tokio Marine & Nichido Fire Insurance</p> <p>3. Arab Orient Insurance Company</p> <p>4. Egyptian Banks for Takaful Insurance Co</p> <p>5. Egyptian Saudi Home Insurance</p> <p>6. Wethaq Takaful Insurance Co.</p>	<p>15 Mesadak St., Dokki, Giza, Egypt Phone: 202-3377997 Fax: 202-3355303, 202 7495916 Website: www.esih.com.eg E-mail: esih@internetegypt.com</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p>
3.	Indonesia	<p>1. Asuransi Syari'ah MUBARAKAH</p>	<p>Century Tower 9th Floor Jl. H.R. Rasuna Said Kav. X-2 No. 4 Jakarta Selatan 12950 Indonesia Phone: +62 21 522 8145 Fax: +62 21 522 8830</p>

		<p>2. PT. Syarikat Takaful Indonesia with two Operational Co. : PT Asuransi Takaful Keluarga (Asuransi Jiwa Syariah) PT Asuransi Takaful Umum (Asuransi Umum Syariah).</p> <p>3. PT Asuransi Tri Pakarta</p> <p>4. Bumiputera Insurance Co.</p> <p>5. Takaful Mikro Indonesia</p>	<p>Website: www.mubarakah.com Email: customer.service@mubarakah.com, humas@mubarakah.com, marketing.support@mubarakah.com, aktuaria@mubarakah.com</p> <p>Graha Takaful Indonesia Jl. Mampang Prapatan Raya No. 100 Jakarta 12970, Indonesia Phone: +62 21 799 1234, +62 21 799 2345 Fax: +62 21 790 1435, +62 21 790 1944 Website: http://takaful.com/</p> <p>Gedung Arthaloka lt.1 no.2 Jl. Jend. Sudirman Kav.2 Jakarta 10220 - Indonesia Phone: (+62 21) 570 1246, (+62 21) 251 0541 Ext. 1841, 18488, (+62 21) 570 2670, 570 2728 (direct) Fax: (+62 21) 251 0542 Website: www.tripakarta.co.id email sudirman@tripakarta.co.id</p> <p>Wisma Bumiputera 18-21th floor Jl. Jend. Sudirman Kav 75 Jakarta 12190 Phone: +62 21 2512154, +62 21 2512157 Fax: +62 21 251 2172 Website: www.bumiputera.com E-mail: bp1912@bumiputera.com</p> <p>Jln. Sindangbarang Loji No. 252 B</p>
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		<p>6. PT.Reasuransi Internasional Indonesia</p> <p>7. Adira Insurance</p> <p>8. AIA Indonesia</p> <p>9. PT Asuransi Allianz</p>	<p>Bogor, Jawa Barat Indonesia 16117 Phone: +62 251 7190 789/383587 Fax: +62 251 383 587 Website: www.takmin.org</p> <p>JL Salemba Raya No 30 Jakarta Pusat 10430 INDONESIA Phone : +62-21 3920101,334208 Fax : +62-21 3143828 E-mail : cosecretary@reindo.co.id Graha Adira, Lt. 8 Jl. Menteng Raya No. 21 Jakarta Pusat 10340 T. +62-21 3983 2000 F. +62-21 3983 1957 Email : adiracare@asuransi.adira.co.id</p> <p>Gedung Bank Panin Senayan Lt. 2, 3, 7 & 8 Jl. Jend. Sudirman, Jakarta 1 Phone : (021) 5789 8188 Fax : (021) 572 1308 aiai.kgading@AIG.com aiai.manggadua@AIG.com aiai.ambasador@AIG.com aiai.muarakarang@AIG.com</p> <p>Life Indonesia Sumitmas II, 20th floor Jl. Jend. Sudirman Kav. 61-62 Jakarta 12190 Tel: +6221-5299 8888 Fax: +6221-3000 3400 Contactus@allianz.co.id</p>
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		<p>20. PT. Staco Jasapratama</p>	<p>Wisma Tugu Raden Saleh Lantai 3, 4 dan 5 Jl. Raden Saleh No. 44, Jakarta 10330 Telepon : (62-21) 391-1840 (Hunting) Fax : (62-21) 391-1844, 391-1845 Email : stacogen@rad.net.id info@stacoinsurance.com Home Page : http://www.stacoinsurance.com</p>
		<p>21. Tugu Pratama</p>	<p>Wisma Tugu I Jl. HR Rasuna Said Kav. C 8-9, Kuningan, Jakarta Selatan 12940 Tel.: (62-21) 529-61777 (Hunting) Fax.: (62-21) 529-61555, 529-62555 http://www.tugu.com</p>
		<p>22. PT. TUGU REASURANSI INDONESIA</p>	<p>Wisma Tugu-RE Jl. Raden Saleh No. 50 Jakarta 10330 Indonesia Phone : +62-21 314 0267, 310 3952, 392 3970, 230 2038 (Hunting) Fax : +62-21 392 3973, 392 1769, 392 1826 392 3974, 3190 8415 email : tugure@tugu-re.com website : http://www.tugu-re.com</p>
4.	Iran	<p>1. Alborz Insurance Co.</p>	<p>4-Sepahbod Gharani Ave. Karim Khan Cross Road. Tehran-Iran Phone: +9821 8880 3821-9 Fax: +9821 8890 8088 Website: www.alborzinsurance.ir E-mail: Mohammadi@AlborzInsurance.IR (Public Relation Director)</p>

		<p>2. Bimeh Asia (Asia Insurance Co.)</p> <p>3. Bimeh Iran (Iran Insurance Co.)</p> <p>4. Bimeh Sina (Sina Insurance Co.)</p> <p>5. Bimeh Toseh-eh</p> <p>6. Dana Insurance Co. Day Insurnace Company</p>	<p>No. 299, Taleghani St, Tehran, Iran Phone: +9821 8800950-7 Fax: +9821 8898113 Website: www.bimehasia.com E-mail: info@Bimehasia.ir</p> <p>No. 107 Fatemi Ave. Tehran, Iran Phone: +98 21 8895 4712, +98 21 8895 4674 Website: www.iraninsurance.ir E-mail: IAD@IRANINSURANCE.IR</p> <p>No. 343 Ave. Beheshti Tehran, Iran Phone: +98 870 6701-10 Fax: +98 870 9654 Website: www.sinainsurance.com</p> <p>No. 4, Hagni Expressway, Jahan-Koodak Crossroad Africa Ave. Tehran, Iran Phone-Fax: +98 21 8881 800 Phone: +98 21 8887 020-6 Fax: +98 21 8881 022 Website: www.toseh_einsurance.com E-mail: info@toseh_ehinsurance.com</p> <p>PO Box 11365-7473, 25 Fifteenth St., Gandi Ave., Tehran, 15178-95511, Iran Phone: +98 21 877 0971, Fax: +98 21 879 2997 Website: www.dana-insurance.com</p>
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		<p>7. Export and Investment Insurance Company (EIIC)</p> <p>8. Hafez Insurance Co.</p> <p>9. Karafarin Insurance Co.</p> <p>10. Mellat Insurance Company</p>	<p>E-mail: info@dana-insurance.com</p> <p>Po.Box 19395-6314 11/1, Sharifi Ave. Vanak Sq. Tehran, Iran 19699 Phone: +9821 8782 550 Fax: +9821 8771 245 Website: www.eiic-ir.com E-mail: info@eiic-ir.com</p> <p>4th floor, No.23, 2nd Dashtestan St., Shariati Ave. Phone: +98 21 2288 8131-35, +98 2284 8887 Fax: +98 21 2284 3894 Website: www.hafezinsurance.com E-mail: info@hafezinsurance.com</p> <p>No. 9, 17th St. Ahmad Ghasir Ave. Argentina Sq. Zip Code:15875-8475 Tehran, Iran Phone: +9821 8723 830-4 Fax: +9821 8723840-41 Website: www.karafarin-insurance.com E-mail: karafarin@karafarin-insurance.com</p> <p>No. 4, Chelhsootoon Street, Fatemi Square, Tehran, Iran. Phone: +98 21 897 17 86 , 895 64 96 Fax: +98 21 897 17 87 Vice-President Office: Tel : +98(21) 8956496 Board Office: Tel : +98(21) 8957867 Website: www.mellatinsurance.com E-mail: info@mellatinsurance.com</p>
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5.	Malaysia	<p>1. CIMB Aviva Takaful Berhad</p> <p>2. Etiqa Takaful Berhad</p> <p>3. Hong Leong Tokio Marine Takaful Berhad</p> <p>4. MAA Takaful</p> <p>5. Prudential BSN Takaful Berhad</p>	<p>Level 11, 338 Jalan Tuanku Abdul Rahman 50100 Kuala Lumpur, Wilayah Persekutuan Phone: +603-26123600 Fax: +603-2698 7035 Website: www.cimbaviva.com Email: wecare@cimbaviva.com</p> <p>Level 19, Tower C, No. 1, Jalan Maarof, 59000 Kuala Lumpur, Malaysia Phone: +603 2297 1888 Fax: +603 2297 1800 Website: www.etiqa.com.my E-mail: info@etiqa.com.my</p> <p>Level 5, Wisma Hong Leong 18 Jalan Perak, Kuala Lumpur 50450 Phone: +603 2164 2339 Fax: +603 2163 0224 Website: www.hltmt.com.my E-mail: ReachUs@hltm.hongleong.com.my</p> <p>5th Floor, Menara MAA, 12 Jalan Dewan Bahasa, 50460 Kuala Lumpur Phone : 03 - 2146 8000 Fax : 03 - 2143 0033 Website: www.maatakaful.com.my Email : info@maatakaful.com.my</p> <p>Level 8A, Menara Prudential, No. 10, Jalan Sultan Ismail, 50250 Kuala Lumpur.</p>
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		<p>9. HSBC Amanah Takaful</p>	<p>Website: www.koperasipekerja.com E-mail: info@koperasipekerja.com</p> <p>HSBC Amanah Takaful (Malaysia) Sdn. Bhd. (731530-M), 3rd Floor, Wisma Hamzah-Kwong Hing, No. 1 Leboh Ampang, 50100 Kuala Lumpur. Phone: +60 3 2096 5366 Website: www.takaful.hsbcamanah.com.tr Email: roslan.ahmad@hsbc.com.my</p>
		<p>10. MNRB RETAKAFUL BERHAD</p>	<p>9th Floor Bangunan Malaysian Re, No.17, Lorong Dungun, Damansara Heights, 50490 Kuala Lumpur. Phone: +603 2096 7007 Fax: +603 2096 8007 Website: www.mnrb-retakaful.com.my Email: enquiry@mnrb-retakaful.com.my</p>
		<p>11. Asean Retakaful</p>	<p>Level 14, Block 4, Financial Park Complex, Jalan Merdeka, 87000 F.T. Labuan, Malaysia Phone: 6087-451 301, 6087-451 302 Fax: 6087-451 300 Website: www.aseanretakaful.com</p>
		<p>12. Munich Re Retakaful</p>	<p>Suite 13.1 Level 13 Menara IMC 8 Jalan Sultan Ismail 50250 Kuala Lumpur Malaysia Tel.: +60 (3)23808500 Fax: +60(3)20325822 E-mail: mrkl@munichre.com</p>
		<p>13. Agilentrisk Limited</p>	<p>Unit No. P-2-22, Block P, Plaza Damas Jalan Sri Hartamas 1/70A 50480 Kuala Lumpur Fax: 03 6201 4298</p>

		14. Labuan Reinsurance (L) Ltd	<p>Email: jaymee@agilentlimited.com</p> <p>Level 4 (B), Main Office Tower, Financial Park Labuan, Jln Merdeka, 87000 Federal Territory of Labuan, Malaysia Tel : 6087 452 886/887/889 Fax : 6087 425 070, E-mail : headoff@labuanre.com.my</p>
6.	Nigeria	<p>1. Nigeria Deposit Insurance Co.</p> <p>2. Jaiz International Bank PLC</p>	<p>Plot 447/448 Constitution Avenue P.M.B. 284, Garki Abuja, Nigeria Phone: 09-5237710-21 Fax:09-5237718 E-mail: info@ndic-ng.com Website: www.ndic-ng.com</p> <p>Plot 785 Herbert Macaulay Way Central Business District P.M.B. 31 Garki Abuja, Nigeria Tel + 234-9-2347568 Fax + 234-9-2347614 Website: www.jaizinternationalplc.com info@jaizinternationalplc.com</p>
7.	Pakistan	1. Dawood Family Takaful Limited	<p>Dawood Family Takaful Limited 1701-A, Saima Trade Towers, I.I. Chundrigar Road, Karachi-74000 Pakistan Phone : (+92 21) 7014501-8, 32277187, 32277184 Fax : (+92 21) 227 7188 Website: www.daoodtakaful.com Email : Contactus@dawoodtakaful.com</p>

		<p>2. Pak Qatar Family Takaful</p> <p>3. Pak Qatar General Takaful</p> <p>4. Pak-Kuwait Takaful Company Limited</p> <p>5. Takaful Pakistan Limited</p>	<p>102-105 Business Arcade, Block 6, P.E.C.H.S. Sharea Faisal, Karachi. UAN: 111-TAKAFUL (825238) Ph: 021-4311747-56 Fax: 92-21-4386451 Website: www.pakqatar.com.pk/family</p> <p>402-403, Business Arcade, Block 6, P.E.C.H.S. Sharea Faisal, Karachi. UAN: 111-TAKAFUL (825238) Phone: 92-21-4380357 Fax: 92-21-4386453 Website: www.pakqatar.com.pk/general</p> <p>Finance & Trade Center 4th Floor , Block-A , Shahrah-e-Faisal, Karachi-74400,Pakistan phone: +92-21-35630707-16 Fax: +92-21-35630699 Website: www.pktcl.com Email: info@pktcl.com</p> <p>2nd & 3rd Floors, Dadex House, 34-A/1, Block-6, P.E.C.H.S. Shahrah-e-Faisal, Karachi-75400 Pakistan. UAN: +92 - 21-111-875-111 PABX: +92 - 21-437 3171-80 Fax: +92 - 21-437 3195-6 Website: www.takaful.com.pk Email: info@takaful.com.pk</p>
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8.	Turkey	<p>1. Aviva Sigorta A.S</p> <p>2. Allianz Sigorta A.S.</p> <p>3. Işık Sigorta A.S</p> <p>4. Dubai Group Sigorta</p> <p>5. AIG Sigorta A.Ş</p>	<p>Fahrettin Kerim Gökay Caddesi No:72-74 Aviva Binası 34662 Küçük Çamlıca-İstanbul Phone: +90 216 547 7575 (Pbx) Fax: +90 216 326 9452 Website: www.avivasigorta.com.tr Email: avivasigorta@avivasigorta.com.tr</p> <p>Bağlarbaşı Kısıklı Cad. No:13 Altunizade 34662 İstanbul Phone: +90 216 556 66 66 Fax: +90 216 556 67 77 Website: www.allianz.com.tr E-mail: info@allianz.com.tr</p> <p>Küçüksu Cad.Akçakoca Sok.No:6 Kat:2 34768 Ümraniye/İSTANBUL Phone: +90 216 633 71 00 Fax: +90 216 631 84 48 Website: www.isikgorta.com.tr E-mail: bilgi@isiksigorta.com.tr</p> <p>Altunizade Mah. Mahir İz Cad. No:23 Üsküdar/İSTANBUL Phone: +90 216 559 19 00 Fax: +90 216 559 19 90 Website: www.dubaigroup.com.tr E-mail: liletisim@dubaigroup.com.tr</p> <p>Emirhan Cad. Atakule A Blok No:145 Kat: 7-8-13 Dikilitaş - Beşiktaş/ İstanbul Phone: +90 212 236 4949 Fax. +90 212 236 4950</p>
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		<p>6. Guven Sigorta A.S</p>	<p>Website: www.aig.com E-mail: iletisim@aig.com</p> <p>Bankalar Cad. No. 33, Karaköy-İSTANBUL, Zip Code : 34420 Phone:+90 212 313 55 55 Fax:+90 212 255 58 88 Website: www.guvenisigorta.com.tr</p>
		<p>7. AKsigorta A.S</p>	<p>Meclis-i Mebusan Cad. No:67 Fındıklı 34427 İSTANBUL Phone: +90 212 393 43 00 Fax: +90 212 334 39 00 Website: www.aksigorta.com.tr E-mail: irem.sadak@aksigorta.com.tr</p>
		<p>8. BEST RE - Turkey & Central Asia</p>	<p>Levazım Mah. Korukent Sit. Beyaz Köşk No.1 Levent / İstanbul Phone: +90 212 347 29 64 Fax : +90 212 347 29 70 Email: general@bestre.com.tr hafid.hachani@bestre.com.tr</p>
		<p>9. TEB Sigorta (Zurich Sigorta)</p>	<p>Meclis-i Mebusan Caddesi, ÇBS Han 47/6 PK:34427 Fındıklı / İSTANBUL Phone: (+90-212) 393 16 00 Fax: (+90-212) 292 87 61 Website: www.zurichsigorta.com.tr Email: info@zurichsigorta.com.tr alper.erdinc@tebsigorta.com.tr</p>
		<p>10. ŞEKER SİGORTA (Liberty Sigorta)</p>	<p>Meclisi Mebusan Cad. No: 21 Karaköy İSTANBUL Phone : (+90 212) 393 74 00 Pbx</p>

		<p>11. Demir Hayat Sigorta A.S.</p> <p>12. Boğaziçi Insurance&Reinsurance Brokers Ltd</p>	<p>Fax : (+90 212) 249 10 46 Website: www.libertysigorta.com.tr, www.sekersigorta.com.tr Email : halklailiskiler@libertysigorta.com.tr korhanakcol@sekersigorta.com.tr</p> <p>Büyükdere Caddesi Özsezen Is Merkezi No.122/B 34394 Esentepe Istanbul Phone:+90 212 288 68 51 pbx Fax: +90 212 274 65 85 Website: www.demir.com.tr muratvargun@demirhayat.com.tr</p> <p>gkansu@bogazicibroker.com Phone: +90 216 456 07 79 Fax: +90 216 456 06 82</p>
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