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ANALYSIS AND DEVELOPMENT PERSPECTIVES OF THE TAKAFUL MARKET

Abstract

Takaful is a system in which policyholders create a special insurance fund at their own expense to ensure mutual financial protection from certain adverse events in life. In case of occurrence of the specified adverse event for any of the participants, the insurance indemnity is paid from the fund, i.e. participants in the insurance fund share all risks and losses among themselves. In case of insufficient funds, the participants shall be jointly and severally liable for its coverage at the expense of their own (additional) funds. The profit of the Islamic insurance organization is formed on the basis of the type of selected management model of takaful fund. The article is devoted to the development of the Islamic insurance system in several countries. The article analyzes the experience of such states as Sudan, Saudi Arabia, Malaysia. These states are pioneers in the development of Islamic insurance. In each country, the original experience of Islamic insurance has been accumulated, there are significant differences in the legal regulation of the status and activities of insurers using the principles of takaful in their work. According to the analysis conducted in the article, the undisputed leader of Islamic insurance is Saudi Arabia, which occupies half of this market, followed by the countries of the South Persian Gulf and East Asia. According to recent analytics in the Global Directory of Takaful 2019, the total number of Takaful establishments is estimated at 306, including the Retakaful and Takaful windows offering Takaful products in at least 45 countries.

Key words: Islamic finance, insurance, takaful, management model, analysis, insurance fund, risks.

Takaful or Islamic insurance is a system based on the principles of mutual assistance (taavun) and voluntary contributions (tabarra), which provides for collective and voluntary distribution of risks among group members. Takaful is a form of insurance that complies with the principles of Islamic law. Translated from Arabic means “mutual guarantee.”

Takaful is a system in which policyholders, at their own expense, create a special insurance fund to provide mutual financial protection against certain adverse events in life. In the event of the occurrence of the specified adverse event for any of the participants, insurance compensation is paid from the fund. Thus, participants in the insurance fund share all risks and losses among themselves. In the event of a deficit in the fund, participants will be jointly and severally liable for covering it at the expense of their own (additional) funds. The profit of the Islamic insurance organization is formed on the basis of the type of the chosen management model of takaful fund.

Initially, the takaful system developed as an alternative insurance system for Muslims, but over time, the system showed that the presence of Sharia principles in this insurance system does not prevent the non-Muslim population from resorting to the services of takaful operators. Currently, in all countries where Islamic insurance operates, the clients of takaful organizations are both Muslims and non-Muslims. For example, in Malaysia, where the Islamic insurance market is the most developed in the world, most of the clients of takaful organizations are not Muslims. Islamic insurance products are also very popular in Europe, particularly in the UK. Today, the countries of Europe and Central Asia are considered by leading experts as the most promising in terms of the development of the Islamic insurance system [1].

Today, the average growth of Islamic insurance worldwide is about 25%, which is higher than the growth rate of ordinary insurance companies. According to estimates by Ernst & Young, one of the largest audit firms in the world, if this growth continues in the future, by 2012, the takaful market will reach \$ 7,7 billion. The number of takaful operators represented in more than 38 countries has exceeded 180.

The total direct premiums written in the global insurance industry improved 1,5% (in real terms), estimated at USD 4,892 billion in 2017, from USD 4,703 billion in 2016, after a 2,2% increase in 2016. Global life premiums increased slightly by 0,5% (USD 2,657) in 2017, compared to a growth rate of 1,4% in 2016, mainly due to the contraction of life premiums in advanced markets, which fell

by 2,7% compared to 1,9% in the previous year. Low financial markets returns lingering over the past few years remain a challenge to the sector. Global general business insurance premiums grew by 2,8% (USD 2,234 billion) in 2017, compared to 3,3% in 2016, slightly above the 10-year average of 2,1%. Premium growth observed in advanced and emerging markets in 2017 was on the strength of improving pricing experienced in personal lines such as health and motor. For both the life and general business sector, China remains the key driver of emerging markets growth in 2017, a trend that has continued over the past few years [2].

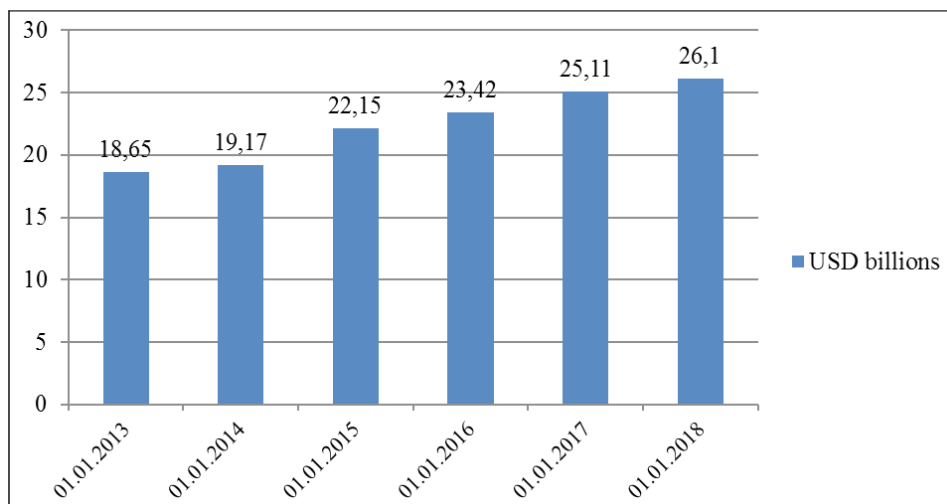


Figure 1 – Global takaful gross contribution

Amidst the slowdown in the economic environment, rising inflation, and exchange rate pressures in countries where the Takaful market is provided, the total takaful contributions grew by 4,3% (in nominal terms) in 2017 to an estimated USD 26,1 billion, from USD 25,11 billion reported in 2016. For the six-year period 2012–2017, the industry’s contributions grew at a compound average growth rate of almost 6,9%. By region, the GCC retains its lead in 2017 as the largest global takaful market, with contributions estimated at USD 11,71 billion, accounting for over 44% of the total global contributions, followed by the Middle East and North Africa (ex-GCC) (USD 10,30 billion) at 31,4%; South and Pacific Asia (USD 5,2 billion) at 22%; and Sub-Sahara Africa (USD 0,5 billion) at 2%. Country-wise, Iran, Malaysia, Saudi Arabia and the UAE are the major Islamic insurance markets, accounting in total for more than 87% of total contributions in 2017. The total contributions from general and family takaful in 2017 are estimated (in USD nominal value) as USD 7,159 billion (72,6%) and USD 18,94 billion (27,4%), respectively.

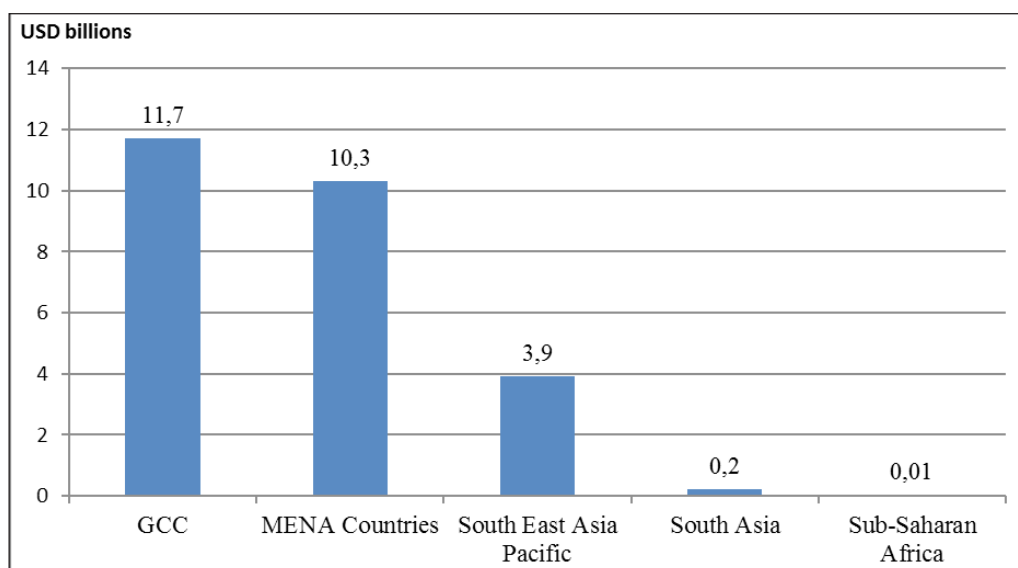


Figure 2 – Takaful contribution by key region (01.01.2018)

The economic slowdown in the GCC countries stifled the growth of takaful contributions by 6,87%, reducing it to an estimated USD 11,71 billion in 2017 (USD 12,57 billion: 2016). However, the region maintains its lead as the largest global takaful market, with a share of over 44%. The contraction in the general business in Saudi Arabia (the largest Islamic insurance market) was the main cause of the drag on overall contributions. General business segments, which represented 45% of total contributions written in Saudi Arabia, declined by 4,9%, while motor business lines (accounting for 68,2% of general business segment) declined by 8,4% at the end of 2017. The recovery in oil prices since mid-2017 was not enough to boost economic growth in the GCC, due to oil production cuts and the resulting decline in revenues (i.e. GDP growth in Saudi Arabia fell 0,7%). Given that the contributions growth in general business takaful segments closely follows economic growth, the cut in public spending on social and infrastructure development has adversely impacted contributions growth in the general business segment in Saudi Arabia. A similar situation is evident in other countries. Qatar, for instance, has cut public spending on non-FIFA World Cup related projects [3].

The UAE has been fairly resilient in the face of the growth headwind, reporting an estimated double-digit growth of 13,2% in 2017, compared to Oman, Qatar and Bahrain with a modest growth of 9%, 8,5% and 4,2%, respectively. The sector has benefited from the increase in demand, resulting from the introduction of compulsory cover in medical and liability business. General takaful made up 87% of the gross contributions in Kuwait (USD 276,4 million). Motor and medical were the largest lines, controlling 40% and 22%, respectively. Meanwhile, the general takaful segment in Saudi Arabia and the UAE, has benefitted from regulatory changes such as setting minimum pricing for motor insurance and the introduction of mandatory health insurance for workers. Oman is also implementing its mandatory health insurance scheme for private sector employees, including expatriates and visitors before the close of the year 2019. Family takaful is relatively small compared to the general takaful business in the GCC, accounting for less than one-fifth of the total takaful contributions in 2017. The region's family takaful penetration is much lower than the life insurance sector, estimated at 0,3% in 2017.

Family takaful business in the UAE ranked highest in the region, with a double-digit growth rate of roughly 13% in 2017, driven by demand from a large expatriate population and an expanding middle class. Family takaful business in Kuwait grew by 20,6% in 2017, accounting for 13% of the gross takaful contributions, mainly contributed by group family takaful. In Oman, family takaful grew by 19% in 2017, slightly above the 2016 record (18%), with individual family products accounting for a significant portion of the sales. In Saudi Arabia, contributions from the family line improved to 8,5% in 2017 (1,5%; 2016), due mainly to the introduction of mortgage cover and increasing activities of the banc assurance channel (i.e. providing multiple services through one touch point). Contributions from family takaful underperformed in both Bahrain and Qatar amidst the economic slowdown. Given the low penetration rate, the increasing awareness and acceptance of and demand for family takaful products, and the growth of private-sector employment, the family Takaful sector is likely to grow further.

In reference to the recently published Global Takaful Directory 2019, the total number of Takaful institutions is estimated at 306, including retakaful and takaful windows offering takaful products in at least 45 countries.

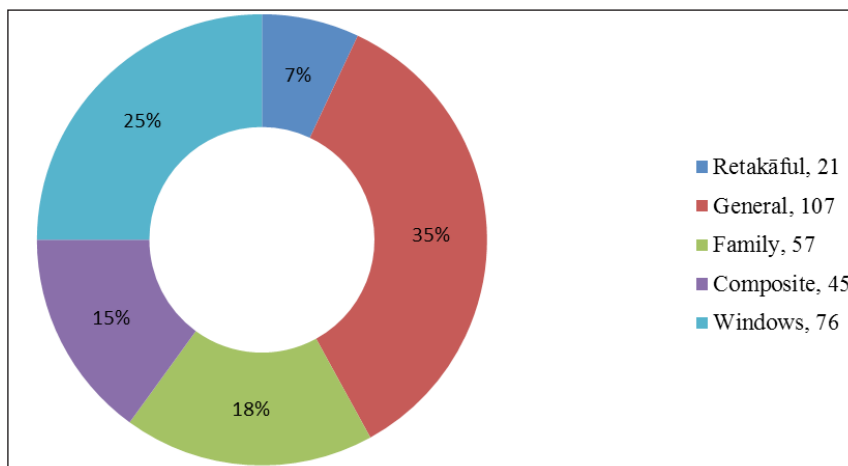


Figure 3 – Number of takaful operators and windows globally (2018)

The majority of these countries have developed specific regulations on the sector, designed for the development of the takaful market. By region, South-East Asia has the largest number of Takaful institutions (30%), followed by GCC and MENA with 27% and 26%, respectively [4]. Breakdown by type of operations is also illustrated in Figure 4.

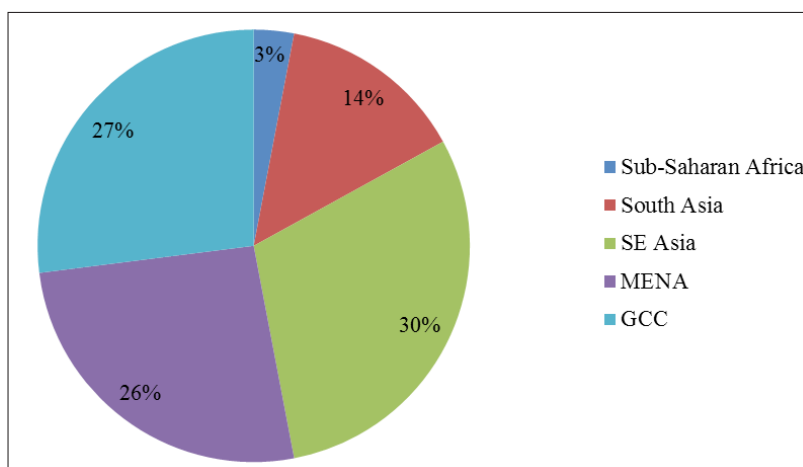


Figure 4 – Number of takaful operators by region (2018)

Given the significant presence of the Muslim population in these countries, takaful has significant opportunities to provide reliable financial protection that meets with the religious feelings of consumers [5]. However, the success of such operators depends on the creation of strong business profiles, as more established ones.

Insurers are already benefiting from greater brand recognition and established distribution networks. In addition, additional support from the Sharia

Scientists in promoting takaful products are important for the growth of the takaful sector.

LIST OF LITERATURE

- 1 Интернет-источник: официальный сайт ТОО «Istisna'a Corporation»: <http://www.istisna.kz>.
- 2 See Swiss Re Sigma, World Insurance in 2017, № 3, 2018, p. 7: <https://www.marketwatch.com>.
- 3 Saudi Arabian Monetary Authority Annual Report, 2018: <https://www.meinsurancereview.com>.
- 4 Islamic Financial Services Board, 2019.
- 5 Официальный сайт ОВС «Халалное страхование «Такафул»: <http://takaful-kz.narod.ru/index/0-39>.

Аңдатпа

Такафул – бұл сақтандырушылар өз қаражаты есебінен өмірдегі белгілі бір жағымсыз жағдайлардан өзара қаржылық қорғауды ұсыну үшін арнайы сақтандыру қорын құратын жүйе. Қатысушылардың біреуінде көрсетілген жағымсыз жағдай орын алған жағдайда қордың қаражатынан сақтандыру өтемін төлеу жүргізіледі. Осылайша, сақтандыру қорының қатысушылары барлық тәуекелдер мен шығындарды өзара бөледі. Қорда тапшылық пайда болған жағдайда оны жабу бойынша ортақ жауапкершілікті қатысушылар өз (қосымша) қаражаты есебінен көтереді. Ислам сақтандыру ұйымының пайдасы такафул қорын басқарудың таңдалған моделінің түріне қарай қалыптасады. Мақала бірқатар елдерде исламдық сақтандыру жүйесін дамытуға арналған. Мақалада Судан, Сауд Арабиясы, Малайзия сияқты мемлекеттердің тәжірибесі талданады. Бұл мемлекеттер исламдық сақтандыруды дамытудағы пионерлер болып табылады. Әрбір елде исламдық сақтандырудың ерекше тәжірибесі жинақталған, өз жұмысында такафул принциптерін пайдаланатын сақтандырушылардың мәртебесі мен қызметін құқықтық реттеуде елеулі айырмашылықтар бар. Жүргізілген талдау исламдық сақтандырудың даусыз көшбасшысы осы нарықтың жартысын алып отырған Сауд Арабиясы болып табылатынын көрсетті, одан кейін Оңтүстік Парсы шығанағы мен Шығыс Азия елдері жүреді. «Такафул–2019 жаһандық каталогында» жақында жарияланған талдау деректеріне сәйкес, такафул мекемелерінің жалпы саны 306-ны құрайды, олардың ішінде кемінде 45 елде такафул өнімдерін ұсынатын «ретакафул» және «такафул» терезелері бар.

Тірек сөздер: исламдық қаржыландыру, сақтандыру, такафул, басқару моделі, талдау, сақтандыру қоры, тәуекелдер.

Аннотация

Такафул – это система, в которой страхователи за свой счет создают специальный страховой фонд для обеспечения взаимной финансовой защиты от определенных неблагоприятных событий в жизни. В случае возникновения указанного неблагоприятного события для любого из участников страховое возмещение выплачивается из фонда, т.е. участники страхового фонда делят все риски и убытки между собой. В случае недостаточности средств в фонде участники несут солидарную ответственность за их покрытие за счет собственных (дополнительных) средств. Прибыль исламской страховой организации формируется на основе типа выбранной модели управления такафул фондом. Статья посвящена развитию исламской системы страхования в ряде стран. В ней анализируется опыт таких государств, как Судан, Саудовская Аравия, Малайзия. Эти государства являются пионерами в развитии исламского страхования. В каждой стране накоплен оригинальный опыт исламского страхования, имеются существенные различия в правовом регулировании статуса и деятельности страховщиков, использующих в своей работе принципы такафула. Проведенный анализ показал, что бесспорным лидером исламского страхования является Саудовская Аравия, которая занимает половину этого рынка, за ней следуют страны Юго-Персидского залива и Восточной Азии. Согласно аналитическим данным, недавно опубликованным в «Глобальном каталоге такафул–2019», общее количество учреждений такафул оценивается в 306, включая окна «ретакафул» и «такафул», предлагающие продукты такафул по меньшей мере в 45 странах.

Ключевые слова: исламские финансы, страхование, такафул, модель управления, анализ, страховой фонд, риски.