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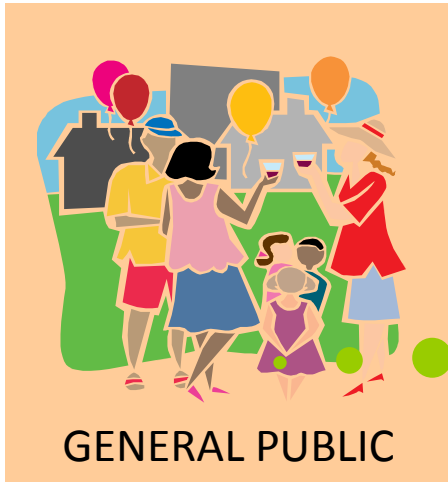
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# Communicating Takaful

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# Background



HIGH PROPENSITY TO CONSUME

TAKAFUL

RISK MANAGEMENT SOLUTION

ADHERENTS

HIGH PROPENSITY TO CONSUME

RELIGION

OPTIMAL

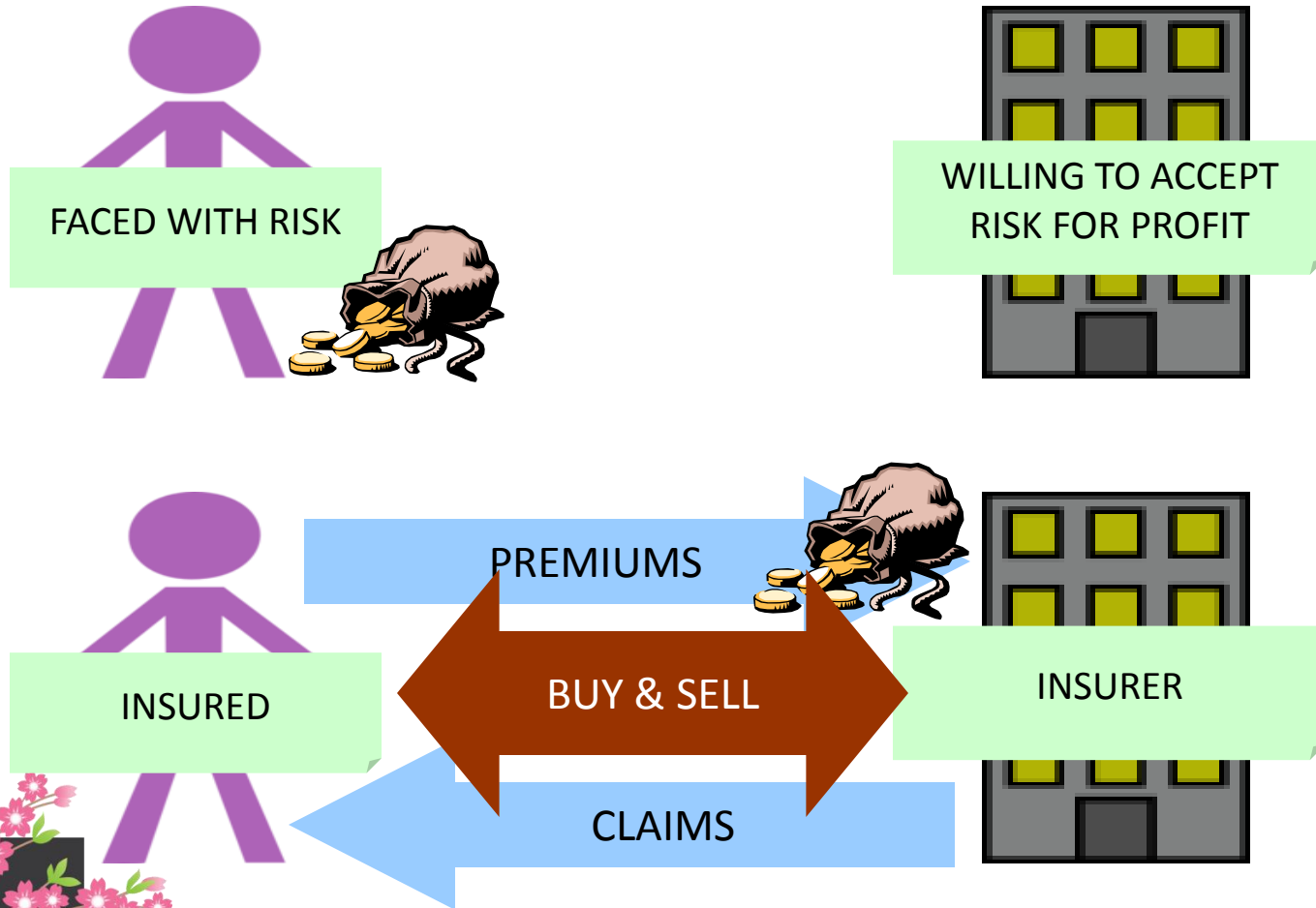


NON ADHERENTS

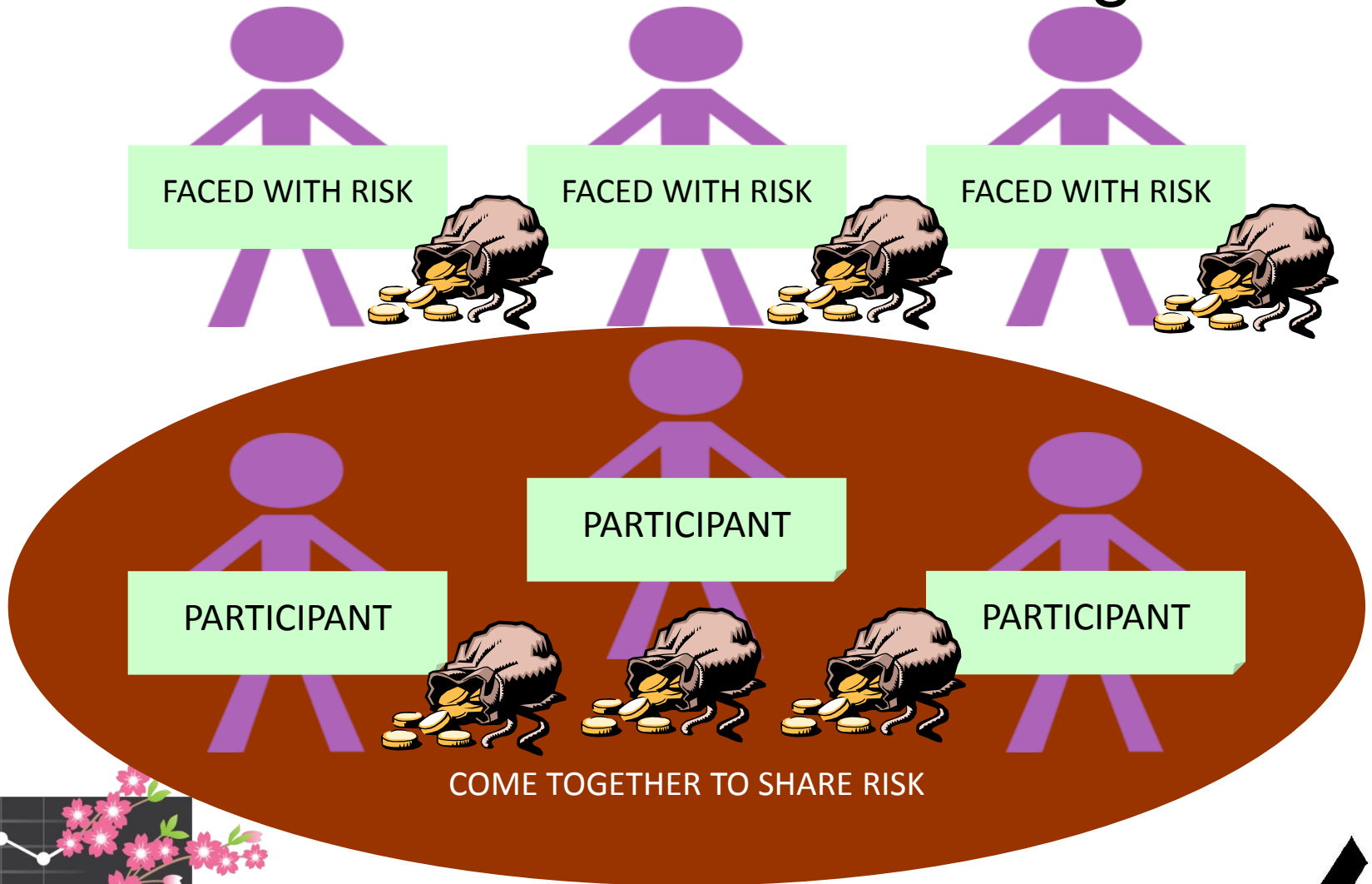
LOW PROPENSITY TO CONSUME



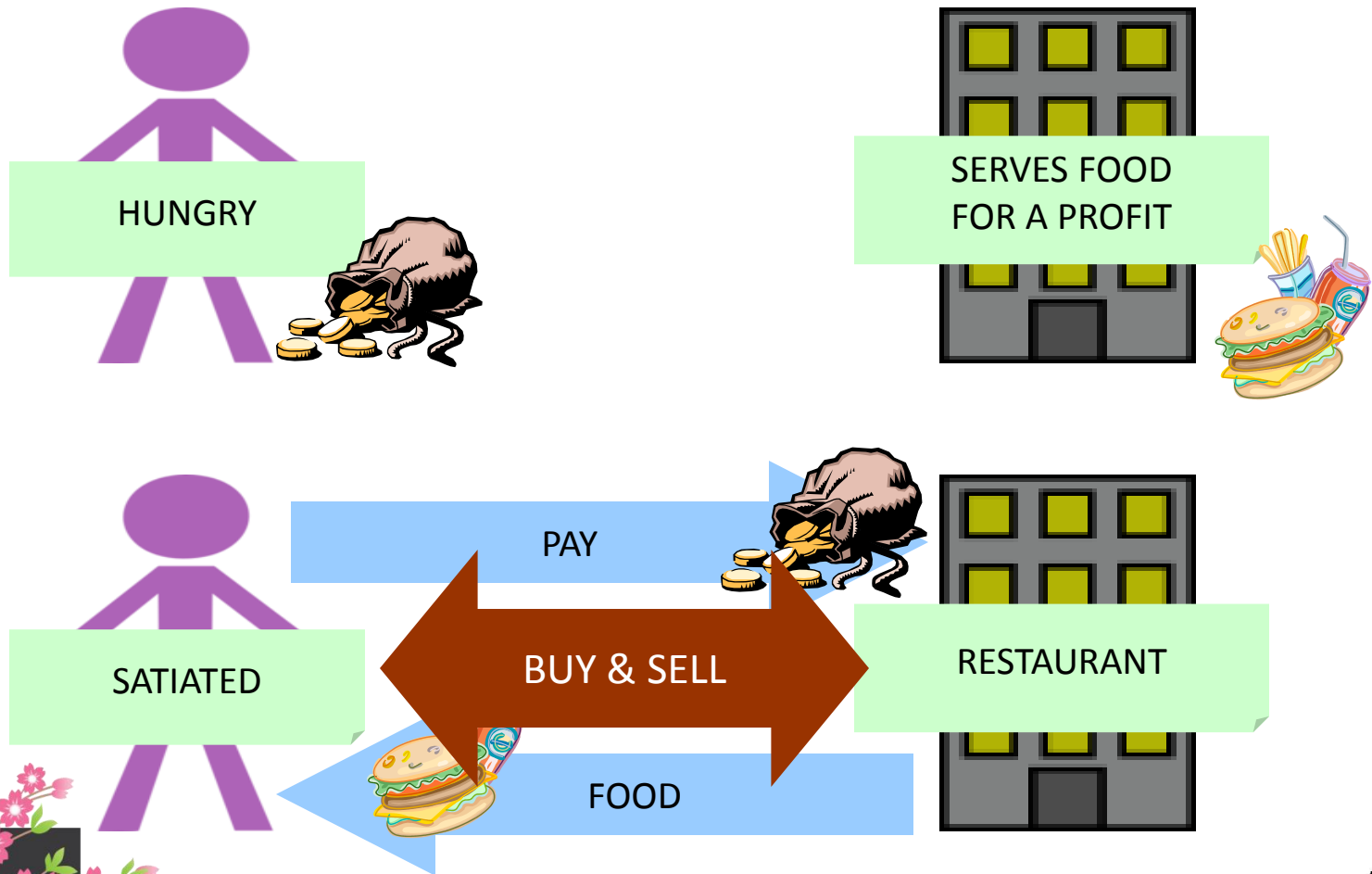
# Insurance and Risk Transfer



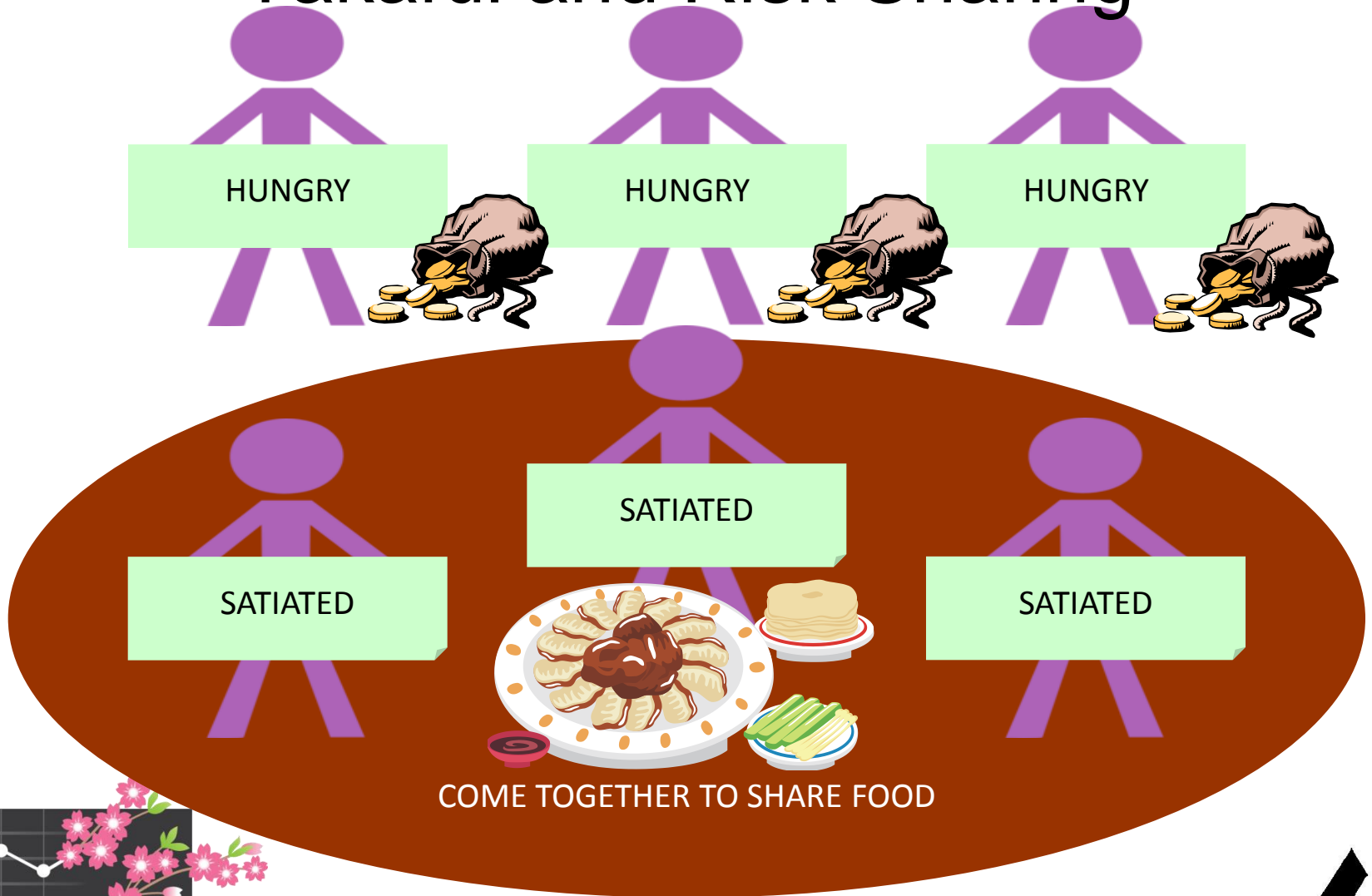
# Takaful and Risk Sharing



# Insurance and Risk Transfer



# Takaful and Risk Sharing



# Form vs Substance

INDIFFERENT

HAVING A MEAL IN A RESTAURANT  
OR IN A POTLUCK GATHERING

USING INSURANCE OR TAKAFUL TO  
MANAGE RISK

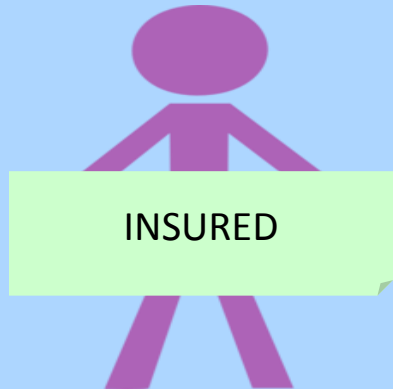
DIFFERENT

MANAGING A RESTAURANT AND  
ORGANISING A POTLUCK  
GATHERING ARE VERY DIFFERENT  
TASKS

ROLE OF AN ACTUARY IN  
INSURANCE AND IN TAKAFUL



# Insurance and Risk Transfer



INSURED

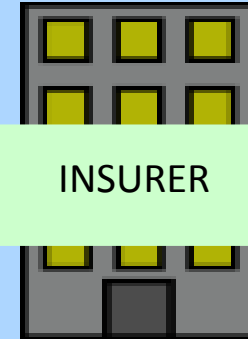
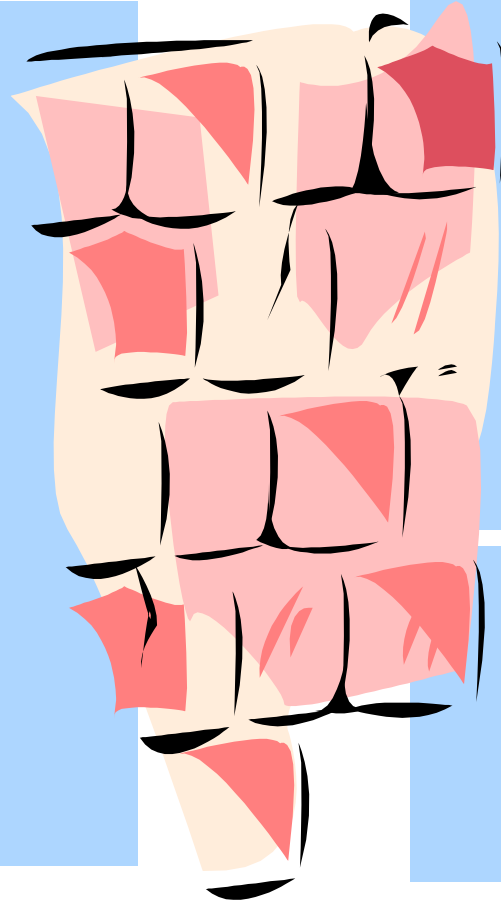
PAYS PREMIUM OF 1

IF CLAIM HAPPENS

RECEIVES 100

IF NO CLAIM HAPPENS,

RECEIVES 0



INSURER

1000 INSUREDS

TOTAL PREMIUMS 1000

IF 5 CLAIM EVENTS,

PAY 500, SURPLUS 500

IF 20 CLAIM EVENTS,

PAYS 2000, DEFICIT 1000



**DEFINITE FINANCIAL OUTCOME**





# Takaful and Risk Sharing



PARTICIPANT

CONTRIBUTES 1

IF CLAIM HAPPENS

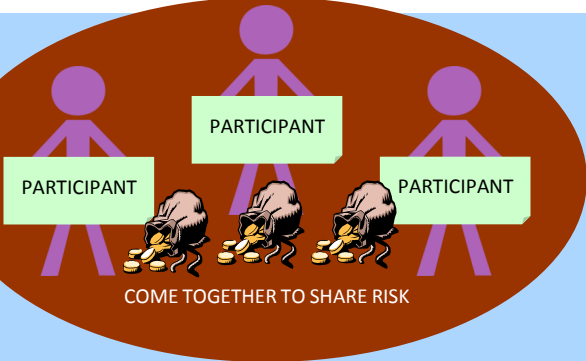
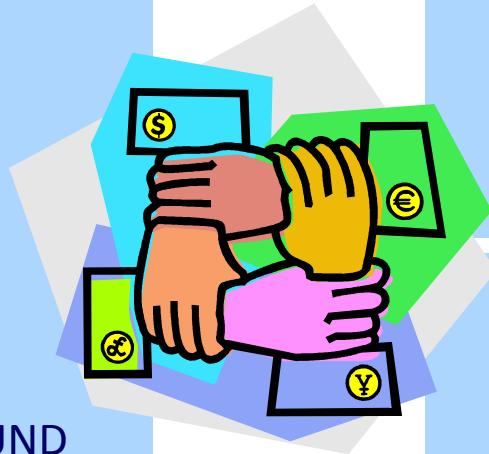
RECEIVES 100

IF NO CLAIM HAPPENS,

RECEIVES 0

IF SURPLUS, RECEIVES REFUND

IF DEFICIT, CONTRIBUTES MORE



PARTICIPANT

PARTICIPANT

PARTICIPANT

COME TOGETHER TO SHARE RISK

1000 PARTICIPANTS

TOTAL CONTRIBUTION 1000

IF 5 CLAIM EVENTS,

PAY 500, SURPLUS 500

IF 20 CLAIM EVENTS,

PAY 2000, DEFICIT 1000



**VARIABLE FINANCIAL OUTCOME**



# Which is the better product?

NOT POSSIBLE TO DISTINGUISH AT OUTSET WHETHER TAKAFUL OR INSURANCE RESULTS IN HIGHER EVENTUAL FINANCIAL VALUE.

TAKAFUL AND INSURANCE ARE NOT DIRECT, PERFECT SUBSTITUTES.

IT CAN BE ARGUED THAT, CETERIS PARIBUS, TAKAFUL IS BETTER DUE TO UNDERLYING ELEMENTS OF MUTUAL HELP WHICH IS BENEVOLENT IN NATURE.

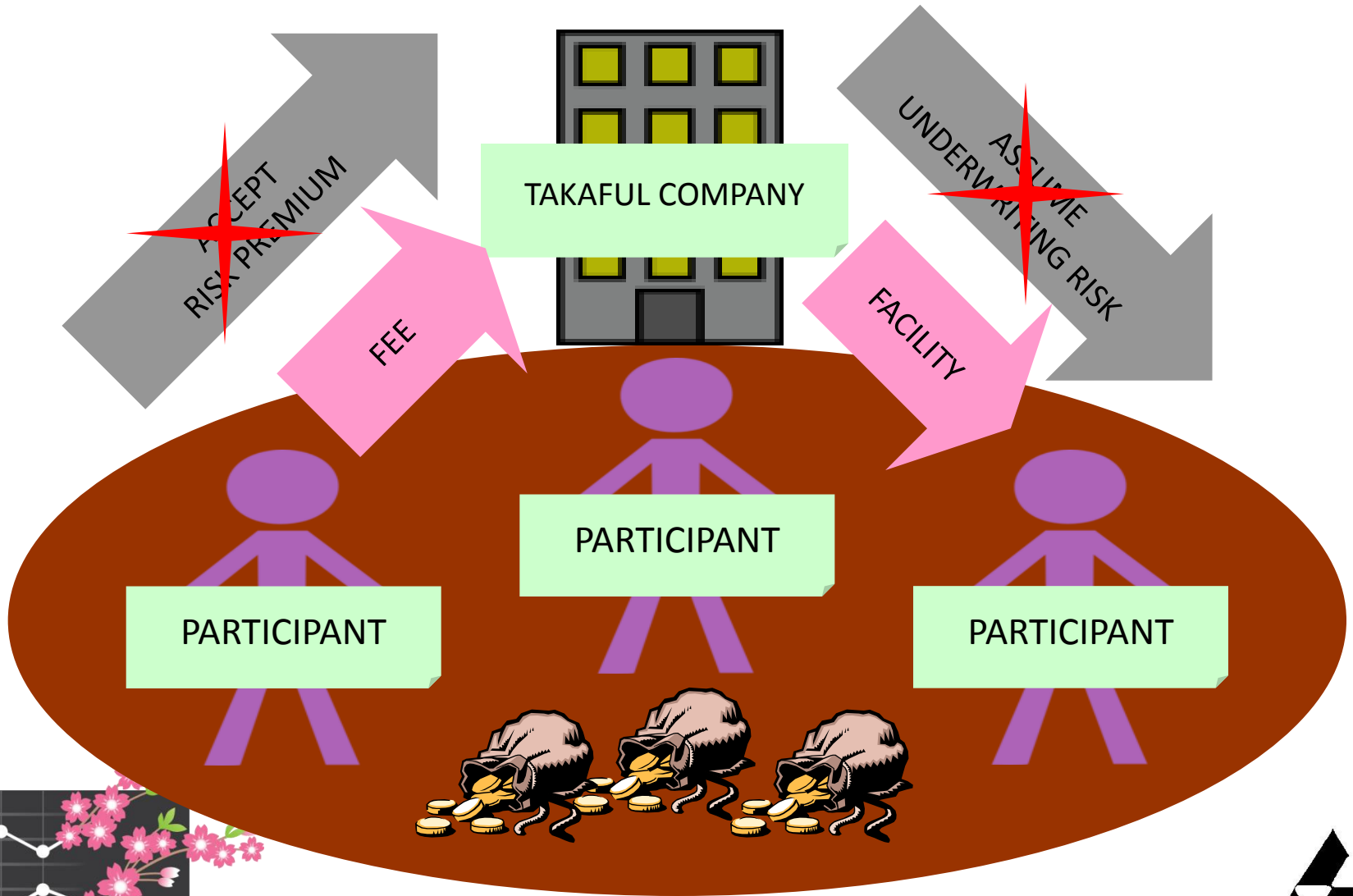
BUT:

- ARE CONSUMERS ALWAYS SEEKING TO HELP EACH OTHER?
- DO CONSUMERS FACE FINANCIAL CONSTRAINTS?
- DO CONSUMERS UNDERSTAND HOW TAKAFUL RELATES TO HELPING EACH OTHER?

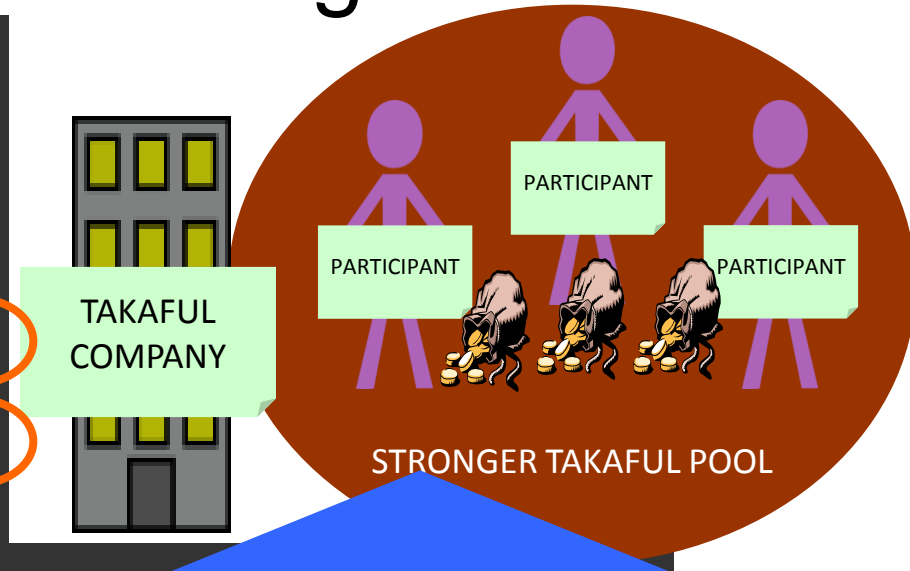
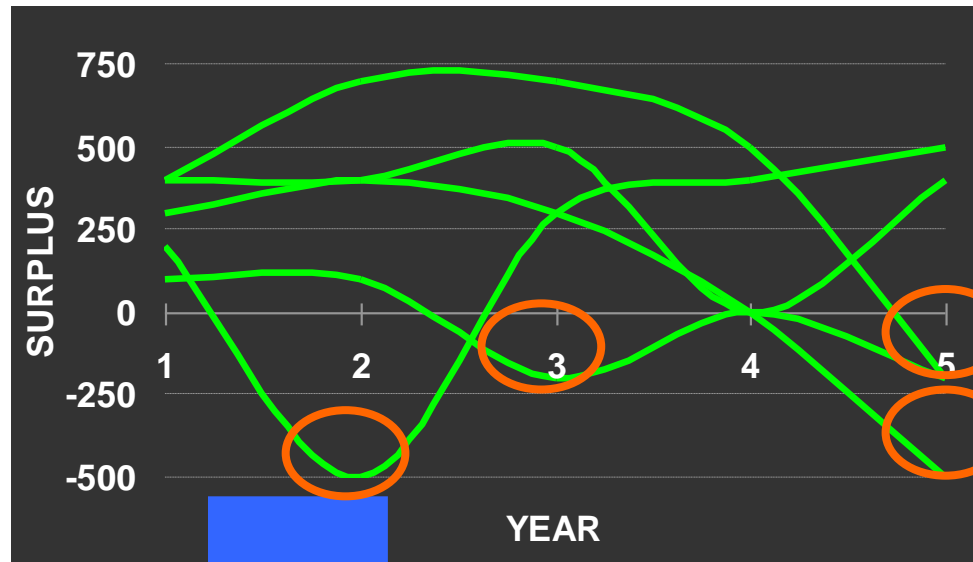
THE SUITABILITY OF A FINANCIAL PRODUCT ULTIMATELY DEPENDS ON SPECIFIC FINANCIAL CIRCUMSTANCES.



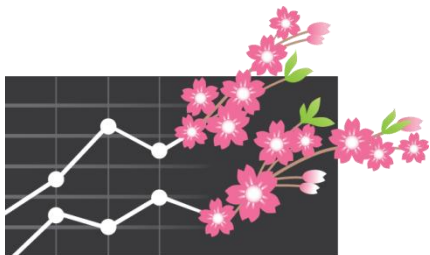
# Administration



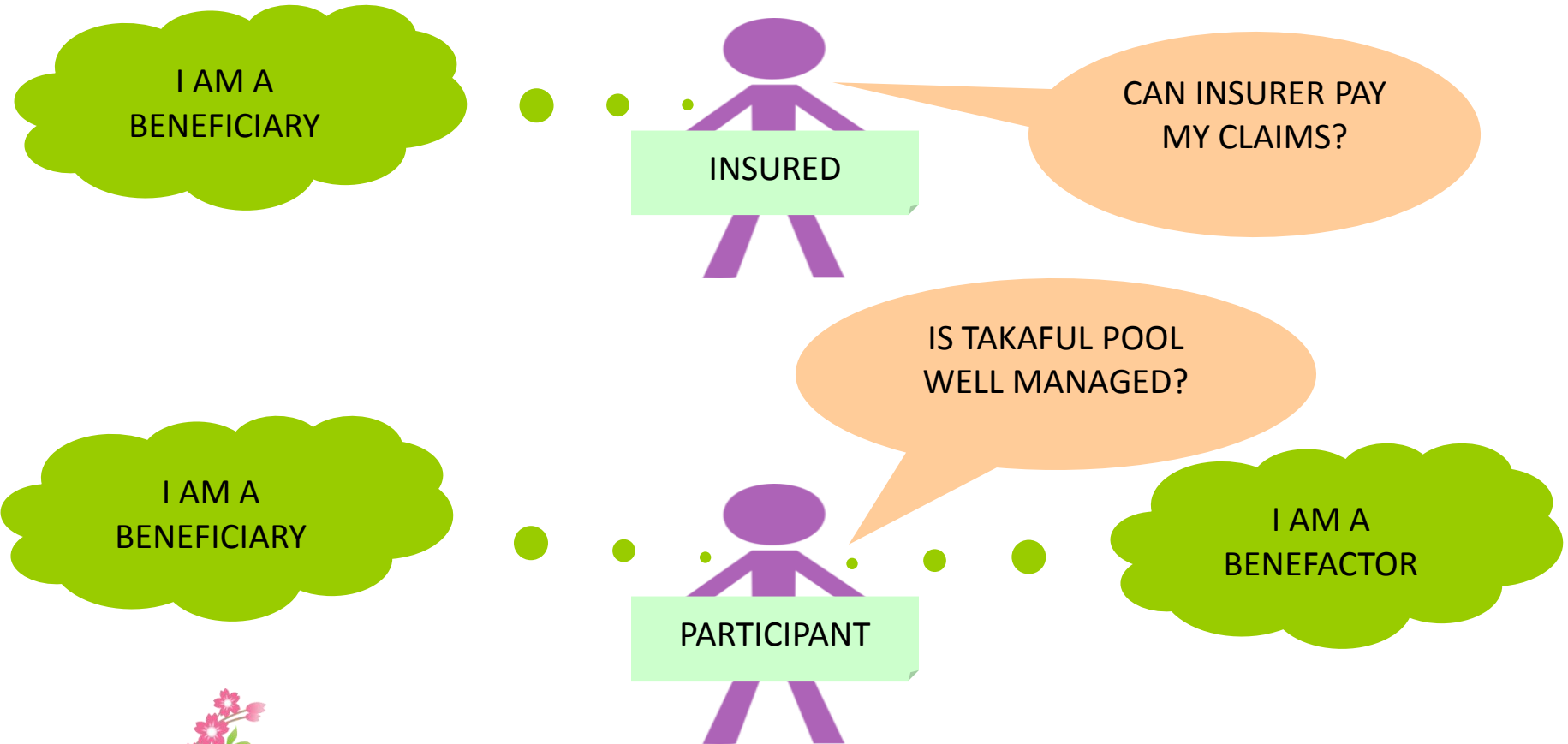
# Financial Backing



ACTUARIAL  
TECHNIQUES



# Transparency and Fairness



**OBJECTIVE IS TO BENEFIT TOGETHER**



# Questions?

