Takaful insurance in Ethiopia: prospects and challenges

By: Fikru tsegaye wordofa

A market with great potential- November 2023

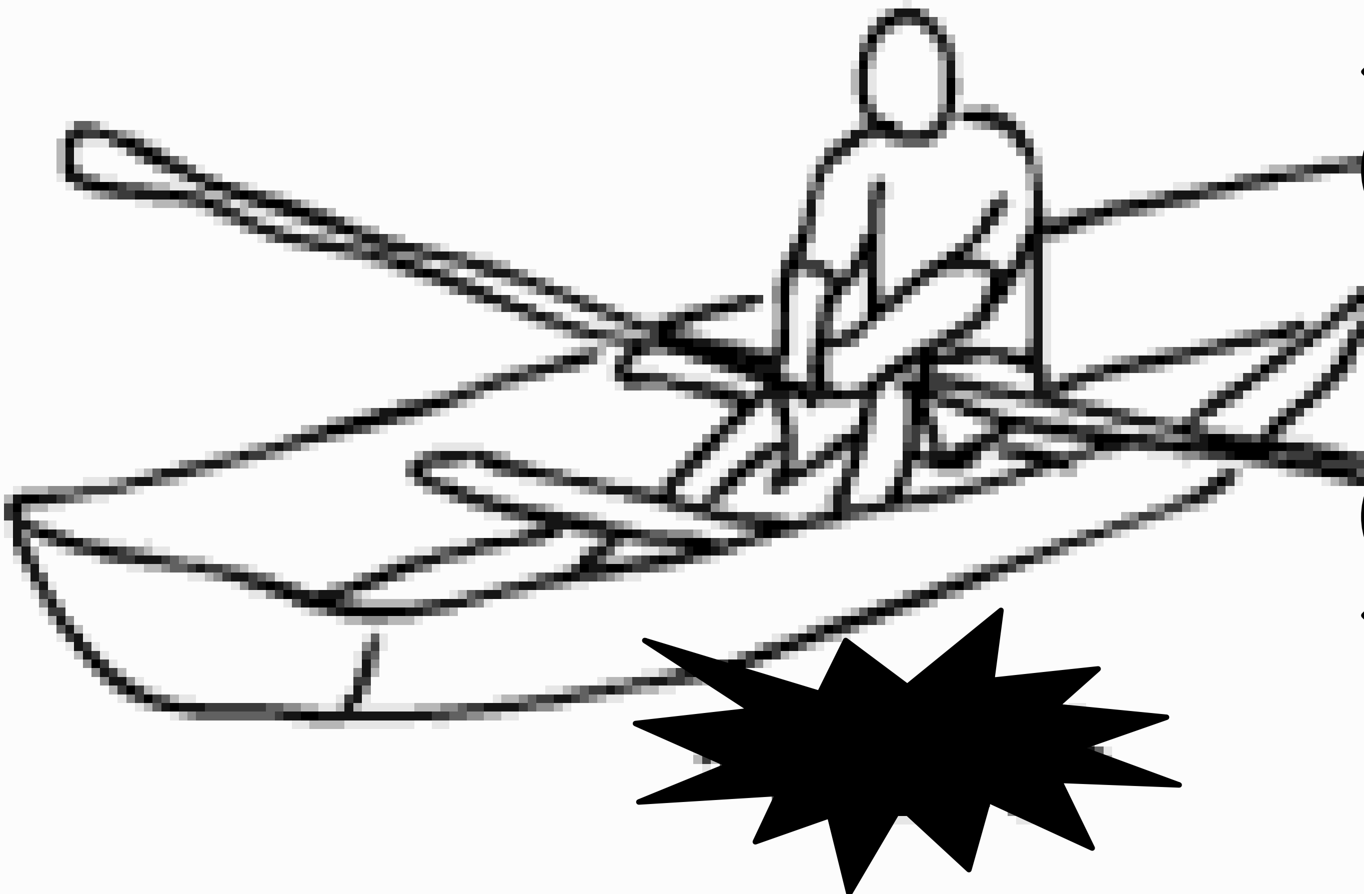
Brief Profile : Fikru Tsegaye wordofa

Fikru Tsegaye Wordofa
(Author)

- (CTP, ARA, ACS, FLMI, ALMI, Exec-IB&F, Cert- CII, MBA, MA (J&C), MA (HROD), MBA (IB&F), BA, BSC)
- 19+years of experience: Executive Officer (EO) Strategy &BD, Company secretary-Ethio-Re

- Winner of AIO Book Award-2023 (Algeirs)

Outline



- Takaful: Basic concepts
- Prospects and challenges
- The road ahead

1

Basic Concepts

Takaful (Islamic Insurance): Different names: same concept)

- ✓ Takaful Insurance
- ✓ Islamic insurance,
- ✓ Halal insurance,
- ✓ Ethical insurance,
- ✓ Islamic mutual insurance,
- ✓ Islamic-alternative Insurance

- ✓ Sharia compliant Insurance,
- ✓ Riba free Insurance
- ✓ Co-operative insurance and
- ✓ Community insurance.

Meaning of Takaful

- "Takaful" is the Sharia Compliant brand name for the Islamic alternative to conventional insurance.

DIFINING ELEMENTS:

- Under takaful arrangements, investments permitted are those who respect the Islamic religious law (Sharia)
- These principles are derived from the prohibition of three practices by Sharia law that are the **Riba (interest), the Gharar(uncertainty), and the Maysir/Qimaar(gambling).**

- ✓ In Ethiopia, studies have convincingly shown that the potential for General and Family Takaful exists and
- ✓ Accordingly, National Bank of Ethiopia (NBE) , has issued a directive to license a Takaful Operator or authorize a Takaful Window Operator No. STB/1/2020 in accordance with Article 60(1&2 and 64(2) of the Insurance Business Proclamation No. 746/2012 as amended by the Insurance Business (amendment) Proclamation No.1163/2019.

STB/1/2020 DEFINES TAKAFUL AS FOLLOWS:

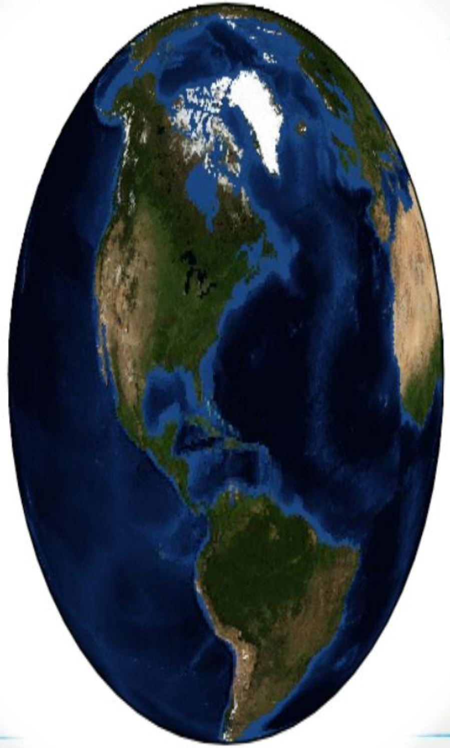
- "takaful" means Cooperation between members of a community whereby each member undertakes to contribute a certain sum of money to a fund which will be used mutually to assist the members against a defined loss or damage".

- *A Directive to License a Takaful Operator of Authorize a Takaful Window Operator No. STB/1/2020*

2

TAKAFUL: Market Developments

Global Takaful Market Development



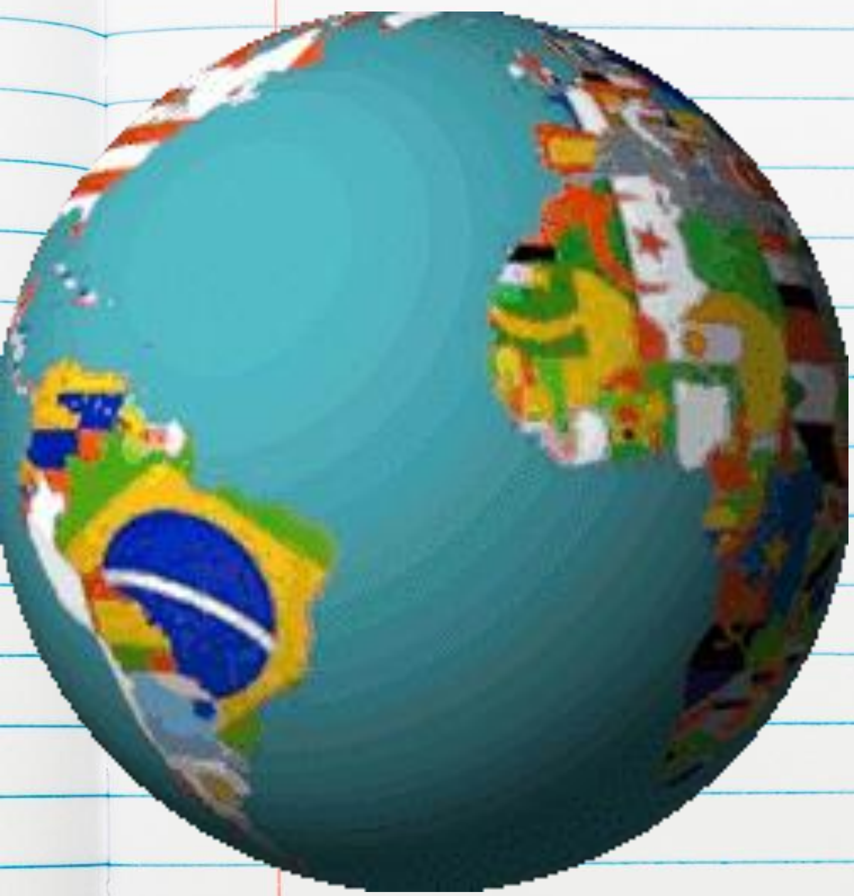
- The Global Takaful Insurance Market is valued at approximately USD 28.5 billion in 2021 and is anticipated to grow with a healthy growth rate of more than 14.6 % over the forecast period 2022-2028

Source: Market Size: 2022

GROWTH-GWP

According to Allied Market Research, Global Takaful Insurance Market is projected to **Generate $97.17 Billion by 2030.**

Source: AMR: 2022

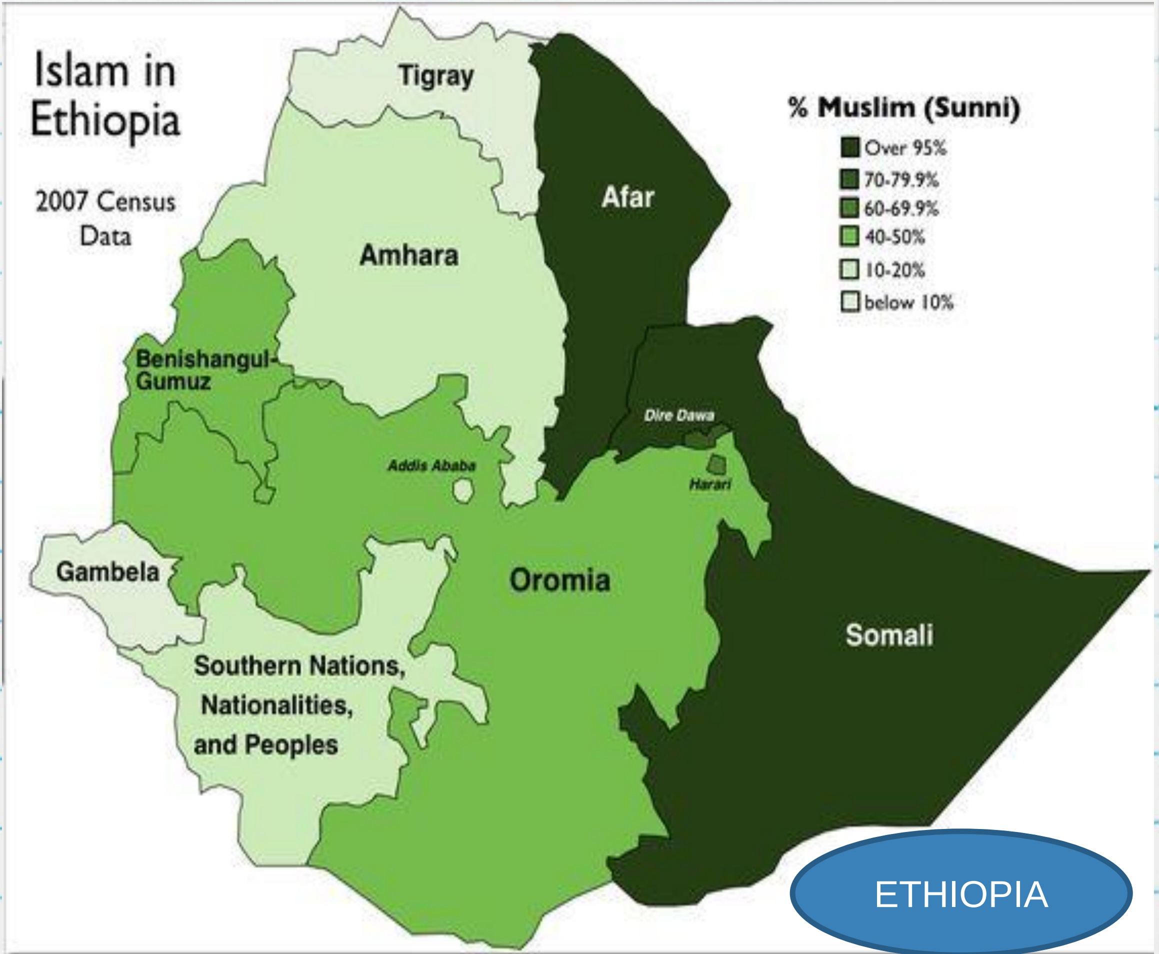


GROWTH: MORE THAN CONVENTIONAL

- witnessing a CAGR of 14.6% from 2021 to 2030.
- It was also projected that the Family Takaful segment will register the highest CAGR of 16.3% during the period 2021-2030.

3

ETHIOPIA: EPITOME OF ISLAM RELEGION

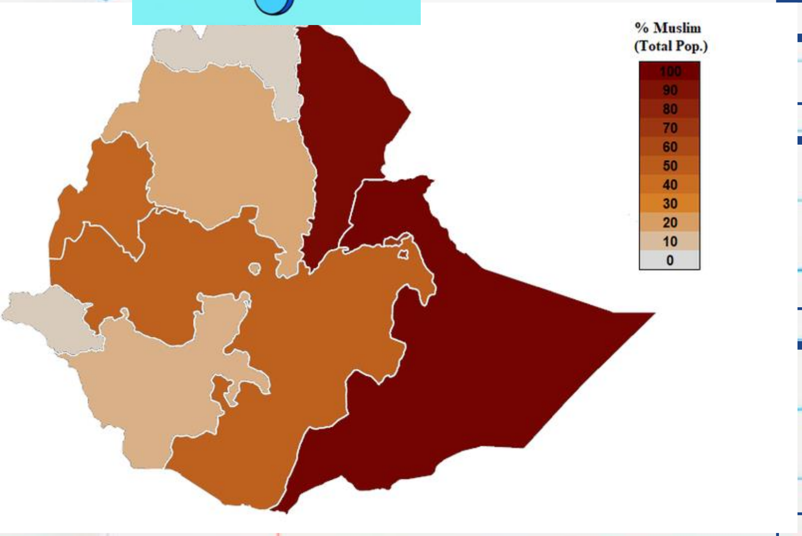


ETHIOPIA

DID YOU KNOW?

- It is agreed by Islamic scholars that Najashi gave shelter to Muslim emigrants around 615–616
- Prophet Mohammed PBUH saw " It was the first hijra (migration) in Islam history.
- Ethiopia (Abyssinia or Al-Habasha) is known as the "Haven of the First Migration or Hijra."
- Records show that Bilal ibn Ribah, the first Muezzin, the person chosen to call the faithful to prayer, and one of the foremost companions of Muhammad, was born in Mecca to an Abyssinian mother.

Large population: potential market



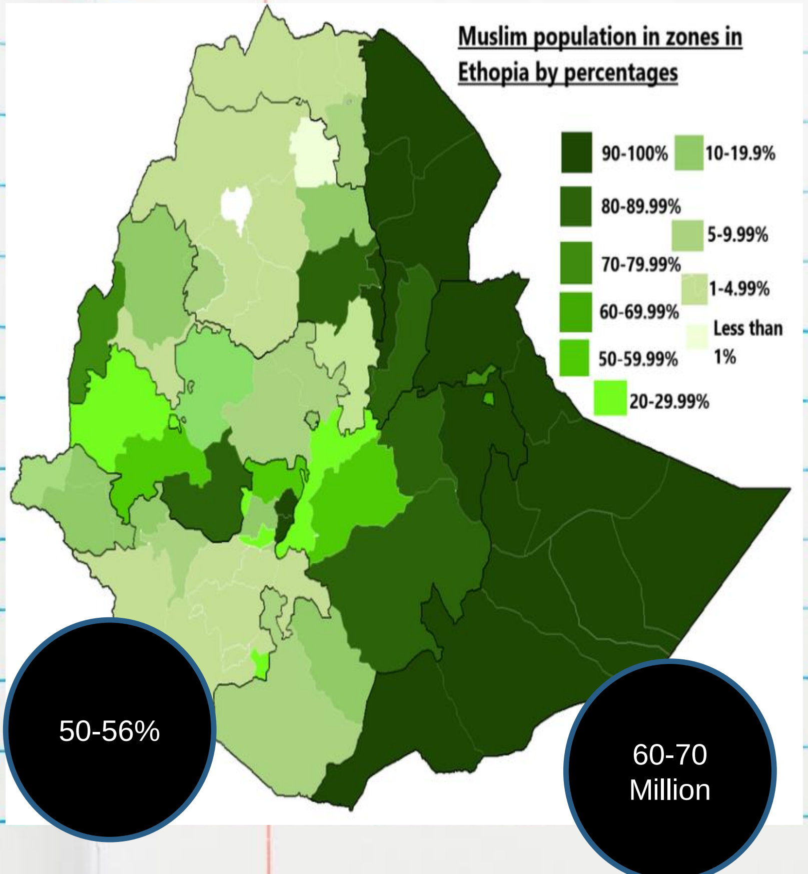
- Islam is the second-largest religion in Ethiopia and the total population is estimated at around 123.5 million as of 2022.
- Islam is the second most followed religion, with 33.9% of the population being adherents. Ethiopian Orthodox 43.8%, Muslim 31.3%, Protestant 22.8%, Catholic 0.7%, traditional 0.6%, other 0.8% (2016 est.).
- Unfortunately, the last national census was conducted in the year 2007. Hence, as per the Central Statistical Authority (CSA) governmental data, Muslims are 33.9% of the population, up from 32.8% in 1994 (according to the census data of that year).
- Before the publication of the 2007 census results, however, the U.S. State Department estimated that "approximately 45 percent of the population is Sunni Muslim.

Source: Ethiopian Population estimates: 2022

33.9%

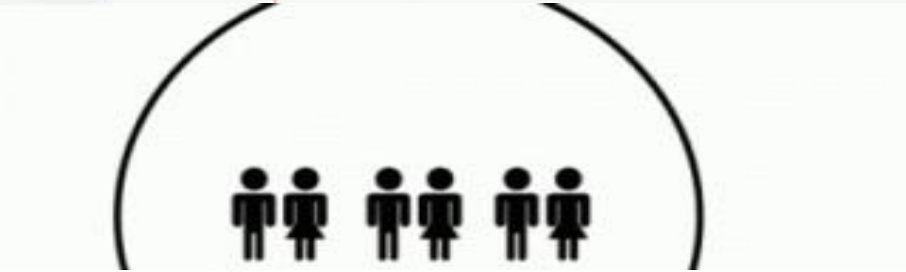
45%

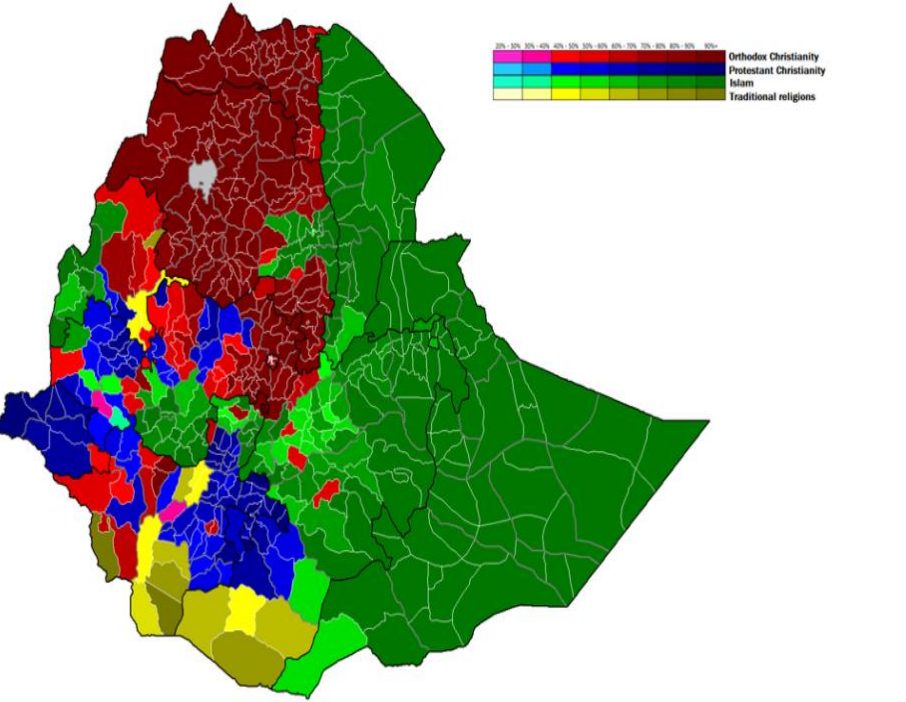
MUSLIM POPULATION: ETHIOPIA



- Islam is most prevalent in the Somali (98.4%), Afar (95.3%), and Oromia (47.5%) Regions.
- Other sources and a country study claimed that Islam made up 50% of the total population
- "According to various sources, the number of muslim population in Ethiopia ranges from a minimum of 31% to a maximum of 56%.
- When computations are made out of the current population in 2022. i.e. 126 million, the number of muslims ranges approximately between 38.2 to 70.6 million".

MUSLIM POPULATION: ETHIOPIA





- Ethiopia is currently one of the fastest growing countries in the world, with a growth rate of 3.02% per year.
- If Ethiopia follows its current rate of growth, its population will double in the next 30 years, hitting 210 million by 2060.

210 million by 2060

GDP OF ETHIOPIA (IMF -2023)

- Ethiopia is Anticipated to Become the Third-largest Economy in the Region – IMF. –
- Increased its prior estimate of the country's GDP in 2023 from $126 billion to $156.1 billion.

- Ethiopia's GDP has been on a constant upward trajectory, driven by developments in the agricultural and infrastructural sectors.

4

The long journey towards Islamic financial services

LONG WALK TO ISLAMIC INSURANCE

- After a long period of informal requests for the Ethiopian government, in 2007, a group of Muslims representing the Ethiopian Muslim Diaspora present several questions to the late Prime Minister of Ethiopia.
- One of the basic questions asked by the Diaspora representatives was permission for Islamic banking in Ethiopia.
- Then, in 2008, a group of Muslims who has an interest to establish Islamic banking in Ethiopia under the brand name “Zam-zam bank” presented the importance of establishing Islamic banking in Ethiopia to the late Prime Minister Meles Zenawi.

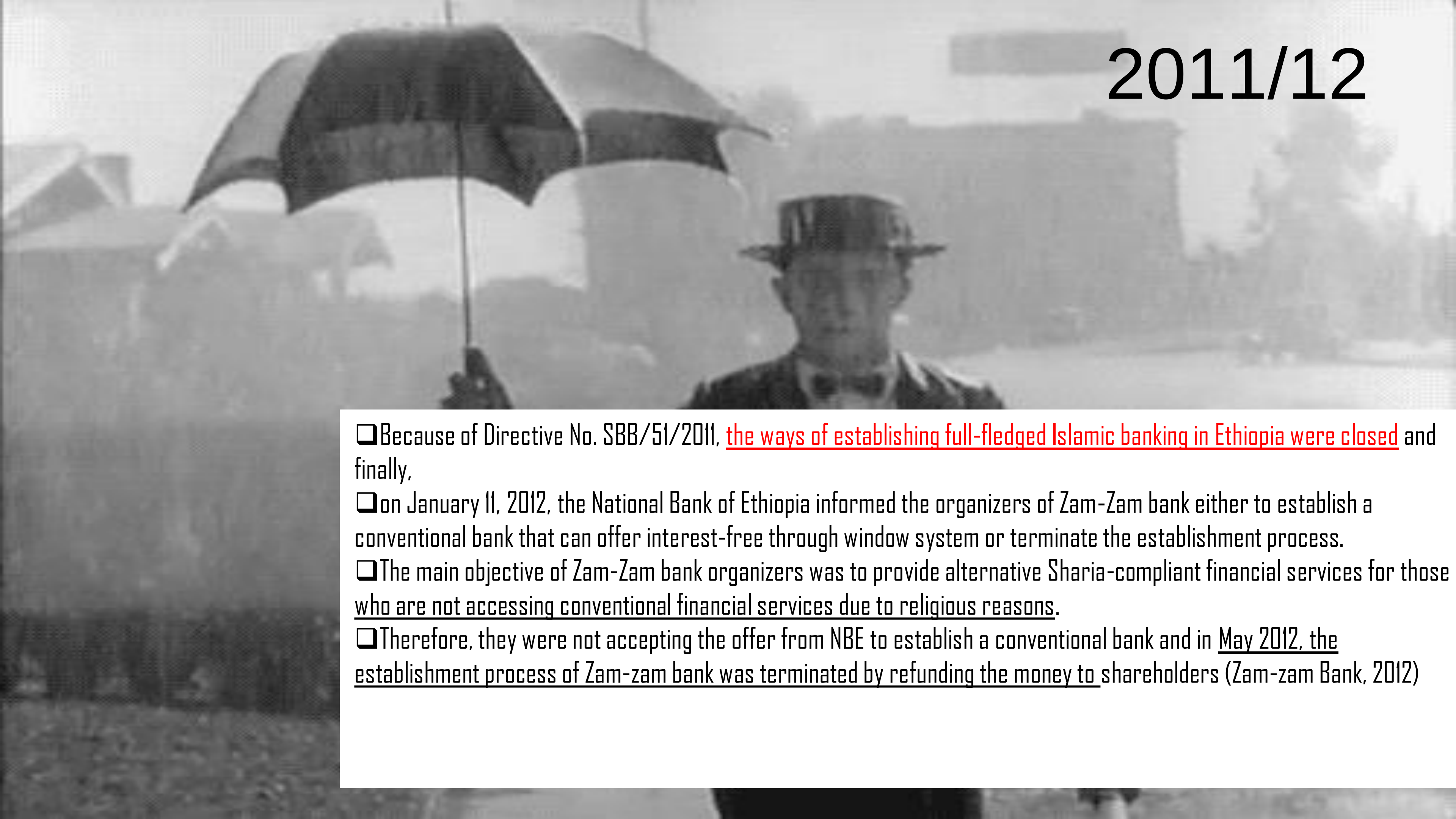
Banking sector: always one step ahead

- Following the high demand for Islamic financial products and services, in 2008, NBE revised the "Licensing and Supervision of Banking Business" proclamation and issued a new proclamation that creates room for establishing Islamic financial institutions.
- The then–issued proclamation was called "Proclamation No. 592/2008" and in this proclamation Article 22, Sub-article 2 states "The National Bank may issue a directive to regulate the banking businesses related to non-interest-bearing deposit mobilization and fund utilization."
- And the move was regarded as a turning point in the Islamic finance history of Ethiopia.
- Following the release of proclamation No. 592/2008, Article 22, Sub-article 2, all conventional commercial banks in Ethiopia started providing interest-free current account deposit services.

Efforts with zam zam bank

- On the other hand, the organizers of Zam-Zam bank started selling the share to establish full-fledged Islamic banking and they were able to raise 137 million Birr within four months.
- At that time, the minimum paid-up capital to establish a bank in Ethiopia was 75 million Birr (Zam-zam Bank, 2012)

2011/12



- Because of Directive No. SBB/51/2011, the ways of establishing full-fledged Islamic banking in Ethiopia were closed and finally,
- on January 11, 2012, the National Bank of Ethiopia informed the organizers of Zam-Zam bank either to establish a conventional bank that can offer interest-free through window system or terminate the establishment process.
- The main objective of Zam-Zam bank organizers was to provide alternative Sharia-compliant financial services for those who are not accessing conventional financial services due to religious reasons.
- Therefore, they were not accepting the offer from NBE to establish a conventional bank and in May 2012, the establishment process of Zam-zam bank was terminated by refunding the money to shareholders (Zam-zam Bank, 2012)

Full-fledged institUions

- Finally, after seven years of exclusive IFB window practice in Ethiopia, the current prime minister of Ethiopia, Abiy Ahmed vowed to permit the establishment of full-fledged interest-free financial institutions on May 22, 2019.
- Following this, over half of the 17 banks have started the service as a window service.
- However, those who want to form a full-fledged IFB saw a ray of hope following a speech by Prime Minister Abiy Ahmed at an Iftar program held at the Millennium hall. Abiy pledged to allow the formation of full-fledged IFB banks and hence Zam-Zam became the first to resume its establishment process.

Promises made by the government

- After the promise made by Dr. Abiy Ahmed, the National Bank of Ethiopia issued a new proclamation known as "Proclamation No, 1159/2019".
- The new proclamation permits the establishment of full-fledged Islamic banking in Ethiopia. Article 59(1) of this proclamation states "Without prejudice to the requirements specified under the provisions of the proclamation, the National Bank may issue a Directive to prescribe additional conditions of licensing, supervision, and requirements to establish Interest-Free Bank.
- For this sub-article, Interest-Free Bank means a company licensed by National Bank to undertake only interest-free banking business."

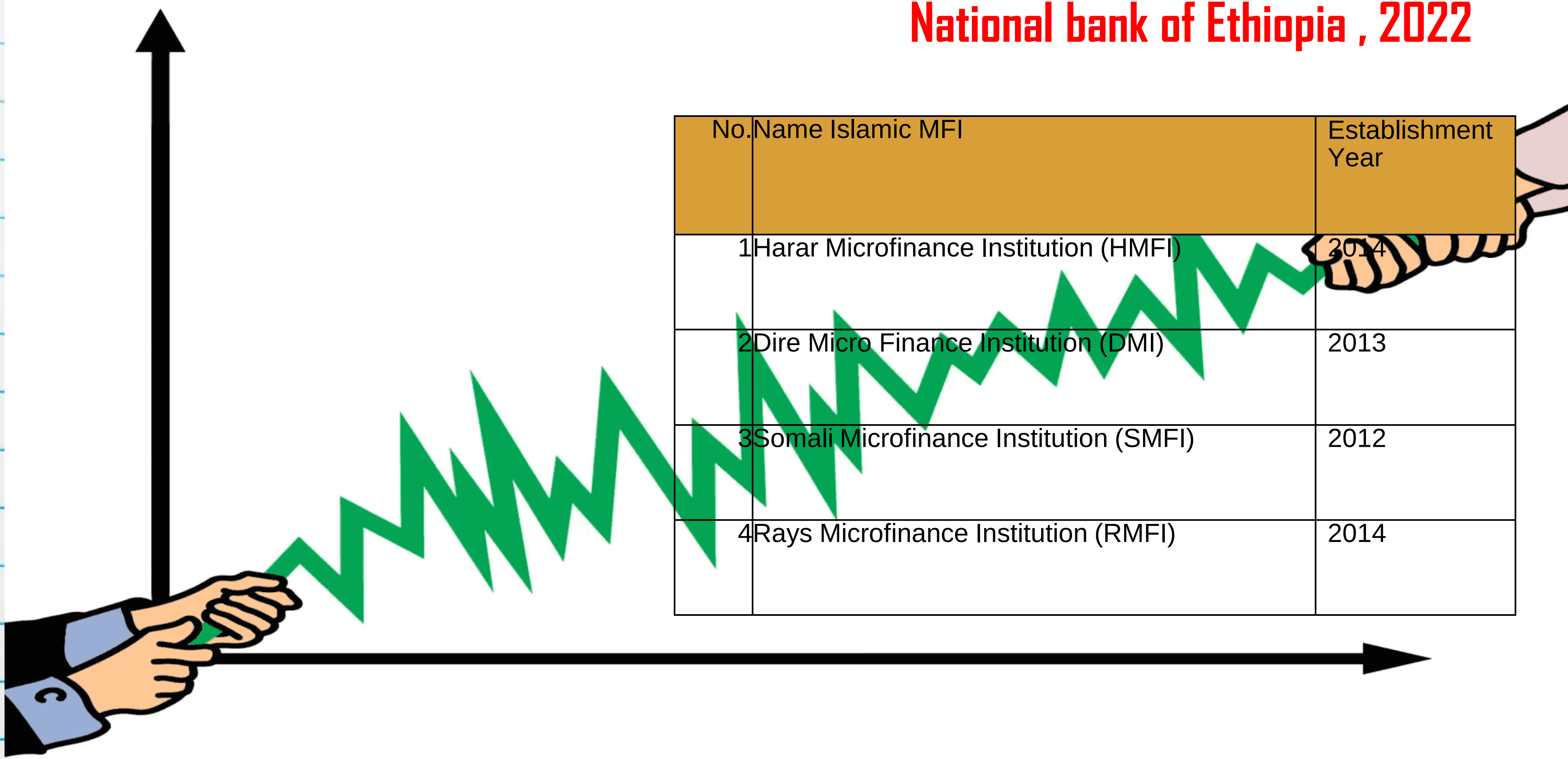
Historically, Zam-Zam Bank, the nation's first fully-fledged, interest-free bank (IFB) to obtain an operating license from the National Bank of Ethiopia (NBE), officially launched in 2021.

List of Full- Fledged Islamic banks in Ethiopia, 2022
National bank of Ethiopia , 2022

No.	Name Islamic Bank	Establishment Year
1	Zam-Zam Bank	**2020**
2	Hijra Bank SC	**2021**
3	Shebelle Bank	**2021**
4	**Rammis Bank**	**2022**

Interest free Microfinance Institutions in Ethiopia, 2022

National bank of Ethiopia , 2022



No.	Name Islamic MFI	Establishment Year
1	Harar Microfinance Institution (HMFI)	2014
2	Dire Micro Finance Institution (DMI)	2013
3	Somali Microfinance Institution (SMFI)	2012
4	Rays Microfinance Institution (RMFI)	2014

The Chronology of Events of the Takaful Industry in Ethiopia.

2008
- NBE indicated Islamic finance on the banking proclamation of 2008

2011
- (NBE) has issued a directive in September 2011 allowing the provision of interest free banking services through dedicated windows in branches of conventional banks. During this period interest free banking services has only contain less than 1% of the banking portfolio in Ethiopia.

2018
- Efforts to create a more hospitable climate for “Islamic financial Services” have been renewed since Prime Minister Abiy Ahmed came to power in April 2018.

2019
- NBE, has allowed fully Islamic law-compliant financial institutions, late June 2019.

2020
- The National Bank of Ethiopia’s Directive No.STB/1/2020, a Directive to license a takaful operator or a takaful window operator,- effective 15th day of June 2020

2022
- Four Insurers in Ethiopia are providing Takaful Insurance.

The long journey towards Islamic financial services

Characterizing the Ethiopian Insurance Industry

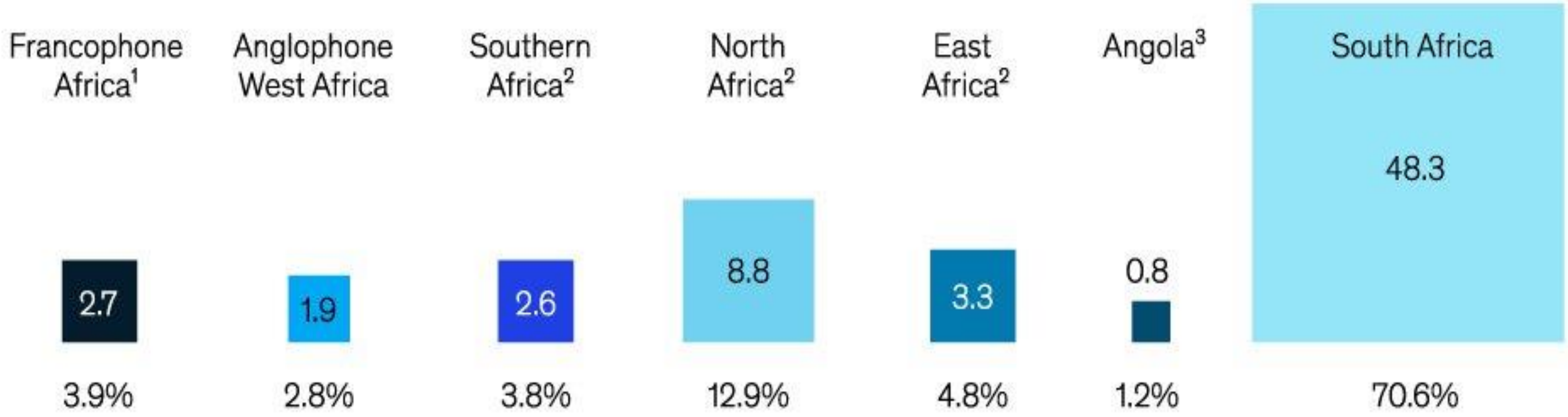
SHARE OF GWP: AFRICA VS. WORLD

- 1% OF INSURANCE
- 2% OF REINSURANCE
- **global insurance premiums** are poised to surpass **USD 7 trillion** for the very first time in **2022** on the back of 6.1% growth
- "Despite having close to 16% of the global population, the current **insurance penetration in Africa is about 3.5%.**"
- 1.4 BILLION :POP

Swiss Re Institute's latest world insurance sigma report, 2022

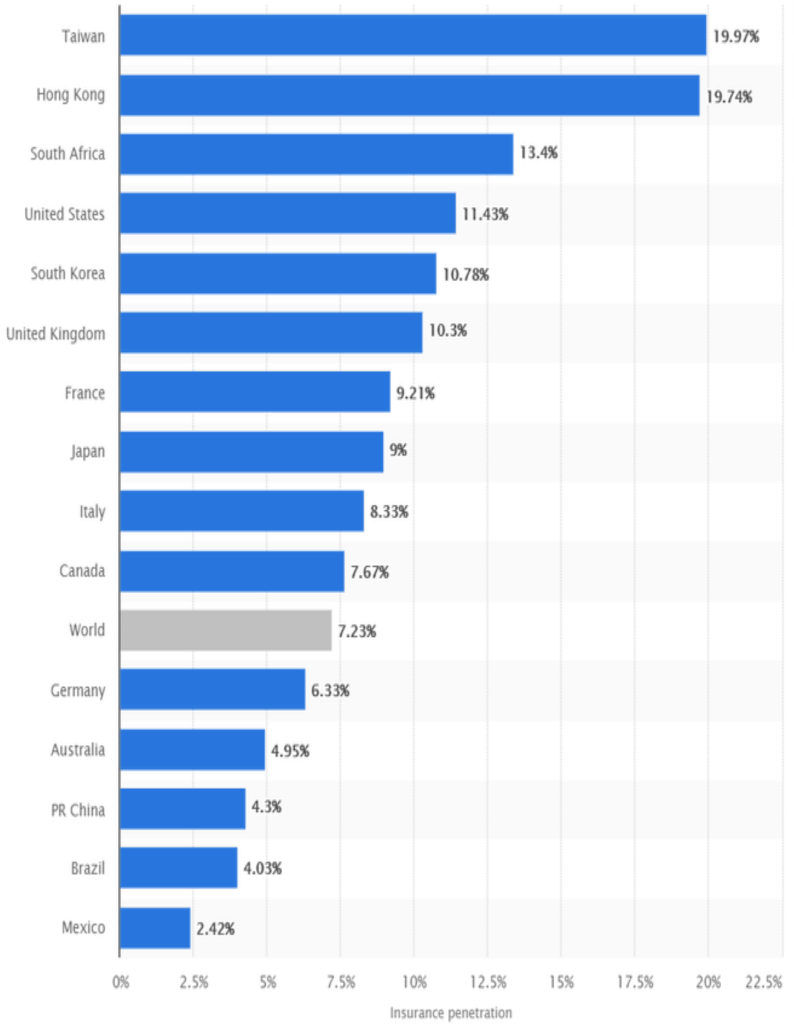
There are six primary insurance regions in Africa, with South Africa constituting around 70 percent of the insurance premiums.

Gross written premium (GWP) in Africa by region (as share of Africa total)



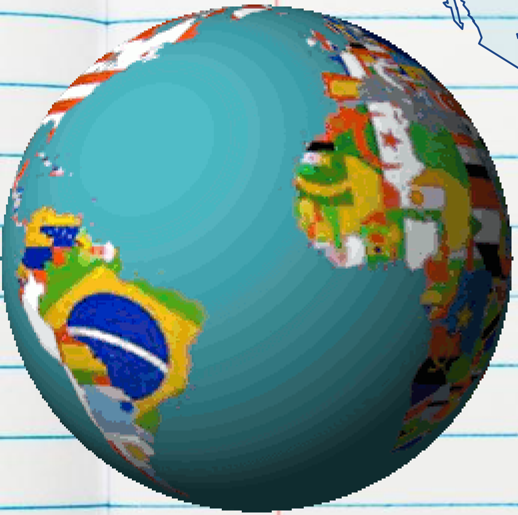
McKinsey & Company

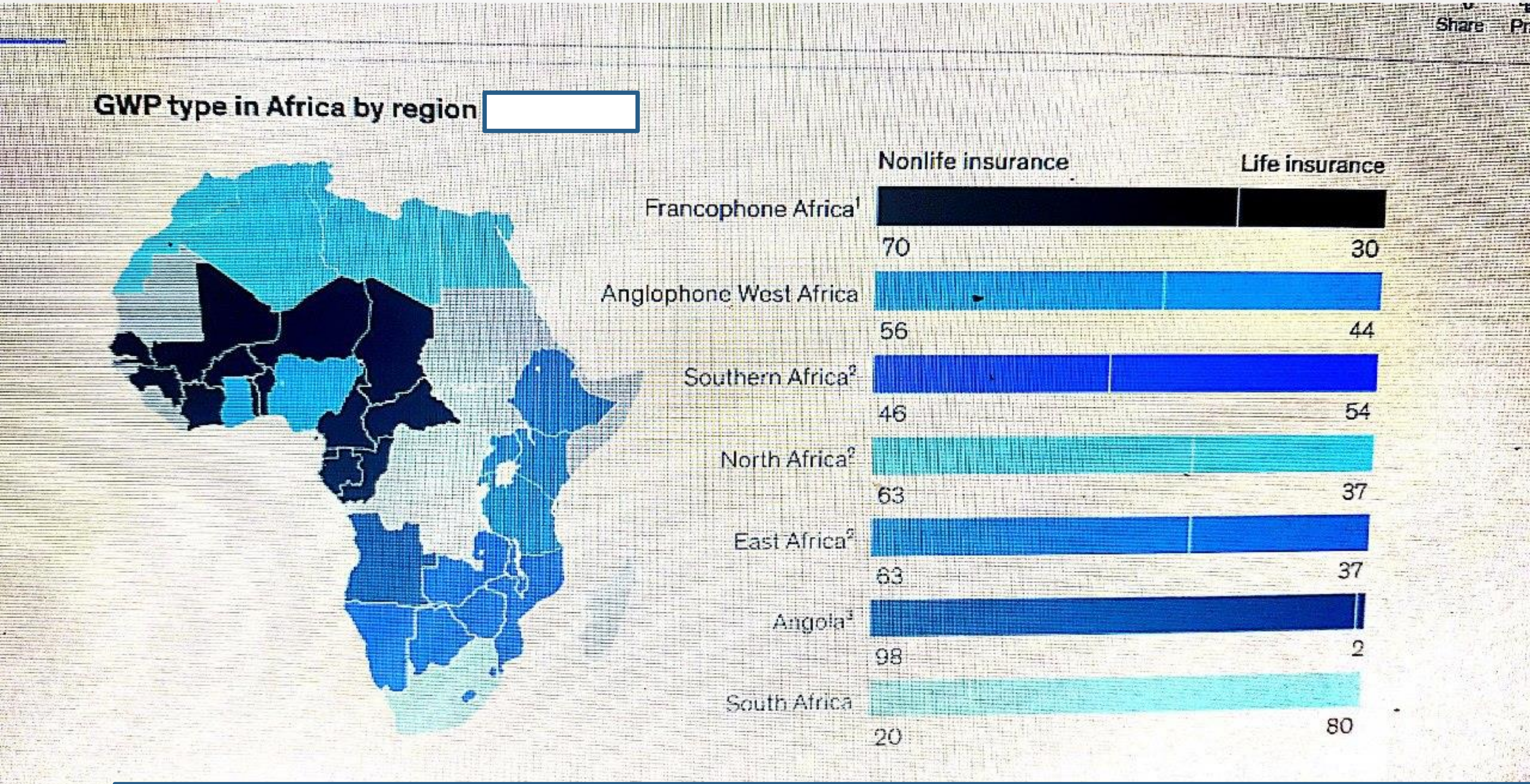
Note: Figures may not sum to 100%, because of rounding.
The boundaries and names shown on this map do not imply official endorsement or acceptance by McKinsey & Company.



For example, **91 percent** of insurance premiums are **concentrated in just 10 countries**, the largest of which, **South Africa, holds 70** percent of the market's premiums

WHERE ARE WE?





Source: McKinsey & Company

Ethiopia vs. Kenya @ 2022/23-brief comparison-where are we?

Ethiopia

- Population -123 million
- Total GWP reached Birr 22.8 billion(407 million usd)
- Insurance density(**the ratio of premiums to population (per capita premium)**.)-2.75usd
- Insurance penetration(premium as percentage of GDP) -0.43%
- Share of life(long term insurance) – 6% app
- Total asset has reached birr 40.8 billion-(app 785.7 million usd)
- Regulation: Licensing of foreign insurers: not allowed-closed door policy
- Insurance supervision: Under NBE
- No insurance academy

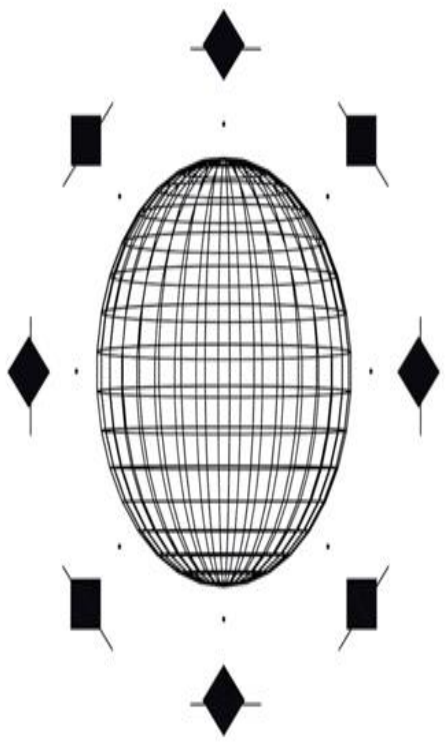
Kenya

- Population- 56.4 million
- Total GWP KES 275 billion (2.8 billion usd)
- Insurance density-45usd
- Insurance penetration -2.92%
- Share of life(long term insurance) – 45.3% app
- Total asset of KES 635.04 billion@ kenya 6.3 billion usd
- Regulation: Licensing of foreign insurers allowed- liberalized
- Insurance Supervision: Independent IRA
- Insurance academy-COI

Source: AIO, NBE, IRA report and own analysis

Ethiopian Reinsurance SC										
Gross Premium and Market Share Overall Business of the EII										
									(In Million Birr)	
SN	Insurance Companies	2022/23			2021/22			Growth		Remark
		Gross Written Premium	Market Share (In %)	Rank	Gross Written Premium	Market Share (In %)	Rank	(In Birr)	(In %)	
1	Abay	678.3	3.0	12	425	2.6	12	253.3	59.6	
2	Africa	1,071.80	4.7	8	583.5	3.5	9	488.3	83.7	
3	Anbessa	869	3.8	11	476	2.9	10	393	82.6	
4	Awash	2,391.40	10.5	2	1,758.00	10.6	2	633.4	36.0	including Takaful Birr 40.0 milion for 2022/23
5	Berhan	410.4	1.8	15	242	1.5	15	168.4	69.6	
6	Bunna	925	4.0	9	473.2	2.9	11	451.8	95.5	
7	EIC	6,901.50	30.2	1	6,545.00	39.5	1	356.5	5.4	
8	Ethio-life	531	2.3	13	351	2.1	14	180	51.3	
9	Global	347.6	1.5	16	162	1	17	185.6	114.6	including Takaful Birr 56.6 milion for 2022/23
10	Lucy	285.2	1.2	18	213	1.3	16	72.2	33.9	
11	NIB	1,104.60	4.8	6	709.7	4.3	7	394.9	55.6	
13	NICE	526.7	2.3	14	410	2.5	13	116.7	28.5	
14	Nile	1,092.80	4.8	7	783.8	4.7	6	309	39.4	including Takaful Birr 10.4 milion for 2022/23
12	Nyala	1337	5.8	5	892	5.4	5	445	49.9	
15	Oromiya	1,600.00	7.0	3	939	5.7	3	661	70.4	including Takaful Birr 26.0 milion & Agriculture Birr 40.0 million for 2022/23
16	United	1,555.00	6.8	4	930	5.6	4	625	67.2	
17	Tsehay	923.5	4.0	10	585	3.5	8	338.5	57.9	
18	Zemen	327.5	1.4	17	77	0.5	18	250.5	325.3	
Total		22,878.30	100		16,555.20	100		4,846.80	29.3	

TAKAFUL OPERATORS: ETHIOPIA

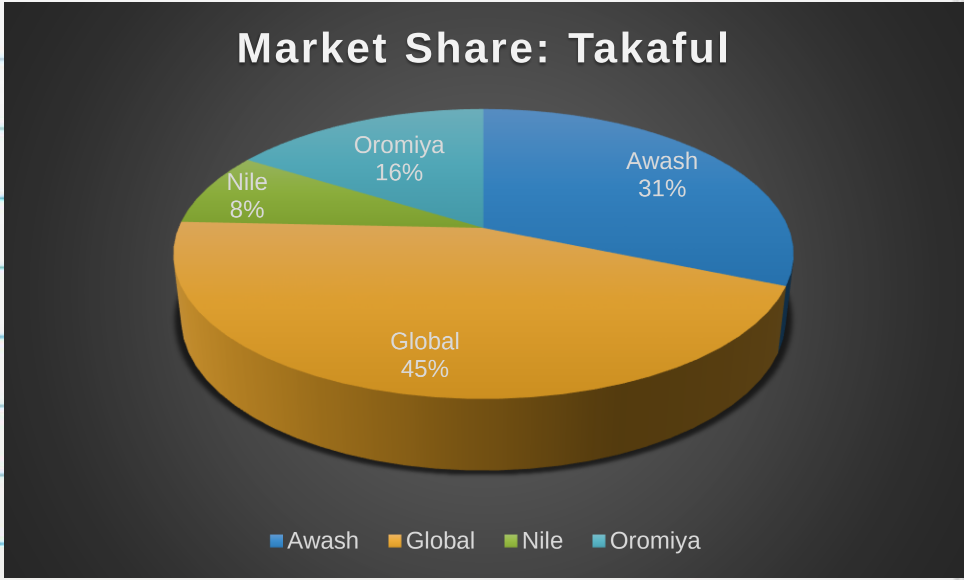


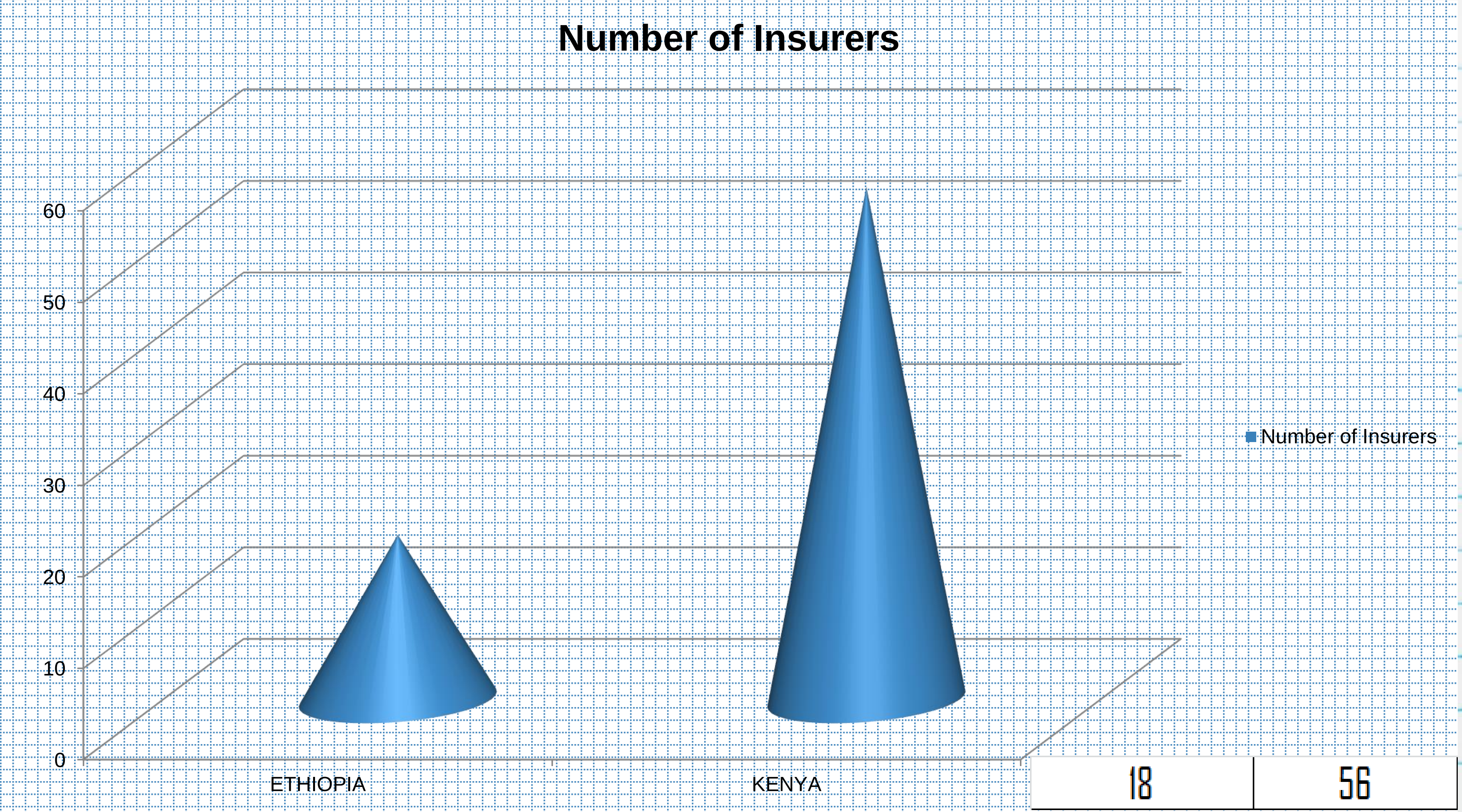
SN	Name of takaful operators	Date of license	Takaful Brand	Class of takaful insurance
1	Global Insurance Co.(S.C) (GIC)	2020	Ahli Takaful	General takaful
2	Awash Insurance Company S.C. (AIC)	2021	Salaam Takaful	General takaful
3	Nile Insurance SC	2022	Aman Takaful	General takaful
4	Oromia Insurance SC	2022	Halal Takaful	General takaful

Takaful market: Ethiopia: 2023

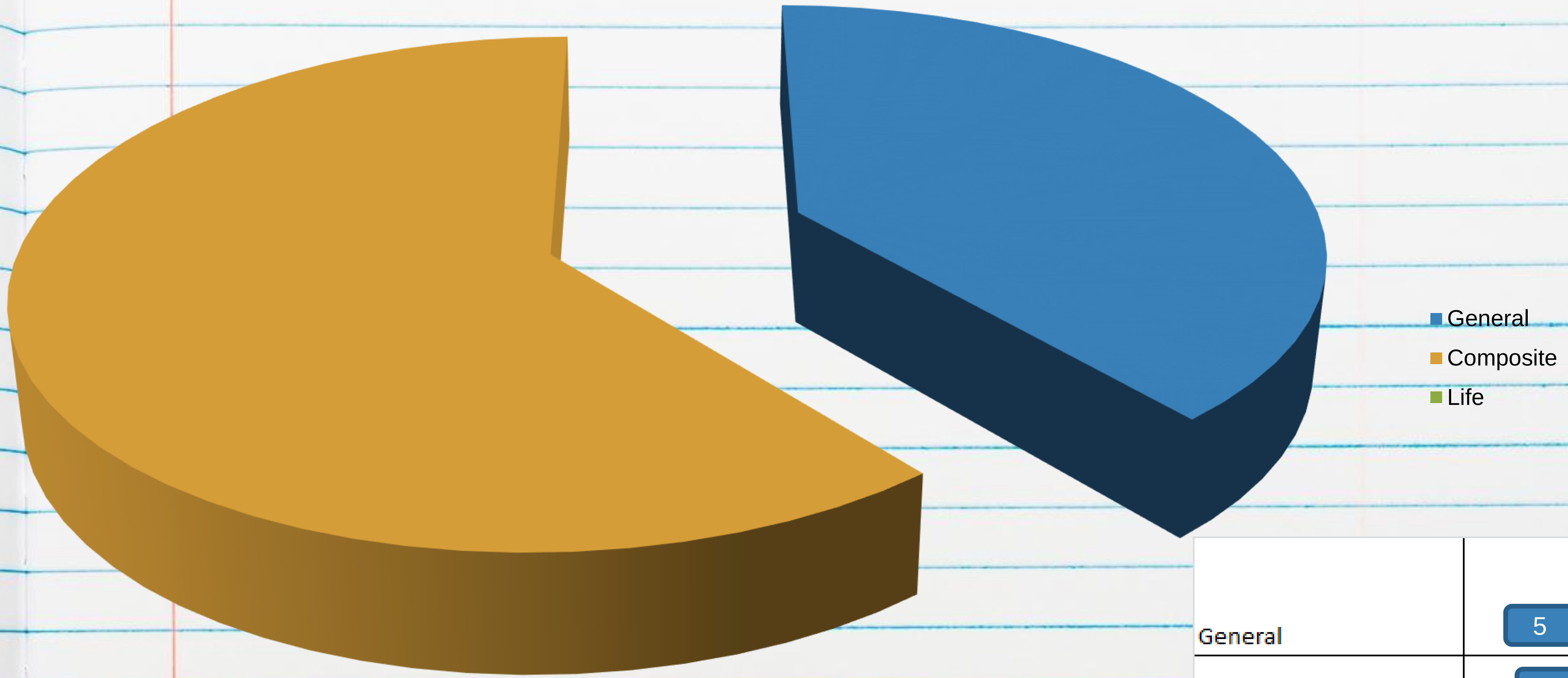
0.56%

Gross Premium and Market Share Overall Business and takaful					
		(In Million Birr)		TAKAFUL	
		Total GWP	RANK	GWP	%GE SHARE
4	Awash	2,391.40	2	40	31.3
9	Global	347.6	16	56.6	44.4
14	Nile	1,092.80	7	10.4	8.2
15	Oromiya	1,600.00	3	20.6	16.1
Total		5,431.80		127.6	100.0



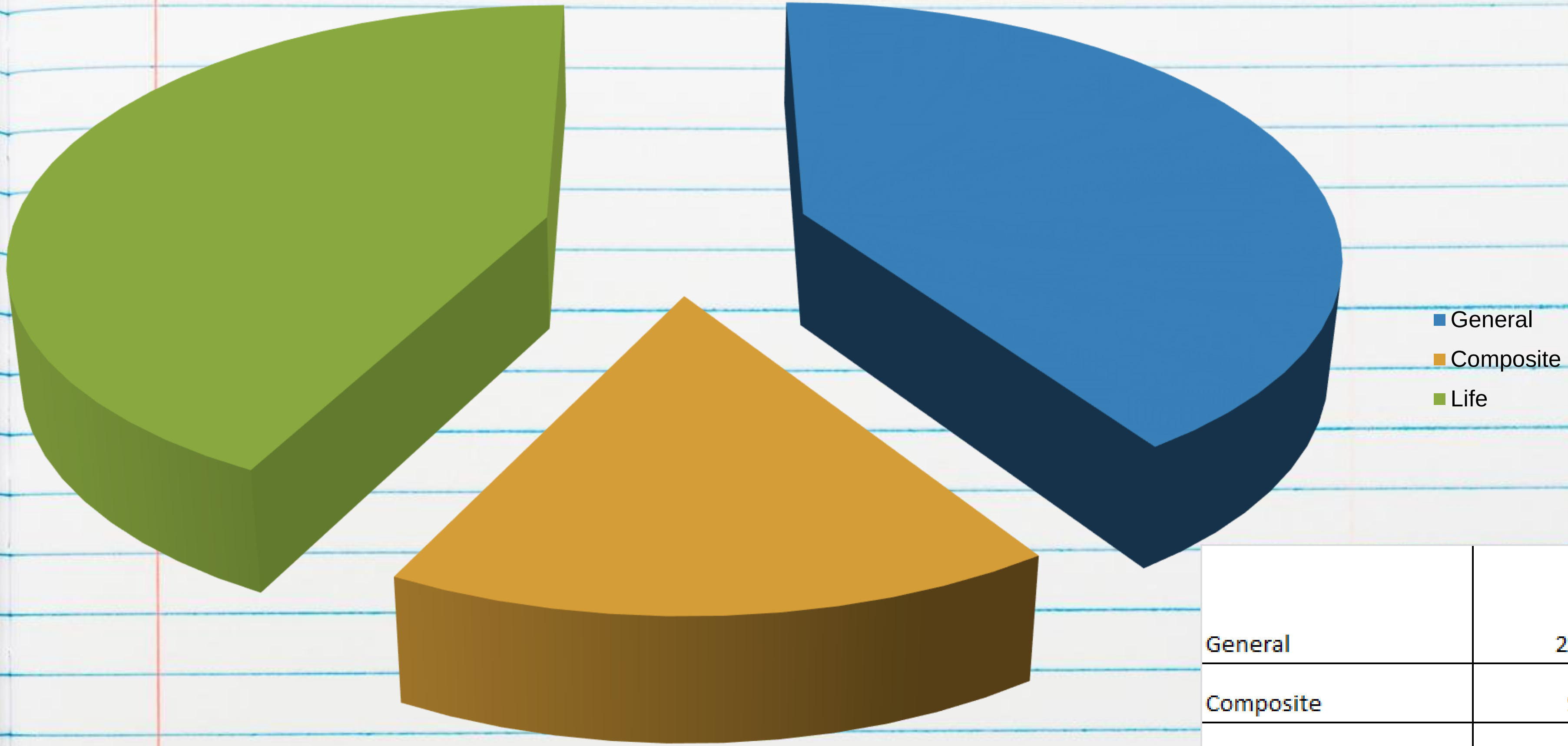

Number of Insurers
60
50
40
30
20
10
0
ETHIOPIA
KENYA
Number of Insurers
18
56

ETHIOPIA

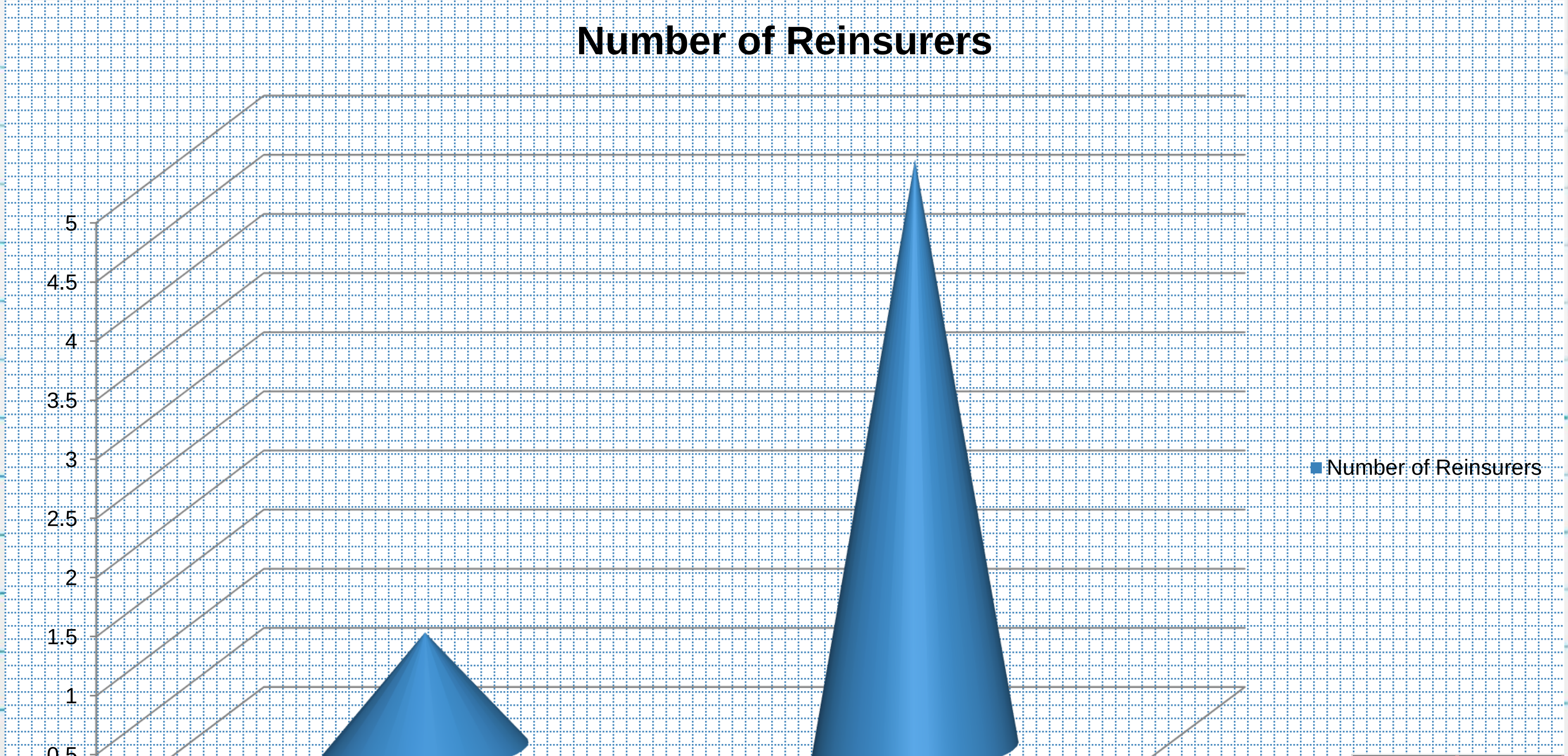


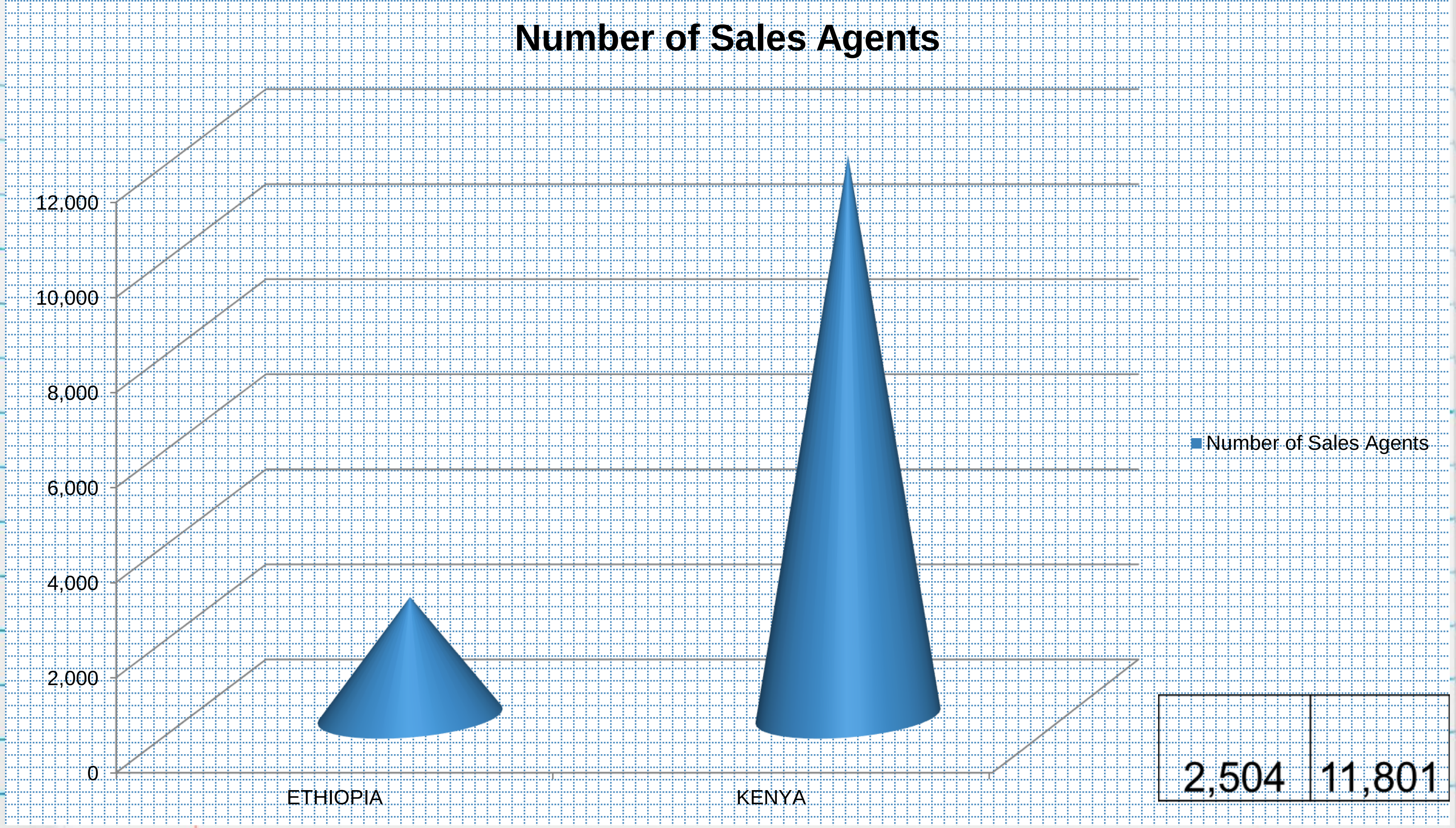
General	5
Composite	13
Life	0

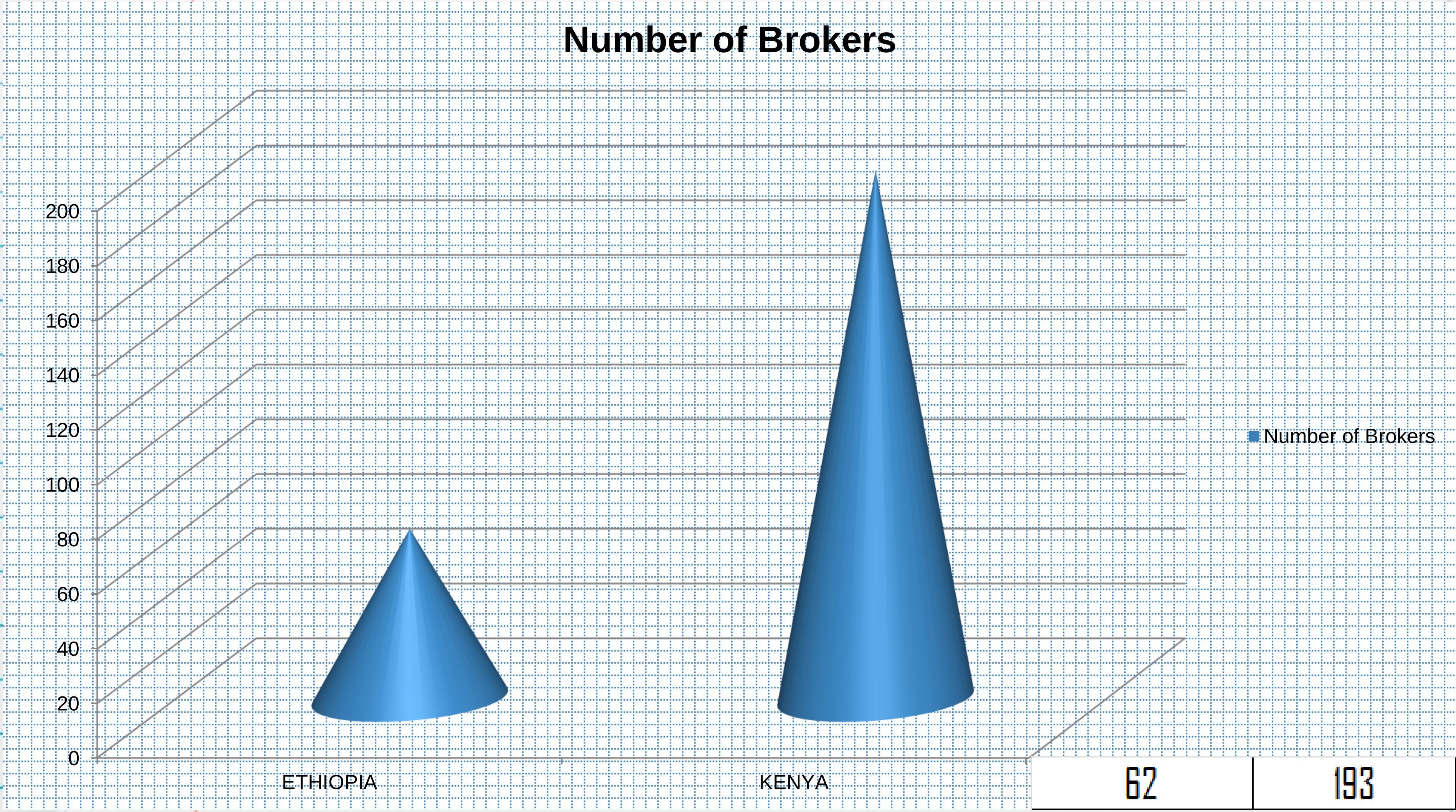
KENYA



General	22
Composite	9
Life	23

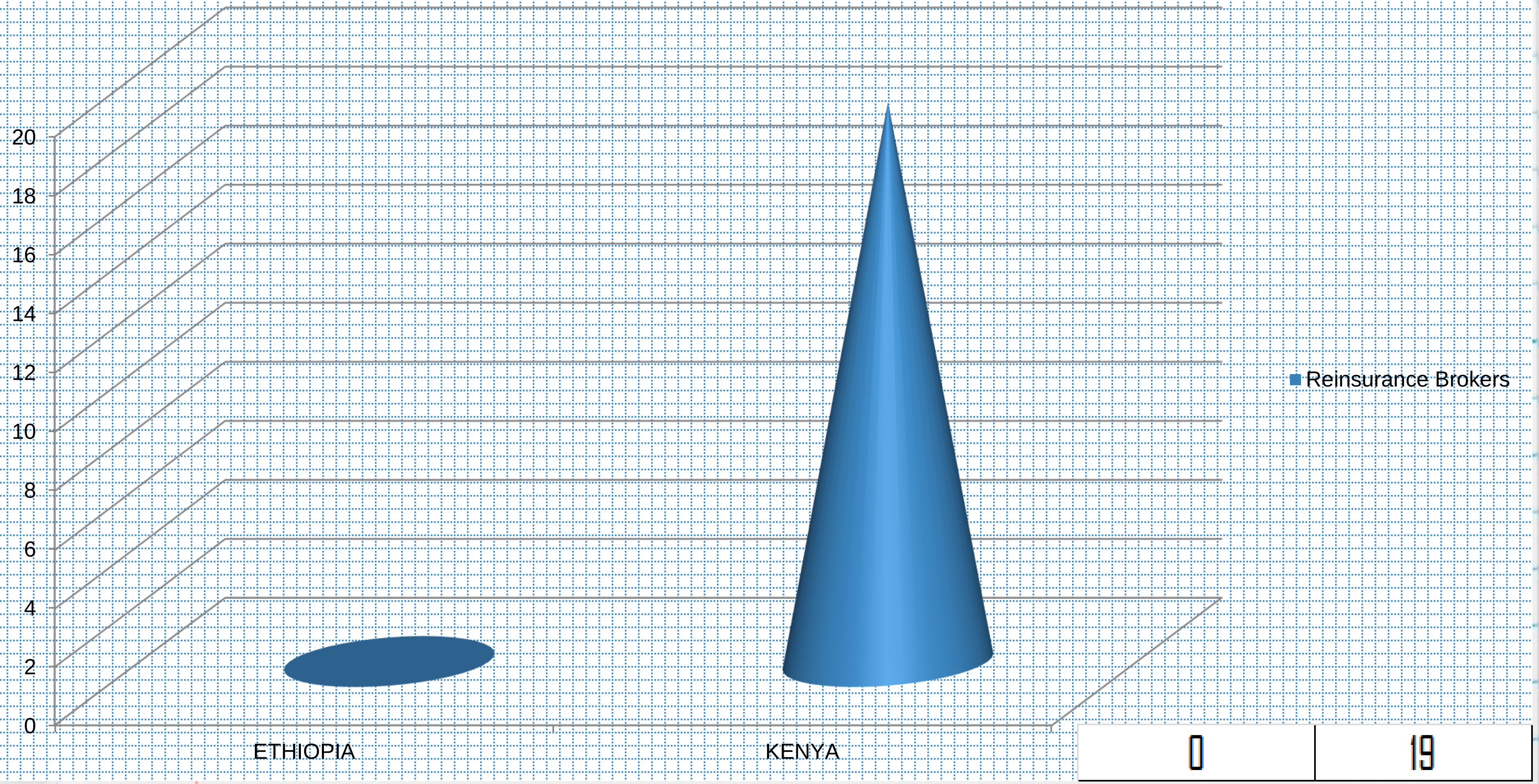

Number of Reinsurers
5
4.5
4
3.5
3
2.5
2
1.5
1
0.5
0
ETHIOPIA
KENYA
Number of Reinsurers


Number of Sales Agents
12,000
10,000
8,000
6,000
4,000
2,000
0
ETHIOPIA
KENYA
Number of Sales Agents
2,504
11,801

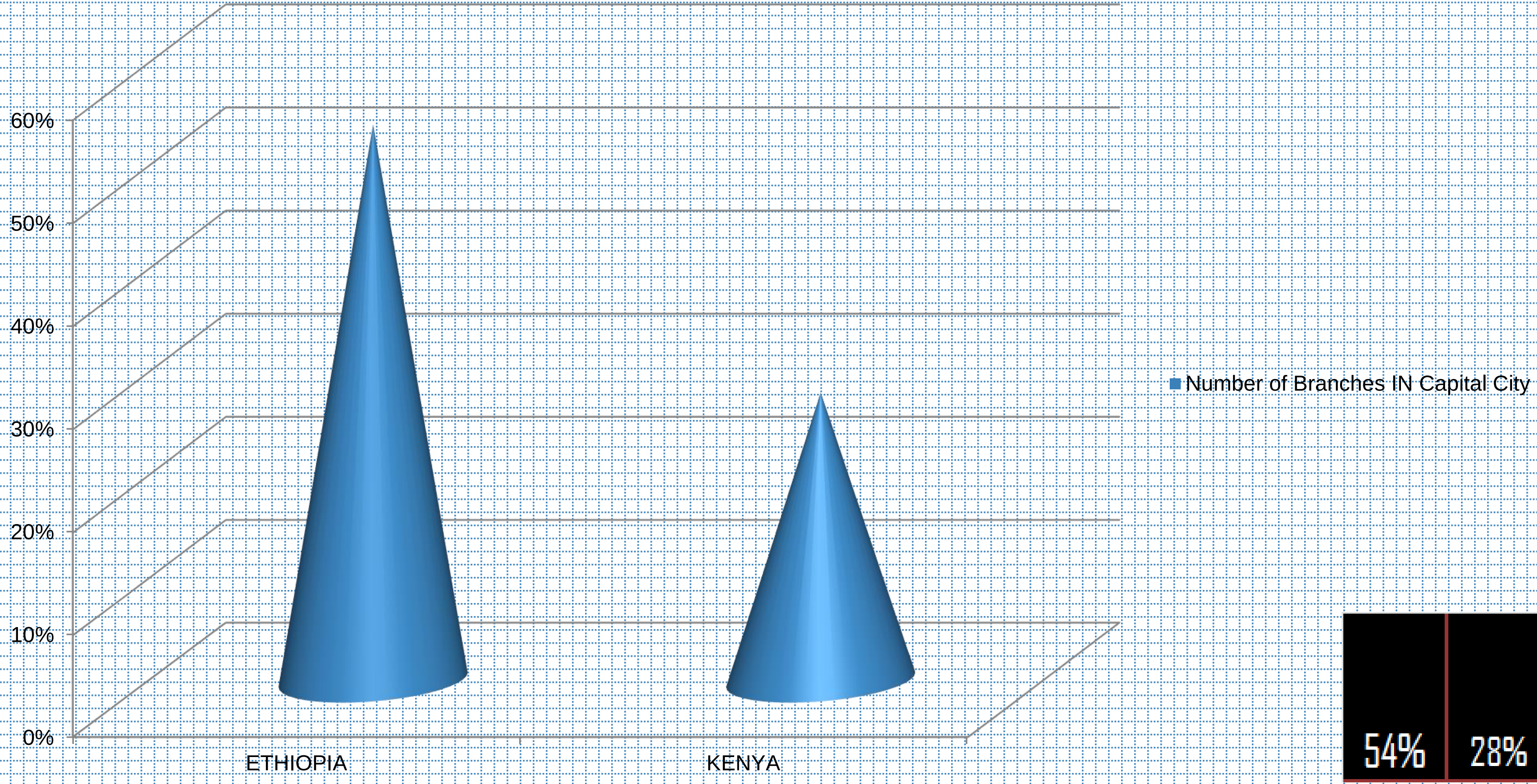

Number of Brokers
200
180
160
140
120
100
80
60
40
20
0
ETHIOPIA
KENYA
Number of Brokers

62	193

Reinsurance Brokers

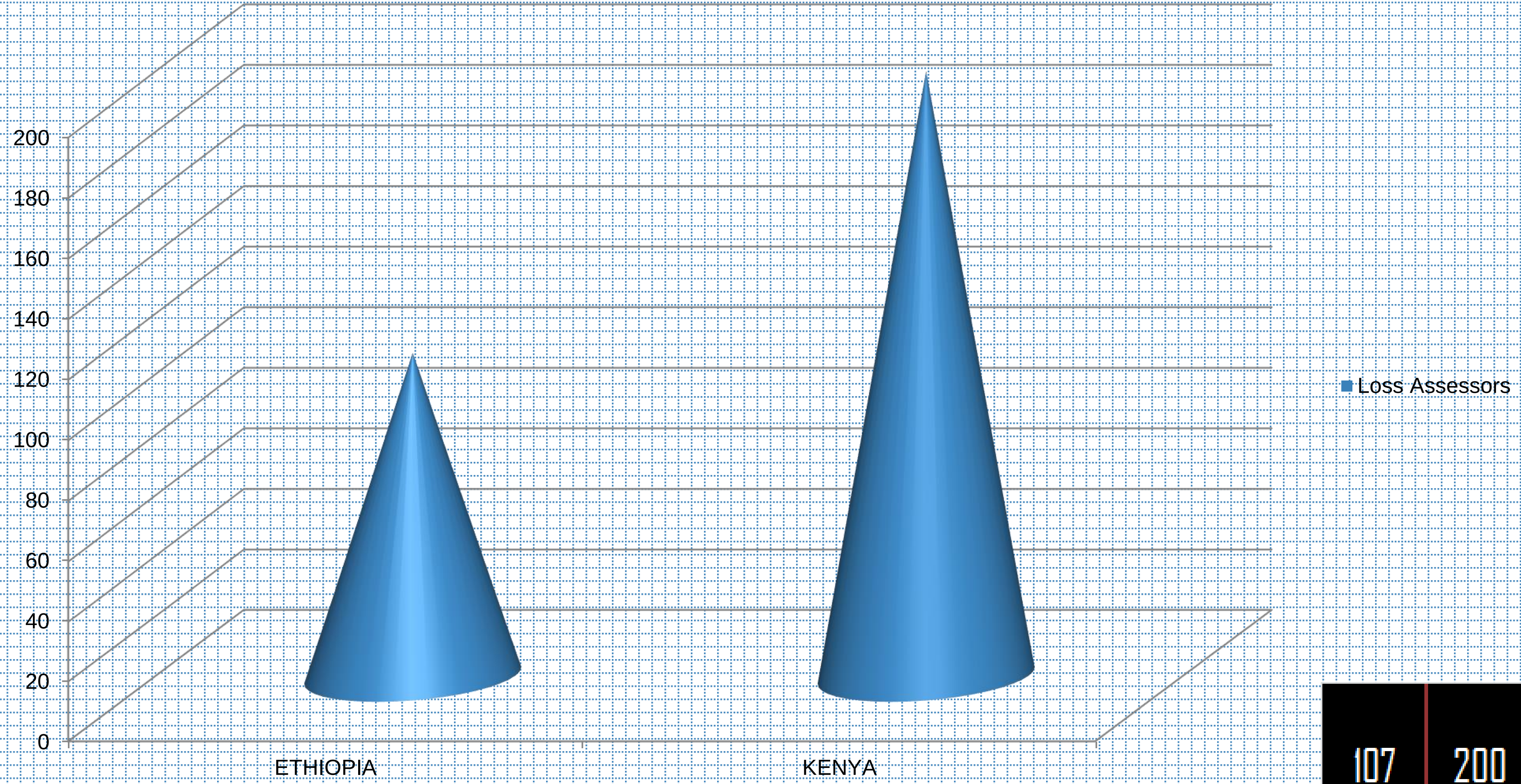


Number of Branches IN Capital City

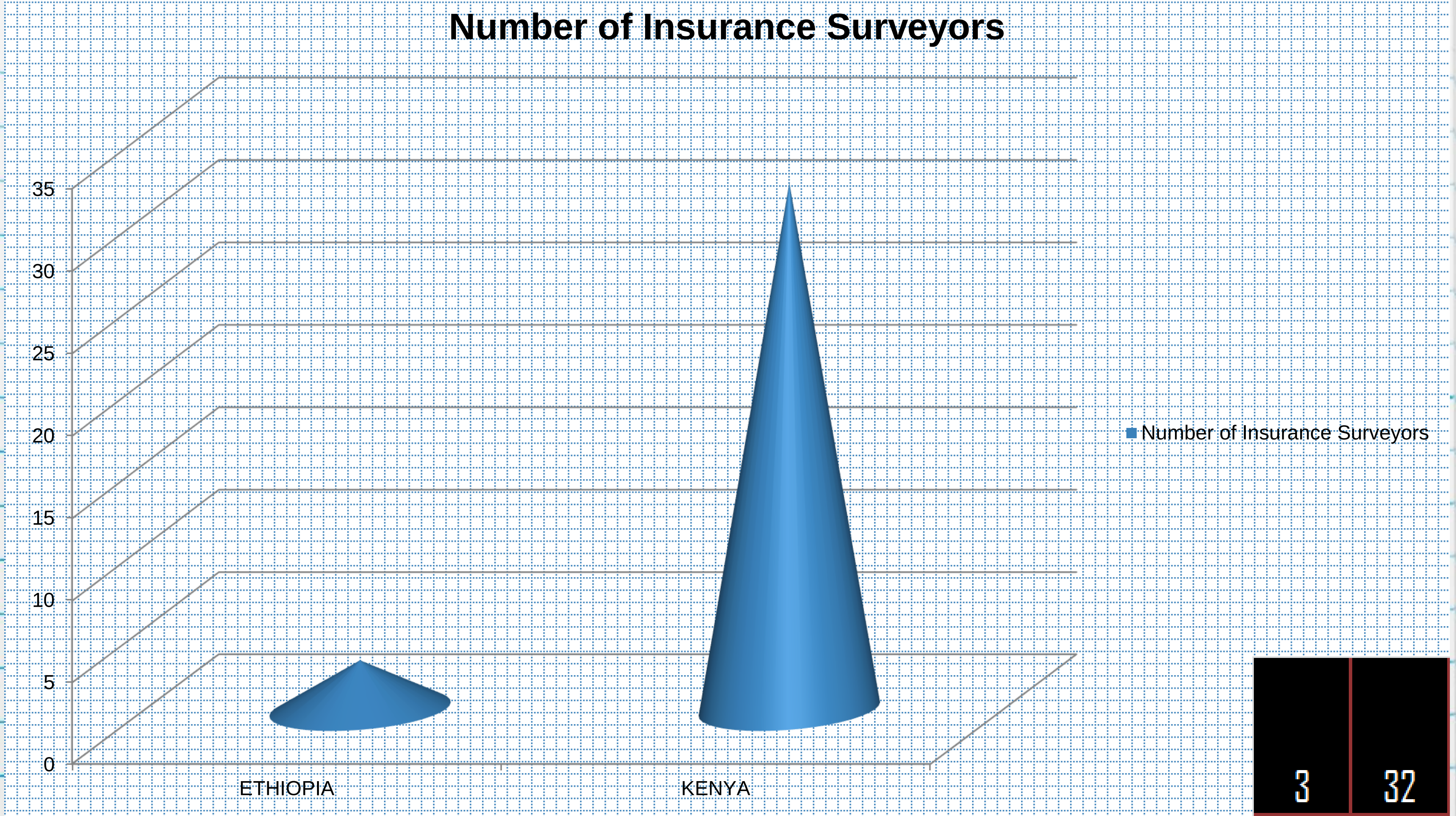


54% 28%

Loss Assessors



107 | 200


Number of Insurance Surveyors
35
30
25
20
15
10
5
0
ETHIOPIA
KENYA
Number of Insurance Surveyors
3
32

AGENT TO POPULATION RATIO

- Kenya stands at a ratio of 1 insurance agent to 4,745 people;
- India has a ratio of 1 agent to 513 people;

- China has a ratio of 1 agent to 181 people,
- The US has a ratio of 1 agent to 277 people,
- Malaysia has a ratio of 1 agent to 202 people

- ETHIOPIA HAS A RATIO OF 1 AGENT TO 46,725 PEOPLE

CHARACTERIZING THE INDUSTRY

INSURETECH

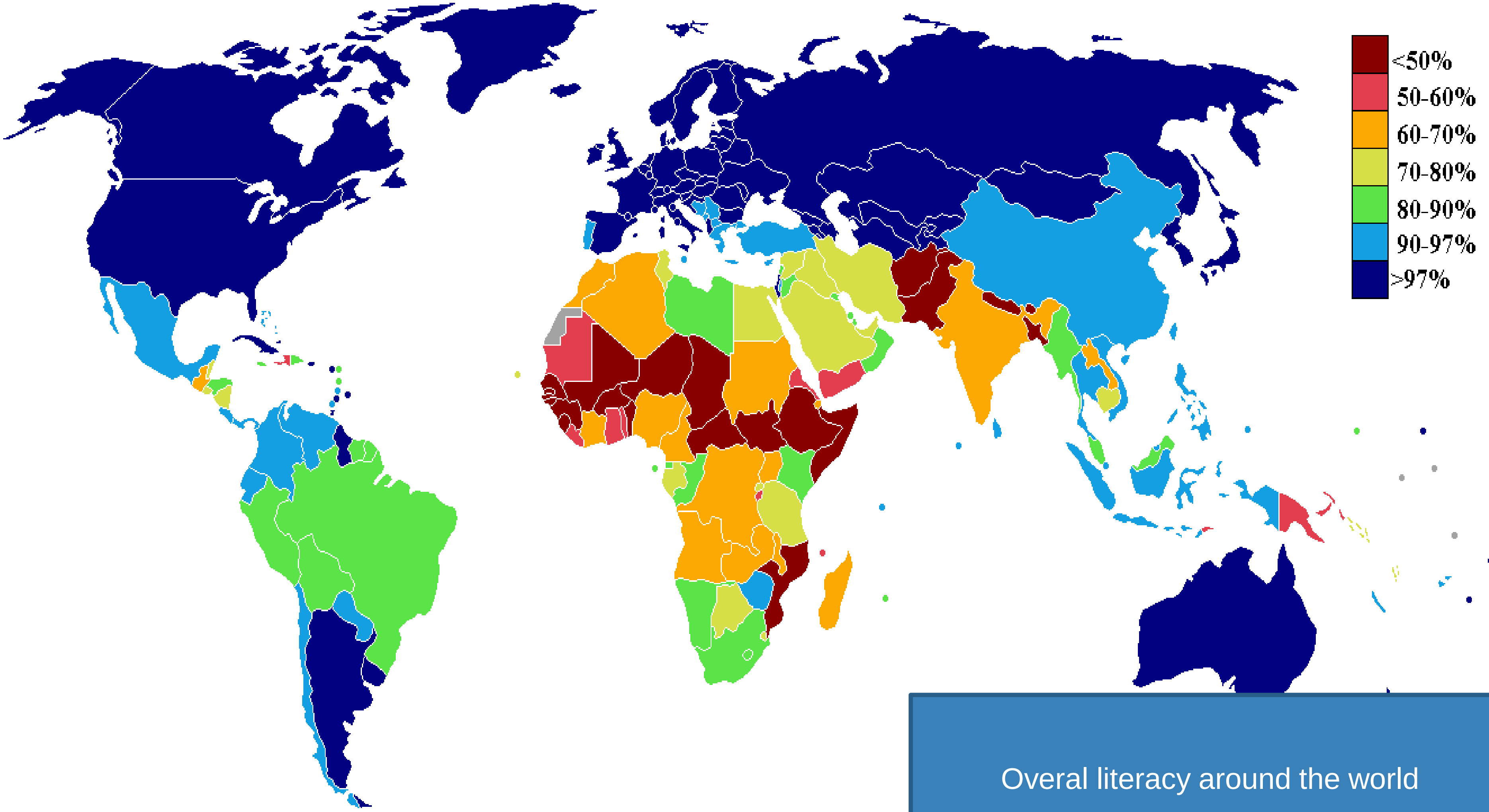
- ONLY 11 COMPANIES ARE EITHER IMPLEMENTED OR IN THE PROCESS OF ACQUIRING TECHNOLOGY

ACTUARY

- NO SINGLE ACTUARY

CII/LOMA

- VERY LIMITED PROFESSIONALS



Overal literacy around the world

Directive No.STB/1/2020.

- ✓ It's an achievement we have been crying for years;
- ✓ NBE: has done its homework
- ✓ Takaful operator(full-fledged)/takaful window operator(branch alongside conventional)
- ✓ Family(life)/General takaful(non-life)
- ✓ Operating model-Defines the fiduciary relationship between participants and takaful operators
- ✓ Otherwise, mutatis mutandis- with all prescribed under insurance proclamation 746/2012 and amendment NO. 1163/29

Special requirements -STB/1/2020.

- ✓ Authorization from NBE(application for authorization+ Feasibility study)
- ✓ Separate Policy and procedures on Sharia oversight
- ✓ Sharia Advisory council (SAC)- in addition to the Board-acts as advisory body on Sharia principles
- ✓ SAC consists 3 members(knowledgeable in insurance, Sharia scholar, adequate expertise in financial services)

Operators shall have .

- ✓ Organ: Separate unit
- ✓ Manpower: Head of takaful operations
- ✓ Segregation: Set separate account
- ✓ Visibility: Takaful windows are displayed visibly
- ✓ Operating model;
- ✓ Maintain documentation- separate contact governing relationship and transaction with participants;
- ✓ Fund policy/investment policy and calculation of profits/recognition of deficit

Disclosure and transparency-.

- ✓ publish details of the model and with sharia principles
- ✓ Understandable language and minimum technical jargons
- ✓ Inform participants with in seven days -change or modification
- ✓ Submit quarterly report to NBE – as per the template and format prescribed under SIB/38/2014

Operators shall have .

- ✓ Remuneration to the takaful operator/window operator
- ✓ Segregate assets of participants/ from assets of shareholders
- ✓ Separate fund/bank account for family and general takaful
- ✓ Surplus distribution subject to recommendation by actuary /external auditor , endorsed by SAC and approval of the board and NBE
- ✓ Surplus distribution is subject to generally accepted actuarial principles
- ✓ Distribution as per the contract

Improvements

1. Retakaful:

- ✓ Barely makes mention of retakaful
- ✓ 7.1.3 :Ensure that the claims and retakaful are paid from participants funds
- ✓ Relationship, manner and terms with reinsurers
- ✓ Re-takaful contributions

2. High authority for SAC

- ✓ All expenses must have been approved by SAC
- ✓ The role of SAC is huge
- ✓ Investment, promotion, claims

Improvements

3. Investment:

✓ Detail investment areas (sharia compliant)

✓ List of approved investment options

4. Reporting gaps

5. Micro-takaful

6-Bancatakaful

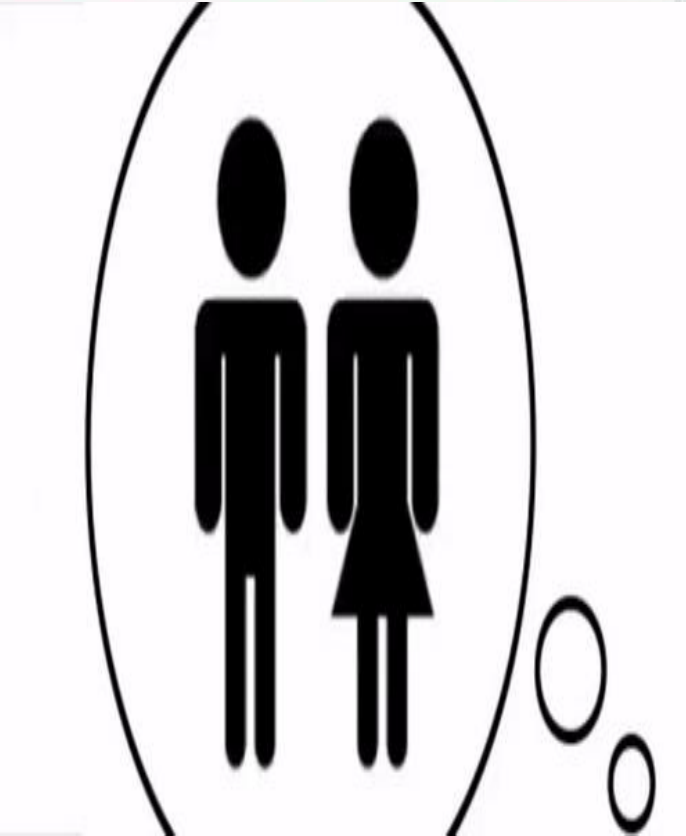
✓ BancaTakaful
as alterntive
Omnichannel customer engagement
Banks become
"one stop"
"Financial supermarket"

Ethiopia

LAND OF ORIGINS

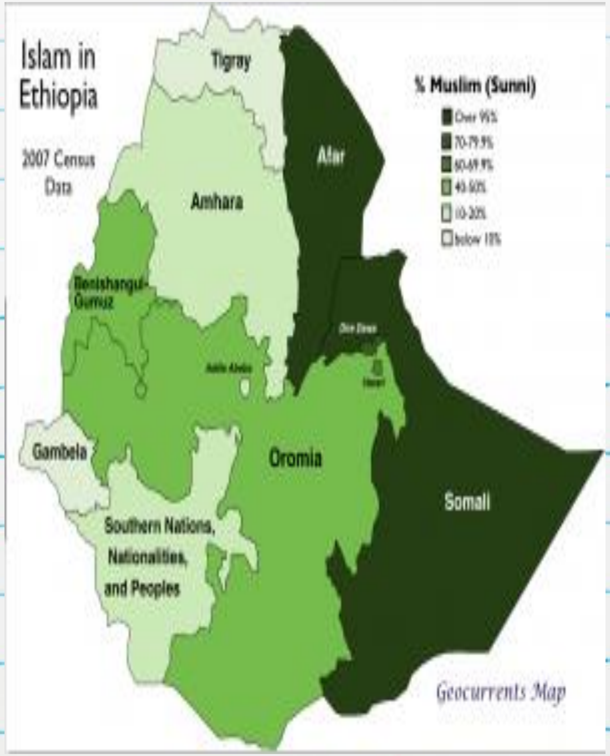
Ethiopia: Potential-population-BIG MARKET

- ✓ The most populous landlocked country in the continent of Africa and the second-most populous country of Africa after Nigeria, the 14th most populous country in the world.
- ✓ If Ethiopia follows its current rate of growth, its population will double in the next 30 years, hitting 210 million by 2060. (http://worldpopulationreview.com/countries/ethiopia-population/2018)
- ✓ Moreover, as Ethiopia has over 110 million, predominantly young and growing middle class population, there is greater demand for the service



Demographic

- It is important, however, to put the significance of Ethiopia's Muslim population in perspective.
- Estimates put the total number of Muslims in Ethiopia more than the number of Muslims in Saudi Arabia, Syria or Yemen and almost as many as in Sudan.
- All these provide potentials to broaden Islamic finance in general and insurance coverage using takaful, in particular.



Potential: religious base

- ✓ Islam in Ethiopia is the one of the most widely practiced religion.
- ✓ Islam is the religion of the overwhelming majority of the Somali, Afar, Argobba, Hareri, Berta, Alaba and Silt'e and also has many adherents among the Gurage and the Oromo, the largest ethnic group in Ethiopia.

Strong religious base

- Ethiopia has close ties with all three major Abrahamic religions.
- Ethiopia has the first Hijra in Islamic history and the oldest Muslim settlement on the continent. The religion is deeply rooted in Ethiopia;
- Early in the 7th century a group of Arab followers of Islam in danger of persecution by local authorities in Arabia took refuge in the Axumite Kingdom of the Ethiopian highlands.
- As a result of this generosity, the Prophet Mohammed concluded that Ethiopia should not be targeted for jihad.

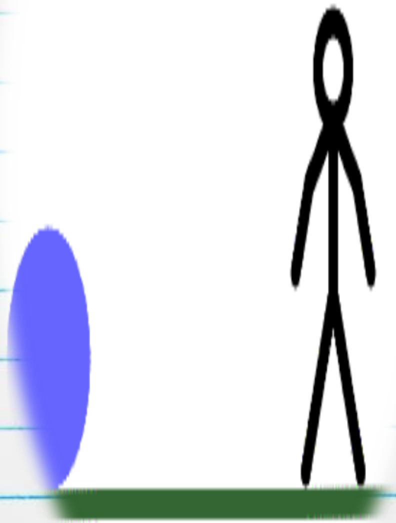
Challenges in Ethiopia

Challenges that are inhibiting the uptake

- Limited products
- Limited **Awareness creation/promotional campaigns**
- Less inclination towards insurance
- Some Insurance products are not mandatory -makes reluctant to take it up
- Negative saving culture - a hindrance in uptake
- Capacity of professionals working in the industry

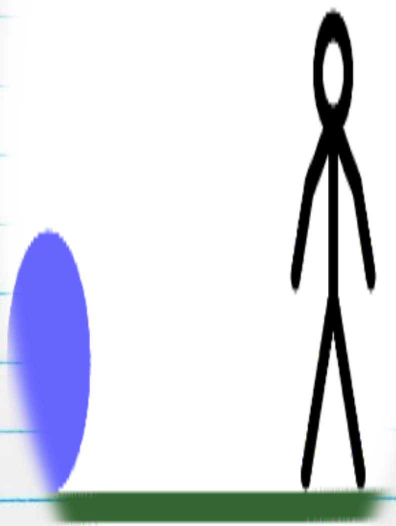
Regulatory concerns

- ✓ Gaps in the regulatory front:
- ✓ Comprehensive directives
- ✓ Experience of NBE on takaful
- ✓ Trained manpower – scarcity of human resources



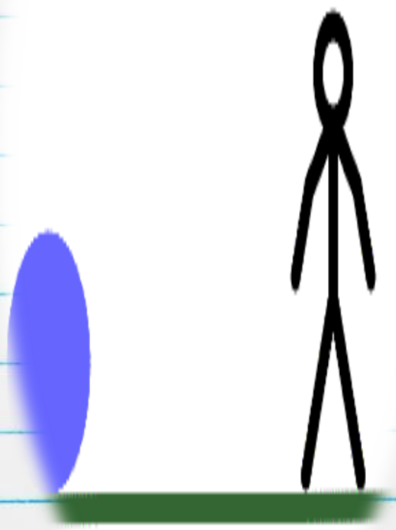
Human resources-Takaful Operators

- ✓ lack of skilled manpower in the field.
- ✓ Hence trainings and experience sharing exercises should be undertaken with those countries having rich exposure in the field.
- ✓ Adequate training coupled with sufficient incentive system could motivate staff to join the sector;
- ✓ Less advancement of technology



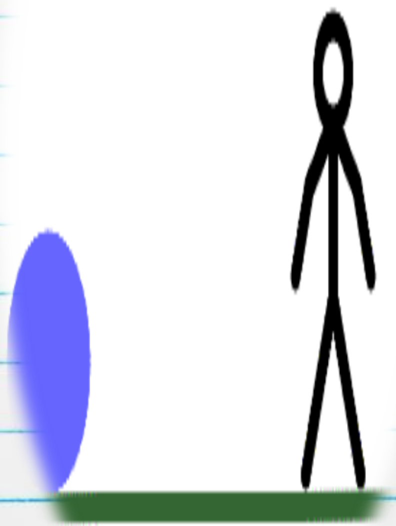
POTENTIAL MIS-SELLING:

- ✓ Data and information
- ✓ Product knowledge
- ✓ Distribution challenge and cost
- ✓ Awareness creation
- ✓ Risk management
- ✓ Internal control



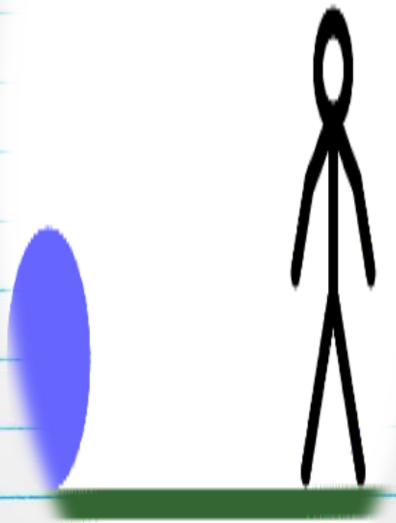
Awareness creation:

- ✓ Public awareness-What, why, concept, difference..etc
- ✓ Economic and spiritual benefits of takaful
- ✓ Working with group of religious scholars (ulama)
- ✓ Takaful is for all- non muslims
- ✓ Media-channel of communication
- ✓ Different models- understanding



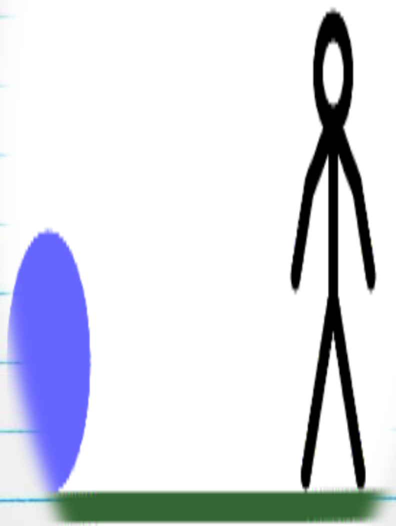
MARKETING FOR TAKAFUL

- ✓ PRODUCT CONCEPT
- ✓ DISTRIBUTION
- ✓ PROMOTION AWARENESS CREATION
- ✓ INTERNAL VS. EXTERNAL MARKETING
- ✓ UNSOUGHT GOOD/LATENT DEMAND
- ✓ RELATIONSHIP MARKETING
- ✓ GIVE AWAY MATERIALS
- ✓ BRANDING



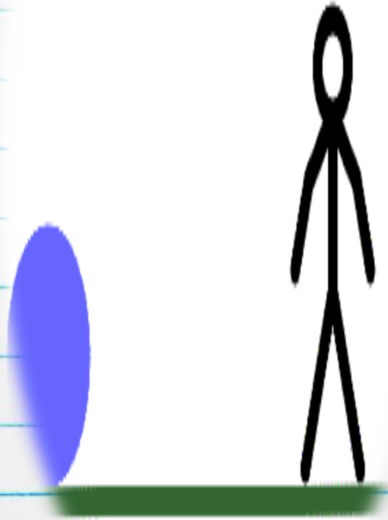
ICT

- ✓ ICT development
- ✓ Modern services
- ✓ lack of standardization,
- ✓ technical efficiency, operating efficiency,
- ✓ Inadequate technology development



Others

- ✓ Rural market,
- ✓ Micro takaful
- ✓ small penetration rate,
- ✓ differences in culture,
- ✓ non- sharaih compliance risk, operating efficiency,
- ✓ income level of participants,



The road ahead

The future of takaful - Requires the conerted effort of all

- ✓ Exploit the untapped potential
- ✓ NBE- Create enabling regulatory environment
- ✓ Policy makers- The potential of islamic finance
- ✓ Result= alternative service, penetration, density, contribution of insurance to GDP, accessibility,....

Narrow the gap

- ✓Insurers- Understand the takaful aspects but lack knowledge of sharia principles and [illegible] demand of the people,- come up with real solution
- ✓Religious scholars- know the sharia principles but barely understand the principles of takaful
- ✓Together avoid myths and biases

ORBO

Insurers and customers are starting to realise that:

- ✓ There is a significant market for takaful; •
- ✓ Takaful products can be price competitive with conventional insurance products; and
- ✓ Takaful is inherently ethical and is obliged to invest in ethical products.
- ✓ This combination of ethical investment policy, significant growth potential and price competitiveness makes for a compelling business proposition to nonMuslims as well
- ✓ The potential for takaful is beyond question. But there are many hurdles to overcome if this market is to realise its potential.

Insurers

- ✓ Train staff-capacity building
- ✓ Experience sharing
- ✓ Understand the demand gap
- ✓ Develop appropriate models
- ✓ Educate the public

Banks

- ✓ Shy away from traditional services and offer products in bundle to maximize customers service quality and efficiency;
- ✓ Develop generalist- multi tasking employees –
- ✓ Bancassurance- part of their strategy
- ✓ In today's Insurance market, some studies have shown that cost of distribution accounts over 50%;

The legal and regulatory wing

- ✓ Enabling regulatory landscape:
- ✓ Improved regulations spur Takaful growth;
- ✓ Clear Policies and strategies with regard to the insurance sector in general : Addressing the challenges related to infrastructural, technology, consumer protection, and business drivers affecting bancatacaful /TAKAFUL, in particular
- ✓ Regulators must be supportive in all aspects by setting the necessary directives

Regulatory concerns

- ✓ Clarify roles and responsibilities
- ✓ Avoid potential conflicts of interest for bank-led insurers , contagion and reputational risks.
- ✓ Setting clear directives and operating guideline in:
  - ✓ Agents models,
  - ✓ Investment directive, ...etc

Government

- ✓ political will whereby genuine support from the government is needed for the effective introduction of Islamic insurance or takafu
- ✓ This support should be subsequently followe by broad publicity of the newly introduced industry, an amendment of the laws, and the development of the necessary infrastructures to facilitate an effective collaboration with international organizations.

The role of Media-promotion

- ✓ Awareness creation and promotion strategy is needed
- ✓ To educate the public and improve financial literacy
- ✓ Takaful: A viable alternative for anyone seeking to manage financial risk: not only for Muslims
- ✓ to remove the myth that Takaful insurance only belongs to Muslim community only
- ✓ Stronger voice—to takaful

AVOIDING MISCONCEPTIONS

- "Takaful is not exclusively for the Muslims. In addition to offering the assurance and protection that conventional insurance does, Takaful includes additional attractive features.

- Takaful is accepted and possible to be introduced into conventional environment markets with ethics being a central part of Takaful

- In countries like Ethiopia where Muslims, Christians, and other religions live peacefully. The efforts exerted by Takaful can be successful if the services are supported by the <u>right product, distribution channel, fair price and value adding services, and of course adequate promotion and awareness creation.</u>

Technology and HR capacity

- ✓ Technology- to provide fast and efficient services for customers
- ✓ Develop HR capacity of leadership(Board and management) and employees of banks, insurers, reinsurers and the regulator

Human Resource concerns

- ✓ Lack of technical competence.
- ✓ Bank employees are unable to manage complex insurance programs required by commercial clients .
- ✓ <u>Adequate training coupled with sufficient incentive system could avert the staff resistance,</u> if any

TAKAFUL-RE

- ✓ Retakaful is a "Takaful for Takaful operators"
- ✓ Reinsurers should avail the necessary capacity
- ✓ i.e. the existing reinsurers /new takaful reinsurance companies
- ✓ There is an opportunity for retakaful operators to assist the growth and expansion of takaful insurance.

Concerned stakeholders

- ✓ As always, my recommendation is intended to draw the attention of policy makers- design a clear and participatory policy and strategy addressing the insurance sector
- ✓ can be a panacea for addressing structural problems and even the odds of the industry that hampered its growth and development
- ✓ Independent Insurance Regulatory Authority- FAR CRY

FIKRU TSEGAYE W.

(CTP, FLMI,ARA,ACS)

fikru.tsegaye@yahoo.com