# VALUE-BASED INTERMEDIATION FOR TAKAFUL

JC3 Flagship Conference 23<sup>rd</sup> – 25<sup>th</sup> June 2021





Joint Committee on Climate Change

Why sustainability is critical in Takaful

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What is Value Based Intermediation for Takaful (VBI for Takaful)



## AGENDA



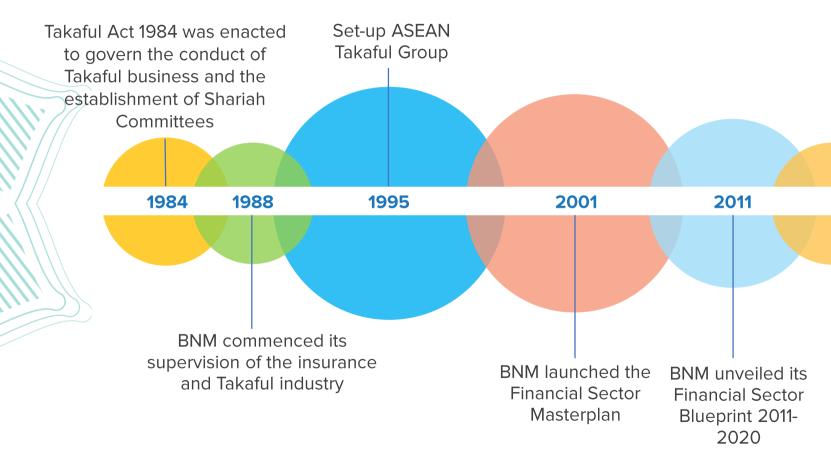
How VBI for Takaful is able to address sustainability in Takaful **3** 

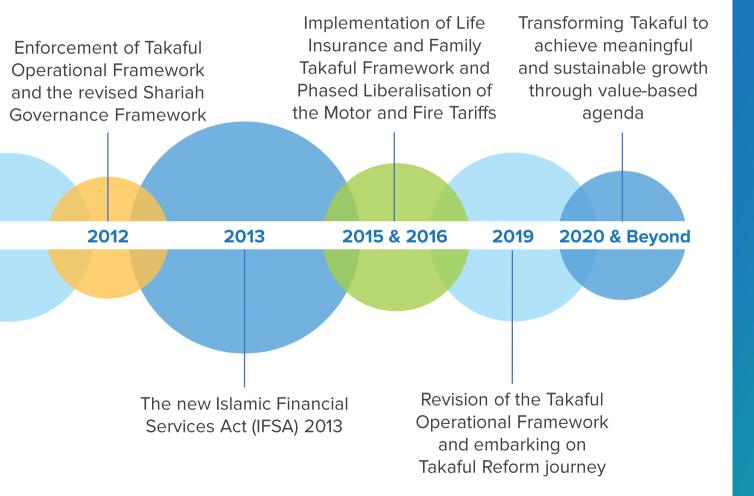
#### 4

What are the practical challenges faced and how can this be addressed



## TAKAFUL Since 1984





#### Features

- Shariah compliant
  - Mutual benefit of the Participants through risk and profit sharing
- Transparency

CAGR of 11% past 5 years

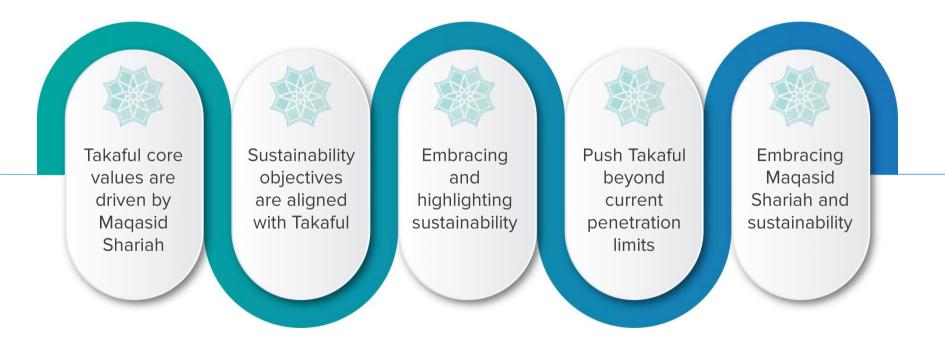
Growth spurred by increasing demand for shariah compliant solutions

## PERSISTENT BARRIERS

Low takaful penetration 16.9% TOs yet to achieve critical mass and financial sustainability

Current products not meeting the needs of intended segment Low awareness on the need & importance of protection and low financial literacy

## WHY SUSTAINABILITY IS CRITICAL IN TAKAFUL



## WHAT IS VALUE-BASED INTERMEDIATION FOR TAKAFUL (VBI FOR TAKAFUL)

Reflects the industry's aspiration to elevate Takaful to the next level by transforming the industry towards achieving meaningful sustainable growth.

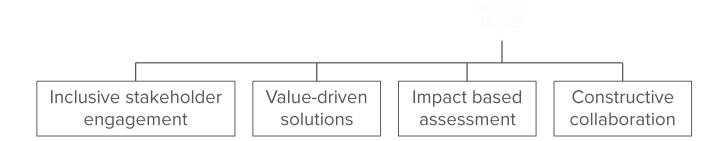
A framework to guide the industry in the implementation of value-driven/ value-based agenda.

> Objective to deliver positive socioeconomic impact whilst sustaining positive financial returns.

UNDERPINNING THRUSTS	GUIDING PRINCIPLE	KEY IMPLEMENTATION STRATEGIES (Focus Areas)	PERFORMANCE MEASUREMENT	ENHANCED DISCLOSURE for Reporting	VALUE CREATION FOR	FUTURE LANDSCAPE OF TAKAFUL INDUSTRY
Financial Resilience Ability to bounce back from financial shock	Corporate Value Intent (CVI) Enhanced alignment with the objectives of Shariah	Inclusive Stakeholder Engagement Effective communication to achieve the objective of CVI Value-driven Solutions	<b>Comprehensive</b> <b>Measurement</b>	Impact-based Disclosure Communication of the progress and impact of VBIT to stakeholders through regular and transparent disclosures	<b>Takaful Operators</b> Unlock business opportunity with greater efficiency and healthy competition	Driven by shared prosperity & value - " <i>Takaful for all"</i> Performance <b>measurement</b> & <b>disclosure</b> on <b>financial</b> <b>returns</b> and <b>value creation</b>
Empowerment Process of enabling people to gain control over the factors and decisions that shape their lives		Offerings, business practicess and infrastructure that provide meaningful and valuable experiences			<b>Government and</b> <b>Regulators</b> Better alignment of business focus with national agenda	Innovation of products & services to cater for distinct needs, lifestyle & social classes of consumers Qualitative measurement of company's involvement that creates positive impact on
Good Self-Governance Ability to effectively		Impact-based Assessment Analysis of potential impacts from all	Identify measurable KPIs, compile data and measure results			
exercise all necessary functions of regulation <b>Best Conduct</b> Practice that is deemed to be most superior because it leads to the best results		perspectives Constructive Collaboration Strategic alliances in delivering value-driven solutions			<b>Society</b> Receive fair, transparent products and services	stakeholders <b>Meaningful involvement</b> and contribution from all key stakeholders in different focus areas

## HOW VBI FOR TAKAFUL IS ABLE TO ADDRESS SUSTAINABILITY IN TAKAFUL

CVI integrates the VBI for Takaful key underpinning thrusts i.e. financial resilience, community empowerment, good self governance and best conduct



## HOW VBI FOR TAKAFUL IS ABLE TO ADDRESS SUSTAINABILITY IN TAKAFUL

Intended outcomes to assess the progress and effectiveness of TO's VBI for Takaful initiatives

> To demonstrate TO's accountability and commitment in delivering sustainable values

## WHAT ARE THE IDENTIFIED CHALLENGES FACED AND HOW CAN THIS BE ADDRESSED







**VALUE-BASED INTERMEDIATION** FOR TAKAFUL FRAMEWORK

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