

SESSION 9

OPTIMISING DISTRIBUTION STRATEGIES FOR TAKAFUL IN THE MIDDLE EAST

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14TH OCTOBER 2014



Global Leader In Takaful Expertise

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TAKAFUL GROWTH



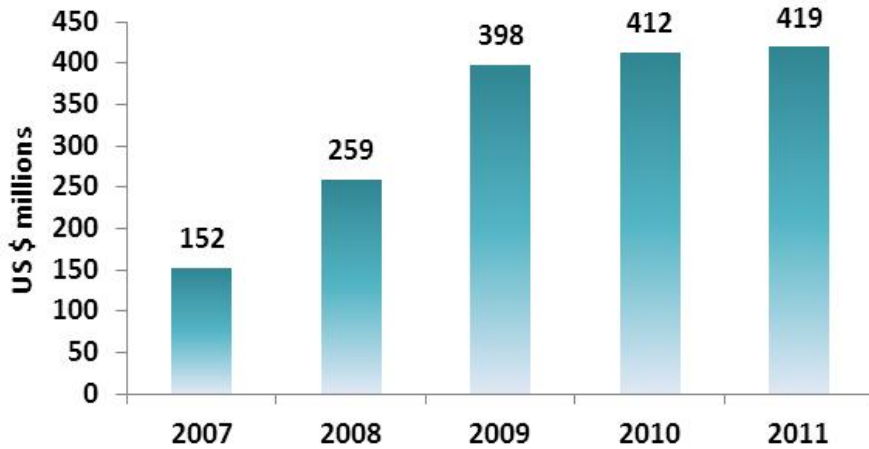
2011 Contributions

US\$ 419 million

CAGR* (2007 – 2011)

29%

GCC Family Takaful Contributions



Source: Milliman 2013 Takaful Report

**Distribution Channels:
General + Family Takaful**

Globally, main distribution channels:

- Brokers
- BancaTakaful
- Retail agency

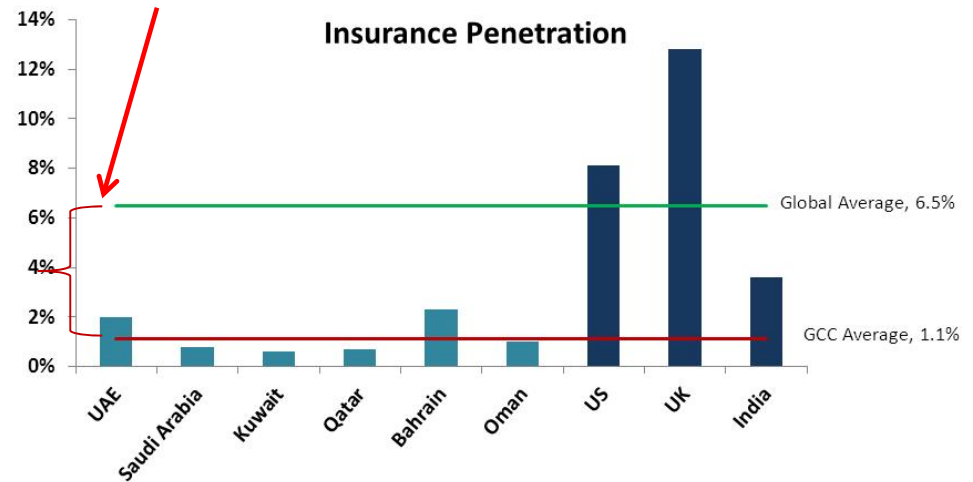
* CAGR: Compound Annual Growth Rate

GCC Average Insurance Penetration

1.1%

GCC Insurance Potential

Gap between Global and GCC Average Insurance Penetration represents untapped potential



Source: Swiss Re, International Monetary Fund, Alpen Capital

BancaTakaful: Main Distribution channel in GCC for Family Takaful

- BancaTakaful has emerged as the dominant distribution channel in GCC, particularly for Investment Linked Plans
 - Products requiring a high level of long term financial commitment needs a distribution channel with certified financial planners (CFPs)

Customer Benefits

- Customers already have existing relationship with bank
- Easy access to insurance products through trusted bank brand
- BancaTakaful products are usually simple and easy to understand
- Bank staff well placed to advise on insurance products that complement other consumer finance products (e.g. home mortgage)
- More attractive pricing of bancatakaful products, as distribution cost are often lower

Benefits for Banks

- New product line (Insurance)
- Additional fee based income
- Cross-selling opportunities help retain bank customers
- Increase share of customer's wallet
- Increase productivity of sales teams

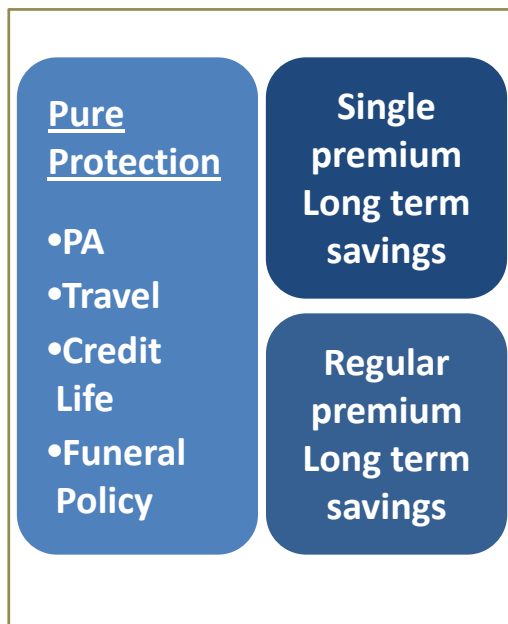
Benefits for Insurance companies

- Opens a new distribution channel
- Annuity based fee income / Embedded Value
- Access to bank's existing customer base at an effective cost
- Economies of scale as critical mass is achieved relatively faster

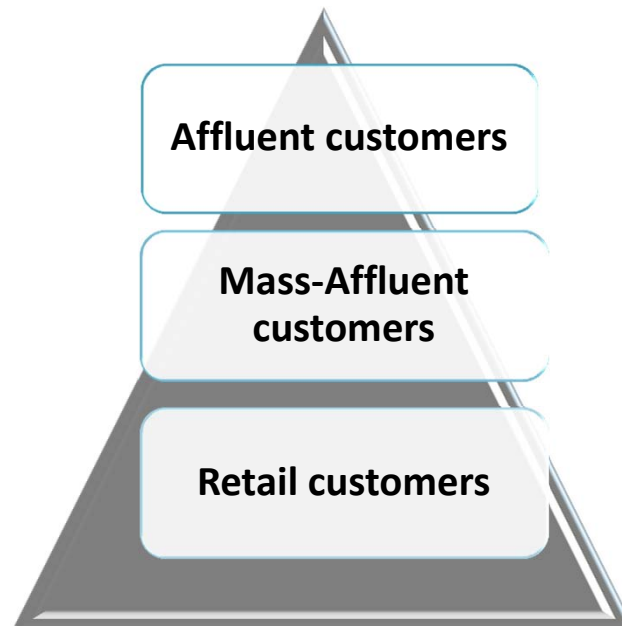
Different distribution channels needed to reach different customer segments

Different bank customer segments have different savings & protection needs

Contact needed with experienced CFP



Product types



Customer Segments

Product mix & customer segments will determine the distribution channel selected

Products requiring higher levels of long term financial commitment need distribution channels with experienced Certified Financial Planners (CFP)

Bank Branch Distribution

- Bank branch relationship managers (RMs) distribute selected insurance products
- CFPs support branch clusters
- RMs able to optimise on existing customer relationships

Direct Sales Team (DST)

- Bank employs a Direct Sales Team to distribute insurance products
- The DST is usually very mobile, often visiting clients off-site
- Mobile digital technology that performs contract issuance has boosted this distribution model

Referral Model

- Bank branch employees refer customer leads to either insurance company sales staff or dedicated bank insurance sales team
- Call centre / branch RMs facilitate sales
- An efficient system for managing referrals of warm leads is vital

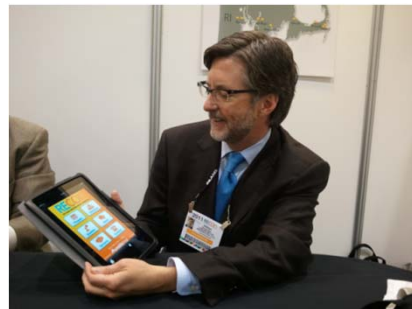
Implant Model

- Insurance company sales staff usually have a physical presence in Bank branches
- Bank employees source referrals
- Successful case studies include AXA / Bank Mandiri in Indonesia

Mobile direct sales team is becoming increasingly important to grow and service a customer orientated bancatakaful business franchise

Deploying digital technology facilitates consistency across distribution channels

Tablets facilitate transactions when & where it is convenient for the customer



Provide consistent, excellent service

Provide continuity of service through all distribution channels

Direct Sales Team

In-branch Bank sales

Employers / Corporate

Fine tune & create new insurance solutions for defined bank customer segments

Digital technology for insurance policy issuance and administration

Dedicated account manager

Regular ongoing training for the CFPs

Portfolio analytics that can be used to drive value

Regular quarterly review of the bank's portfolio composition of insurance solutions

Alternative distribution channels provide additional bandwidth for Takaful

Agents



- ✓ Growth markets: Insurance Agency sales team
- ✓ Developed markets: Tied Agents / IFAs

Brokers



- ✓ Retail segment
- ✓ Corporate segment

Large Corporates



Shariah compliant Group Savings schemes:

- ✓ Mechanism for employers to retain staff
- ✓ Employee access to cost effective savings scheme

Direct marketing



Internet



Out-bound call centre

Neutral comparison websites



- ✓ Comparison websites provide a useful channel for customers to access some Takaful protection and savings products

Role of Brokers

- Providers of independent advice
- Brokers qualified as CFPs are well positioned to provide quality customer service

Direct online sales

- More suitable for simple products, such as pure protection / motor Takaful
- Useful channel to engage with customer / perform after sales service (e.g. alterations)

Large Corporates (Shariah compliant Group Savings Schemes)

- To maintain standard of living, about 70% to 80% of pre-retirement income is needed
- Employees in the MENA region¹: **28%** Do not save anything **27%** Save less than 9% of income
- 43% of companies in Middle East provide End-of-Service benefits in excess of the mandatory minimum²
- Shariah compliant Group Savings scheme provide benefits for both employer and employees:
 - For the employer it provides mechanism to retain talented staff
 - For employees provides a cost effective way to access retirement planning solution

1: Towers Watson (MENA Savings & Retirement attitudes survey, 2013)

2: Towers Watson (End of Service Benefits in Middle East)

Value Proposition of Takaful can appeal to both Muslims and non-Muslims

- ✓ In broadening awareness of Takaful, it is becoming increasingly important to communicate the value proposition of Family Takaful products to both Muslim & non-Muslim customers

Transparency

Mutual
Guarantee

Surplus Re-
distribution

Ethical investment
principles

In GCC, with higher levels of wealth, Takaful cannot be viewed only as a means of protection

Link Family Takaful with

Wealth management

Financial planning

Innovative products offering financial solutions can spur self-induced appetite

Bigger range of customised products

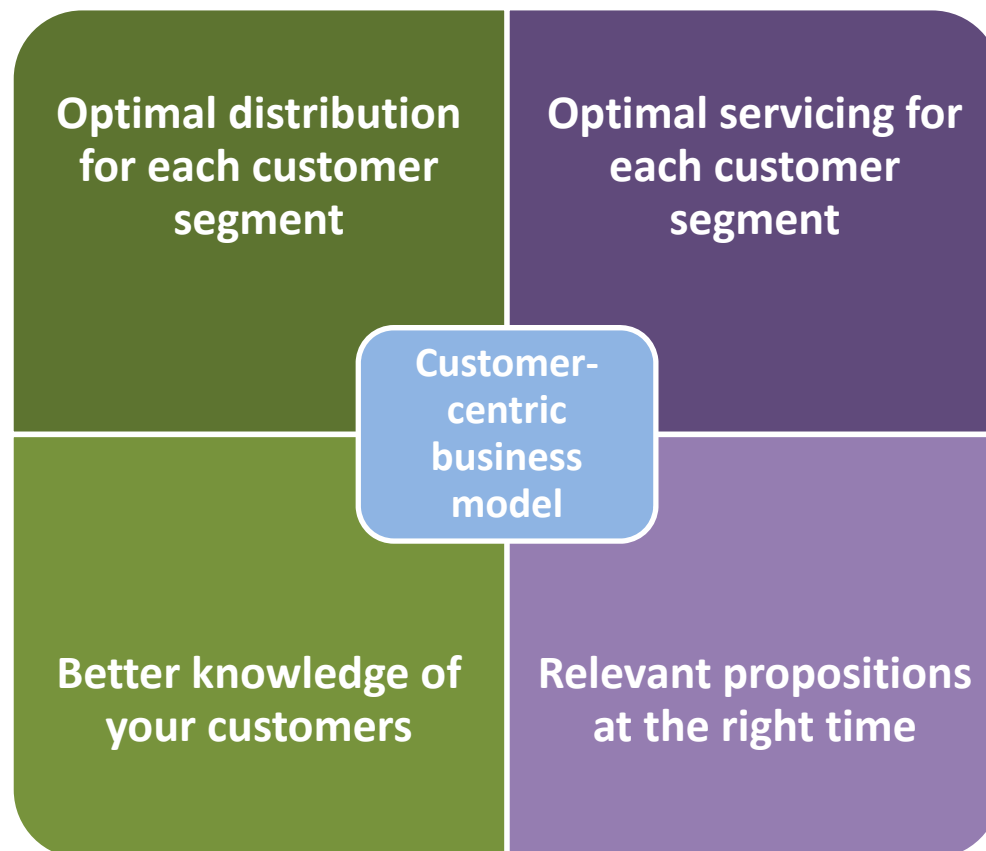
- ❖ Investment-linked plans (**investment performance is key**)
- ❖ Bundled products (e.g. Cancer & Umrah)
- ❖ Shariah compliant Group Savings Schemes

Interact with customers on their terms

- ❖ Excellent service
- ❖ Consistent service, irrespective of contact mechanism
- ❖ **Harness power of Digital Applications**

Tablet technology enhances productivity and operational process; optimising the customer experience as well as product revenues

What does it mean to be digital?



Digitization is not just about distribution through electronic channels; it has the potential to transform operational processes, as well as the way we interact with customers

Key considerations include:

- Understanding how customers want to interact digitally
- Leveraging new technology, consumer behaviour and buying trends
- Ensuring captured customer information is analyzed in a way to drive value
- Customer convenience

Customer satisfaction is of paramount importance

Consistent, excellent customer service is the difference between success and failure

Essential to understand:

- How to engage with customers
- What drives customer behaviour

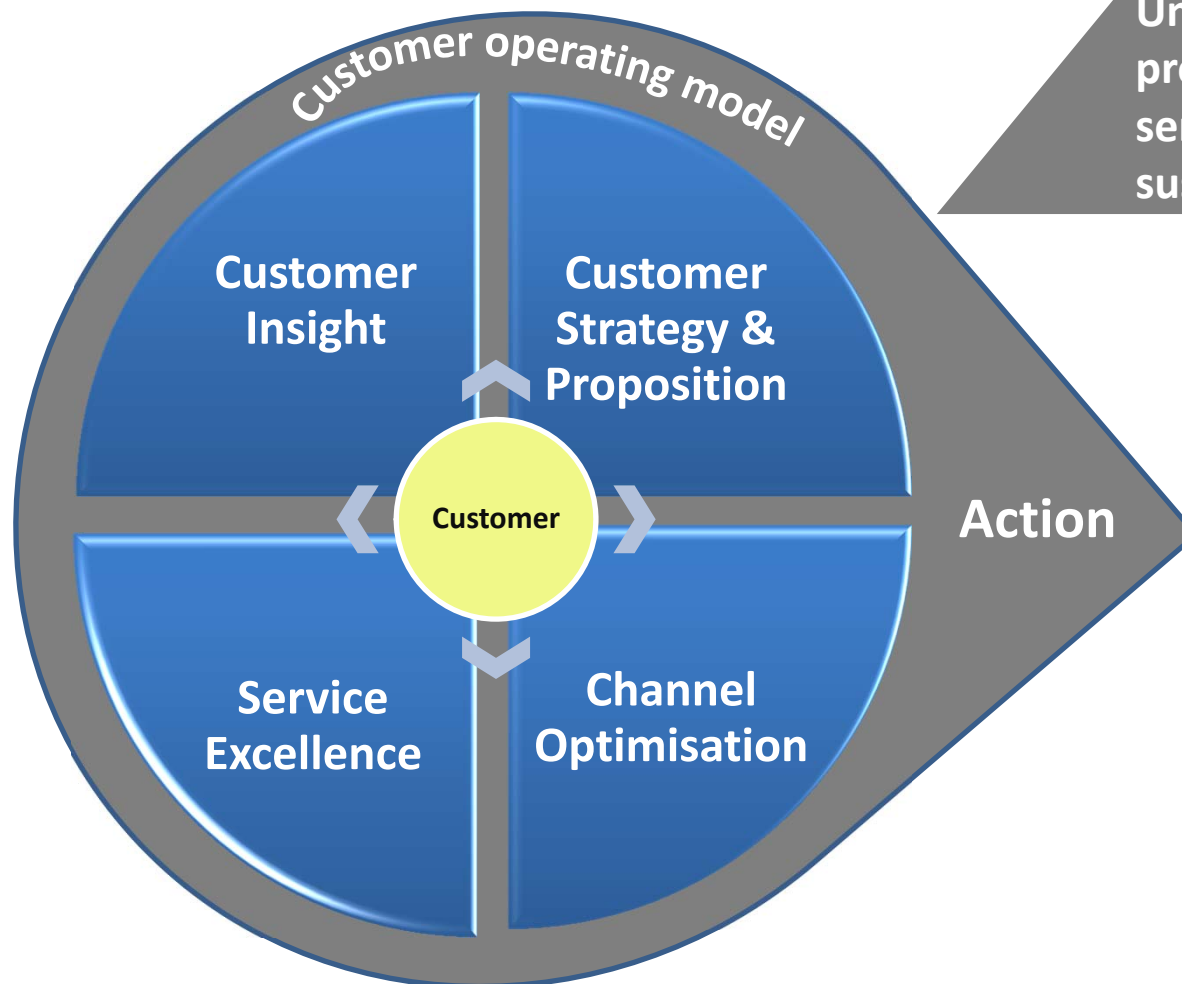
Keep the product simple and flexible

- Easy to buy
- Build trust by providing reliable product and service experience

Engagement with customers is key to retention

Deployment of Tablet technology enhances the customer journey, delivering service excellence

Digital interacting with the customer operating model



Understanding customers and providing consistent customer service is a key driver for sustainable growth

Customer Service Enhancements:

- Tablet technology provides customers service that adapts to their changing needs
- Digital technology optimises consistent customer experience
- Call centres used to conduct customer satisfaction surveys as well as perform customer sales quality control

Quality Assurance is about ensuring the quality of business sold, optimising customer satisfaction, leading to lower lapsation

Quality Assurance is an after-sales activity that contributes to service excellence

Increase Customer Satisfaction

Key Service Enhancements:

- Call back procedures ensure that customers understand the product they have purchased
- Enhances the sales process by collecting customer feedback
- Increase efficiency by reducing mis-selling and thereby reducing future contract lapsation
- Customer complaint resolution procedures enhance customer experience

Improve Quality of Business

Reduce mis-selling

Mitigants:

- Customer suitability / profiling
- Certification
- Call back procedures

Certification is about elevating the level of customer service on offer

Certification enhances professional sales skills and product knowledge

1. Improve CFP skills in:

Customer Service

Product Knowledge

**Application of Selling
techniques**

Conflict handling

**2. Benefits of well informed
CFPs:**

**Distinguish channel from
competitors**

**Improve image among
customers**

Retain existing customers

Attract new customers

Family Takaful Gross Contributions

Global

US\$2.1 Bn

2011

US\$5.6 Bn

2016 (f)

MENA

US\$419 Mn

2011

US\$1.2 Bn

2016 (f)

By 2016, Global Family Takaful gross contributions projected to grow to US \$ 5.6 Bn

(Milliman, The Global Family Takaful Report 2013)

Key elements contributing to success

- Enhancing operational efficiency of distribution channels and customer satisfaction will improve the value proposition of Takaful
- Governments & regulatory bodies best placed to build awareness of Family Takaful as a wealth management tool
- Tailored products required that meet the evolving financial needs of targeted customer segments
- Digital Applications provide an insight into customer thinking, allowing:
 - development of improved customer solutions
 - a gateway to new distribution channels

Thank you...



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