

# **The International Takaful Summit 2007**

**1 – 2 November 2007**

**Langham Hotel, London**

**Organized by:**

**Islamic Banking and Finance Institute Malaysia**

**Afkar Consulting**

## **Rating for Takaful / Retakaful Companies**

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الوكالة الإسلامية الدولية للتصنيف  
Islamic International Rating Agency

# Takaful Industry

**The Takaful industry provides insurance service in legitimate cooperative manner free of ‘*Gharar*’ (uncertainty) and ‘*Riba*’ (interest). To evolve and grow the industry needs to be efficient. Efficient Takaful industry must be:**

- a) Well managed, financially sound and strong**
- b) Fully Shari’a compliant**



**IIRA uses different tools to assess –**

**a) Insurer Financial Strength Rating (IFSR)**

**b) Shari'a Quality Rating (SQR)**

- **IFS Rating is an independent assessment of the company's financial strength and its capacity to meet obligations to policy holders and other contract holders.**
- **SQ Rating aims to provide an independent assessment regarding level of compliance of the activities of the company with Shari'a guidelines and principles.**



# Assessment of markets

- **Political stability**
- **Size of the economy**
- **Demographics**
- **Muslim preferences**
- **Drivers of growth**



# Regulatory Framework

- **Country's legal system**
- **Government regulations**
- **Reporting regimes and examination programs**



# Competition

- **Local and international providers**
- **Life cycle status of principal peers**
- **Relative market share, pricing power, changing patterns**



# Business Plan & Strategy

- **Targeted lines of business**
- **Distribution strategy**
- **Product and geographical diversification**
- **Investment strategy**



# Management considerations

- **Senior executives and middle management**
- **Organizational framework and succession**
- **Corporate governance**
- **Operational controls**



# Financial Performance

- **Financial history**
- **Capitalization**
- **Asset quality**
- **Underwriting performance**
- **Investment performance**
- **Fund flows**
- **Capacity of operator to cover underwriting shortfalls**



# Shari'a Quality Assessment

- **Shari'a Committee (S.C)**
- **Internal Shari'a control mechanism**
- **Training programme in Islamic Insurance**
- **Investment methods of Takaful funds**
- **Treatment of surplus**
- **How to deal with deficit**
- **Re-insurance arrangements**
- **Identity and corporate image**
- **Mechanism for dealing with Non-Shari'a compliant income, any other violations**



# Thank You

Please visit our website [www.iirating.com](http://www.iirating.com) for information on rating methodologies and rating scales

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