

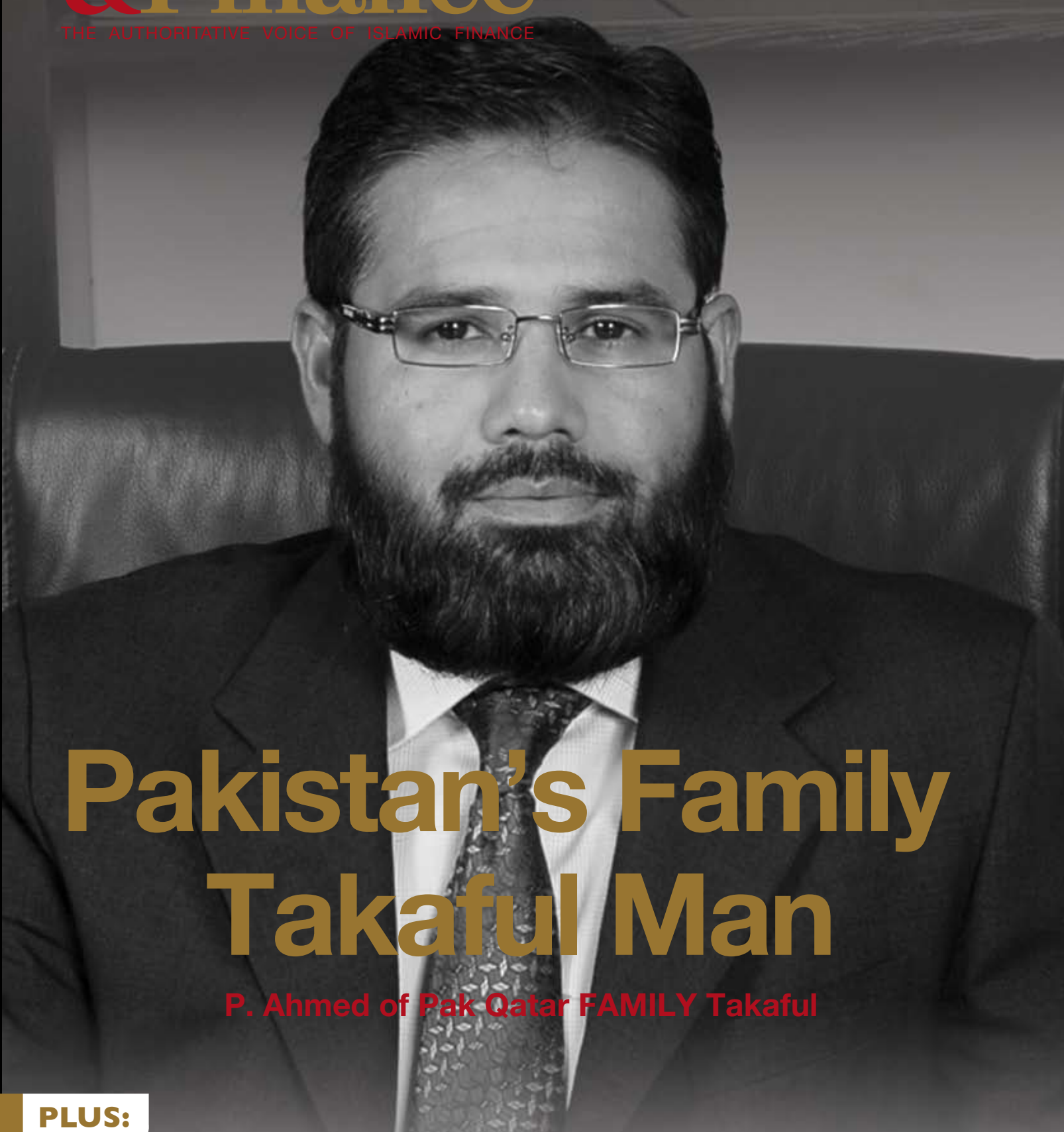
# Islamic Business & Finance

THE AUTHORITATIVE VOICE OF ISLAMIC FINANCE



[www.cpifinancial.net](http://www.cpifinancial.net)

JULY / AUGUST 2009 | ISSUE 44



## Pakistan's Family Takaful Man

P. Ahmed of Pak Qatar FAMILY Takaful

**PLUS:**

INDONESIA • CAPITAL MARKETS • TAKAFUL • BANKING LIQUIDITY • AJMAN BANK



# Pioneering family Takaful in Pakistan

Pak-Qatar aims to establish market leadership in Pakistan. Robin Amlôt asked P. Ahmed, Chief Executive Officer of Pak-Qatar FAMILY Takaful how the company plans to achieve its goals.

**P**ak-Qatar FAMILY Takaful and sister company Pak-Qatar GENERAL Takaful received their licenses from the Pakistani Securities and Exchange Commission on 16 August 2007. Pak-Qatar FAMILY Takaful was the first ever family Takaful operator in Pakistan and, thus, Pak-Qatar was the first group in the country to have both a family and general Takaful company under one umbrella.

An independent Shari'ah Supervisory Board chaired by Mufti Muhammad Taqi Usmani, certifies all products and operations. A well-known figure in the field of Shari'ah, particularly in Islamic Finance and economics, he served as a Judge in the Shari'ah Appellate Bench, Supreme Court of Pakistan from 1982 to 2002.

Pak-Qatar FAMILY Takaful is rated A- (stable outlook) and Pak-Qatar GENERAL Takaful BBB+ (stable outlook) by JCR-VIS Credit Rating Co Ltd. The company is backed by Qatar Islamic Insurance Company, Qatar International Islamic Bank, Qatar Islamic Bank, Qatar National Bank, the Amwal Group, Masraf Al Rayan and Munich-based FWU AG. The paid-up capital of the Pak-Qatar FAMILY is PKR 533 million, the combined paid-up capital of the group is PKR 840 million. The company has re-Takaful arrangements with Munich-Re, Hannover Re and Takaful-Re and a strategic BancaTakaful alliance with FWU AG.

P. Ahmed is the Director and founding Chief Executive Officer of Pak-Qatar FAMILY Takaful Limited. His career





includes appointments with State Life Insurance Corporation (SLIC) of Pakistan in 1989, American Life Insurance Company Limited (ALICO) and Commercial Union Life Assurance Company Limited (later, merged into New Jubilee Insurance Company Limited) as head of Sales and Marketing where he developed alternate distribution channels, including pioneering bancassurance in Pakistan.

Prior to establishing Pak-Qatar Family Takaful, he was Chief Operating Officer and organisational development consultant with a management training and consultancy firm in the Middle East and Pakistan. P. Ahmed holds an MBA with majors in Finance & Marketing and a Post Graduate Diploma in Islamic Banking and Finance from the Centre of Islamic Economics, Darul Uloom, Karachi.

A pioneer of the family Takaful concept in Pakistan, he has an active policy-making role in the committee formed by the Securities and Exchange Commission of Pakistan to review the 2005 Takaful Rules.

**Pak-Qatar FAMILY Takaful obtained licence to operate in Pakistan in August 2007 – you were the first ever family Takaful operator in the country – how much of an education process**

**has it been to build awareness and acceptance of the business or was there pent-up demand?**

Creating awareness was really a daunting task. Insurance penetration is very low in Pakistan; people do not have awareness about insurance and Takaful is also new so we have spent a lot of our time creating awareness in the market. Apart from hiring and training our own people, making sure that there are people properly trained in the market, we have launched a number of campaigns in educational institutions, in communities and Chambers of Commerce and we have come up with some publications as well.

For example, we have circulated more than 10,000 copies of a small publication where Takaful is briefly explained, we have another booklet about to come out and on our website we are building a knowledge centre where people can get information about Takaful. In fact, there's more information about Takaful than about the company, Pak-Qatar, on the website!

We are also trying actively to participate with other Takaful operators in Pakistan to form a Takaful association from where we can go into the market and campaign as well.

**What competition do you have from the conventional insurance sector – presumably there was limited interest in the country for conventional insurance for religious and ethical reasons?**

There is competition! If you take, for example, the corporate sector where we have some products, such as general Takaful products or family Takaful products like group insurance and health, we face fierce competition.

There are already many players operating in the conventional corporate sector and they are giving us really tough competition. They do not want new players to survive in the market and they don't want Takaful to survive.

But as far as the individual sector is concerned, where we are selling our individual products, there actually we don't see much competition, market penetra-

tion is fairly low and there is room for new players.

If you are not going to target existing customers of insurance companies the market is wide open. We are not facing that much competition in the personal sector but in corporate yes. We are working on penetrating the corporate market on the basis of service quality, product features and price.

**You're just about to complete two years of operations, how has the business evolved since start-up?**

We got our licence in 2007 and we formally started business in 2008. Compared to any other insurer our business is pretty good We managed to do something like PKR 170 million (\$2.08 million) in the first year. We have already done more business than this in 2009. By 30 June we have already done PKR 200 million (\$2.45 million) and we're expecting to do more than PKR 500 million (\$6.12 million) this year. I am very satisfied with business so far.

**The company describes itself as a technology-driven, Shari'ah-compliant company. Why is this so important?**

First there is a perception issue. When we talk about Shari'ah in Pakistan, we need to make sure that what we are offering is a modern solution and not look backward. We are working in the service industry and generally in the service industry, customers' satisfaction is the top-most priority.

The market in Pakistan has huge potential. Technology can be used to optimise the business allowing a new, smaller player like us to gain an edge in the market. We brought a business system in from Malaysia and adapted it to the local market, offering products and services that even the established insurance companies could not offer in the market.

We believe that operational efficiency can only be achieved through technology. We wish to work at a low cost to pass on more benefit to the customers. Customer benefit is directly related to our cost, and without technology this is not possible.

Using proper customer relationship



management tools we're trying to change perceptions: being Shari'ah compliant and technology driven can go together.

**How has your product set evolved in the last couple of years – and what further developments do you see in the future?**

Currently, for the corporate sector we are offering group family Takaful for employees. We are also offering unit-linked whole life product for individuals. In fact, some of the products we have the competition does not have in the market. We have every single product available from any competitor within our product range but we are continuously evolving and coming up with new products. For example, in the corporate sector we will come up with a pension plan – there is a huge need in the market for pensions – so that people will be able to do long term savings for retirement.

At the lower end of the market we are also coming up with some micro-Takaful options products – there is no micro-Takaful at the moment - micro-insurance can go hand in hand with micro-finance. We are looking at new distribution channels for this.

In every segment of the market we are looking at delivering better products. We are quite comfortable that we can move in all directions.

**You revamped the company website recently (March 2009) – are you looking to create a transactional business selling Takaful online?**

We had this in mind when we re-launched the website. There is a lot of background work going on. We are working on our business systems and creating a database. The aim is to move on firstly to 24/7 operations which currently we do not. Then we will build a database at the back end so that the customer can transact business online, manage their own products or buy new products. We are considering developing some products that will only be available online.

We are still a new company and we are tackling projects one by one. We have established the product line, we

have a basic range for the market, we have spent a lot of time setting up a distribution centre and currently we are focusing on developing our back end which can support online marketing.

**How important to the company are distribution deals like those you signed with Institute of Chartered Accountants of Pakistan (ICAP) in June?**

The deal offers Takaful products to all Chartered Accountant members of ICAP working anywhere in the world. This won't by itself bring us a huge amount of business but the important thing is that it creates awareness among decision makers in the corporate sector: people who are making financial decisions, who are Chief Financial Officers. It is very important that these people understand the concept of Takaful and Takaful products.

We are actually talking to Chartered Accountants, explaining the concept, running a series of seminars about Takaful and what it can do for them. This is going to create awareness for us among the 5,000-plus members of ICAP around the world.

**You also have deals in place with UBL's Islamic banking operation UBL Ameen (May 2009) and Dubai Islamic Bank Pakistan (April 2008) – how important is bancaTakaful to your business? Will you be looking to do deals with other banks?**

We believe bancaTakaful has great potential. At a previous company I was the one who started bancassurance in Pakistan – bancassurance is now doing more business than pure assurance businesses. We want to do this seriously, bancassurance is critical to our operation.

The key to successful bancassurance is offering something that is convenient – allowing a customer to come into their bank branch and buy a policy. We will be offering the banks online underwriting. We are in active negotiations in final stages with a number of Islamic banks and a couple of commercial banks as well.

**You built a branch network swiftly in 2008 – how many branches do you have now and what further plans for expansion do you have?**

Currently we have 24 branches in 14 cities. All our branches have been productive from day one. We have 800 consultants working now. Many new Takaful players around the world are working purely on a banking distribution model but here we are building up our own branch network as well.

For this year we will not be moving into any new cities but by end-2010 we intend to be in 25 cities. We feel there is huge potential and huge demand out there. Wherever we go we have had a good response from the market.

**What are your views on the Pakistani economy and how do you feel it may affect the development of your business?**

There is obviously a lot of political uncertainty but we believe that the situation is improving and for the economy overall we expect that from the fourth quarter of 2009 the situation will improve. The stock market is already picking up.

In the sector we operate in there is huge potential, the market is by no means saturated. I personally am optimistic about the economy.

**What are your ambitions for the business and where do you see it in the next five years?**

Currently we have 800 consultants, we intend to have 2,500. We want to be a leader in the market, currently we are the only family Takaful operator in the market. We will have a branch network in all major cities in the market and we will be exploiting all distribution channels, including offering micro-Takaful.

We aim to be a company that consistently exceeds customer expectations. One thing that is lacking is this part of the world is quality consciousness on the part of the operators so we intend to create an image of Takaful that means quality. We are currently working on a lot of projects in this area to ensure that customer expectations are at least met and ideally exceeded.