



PAK-QATAR FAMILY TAKAFUL

Together for Better

Interview with P. Ahmed by Pakistan & Gulf Economist (PAGE)

ABOUT Mr. P. Ahmed – Director & CEO

Veteran, Mr. Pervaiz Ahmed is the Chief Executive Officer, who is ambitious and possesses the drive to implement and run this pioneering venture successfully. Short after incorporation, Mr. Ahmed has been responsible to spearhead and manage the operations of the Company.

An MBA with major in Finance & Marketing, he is also the Fellow of Life Management Institute and Associate Customer Services. He also holds post-graduate diploma in Islamic Banking and Finance. He started his career from State Life Insurance Corporation of Pakistan in 1989, and being quick to acquire management skills progressed to the rank of Deputy Manager, and then switched to American Life Insurance Company Limited (Alico) in 1995. Thereafter, he joined Commercial Union Life Assurance Company Limited (later, merged into New Jubilee Insurance Company Limited) as Head of Sales and Marketing and developed distribution channels, including pioneering in Bancassurance. He was also associated with Timelenders, a management training and consultancy firm, as chief operating officer and organization development consultant.

Currently, he is the CEO of Pak-Qatar Family Takaful Limited.

Following would be the general questions:

1. What is the concept of Takaful? What is the size of current takaful industry? What is the potential worldwide and Pakistan?

Takaful is a Halal and Ethical way to fulfill your financial protection and savings needs

It is a community-pooling system based on the principles of brotherhood and mutual help wherein participants contribute in a common fund to help those who need it most in times of financial difficulties. In practice, Takaful can serve as a risk-mitigation tool and an alternate to conventional insurance.

The concept of Takaful is inherent in the Arabic word 'takafala' which means 'mutual guarantee'. Put simply: if, God forbid, a family's breadwinner passes away or gets disabled and is unable to partake in occupational activities for which he is trained for, leaving behind dependants, Takaful will come to his rescue by paying a considerable amount to his family to cover the financial loss.

The need for takaful in Pakistan can be gauged from the trend-defining statistic in dependency ratio that being 81% respectively. Dependency ratio is defined as the proportion of children under 15 years of age and old people over 65 years to the population between ages 15 and 64 years which is economically active. This ratio reflects the burden on the breadwinners in a family to financially support their loved ones. Only 8% - 10% of Pakistani families have financial protection through insurance/Takaful which is an appalling statistic.

According to an estimate Pakistan life insurance market has potential of generating premiums worth Rs 60 billion. The conventional industry generates less than Rs. 20 billion of premiums per year. This shows the size of the gap which Takaful players will have to fill in. The insurance penetration rate against GDP is 0.3% for Life insurance and 0.5% for General insurance which is far below compared to other developing and developed countries such as Malaysia where it is 30%

There are presently 133 Takaful Operators operating worldwide according to Ernst & Young 2008 Report. Following the introduction of Takaful Rules by the SECP in 2005, five Takaful Operators have entered the local insurance market: three in General and two on the Family side. These numbers are scheduled to increase by the next year. This shall bring in the much-needed vitality in the insurance industry.

2. What progress have you made in last two years?

Pak-Qatar Family Takaful Limited came into being on 17 August 2007 and introduced our first Family Takaful product in March 2008. The company is the first Family Takaful in Pakistan and is also the first in terms of implementing the Wakala-Waqf Business Model (involving the Participant's Investment Account), being first in any thing is usually accompanied with challenges and opportunities. In essence, we are setting the industry benchmarks and Takaful regulatory policies for others to follow.

The potential of any company is first and foremost gauged from its vision and our vision is to provide financial protection through Takaful to everyone. The core value which drives us is to achieve excellence and we define excellence as the outcome of doing something which in available resources cannot be

done better. In a short span of 2 years, we have alhamdulillah reached many milestones and created industry records.

Pak-Qatar Family Takaful created an industry record in terms of business submitted which is Rs. 100 million respectively by any insurance/Takaful company ever in Pakistan in its first year of operations only. We are also the First Takaful Company in Pakistan to achieve Rs. 10m sales target in three branch outlets by first year of operations. We also have on board 160 corporate clients. Amongst the clients include the Dollar Industries, Habib ADM, Dubai Islamic Bank, Meezan Islamic Bank, Bank Al-Baraka, Emirates Global Islamic Bank, Hilal Confectionaries, Shafi Group, and Clipsal amongst others.

We have a trained sales force of 800 people in strength in less than 2 years. We also have presence in 13 cities having 15 branches.

Alhamdulillah, our fund rates have also been consistently out-performing our insurance competitors despite recessionary trends.

Pak-Qatar Family Takaful's long-term commitment and sincerity with the people is validated by its heavy investments in procuring state-of-the-art business technology in PentaTakaful from Malaysia and implementation of SAP ERP solutions and in-process Microsoft Dynamics CRM. We also have on board the SMS technology for our Agents & Customers. Total investment in technology so far is approximately US\$1.2 million respectively.

In less than two years span, Pak-Qatar Family Takaful has been assigned an initial Insurer Financial Strength (IFS) rating of 'A-' (single A minus) by JCR-VIS Credit Rating Company Co. Ltd. Outlook on the rating is 'Stable'.

1. Why do you think Takaful is growing rapidly? What are the advantages to a common man if he takes takaful cover?

Takaful makes sense. In fact in developed countries the people are legally obliged to get life and general insurance since it is an indispensable financial tool. In Islam even, mitigating risks and provisioning for the future of your family is one of the most respected and honoured traits of being a Muslim. In fact it is an obligation to God to look after one's dependants.

Unfortunately the education level about Takaful is very low in Pakistan. In fact, before 2005, nobody knew what Takaful was. Then in 2005, after promulgation of Takaful Rules by the S.E.C.P., people began to realize its importance in terms of potential.

Takaful serves as savings and investment tool by encouraging savings as opposed to borrowing loans. In Takaful, all you need to do is "save" from your income on regular basis small amounts of money for your future needs. Whereas loans may serve the purpose in the short-term, it however puts you in debt and that is always a risky enterprise in the long-term.

Takaful provides security and safety and efforts peace of mind. Moreover it encourages self-sufficiency and removes dependence on other people. The economic independence of a family is secured in the most critical time of their survival when the bread-earner passes away or incurs a disability or gets ill. Takaful pays compensation money to cover the extent of the loss.

In short Takaful fulfils the needs of the person in different life stages and cycles.

2. Who are the major shareholders of Pak-Qatar Takaful Limited?

The right sponsors can give a very positive boost to any financial institution. Pak-Qatar Family Takaful can proudly claim to have world-class patronage. We are supported by some of the strongest financial institutions from the State of Qatar. The paid-up capital of Pak-Qatar Takaful Group is Rs. 840 million of which Rs 533 million is for Family Takaful Limited.

We have Qatar Islamic Insurance Company (QIIC) as our sponsor which is the pioneer of Takaful in Qatar and one of the fastest growing Takaful companies there. Then we have Qatar International Islamic Bank (QIIB) which is one of the most successful banks in the State of Qatar. Next is Qatar Islamic Bank (QIB) which is the pioneer of Islamic Banking in Qatar and which presently stands amongst the top five Islamic Banks in the world. Qatar National Bank is also one of the largest banks in Qatar with the largest share of the banking sector. The Masraf Al Rayan is a progressive new force in the world of banking. A leading investment banking, asset management and wealth management firm by the name of The Amwal Group is also our sponsors. We also have a Munich-based financial services provider FWU-AG as a sponsor of Pak-Qatar Family Takaful with which we also have BancaTakaful agreement.

The aggregate assets under management of the sponsors exceeded US\$ 26 billion as at 31 December, 2007.

3. What products do you offer in the market?

Our Takaful portfolio includes innovative and affordable Takaful solutions for individuals and corporate sector.

For the individuals we have the "Share 'n Care" Savings Takaful. The philosophy behind this product is to promote the concept of savings in the masses as means to achieve financial independence and fulfilment. What we say is that you shouldnt borrow loans and incur debts A more dignified and practical way of fulfilling your responsibilities of getting your children married, purchasing a new home, and provisioning for retirement income, is through the Share 'n Care Savings Plan.

We also have a Education Takaful plan for parents who want to ensure the continuity of their child's higher education even when they are not around or cannot afford the tuition fees. Through "ABC Takaful" parents can now protect their child's future.

For corporate sector we have Group Family (Life), Group Health and Salary Savings Takaful Plan. Companies which offer quality benefits are more likely to attract, retain, and motivate their employees. Takaful, in recent times, has become one such attractive proposition for employers worldwide to align their strategic financial and human resources objectives in Shari'ah-compliant, completely transparent, and ethical way, thereby adding value to their corporate image and identity. Pak-Qatar Family Takaful Limited specializes in corporate Takaful solutions.

4. What is the paid up capital put into the business by your group?

The overseas investors have come to Pakistan with elaborate plans and wish to invest in a variety of business ventures. At present two entities commencing operations are Pak Qatar Family Takaful and Pak Qatar General Takaful. These companies are involved in risk mitigation based on Shariah covenants. The paid-up capital of Pak Qatar Family Takaful is Rs. 533 million and aggregate paid up capital of the two companies is Rs. 840 million.

5. Any issues/problems being faced by this sector?

Pakistan has an immensely underdeveloped insurance market having mere 0.8% GDP penetration rate (0.3% for Life Insurance and 0.5% for General) marred first with industry nationalization in 1970s and secondly with Shari'ah objections and low market capitalization worsen by poor industry reputation due to claim mishandling, sales fraud, and inefficient customer services. Due to extremely low awareness levels of insurance there is serious dearth of insurance professionals in Pakistan. It is in this environment that Pak-Qatar Family Takaful limited is operating.

Lack of general awareness and education amongst the masses about the use and benefit of insurance, let alone Takaful, is the biggest impediment in the growth of insurance industry in Pakistan. This is further aggravated by the lack of qualified human resources, lack of training culture and resources, misconceptions, stereotypes, undeveloped alternative distribution channels, limited reTakaful arrangements, and constricted investment universe. This may sound a lot, but challenges often come disguised as opportunities.

