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“TAKAFUL 2.0” USING THE POWER OF THE WEB TO RELEASE THE GLOBAL POTENTIAL OF TAKAFUL

Growth forecasts for Takaful are as abundant as they are enormous. Like towers in Dubai, each new forecast seems to be bigger and more extravagant than its predecessors. Yet the reality is that the take-up of Takaful lags a long way behind its potential. With the global insurance market sized at approximately USD 1.6 trillion and Takaful amounting to approximately 0.7%, the potential within the noble principles of Takaful will only begin to be unlocked when technology can truly deliver hyper-efficient distribution combined with very low cost administration. The accelerating technology trend towards the use of “Software as a Service” (SaaS) could provide the key.

At this point I must declare an interest: in a report on the growing trend towards the use of SaaS in November 2006, Celent described UniRisX as “a unique company that only operates within the SaaS model”. In Software as a Service, there is no need to invest in software, hardware nor infrastructure – the Takaful provider only needs a browser to access state-of-the-art software. Thus Takaful can be distributed anywhere there is an internet connection, with the Takaful operator giving free access to any combination of brokers, agents, affinity groups and indeed direct to consumers, so connecting the demand for advice and Shariah compliant insurance with low cost supply, powered by the ubiquity of the Internet. In this way, Takaful can be distributed virally, removing all known distribution limits and administered at cost levels that have never previously been feasible...

The web based service provided by UniRisX is based on a suite of software that was originally developed by Unisys at a cost of around USD 10 million. A change of strategic direction within Unisys led to a Management Buy Out and the birth of the UniRisX company in 2004. The software has been in use in conventional insurance since 2001 with early adopters in Lloyds of London and Marsh. A comprehensive offering for General Insurance, UniRisX caters for everything from quotations to claims, including auto rating, mid term adjustments, local printing of documentation and real time risk management. An innovative pricing model based on the sharing of risk and reward makes the UniRisX approach ideally suited to the Takaful operator. The economics are particularly compelling for the start up operator, where up front costs are minimised, business can be transacted immediately and costs are based on success. In this way, risk is capped and costs are entirely predictable. Contrast that with a traditional Systems Integration approach where the operator has to invest in software licences, hardware, expensive IT skills and wait in hope for maybe one or two years while the system is prepared for use – and you will begin to see why even the largest organisations like Citibank are switching to the SaaS model.

I first got involved with Takaful through my friend Abdullah Bin Rajib who was designing some Takaful products for the Singapore market and wanted a web based platform on which to administer them. We quickly realised that many of the best practice features of conventional insurance which the UniRisX platform delivered, could equally be applied to Takaful. Features like transparent charging, remote printing of documentation, real time risk accumulation, capacity limits with warning triggers et al were just as valuable to the Takaful operator in creating an efficient distribution and administration system. An expert on conventional insurance and Takaful, Abdullah was able to educate me in some additional advantages which I had not realised: things like our transparent charging of fees and commissions and how these features would assist a Shariah Board to decide if a Takaful Scheme was really operating in a fair, Shariah compliant way in handling deductions from its participants contributions. Our ability to hold a separate Tabaruu fund for each class or sub-class of business and the inherent ability to manage risk in real time were identified as big advantages. Enhancements were of course required and effected to enable the operation of both Mudarabah and Wakalah models. Today we offer a range of features which will help the Shariah Board to oversee the Takaful business and operations. A comprehensive range of Takaful products can be catered for including Family Takaful., motor, home, contents and a wide selection of business insurances.

Today UniRisX can offer an immediate, low cost service that will be attractive to any Takaful operator including a Benevolent body, Mutual, Co-operative or indeed a conventional operator using a Takaful Window. Incorporating Straight Thru Processing (STP) with the elimination of duplicated processes and re-keying of data, UniRisX eliminates paper and routinely reduces administration costs by 40%-80%. This is a crucial capability in the Takaful environment where the reduction of wasted administration costs can be passed directly on to the benefit of Participants.

Having acknowledged that the growth of Takaful has lagged behind the greatness of its principles, we also believe that it will not only grow quickly but also evolve and mutate. The Wakalah model is one such progression where management expenses can be on a fixed fee whereas investment fees can be performance based. The principles of fairness and sharing each others burden will doubtless see some funds assigning surpluses to Baitul Maal and so extending protection to the less fortunate members of the community. Equally, surpluses could be exposed to Zakat and the resulting funds could be channelled into WAQF for projects which are for the common good, such as a new school or hospital. In the Takaful model, there can be many winners!

Based on the principles of fairness, transparency, simplicity, sharing the burden and underpinned by a social conscience for the common welfare, Takaful appeals to the very greatness of the Human Spirit. Takaful will succeed because it deserves to succeed. UniRisX can provide the web based services to support Takaful with mass distribution and very low cost administration. As a small organisation, we are in the fortunate position of not carrying the cost base or corporate allocations which larger IT companies have to recover. As my friend Abdullah informed me, it says in the Quran: "inallaha muhibul muhsinin". If UniRisX can help in the distribution of Takaful, we will have achieved a noble destiny...

For further information or for a webex demonstration in your offices, please contact Tony Ferguson (+44 7875 375 079) or email tony.ferguson@unirisx.com.

If you would like more information on ICMIF and its services to the takaful sector, please contact Sabbir Patel (sabbir@icmif.org), or visit www.takaful.coop.

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