

MICRO TAKAFUL: ENHANCING FINANCIAL INCLUSION AND COMMUNITY RESILIENCE

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INFO



POSITION

Professor of Risk Management and Takaful in Faculty of Business and Management, Head Research Cluster Law & Business, . Honorary Treasurer of the Malaysian Academic Association Congress (MAAC) & Deputy President of UniSZA Academic Staff Union (PSA UniSZA)

21 research completed
Value RM**1,510,683**

GRANTS COMPLETED

RESEARCH INTEREST

Micro Takaful Product Development, Insurance, Risk Management and Business

Malaysian Qualification Agency Panel (MQA), Visiting Professor at Narotama Universitas, Indonesia, Visiting Professor at Universitas Pertanahan Veteran , Indonesia, Iranian Insurance Research Centre, Speakers and Panels

ACADEMIC RECOGNITION

Global graphics



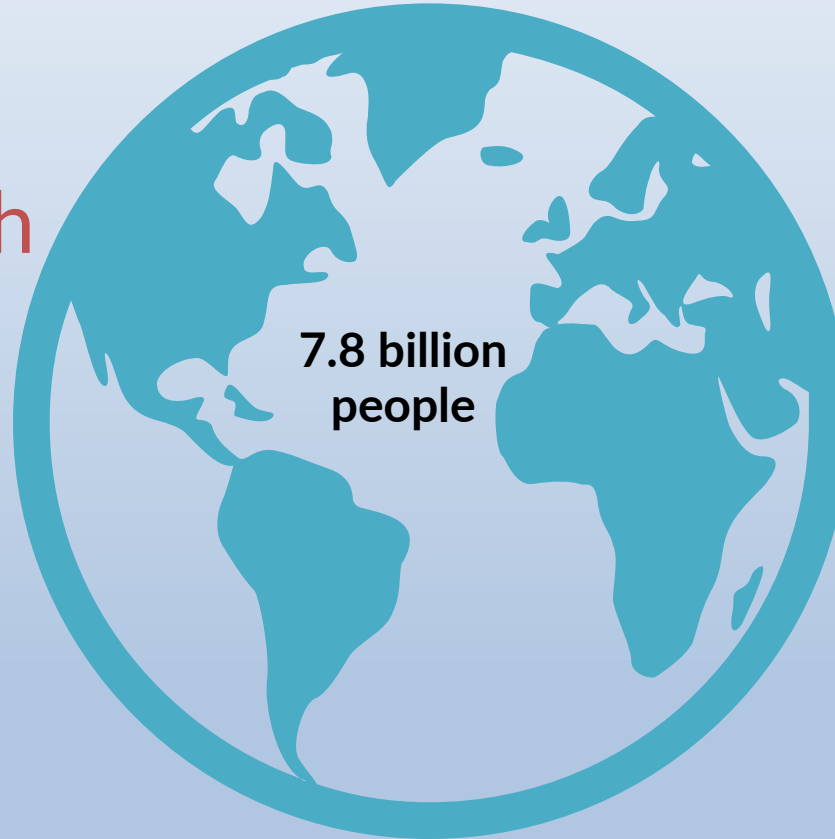
About inclusive insurance



Data Analysis

1.3 billion relatively rich

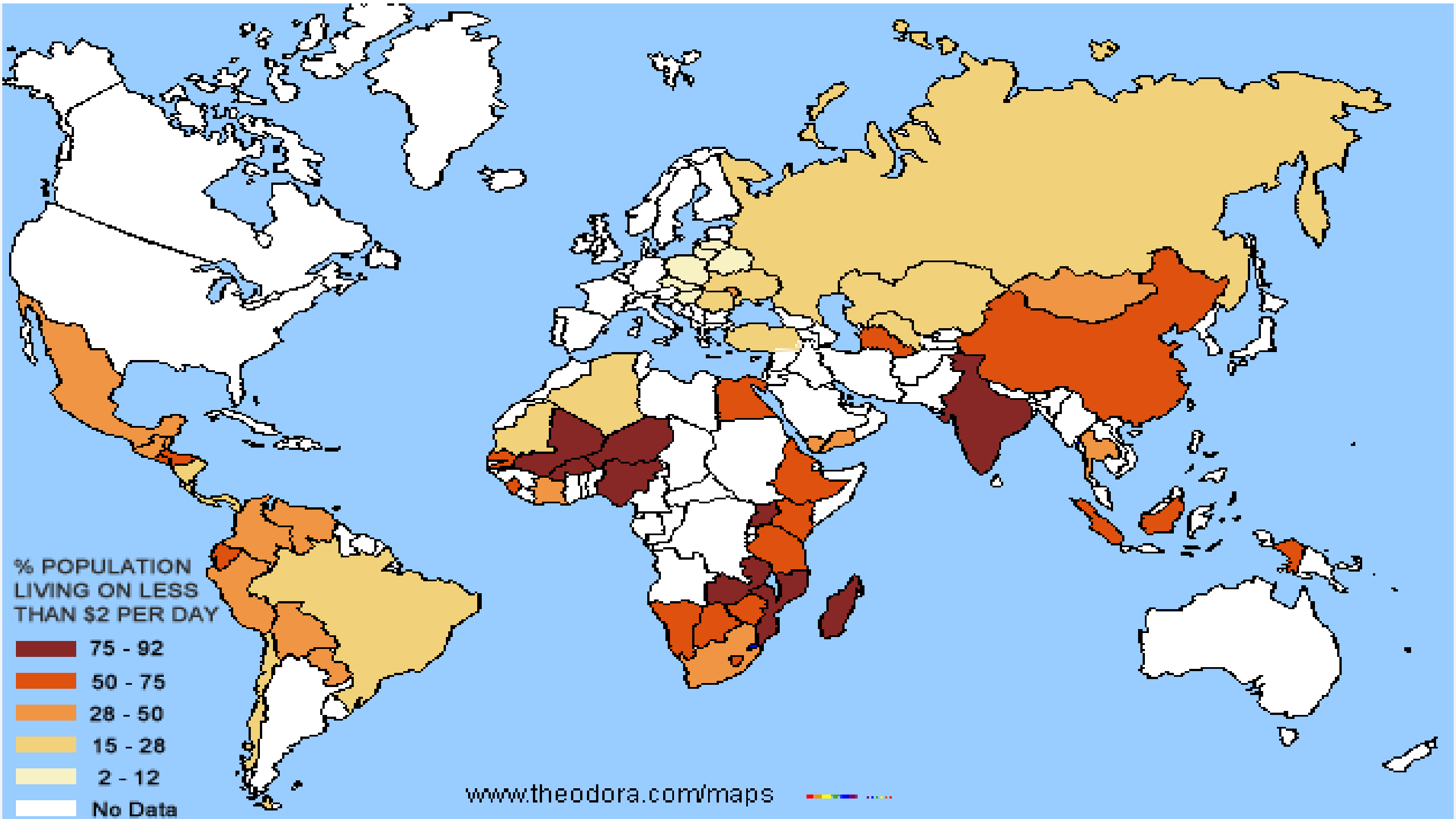
- If they fall ill, they can afford the treatment needed or – more likely – the cost will be covered by national or private health insurance..
- If their homes or business premises are destroyed or damaged by floods or fire, they expect compensation either from their private insurance or from the government.
- if they lose their jobs, many of them can claim unemployment benefit to help them pay their way until they find new employment.



Data Analysis

6.5 billion are not so fortunate

1.8 billion people are very poor – so poor that they do not have enough to eat. (income less than USD2.15 perday (235.50 taka). 4.7 billion people are not extremely poor, but they are still very, very vulnerable.



% POPULATION
LIVING ON LESS
THAN \$2 PER DAY

- 75 - 92
- 50 - 75
- 28 - 50
- 15 - 28
- 2 - 12
- No Data

RISK FROM UNFORTUNATE EVENTS



Climate and Natural Disasters

- 2020: Over \$268 billion in economic losses from natural disasters
 - Two-thirds of these losses were uninsured.
 - Small developing countries lose an average of 2% GDP annually to natural disasters.
- WHO estimates 250,000 additional deaths per year by 2030-2050 due to climate change.
- Risks include malnutrition, malaria, diarrhoea, and heat stress.

Agricultural Risk

- 70% of the rural poor rely on agriculture for income.
 - 500 million smallholder farmers worldwide.
- An additional 2 billion people's livelihoods depend on these smallholder farmers (< 2 hec).
- 80% of food in Asia and sub-Saharan Africa comes from these farms.
- **Food Security** over 750 million in Asia and sub-Saharan Africa.
- Smallholder farmers face high risks from weather, climate, disease, disasters, and price volatility.
 - Insurance is crucial for smallholder farmers to manage risks.



- 2018: Fire in Nairobi's Gikomba
- November 2020: Over 300,000 homes in the Philippines damaged
- Low-income individuals and households face the risk of property damage,
- Property damage can result in a cycle of debt and poverty
- The 2020 Landscape Study showed less than 1% had non-property insurance in surveyed developing regions.

Property Damage

Untimely Death

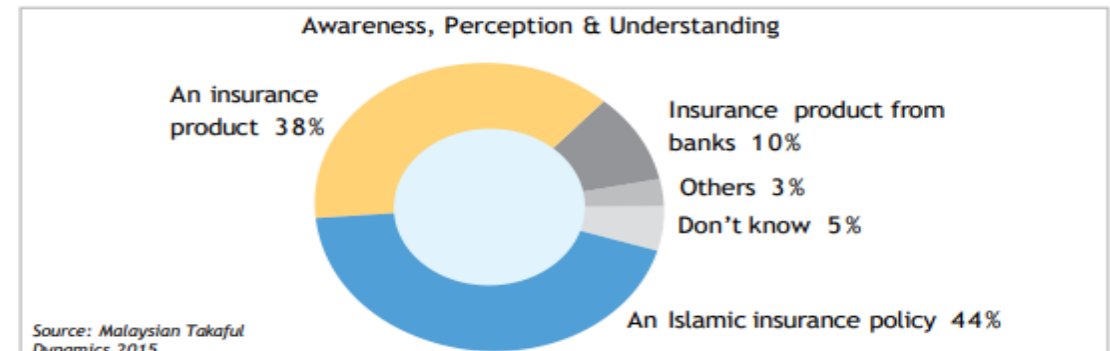
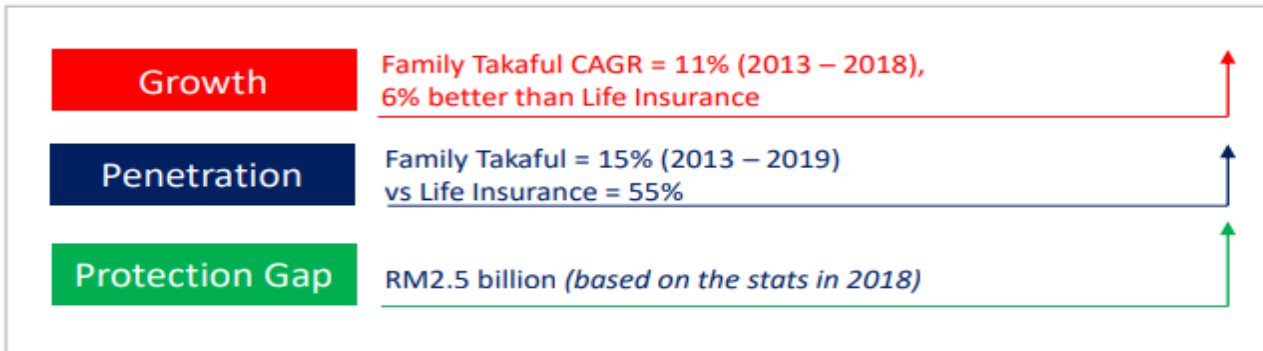
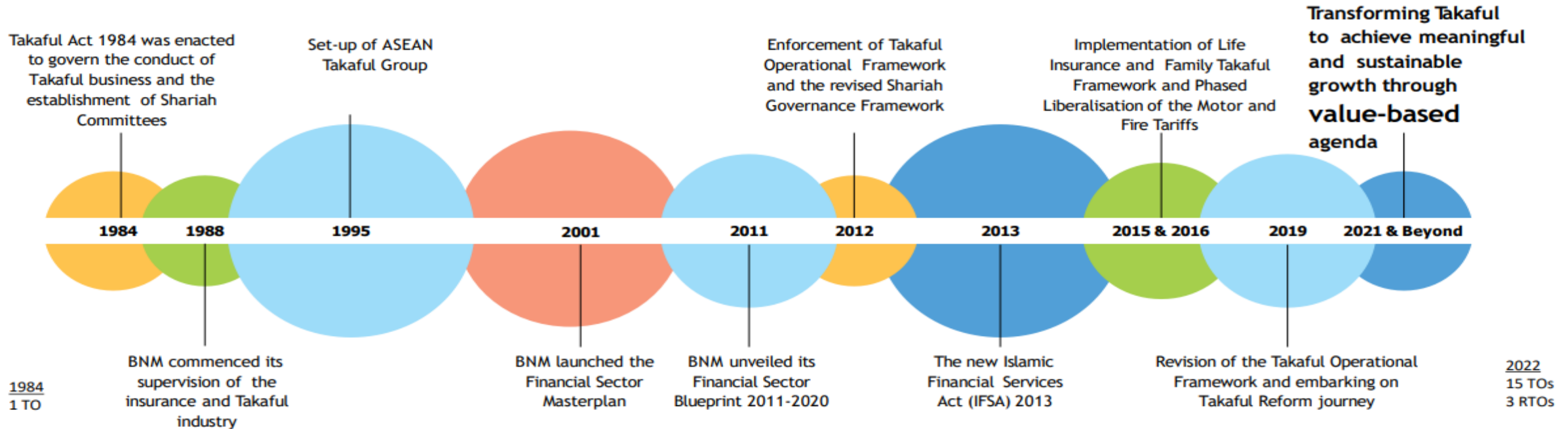
- Higher mortality rates among low-income populations in developing countries.
- Increased vulnerability due to the loss of a family breadwinner.
- Low-income families often lack adequate insurance to manage the death of a breadwinner.
- Immediate financial costs and long-term income loss significantly impact the household.

Illness, Accidents and Disability

- Low-income individuals face greater exposure to illness, accidents, and disability.
- Lack of access to appropriate tools and resources for an effective response.
- Public healthcare under pressure, especially in rural areas with limited access.
- Quality of treatment is often compromised by resource constraints.
- Sickness results in loss of income and places a burden on family resources.
- Utilizing savings or incurring debt to manage health crises can lead to a detrimental financial cycle.

Takaful Industry at a Glance

Takaful Industry at a Glance



Content

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6. CHALLENGES AND SOLUTION FOR MICRO TAKAFUL SCHEME SUSTAINABILITY
7. VALUE-BASED INTERMEDIARIES IN MICRO TAKAFUL
8. IMPACT ASSESSMENT OF MICRO TAKAFUL
9. USE OF ZAKAT AND WAQF FUNDS IN MICRO TAKAFUL
10. PROSPECTS AND FUTURE DIRECTIONS



What is Micro Takaful?

01

Shariah-Compliant

Micro Takaful is a Shariah-compliant protection plan designed for the underprivileged.

02

Affordability

It is tailored for the poor at a low price, making it accessible to those in need.

03

Empowerment

A powerful tool for poverty alleviation, empowering people to exit poverty and retain financial ground.

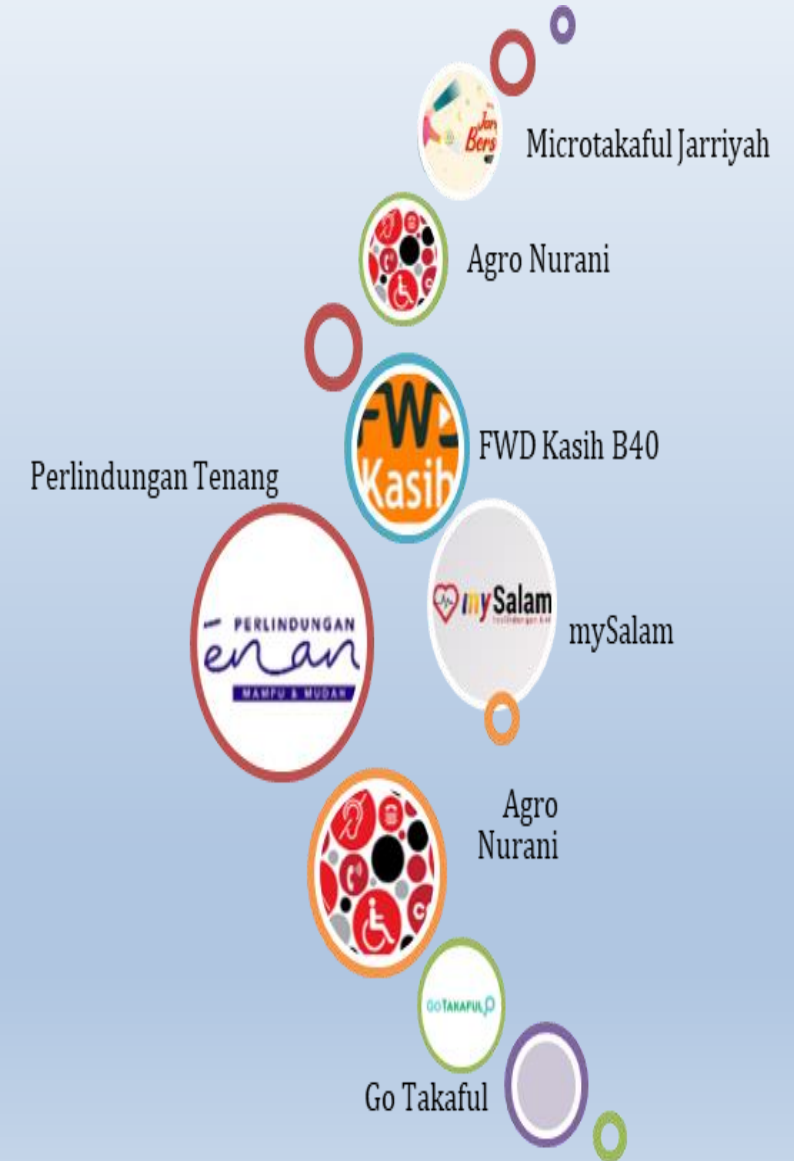
MICRO TAKAFUL VS MICROINSURANCE

Aspect	Micro Takaful	Microinsurance
Common Goal	<ul style="list-style-type: none"> - Provide affordable takaful to low-income populations. - Offer protection against risks such as illness, death, natural disasters, and property damage. 	<ul style="list-style-type: none"> - Provide affordable insurance to low-income populations. - Offer protection against risks such as illness, death, natural disasters, and property damage.
Ethical Foundation	<ul style="list-style-type: none"> - Shariah-compliant, ensuring all operations adhere to Islamic principles. 	<ul style="list-style-type: none"> - May follow conventional insurance practices without religious considerations.
Risk-Sharing	<ul style="list-style-type: none"> - Emphasizes mutual risk-sharing among participants. 	<ul style="list-style-type: none"> - Typically involves risk transfer from the insured to the insurer.
Profit and Surplus	<ul style="list-style-type: none"> - Surpluses after claims and expenses are often distributed back to participants or used for charitable purposes. 	<ul style="list-style-type: none"> - Profits are retained by the insurer.

BASIC PRINCIPLES OF MICRO TAKAFUL



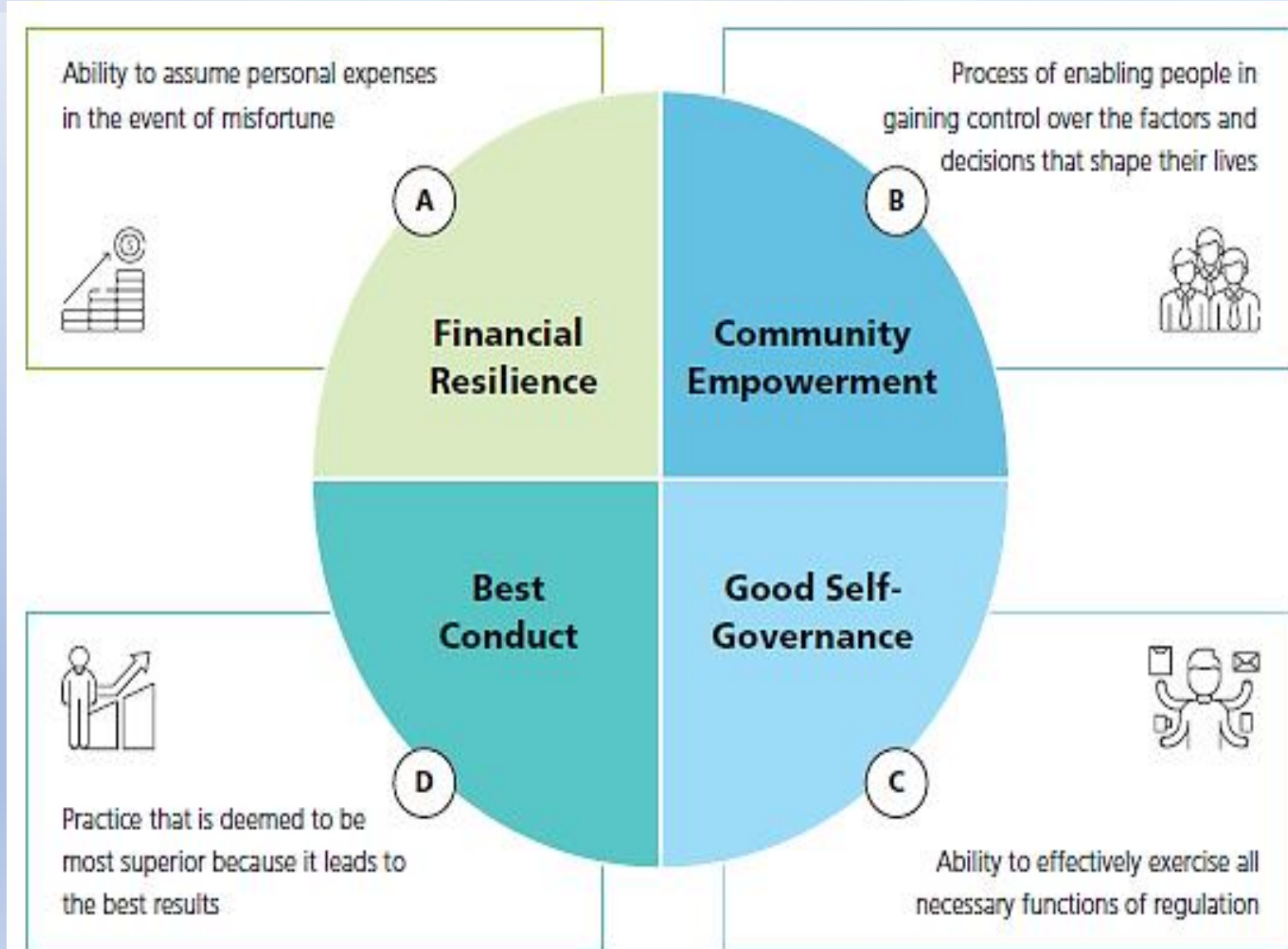
MALAYSIAN MICRO TAKAFUL PRODUCTS AND SERVICES



VALUE-BASED INTERMEDIARIES IN MICRO TAKAFUL

VBIT Definition

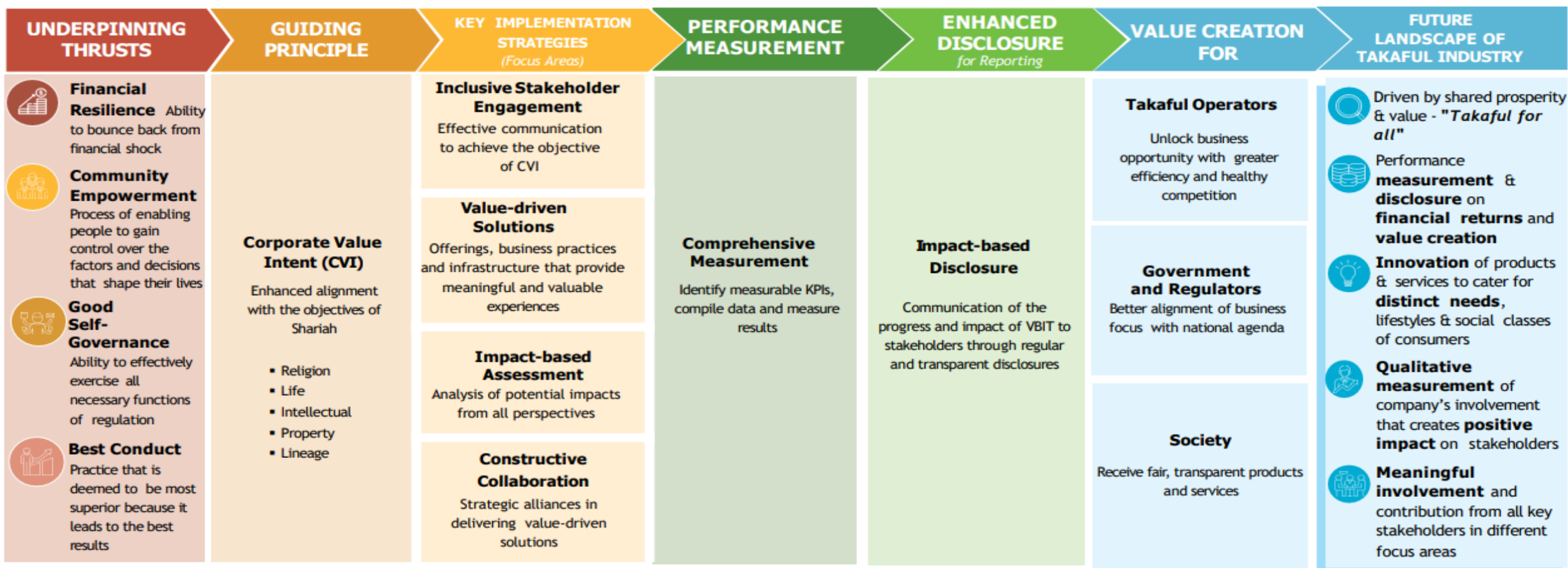
VBIT is defined as an intermediation function that aims to deliver the intended objectives of Shariah through best practices, conduct and offerings that generate positive and sustainable impacts on the economy, the community and the environment, consistent with the shareholders' sustainable returns and long-term interests.



VALUE-BASED INTERMEDIARIES IN MICRO TAKAFUL

Value Based Intermediation for Takaful (VBiT)

A framework to elevate Takaful industry. It aims to deliver the intended objectives of Shariah through best practices, conduct and offerings that generate positive and sustainable impacts on the economy, the community and the environment, consistent with the shareholders' sustainable returns and long-term interests. VBiT also aligns with SDGs, ESG, PSI as well as FSBP 2022 - 2026.



Source: VBiT Framework by MTA

Examples of TOs' Initiatives Implementing VBiT

Financial Resilience

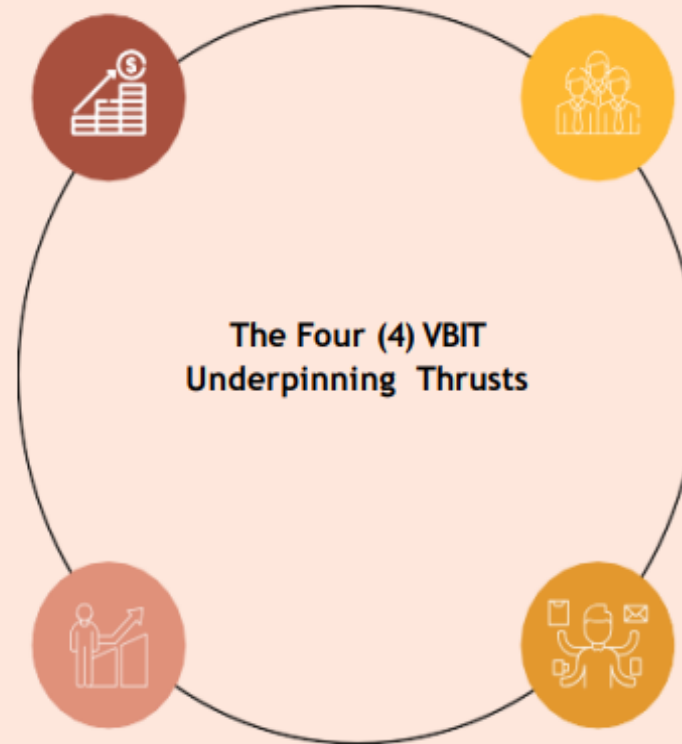
Ability to bounce back from financial shock

- Affordable products:
 - Perlindungan Tenang
 - MySalam
 - Takaful Jaariyah
 - Takaful Kasih
 - Agro Nurani
- Niche Products
 - Crops Takaful
 - Crops Coverage for Food Security

Best Conduct

Practice that is deemed to be most superior because it leads to the best results

- Training & Developments
- Employees Engagement
- Internal Policies to Regulate Best Practice



Community Empowerment

Process of enabling people to gain control over the factors and decisions that shape their lives

- Charitable Coverage
 - Takaful Infaq
 - Takaful Ihsan
- Fund for Awareness & Knowledge
 - Fund for Life, Covid-19 Test Fund
 - Fund for Cares
- Tools for Self-Care & Health
 - Vitality, Pulse, Pace

Good Self-Governance

Ability to effectively exercise all necessary functions of regulation

- For Customer Experience; minimise exclusions, online plans offerings, online services
- For High Quality Operations; smart & green office, stringent ethics self-requirements & professionalism

VBiT Supports Financial Sector Blueprint (FSBP)'s Desired Outcomes

1 Fund Malaysia's economic transformation



3 Advance digitalization of the financial sector



5 Advance value based finance through Islamic finance leadership



2 Elevate the Financial well being of households & business



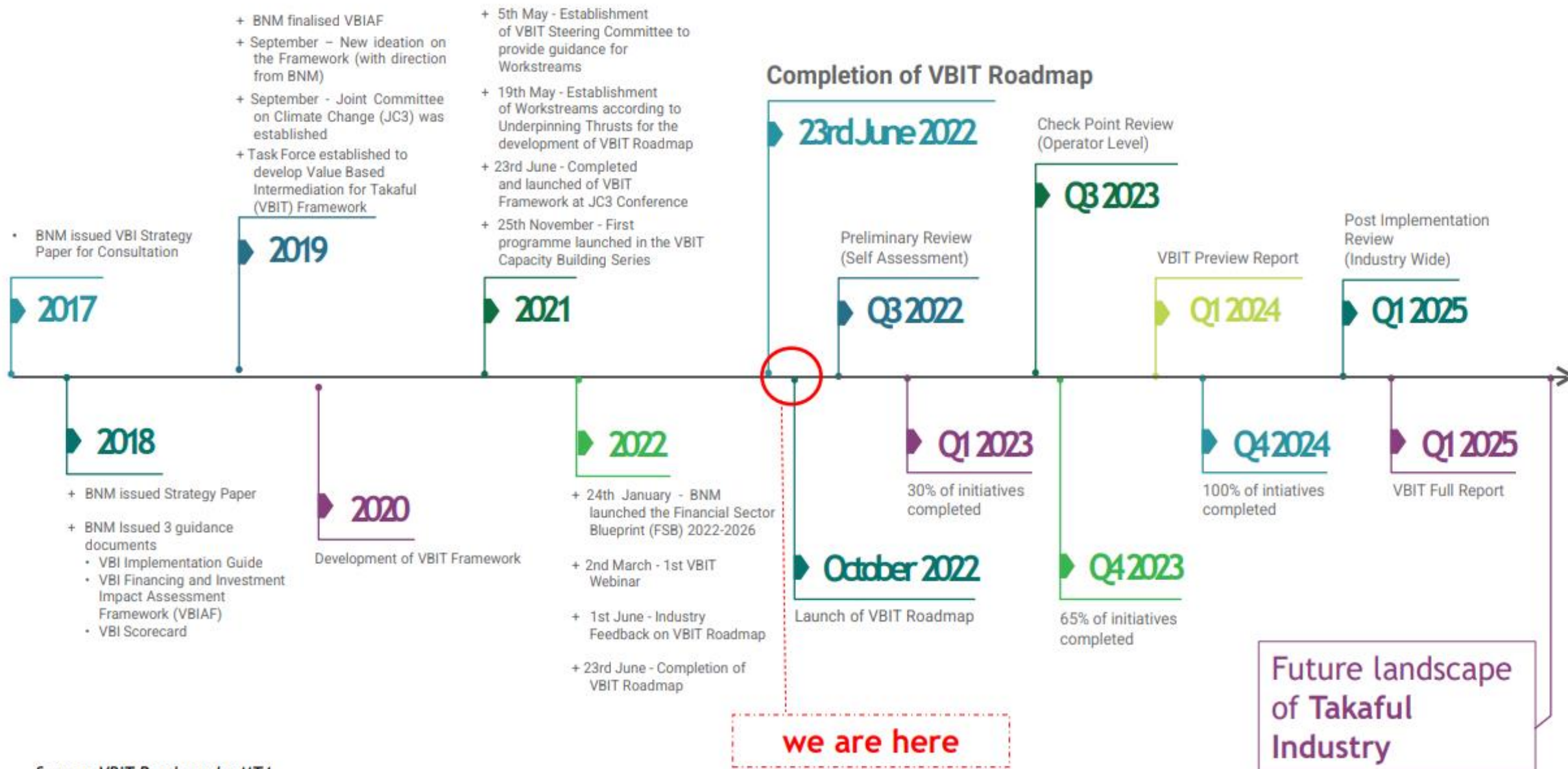
4 Position the financial system to facilitate orderly transition of the economy



VBIT and FSB focus on financial resilience, sustainability and financial solutions for customers, and share common desired outcomes.

The Takaful industry sees this alignment as a reinforcement that VBIT supports FSB in all its strategic thrusts and also as an opportunity to align the Takaful industry's effort to achieve national agenda.

VBiT - Journey Towards New Landscape of Takaful Industry



IMPACT ASSESSMENT OF MICRO TAKAFUL



Financial Protection

Providing micro takaful for sickness, death, and property loss.



Poverty Alleviation

Utilizing micro takaful for poverty alleviation strategies.



Empowering Communities

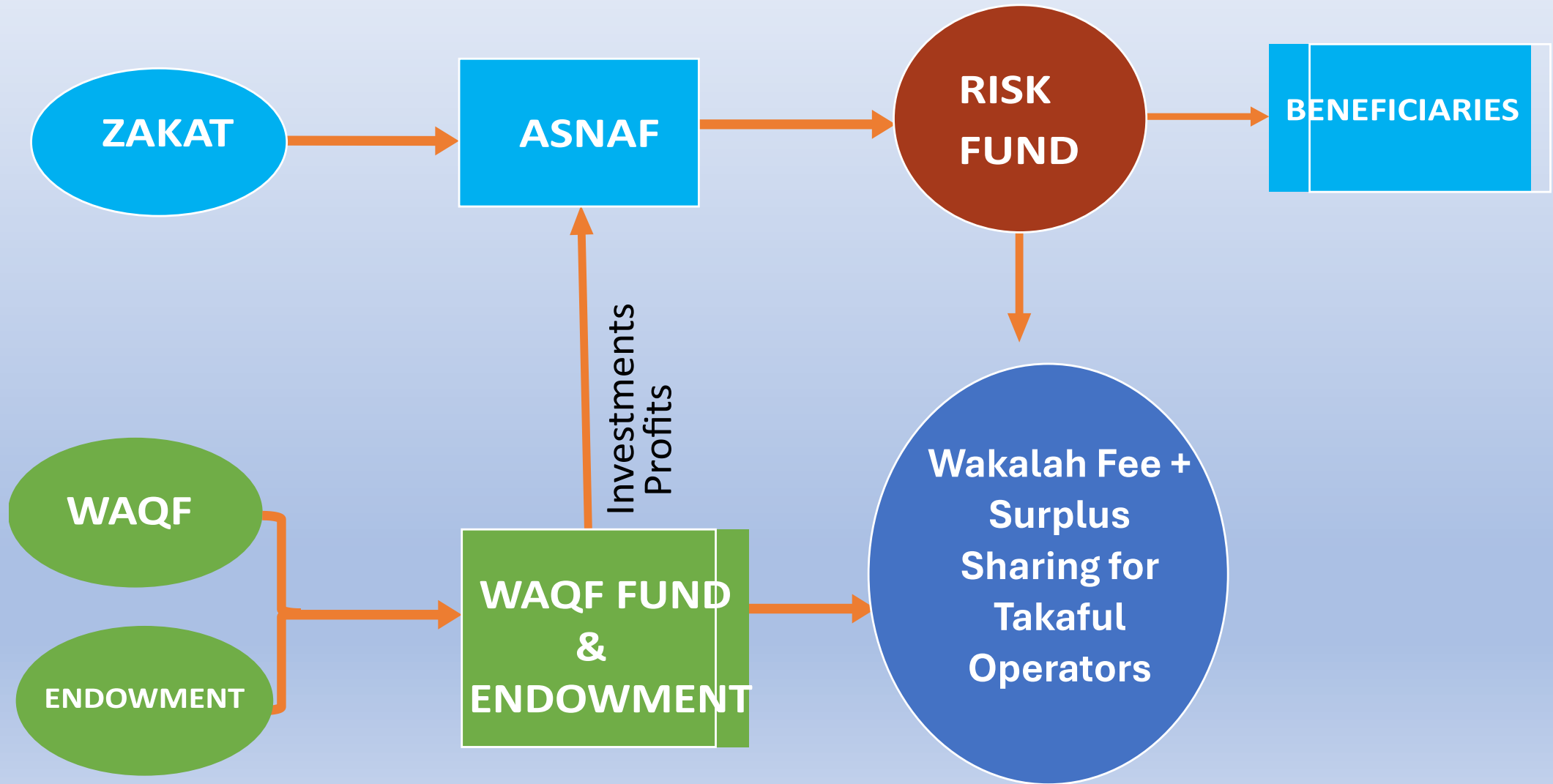
Serving the financial needs of society's poor and vulnerable segments.

CHALLENGES AND SOLUTION FOR MICRO TAKAFUL SCHEME SUSTAINABILITY



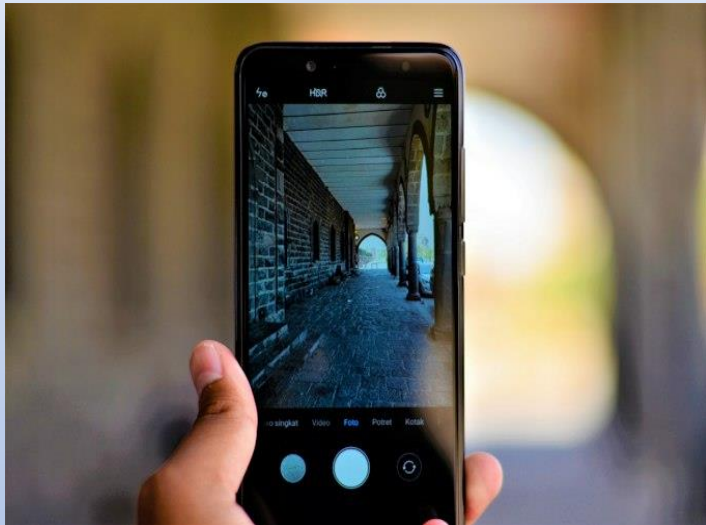
USE OF ZAKAT AND WAQF FUNDS IN MICRO TAKAFUL

Donation from Asnaf account



FUTURE OF MICRO TAKAFUL

Innovation and Expansion



Technological Advancements

Leveraging technology to expand the reach of micro Takaful.



Product Diversification

Introducing innovative micro Takaful products to cater to evolving needs.



Market Penetration

Strategies for increasing the penetration of micro Takaful in underserved areas.



Collaboration and Partnerships

Stakeholder Engagement

Involving various stakeholders in the promotion and implementation of micro Takaful.

Public-Private Partnerships

Exploring collaborations between public and private entities to enhance micro Takaful.

International Cooperation

Opportunities for international cooperation to support micro Takaful initiatives.

Empowering the Future

01

Youth Engagement

Involving the youth in advocating for the benefits of micro Takaful in poverty alleviation.

02

Education and Training

Providing education and training on micro Takaful to build capacity within communities.

03

Sustainable Development Goals

Aligning micro Takaful initiatives with the UN Sustainable Development Goals for a better future.

Thank You

The background features several overlapping, flowing ribbons in shades of blue, purple, and magenta. The ribbons have a soft, ethereal glow and appear to be moving across the frame. The overall color palette is cool and vibrant. Scattered throughout the dark background are numerous small, white, star-like particles, giving the impression of a starry night sky or a digital space environment.