

TOTAL TAKAFUL

Technology provides Takaful International with competitive edge

By Arindam Saha, Project Manager, TCS Financial Solutions



Takaful International is the third-largest insurer in the Kingdom of Bahrain, with comprehensive offerings in auto, fire, marine, medical and life insurance.

The firm was founded in 1989 as Bahrain Islamic Insurance Company, and was the first provider of Islamic insurance, or *takaful*, in the Kingdom of Bahrain. Rebranded in 1998 as Takaful International Corp., the firm later went through a restructuring in 2004 that included the development of a strategic plan to improve the firm's risk management, customer service offerings and long-term growth capacity.

With the implementation of TCS BANCNS Insurance in 2008, Takaful International has achieved its strategic objectives and more.



OVERCOMING BARRIERS

At the outset of Takaful International's five-year plan, the legacy IT systems installed in 1998 had already reached their limits in several respects, starting with the ability to perform a core business function in the insurance business. "We were having problems in analyzing the risk in our portfolio because the system was not accurate enough when it came to claims ratios and other actuarial statistics," says Aziz Al-Othman, Deputy General Manager, Takaful International.

"It's very important for any insurance company to have the right information at the right time, because when it comes time for policy renewal, you have no choice but to make decisions on the spot," explains Al-Othman. "To do so, you need a powerful system that can assess the management, existing portfolios and policies during the underwriting process – and we were missing such facilities in our old systems."

Not only was Takaful International lacking in IT capabilities at renewal time, but some product lines had yet to be automated at all. For example, in 2003 Takaful Insurance built upon its industry leadership with the launch of the first life insurance product in the region. However, this launch was done without a supporting IT system. "There are many technical differences between general takaful and life takaful," says Al-Othman. "We wanted to have one system managing the entire portfolio."

At the same time as it was growing its product portfolio, Takaful Insurance also wanted to keep up with its amazing reception in the market. "The market is growing at the rate of over 15 percent per year," notes Al-Othman. "For the

last two years, we've grown our portfolio by 50 percent annually."

Since 2004, Takaful International has increased its insurance revenues from 3.7 million to 14.3 million Bahraini dinars (approximately USD\$10 million to \$38 million). "You can imagine the huge growth that we've experienced," relates Al-Othman. "It was really difficult to manage such a huge volume of transactions within our old system."

SENSIBLE SOLUTION

Considering the compelling need to meet the growth needs of the organization while overcoming legacy system limitations, it was critical for Takaful Insurance to find a suitable technology partner for the long term. "We went through a very lengthy exercise to define a system to meet our objectives and the long-term strategy developed by management," says Al-Othman. "We were looking for a system that could contribute to the value of the service that we provide to our clients."

The search brought Takaful International to TCS BANCNS, which provides the necessary combination of product capability, ease-of-use and flexibility needed by Takaful International. Also, TCS Financial Solutions was judged to have the depth of experience and solidity required for a strategic technology partner.

The implementation required a total refresh of Takaful International's IT capabilities, including a switchover of the company's general ledger under multiple accounting treatments, with support for types of takaful contracts across multiple product lines. Takaful International supports two forms of takaful: *mudhara-*

bah, in which insurers disburse premiums from investors according to a profit-and-loss-sharing agreement, and *wakalah*, in which the insurer acts as the agent of the policyholder in administering an insurance pool.

In addition to converting IT systems to TCS BANCNS, the implementation team from TCS Financial Solutions also had to convert Takaful International's sizable policy database, which had accumulated over 110,000 policies since its formation. All of the associated paper and electronic records had to be accessible by TCS BANCNS Insurance in order for the system to support customer access to accurate information about individual policies as well as provide management insights on total holdings for risk management purposes.

A spirit of teamwork and partnership ensured the success of the project. "We found the people at TCS to be very committed toward the objectives that we had set together," says Al-Othman.

In addition to technical prowess, the worldwide deployment experience of TCS Financial Solutions' implementation team contributed towards the soft skills necessary for a smooth implementation. "The people from TCS respected the culture, and that really helped a lot to make this happen," says Al-Othman.

TANGIBLE RESULTS

Since the launch of the TCS BANCNS system in August 2008, Takaful Insurance has been able to improve the quality of its underwriting. "Even after just three months, I can see that the increased quality of reporting has enable management to make better decisions," says



Aziz Al-Othman,
Deputy General Manager,
Takaful International

AT A GLANCE

Company: Takaful Insurance Corporation, based in Manama, Bahrain, is the third-largest takaful Islamic insurance provider in the country, with a 10 percent market share.

Lines of business: Auto, fire, marine, medical and life insurance under Islamic takaful precepts of mudharabah and wakalah

Technology: TCS BANCNS Insurance – Takaful

Challenge: To improve the firm's risk management capabilities, customer service offerings and long-term growth capacity

Al-Othman. "They can ask better questions."

Customers are also excited about the new capabilities. "Customers will be able to access their accounts and see policies due for renewal from their own desktops," notes Al-Othman. "That's a big advantage."

The adoption of technology from a provider with the financial strength of TCS Financial Solutions also enhanced Takaful International's presence within the investor community. The firm was recently given a solid 'BBB' rating and a stable outlook from rating agency Standard & Poor's. "During the process of rating the company for the first time, they considered the information technology plans that we have and the system that we were working on," says Al-Othman. "That contributed to the rating that we received, strengthening our company in the marketplace."

Backed by the scalability and flexibility of TCS BANCNS, Takaful International has ample room to grow from its current market share in Bahrain of 10 percent. In fact, the company in mid-2008 established an operation in Kuwait, from which it intends to extend its successful experience in Bahrain.

Al-Othman has positive words of encouragement to other insurance providers considering major IT projects such as the one recently completed with TCS BANCNS for Takaful Insurance: "No one can say that implementing a new system is an easy task," he says. "But it's about change – and it's worth it to have something unique, which can give you an advantage over your competitors."

"I have recommended TCS BANCNS to other insurance companies in the GCC," he adds. ■