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D-8 backs new role for Asean Retakaful (HL)

Lokman Mansor in Dhaka

DHAKA, Tues: The Developing 8 (D-8) has endorsed a Malaysian proposal to enhance the capacity of Asean Retakaful International (L) Ltd and transform it into a well-capitalised retakaful company for the grouping. In the Dhaka Declaration issued at the end of the Second D-8 Summit here today, the leaders said they also welcomed Malaysia's offer to host a workshop in June to discuss the modus operandi of expanding Asean Retakaful to include takaful companies from D-8 countries.

"Malaysia is interested in promoting Islamic insurance (takaful) and reinsurance (retakaful), and the D-8 agrees that we should follow through and involve Islamic countries in this," Prime Minister Datuk Seri Dr Mahathir Mohamad said at a press conference here.

The plan to expand Asean Retakaful's role involves strengthening its financial capacity by increasing its issued and paid-up capital. This can be achieved by inviting D-8 takaful operators to participate in the its shareholding, which will also ensure commitment to share their business with Asean Retakaful.

Currently, takaful operators from Malaysia, Brunei and Singapore are the shareholders of the company. Under the Malaysian proposal, Asean Retakaful's shareholding may also be opened to non-D-8 takaful operators at a later stage.

For long-term viability, an operational arrangement will be established between Asean Retakaful and the D-8 takaful operators for exchange of business.

In this respect, an arrangement similar to the voluntary cession and retrocession arrangement between Malaysian Nasional Reinsurance Bhd and domestic insurers in Malaysia could be adopted.

At the workshop in Kuala Lumpur, the details of transforming Asean Retakaful will be worked out and appropriate strategies formulated to promote its operations in the region and worldwide.

D-8 member countries as well as takaful operators in non D-8 countries are expected to participate in the workshop which will probably be held in conjunction with "The International Conference on Takaful - Takaful Approaching New Frontier" to be organised by the Malaysian Insurance Institute (MII) on June 2-3.

The international conference is expected to be attended by participants from Asean, West Asian and European countries, as well as the US.

A diplomatic source said if the transformation is successfully carried out, Asean Retakaful could become a truly global Islamic reinsurance company, large enough to rival even the giant international insurance and reinsurance firms of London.

"It is now up to the takaful operators in Malaysia. The interest and potential is there... they should actively pursue the next step," he added.

Apart from Asean Retakaful, there are only two other known retakaful operators in the world, both of which are based in Jeddah, Saudi Arabia. Asean Retakaful was incorporated in May 1997 as an offshore company in the Labuan Offshore Financial Centre with a paid-up capital of RM10 million (US\$4 million at the exchange rate then).

It was established to serve as a vehicle to spur retakaful exchanges among takaful operators in Asean and provide additional capacity in order to reduce dependence on conventional reinsurance.

It is understood that the D-8, at its first meeting in Istanbul, had proposed the establishment of a new retakaful company for the grouping. "Malaysia instead proposed that Asean Retakaful be transformed into a well-capitalised retakaful company to serve the purpose," the diplomat said.

Among the arguments given by the Malaysian delegation for this proposal was that as an existing retakaful operator, Asean Retakaful is in a better position to attract takaful business not only from this region but also other parts of the world.

The D-8, Malaysia said, will also be able to utilise the company's existing infrastructure and trained workforce as well as capitalise on its added capacity, following the injection of fresh capital, to absorb more and sizeable risks.

In addition the D-8 will save on initial capital, start-up cost, recruitment and training of personnel, and development of IT infrastructure. There is also no need to decide in which country the new company is to be located.

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