ACTUARIAL PARTNERS

building value together

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Discretionary Mutuals:
-Has its Time Come?

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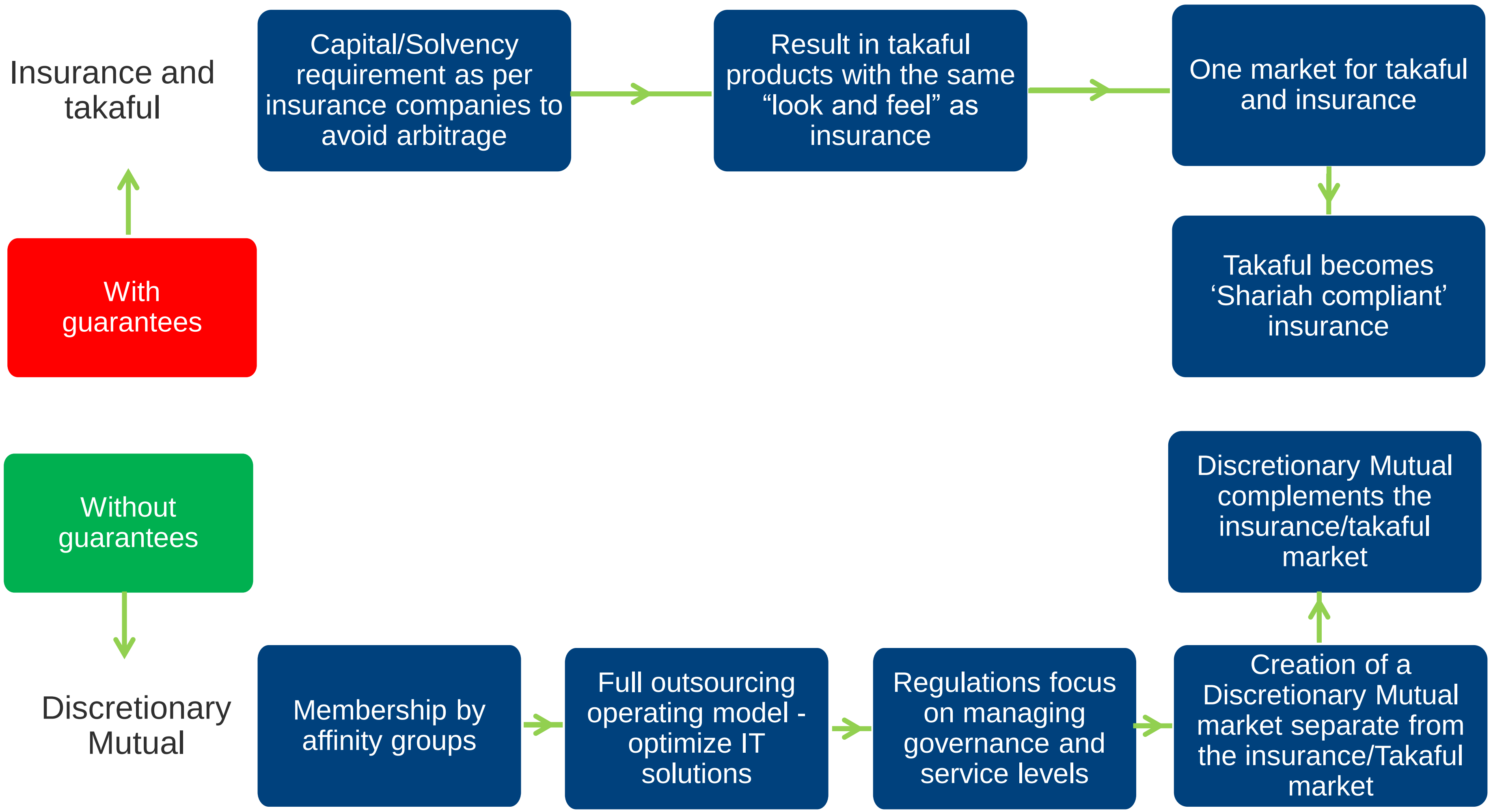
What is wrong with takaful today

- Differing definition of takaful in different jurisdictions.
- National takaful regulations placing takaful at a disadvantage compared to insurance.
- Inherent model conflicts between shareholders and policyholders (i.e. participants) interest.
- Unreasonable participants expectations.
- Unrealistic shareholders expectations.
- High start up costs and continuing expense overruns.

Why Discretionary Mutual?

- A Discretionary Mutual (DM) is ‘owned’ by its members – no conflicts with shareholders as there are no shareholders.
- The DM retains the primary layer of risk – which contains all of the expected losses. This implies claims responsibly shifts to participants.
- All claims are paid at the discretion of the DM – members (who are typically part of an affinity group) are more aware about claims circumstances resulting in fair treatment to claimants.
- The DM is run by a board of directors which is elected by the members – governed by members.
- Discretionary cover is not classified as insurance – relief from onerous capital requirements.
- Management services can be fully outsourced – this eliminates expense overruns as expenses are generally incurred on a per marginal cost basis.

How DMs can coexist with takaful and insurance



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