

Welcome to the FWU-Group

The FWU-Group is an entrepreneurial financial services group headquartered in Munich, Germany. Core activities include asset management and customised product design and private label distribution of unit-linked life insurance products, which are delivered using advanced Internet based point-of-sale and underwriting systems. The FWU-Group primarily deals with financial institutions, such as banks, insurance companies, asset managers and corporate pension plans.

The group was founded in 1989 by Dr. Manfred J. Durrheimer, a successful entrepreneur in Germany who has built a quality business focused on providing tailored insurance and investment solutions. The group's entrepreneurial business drive and vision is shared by an experienced executive management team, who are part owners in the business. The group has attracted minority institutional shareholders including GE Frankona Re AG, an international re-insurer and European banks and insurance companies.

The FWU-Group's subsidiaries include a life insurance company, an asset management company, and a mutual fund company all based and regulated in Luxembourg. In the Middle East region, the FWU-Group offers local support for its internet based Takaful point of sale and underwriting systems through its branch in the Dubai Internet City (DIC).

To the Muslim community worldwide, the FWU-Group offers tailor-made private label Life Takaful, Savings, Education & Retirement plans, featuring:

- Regular and lump sum contributions
- Shari'ah compliant Takaful & Islamic equity investments with dynamic weekly asset allocation and active risk-control
- Sophisticated online Takaful sales & underwriting system
- Innovative Re-Takaful scheme in cooperation with a "AA rated" international reinsurance company

Dr Manfred J. Durrheimer, Chairman of the FWU-Group, on the innovative FWU Life Takaful product

In October 2003 we opened our regional headquarters in the Dubai Internet City. This event concluded the first chapter of a fascinating journey, which started in early 2000, when we commenced development of the new business family of Life Takaful products.

Living up to the pioneering spirit and ambition of FWU, we wanted to design a world class Life Takaful offer – a Takaful product, which would not only be competitive versus existing Life Takaful products but also versus the traditional Life Insurance.

In early 2000 the Life Takaful market was hardly developed – unlike the market for Shari'ah compliant investment products, which had – already at that time – been selling quite well through bank networks.

Market analysis revealed that Life Takaful products have a significant potential but – to our surprise – also brought up strong prejudices among potential customers and distributors. These were that:

- a. Life Takaful products are pricier than traditional products and are therefore economically inefficient.
- b. Existing Takaful products are only a blend of traditional western product ingredients with pure Takaful related product ingredients. The major issue in that respect was the non-existence of retakaful arrangements in the market.
- c. Missing product flexibility in the terms and conditions.
- d. Hidden agenda items – such as the forbidden elements of 'Gharar' – in the terms and conditions.

e. Unattractive investment programmes.

These prejudices clearly impeded the success of Life Takaful products. And as it was our intention to sell our Life Takaful products via the banking channel, a crucial observation was that even banks with an experience in selling Shari'ah compliant investment funds thought that "Life Takaful is not a bankable product".

Throughout the development of our Life Takaful product we focused on addressing these prejudices.

- a. Our Wakala Takaful structure eliminates the structural inefficiencies of traditional Mudarba Takaful programmes. Within the Wakala structure cost efficiency is – as in any other Life product – the pure result of management skills and applied systems.
- b. We had been convinced right from the start that for a pure Shari'ah compliant Takaful product a Shari'ah compliant Retakaful arrangement is an absolute must. Therefore we have negotiated with a "AA rated" major international insurance company a Retakaful arrangement with:
 - Unlimited 'Quard Hasna' from reinsurer in the Retakaful fund for any deficit.
 - 'Riba'-free investment for the assets of the Retakaful fund.
- c. We have achieved high degrees of flexibility:
 - Multi currency usage
 - Regular decrease or increase of programme contributions at any time



*Dr. Manfred J. Durrheimer,
Chairman of the FWU-Group*



- Payment deferral up to twelve months (without losing Takaful benefits)
- Partial investment or disinvestments at any time given a minimum account size without affecting Takaful benefits
- Choice of Hijri or Gregorian calendar
- Possibility of appointing personal or institutional beneficiaries in accordance with Shari'ah.
- No client will be declined. Minimum insurance coverage of \$25 000.
- d. We are not aware of any hidden agenda items in our terms and conditions. As opposed to other Takaful products neither suicide nor newly discovered diseases nor changes in occupation, for example, affect the Takaful benefits.
- e. We offer innovative Shari'ah compliant Quant Investment Portfolios seeking to achieve superior risk-adjusted returns in the different market environments.



*Sohail Jaffer,
FWU-Group Partner*

Of course we also enhanced our proven Internet based sales and administration system to cover our Life Takaful product. Sales processes that traditionally took two to three weeks are now executed at the bank counter within 20 minutes. This includes the transfer of the first contribution and the printing of the certificate. Integrated in this Internet based system is an interactive online underwriting module that generates individual risk assessment.

And as is the case for all our products, the FWU Life Takaful product is meant to be offered as a private label product of our distribution partners. It can be fine-tuned to suit local requirements or the distribution partners' particular needs.

The FWU Life Takaful product is not only labelled as "Banc assurance" – it really deserves being referred to as a Bankable Life Takaful product.

Sohail Jaffer, FWU-Group Partner, on innovative Islamic quant investments

The FWU Group's innovative quant investment approach seeks to achieve superior risk-adjusted, absolute returns, i.e. to run the profits in bull markets and limit the losses in bear markets.

Our quant portfolios invest directly in Shari'ah compliant global stocks and in Murabaha instruments. The asset allocation between stocks and Murabaha is dynamically reviewed on a weekly basis. The portfolio is rebalanced frequently to benefit as soon as possible from changing market trends. We also apply technical risk control parameters. Sample risk measures are keeping volatility within a pre-defined range and applying strict stop-loss limits.

Back-tested portfolio simulations show that our approach has

consistently outperformed the Dow Jones Islamic Market Index at a lower risk.

These portfolios may not only be packaged as Takaful investments but can also be offered as mutual funds or discretionary portfolios. The approach is also suited for conventional, non-Shari'ah compliant investment products.

Sheik Dr Mohammed Ali Elgari, Chairman of the FWU-Group's Shari'ah board, on the FWU Life Takaful product

The area of wealth management had long been deemed closed to Islamic finance. Not any more. With their Life Takaful product, the FWU-Group gives birth to a whole new industry that will not only meet the needs of Muslim savers and investors but also it will create opportunities limited only by our imagination.

The problem with conventional insurance is that it creates an "exchange contract"

between the insurance company and the insured: the insured pays a premium and he will be covered from the specified risk. From a Shari'ah point of view this is problematic as such a contract is not free from 'Gharar' (contractual uncertainty). The insured pays a "certain" premium in exchange for a "probable" (uncertain) payoff. Therefore the contract is void.

As 'Gharar' will only void exchange contracts and not benevolent contracts, the whole concept of Takaful is based on moving the insurance program from the realm of exchange contracts to that of benevolent giving. Hence, the structure of Takaful does include the same idea of pooling risks and applying the law of larger numbers.

The FWU Takaful program is capable of serving every insurance need. It can be a substitute for life, auto, and fire... etc. It can also be part of saving-cum-life, or disability insurance program.

FWU never wanted to be just another face in the crowd. They were keen to produce something unique and superior to everything else in the market.

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