

The crossing of the Takaful paths in Europe



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The IsDB and the World Bank in a joint report showed that the risk transfer paradigm of conventional finance not only limits the financing of investments in the real economy but also reinforces speculation based on a short-term vision and the burden of over-indebtedness. The Takaful model preferring risk-sharing could perform strongly in Europe.

According to Pew Research Center, Muslims represent more than 16 million inhabitants with a banking and insurance equipment rate to be among the highest in the world. They are therefore in the world among those who have the largest number of banking services and insurance coverage compared to Muslims in other countries where banking and insurance services are significantly less developed. This high level of insurance penetration can contribute to the rise of Takaful institutions in Europe if insurtech start-ups are able to develop themselves in order to become a major player particularly as European law allows any company with its head office in a member state to offer its services throughout Europe. France has the largest significant Muslim population in Europe which, according to the Pew Research Center, had 5.72 million people in 2016 and will represent 12.5% of the French population in 2050.

Review of 2019

The European Takaful market saw no development in 2019 other than the launch of Sakina Funerals by SAAFI which has worked at the request of various non-profit associations and Muslim funeral societies to structure Sakina Funerals, a financing funeral coverage adapted to these needs. Shariah certification has been awarded by the International Shari'ah Research Academy for Islamic Finance in Malaysia. Sakina Funerals is based on a Wakalah model, through membership in an underwriting non-profit association. The participants join a non-profit association called Bayt Al Mel and give a membership fee to this association and a contribution to the Takaful fund which is managed by MUTAC, a mutual insurance company. Bayt Al Mel will take out a contract on behalf of these members with MUTAC. The Wakalah fee will be known in advance and the Takaful fund will be managed separately from the other assets of MUTAC in a separate bank account free of interest. The claims will be settled from the Takaful fund and the surpluses donated to Bayt Al Mel's social action fund for use in solidarity actions.

Preview of 2020

It is possible to draw up the following general and specific diagnosis for the entire Takaful sector in Europe:

- A deficit in terms of penetration and a lack of supply;
- A marked interest in the Muslim communities of France, Germany, Spain, and the UK;
- A considerable delay in the field of capitalization products not found on the market;
- Concentration in the hands of conventional insurance companies;
- A lack of knowledge about Takaful and a lack of awareness campaigns.

All these elements penalize the development of the Takaful market, especially as Europe does not have specific regulations in this field.



Also, mandatory insurance is challenging to develop because of the substantial capital required. Today, the development of Takaful offers, mainly concerns white label insurances of persons developed by conventional companies.

Despite these obstacles, the future looks promising, thanks to favorable demographics and socio-economic data. The development of the Internet and insurtech should benefit the sector. With the strength to make online quotes, declare claims and manage contracts, the Takaful sector must become more popular and spread across the continent. Changing consumer habits and increasing the awareness of products that are more in line with consumers' ethical and religious values should also help to boost activity.

Conclusion

Today there are not any fully-fledged Takaful operators in Europe that are able to offer damage and liability insurance to meet the needs of compulsory insurance. In a low-price and price-differentiated market, Takaful can perform adequately because of its originality and positioning, as this innovative product meets customer needs and expectations of religious compliance. As Shariah compliant real estate finance grows in Europe, borrowers' need for Takaful is becoming increasingly urgent. The customer satisfaction strategy needs to be adapted to their needs and the evolution of their expectations. A defensive strategy would be to copy the available products offered by conventional players in the market. Strategically, it is essential to use an approach that allows the adaptation, improvement, and creation of new products that meet the needs and socio-cultural values of individuals. It is therefore essential to opt for a differentiation strategy based on compliance but also the incarnation of the proposed alternative values.

However, if one wants to witness a real boom in Takaful in Europe and that allows the market to hatch, it is necessary to invest enough financial, human and technical resources. (3)