

Interview with Prof Dr Mohd Ma'sum Billah, a professor of insurance and finance at the Islamic Economics Institute of King Abdul Aziz University in Saudi Arabia

On behalf of IFN, Ezzedine Ghlamallah, the correspondent for Takaful and re-Takaful (Europe), interviews PROF DR MOHD MA'SUM BILLAH, a professor of insurance and finance at the Islamic Economics Institute of King Abdul Aziz University in Saudi Arabia who has been serving both academic as well as corporate industries for more than 20 years with management, teaching, research, provision of solutions and the sharing of strategic and technical thoughts toward the advancement of Takaful in particular and Islamic finance in general besides Halal standards. In addition, he was also affiliated with corporate, academic and financial industries besides NGOs in his capacity as a member of the board, advisor and strategic decision-maker, among others, with strategic solutions.

As a renowned scholar who has inspired many researchers, academics, industrialists and professionals, can you tell us more about your experience in the field of Islamic economics and finance and especially in Takaful?

The experiences that I had been having for the past 25 years in the field of Islamic economics, finance and Takaful in my humble capacity as a teacher, researcher, motivator, presenter, viewer, advisor, assessor, trainer and publisher in different jurisdictions among both Muslims and non-Muslims had indeed been promising with encouraging factors.

Nevertheless, numerous shortcomings had been encountered in the progress of the total system due to misconception, foreign influence, the lack of Shariah knowledge and Shariah compliant applied mechanisms and insufficient specialized and quality research on required issues.

Takaful is perceived as products and services targeted to Muslims only; we know that Takaful institutions cater to all religions, or to every customer. How do you think we should market the Takaful products and services to both Muslims and non-Muslims in Europe?

Takaful is a commercial entity aiming at risk management within the Shariah principles and the divine ethics with its universal character to serve all (as to one's life or property) regardless of one's religion, gender, color or even status.

It is thus a misconception to advocate that Takaful is meant for Muslims only.



Therefore, Takaful products and services should be designed for and promoted among both Muslims and non-Muslims so that everyone is encouraged to participate in and benefit from the holistic model of Takaful.

In Europe or any non-Muslim jurisdiction, the idea of Takaful should not be a subject of confusion as to whether it is a religious entity for the interest of Muslims only while discouraging non-Muslims to participate in or otherwise.

Hence, an effective public awareness about the truth of Takaful should be made by establishing the fact that Takaful is a Shariah alternative insurance model which offers products and services for all regardless of one's religious background.

What inspires you?

In a conventional insurance practice, the relationship between the insurer and the policyholder is purely a commercial one with buying and selling, liabilities and rights and based on a non-transparent culture.

Takaful is, on the other hand, a Shariah alternative insurance model enshrined with divine ethical principles of mutual cooperation and solidarity within the holistic spirit of brotherhood.

Thus, the inspiring factors of Takaful include, among others: it is formalized based on a mutuality with a shared responsibility against risks and catastrophes, the whole transaction is transparent, a Shariah compliant investment return is available for participants and there is no risk of misappropriation or gaining opportunity at the expense of others. It promotes a universal character in caring for all humanity besides creating a platform for participants to be charitable through contributing to the risk management pool, which cares for all fellow participants in the event of unexpected catastrophes.

How do you see the worldwide development of the Takaful industry?

Even though the growth of Takaful worldwide is slower compared to other components of Islamic finance, yet its annual growth rate has been increasing gradually at 39% while its fund size (contributions) is about US\$20 billion. In

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total, there are 82 companies with five of them operating as windows. Takaful has a bright prospect worldwide with greater appreciation from both Muslims and non-Muslims.

Thus, to achieve a better goal, the products and services should be more dynamic with less rigidity but friendlier within the standard Shariah principles. Customer services, marketing, claims and benefits should be competitive, complementary and attractive with professional treatment.

What are the main challenges this industry faces?

Among the challenges faced by the Takaful and re-Takaful industries globally are:

- A lack of trained professionals with the required Shariah knowledge, whether in regulation, decision-making, supervision, management, operation, marketing or technical knowledge.
- Poor Takaful technology to compete in the contemporary global market.

- Confusion over multiple models.
- Traditional misconception particularly on Family Takaful products.
- Insufficient regulatory frameworks, guidelines, policies and standards.
- Dispute among the Ulama as to the validity of certain products and services.
- Limited products and services, thus failing to meet the demands of the market.
- A lack of reviews on products, services, corporate governance or regulators.
- A lack of public awareness.
- A lack of cooperation among Takaful operators due to undesirable competition.

What are the areas for improvement and what would be the means to achieve these objectives?

The following are among the components to be improved to allow the Takaful industry to be a successful alternative provider in the global environment in both Muslim and non-Muslim jurisdictions:

- To review, redesign and rediscover the products and services of Takaful and re-Takaful by considering the market niche and needs with a competitive model.
- Regulatory and supervisory standards should be upgraded to meet the global socioeconomic and advanced technological requirements but with total Shariah compliance.
- Standard professional development with Shariah and Takaful-related knowledge for regulators, decision-makers, managers, operators, technical groups, marketers, support groups and facilitators should be seriously considered.
- Standard professionalism in decision-making, operation and customer services should be cultivated.
- Corporate competition among Takaful operators may be tolerable in order to create a better market with greater prospects, but undesirable competition with jealousy among operators resulting in harm to each other should not be an acceptable culture in the Shariah compliant financial industries. ☹

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