

Perspectives of Takaful in France

Of the 16 million Muslims in the EU, France is not only home to the largest Islamic population in Europe; but in proportion to its size and population is also the largest Muslim community in the Western world. With its banking and insurance penetration rate among the highest in the world (99% have access to banking services), French Muslims are among the best-served in the world in terms of financial services. EZZEDINE GHLAMALLAH discusses what these means for the Takaful industry in France.

Demographic forecasts predict in 2050 that Muslims will represent 2.6 billion people – or nearly 30% of the world population. And with nearly six million Muslims, including two million French nationalities, France has more Muslims than eight members of the Arab League (Lebanon, Kuwait, Qatar, Bahrain, UAE, Palestine, Comoros Islands and Djibouti).

The Halal global economy is also booming. According to PwC it represents US\$2.3 trillion accumulated in different sectors such as food, certification, tourism, cosmetics, medicine or financial services. Islamic finance has seen an exponential growth of assets, which were only US\$150 million in 1995, and are now passing US\$1.8 trillion. This amount is expected to reach US\$6.5 trillion dollars by 2020.

With the French Halal food market estimated at EUR5 billion (US\$6.92 billion) and a potential Family Takaful market of EUR1.7 billion (US\$2.35 billion), France can be regarded as an emerging market in the field of the Halal economy. Although religious practice has not changed over the past 20 years, the social practice of Islam has grown and Muslims in France are looking for a respectful use of their ethics and values. This market represents a significant growth reserve for the development of Islamic finance and Takaful.

In conventional insurance, the amount of annual contributions in 2012 for home insurance was EUR8.9 billion (US\$12.31 billion); for motor insurance EUR19.5 billion (US\$26.98 billion); and for life insurance EUR112.9 billion (US\$156.18 billion). The estimated premiums in 2012 from Muslims in France were estimated by Solutions d'Assurance et Finance Islamiques en France (SAAFI) at EUR640 million (US\$885.35 million) for home insurance, EUR1.29 billion (US\$1.78 billion) for motor insurance and EUR1.8 billion (US\$2.49 billion) for life insurance.

For a significant portion of French Muslims, their insurer does not provide complete solutions for their insurance needs. This is due to the non-compliance of the policies to Islamic principles. A Shariah compliant operator offering the same level of guarantees, prices and services could take the leadership in this segment. The interest of French Muslims for Takaful solutions is focused on General Takaful and Family Takaful with health insurance and funeral guarantees.

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According to a market study conducted by SAAFI and IFSO, Takaful insurance must be open to all budgets. To do this, it must be viable and accessible to compete with conventional insurance. Guarantees must be identical to the minimum conventional products with a similar price. Demand is very elastic and price sensitivity is important. The price is a determining factor in the buying decision. The policy should be affordable without trying to take advantage of the absence or weakness of competition. The risk of creating mistrust with Takaful would be seen as a diversion of religious values of solidarity and support for financial gain. On the other hand, the religious argument for marketing is not sufficient.

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A major challenge to a Takaful offering in France is distribution: the product should be offered by insurance professionals with an opportunity to purchase online. The method of distribution must be optimized so that the price can be competitive compared to conventional insurance. Marketing must be in tune with the spirit of this type of Islamic product and it would be frowned upon to implement aggressive sales techniques. An internet distribution has the advantage of being more economical and allows the use of social networks to 'create a buzz'.

Goals to achieve include: a good price positioning, excellent communication, an indisputable professionalism, Shariah scholars with strong references, as well as transparency in administration and management.

The statistical results show that the development of Takaful is promising in France for several reasons. According to the SIGMA journal, France ranks fifth in the world of insurance with EUR180.7 billion (US\$249.97 billion) collected in 2012. This high rate of insurance penetration must benefit the development of Takaful.

Ninety four percent of people are willing to subscribe if players are able to offer competitive products, thus we believe that Takaful can achieve EUR1.2 billion (US\$1.66 billion) in auto insurance premiums, EUR600 million (US\$830.02 million) in home insurance and EUR1.7 billion (US\$2.35 billion) in Family Takaful. According to EY the Takaful market represents 11 billion in 2012: the French market can therefore easily take its place in this global industry.⁽²⁾

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