

Potential target group for Takaful products



TAKAFUL & RE-TAKAFUL (EUROPE)

By Ezzedine Ghlamallah

KT Bank is the first Islamic bank in Germany and in the eurozone, with headquarters in Frankfurt and branches in Berlin and Mannheim. The wholly-owned subsidiary of Kuveyt Turk Katilim Bankasi (Kuveyt Turk Participation Bank), which is leading the Islamic banking market in Turkey, is currently attracting the Muslim community and millions of clients interested in ethical banking in Germany alone.

KT Bank's mission is to become the leading socially responsible and first

choice house bank for clients of all religions and nationalities. With a population of currently more than 4.8 million Muslims in Germany, the country is a huge market for Islamic banking and Takaful. Net incomes of Muslim households are estimated to rise, and Muslims also have a remarkable savings rate of nearly double the national average. In addition, 41% of the Turkish Muslims in Germany consider themselves to be very religious (47% rather religious), making them a potential target group for Islamic finance products such as Takaful and bancaTakaful.

The main regulatory challenge in the European market is in terms of the banking license application process in Germany where you need to work with

the German authorities and the regulator to comply with all regulatory, legal and fiscal requirements applicable for conventional banks. As for Islamic car purchases and real estate financing, one has to develop approaches to comply with the German legislation.

With the support of Kuwait Finance House as the main shareholder of Kuveyt Turk Participation Bank, KT Bank has excellent links with Turkey and the MENA region, thus creating opportunities for economic exchange and new investments.⁽²⁾

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Challenges facing the Takaful industry of the Middle East



TAKAFUL & RE-TAKAFUL (MIDDLE EAST)

By Dr Sutan Emir Hidayat

Based on the literature and opinions of industry experts, there are at least five existing challenges facing Takaful industry in the Middle East

They are:

- (1) Lack of human talents;
- (2) Lack of appropriate distribution channels;
- (3) Lack of standardization in accounting standards and disclosure;
- (4) A limited number of investment avenues; and
- (5) Issues on corporate governance.

With regards to the first challenge, until today talent shortage and mismatch still

persist. The number of professionals who have mastered Shariah knowledge and have sufficient exposure to Takaful practices is very limited. For the second challenge, Takaful being the complimentary segment of Islamic finance to Islamic banking, needs to create a strategic alliance in the form of bancaTakaful. However, despite many articles and opinion that promote this mechanism, bancaTakaful is still not widely implemented in the Middle East.

For the third challenge, within the Middle Eastern region, the variations in accounting standards and disclosure still exist. There is no clear direction towards adopting a common accounting framework such as the AAOIFI accounting standards for all Takaful companies operating in the region. For the fourth challenge, the number of Shariah compliant instruments such as Sukuk is still very limited for insurance companies, thus exposing Takaful

operators to higher investment risks than their conventional counterparts. For the last challenge, the issue of representation of policyholders at the board level has yet to be resolved. In other words, policyholders still do not have a governance structure equivalent to what shareholders have which also means fewer mechanisms for policyholders to protect their interests in the Takaful scheme.

Based on the above points, it is important to note that tackling the above challenges is crucial for the Takaful industry to sustain its accelerated growth in the Middle East.⁽³⁾

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