

## Research and innovation to serve Takaful implementation in Europe



**TAKAFUL & RE-TAKAFUL (EUROPE)**

By Ezzedine Ghlamallah

**It is essential for the Takaful industry to create a concerted brand image to promote and popularize the principles of mutuality, transparency and cooperation. The challenge of human capital, through the development and strengthening of research and training in areas related to Islamic law and insurance, must also be addressed to spread its influence in all markets where Takaful insurance can develop.**

There are many possibilities for variations in the implementation of Takaful but it is difficult to align the interests of stakeholders. Unless proper regulation and proper corporate governance are in place, the management of a business enterprise will always tend to favor the profits of its shareholders and relegate the interests of participants to a secondary rank: this conflict in the Wakalah relationship has not been solved yet.

The ultimate goal is to evolve toward a consensus-based Takaful model where compliance issues with Islamic law can be minimized or even eliminated so that consumers have greater confidence in the Takaful model retained as an alternative system.

If the proposed options offer a slightly better solution, and little complexity in implementation, it should be tested in other countries, taking into account the opinions of scholars on the spot as well as local laws and regulations.

If this model solves some current concerns of compliance with Islamic law



and makes the approach more acceptable in the world, then this model will be better for the entire Takaful system.

To successfully implement Takaful in Europe, it is necessary to start with a real need for coverage so that distribution costs can be optimized and the risks of failure can be reduced to a minimum.

Intermediaries should not attempt to sell complicated products that the subscriber does not really need, particularly when the subscriber does not have the capacity to fully understand unacceptable general and specific terms and conditions.

It is therefore important to ensure that hedging needs are met from the product design stage, including the definition of conditions, the management of the distribution channel and the establishment of an effective claims management process.

BancaTakaful via the ATMs of Islamic banks remains the most popular and relevant method of distribution in the Gulf countries, while in Southeast Asia, Takaful activity is more dependent on traditional agencies.

In Europe, in the absence of an Islamic financial system, an online distribution system based on new technologies including smart contracts and artificial intelligence should be key.

A number of strategies can be considered for the implementation of Takaful in Europe. These strategies aim at creating a more globalized industry through greater connectivity between jurisdictions, allowing Takaful operators to expand not only the market but especially to increase competitiveness.

According to this point of view, Takaful should not only consider the commercial aspect but it should also focus on areas where socioeconomic assistance is needed and develop social responsibility as a means of mutual support. ☺

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