Searching for the optimal Takaful model in Europe

TAKAFUL & RE-TAKAFUL (EUROPE)

By Ezzedine Ghlamallah

The young Islamic finance industry, which began in the early 1960s, continues to grow, although it takes time for the population to learn and be aware of it. Nobody anticipated the extraordinary growth, more than 350% in 10 years, with assets that have jumped, according to Thomson Reuters, from US$462 billion in 2006 to more than US$2 trillion in 2016.

The fact that 'only' 40 million Muslims, out of the 1.8 billion in the world in 2012, are today customers suggests an exponential growth reserve that should bring, according to Thomson Reuters, the assets of this industry to US$3.54 trillion in 2021.

The growth of the Takaful industry is now considered to be a key factor in the development of Islamic finance, particularly through its capital-raising power, like conventional insurance.

Islamic banks are investing in three sectors when they explore new business opportunities: Takaful insurance, investment funds and Sukuk. Takaful companies are likely to grow alongside Islamic banks. As is the case in conventional systems, Islamic banks can start promoting their own Takaful products or their own Takaful businesses through bancaTakaful distribution.

The Takaful industry faces its own set of institutional, legal and regulatory issues with a central dilemma: some legal systems in many countries do not accept a mutual or cooperative form without social capital and when such a mutual entity can be created, it may be difficult to obtain sufficient capital to meet regulatory requirements.

In Europe, there are many forms of insurance companies provided by the European jurisdictions that allow the practicing of Takaful insurance while remaining faithful to the principles of mutualism and philanthropy. Moreover, Muslims represent more than 16 million inhabitants in Europe with an insurance penetration rate that is among the highest in the world. They are therefore among those globally who have the largest insurance coverage compared to Muslims in other countries where insurance is significantly less developed. This high insurance penetration rate can contribute to the rise of Takaful in Europe.

When we look at the potentialities of Takaful and the European market, it may be wise to develop a consensus-based Takaful model that aligns the interests of all stakeholders in line with the standards advocated by AAOIFI, the IFSB and the European insurance law.

In Europe, the market for Islamic finance and insurance remains a niche: conventional operators fear a risk for their image. To date, there are no General Takaful solutions in Europe, which represents a considerable shortfall in an area where there is a large number of mandatory non-life insurance policies, and where the insurance needs of the population are numerous. Europe, thanks to its insurance law, is able to offer the long-awaited model by the global Takaful industry.

Ezzedine Ghlamallah is the executive director of SAAFI which specializes in Islamic finance and Takaful solutions. He can be contacted at ezzedine.ghlamallah@saafi.fr.

Time for Portland, Oregon?

REAL ESTATE

By Philip Churchill

It has been two years ago since my last article on Forbes's analysis of 'Best Places for Business and Careers' in the US and given that they have just released their 19th annual comprehensive analysis, I thought it was prime time to revisit the topic and see what has changed.

This year's top spot has been taken by Portland, Oregon for the first time ever, climbing four spots from 2016 thanks to strong growth prospects and a large influx of highly-educated millennials.

When I last wrote in 2015, Portland hadn't attracted any attention from the Islamic finance world and sadly it seems to remain unchartered territory. Maybe Portland's newfound fame will give it the recognition it deserves. Luckily, aside from Portland, 90 North's research suggests that the Islamic finance world has been extremely busy buying and selling in Forbes's other top cities (with populations in excess of one million) over the past year.

Raleigh, North Carolina took 2nd place and I am still delighted that 90 North made the decision to invest here in the Lenovo global server headquarters back in 2015.

Other top cities for acquisitions included Charlotte, North Carolina (ranked 5th) which saw QInvest purchase land in South Boulevard to develop an upscale 200-unit multifamily apartment complex; while Brennan Investment and a client of Arch Street Capital acquired significant industrial real estate across both Charlotte and Dallas, Texas (ranked 8th) and not forgetting 90 North's own Lash Group headquarters. Denver, Colorado (ranked 4th) also remained a popular choice and became home to QInvest's first acquisition for their US multifamily residential fund earlier this year.

Sadly, for Atlantic City it remains in last place, unchanged from when I wrote in 2015. We still haven't heard of any Islamic investors venturing there, hardly surprising given its reputation as the 'Gambling Capital of the East Coast'.

So, it continues to encourage me that Islamic investors are frequently looking beyond perhaps the obvious choices of, say, New York, San Francisco and Los Angeles to seek out dynamic cities that show the economic and population growth frequently not seen in the big gateway cities. But what's wrong with Portland, Oregon?! Looks like an opportunity to me.

Philip Churchill is the founder and managing partner of 90 North Real Estate Partners. He can be contacted at pchurchill@90northgroup.com.