

Takaful in France needs investors to take off

There are now 16 million Muslims in the EU and France leads European countries by the size of its Muslim community which should represent, according to the Pew Research Center, more than 10% of the French population in 2030. EZZEDINE GHLAMALLAH opines that with such demographic data, it is questionable why it seems so complex to develop Islamic finance and Takaful in this country.



FRANCE

By Ezzedine Ghlamallah

The explanations can be numerous. Firstly, there is a lack of political will since Christine Lagarde's efforts when she was the Minister of Economy and Finance in 2008. Another explanatory factor is that Islamic finance was not developed in the countries of origin of French Muslims (Maghreb and former French colonies); it follows that the French Muslim population is not adequately conscious of the importance of the subject. Finally, it may indicate a lack of investment from the operators to target the mass retail market.

Conventional operators fear a risk for their image and presently no Islamic financial institution has dared to invest to create the marketplace. It can also be said that the commitment of the principle of secularism in France is an obstacle to the market development, which is not right since there is no need to legislate to create Takaful solutions; the insurance code provides fully compatible legal structures. Furthermore, it is important to note that within the limits of the applicable law, French citizens have the opportunity to express religious preferences and act in accordance with them. These preferences can be the main criteria of a transaction in which two private parties contract. The principle of secularism, which guides the state institutions, does not affect the agreements between private parties.

The strengths of the French market are not negligible. French Muslims are among the Muslims in the world to be fitted with the most bank accounts and insurance coverage. Another example of the French market's vitality is the Halal food market which is estimated at EUR5.5 billion (US\$6.12 billion). The social practice of Islam in France has evolved toward the search for a more respectful use of ethics and Islamic values. For 35% of the French Muslim population, insurers do not provide complete solutions to their insurance needs due to non-compliance to Muslim

ethics. An operator offering Shariah compliant solutions with a similar level of guarantees, price and services can take the leadership in this segment.

Indeed, according to SIGMA magazine published by Swiss Re, France is the world's fifth-largest insurance market with a penetration rate of almost 10%. The French insurance market represents EUR188 billion (US\$209.32 billion) of contributions; even if Takaful solutions catch only 2% of the market, France will become the second world Takaful market behind the Kingdom of Saudi Arabia. The French market can therefore easily take its place in this global industry. These are all reasons why the European Central Bank said in a report published in June 2013 that Islamic finance seemed to have a good potential to develop in France.

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The offer of Takaful products in France currently remains very limited; there are no general Takaful solutions, which is unfortunate in a country where there is a multitude of obligatory insurance. Only Family Takaful solutions exist (which are optional insurance) through three types of contracts: FWU Ethra'a Takaful, Swiss Life Salam Savings and Investment, and Vitis Amâne Exclusive Life. These contracts are distributed by many brokers and independent financial advisors throughout France. Although Takaful for the time being is a niche

market, the market is responding well and there is an extremely positive trend despite the lack of communication.

The key elements that can create and develop a real market for Takaful in France are multiple. Firstly, there is a need to convince institutions of the considerable growth reserves offered by this segment. Secondly, there must be pedagogy to stimulate demand. And finally, the offer has to create the market and this is the most important point. To reach this goal, money has to be invested in the design and the supply of new products tailored to the population's obligatory insurance needs. Although human capital is present with a pool of untapped skills (two universities currently provide education in Islamic finance: Strasbourg University and the University of Dauphine), financial capital remains very limited.

Today, the needs of French Muslims are many and varied, for example, there are 470,000 Muslim Comorians in France, 90% are French and 95% have the willingness to be buried in the Comoros. There is a real need for Takaful assistance repatriation. The same need exists for the 30,000 French pilgrims who go to Hajj every year. Concerning Takaful health solutions, needs are really important: according to the National Interprofessional Agreement of January 2013, all employees employed by a private company should benefit from a mutual health contract.

Many French Muslims are entrepreneurs. If they are offered a solution to achieve both compliance with the French legal insurance obligation and Shariah, a massive underwriting can be met. But without investors, it will take a long time before the needs of the population can be satisfied and removed from Riba and Gharar.⁽⁵⁾

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