

## A conduit for Shariah-compliant capacity

The first Shariah-compliant underwriting capacity from the London market was made available just months ago through the launch of **Cobalt Underwriting**. CEO **Richard Bishop** tells *Middle East Insurance Review* why its model is unique, and what is in store for the company and the industry.

► By **Wong Mei-Hwen**

A gap in the Islamic insurance market was plugged recently when Cobalt Underwriting was formed to provide Shariah-compliant capacity worldwide for commercial and corporate risk exposures. Acting as a distribution point for this capacity, Cobalt plans to underwrite institutional exposures on behalf of major insurers based on the London Market subscription model, via London-based carriers operating Islamic windows.

The underwriting agency has since succeeded in securing, with the help of Aon Benfield, commercial property capacity of US\$425 million and construction capacity of \$160 million from XL Insurance and QBE Europe. The target is to increase these figures to \$1 billion and \$250-\$350 million, respectively, which is “looking achievable”, said Mr Bishop. QBE has also agreed to provide \$100 million in capacity in respect of general casualty.

Cobalt is already in advanced discussions with other markets to provide additional capacity in all these classes. Having “moved closer” to adding marine and energy capacity, it hopes to offer trade credit, financial lines and political risk coverage in future, and Lloyd’s capacity by 2014 – although he acknowledged that this is a process which will take time.

Cobalt recently wrote its first risk, via its agreement with XL Group, to cover a deal to acquire a high-profile property portfolio. The property – Park Crescent West, a historic crescent overlooking Regent’s Park in Central London – was acquired by PCW Property Holding Ltd from Great Capital Partnership.

### A different model

Cobalt’s model is unlike any other. “No one else in the London market is doing what we are doing,”

said Mr Bishop, adding that its in-house Shariah scholar is a key differentiating factor.

While declining to comment specifically on takaful syndicates set up in the past, he pointed out that “a single syndicate would be of limited value, taking into account the significant risk exposures of the Islamic world which require the co-operation of a large number of insurers”.

Meanwhile, the work of explaining Cobalt’s proposition to intermediaries has started. “We will only work with brokers with operations in London,” he said while on a trip to Dubai to meet with brokers. “We’ve been meeting the London brokers in the last few weeks, and we are now reaching out to their colleagues overseas”.

The plan will take Cobalt to the Far East at a later stage. “Because of more stringent regulations in Malaysia than in the Middle East, we will first have to engage with Bank Negara Malaysia before engaging with its broking community”.

The response, said Mr Bishop, has been positive so far. “Broadly, we’ve seen a great deal of interest from brokers and a number of Lloyd’s carriers, and we are starting to see interest from potential clients as well.”

### Setting up Cobalt

Cobalt’s seeds were planted in 2007 when Mr Bishop, then acting for one of London’s Shariah-compliant banks, was asked to look for Islamic commercial insurance cover in the London market. Eventually, this led to Cobalt’s model being developed with the help of respected Shariah scholars, including leading scholar Sheikh Nizam Yaquby, who now heads Cobalt’s Shariah Board, and law firm Norton Rose, which provided legal advice.

Financially, Cobalt is backed by Capita, a provider of outsourced business processes which provides all back office processing for Cobalt, and UK-based Islamic financial institution Bank of London & The Middle East.

### A journey of faith

The biggest challenge, said Mr Bishop, is raising the market’s understanding of Cobalt’s offering. “There is a need for constant education. Many buyers think they have purchased Shariah-compliant cover, when it’s not. They are either unaware, or choose to be unaware that most takaful companies make great reliance on conventional reinsurance rather than use retakaful when quoting for large risk exposures. Unless that changes, we won’t see the available opportunities”.

But with the backing of all its supporters, he is confident that Cobalt will succeed, even to the point where other players will follow suit. “Our investors wouldn’t have made the investment they did without expecting us to be successful. If our model doesn’t work, it won’t ever.”



Mr Richard Bishop