

Building takaful through collaboration



Collaboration is the best way to drive the takaful market forward and in London, there is a real willingness to work with the local Islamic markets for the benefits of all, says **Mr Richard Bishop** of **Cobalt Underwriting**.

The biggest question many have been asking in the MENA region has been how does the takaful or Islamic insurance market deliver the levels of penetration, both in the personal and commercial lines classes, commensurate with the huge potential it offers?

If you examine the figures then on the face of it, the growth of Islamic insurance products continues to be rapid. The percentage growth of the takaful market continues to be in double digits, particularly in the MENA region, but the figures do not tell the whole story.

There is growth but it comes from such a low starting point that the fact remains that the takaful markets across the GCC countries at least have under-performed compared to their local traditional peers. The reason, I suspect, is a case of too much capital and too little expertise.

Need to break down barriers

However, the potential for the Islamic insurance and reinsurance markets remains significant and in the London market, there is a growing recognition of that fact at a time when London has been looking to define its role in the global insurance industry into the future. But there is also a recognition for the international markets that in order to succeed in the MENA region, there needs to be a collective and collaborative approach from all in the market to build a viable and sustainable (re)insurance industry.

What we all recognise is that there is a real need for the local Islamic insurance markets to seriously attempt to put themselves on an economic footing with the conventional marketplace rather than simply looking to compete for the scraps.

There is clearly an opportunity to achieve greater penetration in the region by removing the barriers of insurance being unacceptable to some Muslims. It is where the local markets need to look at how they can break down those barriers and provide innovative products to the market in a way in which they will be fully acceptable to the Islamic population and businesses.

The call of London

London has built its insurance market over the past three centuries and remains the home of innovation and the market of last resort for complex and speciality risks. It provides the opportunity for local MENA markets to access the expertise which is needed to design and produce the Shariah-compliant covers that will meet the needs of those who at present are deeply uncomfortable about the traditional insurance markets and what they can offer.

There is a clear willingness and appetite from underwriters in London to access the MENA region and via Shariah-compliant products. A recent study by the London Market Group and Boston Consulting Group makes it clear that while London has been maintaining its share in the established and mature markets, its share of the emerging

and high-growth markets has been falling.

Now there may well be a case that clients in these markets are looking to place their risks locally. We have seen both underwriters and brokers looking to put staff into these markets to better compete for those risks, but there is also a question of exactly what type of products they are offering. This should not be seen as a threat by the brokers and takaful underwriters in the MENA region, but rather, it is a major opportunity.

Up the game

There is now a large amount of Shariah-compliant (re) insurance capacity available in London across a broad range of classes from large construction projects to bloodstock, but it is acutely aware of the need to engage and work with local markets to ensure access to the clients. Local takaful markets have to accept that they need to up their game if they are to compete, and Shariah-compliant insurance products should not be treated any differently.

We need to create a situation where Shariah-compliant products are bought on their merits, having competed alongside the traditional products, otherwise we create further barriers and with it, a fractured market.

Positive discrimination is not healthy in any form and at present, the Islamic markets are not competing in terms of financial strength, quality of products and expertise. It is an artificial marketplace when the only competition is actually themselves so they simply fight themselves and therefore head for the lowest common denominator which is price.

Collaborate at all levels

There needs to be collaboration at all levels, and that includes regulators and governments ensuring that the marketplace is one where the professionalism and standards are at least on par with conventional companies. One way of doing this would be to allow ownership of takaful operators by conventional carriers, which could then ensure common standards and security.

Companies need to understand that collaboration is the best way to drive industry-wide solutions and in London, there is a real willingness to work with the local Islamic markets for the benefits of all. Staff from the MENA region need to have the opportunity to come to London to work within the market to enhance their expertise and their skills, then go back better able to create strategies to enhance penetration levels.

Competition in any market is a positive thing as long as the market has been built on solid foundations and there is a level playing field for all. To build on those foundations, there needs to be greater collaboration between the markets in MENA and those overseas who have the capacity, the capability and the willingness to work together for a better future.■

Mr Richard Bishop is CEO of Cobalt Underwriting.