

Interview with the Chief Executive Officer of Takaful Re

By Zakariya Othman

Reinsurance of Takaful business according to Islamic principles has been an area of much debate. The problem has been one of a shortage of re-Takaful companies in the market. This has left Takaful companies with the problem of having to reinsure on a conventional basis, contrary to the customer's preference of seeking cover on Islamic principles. Taking up these challenges, the Arab Insurance Group (ARIG) created the first reinsurance company in the MENA region, Takaful Re, which is organized and operated in a fully Shariah compliant manner. Islamic Finance news talks exclusively to Takaful Re's chief executive officer Chakib Abouzaid on the development and future plans of the company that celebrated its first anniversary last month.

Teaming up with several major regional financial institutions including the Islamic Development Bank (IDB), Dubai Investments, Emirates Industrial Bank, as well as Qatar Islamic Insurance Company and Wethaq Takaful Insurance Company of Kuwait, ARIG has created Takaful Re, which is a significantly capitalized Islamic reinsurance company with a fully paid-up capital of US\$125 million, against the authorized capital of US\$500 million.

This huge capital injection is said to ensure the commitment of meaningful capacity to the Takaful market so as to further attract and lead business, as well as to secure strong financial ratings.

Having celebrated its first anniversary of operation, Abouzaid admitted that for any new company, it was indeed difficult to deliver and quantify success instantly. At this stage, he said, it was about gaining credibility in the market, and so it was a bit premature to comment on the results of the group's specific products and services.

"Currently, the aim of Takaful Re is to service its clients efficiently. Once we start delivering our commitments, success will soon be visible," he pointed out.

According to Abouzaid, re-Takaful is a specialized venture and it is extremely challenging for any start-up company to secure the necessary competencies, resources and critical business size within a short time span.

However, he noted that Takaful Re would have the advantage of being able to use ARIG's existing infrastructure and the group's well-established business relationships whenever needed, thus providing Takaful Re with an additional competitive edge from a shared cost base.

Backed with the strong support of its promoters, Takaful Re had set its future plans and Abouzaid believed that the company was on the right track. Revealing its strategic priorities over the next three to five years, which could be considered as its short-term plan, he said Takaful Re hoped to become recognized as the leading re-Takaful operator in the MENA and South-East Asian regions, providing a full diversified range of products to meet the needs and standards of Takaful companies.

In terms of products, he highlighted that the future for the Takaful industry would be in family Takaful and personal lines of business, as individuals were more sensitive to aspects of Shariah compliance than corporations. Abouzaid said Takaful Re's strategic objective was

to offer assistance to the ceding companies in designing products in those prospective lines. For the Islamic communities, he also said that there were some products which Takaful Re could provide, such as Hajj cover for the millions of pilgrims.

While optimizing the benefits from the recent compulsory medical regulations introduced in the GCC, he added that Takaful Re would provide the capacity to enable Takaful companies to compete with their conventional counterparts.

More importantly, he added, while hoping to take the lead, Takaful Re would also help to develop the industry and provide assistance in the start-up operations of companies, as well as their training and IT infrastructure.

Speaking of the industry at large, Abouzaid noted that in the past couple of years, the Takaful sector had witnessed exponential growth, especially in the MENA region, with various financial authorities recognizing the potential of the Takaful market and enacting laws and formulating regulations to cater to the players of the industry.

He added that currently, through customer awareness and education, the outlook of the Takaful and re-Takaful industry was changing rapidly, whereby the players were now offering the Islamic fraternity Shariah acceptable solutions to risk management and loss prevention that were traditionally offered by the conventional insurers only.

World Bank estimated that the MENA region population would reach 330 million by 2010, Chakib quoted, saying that although insurance penetration was currently low, as insurance premiums only represented 1% of the GDP in the MENA region, the opportunities for growth in the insurance industry were promising, due to the rapidly growing population that offered rich prospects for business development.

Abouzaid acknowledged the fact that the Takaful industry was still at its infancy stage as compared to other financial services, and that the growth potential was tremendous. However, he said it was extremely important for the players – consumers as well as regulators – to play complementary roles in strengthening the Takaful institutional infrastructure, creating higher awareness and ensuring corporate governance and risk management in compliance with the Shariah framework.

Believing that a legal framework was an important factor for the development of the Takaful industry, the Moroccan CEO urged the governments interested in developing the industry to have a strategic plan, with a road map for development that could be beneficial to the industry. On the regional or international level, he said cross-border co-operation was needed for the standardization of models, as well as for the exchange of fatwas.

"Re-Takaful is a global activity and there is an urgent need for Shariah compliant capacities," he concluded.



Takaful Re Takaful Re is dedicated to offering Shariah compliant reinsurance and related services to the growing Takaful and Islamic insurance markets. Takaful Re is promoted by Arig, a leading reinsurer in the Middle East for more than 25 years with worldwide recognition in the conventional market. Takaful Re benefits from Arig's (www.arig.net) expertise, strong financials, large capacity and ability to lead the market.

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