

The key success factors of Takaful implementation



TAKAFUL & RE-TAKAFUL (EUROPE)

By Ezzedine Ghlamallah

Researchers Yusuf Abdul Azeez, an associate professor at the University of Modern Sciences in Dubai, and Abdullahi Saliu Ishola, who is from Kwara State University, have stated that Takaful is not only a key branch of the Islamic financial system but also one of the important Islamic financial instruments and a strong tool for managing individual risks and business overturns.

Optimal model and sharing surpluses

Another researcher Lukman Olorogun, an assistant professor of business at Abu Dhabi Men's College, concluded that the industry needs a contribution model which allows the return of underwriting profit to Islamic insurance participants, with the objective of creating a justified and equitable means of computing contribution which maximizes the expected ownership right of the Islamic insurance fund.

Regulatory framework

Improving the regulatory framework in the Takaful industry is necessary to build trust by increasing the information available to all stakeholders like investors, potential customers and brokers. Strengthening the regulatory framework is not only the responsibility of regulators, as industry players must take all measures and initiatives to improve practices.

Capital markets

The presence of a welcoming environment can contribute to the proper implementation of Takaful, and the presence of a secondary capital market accessible to Islamic investments is necessary.

This includes not only the eligible shares, but also a liquid market of Sukuk. Without enough Sukuk, it is difficult for Takaful companies to manage the investment risks.

The evolution of Takaful regulations in several markets and the expansion of the

Shariah compliant investment universe, especially Sukuk, have a positive impact on the development of the industry.

Infrastructure

Furthermore, it is necessary for Takaful institutions, as is the case for any company dealing with a large number of customers, to be well equipped with infrastructure that could help speed up processes and improve risk mitigation.

By infrastructure, we do not mean only the physical infrastructure, but also the necessary information technologies. Takaful operators must embrace technology in all operational, sales and marketing strategies; this should allow them to enter a generic insurance market that can involve both General Takaful and Family Takaful.

Human capital and transparency

There is clearly a shortage of expertise in the Takaful industry in General Takaful and re-Takaful in particular. Takaful operators need to recruit talents and to be more transparent as only half of the Takaful companies have published an annual report on their respective websites.

In conclusion, we believe that the future of Takaful is brilliant but requires the combined efforts of all parties concerned, including regulators, market players, scholars and the international community in general, to play their full roles. ☺

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