

The way forward for Takaful in Europe



TAKAFUL & RE-TAKAFUL (EUROPE)

By Ezzedine Ghlamallah

Despite the risk of Islamophobia, Takaful is considered in Europe as a niche market with high growth potential. Takaful represents a response to a still-unmet need of Muslim communities in Europe. Indeed, its ethical values of cooperation, mutual protection, solidarity and mutualization respond to the sociocultural needs and values of individuals, especially those of Muslims.

Although today Takaful is not famous in Europe with regards to the global insurance market, which is highly developed, the European market presents serious opportunities.

Firstly, the number of Muslims in Europe is increasing according to a study in 2016 by the Pew Research Center where about 25.6 million Muslims represent 4.9% of the European population.

The research paper also mentions that Muslims could represent between 7.4% and 14% of the European population by 2050.

This population is illustrated by one of the highest banking and insurance equipment rates in the world, and these households' insurance spending is becoming increasingly important as Europeans have more purchasing power than in other parts of the world.

Also, Takaful is not a community product for the exclusive use of Muslims, but it can be offered to the entire European population.

Takaful provides a solution to all those who wish to combine modernity, tradition, transparency, ethics and good governance.

Takaful meets a still-unmet need, which can be likened to a 'Blue Ocean Strategy' in the sense that even if a Takaful offer can compete with a conventional offer, its compliance with the rules of Islam makes it unique.

All of these factors make us think that the growth of Takaful in Europe is slow but certain in the long run.

To enter the European market, Takaful will have to meet European legal and regulatory requirements while remaining in line with Islamic jurisprudence.

In terms of solvency, Takaful insurance must meet the requirements of Solvency 2, while respecting the standards of AAOIFI and the IFSB that are in force even if so far they are not binding on this market.

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To date, there is no Takaful operator, and current deals are being offered in windows — this represents a great opportunity for establishing a Takaful company under European law.

The freedom of establishment and freedom to provide services provided by European law represent a way for Takaful to develop throughout the European Economic Area.

Any company with its headquarters in one of the EU countries can offer all of its products anywhere in Europe. As there is no operator and few distributors, a 100% digital company could be the solution.

This would allow Takaful to reach its continental target, catch up and grow faster thanks to new opportunities for innovation offered by insurtechs. ☺

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