



Faith in Islamic Finance

Hussein Mohammad al Meeza, Managing Director of Aman Insurance, foresees steady growth in the region's insurance sector.

How would you sum up the insurance and takaful sector in the GCC and the UAE in 2011?

The takaful industry in the GCC region is very fragmented, with a small number of large players and a very large number of small players. Expected growth over the next three years is 15 to 20 percent.

What kind of competition is faced by takaful from conventional insurance?

Takaful operators require retakaful solutions where the choice of retakaful operators is limited as compared to conventional reinsurers. Takaful op-

erators have much smaller underwriting capacities as compared to conventional Insurers. Conventional insurers also have bigger and much stronger marketing tools.

Conventional insurers can accept any business, whereas takaful operators can only accept shari'a-compliant business proposals. These are only some of the areas where competition is faced.

How Islamic is Islamic insurance? Are there enough religious experts who specialize in insurance business?

Islamic insurance is meant to be fully shari'a-compliant and must fully conform

to the Islamic laws and jurisprudence. The Shari'a Board, comprising expert Islamic scholars, have regular shari'a audits to ensure compliance of the regulatory laws. Yes, there are enough religious experts who specialize in insurance matters, but there are also shari'a firms approved by these scholars who are capable of providing guidance.

What challenges does the takaful industry face?

Too many insurers in a very small market and continuously falling rates. Reinsurers are very tough on takaful operators due to their lack of expertise. ➤



“The demand for Islamic insurance will continue to grow and takaful operators must be ready”

Please explain bancassurance and Aman’s role in that area?

The term “bancassurance” is a very popular word. This, to put it simply, means banks selling insurance products within their premises. The intention is not to take over the role of insurers, but to offer its customers a more convenient way of banking by offering all products under one roof, including car loans/car insurance, home loans/home insurance, credit cards/credit insurance etc. Aman Insurance is playing an active role by providing shari’a-compliant products to no less than eight banks, both Islamic and conventional banks with Islamic windows.

Are there enough, good takaful products in the GCC market?

The takaful industry is still comparatively weak in product innovation, but nevertheless it is coming up fast with product development either on their own or in partnership with recognized players, eg well-known credit cards.

What can be done for takaful products innovation?

Product development should be the focus of attention for the takaful operators. Their products should bring added value.

How do you see the takaful sector in 2012 and beyond?

The demand for Islamic insurance will continue to grow and takaful operators must be ready to meet the demands.

In your opinion, what are the advantages of Islamic finance?

The purpose of Islamic finance is to meet the demands of the consumer, whether it’s for commercial loans, car financing or home mortgage, the advantage of Islamic finance is there is clear transparency, and financing is done according to Islamic principles of shari’a.

Why do you think a lot of regional airlines are moving toward Islamic finance? What other sectors would, or should, move toward Islamic finance?

Regional airlines are moving towards Islamic finance not for any other reason, but simply because some of the Islamic banks, who have the financial strength to finance airlines, have a strong cash liquidity. Other sectors following the same route are building owners, small and medium size companies, borrowers of car loans etc. ■