

**Dubai Islamic Economy Development Centre (DIEDC)**

**World Takaful and InsurTech Conference**

**Attributed to: Abdulla Mohammed Al Awar, CEO of DIEDC**

**Dear colleagues,**

**Distinguished guests,**

**Ladies and gentlemen,**

**Good morning!**

It's an honour to inaugurate the 14<sup>th</sup> edition of the World Takaful and InsurTech Conference.

Over the next two days, we will have ample opportunity to contribute to a better understanding of the market influencers, growth factors and global prospects for the takaful sector. The conversations are also anticipated to provide insights into the issues and challenges facing the industry.

I look forward to gaining the perspectives of leading minds in the fields of takaful, insurance technology and insurance innovation from more than 35 countries across key takaful markets, such as the GCC and South East Asia regions, and emerging markets including Africa and Europe.

Thank you all for coming together to make this conference a meaningful platform.

**Ladies and gentlemen,**

According to the Islamic Finance Development Report 2018 by Thomson Reuters, the global takaful industry reached US\$46 billion in 2017. However, at just two per cent, it still remains the smallest contributor to the Islamic finance industry in terms of assets. This, despite that fact that currently close to 324 operators around the world offer takaful.

It is quite evident then that the takaful sector has tremendous potential to expand its role in the Islamic finance industry.

However, as is the case with the banking sector, there is lately a strong trend towards consolidation of the takaful players. This is a welcome development as consolidation will help companies achieve healthy balance sheets and create stronger sustainable platforms for businesses, especially in countries that witness low margins and a highly-fragmented marketplace.

Some recent developments in this sphere include Takaful Emarat's takeover of Bahrain's Al Hilal Takaful, and the merger of Solidarity Group's Bahrain-based units Solidarity General Takaful and Al Ahlia Insurance.

However, we must keep in mind that consolidation is also a strong indicator of negligible profits. Even though it is a solution, it is a temporary one, as the sector is still nascent. For a more permanent and effective solution, takaful will require more enabling guidelines and regulations that suit the needs of individual markets and clarify the accurate processes within.

The Islamic Insurance Association of London (IIAL) is also reportedly seeking inputs from sharia scholars to draft unified sharia and legal standards for Islamic commercial insurance for the UK market. And it has recently launched a set of guiding principles covering sharia-compliant insurance, or takaful, seeking to address capacity constraints in the sector in the UK and help conventional Insurance companies open Islamic Insurance windows.

In addition, AIG UK underwrote its first sharia-compliant warranty and indemnity policy out of London's mergers and acquisitions insurance market, through Cobolt Underwriting's 'Islamic Window' solution.

This growing interest from UK-based institutions indicates a prominent role for the takaful sector in the UK's insurance industry as the government seeks new business opportunities post-Brexit.

To sustain the sector's development, new entrants should ensure compliance with emerging guidelines and regulations. It is encouraging to see that the number of new players in the takaful sector is surging, specifically from new markets, despite the sector's small size globally. This can no doubt be attributed to the strengthening of regulations that deepen sharia-compliant insurance penetration even while ensuring greater transparency.

A good example of the effectiveness and profitability of guidelines and regulations is Nigeria. Following the launch of its first full-fledged takaful company, Jaiz Takaful in October 2017, the country now has five takaful operators - thanks largely to the government's initiative in issuing takaful guidelines.

### **Ladies and gentlemen,**

We must keep in mind that the Islamic insurance ecosystem, just like all other economic sectors, is witnessing a shift due to the growing focus on innovation as an outcome of the Fourth Industrial Revolution.

Technology is currently redefining various sectors at an incredible pace. Traditional and takaful insurance sectors alike are facing constant disruption, which is forcing the industry to evolve.

Today, the insurance industry is leveraging technology to ensure efficiency and productivity while also creating new job opportunities.

While the conventional insurance providers invest based on their assessment of what fits their profiles, takaful investments follow strict principles that don't allow any elements of gambling, uncertainty, or high-interest rates. This makes it more necessary for takaful insurance companies to use technology to streamline procedures, raise competitiveness, and ensure customer satisfaction.

Fintech is also changing the insurance industry dramatically. Companies are increasingly leveraging fintech to develop products, communicate better with potential customers, reduce costs, and provide an outlook of expected risks within the market, serving as a transparent and practical way of meeting the requirements of corporates and clients alike.

Knowledge is the gateway to progress. It is imperative, therefore, to create a better knowledge base to boost the growth of the takaful sector.

In conclusion, to establish a better environment for growth, we need to shape a clearer regulatory framework and guidelines, and use technology to enhance and diversify products and services and make them more competitive. Doing so will enable them to hold their own against conventional insurance products and services in the best way possible – not as adversaries but as peers.

**Ladies and gentlemen,**

**Thank you for your time! I wish you all a successful interaction at this conference.**