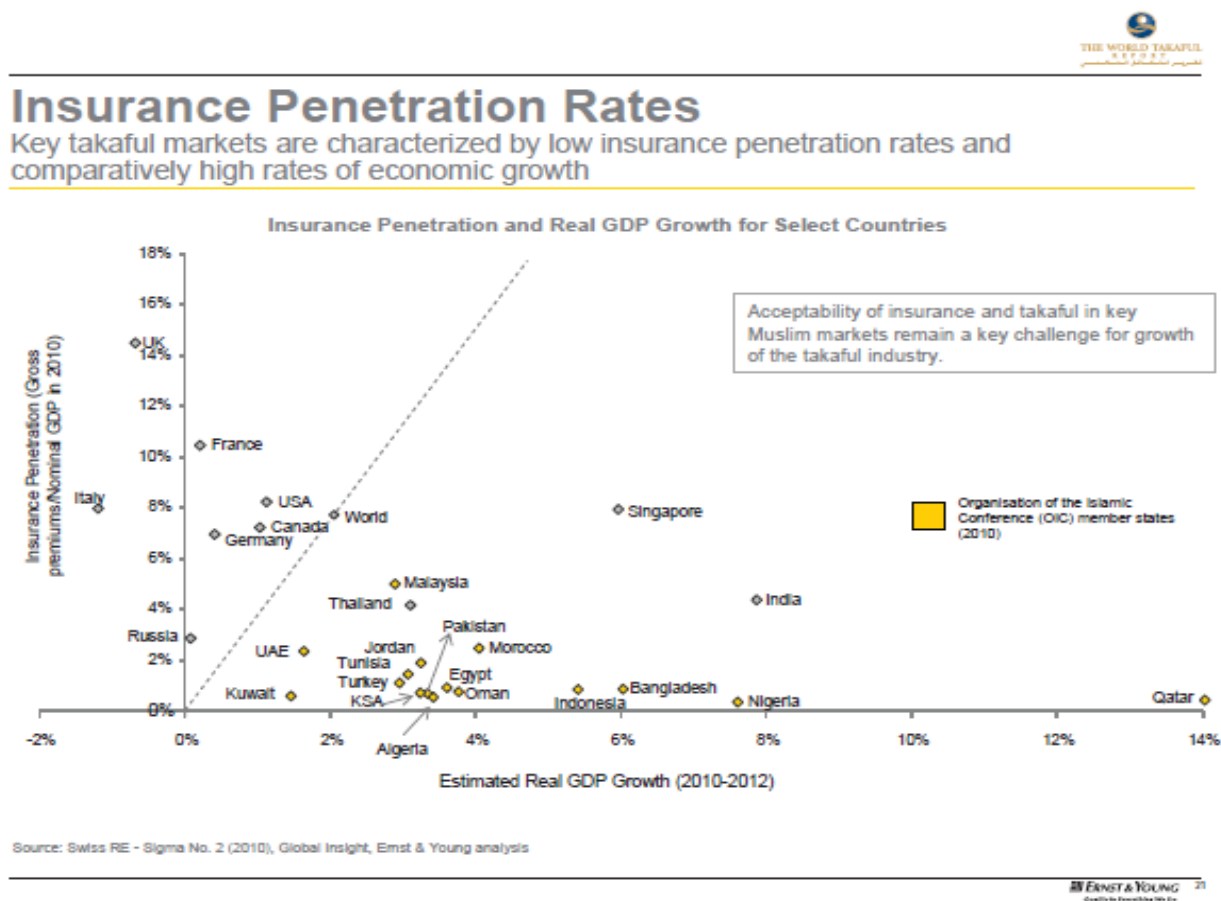


Iqbal Asaria¹

Insuring Capital : Takaful

Lot of Countries are growing faster (also their market) and their insurance is growing too. Insurance is not prohibited by Islam, but is prohibiting the way in which insurance is getted out. There is a distinction between conventional insurance and Mutual and Co-Operative Insurance. Conventional insurance model is a shareholder driven model with an insurance contract between a company and the insured. Life insurance is an example of long term insurance: a typical contract is from 5 to 30 years. The asset management is fundamental and as insurance contracts can be different the capital required can also be different. Another model that characterized the 20-25% of global market is Mutual and Co-Operative Insurance: in this kind of insurance there is not shareholder, there is a pooling of risks by contributors, participant owned and managed.

In the following scheme are described the insurance penetration rates and the proportion of GDP into insurance.



UK is the most insured country in the world but all countries are slowly moving. The yellow countries are muslim states, rich countries but insurance penetration is very low cause there are reservation about insurance.

The objections of Shariah on key insurance ideas are: 1) *Gharar* or uncertainty: for a valid shariah contract you cannot have any uncertainty; 2) *Maysir* or Gambling: speculation can be mitigated by insurable interest; 3) *Riba* or usury.

¹ CEO of Afkar in London.

Takaful is characterized by:

Tabarru (Contribution to Takaful Pool)

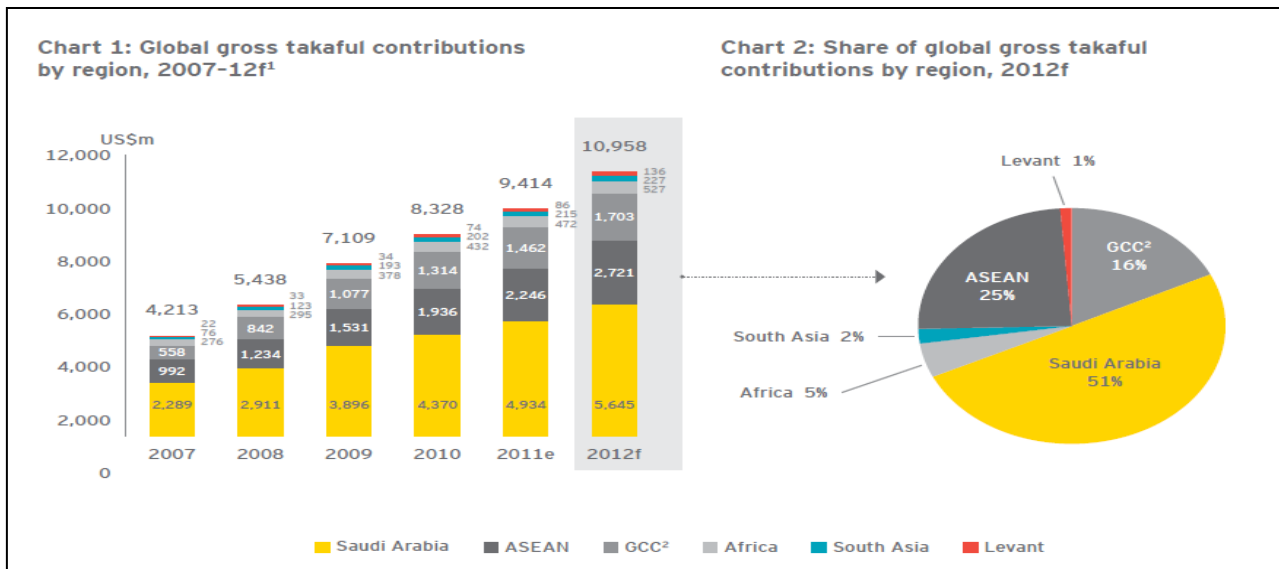
Qard Provision as a Substitute for Reserves

Risk Sharing Pool – No Gharar (uncertainty)

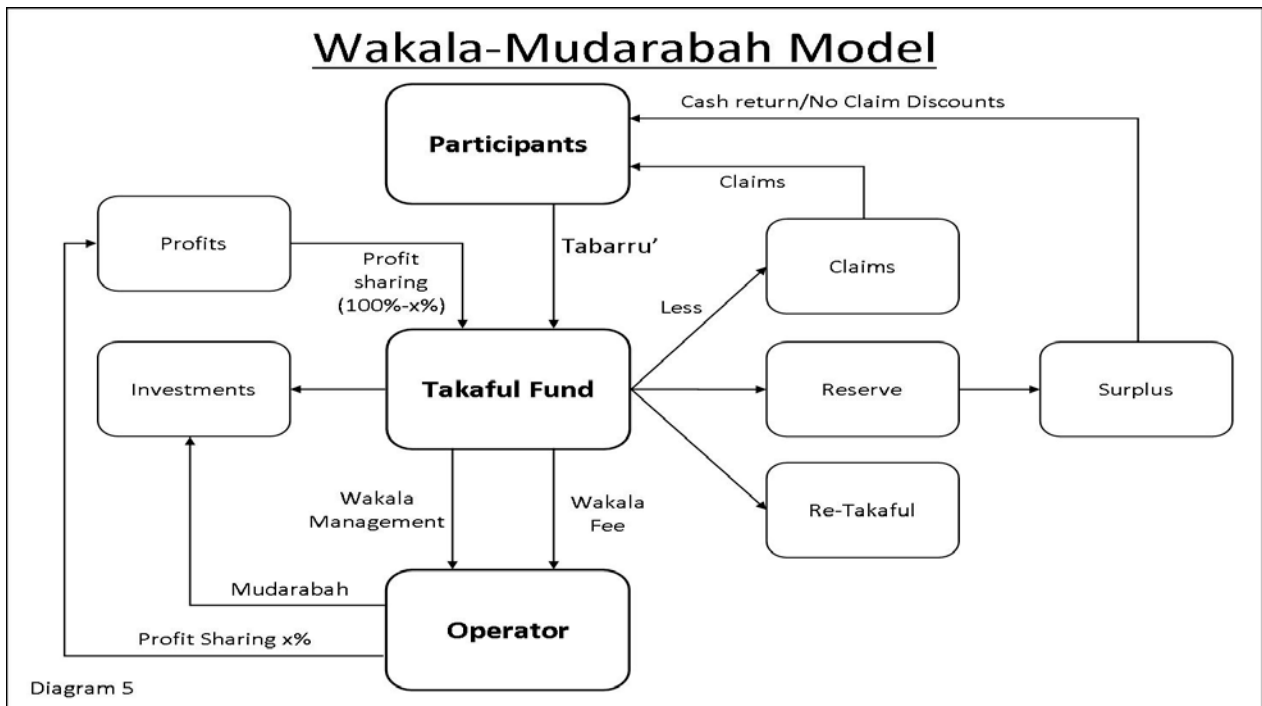
Only Pure Risk Insured

Riba-free Asset Management.

Looking at global gross Takaful contributions in 2007 – 2012 (excluded Iran), Saudi Arabia is the second market.



The most common model is Wakala-Mudarabah model.



In any takaful model you have to start from participants that pay the donation to the pool. The operator provides to:

- 1) management;
- 2) invests the pool and takes a share of investment's profit.

Takaful is not necessary for Muslim countries and there are many opportunities for Europe cause his young population, emerging family and pension provision needs, there are ethical investment opportunities, a global asset management expertise and a global re-Takaful provision.