

Synopsis of IFSB-18: Guiding Principles for *Retakāful* (Islamic Reinsurance)

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The Regulatory Environment of IFSB-18

Existing
Takāful
Standards

IFSB-8 (2009):
Guiding Principles on
Governance for *Takāful*
Undertakings

IFSB-11 (2010):
Solvency Requirements for
Takāful Undertakings

IFSB-14 (2013):
Risk Management for
Takāful Undertakings

Generic
Standards
for all IIFS

IFSB-9 (2009):
Guiding Principles on
Conduct of Business for IIFS

IFSB-10 (2009):
Guiding Principles on *Sharī'ah*
Governance Systems for IIFS

Special Issues in *Retakāful*

Retakāful
Standard

IFSB-18 (2016):
Guiding Principles
for *Retakāful*

The Regulatory Environment of IFSB-18

Concepts and Contracts of *Retakāful*

- Principal structures: *Wakālah*, *Wakālah-Muḍārabah*, *Wakālah-Waqf*, Cooperative
- *Retakāful* core principles: *Tabarrū'*, *Ta'awun*, prohibition of *Ribā*
- Categories: Family *Retakāful*, General *Retakāful*
- Types of *Retakāful*: Treaty vs Facultative, Proportional vs Non-proportional, Captives, Financial (or Finite Risk) *Retakāful*

- Nature of participants (TUs)
- International business
- Large and specialised risks
- Capital-intensive business
- Shari'ah compliance of business accepted
- Intragroup *retakāful*/reinsurance business
- Ceding and profit commissions, brokerage
- *Ribā* in contracts assumed or ceded
- Run-off
- Supplementary services provided

Special Issues in *Retakāful*

IFSB-18 (2016):
Guiding Principles
for *Retakāful*

11 Principles

Rationale

Best Practice

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Retakāful
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The Guiding Principles of IFSB-18

I. Governance of <i>Retakāful</i> Undertakings	1.1 Comprehensive Governance Framework 1.2 Code of Ethics and Conduct 1.3 Truthfulness, Honesty and Fairness 1.4 Due Care and Diligence 1.5 Systems and Procedures
II. Compliance with <i>Shari'ah</i> Principles	2.1 Business is <i>Shari'ah</i> -Compliant
III. Prudential Framework	3.1 Adequate Risk Management Framework 3.2 Solvency of <i>Retakāful</i> Undertakings 3.3 Investment Strategy
IV. Transparency	4.1 Appropriate Disclosures
V. Supervisory Review	5.1 Supervision of <i>Retakāful</i> /reinsurance Programmes

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I. Governance of <i>Retakāful</i> Undertakings	1.1 Comprehensive Governance Framework 1.2 Code of Ethics and Conduct 1.3 Truthfulness, Honesty and Fairness 1.4 Due Care and Diligence 1.5 Systems and Procedures	RTOs shall have in place in <i>Retakāful</i> undertakings that they manage a comprehensive governance framework appropriate for their <i>Retakāful</i> business models, in which the independence and integrity of each organ of governance shall be well defined and preserved, and the mechanisms for proper control and management of conflicts of interests shall be clearly set out.
II. Compliance with <i>Shari'ah</i> Principles	2.1 Business is <i>Shari'ah</i> -Compliant	
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I. Governance of <i>Retakāful</i> Undertakings	1.1 Comprehensive Governance Framework	RTOs shall adopt an appropriate code of ethics and conduct to be complied with by their officials at all levels.
	1.2 Code of Ethics and Conduct	
	1.3 Truthfulness, Honesty and Fairness	
	1.4 Due Care and Diligence	
	1.5 Systems and Procedures	
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I. Governance of <i>Retakāful</i> Undertakings	1.1 Comprehensive Governance Framework	An RTO shall aspire to the highest standards of truthfulness, honesty and fairness in all its statements and dealings, and must treat its customers fairly.
	1.2 Code of Ethics and Conduct	
	1.3 Truthfulness, Honesty and Fairness	
	1.4 Due Care and Diligence	
	1.5 Systems and Procedures	
II. Compliance with <i>Shari'ah</i> Principles	2.1 Business is <i>Shari'ah</i> -Compliant	
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I. Governance of <i>Retakāful</i> Undertakings	1.1 Comprehensive Governance Framework	An RTO shall exercise due care and diligence in all its operations, including the way it structures and offers its products and provides services, with particular regard to Shari'ah compliance, and to the thoroughness of research and risk management.
	1.2 Code of Ethics and Conduct	
	1.3 Truthfulness, Honesty and Fairness	
	1.4 Due Care and Diligence	
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I. Governance of <i>Retakāful</i> Undertakings	1.1 Comprehensive Governance Framework	An RTO shall ensure that it has in place the necessary systems and procedures, and that its employees have the necessary knowledge and skills, to comply with these principles and other IFSB standards:
	1.2 Code of Ethics and Conduct	
	1.3 Truthfulness, Honesty and Fairness	
	1.4 Due Care and Diligence	
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II. Compliance with <i>Shari'ah</i> Principles	2.1 Business is <i>Shari'ah</i> -Compliant	
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I. Governance of <i>Retakāful</i> Undertakings	1.1 Comprehensive Governance Framework 1.2 Code of Ethics and Conduct 1.3 Truthfulness, Honesty and Fairness 1.4 Due Care and Diligence 1.5 Systems and Procedures	Some remarkable best practice recommendations: [1/2] <ul style="list-style-type: none"> 1.1 plan for ensuring continuity of service to cedants if normal operations are interrupted 1.2 appropriate protections for “whistle-blowing” 1.2 similar ethics standards for service providers 1.3 awareness of potential for conflicts of interest arising from the activities of intermediaries 1.4 due diligence also to obtain <i>Shari’ah</i> approval and maintain <i>Shari’ah</i> compliance 1.5 assessment and reassessment of fit and proper (skills, experience, integrity, independence) 1.5 provision of appropriate technical and <i>Shari’ah</i> knowledge on <i>Retakāful</i> to all officers and representatives of the RTU 2.1 technical knowledge for <i>Shari’ah</i> advisers 2.1 policy in place for distribution of any residual surplus if RRF goes into run-off 2.1 <i>Shari’ah</i> assessment of <i>Retro-takāful</i> arrangements, profit commission or ceding commission arrangements in <i>Retakāful</i> 2.1 due diligence of <i>Shari’ah</i> assessments of partners 3.1 carry out an own risk and solvency assessment (ORSA) on a forward-looking basis and review periodically
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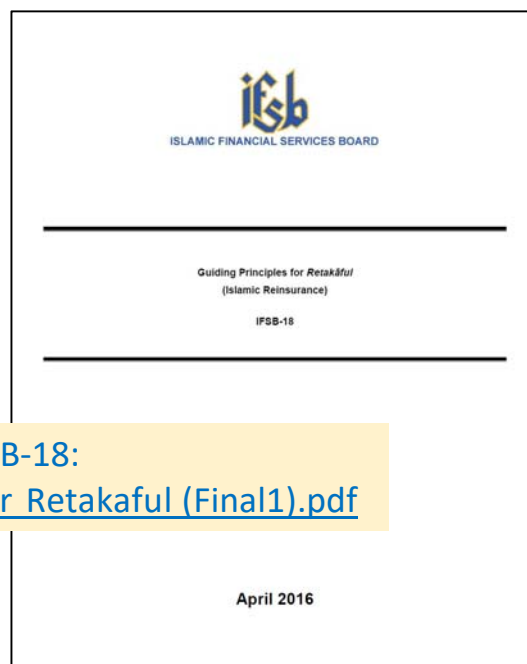
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Download link for IFSB-18:
[http://ifsb.org/standard/IFSB-18 GP for Retakaful \(Final1\).pdf](http://ifsb.org/standard/IFSB-18 GP for Retakaful (Final1).pdf)

