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Islamic insurance in the London market

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London as a centre for Islamic insurance

- The UK is being promoted as a centre of Islamic finance
- HM Treasury UK insurance growth action plan

Regulation of Islamic insurance in the UK

- Regulation of insurance is governed by FSMA
- Authorisation is required by the PRA
- The regulator's policy on Islamic products: "level playing field"
- Intention to treat the regulation of Islamic insurers on the same basis as the regulation of conventional insurers
- Secular regulator not religious regulator

The Shariah Supervisory Board

- Its role and responsibilities

How do you underwrite Islamic insurance?

- Through establishing a fully-fledged Islamic insurer or establishing a “window”
- What is a “window”?

Establishing a window

- Separate regulatory authorisation?
- Segregation of funds
- Separate branding
- Advantages over establishing a fully-fledged Islamic insurer

What about underwriting Islamic reinsurance?

- Retakaful is the Shariah compliant equivalent of conventional reinsurance
- Traditionally not been enough Retakaful capacity
- Principle of necessity allowed purchase of conventional reinsurance
- A change in trend - international players now able to provide a significant amount of Retakaful capacity
- Tightening up by Shariah Boards on the purchase of conventional reinsurance as a result

Common questions

- Who can participate in the Takaful pool?
- How do you rate the risks and determine the appropriate contribution?
- What are a Participant's obligations on placement and renewal?
- When should payment of the contribution be made?

Common questions

- In what circumstances can the policy be terminated?
- How do you treat a surplus or a deficit in the Participants' Fund?
- Are the policy wordings different?
- What is the governing law of the policy?

Common questions

- How does notification of claims operate?
- Are there any specific policy exclusions to be aware of?
- Are there similar principles of subrogation?

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