

**Lord Sheikh's speech at the World Takaful Conference in
Dubai on 14th April 2009**

I would like to thank the organisers for their kind invitation to speak here this morning I am sure that the Conference will be interesting, productive and fruitful.

I was the first Muslim to be appointed a member of the House of Lords by the Conservative Party. I am very active in the House of Lords and in fact over the period of last year I have spoken on 29 different subjects. I consider myself a British peer who is a Muslim. Having said this I have quoted the Holy Prophet (peace be upon him) and also referred to the Holy Quran in my speeches in the House of Lords. When I was elevated I had to take an oath which I took on the Holy Quran. On my appointment as a peer I held a function in the House of Lords and for the first time in the history of the House of Lords Azaan was recited and Muslim prayers were held in congregation for Asr and Maghrib salats. We have also now arranged for halal meat to be served in the House of

Lords and there is a prayer room in the Houses of Parliament. Amongst holding other positions I chair the Conservative Muslim Forum and the Ethnic Diversity Council. I have therefore made strides in promoting Islamic values and principles in the United Kingdom. I am a practising Muslim and I am therefore very keen to support and enhance Takaful insurances.

In my business career I have dealt with general insurances, life assurance and mortgages. I have actively supported mutual insurance companies and building societies and this is another reason I do like to promote Islamic Financial arrangements and Takaful covers. The principle of mutuality appeals to me.

I am the Chairman of Camberford Law Plc which is a Lloyds broking organisation undertaking general and financial services. Camberford Law has successfully developed and marketed 15 different niche products which are now utilised by over 1500 intermediaries and also marketed directly to the public. Over a period of

three years Camberford Law were either the winners or were highly commended on 12 leading insurance awards. These awards were given to us for innovation, marketing, customer care and professionalism. Some of our schemes were the market leaders and we have developed products which can be considered as being niches. I am well versed in the development and marketing of specialised covers. I have sold my shareholding in Camberford Law but remain its Chairman. I am now actively involved in promoting Takaful arrangements in the UK and worldwide.

As an industry, if we are to achieve growth in Takaful covers we need to expand our penetration geographically and think about entering markets where there is an existing culture and a demand for conventional insurance products. We need to look at areas where there is a high take-up of insurances per capita. In deciding which countries we go to, the acid test is not to merely look at population, but to examine the volume of business in relation to population. The geographic areas

where we need to seriously consider are the United Kingdom and Europe as the take-up per person on insurance both on the general and life side is high. In these countries it is mandatory to effect cover for certain classes of insurance which include employer's liability as well as motor insurance. Furthermore because of existence of loans and mortgages there is a need to effect life insurance.

To enable us to succeed in achieving our expansion for Takaful covers we also need to develop and market a range of products which will fulfil the needs of people and cater for local conditions in the relevant country where we would like to write business. There is no point in introducing only one Takaful product and it is important that we write insurances covering various contingencies as well as providing family Takaful plans. This is something which I have personally dealt with when I was the chief executive of Camberford Law Plc and produced a range of products. These products were developed for specialist risks and we very carefully

examined the trend in the market and introduced products which catered to the needs of people in various ways.

In developing the Takaful products we would need input from the scholars and it is therefore imperative that we have scholars who are well versed in not only Islamic laws but also have commercial awareness in order to ensure that these products can be successfully produced. I will talk about the training of scholars shortly in my presentation.

A third point in our quest for expansion would be the matter of public awareness and overcoming mental obstacles which some Muslims may have in regard to taking out relevant insurances. For example some Muslims believe in destiny in whatever happens to them. They also may have the feeling that God will provide for the welfare of their dependants. Being a practising Muslim I understand these beliefs but I feel that more people should be gently encouraged to effect Takaful

products. Our marketing must be geared to make people aware that the Takaful plans adhere to their religious beliefs. In addition we should make it known to the non Muslims why Takaful is ethical.

I now want to talk about the training of scholars. There are a number of scholars who are well versed in Islamic laws but their understanding of commercial realities may be limited. There is therefore a need for such training facilities to be provided and in fact developed. In the United Kingdom there are already training programmes available and the idea is to provide these courses in the Far East as well as the Gulf countries. There is also a programme being developed where tuition will be provided on conventional commercial subjects that include banking, accountancy and law and the plan is that there will be work placements in banks and insurance organisations. The courses are provided and are being developed by the Islamic Finance Council in the United Kingdom. In fact I have been asked by the Islamic

Finance Council to join their advisory panel and I am therefore rendering them my full support.

In the United Kingdom the Financial Services Authority does not regulate the scholars and therefore it is important that scholars are of appropriate calibre to enable them to carry out their duties adequately. It will however be essential that the training is undertaken on an ongoing basis.

I would suggest that at some stage in the future we may consider the formation of a professional body for the scholars. This body could lay down suitable criteria for membership and can be self-regulating. It could perhaps have a set of rules and professional practices that would enhance the standing of the scholars. Such a body could be an international organisation in view of the fact that business is undertaken on a global basis and scholars serve on organisations which operate in different parts of the world. There are numerous bodies and

organisations which are relevant to different professionals and practitioners.

It is possible to implement what I am suggesting but I feel that this can perhaps be considered at a later date.

The whole world is suffering from the financial crunch which has come about as a result of bad practices and lack of appropriate housekeeping. The concept of prudence was thrown out of the window and there was greed and short-term practices. The crunch has adversely affected the economies of many countries and people are in dire straits. The scenario is totally undesirable. If more institutions had followed Islamic values then perhaps the situation could have been alleviated.

I would now like to quote a comment which has recently appeared in a daily newspaper in the Vatican which is commonly regarded as reflecting the views of the Holy Pope. The newspaper said and I quote “the ethical principles on which Islamic finance is based may bring

banks closer to their clients and to the true spirit which should mark every financial service.” By saying this, the Vatican has, in effect, signalled its support for Islamic financial principles.

If you look at figures for family Takaful compared to general Takaful you will note that family Takaful represent a small proportion of the total market. We need therefore to expand the portfolio. There are over a billion Muslims in the world and 60 percent are under the age of 25. If we produce suitable family plans and market these effectively we can indeed achieve growth. We can also reach out to non Muslims.

The Islamic Finance believes in an ethical form of investments and we also invest in businesses which benefit the society generally. I would therefore like to make a case that the investments should have a much wider appeal rather than these being niche. I hope that in due course the Takaful investments will be part of

main stream market which will increase its worldwide exposure.

Takaful customers for general and family plans will of course look for competitive prices and returns. The fact that a product is Takaful may not by itself always appeal to a consumer. We can generally say that whilst 40% of Muslims would either effect Takaful plans not with standing price or that they are not concerned with the type of the product but over 60% of the Muslims would effect a Takaful plan if the cost and benefits are competitive and represent good value for money.

We do expect that there will be considerable expansion in the global market for both general and family business. It is anticipated that the worldwide growth will be about 20% annually compared to the 2.5% expected growth for conventional business. A recent report by HSBC estimated that the global Takaful market would grow to 14.4 billion dollars by 2010. This is more than the assumption of our talk which is growth to 11

billion dollars by 2015. With our various initiatives and our desires to expand, I am sure that this target will not only be met, but exceeded. In regard to growth it should be stressed that this by itself is not enough. It must be profitable and there needs to be adequate returns for the stakeholders.

In regard to United Kingdom and Europe I would like to state there are 2 million Muslims in the United Kingdom and 20 million in Europe. If we also reach out to non-Muslims the potential is considerable as the populations of the United Kingdom and Europe are 60 million and 450 million respectively. There is however low awareness of Takaful but with the right products and effective marketing we will succeed.

If we are to promote and develop Takaful products it is important that we look at the human resources. We need to seriously examine the training of staff to ensure that they are well aware of technical Islamic insurance principles and are also well versed in Shariah finance. I

used to be a visiting lecturer on insurance subjects and have also been President of the Chartered Insurance Institute. The Chartered Insurance Institute in collaboration with the Bahrain Institute of Banking and Finance are preparing courses for Takaful subjects which will become part of the Chartered Insurance Institute examinations. The courses will be in English and Arabic. I have been asked by the Chartered Insurance Institute to chair a committee which is involved in the preparation and promotion of the courses and the subjects. We would be able to launch the courses later in the year.

I was also the Chairman and a Director of the British Insurance Brokers Association and I have been asked to chair a committee focusing on Takaful insurances which in due course will be distributed by the members of the Association in the United Kingdom. The Association has over 2400 members and I feel it is important that brokers and agents do attain knowledge of Takaful insurances.

In addition to what I have said if we are to succeed and expand we need to ensure that our service standards are high and we are cost effective in every way. This means that our work practises and computer systems must be efficient. Staff needs to be trained in all aspects of customer care and we must encourage the staff to work effectively as a team. We ought to ensure that the management and staff are working together in order that everyone attains job satisfaction. There needs to be effective two way communication between the management and the staff. In my business life I have always worked to achieve what I have said and also produced profitable results for everyone's benefit.

The UK is the first country in Europe to promote and encourage retail Islamic banking. The UK is now the leading centre for Islamic finance outside of the Gulf countries and Malaysia. The Government's intention is to establish and maintain Britain as the gateway to international Islamic finance. The British Government would like to ensure that principles of fairness,

collaboration and commitment will apply to Islamic financial arrangements and is actively encouraging Shariah compliant transactions. The British Government has recently published a booklet in which it is stated that “Islamic Finance is available to everybody.”

I am a Freeman of the City of London and was given the title of Baron Sheikh of Cornhill in the City of London when I became a Peer. I feel that the United Kingdom has a lot to offer to the development of Islamic insurances. The United Kingdom can also be used as a springboard for penetration into Europe. In these countries there is a history and culture of mutuality and there have been a number of mutual organisations.

The United Kingdom has led the world in the field of Insurance and it can do so in regard to Takaful in Europe. I would like to leave this thought with you.

Finally I would like to thank the organisers again for their invitation to speak here today. Conferences are

wonderful venues for networking and I am sure that you will meet again your existing connections and make new contacts for mutual benefits. Thank you.