

# Investigating the Egyptian Regulatory Framework for Takaful

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# Outline

- General Overview of Insurance Regulations in Egypt
- Lack of Takaful-Specific Regulations
- Objectives of Islamic Finance Regulations
- Differentiating Features of Takaful Regulations

# General Overview of Insurance Regulations in Egypt

- Well-Established Market
  - EGP 8.8 Billions - Premiums
  - EGP 58 Billions - Total Investment
  - 30 Insurance Companies
  - 13-Foreign Owned Insurance Companies
- One Governing Law with Many Amendments (Law 10 of 1981 for the Supervision and Regulations of Insurance)
  - Foreign Ownership (up to 100%)
  - Cooperative Insurance (Article 22)
  - Separation Between Personal Insurance (e.g. Life and Health Insurance) and Non-Life (Property and Liability) Insurance (e.g. Auto Insurance, Fire and Theft)
- One Regulator (EFSA)
  - Special Insurance Committee headed by EFSA's Vice President



# Lack of Takaful-Specific Regulations

- Takaful Represents the Future
  - A Global Trend of High Growth (15-20%)
  - 10% of Local Market Share Starting from 1 company in 2003
- Regulatory Challenges
  - Lack of Takaful regulations
    - Lack of Clarity and Certainty of Applicable Rules
    - No Shariah Compliance and Supervision at the Regulator's Level
  - Lack of Shariah-Compliant Investment Regulations
    - Current Efforts
      - Draft Islamic Banking Law
      - Draft Sukuk Law

# Objectives of Islamic Finance regulations

1. **Safety** and **soundness** of IFIs' financial practices (prudential regulations)
  - Capital adequacy, risk management, liquidity management, etc.
1. Shariah compliance
  - **Licensing**: no entry barriers vs. tight licensing policy
  - **Shariah Supervision**: central Shariah committee vs. bank-appointed committees

# Differentiating Features of Takaful Regulations

- Sharing of Risks amongst the Participant instead of Transferring the Risk to the Insurer (Conventional)
- Shareholder of the Takaful Company does not bear the risk of the loss with respect to the investment carried out on behalf of the participants
- Resorting to to the concept of Qard Hasan in the event of a deficiency in the Takaful Fund
- Takaful operation and Investment are subject to Shariah Supervision
  - Central Shariah Supervisory Board
  - Company-level Shariah Board
- Participants' rights:
  - Share the profits realized from the Takaful Fund
  - Attend the GA meeting