Islamic fintech the way forward

QATAR

By Amjad Hussain

The Islamic fintech market in Qatar has seen significant growth over recent years, as the market was estimated at US$850 million in 2020, and is expected to grow to US$2 billion in 2025 according to Minister of Economy and Commerce Sheikh Mohamed Hamad Qassim Al-Thani.

The growth comes within the framework of the country's approach to create an innovation environment, through putting in place the National FinTech Strategy, in addition to the Qatar Financial Centre (QFC) programs.

Highlighting the growing process of Islamic finance in Qatar, and the continuous efforts to develop it, Sheikh Mohamed said the country's Islamic finance assets amounted to QAR528 billion (US$143.8 billion), of which Islamic banks accounted for about 86%.

In other news, the QFC has developed a sustainable Sukuk and bonds framework, the first in the GCC region, which would further develop the local debt market in the country.

The framework is based on the latest International Capital Markets Association, Green Bond Principles, Social Bond Principles and Sustainable Bond Guidelines.

It will promote appropriate disclosures, the flow of relevant information, reporting and transparency and ensure that these instruments meet their objectives and minimize risks of greenwashing.

The shareholders of Qatar’s Commercial Bank have approved a proposal to increase the foreign ownership limit of the bank up to 100%.

The 48 companies listed on Qatar Stock Exchange have disclosed their annual financial results for the year ended the 31st December 2021, as the net profits for that period amounted to QAR43.28 billion (US$11.79 billion) compared with QAR30.68 billion (US$8.36 billion) billion for the same period in 2020. This represents an increase of 41% over the last two years.

Amjad Hussain is a partner at K&L Gates. He can be contacted at Amjad.Hussain@klgates.com.

Flood protection gap in Malaysia — an opportunity for Takaful

TAKAFUL & RE-TAKAFUL (ASIA)

By Marcel Omar Papp

Even though floods are common in Malaysia during the monsoon season, the latest one was particularly devastating. The Klang Valley floods during mid-December last year came as a surprise as they hit a part of the country that is not considered flood-prone and it resulted in severe economic losses of more than RM6 billion (US$1.38 billion), according to the latest estimates.

Also striking is that less than half of the total losses are covered by insurance or Takaful. Despite flood cover being readily available in Malaysia, the insurance/Takaful penetration remains low. For example, various industry sources indicate that only about 4% of the motor and 30% of the fire policies have a flood extension in place. All of this points to a large flood protection gap in Malaysia.

A recent sigma report by the Swiss Re Institute (**No. 1/2022 – Natural catastrophes in 2021: the floodgates are open**) highlights that floods affect more people around the world than any other peril. Losses from floods are on an upward trend not only in Malaysia but globally due to factors such as economic development, lack of or ageing flood control infrastructure, 'soil sealing' in urban areas or more rainfall from tropical cyclones.

Climate change also plays a role, and there is an expectation that the current trend of increasing flood losses will continue in the future.

So, what can the Takaful industry in the region do to address the flood protection gap? Most importantly, it needs to increase public awareness about the availability and importance of flood cover and try to extend the reach of flood solutions to improve the financial resilience of households, businesses and communities.

At the same time, Takaful companies need to have a robust flood risk assessment in a rapidly changing risk environment. Flood rating models will need to be amended, taking into consideration the effects of climate change and other changing risk factors. Else, Takaful companies may underestimate their flood exposure which in turn could have a negative impact on the sustainability of flood cover.

In addition to traditional indemnity flood Takaful, other types of solutions can be offered, including micro or parametric Takaful. The state of Nagaland in India introduced a parametric flood cover to ease the burden on the public finances from heavy rainfall disaster relief expenditure.

The cover pays out when rainfall exceeds certain levels which can lead to severe flooding. The solution helps the state government fund the emergency expenses incurred as a result of heavy rainfall, which are not covered by traditional indemnity programs (eg emergency shelters, food and medicine for affected families).

While flood is a complex and devastating risk, it provides an important opportunity for the Takaful industry to offer innovative solutions to strengthen the communities' climate resilience in the future.

Marcel Omar Papp is the head of Swiss Re Retakaful. He can be contacted at Marcel_Papp@swissre.com.