

TAKAFUL SUMMIT

16 July 2008

Niche Modalities - Friendly Societies and Mutual Insurers

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WHAT IS A FRIENDLY SOCIETY?

- Mutual association to provide benefits to members
- Historical development of friendly societies
 - Pre 1793
 - Industrial revolution
 - Beginnings of the welfare state
 - After Second World War
 - Modern developments

WHAT DO FRIENDLY SOCIETIES DO?

- Provide insurance and other benefits to members
- Insurance benefits
 - Life assurance
 - Pensions and annuities
 - Permanent health and “Holloway” products
 - Accident, sickness and PMI
- Discretionary grants
 - Education
 - Relief during sickness, unemployment and distressed circumstances
- Social and benevolent activities

WHAT IS SPECIAL ABOUT A FRIENDLY SOCIETY?

- Non-commercial activities
- Voluntary contributions of members
- One member – one vote
- Tax treatment
- Activities through subsidiaries
 - Opportunities for general insurance

HOW IS ALL THIS RELEVANT TO MUSLIMS IN 21st CENTURY EUROPE?

- The religious and ethical dimension of friendly societies
 - Affinity groups
 - “Scottish Presbyterianism”
 - Temperance societies
- Islamic concepts
 - Mutual protection, mutual co-operation and mutual responsibility
 - Waqf
 - Tabarru'

WHAT HAS BEEN HAPPENING IN OTHER COMMON LAW JURISDICTIONS?

- South Africa
- Trinidad and Tobago
- Ireland

WHAT ROLES COULD FRIENDLY SOCIETIES HAVE IN TAKAFUL?

- Challenges:
 - Decline of traditional with-profits business
 - FSA “thematic review”
- Opportunities:
 - Established governance and regulatory structures
 - Favourable tax regime
 - Flexible legal vehicle
 - The European market

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