

## Takaful growth a sign by Japanese operators?



JAPAN

By Dr Etsuaki Yoshida

**Sompo Insurance Indonesia, the local subsidiary of major Japanese non-life insurance company Sompo Japan Nipponkoa Insurance, on the 24<sup>th</sup> May officially announced the launch of its Takaful business in Indonesia.**

Although the local entity initiated its Islamic insurance business last year, Sompo only held an official launching ceremony recently. It started its Takaful services for fire and motor, after obtaining approval from the Financial Services Authority of Indonesia in August 2017, and is planning to include travel-related Takaful services this year. As a long-term plan, Hajj and Umrah-related Takaful businesses are targeted. Sompo intends to increase the ratio of Takaful sales up to 10% of total sales.

The Takaful operator has a sales alliance with CIMB Niaga, a local bank that includes Islamic financial services, and

hence, they may collaborate in providing Islamic home financing and Takaful as a package.

Although Sompo has the Malaysian equivalent, Berjaya Sompo Insurance, I expect that this is not a phenomenon unique to the Sompo Japan Group alone, and it may be expanded to other Japanese non-life, and even life, insurers operating overseas.

One reason is that all these major Japanese insurers are already in major Muslim-majority countries, including Indonesia — life insurance companies have stepped into the Indonesian market in recent times. As seen in this phenomenon, there is a tendency for Japanese insurance companies to look at (but not talk to) each other whether or not they invest in a major market. Others in Indonesia may follow in the footsteps of Sompo, partly because it is easier for them to explain to the decision-making body at each institution if there is already a preceding example.

Sompo means non-life insurance in the Japanese language, the abbreviation of 'Songai-hoken' — injury and insurance. Besides Sompo, Tokio Marine also has experience offering Takaful in Indonesia and Malaysia, as well as in Egypt and Saudi Arabia. Mitsui Sumitomo Insurance Group (MSIG) has a joint venture Takaful company with Hong Leong in Malaysia called Hong Leong MSIG Takaful, which it took over from Tokio Marine due to a change in capital alliance with Hong Leong.

Japan faces the problem of a decreasing population and many Japanese companies must expand their businesses to overseas markets, especially where Muslims make up the majority. The Sompo case is considered to be in this context, and the business environment is almost the same to many Japanese insurers, financial institutions and companies in general. ☺

*Dr Etsuaki Yoshida is the project associate professor at Kyoto University. He can be contacted at yetstuaki@gmail.com.*

## A blessed and busy month



QATAR

By Amjad Hussain

**As the month of Ramadan comes to an end, it is usually the norm that the Qatari market, including the banking sector, will dial down as we head into the summer months. However, activity in the Qatari banking sector has been more active than previous years, with a number of banks making some significant announcements over the past month.**

Qatar Islamic Bank (QIB) has signed an agreement with Qatar's largest fintech company, QPAY International, to launch the first Islamic point-of-sale (POS) solution in Qatar. Under this agreement, QPAY will be setting up a MasterCard and Visa POS acquiring network across Qatar to serve all of QIB's existing and new customers. Both parties will help merchants set up the systems, and train and encourage the usage of POS terminals deployed at their premises. QIB will promote the POS acquiring business among its existing corporates including SMEs and prospective merchants.

QIIB announced that Fitch Ratings has upgraded its outlook to stable and affirmed its long-term issuer default rating at 'A', which underlines the strength of the Qatari economy, of which the bank is part of, based on the bank's various strategic operations and plans. Commenting on the rating, QIIB CEO Dr Abdulbasit Ahmad Al-Shaibei said: "The QIIB rating at this high level, with a stable outlook, reflects the strength of the Qatari economy, which provides an incredible thrust to its banking sector that has proven to be highly efficient and resilient to the challenges and various market factors at work."

Meanwhile, QInvest recently announced the successful exit of a real estate mezzanine Murabahah transaction in the US. The transaction, backed by a diversified portfolio of 108 suburban commercial properties located across the US, generated a realized internal return rate (IRR) in excess of 13%. This transaction brings QInvest's track record of completed exits to US\$858 million across 24

transactions and funds with a weighted realized cash IRR of 15.5%.

The Commercial Bank of Qatar recently announced that it has ceased discussions with Tabarak Investment with respect to the potential purchase of the bank's stake in United Arab Bank, a publicly listed entity on the Abu Dhabi Securities Exchange, after six months of negotiations.

Qatar National Bank was recently named as the best bank in Qatar by Euromoney magazine, a leading publication for the global banking sector, marking a new recognition of the bank's leadership in the local banking market.

The announcements made by a number of banks in Qatar over the past month have provided a strong indication that the Qatari market, including the banking sector, will be very active during the summer months. This will be welcomed by businesses in Qatar. ☺

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