

## **GFIA comments on IAIS draft paper on issues in regulation and supervision of microtakaful (Islamic microinsurance)**

The IAIS's recent paper, *Regulation and Supervision of Microtakaful*, identifies a very important segment of the world's population that, due to idiosyncratic and religious subjects, does not profit from the benefits that a risk transfer tool, such as microinsurance, can bring.

As identified in the paper, many important countries with significant Muslim populations, such as India, Pakistan and Malaysia, have very low insurance penetration rates. This is explained by Sharia principles that forbid usury, gambling and uncertainty. It is, therefore, necessary to develop a comprehensive regulatory framework that, while protecting consumers' legitimate interests, enhances financial inclusion through regulation that empowers religious groups to enter into takaful practices, in order to generate an insurance culture in these countries.

Many Muslim countries face several risks that could cause an important increase in poverty rates. This population is subject to perils derived from extreme weather, lack of appropriate sanitary infrastructure, increased urbanization, wars and other social conflicts, as well as all the traumatic risks related with poverty. It is, therefore, important to incentivize this kind of initiatives, which aim to design a special regulation that respects local market conditions and peoples' beliefs.

Given that there are not many microtakaful regulation and supervisory papers, GFIA welcomes the work done by the IAIS to identify the most prominent problems regarding these issues. This paper also provides a useful overview of the particularities of microtakaful, as well as its differences with microinsurance.

GFIA believes that this paper is a good starting point for establishing discussions to identify, with all the relevant stakeholders' participation, the best regulatory framework for increasing financial inclusion in Muslim countries.

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