



The Empathy Between Mutuals and Takaful - How to make the marriage work?

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What is the mutual model?

- Policyholders own the business
- Recognised in most systems of law
- UK companies limited by guarantee and friendly societies



Why the mutual model?

Ethical/Religious

- Mahmoud A. El-Gamal:
 - Mutuality as an antidote to rent-seeking Shari'a-arbitrage in Islamic Finance Rice University, April 2005
 - Islamic Finance, Law, Economics & Practice Cambridge University Press, 2009

Practical

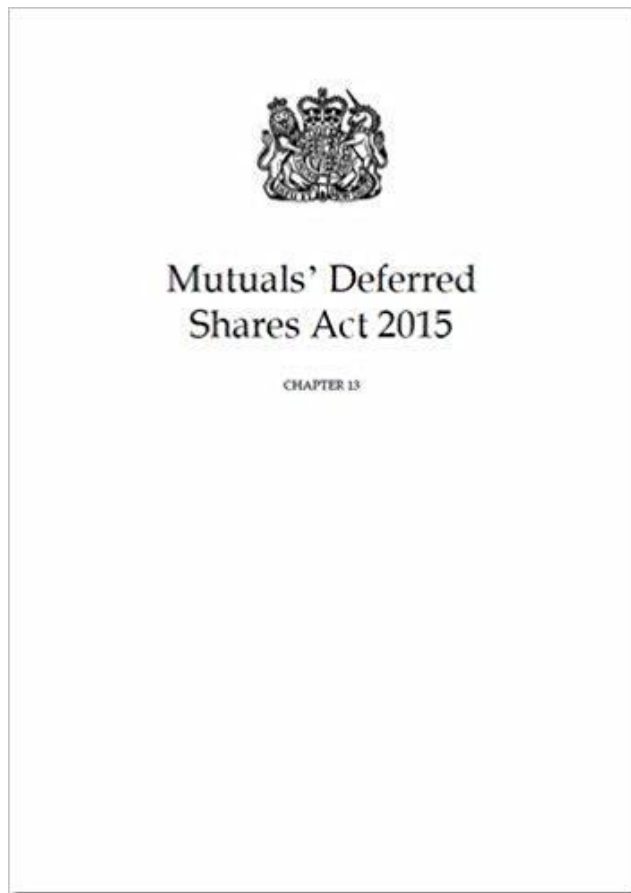
- Simplicity
- Transparency
- Increasing regulation of “Complex Financial Products”
- Timing: mutuals are a ready-made solution

What are the obstacles?



- Capital
- How to raise capital
 - Demutualisation
 - Bonds/Sukuk
 - Re-takaful
 - Mutual Deferred Shares

Mutuals' Deferred Shares Act 2015



- In a nutshell:
 - Enabling legislation
 - Tier I Capital under Solvency II
 - Effectively permanent share capital
 - Fully transferrable
 - Restrictions on voting rights on demutualisation
 - No restrictions on how investors may be remunerated (subject to Solvency II)
 - One member, one vote

BUT UK Government no longer working towards implementation

Current issues

- Governance
- Brexit
 - An opportunity
 - Or a threat?

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