“HOW DOES TAKAFUL DIFFER FROM INSURANCE?”

LIAQUAT ALI KHAN

TABLE OF CONTENTS

INTRODUCTION

[1]These days the enthusiasm for Islamisation of banking and insurance is at its zenith. People as well as investment institutions are making all efforts to islamise the sector of banking and insurance. Insurance exists in our world from olden times. The Muslim traders in the past too felt the necessity of insurance. In olden times they used to transport their cargo in ships across the seas to other countries. And they would mutually arrange for safeguards against the risk of the sinking of ship and cargo. Its method was: all the traders will join to form a fund or pool. They contribute little at a time and who draws the lot gets the full amount. This was a good example of savings. Whenever a trader would suffer an accident, then the unfortunate trader would be recompensed by this fund so that he could recoup his loss and find his bearings against and establish his business. This is the old method of insurance. During the last two decades the new concept of Islamic insurance with the name of Takaful has become known and is progressing in different countries of the world including Islamic and Non-Islamic countries. The growth of Takaful companies has become a threat for the conventional insurance companies. In order to find out the real threats a research study has been carried out which revolves around the concept of insurance and how it is against the principles of Shariah. The arguments put forward by religious scholars in favor of and against insurance are also discussed. This study is regarding Takaful as an alternative of insurance and its development in Muslim and Non-Muslim countries as well.

WHAT IS INSURANCE?

"Insurance is a provision, which the prudent man makes against fortuitous or inevitable contingencies, loss or misfortune."

By

Thomas

[2]Insurance is a risk transfer mechanism whereby the individual or the business enterprise can shift some of the uncertainties of life on the shoulder of the other. All the people will desire to live a cleaner, healthier, comfortable and easy life. To meet this requirement different enterprises produce and provide goods and services. They make innovation and inventions, which take great risk. Large responsibility falls on the shoulder of Innovators and Inventors. A small error or lapse may cause numerous side effects and cause death or disability. These types of risks highlight the importance of insurance. If there had not been insurance at the back of all innovators the world would have never progressed. After assuring this in security factor the enterprises started looking for new and more high-tech machines robots and gadgets, atomic technology, space traveling computers, deep sea exploration, development of Concords and Jumbos and medical technology for Hydro Hear led diseases. All these developments could be possible with support of insurance.

In peace the insurance provides protection to trade and industry, which ultimately contributes towards human progress. Thus insurance is the most lending force contributing towards economics, social and technological progress of man. Without insurance cover all industrial, economic and social activity of the world will come to a grinding halt.

An insurer, by nature, tries to split and diversify its risks in many ways. A very important way is to split them horizontally and vertically within the whole insurance system by transferring risk to one or more reinsurance companies and horizontally to their competitors.

The following principles apply in insurance:

- Insurable interest.
- Utmost good faith.
- Proximate cause.
- Indemnity.
- Contribution.
- Subrogation.

The insurance market comprises the following types of insurers:

- Lloyds.
- Ordinary Life & General Companies.
- Industrial Life Assurance Companies.
- Friendly Societies.
- Mutual Indemnity Associations.
- Captive Insurance Companies.

- Self Insurance.
- The State.

The premium received goes into a fund or pool from which the claims are paid. Because of large number of clients in any particular fund or pool, the insurers can predict, with reasonable accuracy by applying the law of large numbers and actuarial calculation methods, the amount of claims likely to be incurred in the coming year. However, there will be some variation in claim costs from year to year for which a small margin is to be built up in reserve. As a result of better performance of insurance company some benefit is paid back to the policyholders in shape of bonus in life insurance and no claim bonus in motor/property insurance.

HOW INSURANCE IS AGAINST THE PRINCIPLES OF SHARIAH?

[3]Commercial Insurance and all its contracts are relatively new developments. The pioneer Muslims neither knew it nor was it ever considered by the earlier Islamic Jurisprudents. It was for the first time examined by a Hanafi Jurist Syed Ibn Abdin (dead 1252 H corresponding to 1836 A.D.) at the request of some Muslim Merchants who sought his opinion about the validity of Marine Insurance under Islamic laws.

He discussed the essence of Marine insurance and concluded "I see that it is not permitted to any merchant to get indemnity for his damaged property against the payment of a certain sum of money known as insurance premium; because this is a commitment for what should not be committed to".

The attitude towards illegality of insurance from Islamic point of view continued for full century after Ibn Abdin. However in view of the tremendous importance assumed by Insurance for the modern finance, trade and industry the Contract of Insurance has been subject matter of extensive and in depth studies and discussions amongst the Islamic Jurisprudents during the past several decades.

In 1396 H (1976) the First International Conference on Islamic Economics was held in Makkah, which was attended by more than 200 Islamic Jurists and Economists. They reached at the following decision on it: -

"The Conference sees that the commercial insurance which is practiced by the commercial insurance companies in this era does not conform to the Shariah principle of cooperation and solidarity because it does not fulfill the Shariah conditions which would make it valid and acceptable".

This Conference also suggested that a committee comprising of Shariah Experts & Muslim Economists should be constituted in order to suggest a system of insurance that will be free of "Riba", "Usury" and "Gharar".

The matter continued to receive the attention of numerous groups of Islamic Jurisprudents in cooperation with eminent and distinguished economists and insurance experts who came up with different conclusions, views and opinions. Some of them approved all forms of insurance subject to certain conditions, limitations and qualifications; others totally disapproved all of them. However an overwhelming majority of the Islamic Jurisprudents is now of the opinion that the modern western oriented insurance contract does not in its present form conform to the Islamic Shariah.

[4]The objection is against the existence of the weaknesses in the insurance contract namely:

- Gharar (uncertainty);
- Maisir (gambling);
- Riba (usury).

In the first session, which was held at Makkah on Shaban 10, 1398 A.H. in the office of the Majlis-I-Fiqhi Islamia (the Assembly of Islamic Jurisprudence) deliberations were made on insurance and its different branches and kinds. Also kept in view was resolution #55 of Saudi Arabia's Majlis-e-Hayat-i-Kibar-ul-Ulama (The Constituent Assembly of Most Eminent Religious Scholars) passed in its 10th Session at Riyadh held on 4-4-1397 A.H. declaring all kinds of commercial insurance as unlawful in Islam.

Similarly the Council of Islamic Ideology of Pakistan gave a decision in December 1983 that the well-known and current forms of insurance are in conflict with the Islamic injunctions.

On the contrary Dr. Yusuf al-Qaradawi, does not think that the concept of insurance conflicts with the teachings of Islam. However, he does find certain practices of conventional insurance in need of modification to bring it in line with Islamic teachings.

ARGUMENTS IN FAVOR OF & AGAINST INSURANCE

Some Islamic scholars declare the insurance as un-Islamic due to the elements of Gharar (uncertainty), Maisir (gambling) and Riba (interest) involved in the operation of insurance contracts.

[5]According to a saying of the Holy Prophet (PBUH), which he told to a Bedouin Arab, who left his camel unchained to the will of Allah, "tie the camel and then leave it to the will of Allah". In another hadith the Prophet (PBUH) advised to "help one another in furthering virtue and God consciousness and do not help another in furthering evil and enmity". In view of these hadiths it is established that concept of insurance does not contradict with Shariah.

The word "risk" implies some form of uncertainty about an outcome in a given situation. As event might occur and if it does the outcome is not favorable to us or it is not an outcome we look forward to. There are different levels of risk. The risk is classified into Financial and Non-Financial risk or Pure and Speculative Risk. Different methods are used to control the risk including physical risk control, financial risk control and alternative risk transfer. The insurance is a risk transfer mechanism whereby a person can shift some of the uncertainty of life on to the shoulders of others. The insured's premium received by the insurers is put into a fund or pool and claims are paid out of it. Because of large number of clients in any particular fund or pool the insurers can predict, with a reasonable accuracy, the amount of claims likely to be incurred in the coming year. There will be some variation in claims costs from year to year and the premiums include a small margin to build up a reserve upon which the insurers can draw in bad years. Insurance has a long history and as a result of operation of this common pool system the present industrially developed countries have been successful in achieving their development and technological progress.

[6]Frequently a question is raised whether the insurance is permissible for Muslims. Everyone tries to answer this important question according to his own understanding. Some call it gambling or breach of Divine providence and some consider it as prohibited "Gharar" transaction. It appears that the persons following Islam object to insurance due to lack of understanding what insurance really is and what it does. When we know that life insurance is nothing but an honorable way of looking after orphans, widows, the aged and the infirm, we would be sure that no religion does ever stand between those who need it and all that it does.

Gharar (Uncertainty)

The uncertainty for the subject matter (accident), price (claim money) and the credit period is also uncertain. The policyholder is uncertain about the receipt of claim depending upon the occurrence of an unforeseen event like "accident" or "death, marriage, and education". If event comes earlier the company receives less premium but pays whole claim to its policyholder. In fact the contract of insurance does not involve element of Gharar or uncertainty. In an insurance policy generally the subject matter is the property against which the risk is presumed to occur in the future. The subject matter of insurance contract is definite and certain. Similarly the subject matter of a life insurance policy is the life of the assured, which is also definite in the sense that the assured had been given with a life by Allah, and will one day die by the will of Allah. Such occurrence on life or death is of course definite and certain as Allah says to the effect. [7]The Gharar sale is a deal to sell what ever a pregnant animal will produce before it is actually borne or to sell what ever will be caught in a fisherman's net or what ever a pearl diver will bring up in his next dive or to sell the fruits of trees at the beginning of the season when their quality cannot be established yet. All such sales are forbidden in Islam because they involve risk to the buyer. When the risk element is of normal or reasonable proportion a deal may go through. In insurance what a person buys when he seeks insurance cover is not the amount of compensation he will receive when something happens to him or to his property? What he buys is peace of mind. This is a tangible result for the money he takes. If something happens to him or to his property, he is compensated and his loss is redeemed. If nothing happens, he is happier because he does not have to content with any misfortune.

Maisir (Gambling)

Gambling is a financial agreement in which the chance is that any one party would not receive anything that obviously has a great uncertainty. For instance client has paid whole premium and not claimed or the client has paid very less but receives the whole amount. Insurance policy does not involve the element of gambling or betting. The gambler, in a transaction of gambling or betting is always hopping for a material gain in a chance with the spirit of defeating each other rather than cooperating. In contrast the parties in a contract of insurance are bound together in a manner of mutual cooperation and goodwill in providing material security for the orphans, widows, other dependents as well as one's own self against an unexpected future loss or damage. [8]It is objected that insurance companies determine premium on the same principles and rules, which are used by gambling companies in quoting prices. It may be so, but the use of mathematical rules and principles for forbidden purpose does not make it forbidden to use them for legitimate purpose. A gambler may lose all his fortune in one unlucky night in a casino. There is only one winner in gambling who is the owner of the casino and their clients are losers. In insurance, the reverse is true. The insured has the peace of mind derived from the knowledge that should a catastrophe take place he will be indemnified. The insured person pays his premium and hopes for the best. If nothing happens to him, or to his property, he simply loses his premium. When a person places a bet he hopes to win because this will give him a net income. A person getting insurance cover pays his money for security. He prefers that nothing happen to him or his property requiring him to make a claim. He prefers safety for himself and for his property. If something happens and he has to make use of his insurance policy, he simply has reduction in the loss he has suffered so far. For example, after insurance of house contents against theft, the burglars brake in and get away with much of valuables. The insured will receive the value of what he has lost, but he would have to lose time in buying replacements. Moreover, these valuables may have a sentimental value, which he can never replace.

Some people have suggested that an insurance policy represents a challenge to Allah's will. By taking an insurance policy, a person only seeks to reduce the effects of Allah's will but not to prevent it. The insurance is like the iron bars placed on top of a building to divert a thunderbolt away from it. This is only a try to save the building from being destroyed, which is achieved through diverting its direction and taking it deep under ground. Accepting Allah's will does not mean that the people of Jeddah should "enjoy" the summer heat as "decreed" by Allah and should not recourse to air-conditioning.

Riba (Interest)

The whole amount of premium received by the insurance company is invested in the interest-based business and the money paid to the client is from riba, which is declared un-Islamic. However this does not affect the system of insurance itself. Therefore, insurance cannot be forbidden as a whole.

[9]In Pakistan the Federal Shariah Court had declared the laws allowing interest repugnant to Islam in 1991. The Federal Government of Pakistan and certain banks and financial institutions filed 67 appeals against this judgment in the Shariah Appellate Bench of the Supreme Court. According to the court the charging or paying interest falls within the definition of "riba" clearly prohibited by the Holy Qur'an. Against the prohibition of interest five different lines of arguments were presented before the court:

1. The verses of the Holy Qur'an, which prohibit riba, were revealed in the last days of the life of the Holy Prophet (SAW) and he did not have an opportunity to interpret them properly and therefore no hard and fast definition of the term riba can be found.
2. The word riba refers only to the usurious loans on which an excessive rate of interest used to be charged by the creditors, which would entail exploitation.
3. The word "Al-Riba" used in the Holy Qur'an is restricted to the increased amount charged on the consumption loans used to be taken by the poor people for their day-to-day needs.
4. The Holy Qur'an has prohibited riba-al-jahiliyya only, which according to a number of traditions, was a particular transaction of loan without any interest. However if debtor could not pay off the loan within its due date, the creditor would charge an additional amount for extended period.

5. Although the modern interest-based transactions are covered by the prohibition of 'riba', yet the commercial interest being the backbone of the modern economic activities throughout the world. No country can live without being involved in interest-based transactions, thus the principle of necessity should apply.

In a review petition, the Supreme Court has now reversed its earlier decision and the case has been sent to Federal Shariah Court for rehearing.

The solution to this dilemma can be taken from economics. There are certain inputs or resources called factors of production, which are the means by which goods and services are produced. These resources can be divided into four categories of land, labor, capital and enterprise.

The return of all these factors are rent, wages, interest and profits respectively. Rent, wages and interest are fixed and predetermined where as profit is not fixed and predetermined because of the risk taking by the enterprise. On the other hand the Islamic scholars force to put capital and enterprise in the same basket. According to them capital should have uncertain return like enterprise so that it may also share profits and losses but not interest. This is not justifiable, as the capital providers have nothing to do with the management and administrative affairs of the business. So they cannot share losses in respect to the follies of the enterprise.

In the times of Prophet (PBUH) the money was consists of gold and silver coins and things were transferred mainly on barter system. Where as in today's economy we have paper currency. This currency is issued with certain guarantee and is different from that of gold and silver coins. In Holy Prophet's words:

"Gold for gold, silver for silver, wheat for wheat, barley for barley, dates for dates, salt for salt, must be equal on both sides and hand to hand. Whoever pays more or demands more indulges in Riba."

According to this Hadith "gold for gold" means if one person gives loan to the other from his savings the borrower should return the material having the same purchase power. Where as in the case of paper currency if a person borrows $250 today and returns $250 after a year that will not have the same purchasing power. So it is injustice to return the same amount of money rather giving the same amount of purchasing power i.e. more than $250 is required including inflationary effect to justify.

So this has an economic factor or phenomena, which is known as time value of money; value of $250 today is not equal to $250 after a year. That means due to inflationary trend in the economies the purchasing power of $250 will differ with the passage of time. On the basis of this inflationary trend, central banks fix minimum rate of interest, which in other words is approximately discounting rate, the rate used to get future cash flow in their present value. So it is not riba as it is not exploitation in nature or killing to the customer. Once interest is defined as the price of capital services for a specified period of time, it immediately follows that interest cannot be reduced to a zero level, because the infinite demand which would emerge in response to zero interest rate, cannot be satisfied and the economy will be caught in an 'explosive cobweb' with no point of equilibrium. Each factor of production namely land, labor, capital and entrepreneurship must have a price, which is determined by the forces of demand and supply in respective goods and services markets.

By disowning insurance, a useful and effective instrument of economic management, Islamic economists may not be doing any service to the cause of Islam and Islamic economic system.

TAKAFUL AS AN ALTERNATIVE OF INSURANCE

Different views have been expressed about the conventional insurance from the point of view of Islam. An overwhelming majority of the Shariah scholars believe that it is unlawful. Takaful, the Islamic alternative to insurance is based on the concept of social solidarity, cooperation and mutual indemnification of losses of members. It is a pact among a group of persons who agree to jointly indemnify the loss or damage that may inflict upon any of them, out of the fund they donate collectively. The Takaful contract so agreed usually involves the concepts of Mudarabah, Tabarru' (to donate for benefit of others) and mutual sharing of losses with the overall objective of eliminating the element of uncertainty.

Takaful is not a new concept in Islamic commercial law. The contemporary jurists acknowledge that the foundation of shared responsibility or Takaful was laid down in the system of 'Aaqilah', which was an arrangement of mutual help or indemnification customary in some tribes at the time of the Holy Prophet (PBUH). In case of any natural calamity, every body used to contribute something until the loss was indemnified. Similarly, the idea of Aaqilah in respect of blood money or any disaster was based on the concept of Takaful wherein payments by the whole tribe distributed the financial burden among the entire tribe. Islam accepted this principle of reciprocal compensation and joint responsibility.

[10]The contract of Takaful provides solidarity in respect of any tragedy in human life and loss to the business or property. The policyholders (Takaful partners) pay subscription to assist and indemnify each other and share the profits earned from business conducted by the Company with the subscribed funds. Takaful companies normally divide the contributions into two parts, i.e., donations for meeting mortality liability or losses of the fellow policyholders and the other part for investment. Accordingly, the clause of Tabarru' is incorporated in the contract. How much of the contribution is meant for mortality liability and how much for investment account is based on a sound technical basis of mortality tables and other actuarial requirements. Both the accounts are invested and returns thereof distributed on Mudarabah principle between the participants and the Takaful operators. To describe from another angle, a Takaful contract may comprise clauses for either protection or savings/investments or both the benefits of protection as well as savings and investment. The protection part of Takaful works on the donation principle according to which individual rights are given up to indemnify the losses reciprocally. In the savings part, individual rights remain intact under Mudarabah principle and the contributions along with profit (net of expenses) are paid to the policyholders at the end of policy term or before, if required by him.

The distinction between the conventional insurance and Takaful business is more visible with respect to investment of funds. While insurance companies invest their funds in interest-based avenues and without any regard for the concept of *Halal-o-Haram,* Takaful companies undertake only Shariah compliant business and the profits are distributed in accordance with the pre-agreed ratios in the Takaful Agreements. Likewise they share in any surplus or loss from the pool collectively. Takaful system has a built-in mechanism to counter any over-pricing policies of the insurance companies because whatever may be the premium charged, the surplus would normally go back to the participants in proportion to their contributions.

The terms "Family Takaful", "Takaful Ta'awani" or just "Takaful" are generally used for family solidarity in place of conventional life insurances. Other products available in various countries are General Takaful, Education/Medical Takaful, etc. Based on the nature of relationship there are various models like *Wakalah* (agency) Model, *Mudarabah* Model and the combination of agency and *Mudarabah* models. In Mudarabah model the policyholders get profit on their part of funds only if Takaful Company earns profit. The sharing basis is determined in advance and is a function of the developmental stage and earnings of the Company. The Shariah committee approves the sharing ratio for each year in advance. Most of the expenses are charged to the shareholders.

In Wakalah Model, the surplus of policyholders' funds investments – net of the management fee or expenses – goes to the policyholders. The shareholders charge Wakalah fee from contributions that covers most of the expenses of business. The fee rate is fixed annually in advance in consultation with Shariah committee of the company. In order to give incentive for good governance, management fee is related to the level of performance.

DEVELOPMENT OF TAKAFUL IN MUSLIM & NON-MUSLIM COUNTRIES

[11]The very first Takaful company was established in 1979 – the Islamic Insurance Company of Sudan. Today there are some 28 registered Takaful companies world wide writing Takaful directly and 10 more as Islamic windows or marketing agencies placing insurance risk with conventional and Takaful companies. In fact the number of Takaful companies is higher as all insurance companies in Sudan are deemed to operate in accordance with Islamic Shariah principles. In addition, new Takaful companies have been established recently in Sri Lanka and Tunisia. At least four more Takaful companies are under formation in the Middle East (viz. Kuwait, UAE and Egypt). Several other Takaful companies are being contemplated in various countries such as Pakistan, Australia and Lebanon. It is also understood that interest is shown in Takaful in South Africa, Nigeria, and some of the former states of the Soviet Union. List of Takaful companies is at Appendix[12].

[13]Takaful industry in the Middle East is under-developed compared to other markets such as Malaysia. The more successful companies in the Middle East have grown at 10% p.a. whereas in Malaysia the rate of growth has been 60% p.a.

A total insurance premium income of the world is $2.4 trillion whereas in Takaful the total premium income is $2.1 billion. Against normal insurance only five percent population of Muslim countries are availing the insurance facilities only where it is a legal binding to get insurance. 95% population is not buying insurance due to the concept that the insurance is un-Islamic. By using Takaful as Islamic insurance a large population out of remaining 95% can be attracted to get insurance in the form of Takaful. Re-Takaful (Reinsurance) companies are a few in the world and generally the Takaful operators are using the services of normal reinsurers.

The mutual based insurance companies have been providing insurance products relating to personal lines and of limited amount. The Takaful operators on mutual basis cannot insure the large commercial risks involving huge amount of capital because these risks will require the insurance companies with large amounts of capital. The Saudi Government has increased the limit of capital for an insurance company to 100 million Ryals.

In Pakistan the Securities and Exchange Commission of Pakistan (SECP) is the regulatory authority of insurance industry in accordance with the Insurance Ordinance 2000. Here the Takaful business has not so far been introduced. However, the Insurance Ordinance, 2000 has a provision for Takaful business. The Islamic banking institutions require the support of Takaful business. [14]As such the SECP has constituted a four-member task force, which will frame rules and regulations for Takaful business in Pakistan. It is also learnt that Pak Kuwait

Investment Corporation has been allowed to establish a Takaful company in Pakistan under the name of “First Takaful Insurance Company Ltd.” with authorized capital of Rs.100 million.

CONCLUSION

The religious scholars of Islam have objection to the concept of conventional insurance. In their view the elements of Gharar (Uncertainty), Maisir (Gambling) and Riba (Usury) are involved in insurance contracts, which make it un-Islamic. On the contrary the application of the Law of Large Numbers reduces the element of uncertainty. Moreover the maximum limit of indemnity is predetermined in the shape of sum insured and there are very rare chances of Gharar. The process of gambling and buying insurance are altogether different. After getting insurance the owner of the property prefers safety of the subject matter whereas in case of gambling the gambler wants to win the money for whatever event he has made a bet. As regards the element of interest the same is different from riba and not against Islam as has been explained earlier. The religious scholars who condemn insurance being un-Islamic do not know the philosophy of insurance. The life insurance is nothing but an honorable way of looking after orphans, widows, the aged and the infirm. When those scholars would know this reality they would not ever stand between the needy. Takaful is a substitute of mutual insurance only which can be used for limited type of risks like personal and domestic insurance. The large commercial and complicated risks cannot be insured on mutual basis. Since the number of insured in Muslim world is not more than 5% of total population, it is possible that the number of insured may increase in the name of Takaful (Islamic Insurance). However these Takaful operators will have to cater their reinsurance requirements through the international re-insurance market. Instead of fearing from competition with Takaful operators they should be encouraged so that they may increase the number of insurance buyers and generate more awareness about insurance and Takaful beliefs. [•]

[•] Total number of words in the text = 4,998.

APPENDIX

Arab State(s)

Company(s)	**Year(s)**	**Country(s)**
Al-Salam Islamic Takaful Co.	1992	Bahrain
Bahrain Islamic Insurance Co.	n.d.	Bahrain
Islamic Insurance & Re-insurance Co.	1985	Bahrain
Sarikat Takaful Al-Islamiyah	1983	Bahrain
Takaful International	1989	Bahrain
Islamic Insurance Co. Plc.	n.d.	Jordan
Internaional Company for Cooperative Insurance	n.d.	Kuwait
Qatar Islamic Insurance Co.	1994	Qatar
Al-Aman Cooperative Insurance (Al-Rajihi)	1985	S.Arabia
Global Islamic Insurance Co.	n.d.	S.Arabia/Bahrain
International Islamic Insurance Co.	n.d.	S.Arabia/UAE
Islamci Arab Insurance Co. (Dallah Al-Baraka Group)	1979	S.Arabia
Islamic Arab Insurance Co. (IAIC)	n.d.	S.Arabia/UAE
Inslamic Corporation for Insurance of Investment and Export Credit	1995	S.Arabia
Islamic Insurance and Reinsurance Co. (IIRCO)	1985	S.Arabia/Bahrain
Islamic International Insurance Co. (Salamat)	1985	S.Arabia/UAE
Islamic Takaful and Re-Takaful Co.	1986	S.Arabia/Bahamas
Islamic Takaful and Re-Takaful Co. (Bahamas)	1983	Bahamas
Islamic Universal Insurance	n.d.	S.Arabia/Bahrain
National Cooperative Ins Co. (NCCI)	1986	S.Arabia
Tafaful Islamic Insurance Co. Bahrain	n.d.	S.Arabia/Bahrain
Al Baraka Insurance Co.	1984	Sudan
Islamic Insurance Co. Plc.	1979	Sudan
Sheikan Insurance Co.	n.d.	Sudan
The National Re-insurance Company (Sudan) Ltd.	1968	Sudan
Watania Co-operative Insurance Co.	1989	Sudan
BEIT Iadat Ettamine Tounsi Saudi (Best Re)	1985	Tunisia
Alliance Insurance	n.d.	UAE
Oman Insurance Co.	n.d.	UAE
The Islamic Arab Insurance Co.	1980	UAE

Non--Arab Muslim State(s)

Company(s)	Year(s)	Country(s)
Insurance Islam TAIB Sendirian Berhad (IITSB)	1993	Brunei
Tabung Amanah Islam	n.d.	Brunei
Takaful and Re-Takaful Co.	n.d.	Brunei
Takaful Ab Birhad	n.d.	Brunei
Life Takaful (pte)	1999	Bangladesh
General Takaful (pte)	1999	Bangladesh
Syarikat Takaful Indonesia	n.d.	Indonesia
PT Asuransi Takaful Keluarga	1994	Indonesia
PT asuransi Takaful Umum	n.d.	Indonesia
Pt Syarikat Takaful	n.d.	Indonesia
Takaful Asuransi	n.d.	Indonesia
Asian Re-Takaful International (L) Ltd. (ARyIL)	1997	Malaysia
Asean Takaful Group (ATG)	1996	Malaysia
Syarikat Takaful Malaysia Bhd.	1984	Malaysia
Takaful National Bhd.	1993	Malaysia
Ihlas Sigorta As	n.d.	Turkey

Non-Muslim State(s)

Company(s)	Year(s)	Country(s)
Takaful Australia	n.d.	Australia
Islamic Takaful & Re-Takaful	n.d.	Bahamas
Metropolitan Insurance Co. Ltd.	n.d.	Ghana
International Takaful Co.	n.d.	Luxembourg
Takaful S.A (formerly Islamic Takaful Co.)	1982	Luxembourg
Sosar Al Amane (Al Baraka Group)	n.d.	Senegal
Ampro Holding Singapore Pte Ltd.	n.d.	Singapore
Keppel Insurance	n.d.	Singapore
Syarikat Takaful Singapura	1995	Singapore
Amana Srilanka (Pte)	1999	Srilanka
Takaful T&T	n.d.	U.K
UBK@IIBU Manzil Programmes	1998	U.K
Failaka Investments, Inc.	1996	USA (Chicago)
Takaful USA Management Services, LLC	1996	USA
Takaaful T & T Friendly Society	1999	Trinidad & Tobago

GLOSSARY

- *Aaqilah:* Mutual help.
- *Gharar:* Uncertainty, hazard, chance or risk, sale of a thing, which is not present at hand.
- *Hadith:* Report of a Sunnah.
- *Halal:* Permissible.
- *Hanafi:* An Islamic School of Law founded by Imam Abu Hanifa. Followers of this school are known as Hanafis.
- *Haram:* Not permissible.
- *Maisir:* Gambling, any form of business in which monetary gains come from mere chance, speculation and conjecture or not from work or real sector business.
- *Mudarabah:* A form of a business contracts in which one part brings capital and the other personal effort. The proportionate share in profit is determined by mutual agreement. But the loss, of any, is borne only by the owner of the capital, in which case the entrepreneur gets nothing for his labor. The financier is known ad “rab-al-maal” and the entrepreneur as “mudarib”. As a financing technique adopted by Islamic bank it is a contract in which all the capital is provided by the Islamic bank while the business is managed by the other party. The profit is shared in pre-agreed ratios, and loss, if any, unless caused by negligence or violation of terms of the contract by the “mudarib” is borne by the Islamic bank. The bank passes on this loss to the depositors.
- *Qur’an:* Devine Book of Islam.
- *Riba:* An excess or increase. It covers interest both on commercial and consumer loans.
- *Ryals:* Saudi Currency.
- *Sharia:* The way of Allah as shown by the Qur’an and the Sunnah of the Prophet Muhammad (PBUH). The term is used to refer to the Islamic law.
- *Tabarru:* To donate for benefits of others.
- *Takaful:* Mutual support which is the basis of the concept of insurance or solidarity among Muslims.
- *Takaful Ta’awani:* Mutual Insurance.
- *Wakalah:* Agency.

BIBLIOGRAPHY

- Ahmed, Rukhsar Dr.: Research Scholar in Islamic Economics & Finance. “A market Study of Takaful Industry”. Insurance Journal, Jan./ March 2004.
- Ayub, Muhammad: Senior Joint Director, Islamic Banking Department, State Bank of Pakistan. “An Introduction to Takaful, an alternative to insurance”.
- Atiquzzafar, Tahir Mansoori & Hafiz Muneeb Ahmed, Institute of Policy Studies, Islamabad, and Institute for Political and International Studies, Tehran, Iran. “Insurance from Islamic perspective, a review of unresolved issues”. November 19-20, 1996.
- Chishti, M. A.: “Takaful Vis-à-vis Mutual”, Insurance Journal Jan/Mar. 2004.
- G. C. A. Dickson & J. T. Steele: “Elements of Insurance”. 1981 published by Macdonald and Evans.
- Hafiz, Omar Zubair, Dr., Deputy Director, Islamic Development Bank. “Takaful” The Institute Of Islamic Banking And Insurance, London.
- Kazmi, Aqdas Ali Dr.: Chief/Project Director (Macro Modeling) “Islamic Economics & the Debate on Interest”, the News International 10th & 16th March 2004.
- Kenneth J. Arrow: “Insurance, Risk and Resource Allocation” in Foundations of Insurance Economics. Readings in Economics and Finance. Kluwer Academic Publishers, Boston.
- Khan, Ahmad Ali, Manager Actuarial Division, Sidat Hyder Morshed Associates (Pvt) Ltd., Management Consultants. “Difference Between Islamic and Conventional Insurance” Insurance Journal Oct/Dec 2003. “Making Insurance Contract Acceptable” Insurance Journal Jan/March 2004.
- Khan, M. Ishaque, ACII, CLU, CPCU, ChPC, Director and Chief Executive of CCI (Saudia) a letter dated 17/9/1988 to the Editor of Arab News.
- Khandia, Abdur Rahman, Executive Director, EFU General Insurance. “Takaful an Insurance System Based on Principles of Shariah (Al-Mudharaba Model)” Insurance Journal July/Sept. 2003.
- Sadiq, Muhamed Chaudhry: Consultant Insurance Sector, Dallah Al-Baraka Group, United Nations (Rtd.) Reinsurance Advisor and Ex-General Manager, Islamic Insurance Company, Khartoum, Sudan. “Islamic Insurance (Takafol) Concept and Practice” Insurance Journal April/June 1995.
- Salahi, Adil: The Editor of the “Islam in Perspective” Arab News March 12, 1990.
- Sharif, Kamaruddin Dr.: “Takaful in the Asia Pacific”.
- Siddiqui, Muhammad Nejatullah, Professor, Center for Research in Islamic Economics, King Abdulaziz University, Jeddah, Saudi Arabia.

"Evolution of Islamic Banking and Insurance as Systems Routed in Ethics" Read at the College of Insurance, New York in Takaful Forum April 26, 2000.

- Supreme Court of Pakistan Judgment "The Text of the Historic Judgment on Interest".
- Zafar, Dilshad Mrs.: Associate Professor/Chairperson, Department of Commerce, and University of Karachi. "Islamic Insurance" Insurance Journal Jan/Mar. 2004.

REFERENCES

[1] Chishti, M. A.: "Takaful Vis-à-Vis Mutual", Insurance Journal Jan/Mar. 2004.
[2] Khan, Zulfiqar Ali: "An Economic Review of Insurance Ordinance 2000" Research Paper at Economics Department, University of the Punjab, Lahore, Pakistan.
[3] Siddiqui, Muhammad Nejatullah, Professor: "Evolution of Islamic Banking and Insurance as Systems Rooted in Ethics" read at the College of Insurance, New York in Takaful Forum, April 26, 2000.
[4]Khan, Ahmad Ali: "Difference Between Islamic and Conventional Insurance", Insurance Journal Oct/Dec. 2003.
[5] Khandia, Abdur Rahman: "Takaful An Insurance System Based on Principles of Shariah (Al-Mudarba Model)", Insurance Journal Jul/Sept. 2003.
[6] Salahi, Adil: "Islam and Life Insurnace", Arab NEWS, March 12, 1990.
[7] Salahi, Adil: "Islam and Life Insurnace", Arab NEWS, March 12, 1990.
[8] Salahi, Adil: "Islam and Life Insurnace", Arab NEWS, March 12, 1990.
[9] Supreme Court Judgment: "The Text of the Historic Judgment on Interest", 1999.
[10] Ayub, Muhammad: "An Introduction to Takaful – An Alternative to Insurance", Islamic Banking Department, State Bank of Pakistan.
[11] Ahmed, Rukhsar, Dr.: "A Market Study of Takaful Industry", Insurance Journal, Jan/Mar. 2004.
[12] Ayub, Muhammad: "An Introduction to Takaful – An Alternative to Insurance", Islamic Banking Department, State Bank of Pakistan.
[13] Ayub, Muhammad: "An Introduction to Takaful – An Alternative to Insurance", Islamic Banking Department, State Bank of Pakistan.
[14] "Rules for Islamic Insurance Being Framed", The NEWS, April 23, 2004.