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# The Need for Shari'ah Compliance Insurance through Takaful



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# PRESENTATION OUTLINE

**Introduction**

**Important Role of Insurance**

**The Ethical Perspective of Current  
Insurance Practices**

**Takaful as a Solution**

**Conclusion**

# Introduction

## INTRODUCTION

Insurance was introduced to cover the financial loss in cases of misfortune.



## OBJECTIVES OF THE STUDY

The objective of this paper is to highlight the involvement of prohibited elements of insurance practices and to suggest how to overcome the unethical elements of insurance by replacing them with Shari'ah compliant insurance i.e. *takaful*.

# Important Role of Insurance

- Risk mitigating tool.
- Insurance has developed as a procedure of protecting the interest of people from financial loss.

# The Ethical Perspective of Current Insurance Practices

- Unethical issues in the practice of insurance are due to the involvement of interest, uncertainty, gambling, and investment in non-*Shari'ah* compliant businesses and activities.

# Takaful as a Solution

“Islamic insurance is an agreement between persons who are exposed to risks to protect themselves against harms arising from the risks by paying contributions on the basis of “commitment to donate” (iltizam bi al-tabarru). Following from that, the insurance fund is established and it is treated as a separate legal entity (shakhsiyyahI’ tibariyyah) which has independent financial liability. The fund will cover the compensation against harms that befall any of participants due to the occurrence of the insured risks (perils) in accordance with the terms of the policy” (AAOIFI’S Sharī‘ah Standard, 2014).

# Takaful as a Solution

- ❖ Risk sharing Vs Risk transferring
- ❖ Surplus or Surplus sharing
- ❖ Acceptable under any religion
- ❖ Mutual cooperation and brotherhood
- ❖ As an alternative to insurance
- ❖ Ethical Insurance and free from prohibited elements

# Conclusion

— Takaful is based on mutual cooperation which can bring the society together, inject the harmonized atmosphere, consider the needs of society for the long-term success and sustainability of the insurance operators.

Consequently, unfairness and unethical practices can be minimized to some extent.

Thank You