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دار قطمير للاستشارات الذكية



NOOR
TAKAFUL

SHARIAH

as a business driver
in the Takaful undertakings

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Shariah as a business driver of Takaful undertakings

Introduction

- The Takaful undertaking is one of the developing and growing segments in the contemporary world of Islamic finance. It is Shariah justified scheme adapted in the economy as an alternative to the conventional insurance.
- In 1985, the Islamic Fiqh Academy, organization of Islamic countries, resolved that conventional insurance is haram (forbidden) for it contains element of gharar (uncertainty) and riba (usury).
- However, the Academy approved the use of mutual form insurance that conforms to the principles of the Shariah as an alternative to conventional insurance.

Why Shariah in Islamic financial System

Financial System

Financial system is the system that allows the **transfer of money between savers and borrowers**

Financial Institutions

Financial institution is an **institution** that provides **financial services** in form of **financial intermediaries** for its clients or members

Islamic Financial System and Islamic Financial Institution

The financial system and Financial Institution that comply with **Shari'ah rules and principles**



The Concept of Shariah business law and Shariah ruling

***Sharī`ah* business Law:**

it is the practical divine law deduced from its primary sources: the Qur'ān, Sunnah, consensus (ijmā'), analogy (qiyās) and other approved secondary sources of Shariah. .

***Sharī`ah* ruling:**

It is commendations or regulations related to the acts for the subjects divined by *Sharī`ah*



Shariah as a bases for Surplus Distribution

- The Takaful undertaking is win & win model of insurance where the Takaful participants who didn't make claims entitle to surplus. The Takaful fund is belong to Takaful participants and the operator is the manager of the Takaful fund. This is based on the Shariah requirement in the Takaful undertakings.
- According to IFSB, Takaful undertakings is a business arrangement whereby a Takāful operator manages one or more underwriting funds (Takāful funds) belonging to the Takāful participants.
- The term surplus in Takaful is actually the excess contribution over claims payments in the Takaful fund. A surplus in Takaful operations is the total contribution paid by the Takaful participants (insured) less the total value of claims paid (adjusted for any claim recoveries from re-Takaful/reinsurance), less operator fees charged, and less reserves for outstanding claims

Shariah as Regulatory requirement for Takaful Business

- Shariah is the business driver of all segments of Islamic financial institutions which include Takaful undertaking. And before receiving license to operate Takaful business its must have in place Shariah experts who will oversight the activities and operations of the Takaful entity.
- In accordance with IFSB standards “any IIFS shall have in place a strategy for Shariah compliance, using various instruments in compliance with Sharī`ah rules and principles.

Conclusion and Recommendation

- Shariah in Takaful undertakings remains the best alternative insurance as it helps to promote financial inclusion. Takaful undertakings is a market with great potential and is currently witnessing remarkable achievements in various countries in the African region and around the globe.
- Shariah in the Takaful industry offers a huge untapped potential for growth and prosperity as more and more Muslims and Non-Muslims worldwide are seeking better opportunities each day to satisfy both their financial and spiritual needs.