

About Takaful Insurance

Takaful Insurance

Takaful is an Arabic word meaning “guaranteeing each other” or joint guarantee.

The Tabarru' system is the main core of the takaful system making it free from uncertainty and gambling. Tabarru' means "donation; gift; contribution."

Each participant that needs protection must be present with the sincere intention to donate to other participants faced with difficulties. Therefore, Islamic insurance exists where each participant contributes into a fund that is used to support one another with each participant contributing sufficient amounts to cover expected claims. The objective of takaful is to pay a defined loss from a defined fund.

Muslim jurists conclude that insurance in Islam should be based on principles of mutuality and cooperation. Encompassing the elements of shared responsibility, joint indemnity, common interest and solidarity.

The principles of Takaful insurance are as follows:

- Policyholders cooperate among themselves for their common good.
- Every policyholder pays his subscription to help those that need assistance.
- Losses are divided and liabilities spread according to the community pooling system.
- Uncertainty is eliminated in respect of subscription and compensation.
- It does not derive advantage at the cost of others.

Theoretically, Takaful is perceived as cooperative insurance, where members contribute a certain sum of money to a common pool. The purpose of this system is not profits but to uphold the principle of “bear ye one another’s burden.”

History

Muslim jurists acknowledge that the basis of shared responsibility in the system of "aquila" as practised between Muslims of Mecca and Medina laid the foundation of mutual insurance. Islamic insurance was established in the early second century of the Islamic era when Muslim Arabs expanding trade into Asia mutually agreed to contribute to a fund to cover anyone in the group that incurred mishaps or robberies along the numerous sea voyages (marine insurance).

“Commercial insurance is originally Haram as agreed upon by most contemporary scholars. It is well known that in most non-Islamic countries there are cooperative and mutual insurance companies. There is no harm from the Shari`ah point of view to participate in these services. So, it is unlawful for a Muslim living in a country where there is such a cooperative insurance company to make an agreement with a commercial insurance company. But, if a cooperative insurance company is not found one may enter into a contract with a commercial insurance company only by way of necessity. If a person is forced by law to insurance or by way of need, it is obligatory for him to be content with the minimum proportion of insurance that covers his need or to the minimum of such transaction he’s being forced to carry out.” - European Council for Fatwa and Research

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