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Types of Islamic Insurance

Muradova Dildora Abdusalimovna

Senior lecturer, Tashkent State University of Economics

Abstract

The article discusses the types of Islamic insurance and their impact on the development of society and the state. As well as the features of the formation of the economy based on this insurance.

Keywords: *insurance, types, surplus, takafur, mudaraba.*

Islamic insurance companies in the world offer general and family takaful services to clients. General takaful, which is based on the idea of indemnity, covers the risks inherent in property insurance. Individuals and legal entities can act as participants here, and the contributions paid are sent to the so-called general takaful fund, or simply takaful fund, from where policyholders are reimbursed when an insured event occurs for them. The Takaful Operator acts as the trustee of this fund. If the contributions paid are insufficient to cover the costs, the company may increase the premium rate. However, if an insured event has occurred for any of the participants and he has received an appropriate compensation from the insurer, then he often does not have the right to claim a part of the profit from the takaful fund. Much depends here on the chosen model of Islamic insurance.

In general takaful, short-term contracts are usually concluded. The price of services is set here in the same way as in commercial insurance. When concluding an Islamic insurance contract, a participant may be provided with special benefits. Thus, when insuring the liability of motor vehicle owners, the participant is given a discount if during the period of the policy he has never had an accident.

An important difference between general takaful and traditional property insurance is the method of valuation of the insured property. In traditional property insurance, for some types of services, the insurer offers the policyholder a policy that includes an assessment of the insured property. This means that in the event of a complete loss of the subject of insurance, the policyholder will be reimbursed for the amount indicated in the insurance policy, and, for example, in case of partial damage in traditional insurance, the insurer can pay an amount both higher and lower than expected when concluding a contract for similar damage. if the real value of the insured property at the time of the insured event has become less or, conversely, exceeded the amount of insurance coverage.

In Islamic insurance, such methods are considered unacceptable, since they create a situation of gharar (uncertainty) and riba (usury). In this regard, Islamic insurers practice periodic assessment of the insured property in order to avoid, in their opinion, illegal enrichment of one party at the expense of the other. By implementing such measures, the takaful operator thereby eliminates the contradiction between the amount of compensation and the current market price of the insured property. At the same time, the premium rate (contributions) changes accordingly.

Within the framework of family takaful, various options for insurance products are provided, which, as a rule, have analogues in traditional insurance. However, given the controversial attitude to life insurance in Sharia, some Muslim jurists are trying their best to emphasize that family takaful does not literally mean insurance of someone's life, but is a financial transaction aimed at protecting the dependents of the insured against various risks. This ignores the fact that the same characterization can be given to traditional life insurance.

In connection with the foregoing, it is interesting to cite the statement of the Soviet specialist in insurance law V.P. Kryukova: “Of course, here interest is shown not in a person’s life in general, but in the material benefit from insuring it, but the insured life is closely related to the benefit, these two factors are inseparable from each other. Why legislation has to be very strict about such contracts and set a certain limit on the activities of both insurers and policyholders, so that the interest of outsiders in the death of the insured person does not go beyond the scope of morality. Otherwise the moral goal of insurance for the beneficiary would turn into a selfish desire for the speedy death of the insured subject”.

According to the author of this paper, it is important to understand that the difference between traditional personal insurance and family takaful is not in terminology, but in the features of the profit distribution system between the operator and participants.

Family takaful, unlike the general one, is not only and not so much a protective mechanism against risks based on the principle of mutual assistance, but a savings system. Contributions regularly paid by participants are directed to the Takaful Fund, which is divided into two parts:

1. the participant’s account (individual account), to which the majority of the paid contributions are received, giving the participant the right to receive investment income;
2. a special account (collective account), to which the other part of the contributions is received and from which certain funds are paid to the heirs of the participant, as well as the participant himself, when they survive until the end of the policy.

If a member dies before the expiration of the family takaful policy, his heirs shall receive all contributions paid by him to the member's account from the time he entered into the contract until his death, including the accumulated income. Heirs are also entitled to that portion of the member's special account contributions that the member would have paid had the member lived to see the end of the coverage period. This amount is calculated from the time of the member's death until the expiration of the policy.

Theoretically, it does not matter for the receipt of insurance payment and profit from the account of the participant, because of which the death occurred. The insured person can die both a natural death and as a result of suicide - as you know, the life and death of any living being depends on the will of Allah. However, in practice, many companies do not pay compensation for the suicide of the insured, especially if it happened within a few years after the conclusion of the contract.

When the insured survives until the expiration of the policy, he receives the entire amount of contributions received from him to the account of the participant, as well as investment income generated during the period of the contract. In addition, the insured person receives a part of the investment income from the special account of the participant in accordance with the rules established by the company.

If the participant decides to terminate the Islamic insurance contract before the expiration of the policy, he will be able to claim only the contributions and profits paid by him until the termination of the contract (minus the costs of the operator). In this case, the policyholder does not receive anything from the special account of the participant.

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The company's investment policy regarding surplus in family takaful is somewhat different from that in general takaful. While in general takaful the insurance surplus goes to the takaful fund owned by the participants, in family takaful there are several options for disposing of the surplus.

Surplus can be:

1. distributed among the participants;
2. left in the takaful fund as a reserve for future periods;
3. aimed at charitable purposes.

As part of the family takaful, it is possible to provide:

1. Personal insurance, including:

a) individual family takaful;

b) group family takaful.

2. Annuity (annuity);

3. Investment-linked family takaful.

For example, Pure Mudaraba: The Takaful Fund is formed from the contributions of the participants. The company acts as the manager of this fund. The profit received because of investment is divided in the agreed shares between the participants and the takaful operator. From the contributions of the participants, which includes the share of profit received by them, compensation is paid, after which the so-called. The surplus is returned to the takaful fund. The latter, as mentioned above, belongs to the participants.

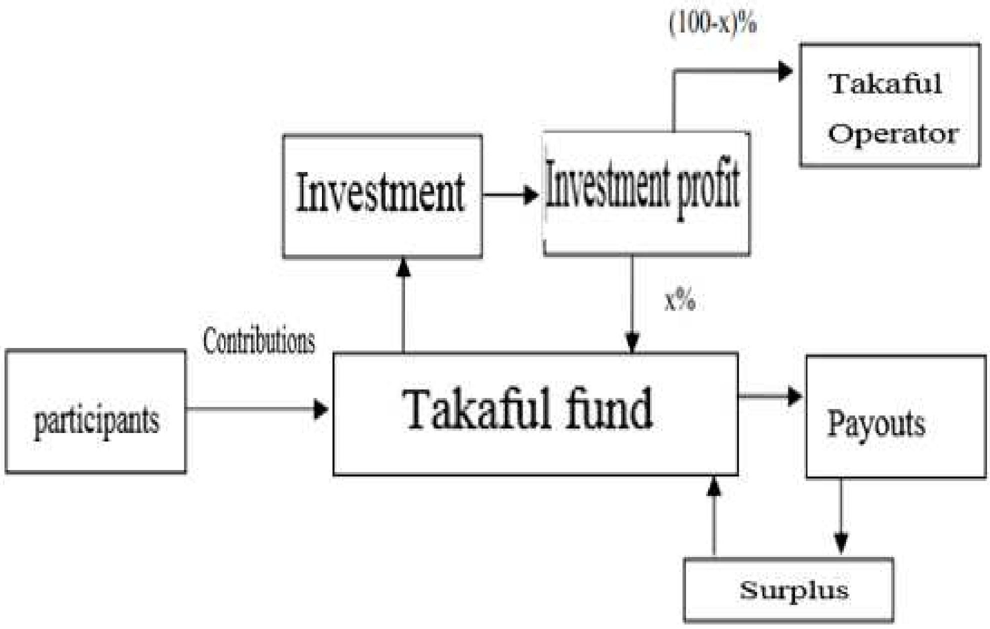

Fig. 1. Pure mudaraba

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As a rule, the share of a takaful operator in many companies exceeds the share of participants. This is because the company bears operating expenses.

This model has become widespread in Malaysia, especially at an early stage in the development of Islamic insurance in the country.

The principles of inheritance in Islamic law have a significant impact on the concept of Islamic insurance and on family takaful in particular. In accordance with the principles of miras and wasiyah, in family takaful, the beneficiary appointed by the participant acts as a trustee (or more correctly, the owner), and not as an absolute beneficiary, as in traditional life insurance. Accordingly, the insurable interest in traditional life insurance belongs to the insured person himself and consists in his survival until the expiration of the policy. After the death of the insured person, the insurable interest passes to his spouse, parents, children, business partners, etc. In takaful, the insurable interest after the death of the insured person passes to a limited circle of his heirs in accordance with the principles of inheritance under Islamic law.

In other words, Islamic insurance cannot be characterized as an Islamic analogue of only mutual or only commercial insurance, since both these forms of insurance are reflected in the idea of takaful through the prism of Islamic values. This is evidenced by the experience of the development of Islamic insurance in different countries.

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