

What is Takaful?

Takaful is commonly referred to as Islamic insurance. Takaful means a scheme based on brotherhood, solidarity and mutual assistance which provides for mutual financial aid and assistance to the participants in case of need.

It is based on the cooperative principle which involves risk sharing between participants who pay contributions to a common fund and guarantee themselves against any unforeseen loss or damage as per the Takaful membership agreement. In Takaful, the policyholders are joint investors with Adamjee Life, who acts as a Mudarib, a manager or an entrepreneurial agent for the policyholders. The policyholders share profits as well as losses. A positive return on policies is not legally guaranteed, as any fixed profit guarantee would be akin to receiving interest and offend the prohibition against Riba. Adamjee Life Window Takaful Operations only invest in Shariah compliant instruments.

An important difference between Takaful and conventional insurance is that under conventional insurance the insurance company underwrites the risk and invests the proceeds for the profit of its shareholders, who are not necessarily policyholders.

Basic Elements of Takaful

- Mutuality and cooperation.
- Takaful contract pertains to Tabarru'at as against mu'awadat in case of conventional insurance.
- Payments are made with the intention of Tabarru (contribution)
- Eliminates the elements of Gharrar, Maisir and Riba.
- Wakalah/Modarabah basis of operations.
- Joint Guarantee / Indemnity amongst participants – shared responsibility.
- Constitution of separate "Participants' Takaful Fund".
- Constitution of "Shariah Supervisory Board."
- Investments as per Shariah.

Main Drivers of Takaful

- Piety (individual purification)
- Brotherhood (mutual assistance)
- Charity (Tabarru or contribution)
- Mutual Guarantee

- Community well-being as opposed to profit maximization.