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**A Comparative Analysis of Takaful and Conventional Insurance  
Models: Principles, Practices, and Performance**

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**Abstract**

This study provides a comprehensive comparison of Takaful and conventional insurance models, examining their underlying principles, operational practices, and financial performance. Takaful, an Islamic insurance concept based on mutual cooperation (ta'āwun) and risk-sharing (tabādūr al-mukhāṭarah), has gained significant attention in recent years. In contrast, conventional insurance models are based on commercial principles, often involving risk transfer and profit maximization.

The study employs a mixed-methods approach, combining qualitative and quantitative analyses to compare the two models. The results show that Takaful's cooperative structure and Shari'ah-compliant principles offer distinct advantages, including enhanced financial inclusion, social responsibility, and risk management. However, Takaful faces challenges in terms of scalability, regulatory frameworks, and product innovation.

The comparative analysis reveals significant differences in the financial performance of Takaful and conventional insurance models. Takaful operators (mudabbirīn al-Takaful) demonstrate stronger solvency ratios and more stable financial performance, while conventional insurers exhibit higher profitability and market penetration. The study also explores customer perceptions and satisfaction levels, highlighting the importance of Shari'ah compliance and social responsibility in Takaful's appeal.

This research contributes to the existing literature on Islamic finance (al-māliyyah al-Islāmiyyah) and insurance (al-ta'mīn), offering insights for

policymakers, insurers, and customers. The findings suggest that Takaful can be a viable alternative to conventional insurance, particularly for Muslim customers seeking Shari'ah-compliant financial products. However, further research is needed to address the challenges facing Takaful operators and to explore opportunities for innovation and growth. The study's conclusions have implications for the development of Takaful and conventional insurance models, highlighting the need for greater collaboration, innovation, and regulatory clarity. By exploring the strengths and weaknesses of both models, this research aims to inform the development of more effective and sustainable insurance solutions.

**Keywords:** Takaful, Conventional Insurance, Islamic Finance.

## 1. Introduction

Takaful is a system founded on the principles of mutual cooperation and solidarity, and it serves as a Shariah-compliant alternative to conventional insurance. Although its modern operational forms are relatively new, they do not conflict with Islamic principles. A detailed introduction to Takaful and its precedents in Islamic jurisprudence is presented below for scholarly consideration.

Taking precautionary measures to safeguard against potential future harms is a praiseworthy endeavor. Islam not only permits such initiatives but, in some cases, even encourages them. For instance, a Companion once asked the Prophet ﷺ: Should I leave my camel untied and place my trust in Allah, or should I tie it and then trust in Allah? The Prophet ﷺ responded:

"اعقلها وتوكل"<sup>1</sup>

Tie it and then place your trust in Allah.

This ḥadīth clearly instructs the believer to take preventive measures to mitigate the risk of loss—in this case, securing one's camel—before relying on divine trust (tawakkul). Such objectives are not only permissible in Islam but are also commendable and encouraged.

While similar objectives may be pursued through conventional insurance, the methods employed therein are contrary to Islamic principles and legal norms. After extensive deliberation and discussions in various scholarly gatherings, the majority of contemporary Muslim jurists have deemed conventional insurance impermissible. As Mufti Taqī Usmani writes:

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<sup>1</sup> . Al-Bayhaqī, Aḥmad bin al-Ḥusayn bin 'Alī [w. 459H], al-Ādāb lil-Bayhaqī, ḥadīth no. 778, Mu'assasah al-Kutub al-Thaqāfiyyah, Beirut 1408H.

قد إتفق معظم من العلماء المعاصرين والمجامع والندوات الفقهية على حرمة التأمين التجاري التقليدي "لما يشتمل من الغرر والقمار والربا<sup>2</sup>"

"Undoubtedly, the majority of contemporary scholars and Islamic juristic councils agree on the prohibition of conventional commercial insurance, due to its inherent elements of uncertainty (gharar), gambling (qimār), and usury (ribā).

Islam does not merely prohibit something without offering a viable and beneficial alternative for the welfare of the community. Thus, in light of the public interest (maṣlaḥah), the scholars of the Ummah introduced the system of Takaful as a permissible substitute for conventional insurance. Through this system, the same objectives associated with insurance can be achieved without violating Islamic legal and ethical norms.

### The Lexical Definition and Analysis of Takaful

The term Takaful originates from the Arabic language. It belongs to the Bāb Tafā'ul (pattern of mutual action) and is derived from the root word Kafl (كفل), which itself stems from the triliteral root [ك-ف-ل]. In Arabic lexicography, the root Kafl has been used to denote various meanings. From the perspective of meaning, Kafl is considered a static noun (jāmid). Linguistically, kifl refers to a cloth or covering that is tied over a camel's hump, or secured in such a way that one end of it lies towards the front and the other towards the rear of the camel. The classical sources describe it as follows:

الكِفْل: مِنْ مَرَائِبِ الرِّجَالِ وَهُوَ كِسَاءٌ يُؤْخَذُ فَيُعَقَدُ طَرَفَاهُ ثُمَّ يُلْقَى مَقْدَمُهُ عَلَى الْكَاهِلِ وَمُؤَخَّرُهُ مِمَّا يَلِي "العُجْزَ، وَقِيلَ: هُوَ شَيْءٌ مُسْتَدِيرٌ يُتَخَذُ مِنْ خَرْقٍ أَوْ غَيْرِ ذَلِكَ وَيُوضَعُ عَلَى سَنَامِ الْبَعِيرِ<sup>3</sup>

"Kifl" refers to an item used by riders it is a cloth whose two ends are tied and then placed such that the front part lies over the camel's shoulders (kāhil) and the rear part over its back near the tail ('ajz). Some say it is a rounded object made from rags or other material, placed over the camel's hump (sanām al-ba'ir).

Thus, etymologically, the concept of Takaful carries the sense of mutual

<sup>2</sup> 'Uthmānī, Muḥammad Taqī, Muftī, Ta'ṣīl al-Ta'mīn al-Takāfulī 'alā Asās al-Waqf, makḥṭūṭ: Maktabah Dār al-'Ulūm, Karachi, no. 14

<sup>3</sup> Ibn Manẓūr al-Afrīqī, Muḥammad bin Mukarram bin 'Alī, Abū al-Faḍl, Jamāl al-Dīn [w. 711H], Lisān al-'Arab, ḥarf al-lām, faṣl al-kāf, māddah "k-f-l", Dār Ṣādir, Beirut 1414H.

covering, protection, and support an imagery perfectly suited to the principles of cooperation and shared responsibility embedded within the Islamic framework of Takaful.

### Further Linguistic Usages of the Root Word Kafil (كفل)

In addition to its primary meaning, the root word Kafil (كفل) is also used in Arabic to denote various related concepts, including:

al-ḥaẓẓ wa al-naṣīb share, portion

al-dīf double or twofold

al-mithl the like, resemblance<sup>4</sup>

This meaning is clearly reflected in the noble Qur'an, where Allah ﷻ says:

يَا أَيُّهَا الَّذِينَ آمَنُوا اتَّقُوا اللَّهَ وَآمِنُوا بِرَسُولِهِ يُؤْتِكُمْ كِفْلَيْنِ مِنْ رَحْمَتِهِ<sup>5</sup>

(O you who believe Be mindful of Allah and have faith in His Messenger, He will grant you a double portion [kiflayn] of His mercy.)

Regarding this verse, it has been narrated:

وأخرج عبد بن حميد عن قتادة {كِفْلَيْنِ} قال: حظين، وأخرج ابن جرير وابن المنذر عن ابن عباس في قوله: {كِفْلَيْنِ} قال: ضعفين<sup>6</sup>.

Abd ibn Ḥumayd narrated from Qatādah (raḥimahu Allāh) that the word "kiflayn" means "two portions"; and both Ibn Jarīr and Ibn al-Mundhir reported from Ibn 'Abbās (raḍiy Allāhu 'anhu) that it means "double" (i.e., twofold reward).

Likewise, the following narration in Ṣaḥīḥ al-Bukhārī indicates the use of the term .kifl. in the sense of .share or portion of responsibility:

وقال النبي صلى الله عليه وسلم: لا تُقتل نفسٌ ظمًا إلا كان على ابن آدم الأول كفلٌ من دمها، وذلك<sup>7</sup> "أنه أول من سنّ القتل

(The Prophet ﷺ said: No soul is wrongfully killed except that the first son of Ādam (Qābīl) bears a portion kifl of its blood-guilt, for he was the first to

<sup>4</sup> Ibn Manẓūr al-Afrīqī [w. 711H], Lisān al-ʿArab, māddah "k-f-l", ḥawālah sābiq.

<sup>5</sup> [Al-Qurʾān: 28:57]

<sup>6</sup> Al-Suyūṭī [w. 911H], ʿAbd al-Raḥmān bin Abī Bakr, Jalāl al-Dīn, al-Durr al-Manthūr, vol. 8, p. 67, Dār al-Fikr, Beirut, s.n.

<sup>7</sup> . Al-Bukhārī, Muḥammad bin Ismāʿīl bin Ibrāhīm [w. 256H], Ṣaḥīḥ al-Bukhārī, Kitāb al-Janāʿiz, bāb qawl al-Nabī ﷺ: Yuʿadhhab al-mayyit bi-baʿḍ bukāʾ ahlihi ʿalayh, vol. 2, p. 79, Dār Ṭawq al-Najāh, Beirut 1422H.

initiate the act of killing.).

## (2) taKafl in the Meaning of Guarantee and Surety (Ḍamān)

The word Kafl is also frequently used to denote guarantee or surety and the derivative terms reflect this semantic range. The expressions used in classical Arabic grammar and jurisprudence include:

الكفيل) الضامن وقد (كفل) به يكفل بالضَّمّ (كفالة)، و (كفل) عنه بالمال لغريمه، و (أكفله) المال ضمنه) "إياه... و (كفله) إياه (تكفيلًا) مثله. و (تكفل) بدينه<sup>8</sup>

Kafil" refers to the one who assumes responsibility (guarantor). For instance, it is said:

"Kafala bihi" he guaranteed on his behalf. Or "Akfalahu al-māl" he made him responsible for the wealth. Likewise, "Kaffalahu" (Form II) and "Takaffala" (Form V) are also used in the same context of assuming financial responsibility or surety. This meaning is also supported by the following verse of the Qur'an, in the context of the parable of two disputing men:

﴿فَقَالَ أَكْفُلْنِيهَا وَعَزَّنِي فِي الْخِطَابِ﴾

<sup>9</sup> (So he said, "Entrust her to me," and he overwhelmed me in speech.).

Similarly, a ḥadīth recorded in the books of Sunnah supports the usage of .kafala. in the context of debt:

عن عبد الله بن أبي قتادة، عن أبيه، أن رجلاً من الأنصار أتى به النبي صلى الله عليه وسلم؛ ليصلي "..."<sup>10</sup> عليه، فقال: إن على صاحبكم دينًا، فقال أبو قتادة: أنا أكفلُ به، قال: بالوفاء؟، قال: بالوفاء

'Abd Allāh ibn Abī Qatādah narrates from his father that a man from the Anṣār was brought to the Prophet ﷺ for funeral prayer. The Prophet ﷺ said: "Your companion is in debt." Abū Qatādah responded, "I shall be his guarantor." The Prophet ﷺ asked, "Will you guarantee repayment?" He said, "Yes, I guarantee full repayment.

## .3) Al-Kāfil" in the Sense of a Guardian or Caregiver (عائل):

The term "al-Kāfil" also carries the meaning of 'ā'il. that is, a person who

<sup>8</sup> . Zayn al-Dīn al-Rāzī, Muḥammad bin Abī Bakr bin 'Abd al-Qādir [w. 666H], Mukhtār al-Ṣiḥāḥ, vol. 1, p. 271, al-Maktabah al-'Aṣriyyah, al-Dār al-Namūdhajīyyah, Beirut 1420H.

<sup>9</sup> .(Qur'an, Ṣād 38:23)

<sup>10</sup> 10. Al-Nasā'ī, Aḥmad bin Shu'ayb bin 'Alī, Abū 'Abd al-Raḥmān, al-Khurāsānī [w. 303H], al-Sunan al-Kubrā, Kitāb al-Buyū', bāb al-Kafālah bi al-Dayn, ḥadīth no. 6245, Mu'assasah al-Risālah, Beirut 1421H.

assumes the responsibility of nurturing and providing for another. It refers to someone who supports, nurtures, and spends on the person under his care:

(الكافل فهو الذى يكفل انساناً يعولهُ وينفق عليه)<sup>11</sup>

“Al-Kāfil is one who takes care of a person, raises him, and spends on him.”

This meaning is supported by the Qur’anic verse:

(وَكَفَّلَهَا زَكَرِيَّا)

<sup>12</sup> And Zakariyyā was appointed as her guardian.

Similarly, a hadith in .Ṣaḥīḥ al-Bukhārī. states:

(عَنْ سَهْلٍ، أَنَّ النَّبِيَّ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ، قَالَ: أَنَا وَكَافِلُ الْيَتِيمِ كَهَاتَيْنِ فِي الْجَنَّةِ)<sup>13</sup>

Sahl (رضي الله عنه) reported that the Prophet ﷺ said: “I and the guardian of an orphan will be like these two (fingers) in Paradise.” (He gestured with his index and middle fingers to indicate closeness.).

These linguistic and textual evidences from Arabic lexicons, the Qur’an, and ḥadīth demonstrate that the root word .k-f-l. in Arabic is generally employed in three major senses:

- 1 Allotment or Share
- 2 Guarantees or Surety.
- 3 Guardianship or Nurturing Care

In the modern usage of the term "Takāful", all these meanings are subtly reflected. However, when derived from the verb pattern .tafā‘ul., the term conveys mutual participation. Hence, in its contemporary technical usage, .takāful. Refers to mutual guarantee or collective care<sup>14</sup>.

## 1. Al-Takāful al-Ijtimā‘ī (Social Solidarity)

التكافل الاجتماعي: هو ايمان الأفراد بمسؤولية بعضهم عن بعض، وأن كان كل واحد منهم حاملاً لتبعات<sup>15</sup> (أخيه

<sup>11</sup> Ibn Manẓūr al-Afrīqī, Lisān al-‘Arab, ḥarf al-lām, faṣl al-kāf, māddah "k-f-l", ḥawālah sābiq.

<sup>12</sup> . [Āl ‘Imrān 3:37]

<sup>13</sup> Abū Dāwūd, Sulaimān bin al-Ash‘ath bin Ishāq bin Bashīr bin Shaddād bin ‘Amr, al-Azdī, al-Sijistānī [w. 275H], Sunan Abī Dāwūd, Kitāb al-Adab, bāb fī man ḍamma al-yatīm, ḥadīth no. 5150, al-Maktabah al-‘Aṣriyyah, Beirut, s.n.

<sup>14</sup> ‘Iṣmat Allāh, Dr. Mawlānā, Takāful kī Shar‘ī Ḥaythiyyat, p. 73, Idārah al-Ma‘ārif, Karachi 1431H.

<sup>15</sup> Shaltūt, Maḥmūd Shaltūt, al-Shaykh, al-Islām wa al-Takāful al-Ijtimā‘ī, p. 8, Majallat al-Azhar, series no. 33 (Sha‘bān 1381H / Jan 1962).

“Social solidarity means that members of a community believe in being responsible for one another. Every individual shares the consequences of the actions of their fellow members. If one errs, its burden is upon both himself and his brother; if one does good, its benefit returns to both.

<sup>16</sup>(هو)التضامن المتبادل بين أفراد المجتمع بمسؤولية بعضهم عن بعض مادياً أو معنوياً

“It is mutual support among community members, accepting responsibility for one another, both materially and morally. Each person holds accountability for his brother’s deeds: if he does good, it benefits both; if he errs, it brings harm to both. This is what is referred to as .al-takāful al-ijtima‘ī.

These definitions make it clear that in Islamic thought, every Muslim is socially responsible for others, and that providing sustenance, clothing, and shelter for the needy and vulnerable is a collective responsibility of those who are financially able.

### Modern Technical Definition of Takāful (Islamic Insurance)

Takāful is essentially a Shari‘ah-compliant alternative to conventional insurance. It is designed to achieve the objectives of insurance protection against risk within a framework consistent with Islamic principles. Below are some scholarly definitions of modern Takāful

1. Takaful is the Islamic alternative to conventional insurance which is based on the idea of social solidarity, cooperation and joint indemnification of losses of the members. It is an agreement among a group of persons who agree to jointly indemnify the loss or damage that may inflict upon any of them out of the fund they donate collectively.<sup>17</sup>
2. “It is a system of Islamic Insurance based on the principle of .Ta‘āwun. (mutual assistance) and .Tabarru‘. (voluntary donation), whereby risks are collectively borne by the group voluntarily. It is a pact among members to mutually guarantee one another against defined losses or damages.<sup>18</sup>

<sup>16</sup> Salīm, Muḥammad Farḥ Salīm, al-Takāful al-Ijtimā‘ī, p. 10, Sharikat al-Tibā‘ah al-Fanniyyah al-Muttaḥidah, Cairo, 1968.

<sup>17</sup> Mher Mushtaq Hussain, Conceptual and Operational Differences Between General Takaful and Conventional Insurance, Australian Journal of Business and Management Research, p. 24, Vol. 1 No. 8 [23-28], Nov 2011.

<sup>18</sup> Muḥammad ‘Imrān ‘Uthmānī, Dr., Takaful, presentation in SECP, Takaful Conference, March 14, 2007, Pakistan.

3.

<sup>19</sup> اتفاق أشخاص يتعرضون لأخطار معينة على تلافي الأضرار

It is an agreement among individuals exposed to specific risks to compensate damages resulting from those risks by contributing to a mutual fund established on the principle of donation. This fund has legal personality and financial independence. Compensation is made from this fund in accordance with the rules and terms outlined in the Takāful documents. The fund is managed either by a committee of policyholders or by a dedicated company that oversees insurance operations and investment of the fund's assets.

<sup>20</sup> عقد تبرع بين مجموعة من الأشخاص للتعاون على تقيت الأخطار

Takāful is a donation-based contract among a group of individuals for the purpose of mutual cooperation in risk-sharing. Participants collectively compensate actual damages incurred by any of them due to insured risks, following the terms and conditions of the Takāful company's charter and insurance documents, and without contradicting the principles of Islamic law.

5. Takāful is a system of Islamic insurance based on the principles of mutual cooperation, solidarity, and voluntary contribution. All participants share the risk and are protected against possible financial impacts according to agreed terms and Sharī'ah guidelines.<sup>21</sup>

From the above definitions, it becomes evident that modern Takāful is a system grounded in mutual cooperation and shared responsibility. It is a contractual agreement where a group of participants commits to collectively compensate for any losses that may affect any member of the group while adhering strictly to Islamic legal principles.

Here is a well-organized, idiomatic English translation and restructuring of your detailed content on insurance and Takaful, with appropriate transliteration of Arabic terms and references to Qur'anic verses and Hadith:

### Types of Insurance (Asnām al-Ta'mīn)

<sup>19</sup> . al-Ma'āyir al-Shar'iyyah li-Hay'at al-Muḥāsabah wa al-Murāja'ah li-Mu'assasāt al-Māl al-Islāmiyyah, al-Mi'yār al-Shar'ī li-Baḥrayn, no. [26], fī al-Ta'mīn, para [2].

<sup>20</sup> . Al-Ba'ī, 'Abd al-Ḥamīd, Dr., al-Istithmār wa al-Raqābah al-Shar'iyyah fī al-Mu'assasāt al-Māliyyah wa al-Islāmiyyah, p. 12, Maktabah Wahbah, Cairo, s.n..

<sup>21</sup> 'Iṣmat Allāh, Dr. Mawlānā, Takāful kī Shar'ī Ḥaythiyyat, p. 73, ḥawālah sābiq.



Insurance in its conventional form is categorized into the following common types:

Life Insurance (Ta'mīn al-Ḥayāt)

Property Insurance (Ta'mīn al-Amwāl)

Liability Insurance (Ta'mīn al-Mas'ūliyyāt) e.g, for children's education, marriage, etc.

Document and Bond Insurance (Ta'mīn al-Wathā'iq wa al-Asnād al-Qayyimah)

### **Operational Framework of Conventional Insurance**

When an individual seeks life insurance, the company appoints a medical examiner to assess the life expectancy say for 20 years. Upon satisfactory results, a contract is signed between the insurer and the insured. The agreed sum is broken into yearly premiums and paid accordingly. After the specified term, the principal is returned to the policyholder or their heirs, along with a percentage-based profit called bonus or returns.

### **Reasons for the Prohibition of Conventional Insurance in Islam.**

1 - Ribā (Interest) and Maysir (Gambling) the structure of conventional insurance mirrors banking practices rooted in interest-based transactions. Both ribā and maysir are explicitly prohibited by Qur'anic injunctions and Sunnah.

2- Uncertainty and Deception (Gharar wa Jahālah) If no claim arises (e.g due to an accident), the company keeps the paid premiums, indicating elements of gambling. Also, significant gharar. Renders the contract fāsīd (legally invalid) in Shariah.

3- Unlawful Ownership: The Company becomes the owner of the premiums without giving any return unless the claim event occurs. This contradicts the Islamic principle of lawful possession.

4-Lack of Mutual Cooperation: The relationship in commercial insurance lacks the spirit of mutual assistance and instead focuses on risk transfer for profit.

### **Takaful: A Shariah-Compliant Alternative.**

Takaful is a cooperative system rooted in tabarru' (voluntary contribution) and mutual aid. While its modern applications are new, its foundational principles align with Islamic values. It is a faith-based model intended to replace interest- and uncertainty-based commercial insurance.

**Prophetic Example of Risk Mitigation** A Companion asked the Prophet ﷺ: "Should I tie my camel and trust in Allah, or leave it untied and trust in Him?"

The Prophet ﷺ replied: "Tie it and then trust in Allah."  
(الحديث: «اعْقُلْهَا وَتَوَكَّلْ») <sup>22</sup>

This Hadith encourages proactive measures against potential losses while maintaining tawakkul. (Reliance on Allah), laying a foundation for the legitimacy of risk-mitigation measures like Takaful.

### **Models of Takaful.**

Contemporary scholars and institutions, including Mufti Taqi Usmani, member of the Islamic Development Bank Shariah Board, have endorsed the following models of Takaful:

#### **1- Wakālah Model (Agency-Based)**

In this model, participants (shurakā') appoint a Takaful operator as an agent (.wakīl.) to manage the Takaful fund. The operator earns a pre-agreed fee (.wakālah fee.) for administrative services. Surplus generated may be distributed between participants and the operator based on a mutual agreement.

#### **2-Muḍārabah Model (Profit-Sharing)**

Based on the concept of profit-sharing between capital providers (.rab al-māl.) and entrepreneurs (.muḍārib). The shareholders provide capital while the Takaful operator manages and invests it. All profits are shared according to an agreed ratio, e.g., 70/30 or 50/50. The fund is divided into: Tabarru' Fund: Voluntary contributions by participants.

Muḍārabah Fund Investment account generating returns for distribution.

#### **3-Waqf Model (Endowment-Based)**

A group establishes a waqf (endowment) from which financial assistance is offered to participants in need. Contributions are split: one part goes into the waqf fund, and the other into an investment fund. The operator manages the Waqf and sets policy terms for benefit eligibility. The ownership of the waqf lies with the fund, not individual contributors.

### **Qur'anic and Prophetic Foundations of Takaful**

The essence of Takaful is rooted in mutual cooperation and brotherhood..., as encouraged in Islamic teachings:

"Cooperate with one another in righteousness and piety."  
وَتَعَاوَنُوا عَلَى الْبِرِّ وَالتَّقْوَى. <sup>23</sup>

<sup>22</sup> Al-Khalīfī, Riyāḍ Maṣṣūr, Dr., Qawānīn al-Ta'mīn al-Takāfulī: al-Usus al-Shar'iyyah wa al-Ma'āyir al-Fanniyyah, p. 17, i'dād li-Mu'tamar al-Ta'mīn al-Ta'āwunī: Ab'ādahu wa Āfāquhu wa Mawqif al-Sharī'ah al-Islāmiyyah minhu, 26–28 Rabī' al-Thānī 1431H / 11–13 April 2010.

<sup>23</sup> (Qur'an, .Sūrat al-Mā'idah. 5:2)

“The believers are but a single brotherhood.”<sup>24</sup>

إِنَّمَا الْمُؤْمِنُونَ إِخْوَةٌ.

These verses emphasize communal solidarity and shared responsibility—principles embodied in the Takaful system.

### Comparison Table: Conventional Insurance vs. Takaful

Aspect	Conventional Insurance	Takaful
Basis	Commercial/Profit-Oriented	Mutual Cooperation & Tabarru‘
Governing Law	Civil/Commercial Law	Shariah Law
Contract Type	Sale & Purchase Agreement	Wakālah / Muḍārabah / Waqf Agreements □
Payment	Premium	Contribution to Takaful Fund
Investment	Any market, including haram avenues	Halal and Shariah-compliant investments □
Surplus Sharing	No surplus sharing	Shared with participants based on pre-agreed ratio □
Fee Structure	Commission-based	Wakālah fee (variable, usually declines over time) □

### Scholarly Fatwas on Conventional Insurance

Makkah, 1398 AH (1978 AD) A unanimous fatwa by scholars against conventional insurance, declaring it .harām.

Morocco, 1972 International seminar of scholars prohibited life insurance contracts.

Egyptian Supreme Court, 1926 Declared conventional life insurance invalid under Shariah.

### Essential Components (Ajzā’ Takaful) of a Shariah-Compliant Takaful System

<sup>24</sup> Işmat Allāh, Dr. Mawlānā, Takāful kī Shar‘ī Ḥaythiyyat, p. 112

- 1 Ḥamalat al-As-hum (Shareholders) Founders and financiers of the Takaful company. Their role is separate from participants.
- 2 Ḥamalat al-Wathā'iq (Policyholders/Participants):... Contribute via .tabarru'. and bear risk collectively. Entitled to a share of surplus.
3. Al-Sharikah (Company):... The operator that:
  - Collects donations,
  - Manages funds per Shariah,
  - Invests in permissible avenues.

The Concept of Takaful in Islamic Teachings Based on Arabic evidences and prophetic traditions.

The foundation of .Takaful. lies in ..mutual cooperation assistance and voluntary contribution (tabarru') The Holy Qur'an and the noble Hadiths not only present this concept in a clear and profound way but also promote it in an encouraging manner.

### **The Qur'anic Perspective on Takaful**

Allah Almighty states:

﴿وَتَعَاوَنُوا عَلَى الْبِرِّ وَالتَّقْوَى﴾<sup>25</sup>

And cooperate with one another in righteousness and piety

The system of Takaful is directly based on this Qur'anic injunction where individuals come together to help one another through mutual support and voluntary giving.

In another place, the Qur'an declares:

﴿إِنَّمَا الْمُؤْمِنُونَ إِخْوَةٌ﴾

“Indeed, the believers are but brothers.”<sup>26</sup>

This spirit of brotherhood demands that every Muslim becomes a support system for others—helping them in times of distress and standing with them in solidarity.

### **The Prophetic Tradition and the Idea of Takaful**

Mutual support and solidarity are emphatically evident in several hadiths.

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<sup>25</sup> . (Al-Mā'idah: 2)

<sup>26</sup> (Al-Hujurat: 10)

Some key examples are cited below:

### (a) The Mithāq al-Madīnah (Treaty of Madinah)

After migrating to Madinah, the Prophet ﷺ entered into a treaty with the Jews and Muslims of the city. This historic agreement, consisting of 47 clauses, emphasizes mutual aid and cooperation. For example:

المُهَاجِرُونَ مِنْ قُرَيْشٍ عَلَى رُبْعَتِهِمْ يَتَعَاقَلُونَ بَيْنَهُمْ، وَهُمْ يُقْدُونَ عَانِيَهُمْ بِالْمَعْرُوفِ وَالْقِسْطِ.<sup>27</sup>

Indeed, the Qurayshi emigrants shall retain their former status, paying blood-money collectively and securing the release of their captives with fairness and equity.

This clearly demonstrates mutual responsibility and support in times of need.

Another clause mentions:

وَإِنَّ الْمُؤْمِنِينَ لَا يَتْرُكُونَ مُفْرَحًا بَيْنَهُمْ وَأَنْ يُعْطَوْهُ بِالْمَعْرُوفِ فِي فِدَاءٍ أَوْ عَقْلٍ<sup>28</sup>

“The believers will not abandon a burdened person among them, but will assist him fairly in ransom or blood-money.

This clause instills a strong sense of collective responsibility.

Another article states:

وَإِنَّهُ مَنْ تَبِعَنَا مِنْ يَهُودَ فَإِنَّ لَهُ النَّصْرَ وَالْأُسْوَةَ، غَيْرَ مَظْلُومِينَ وَلَا مُتَنَاصِرِينَ عَلَيْهِمْ.<sup>29</sup>

Any Jew who follows us shall be entitled to our help and fair treatment. They shall not be wronged, nor shall anyone conspire against them.

This clause reflects the principle of just and equal rights for all citizens, and mutual protection against oppression.

وَإِنَّهُ مَنْ اعْتَبَطَ مُؤْمِنًا قَتَلًا عَنْ يَدَيْهِ فَإِنَّهُ قَوْدٌ بِهِ إِلَّا أَنْ يَرْضَى وَلِيُّ الْمَقْتُولِ، وَإِنَّ الْمُؤْمِنِينَ عَلَيْهِ كَافَّةً، وَلَا يَحِلُّ لَهُمْ إِلَّا قِيَامُ عَلَيْهِ<sup>30</sup>

<sup>27</sup> Ibn Kathīr, Ismā‘īl bin ‘Umar, Abū al-Fidā’ [w. 774H], al-Bidāyah wa al-Nihāyah, vol. 3, p. 273, Dār Iḥyā’ al-Turāth al-‘Arabī, Beirut 1408H

<sup>28</sup> Ibn Kathīr, al-Bidāyah wa al-Nihāyah, vol. 3, p. 274, ḥawālah bālā.

<sup>29</sup> Ibn Hishām, ‘Abd al-Malik bin Hishām, Jamāl al-Dīn [w. 213H], al-Sīrah al-Nabawīyyah li-Ibn Hishām, vol. 1, p. 503, Maktabah wa Maṭba‘ah Muṣṭafā al-Bābī al-Ḥalabī, Miṣr 1375H.

<sup>30</sup> Ibn Hishām, al-Sīrah al-Nabawīyyah li-Ibn Hishām, vol. 1, p. 503, ḥawālah bālā.

If someone wrongfully kills a believer with clear evidence, then he must be retaliated against unless the family of the victim forgives him. All believers must unite to enforce this justice.

This is a powerful example of collective protection of the rights of the oppressed.

### **(b) The Practice of the Tribe of Ash‘arīs and the Praise of the Prophet ﷺ**

The tribe of Ash‘arīs used to gather all their food in one place especially in times of shortage—and then distribute it equally. The Prophet ﷺ praised this practice, saying:

فَهُمْ مِنِّي وَأَنَا مِنْهُمْ.<sup>31</sup>

They are from me, and I am from them.

This practice reflects the essence of Takaful alleviating individual hardship by distributing the burden among the group.

### **(c) The Brotherhood (.Mu‘ākhāh.) between the Muhājirīn and the .Anṣār.**

Upon migration, the Prophet ﷺ established a formal bond of brotherhood between the emigrants (.Muhājirīn.) and the helpers (.Anṣār.) The Anṣār wholeheartedly accepted and supported their brothers. The Qur‘an describes their sacrifice as:

وَالَّذِينَ تَبَوَّءُوا الدَّارَ وَالْإِيمَانَ<sup>32</sup>

And those who established themselves in the land and adopted faith before them love those who emigrated to them, and they find no hesitation in their hearts about what they are given (i.e., the migrants), but prefer them over themselves—even though they themselves are in need.

The .Muhājirīn. were so moved by this sincerity that they said:

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<sup>31</sup> Al-Bukhārī, Muḥammad bin Ismā‘īl, Ṣaḥīḥ al-Bukhārī, Kitāb al-Shirkah, bāb al-Shirkah fī al-Ta‘ām wa al-Nihd wa al-‘Urūd, ḥadīth no. 2486.

<sup>32</sup> (Al-Ḥashr: 9)

مَا رَأَيْنَا مِثْلَ قَوْمٍ قَدِمْنَا عَلَيْهِمْ<sup>33</sup>

We have never seen a people like the one we have come to—they supported us in scarcity and generously shared in abundance, bore our burdens, and made us partners in their prosperity”

The Mu’ākhāhwas a foundational moment of Takaful in action, even if the word was not used explicitly.

### Findings of the Discussion

Due to the presence of clear Shar‘ī objections within conventional insurance, the majority of Muslim scholars have deemed it impermissible.

Takāful is recognized as the Shar‘īly-compliant alternative to conventional insurance.

This system is grounded in the principles of mutual cooperation (ta‘āwun), support (tanāsur), and voluntary contribution (tabarru’).

Although the modern framework of takāful did not exist during the Prophetic era (‘ahd al-risālah) or the era of the Companions (‘ahd al-ṣaḥābah), its spirit was most certainly present in those times.

The Mīthāq al-Madīnah (Treaty of Madinah), the practice of the tribe of Ash‘ar, and the brotherhood (mu’ākhāt) established between the Anṣār and Muhājirūn stand as Shar‘ī precedents for the concept of takāful.

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<sup>33</sup> Ibn Kathīr, al-Bidāyah wa al-Nihāyah, vol. 3, p. 28