Takaful Models and Global Practices

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INTRODUCTION
There is a global interest in Islamic finance in general and *Takāful* in particular. The main feature that differentiates *Takāful* services from conventional ones is *Shari‘ah* compliance nature of these services. Investors are taking keen interest in this potential market as Muslims constitute about one fourth of the world population (Muslim population, 2006). To streamline operations of a *Takāful* company, management and *Shari‘ah* experts have developed different operational models for *Takāful* business. *Takāful* model is the basis of the company operational activities. It provides conceptual framework for the operations of *Takāful* Company and sets a path for the flow of funds in the organization. All the transactions of the company business are carried out in the light of conceptual framework of *Takāful* model adopted by the company. A number of *Takāful* companies are successfully operating in Muslim and Arab countries and growing each year faster than their conventional counter parts. Many conventional insurance companies, showing their interest in *Takāful*, have opened *Takāful* windows to compete with *Takāful* companies.

This research paper discusses different *Takāful* models being practised by *Takāful* operators across the world. The paper is mainly divided into two sections. First section discusses functioning and conceptual mechanism of *Takāful* models practised by *Takāful* operators across the world. Second section raises some *fiqh* related issues faced by *Takāful* operators practicing different *Takāful* models in different countries.

*TAKĀFUL MODELS IN PRACTICE*
Theoretically, *Takāful* is perceived as cooperative insurance (*Takāful* models in practice, 2006), where members contribute towards a common pool yet the commercialization of *Takāful* has produced several models of Islamic insurance, each reflecting a different experience, environment and perhaps a different school of thought. Currently following models are being practised in *Takāful* companies across the world.
**TAKĀFUL TA’AWUNI (NON-PROFIT MODEL)**

Ta’awuni model (Billah, 2004; pp.5-8) is based on the concept of brotherhood, solidarity and mutual cooperation among participants to achieve well-being of those who are in great need of help due to a sudden calamity, misfortune or disaster. This model seeks to achieve welfare of Takāful participants and community at large. Takāful operator acts as a trustee on behalf of participants with no intention of making profit. That’s why this model is also called non-profit model. The profit and underwriting surplus are distributed entirely to the participants.

Let’s consider the following example to illustrate how the concept of ta’awuni model is applied. A (first party) lends his money to B (second party) and B manages the fund sincerely with no intention for profit making or benefit. Here A is the participant where B is Takāful operator who manages the fund. It is important to acknowledge that the contribution paid is actually based on the principles of Tabar’ru’. A tabar’ru’ concept is rather a one-way transaction in which once the contribution is made, the contributor has no right to take any benefits out of it. The fund is used for any participant who faces difficulties within the time period as agreed on insurance policy. When the participant contributes to the fund, he is indirectly applying the golden principle of ‘bear ye one another’s burden’.

Qardawi (n.d., p. 75) has clearly mentioned that this concept of mutual cooperation is absent in prevalent system of insurance. He says: “As far as insurance companies—especially life insurance are concerned, they do not satisfy these conditions in any respect because the insured individuals do not pay the premium as donations; such a thought never occurs to them...”

Rahman (n.d., p. 24) has described that it is incorrect to imply that the principles of ‘mutuality’ in all insurances. He asks: “How can all forms of insurance be mutual when this mutual character is actually unknown to the insurer and insured? What is the value of an economic interdependence among all the insured and between the insured and the insurer, of which neither of them is aware?”

These findings of research scholars urge us to seriously think on the issue of mutual cooperation in Takāful system and to inculcate true Islamic spirit of cooperation among members of society so that benefits of implementing an Islamic insurance system could be achieved in reality.

**Global Practices**

The concept of ta’awuni (Billah, 2004; pp.5-8) was originated in Sudan in 1979 when first Takāful company started its operations in Sudan. After that, insurance companies are bound to follow ta’awuni model and adopt Takāful business by law. Ta’awuni model was also adopted and being practised by Bank al-jazira Saudi Arabia when the scholars realized that there is a need for cooperation in insurance
under the umbrella of Shari’ah. Thus came the idea that members should donate their contribution to a fund (Takāful fund) to compensate the members in case of distress. Both the participants and Takāful operators should acknowledge their rights and obligations to the fund. The profit and underwriting surplus solely belongs to the participants.

**MUDHĀRABAH MODEL (TIJARI)**

In Takāful, Mudhārabah model is a profit sharing contract (Billah, 2004; pp.4-6) where participants provide capital in the form of contribution and Takāful operator acts as a mudarib who provides his management expertise to efficiently utilize the Takāful fund. It is also called tijari model as it works on commercial business basis. Takāful operator shares the profit from investment of Takāful fund and is responsible for all management expenses.

In family Takāful plan, Participant’s contribution is divided into two parts. The major portion of the fund goes into Participants’ Account (PA) that belongs to participant whereas smaller portion is contained in Participants’ Special Account (PSA) that is used to pay claims and underwriting costs. Entire amount of PA and PSA is invested in Shari’ah approved instruments. Profit from PA is shared between participants and Takāful operator according to agreed ratios. Profit and the amount in PSA are used to pay for claims and underwriting costs. In case, claims payments and underwriting costs exceed the amount prescribed in PSA, the loss is compensated from PA or shareholders may provide interest free loan (qard-e-hasana). In case, claims and underwriting costs are less than the amount available in PSA, the amount left is treated as underwriting surplus and shared between Takāful operator and the participants. In Mudhārabah model, Takāful operator claims to share in underwriting surplus as an incentive for efficiently managing Takāful funds.

In general Takāful plan, there is no PA A/C and participants’ contribution goes directly to PSA that may be invested and is used to pay for underwriting costs and claims. A portion of PSA fund after taking into account profit from investment can be retained as contingency reserve for future. Any amount left is treated as underwriting surplus and is shared among participants and Takāful operator according to agreed ratios.

**a. Global Practices**

Mudhārabah model has been in operation in Malaysia for almost 20 years since the incorporation of Syarikat Takāful Malaysia in 1985, the first and the largest Takāful company in Malaysia. With its foundation firmly established, the Mudhārabah model in Malaysia has proven to be both viable business venture as well as profitable to consumers and investors alike. Besides Malaysia, Mudhārabah model is also being practiced in Brunei. It is reported that Takāful operators in Brunei have been paying almost 36% profit to their participants (Takāful Malaysia News bulletin, 2001).
b. The Model
The Figure 1 below shows a flow chart of modarbah model for family Takāful practiced by Syarikat Takāful Malaysia. Here, Participants’ contribution is distributed in two accounts i.e. Participants’ Account (PA) and Participants’ Special Account (PSA). PSA is risk management account which is used to pay for the loss (claims payment) whereas PA belongs to participant. Greater portion of contribution is allocated to PA as compared to PSA (e.g. 80% of the contribution goes to PA whereas 20% goes to PSA). Amount in both accounts is invested together in *Shari’ah* based instruments and profit is allocated proportionally to both accounts. After deducting Claims payment, Underwriting costs and contingency expenses from PSA, surplus is shared between participants and shareholders according to pre-determined ratios. The whole amount in PA together with profit is delivered to the participant after the maturity period.

**FIGURE 1: MUDARBAH MODEL**

![Diagram of MUDARBAH Model]

*Source: Sharikat Takāful Malaysia Berhad. www.Takāful-malaysia.com*
HOW DOES MUDHĀRABAH MODEL WORK?

The Figure 2 shows a practical example for the flow chart of modarbah model for first year after receiving Takāful contribution. Here, it is assumed that company has initial contribution of Rs.100,000 that is distributed into two accounts i.e. a greater portion (Rs.80,000) goes to Participants’ Account (PA) whereas smaller portion (Rs.20,000) is kept for Participants’ Special Account (PSA) to cover the loss (claims payment) as it occurs to any of the participants. Amount in both accounts is invested together in Shari’ah based instruments and profit is allocated proportionally to both accounts. Assuming a profit of 10% from the investment of Takāful fund, Rs.8000 goes to PA whereas Rs.2000 goes to PSA. Adding the profit, amount in PA reaches to Rs.88,000 and amount in PSA becomes Rs.22,000. Claim ratio is assumed to be 10% while underwriting cost is estimated as 5% of the total contribution for the first year. After deducting Claims...
payment and underwriting costs from PSA, surplus of Rs.7000 is obtained that is shared between participants and shareholders according to pre-determined ratios. 80% of the surplus (Rs.5600) goes to PA while 20% (Rs.1400) goes to PSA. After adding participant's share, amount in PA becomes Rs.93,600. It is used as an opening account for the second year.

**WAKALĀH MODEL**

Wakalāh model is a fee driven Islamic contract in which one party provides capital whereas other party manages the funds. Here, other party charges a fixed fee instead of profit sharing as in Mudhārabah contract for providing its managerial services to prudently invest and manage the funds. In Takāful contract, participants provide capital in the form of contribution and Takāful operator manages the funds and charges a fixed fee (called a Wakalāh fee) for providing its services (Whear & Western, 2006). The Wakalāh fee should be fair and appropriate and should be determined and approved by Shari‘ah Supervisory Board (SSB). Wakalāh model is considered more transparent than Mudhārabah model as charges are fixed and predetermined by the both parties. There are no hidden charges. Some Takāful operators charge an additional fee on surplus as an incentive to efficiently manage the funds.

**Global Practices**

Wakalāh model has been practiced by Bank Al-Jazira, Saudi Arabia. It is also being practiced by Commerce Takāful Berhad and Takāful Ikhlas Sdn. Berhad in Malaysia. Government of Bahrain has also taken the initiative to make compulsory for Takāful and Retakāful companies to adopt Wakalāh model in their business (Al Sadah, 2005). This model is gaining popularity across the world due to its transparency and fixed nature of charges irrespective of the amount of Takāful contribution received as it provides leverage for the company to act in the best interests of participants and enhance their returns. Moreover, there are less Shari‘ah related issues associated to this model that might create conflicts of interests among Shari‘ah scholars of different schools of thoughts.
When *Takāful* contribution is paid by the participants, *Wakalāh* fee is deducted as upfront charge. The Figure 3 shows a flow chart of *Wakalāh* model for family *Takāful* practiced by Bank Al-Jazira of Saudi Arabia. Here, agents’ commission is directly drawn from Participants’ contribution as upfront charge. The remaining amount is distributed in two accounts i.e. Individual saving account and Risk account to cover the loss of affected participants. Individual saving account is each participant’s personal account that is used for future savings. Risk account is also known as *tabar’ru* account as participants agree to donate a portion of their contribution to this fund which is used to pay for claims, underwriting costs and Re-
**Takāful** expenses. Amount in both accounts is invested under *Shari’ah* guidelines and profit obtained from investment is appropriated to both accounts according to their original ratio. Any surplus left from risk account goes to individual saving account. Sometimes, *Takāful* company charges a compensation fee on the amount of surplus as a return for its efficiency and prudent underwriting skills.

**HOW DOES WAKALĀH MODEL WORK?**

**FIGURE 4: GENERAL TAKĀFUL PLAN**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>Takāful</em> contribution</td>
<td>Rs. 100,000</td>
</tr>
<tr>
<td>Agents’ commission (35%)</td>
<td>Rs. (35,000)</td>
</tr>
<tr>
<td>Amount available for Risk fund (tabarru)</td>
<td>Rs. 65,000</td>
</tr>
<tr>
<td>Profit from investment (10%)</td>
<td>Rs. 6,500</td>
</tr>
<tr>
<td>Risk fund</td>
<td>Rs. 71,500</td>
</tr>
<tr>
<td>Claims payment/direct Expenses (40%)</td>
<td>Rs. (40,000)</td>
</tr>
<tr>
<td>Underwriting Surplus</td>
<td>Rs. 31,500</td>
</tr>
<tr>
<td>Wakalāh fee on surplus (10%)</td>
<td>Rs. (3,150)</td>
</tr>
<tr>
<td>Contingency Reserve (10%)</td>
<td>Rs. (3,150)</td>
</tr>
<tr>
<td>Participants’ share in surplus</td>
<td>Rs. 25,200 or 25.20%</td>
</tr>
</tbody>
</table>

The Figure 4 shows a practical example for the flow chart of Wakalāh model for general *Takāful* after receiving *Takāful* contribution. Here, it is assumed that company has initial contribution of Rs.100,000 from which 35% agents’ commission is deducted as upfront charge. The remaining amount of Rs.65,000 goes to risk fund and is invested in *Shari’ah* based instruments. 10% profit is assumed from investment of risk fund. After adding the investment profit, risk fund moves to Rs.71,500. Claim payment and direct expenses including underwriting are assumed to be 40%. After deducting Claims payment and direct expenses from risk fund,
underwriting surplus of Rs.31,500 is obtained. 10% of underwriting surplus is deducted as Wakalāh fee while another 10% is kept as contingency reserve. Remaining amount of surplus i.e. Rs.25,200 is distributed among participants who have no prior claims. It indicates that participants of general Takāful can be compensated with surplus share of more than 25% by the use of prudent underwriting mechanism. Sometimes, surplus share is used to pay for the contribution of next year in which case, participants have to pay less contribution to the extent of their share in underwriting surplus.

**MIXED MODEL (MUDHĀRABAH + WAKALĀH)**

Mixed model is a combination of al-Mudhārabah and al-Wakalāh model where al-Wakalāh contract is used for underwriting activities while al-Mudhārabah contract is adopted for investment activities (Tolefat, 2006). With regard to underwriting activities, the shareholders act as the wakeel (agent) on behalf of participants to manage their funds whereby the Takāful company (shareholders) receives contribution, pay claims, arrange Re-takāful and all other necessary actions related to Takāful business. In exchange for performing these tasks, the company charges each participant a fee known as a Wakalāh fee, which is usually a percentage of the contribution paid by each participant. On the investment side, the company invests the surplus contributions in Shari‘ah based instruments based on Al-Mudhārabah contract, whereby the company acts as mudarib on behalf of participants (Rab-al-maal or capital providers). However, in order to satisfy the Shari‘ah requirement for Al-Mudhārabah contract, the ratio of profit is fixed and agreed upon between the two parties, at the inception of the contract.

Proponents of this model argue that a Mudhārabah arrangement is better suited for management and investment of Takāful fund (Obaidullah, 2005; p.148) and provides incentive to Takāful operator to optimize its return by sharing profit. The Wakalāh model is perhaps better suited than the Mudhārabah for managing the Takāful business for the agency fee (cost of insurance). It is more transparent and is free from the controversial charging of expenses (including marketing commissions) to the Takāful fund. These arrangements need to be considered as a part of efforts to search for an optimal model of Takāful as well as to create harmony among existing Takāful models.

**Global Practices**

The mixed model of Al-wakalah/Al-mudaraba (Tolefat, 2006), is the dominant model in the Middle East market and it is widely practiced by Takāful companies worldwide. In Malaysia, it is being practiced by Takāful Nasional Berhad and Mayban Takāful Berhad (MTB). Proponents of this model argue (Obaidullah, 2005) that as this model combines the benefits of mudaraba as well as Wakalāh model so it could facilitate the search for a unified approach to standardize Takāful practices across the world.
FIGURE 5: MIXED MODEL (MUDARBAH + WAKALAH)

Participants’ contributions

Participants’ A/C (PA)  \rightarrow  Investment  \rightarrow  Profit  \rightarrow  Participants (80%)  \rightarrow  Shareholders (20%)

Participants’ Special A/C (PSA)  \rightarrow  Investment  \rightarrow  Profit  \rightarrow  Participants (80%)  \rightarrow  Shareholders (20%)

Underwriting cost/Reserve  \rightarrow  Risk fund  \rightarrow  Commission

In the Figure 6, it could be seen that {Takāful} company applies a mixed approach for the management of {Takāful} fund. It uses *Wakalāh* concept for PSA account when it charges commission as a fee. It uses *Mudhārabah* concept when it invests the amount of PA account and shares in the profit from the investment and underwriting surplus according to agreed ratios. Participants’ share of surplus together with their share of profit from investment is added to their PA account.
**Wakalāh Model with Waqf Fund**

After several objections were raised regarding the issue of surplus sharing in Mudhārabah model and modified modarbah model and their legal status. A need was felt to develop a model that could work towards building the creditability of Takāful operator as a welfare institution rather than a profit oriented entity. This lead to the formation of Wakalāh Model with Waqf fund that was approved by Shari‘ah scholars of Darul Uloom Karachi, the most famous and credible Islamic institution in Pakistan. The model is a modified form of Wakalāh model where a Waqf fund is created by initial donation of shareholders. Participants’ contribution goes directly to Waqf fund. Takāful operator deducts its fees from Waqf fund. The remaining amount is invested in Shari‘ah based instruments. The profit from investment is shared between Takāful operator and participants according to agreed ratios. After deducting claims, Re-takāful expenses and underwriting costs, 100% net surplus belongs to participants who have no prior claims and distributed to them according to their proportion of contribution.

**Global Practices**

Wakalāh Model with Waqf fund is being practiced by Takāful operators of Pakistan. This model has also been adopted by Takāful operators of South Africa (Tolefat, 2006). This model is a modified form of Wakalāh model. In this modified Wakalāh model with Waqf fund, the relationship of the participants and of the operator is directly with the Waqf fund. The operator is the wakeel of the Waqf fund and the participants pay one sided donation to the Waqf fund (not conditional) The Waqf fund rules (Abdul Wahab, 2006) may define the sharing of surplus and other rules under which it would operate but without having any obligation to distribute surplus.

The Figure 7 shows a flow chart diagram of Wakalāh model with Waqf fund for general Takāful after receiving Takāful contribution. According to this model, first a Waqf fund is created by the joint efforts of participants as well as shareholders who initially donate their contribution to this fund. Here, Takāful operator fees (also called Wakalāh fee) are directly drawn from Waqf fund. The remaining amount is invested on the basis of modarbah under Shari‘ah guidelines and profit obtained from investment is shared between participants and Takāful operator according to their mutual terms of agreement. Takāful operator is responsible for all the management expenses from shareholders’ fund. Operating costs, Re-takāful expenses and claim payments are made from participants’ fund. Any surplus left after deducting all the related expenses belongs to participants. Sometimes, Takāful company retains a portion of underwriting surplus as a contingency reserve to meet any sudden and unexpected future cost.
FIGURE 7: WAKALAH MODEL WITH WAQF FUND

ISSUES IN TAKĀFUL MODELS

Sharī‘ah scholars who belong to different schools of thoughts have different point of views on Sharī‘ah matters. This has created certain fiqh related issues in Takāful models being practised by Takāful operators across the world. Abdel Karim and Archer (2002) have identified corporate governance, regulatory and accounting issues that affect the functioning of Islamic financial institutions including insurance companies. Ismail (2004) discussed the issues in modified Mudhārabah model at a workshop at Bank Negara, Central Bank of Malaysia. Billah (2004) gives gross root reasons for having diversified Takāful models and also discusses their possible solutions. Khanzada (2007) also highlights issues in Takāful industry in Pakistan under Waqf model. Based on the views of above researchers, key issues that have been found in different Takāful models are summarized as follow:

i. Sharī‘ah issues:

Sharī‘ah issues arise as different Takāful models are being practised in different countries. Sharī‘ah scholars who provide Sharī‘ah supervisory services to Takāful operators belong to different schools of thoughts (e.g. Hanafi, Shafī‘i, Humbali, Maaliki etc.) propagate different opinion on Sharī‘ah matters according to their belief in particular school of thought. Grais and Pellegrini (2006, pp.17-21) identify issues of independence, confidentiality, competence, consistency and disclosure of responsibilities that affect functioning of SSB in the organization. Due to lack of competent Sharī‘ah scholars in the field of Islamic finance, most of the scholars hold positions in Sharī‘ah Supervisory Boards (SSBs) of several companies. This may jeopardize the confidentiality of the company secret information and company may restrict SSB to access certain information and hence affect its independence in the organization. SSB decisions on Sharī‘ah matters might not be consistent as the company might not properly disclose the responsibilities of SSB and restrict their authority in certain areas.

Sharī‘ah supervisory board (SSB) strictly ensures Sharī‘ah compliance of Takāful fund and only approves those investment avenues that are compatible with Sharī‘ah. For example, investment in alcohol production or liquor business is not allowed in Sharī‘ah. Though investment of Takāful fund is made in consultation with the members of SSB, yet there are chances that some part of income from investment might be considered as illegal from Sharī‘ah point of view e.g. company invests in an airline or hotel business that apparently seems to be permissible under Sharī‘ah but it has debt financing in its capital structure or it has derived a part of its income from sale of alcohol or liquor (Abdel Karim & Archer, 2002; p.71).
ii. Profit sharing:

Critics on the issue of profit sharing argue that it is illegal for participants as well as for Takāful operators to share in profits as is the case in Mudhārabah model. For participants, the issue arises as a result of tabarru nature of contribution. A group of Shari’ah scholar is of the view that as participants pay the contribution as donation so from Shari’ah point of view, they cannot receive any profit from donated amount. Similarly, since Takāful operators acts as a trustee and manger of funds and its responsibility is to act in the best interests of shareholders. Also the remuneration and salaries of managers are fixed and approved by board of directors, so Takāful operator should not be allowed to share the profit but only entitled to fixed charges. The same issues arise for modified Mudhārabah model.

iii. Underwriting surplus sharing:

Issue of underwriting surplus sharing is similar to that of profit sharing. Shari’ah scholars argue that Participants are not allowed to share in the surplus of the amount (Takāful contribution) which they have already donated to tabar’ru fund. Similarly Takāful operators have no right to share the surplus amount as they have already received Wakalāh fee or their share of profit. Now the question arises if neither participants nor Takāful operator has legal right on the underwriting surplus, where this amount should go. A group of Shari’ah scholars is of the view that this amount should go to a Waqf fund for charitable purpose and should be used for the welfare of poor and needy people of the society who are not real members of Takāful company. Another group of scholars propose that underwriting surplus could be returned to the participants as ‘hibah’ (gift).

iv. Unearned Wakalāh fee:

Wakalāh fee (agents’ commission) is usually charged in advance as upfront charge when participant pays contribution amount. According to accrual principle of accounting, Wakalāh fee will be earned at the end of Takāful period for a particular year. Takāful operators claim that participant’s contribution will be refunded whenever he wants to withdraw the contract. Only Wakalāh fee is deducted from the contribution amount. The question arises if any participant withdraws his contract at the mid of Takāful period, has Takāful operator any right on unearned Wakalāh fee? If not then how should unearned Wakalāh fee be returned to the participant when Takāful operator deducts it in advance and pays to Takāful agents as commission.

v. Legal status of Waqf fund:

Waqf fund is created by initial donations from shareholders’ fund. Then Takāful contribution, income from investment, underwriting surplus is added to Waqf fund. Yet Waqf model raises questions about its legal status. Should this fund fall under the purview of trust act or any other act? Is Takāful operator bound to
comply with provisions of trust act or any other act in addition to Takāful regulations? What are the tax implications of treating Waqf fund as separate entity or not a separate entity from Takāful Company? These questions require clarification from legal and Shari’ah experts related to Takāful business.

vi. Corporate Governance issues:
Adoption of a Takāful model raises issues of corporate governance regarding the rights of participants who are the provider of funds for the Takāful Company. Although Takāful operators act as a trustee and manager of funds and get their share of profit in the form of Mudhārabah or Wakalāh fee, yet they have been criticized for maximizing the shareholders’ profits while ignoring the rights of participants that are major stakeholders of the company. In the absence of proper corporate governance practices, company and its board of directors are not held accountable for their decisions that are not favorable to participants or community at large. Moreover, participants are not given positions in the board of directors so they have no right to question any decision of the board and feel themselves insecure (Abdel Karim & Archer, 2002; p.72). Strengthening the regulatory framework is essential to regulate the activities of Takāful operators and to protect the rights of participants.

CONCLUSION AND RECOMMENDATIONS:
Five types of Takāful models, as identified in this research paper, are being practised across the world. Each Takāful model has evolved in a more refined form as a result of certain issues associated with the previous model. Fiqh related issues arise in Takāful models as Shari’ah Scholars belonging to different schools of thoughts have different point of views on Shari’ah matters. Shari’ah issues are concerned with the independence, confidentiality, competence, consistency and disclosure of responsibilities that affect functioning of SSB in the organizations. Critics on the issue of profit sharing argue that it is illegal for participants as well as for Takāful operators to share in profits due to tabarru nature (donation) of contribution. Issue of underwriting surplus sharing prevents Takāful operators to share the surplus amount and restricts their earning to Wakalāh fee or their share of profit. Issue of unearned Wakalāh fee arises when a participant withdraws his contract at the mid of Takāful period, as fee is usually charged in advance as upfront charge when participant pays contribution amount. Wakalāh model with Waqf fund has been approved by Securities and Exchange Commission of Pakistan after its approval by Islamic Ideological Council and Ulema of Darul Uloom. It takes into account all the related issues of previous Takāful models. So it is considered to be the most refined and acceptable model. Yet there is need to create consensus among Shari’ah Scholars belonging to different schools of thoughts. A central Shari’ah Board comprising of different Shari’ah Scholars representing their own fiqh is highly desirable as it can resolve various issues that can create conflict of
interest among different fitqhs. There is also need to counter corporate governance issues that raise the concern for the accountability of company board of directors as they have been criticized for maximizing the shareholders’ profits while ignoring the rights of participants. Shari‘ah based corporate governance practices are considered very much important for Islamic financial institutions including Takāful companies to create transparency and fairness in their operations.

REFERENCES


