TAKAFUL IS AN INVESTMENT ACTIVITY

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ABSTRACT

In this article, takaful is considered as an alternative to conventional insurance. Takaful is said to be an advantage over conventional insurance and the most alternative risk prevention option for many Muslim countries. An example of this is the vakala model of takaful.

Keywords: insurance, kafalah, insurance products, takoful, shareholders, takaful operator, vakala, usury, maysir, gharar, takaful fund.

All human activities face the risk of loss due to unexpected events. To ease this burden for individuals, the subject called insurance has existed since 215 BC. This concept has been practiced in various forms for more than 1400 years. It comes from the Arabic word "Kafalah" which means "to guarantee each other" or "to guarantee together". This concept corresponds to the common obligations among the team.

In our country, great attention is paid to insurance activities. The decision of the President of the Republic of Uzbekistan dated August 2, 2019 PQ 4412 is a clear example of this. But even so, there are a number of problems in the implementation of insurance activities in our country. One of the main problems is the lack of confidence of the population in insurance. Especially the currently existing "Long-term life insurance" companies have not participated in the insurance market of Uzbekistan with their insurance products. One of the main reasons for this is that the profitability of the product is very low. That is, there is almost no place of interest for the population. In addition, the majority of the population of our country are Muslims. This means that the majority of the population does not use traditional insurance services.

In our country, a lot of attention is paid to Islamic finance, and this financial system is an incentive to expand investment activities. In his address to the Oliy Majlis on December 29, 2020, President Shavkat Mirziyoyev said, "The time has come to create a legal framework for the introduction of Islamic financial services in our country. Experts from the Islamic Development Bank and other international financial organizations will be involved in this", his words were a prelude to the long-awaited changes in this regard.

Takaful (Islamic insurance) originated in ancient Arab tribes as an obligation to compensate victims or their heirs for wrongdoing against members of another tribe. Later, this principle was extended to various spheres of life, including maritime trade, where participants contributed to a fund to compensate any group that experienced sea voyages.

Takaful is commonly called Islamic insurance. This depends on the exact similarity between the contract of guarantee and the contract of insurance. But takaful is based on the cooperative principle and the principle of division between shareholders' funds and operations, thus Takaful (Insurance) transfers the funds and operations to the policyholders. Muslim jurists emphasize that insurance in Islam should be based on the principles of mutual responsibility and cooperation and should include the elements of responsibility, joint responsibility, common interests and solidarity.

In takaful, policyholders participate as investors in partnership with the insurance seller (takaful operator), and insurers participate as mudarib - managers or business agents. The owners of the insurance policy participate in the profits and losses of the investment fund. A positive profit under the policy is not legally guaranteed, as any firm guarantee of profit is tantamount to taking interest and violating the prohibition against riba.

Conventional insurance has for some time been considered non-Shariah-compliant, as it prohibits excessive uncertainty in transactions and investment in interest-bearing assets, both factors inherent in the traditional insurance business.

But takaful is Shariah-compliant (which outlines the principles of compensation and community obligations) and is approved by Muslim scholars. It includes general, health and family (life) takaful programs for Muslim communities.

Prohibitions of Gharar, Maisir and Riba.

Garar: An insurance contract contains garar because, if no claim is made, one party (the insurance company) may receive all the benefits (premiums) they have received, while the other party (the participant) may not receive any benefits. The famous Muslim scholar Ibn Taymiyyah also stated that "there is gharar in this contract, because one party has benefited and the other party has not benefited."

Maysir: Islamic scholars have emphasized the connection between maysir (gambling) and gharar. Where there are elements of Garar, there are usually elements of Maysir. Maisir is available in the following cases:

- The policyholder adds a small amount of premium in the hope of receiving a large sum of money;
- If the insurance event does not occur, the policyholder loses the money paid for the premium;
- if the claims are higher than the amount contributed by the policy holders, the company faces a deficit.

Riba: Ordinary insurance policies that promise a guaranteed payment in the contract therefore violate the right to prohibit riba. The element of riba is also present in the profits of investments used by insurance companies to pay the claims of policyholders. This is because most of the insurance funds are directed to areas where they can include riba elements. For example, it is directed to traditional banks as a deposit.

Gambling and insurance

Gambling and insurance are two different and different transactions. Gambling is speculative in its assessment of risk, whereas insurance is pure risk and not speculative. In gambling, the person who poses such a risk can win or lose. In insurance, there is already a risk, and someone tries to minimize the financial impact of this risk. Insurance transfers the impact of this risk to someone else and relieves the risk. The danger still remains.

Islamic scholar Yusuf Ali, in his translation of the Holy Qur'an, verse 219 of Surah Al-Baqara, "Insurance is not gambling when it is conducted on the basis of business principles. Here is the basis for calculation. Insurers receive premiums in proportion to the risks that are accurately and scientifically calculated.

Basics and Principles of Takaful

Islamic insurance requires each participant to contribute to a fund that is used to support each other, contributing enough to meet the expected requirements.

The main principles of Takaful can be summarized as follows:

- Policyholders cooperate for common interests;
- Each policyholder pays part of his contribution as a donation to help those in need;
- Losses are divided and liabilities are distributed according to the system of grouping;
- Uncertainty in subscription and compensation issues will be eliminated;
- Does not seek to profit for the benefit of others.

In theory, Takaful is considered as a cooperative insurance, where members contribute a certain amount of money to the common pool. The goal of this system is not profit, but to support the principle of "carry one another's burdens".

Wakala model is one of the simplest form of takaful and it is implemented as follows.

According to this model, one person acts as an agent for another. In the case of a wakala-based takaful product, the takaful operator acts as an agent on behalf of takaful participants called principals. (An operator or agent is a representative.) The takaful operator manages the fund and receives a predetermined percentage of the participants' savings, or a fixed fee, which is called the management fee.

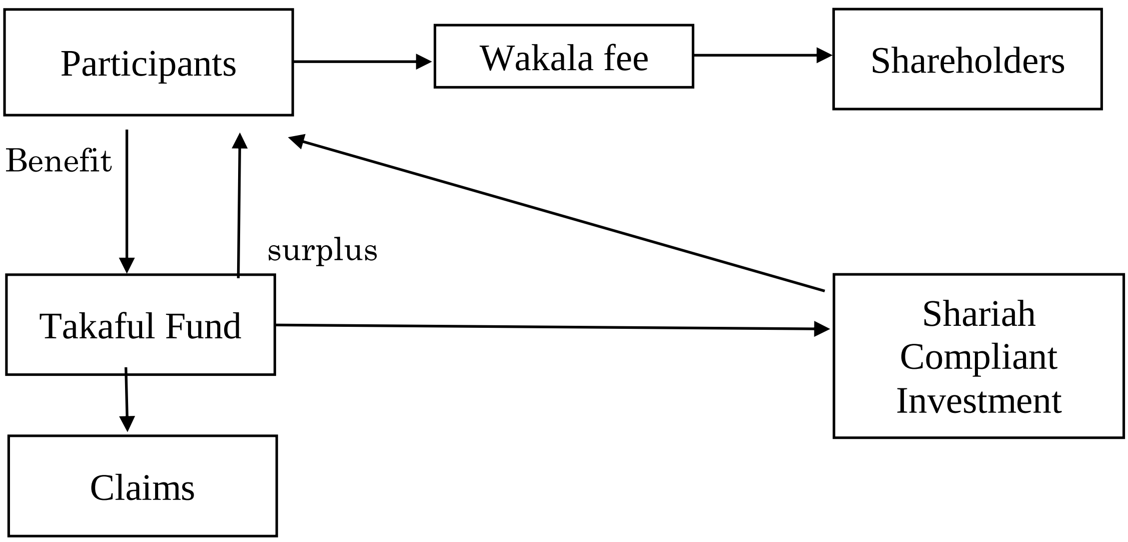

figure 1. Wakala model[1]

In addition, the takaful operator may require a performance-based fee that provides an incentive to manage the fund as much as possible. The takaful operator will determine the amount to be paid after consulting with the Shariah Board. Any fees collected will be placed in a shareholder fund and used to reward shareholders.

There are also several models of takaful. These include:

- Mudharabah model;
- Hybrid mode;
- Waqf Model and others.

[1] Author development

As mentioned above, Islamic insurance does not allow uncertainty and living at someone's expense. Insurers receive a premium in proportion to the risks that are accurately and scientifically calculated, and this serves a great purpose not only in ensuring the financial stability of insurance companies, but also in ensuring the reliability of insurance among customers.

The product produced in the country must be beneficial for the consumer and must correspond to the mentality and religion of the consumer. Because there should not be any obstacles in the process of consuming the product. For example, because green is considered sacred in Arab countries, it is impossible to produce any product in this color.

As we discussed above, in takaful (Islamic insurance), companies directly participate in investment activities and receive their service fees for their representation and participation in investment activities. In traditional insurance, they get profit mainly by making deposits in banks. In such cases, the income coming to the client is divided into three parts. In Takaful (Islamic insurance), it is divided into two parts between the customer and the company. This maximizes risk avoidance. This, in turn, is beneficial for both the company and the client.

In conclusion, to increase the number of potential insured persons and increase the profitability of insurance companies in our country, it is necessary to implement the following.

- Always put the consumer's interest first when offering the product.
- Establishing insurance activities that match the mentality of our people.
- To create wide opportunities for investment activities of insurance companies in our country.
- Establishing an organization that studies insurance problems in the country

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