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Islamic Banking and Finance Against Conventional



Edited by
Saim Kayadibi



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Chapter 5

Takaful As an Alternative to Conventional Insurance

Wan M. Shahir b. Wan M., Nuzaihan b. Majidi⁴⁴

and Saim Kayadibi

Introduction

With the presence of the prohibited elements such as Riba, Gharar and Maysir in the conventional insurance, it is therefore compulsory for Muslim to find the alternative way to provide them with a better security which is in line with Shari'ah. In 1979, the first modern concept of Islamic insurance was introduced in Sudan which is based on a cooperative model similar to the conventional insurance. Since then, Islamic insurance market or Takaful market has become a fast-growing insurance industry and gained its credibility and respect in international market. In Malaysia, Takaful industry is governed under Takaful Act 1984 and Insurance Act 1996. Among the leading Takaful companies in Malaysia are Syarikat Takaful Malaysia Berhad, Etiqa Takaful Berhad and Takaful Ikhlas Sdn. Bhd.

Definition Of Insurance

A contract of insurance is a conditional contract that involves two different parties in which one party undertakes, against premium, to pay to the other party certain amount (compensation) upon a certain event that occurred only due to pure risk. This contract is regulated by Insurance Contracts Regulation 1985 under Insurance Contracts Act 1984. It is valid

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