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Islamic Banking and Finance Against Conventional



Edited by
Saim Kayadibi



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Chapter 14

Conventional Insurance: Is It Shariah Compliance?

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Introduction

The world is moving forward as what everyone can see nowadays and this result in increasing number of people concern about their safety in the future. This may include things that are related to their wealth, healthcare, family matters and other more. Living in this competitive world, peoples are aware of any kind of unexpected circumstances that might occur in their daily life. Because of this, they take insurance as their back up plan in order to secure their property, healthcare and family members. The idea for taking insurance is because people want to transfer their risk to others. Insurance allows people to transfer their financial risk to an insurance company. The insurance companies prepare for this risk because they charge premiums to their customers and keep a large amount of money in reserve. When a customer files a claim, the insurance company has the money there to pay them. This allows everyone to focus on other things instead of worrying about possible losses.

There are two categories of insurance, one is known as takaful which goes under Islamic insurance system and another one is conventional insurance system. People mostly are prefer to take conventional insurance and know little about takaful. However, many scholars argue on the conventional insurance instrument

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