



## ISSUES OF DEVELOPMENT OF ISLAMIC INSURANCE OR TAKAFUL IN THE NATIONAL INSURANCE MARKET

*ABDURAKHMONOV ILYOS KHURSHIDOVICH*

### Abstract

#### Keywords:

*traditional insurance, mutual insurance, Islamic insurance, takaful, principles and features of takaful, Sharia prohibitions, takaful operators*

*This article analyzes the existing approaches to determining Islamic insurance or takaful in terms of various factors. Based on the analysis of many theoretical and scientific sources, the specific features of traditional commercial insurance, mutual insurance and intellectual insurance are considered. The article is based on the functions, principles and rules of the insurance market entities in the introduction of takaful. The economic essence and content of takaful are explained and the mechanism of their implementation in modern conditions and the algorithm of their introduction, the development of organizational and economic bases, the peculiarities of the mechanisms of their introduction into the national insurance market are analyzed.*

#### Author correspondence:

*Abdurakhmonov Ilyos Khurshidovich*

*Associate Professor, Doctor of Philosophy in Economics (PhD), Tashkent Institute of Finance, Tashkent, Uzbekistan*

*Email: A.ilyos@mail.ru*

### INTRODUCTION

As a result of drastic changes in the world community and economy in recent years (economic sanctions, crises, political changes and obstacles, increased migration as a result of political situations, pandemics, etc.), the vector and strategy of economic development, including the development of financial institutions, its elements require a period of widespread introduction of new methods (Islamic insurance takaful).

Today, commercial and mutual insurance is widely developed in the insurance services markets of many countries. Islamic insurance is also successfully developing in the global insurance market and is widely used among all segments of the population. Also, the national insurance market is of great interest among consumers. In this regard, the Address of the President of the Republic of Uzbekistan Shavkat Mirziyoyev to the Oliy Majlis emphasizes the need to create a legal framework for the introduction of Islamic financial services in the country, as well as the involvement of experts from the Islamic Development Bank and other international financial institutions. [1]

Islamic insurance or takaful is one of the emerging areas of the Islamic financial system. In recent years, the Islamic insurance system has been showing steady growth, but it is going through a period of development compared to other areas of the Islamic financial system.

was due to the digitization of various service programs . As a result of the introduction of new products (types of insurance) in the industry , the market volume is expected to grow by an

average of 13% in 2021-2026, and by 2026 the market of takaful insurance will reach \$ 49 billion. [2]

However, it should be noted that the lack of institutional, legislative and organizational mechanisms for the introduction of Islamic insurance in all countries has led to various difficulties in its implementation in the field of insurance.

### LITERATURE REVIEW

Initially, takaful was formed as an alternative to the modern insurance system for Muslims, taking into account Sharia law, but over time, the services of organizations providing takaful services began to be widely used by members of other religions. Today, in countries where Islamic insurance services are provided, takaful clients are members of different faiths.

Most scholars point out that the word "takaful" is derived from the Arabic word "kafala," which means "to provide mutually agreed guarantees."

Summarizing the tariffs given to Tafakul, we can see the following approaches (Table 1).

**Table 1**

**Classification of tariffs for takafull**

Authors	Tariffs for takafull
<b>R.I. Bekkin</b>	An independent alternative insurance system that can be implemented both commercially and reciprocally [3]
<b>I.L. Logvinova</b>	Form of insurance coverage [4]
<b>A.S. Ryskulov X.S. Umarov, S.P. Fukina A.O.Soldatova</b>	Islamic insurance or takaful is a system that ensures the distribution of risks among group members based on the principles of mutual aid (tawun) and voluntary contributions (tabarru). Takaful is a form of insurance that meets the principles of Islamic law [5, 6, 7, 8 ]
<b>Ya. Bumbadji , A.A. Tsyganov</b>	The provision of insurance protection in accordance with Sharia law, based on the principle of distribution of profits and losses between the participants and the organization, is called takaful in international practice [ 9 ]

Traditional insurance and takaful are considered to be the same, for example, "the concept of takaful is very close to traditional insurance, and both Islamic and traditional insurance are a means of helping citizens facing financial difficulties. Such tools are modern ways of risk management" [10].

It should be noted that traditional commercial insurance and takaful do not eliminate the risks, but help to reduce the financial losses that can be incurred as a result of the negative consequences.

### RESEARCH METHODOLOGY

In the course of the research, the works of foreign and local scholars on the role of Islamic insurance, takaful in the field of insurance were studied and analyzed. The article effectively used methods such as theoretical observation, systematic approach, observation, generalization, analysis, synthesis, as well as analyzed the purpose, tasks and its specific principles of the introduction of takaful insurance. Problems of transformation of the national insurance system of takaful i and them n g solutions about conclusion and suggestions formed .

## ANALYSIS AND RESULTS

The functioning of any organizational and economic mechanism should be based mainly on the principles that determine the composition of its elements. Therefore, it is expedient to analyze the principles in the field of insurance, ie the functions and means used by the subjects of Islamic insurance. In this case, we can divide the principles of Islamic insurance into two groups:

1) Including the general principles of the Islamic insurance system, which may be part of the national insurance system;

- existence of property interest;
- risk insurance;
- alternative;
- trust of the parties;
- payment of compensation in accordance with the damages;
- the interrelationship between the damage and the events that caused it;
- solvency

2) Special (private) principles of its implementation, taking into account the original religious foundations of the Islamic insurance system, including:

- Lack of uncertainty;
- voluntariness;
- that income is allowed;
- distribution of risks.

The established principles are enshrined in the legislation and in the internal documents of takaful operators (insurance companies) and determine the rules of organizational and economic activity.

We know that the history of insurance relations dates back several thousand years. Slavery societies also had mutual agreements, which formed the basis of modern insurance contracts. Insurance has been widely developed during the period of geographical discoveries and the development of trade relations. The main idea of such agreements was to distribute the risk of potential damages between the stakeholders. Thus, the insurance relationship is primarily based on a relationship of mutual assistance and redistribution of losses.

With the development of socio-economic relations, the need to insure property interests began to emerge. As a result, mutual insurance relations based on mutual assistance were supplemented by commercial insurance.

To date, commercial and mutual insurance mechanisms are provided in the insurance markets of almost all countries. Also, Islamic insurance takaful has been showing broad development trends in the world insurance markets.

Takaful itself reflects a distributional relationship based on mutual assistance. Since Islamic insurance can be carried out in the form of commercial and mutual insurance, a group of citizens of different faiths can voluntarily participate in the distribution of risks and benefits. The similarities and differences in the implementation of commercial insurance, mutual insurance and takaful are given in the table below (Table 2)

**Table 2****Comparative classification of traditional and Islamic insurance [7, 12, 13]**

Classification	Traditional insurance	Mutual insurance	Takaful
<b>Purpose</b>	Take advantage	Mutual assistance	Mutual assistance
<b>Risk</b>	Giving the risk to the insurer	Distribution of risk among participants	Distribution of risk among participants
<b>Protection</b>	The insurer provides insurance protection	The operation of the insurance fund coordinates	Coordination of takaful-fund work
<b>Agreement</b>	It is bought and sold	Partnership	Partnership
<b>Benefits of providing insurance services</b>	Yes	No	No
<b>Investment</b>	Fixed	Fixed	Fixed
<b>Types of insurance</b>	Unlimited	Life insurance is prohibited	Property and personal insurance in accordance with Sharia law
<b>Management</b>	Insured do not participate in the management process	Insured persons may participate in management	Insured persons may participate in management
<b>State control</b>	State body of insurance supervision	State body of insurance supervision	State body of insurance supervision + Sharia Council

The difference between traditional commercial insurance and takaful is that it contains prohibited elements such as usury, usury, gambling, and haram.

The organizational and economic mechanism of the introduction and implementation of Islamic insurance in the country determines the goals, objectives, principles, objects and rules, the methods and means used by the subjects of this system. Since there are many methods and tools for the organization, management and development of Islamic insurance, it is expedient to consider the main functions of the participants in this type of insurance system. (Table 3)

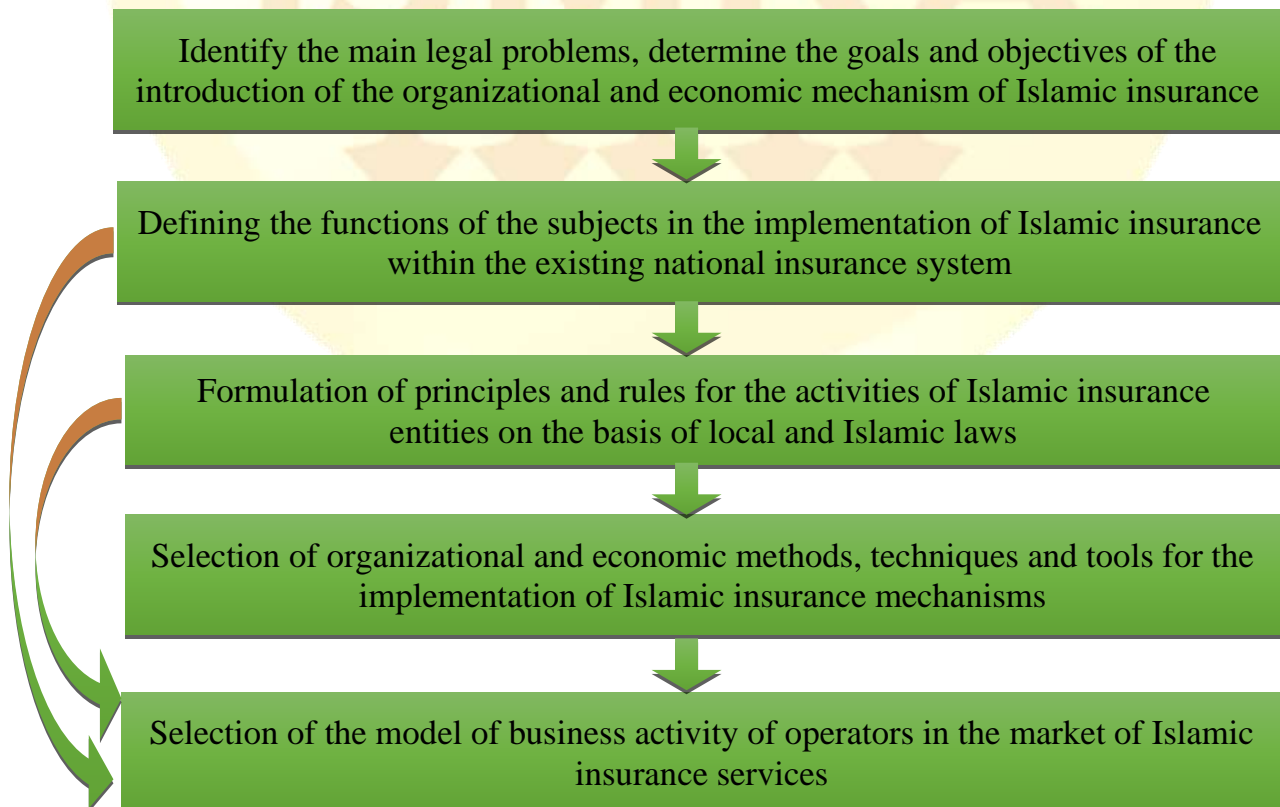
**Table 3****Functions of participants of the Islamic insurance system [6, 11]**

Participants of the Islamic insurance system	Functions
<b>State bodies controlling the insurance market (authorized state bodies)</b>	Licensing of takaful operators. Monitoring compliance with the rights of consumers of Islamic financial services. Risk control of takaful-fund operators. Regulation, monitoring and control of insurance and investment operations
<b>Takaful companies</b>	1. Protection functions: - assessment of insurance risks; - making insurance payments; - redistribution of funds among takaful-fund participants, etc. 2. Accumulation function:



	<ul style="list-style-type: none"> <li>- Income of participants as a result of investment of takaful-fund funds;</li> <li>- distribution of profits among participants .</li> </ul> <p>3. Warning functions:</p> <ul style="list-style-type: none"> <li>- assessment of insurance risks;</li> <li>- Formation of insurance reserves (within the takaful fund) ,etc.</li> </ul> <p>4. Investment functions:</p> <ul style="list-style-type: none"> <li>- Receipt of commission payments to takaful funds;</li> <li>- distribution of funds;</li> <li>- investing funds in areas approved by religion;</li> <li>- Acceptance of contributions to the fund by takaful operators.</li> </ul> <p>5. Organizational functions:</p> <ul style="list-style-type: none"> <li>- conclusion of contracts with individuals and legal entities and submission of insurance policies on personal takaful;</li> <li>- Promotion of Islamic insurance in the region;</li> <li>- organization of compensation payments on personal insurance;</li> <li>- organization of payment of benefits on family insurance;</li> <li>- organization of acceptance of insurance premiums, etc.</li> </ul>
<p><b>Development and support institutions (ancillary institutions)</b></p>	<p>Checking the compliance of insurance products with Sharia standards.</p> <p>Professional development of takaful operators on a voluntary and commercial basis.</p> <p>Practical assistance in the development and implementation of financial standards for the activities of takaful operators.</p> <p>Interaction with the competent state bodies on legal and organizational improvement of Takaful institutions in accordance with local legislation, etc.</p>

Interestingly for takaful financial market participants in general, it has been tested during financial crises and has shown high rates of sustainable development.



system and work in the following areas (Figure 1), namely:

- 1) improving the activities of government agencies, including insurance regulators;
- 2) improving the activities of insurance companies;
- 3) the formation of new stereotypes among potential policyholders will need to be addressed.

## CONCLUSION

Thus, takaful insurance can expand the insurance market by covering areas not covered by commercial insurance. The process of introducing Islamic insurance may be a bit complicated, but as the demand for takaful services in the world market is growing, the introduction of Islamic insurance is emerging as a requirement of the times.

In order to further clarify the work in these areas, they should include the following measures, including in terms of improving the functioning of public authorities and administration:

- development of proposals and recommendations on the organization of Islamic insurance in the national insurance services market on the basis of Sharia law and regulations;
- development of halal insurance standards;
- development of legislation in terms of regulating the activities of takaful operators;
- study the experience of foreign takaful organizations and insurance regulators;
- Development of organizational, legal and economic mechanisms for organizing the activities of takaful organizations.

In improving the activities of insurance companies, it is advisable to do the following:

- development of insurance conditions and rules that allow the implementation of Islamic insurance;
- Involvement of consultants (from the Shariah Council) in the company's activities to monitor the compliance of takaful operations and products with Shariah standards;
- selection of the model of formation of the takaful fund and substantiation of its validity;
- development of a methodology for the formation of a takaful fund;
- to study the experience of foreign countries in the field of takaful on an analytical basis.

Implement the following to create new stereotypes among potential policyholders:

- organization of introductory and practical seminars (trainings) on disclosure of takaful operations and product features;
- to carry out advertising activities in order to create a stable demand for takaful products.

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