

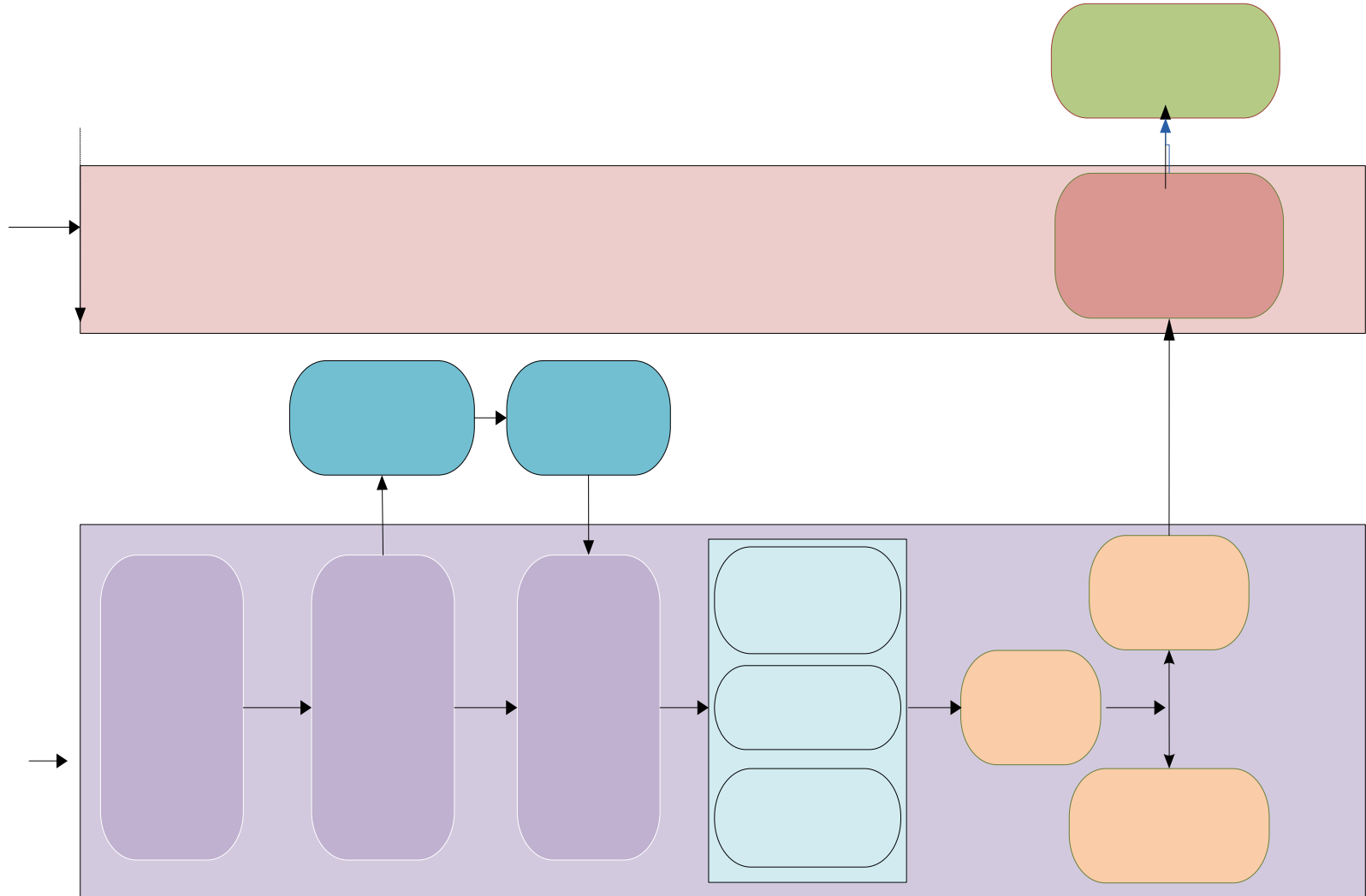
Operational Mechanism of Takaful

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Mudharabah-Based Takaful

- In this model, a clear distinction is made between the business of *takaful* or insurance and the business of investing funds mobilized from policyholders and/or the shareholders. The *takaful* operator seeks no returns from managing the *takaful* business in line with the spirit of *takaful*. It seeks returns from the business of investing the *takaful* funds under a *mudaraba* agreement with the policyholders for managing their funds. The policyholders assume the role of fund provider or *rabb-al-maal*. As a *mudarib* the *takaful* company receives its share of profits generated on investments.

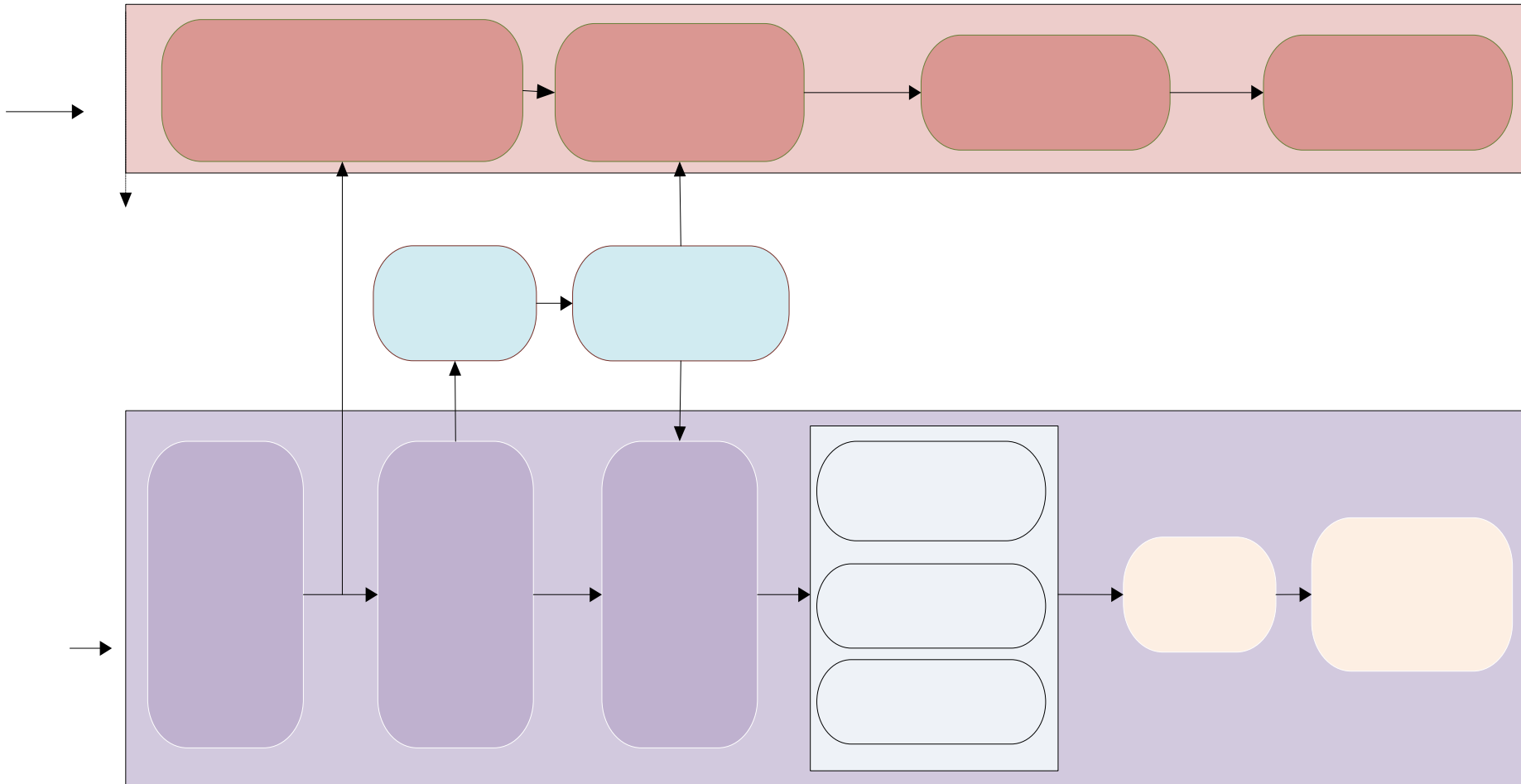
Mudharabah Model



Wakala-Based Takaful

- In the *wakala*-based model, the *takaful* operator acts as the *wakil* or agent of the policyholders. As such it is entitled to a known remuneration. It incurs all the operational expenses on behalf of its principal.

Wakala Model



- **Waqf:**
Charity, religious endowment testamentary bequest of real estate.
- Waqf can be made for **Property, Money or any other asset.**
- Waqif should be **Sain, Adult, Owner, Free.**
- It is not necessary for the Waqif to be a muslim.
- The Waqif can put conditions at the time of Waqf.
- (Hazrat Usman RA)

Wakala-WAQF Based Takaful

- Some of the Shariah scholars have critically analyzed the Wakala system and have suggested to incorporate the concept of Waqf into the Wakala model. Under this revised model, the operator would initially make a donation to establish a benevolent fund called the Waqf Fund. When this Waqf is created, the shareholders will lose their ownership rights on the waqf. However, this fund will be administered by the operator. The donations received from the participants, seeking takaful protection, will also be deposited into this fund and the combined amount will be used for investment. Profits earned will be deposited into the same fund. Participants will be given benefit from this Waqf fund. The Waqf fund would be allowed to form contingency reserve fund apart from usual technical reserves. The Waqf fund rules would define the basis for compensation and financial help, and rules for sharing surplus between the members and operators.

Wakala Waqf Model

