

Book Review

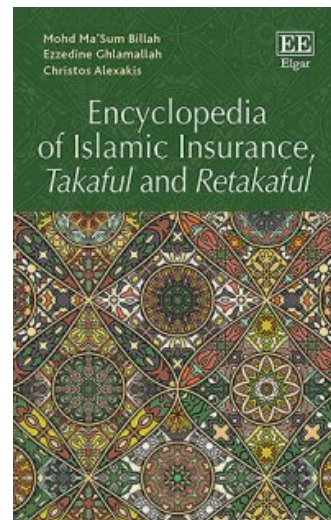
Mohd Ma'Sum Billah, Ezzedine Ghlamallah, and Christos Alexakis. *Encyclopedia of Islamic Insurance, Takaful and Retakaful*. Gloucestershire: Edward Elgar Publishing, 2019. Pp. xx+417. Hardbound. ISBN: 978 1 78811 582 7.

The Background

Islamic finance law has been a subject matter of great interest for financial players, Islamic scholars, policymakers, and regulators. This interest originates from various perspectives, namely 1) a desire to financially include people who abstain from participating in the financial sector to comply with their religious beliefs; 2) a desire to develop financial products and services to capitalize on the new business opportunities created by the emergence of Islamic financial institutions; and 3) a desire to evaluate the claims of the *sharīah* compliance in the light of established Islamic law and objectives of the *sharīah*.

Insurance as business seeks to achieve financial protection for individuals, families, and businesses and reduce uncertainty and stress in the society through ex-ante provision of sharing and transfer of risk. It helps in the smooth conduct of business and family lives. It adds to the country's economy through capital formation, investment, employment, and payment of taxes. Reinsurance helps in spreading the risks globally and thereby saving countries and societies from various regional risks.

Muslim countries and societies, however, have issues with conventional insurance as its working model contradicts with key religious obligations such as avoidance of *ribā* (interest), *gharar* (hazard), and *maysir* (gambling). There was a time when Islamic scholars tried to argue against the need for insurance at all. However, with the passage of



time and emergence of Islamic banks and other financial institutions, Islamic scholars started to appreciate the role and importance of insurance for overall smooth conduct of businesses and managing risk for the society in general. Solutions started to emerge based on the objections raised by Islamic scholars and financial experts. Today, Islamic insurance, more popularly known as *takāful*, is a well-established industry and operating in several Islamic countries. Many secular and developed countries have also taken interest in promoting *takāful* through their existing insurance companies (also known as windows) or by floating a separate entity for the purpose.

Prima facie, *takāful* is conceptually like Western mutual insurance companies, which control nearly a quarter of the global insurance market. However, operationally there are certain distinguishing features between *takāful* and mutual insurance. Most distinguishing among them are the requirements of the *sharī'ah*-compliant investments for *takāful*.

Takāful received greater attention in Muslim societies post Islamic banks' emergence, probably not much as an appreciation of its needs but as a compulsion of the businesses, which the Islamic banks were involved in financing.

Despite resolving major issues about the *sharī'ah* compliance, *takāful* is still in its infancy with assets of USD40 billion, a small fraction of global insurance.¹ Barring motor and other segments of businesses, which are made compulsory by law, *takāful* penetration is very low and that speaks volumes about the acceptance of insurance in Muslim societies, even if it is within the ambit of the *sharī'ah*.

Evolution of *Takāful* Contracts

Before we move further, it is pertinent to briefly highlight the evolution of *takāful*. It will help in understanding different parties, their roles, and the nature of contracts that bind them.

Party One

- a) They are the seekers of insurance/protection. From the *sharī'ah* point of view they are known as *takāful* participants.
- b) They voluntarily contribute a sum (identified as *tabarru'* or contribution) to a common pool.

¹ Currently *takāful* assets are about 0.13 per cent of the global insurance assets.

- c) Individually they are the insured and collectively they are the insurer (mutuality). They are the ultimate beneficiary of the pool (solidarity).

Party Two

- a) Party two, known as *takāful* operator, is hired by the party one to manage the affairs of the *takāful* on behalf of the participants.
- b) Party two collects the sum contributed by party one and is responsible for running the show. It settles claims, makes investments, and seeks reinsurance, all on behalf of *takāful* participants.
- c) From the *sharī'ah* point of view, *takāful* operator plays the role of a *muḍārib* or a *wakīl* or both (hybrid). This depends upon the type of *takāful* (general or family) and nature of arrangement (*sharī'ah* contract) between the parties.

Party Three

- a) In some cases (such as *waqf* model), the fund created out of the contributions made by the participants is considered an independent entity (from its donors/contributors) and capable of entering a contract on its own behalf.
- b) In the *waqf* model of *takāful*, the fund is by design an independent third party created out of the initial contribution (seed capital) by the *takāful* operator and regular contributions in the form of a cash *waqf* from the participants (party one).
- c) Based on the nature of *takāful* (i.e., general or family) the donor/contributor loses or retains his ownership in the fund.
 - i. For example, in the case of general *takāful* the entire amount paid by the participant is considered *tabarru'* or contribution hence no ownership claim survives in the fund. The entire fund is dedicated to compensating the victims of the risk, including the contributor.
 - ii. In the case of family *takāful*, only a portion of the total contribution goes into *tabarru'* account (underwriting or risk fund) and remaining amount goes into the investment account on behalf of the participant. If the participant dies, his nominee receives claim from the risk fund in addition to the benefits received from the investment account. In case of survival, the participant's only claim is from the investment account.

Over the years, *takāful* operating models have evolved keeping in view the interest, stake, role, and responsibilities of the above-mentioned

parties. In the beginning, it was a pure *muḍārabah* model, but soon the model was found deficient on the *sharī'ah* compliance as well as on economic rewards. Practitioners then moved to *wakālah* model as it better addressed the *sharī'ah* compliance, but this model was found less rewarding for *takāful* operators. Hence, the *takāful* operators have moved to a hybrid model, which is a combination of the above two; *wakālah* model for the underwriting business and *muḍārabah* model for fund or investment management activity. Keeping in view the regulatory requirements on *takāful* operators for making good any temporary shortfall in the underwriting fund, *takāful* operators are more comfortable with this hybrid model.

The book under review raises issues, which have been around in the minds of Muslims for decades, especially among the Muslim scholars. Hopefully, this book *Encyclopedia of Islamic Insurance, Takaful and Retakaful* by Professors Billah, Ghlamallah, and Alexakis will help understand and clarify many such doubts and pave the way for a better understanding and appreciation of *takāful* concept and its application.

The book seems to reignite the debate on several issues, which one would have imagined having been settled. There are additional issues highlighted which could have some serious ramifications for *takāful* in the fast globalizing financial world. This reviewer has attempted to highlight them in the relevant sections.

Chapter One: Understanding the Pillars of *Takaful*

The chapter sets the context and background while exploring the origin of *takāful* during the period of Prophet Muḥammad (peace be on him). Authors highlight that Arabs even before the advent of Islam were familiar with the importance of social contribution through the practices of *'āqilah*. The authors have further highlighted Qur'ānic injunctions, the Prophet's teachings, and practices of his Companions to reemphasize the importance of cooperation and help. Moving to the modern era, the authors have traced certain practices from fourteenth to early twentieth century.

Risk management synergies between Islamic finance and *takāful* are highlighted with emphasis on potential response from *takāful*. The authors quote examples of major catastrophic events in finance since 1991 but the list ends with the worldwide "dot-com" bubble in 2002 leaving an impression that authors did not update their manuscript thereafter. Especially the omission of the 2009 global financial crisis is hard to miss.

The authors move on to discussing the nature of insurance practices in Islamic economies in some detail. They assert that Islamic insurance is different from conventional insurance as the former operates “on the concept of *al-Mudharabah*, a profit-sharing scheme” (p. 4). On the next page authors claim, “A *Shari’ah*-based insurance policy should not involve the unlawful element of usury (*Riba*), but it is based on the profit-sharing financing technique of *al-Mudharabah*” (p. 15; emphasis added). On page 17, the authors write, “Thus an Islamic insurance business should be based on the principle of the *al-Mudharabah* financing technique as an alternative to the principle of fixed-rate interest.”² One wonders if this is a right premise to begin with. Is *takāful* really an arrangement for sharing of profit or it is for distributing losses? This reviewer understands that fund management activity of the *takāful* business is organized mostly on the principle of *muḍārabah* but that cannot be claimed to be the *raison d’être* for the existence of *takāful* or its main distinguishing feature from conventional insurance. One cannot run *muḍārabah* venture through donations or *tabarru’*. There are other distinguishing features of *takāful* listed by the authors many of which are repeated throughout the book.

Analyzing the limitations imposed by the *sharī’ah* to an insurance policy, the authors argue, “The fundamental aspect of insurance must be controlled and supervised by the State Authority based on *Shari’ah* rules and nothing should be left unchecked” (p.18). To support this argument, authors quote M. N. Siddiqi, “All insurance concerning perils to lives, limbs and health should be dealt with exclusively under the supervision of the state. . . . Insurance against peril involving money and property should also be run by the state” (p. 18). These statements make it clear that the authors are not referring to regulation of *takāful* but arguing for state-run and managed *takāful* operation. This proposition is challenging on various counts. How many states (even those members of OIC) would be forthcoming to commit themselves to such an idea? How many of them would have the wherewithal to manage the business? What about Muslims living in secular states, do they not deserve a *sharī’ah*-compliant solution? And what about privately owned *takāful* business? Will they be allowed or not to participate in offering *takāful* solutions?

Analyzing the principles of *takāful*, authors express their following concern:

² This argument is repeated at numerous places in the book. For example, see pages 54, 56, 64, 69, 72, 77, 144, 180, 185, 206, 207, and 219,

Moreover, allowing a Non-Muslim policyholder to regard a nominee as an absolute beneficiary may also encourage the non-Muslims to hope for a gain in favour of the nominee without regarding others who may be affected by the possible death of the participant. Therefore, such an opportunity for the nominee to gain is contrary to the main object of *Takaful* operation, which is to maintain the notions of brotherhood, solidarity and mutual cooperation. (p. 22)

They suggest that irrespective of the religion of the policyholder, a nominee should only be considered as trustee or executor. However, the problem is that a decision like this is not under the purview of any commercial organization under any type of legal jurisdiction.

Another concern raised by the authors is regarding the differential rates charged by *takāful* companies based on the actuarial calculations. They tend to believe that such differential rates charged by *takāful* operators create doubt regarding *sharī'ah* principles. They opine, "The life expectancy of human beings is determined only by Allah (swt) regardless of the gender of the creature and, therefore, no creature should overrule the power of Allah (swt)" (p. 22). One cannot stop thinking whether the statistics just reflect the will of Allah or interfere in His will?

The authors also raise a question on the justification of Islamic companies seeking reinsurance from conventional companies. They are of the view that having mutual cooperation between Islamic and non-Islamic insurance companies may be regarded as a mixing of truth and falsehood, which according to the authors "has no place in the fundamental teachings of Islam" (p. 23). They quote the following verse to support their view, "And cover not truth with falsehood, nor conceal the truth when ye know (what it is)" (Qur'ān 2:42). The authors further opine, "Since *Takaful* is a *Shari'ah* based financial service it should not be subject to laws and faiths that may be in contrast to *Shari'ah* principles" (p. 24). Finally, they declare, "As far as *Retakaful* is concerned, the *Takaful* operator should not obtain coverage from the conventional re-operators as this practice is contrary to *Shari'ah* principles. The Holy *Qur'an* expressly provides that Muslims should not cooperate with nor should they seek help from non-believers [Qur'ān 3:28]" (p. 25).³

The above opinions beg a fundamental question whether there is any scope left for financial transactions and cooperation between Islamic

³ Authors have expressed same views while discussing transfer of business in *takāful*. See pages 219–20.

and conventional financial institutions or between a believer and a non-believer.

In the next section, the basic elements of *takāful* have been precisely summarized by the authors in the light of ancient Arab practices through the social arrangements like ransom (*fidyah*), asylum (*istijārah*), Allies (*hifl*), blood money (*diyah*), civil liability (*ḍamān*), and bailment (*kafālah*).

This takes us to a discussion on the global models of *takāful* that begins by highlighting the market segment between general *takāful* and family *takāful*, with former commanding eighty-three per cent of the market share. This follows a discussion on the permissibility of cooperative insurance as an alternative to conventional insurance. The authors then move on to describing various models of *takāful* such as *wakālah*, *muḍārabah*, and a combination of the two (i.e., hybrid).

The final section of the chapter discusses the model structure (*‘uqūd*) of *takāful* practices. In this section, various Islamic contracts such as *muḍārabah*, *mushārahah*, *bay’ bi ‘l-thaman al-mu’ajjal*, *salam*, *bay’*, *tabarru’*, *wadī‘ah*, *amānah*, *ju‘ālah*, *kafālah*, *walā’*, *ijārah*, *wakālah*, and *ḍamān* are discussed from the point of view of their relationship with *takāful*.

In the humble opinion of this reviewer, the authors have made an unhelpful attempt to discover a relationship of *takāful* with all the above-mentioned contracts. This seems unwarranted as the arguments at places look overstretched. Authors’ attempt to find relationships based on the contracts of *bay’* is confusing to say the least. Where is “*bay’*”? What is being traded, who is buying and what? Who is selling and what? Can donation or contribution be considered a valid payment from the *sharī‘ah* point of view?

I quote below some statements from the authors. “*Musharaka* is probably a new term originating from the idea of *Shirka* (partnership)” (p. 43). Is this so? For how long a term will be known as “new”? Are not some of the earliest Islamic banking models envisaged on the *mushārahah* concept? “In *Takaful* operation the participants buy the risk from *Takaful* operator” (p. 43). Does this mean *takāful* operator is in the business of selling risk? Considering this a typo,⁴ meaning thereby authors wanted to say, “*Takāful* participants sell the risk to *takāful* operator.” Is this really a case from the *sharī‘ah* point of view? Is the *takāful* operator

⁴ There are many places where a typo has reversed the entire meaning. For example, on page 26 authors write, “However, any *Aqd* originally is not lawful unless it is proved it is against the principles of Islamic *Shari‘ah*.” Also see page 157 where the use of “insurer” and “insured” causes confusion.

contractually obliged to share any risk with the participants? Is it not a fact that it is the participants who are sharing their risks jointly on the principle of mutuality and not with the *takāful* operator? Similarly, a relationship of the *salam* contract has been suggested on the premise that one party (*takāful* participant) pays the price and another party *takāful* operator will deliver the benefit in future (p. 44). Have we not read the basic *sharīah* requirements of a valid *salam* contract? Does it fit with *takāful*? Similarly, the concepts of *wadī'ah* and *amānah* (p. 45, 71-72) have also been invoked in *takāful* contract. From the *sharīah* point of view, these contracts are very specific. In the case of *walā'*, the authors opine, "The operator will receive the contribution from the participants, which is like receiving an inheritance from the property of the participants" (p. 46). Regarding *ḍamān*, the authors write, "The participants are guaranteed by the operator" (p. 47). Is this so in *takāful*? Is it the participants who join to indemnify each other or the operator who is hired to manage the affairs is required to provide the protection? If this is so, then what is wrong with conventional insurance?

Chapter Two: Regulatory Framework of *Takāful*

This chapter begins with the description of governing principles of *takāful*. Quoting many *ḥadīths* and verses from the Qur'ān, the authors lay the foundation of *takāful* on sincerity (*ikhhlās*) and moral attributes. They then move on to describing sources of law governing *takāful* and discuss them in order of their respective importance such as the Qur'ān, the *sunnah*, practices of the Companions, and then individual *ijtihād* and *Ijmā'* of Muslim scholars. Other sources like *qiyās*, *istiḥsān*, *'urf* etc., are also discussed. Writings of scholars and economists, acts of parliaments in different countries, and the role played by *Sharīah* Supervisory Boards are highlighted. Key insurance principles like principles of liability (indemnification) and principles of good faith are explained keeping in view the Islamic importance of *'aqd*, *mīrāth*, and *waṣīyyah*.

Islamic contracts of *wakālah*, *ḍamān*, *muḍārabah*, and *mushārahah* are discussed again in this chapter. The authors claim, "An insurance policy also operates on the basis of the principles of *al-Musharaka* as both the insurer and insured are the partners in the policy run by the company" (p. 65). This reviewer, however, does not agree with this assertion. *Mushārahah* in essence is a joint venture with commingling of capital, labour, and management by all parties whereas participants in *takāful* do not meet the criteria of a *mushārik*.

Following section is devoted to discussing views of the *'ulamā'* regarding insurance. The authors have put them under three categories:

1) Insurance practices are permitted provided they are free from *ribā*. 2) General insurance is accepted but they have objection to life insurance as they consider life insurance to have elements of *maysir* and *gharar* and violative of the principles of *mīrāth* and *waṣīyyah*. 3) Insurance of any type is rejected as it involves prohibitions of *ribā*, *maysir*, and *gharar*. Discussing misconceptions related to Islamic insurance, the authors in addition to the above-mentioned objections highlight the following: “There is no expressed authority from the divine principles justifying the validity of the practice of insurance policy” (p. 67). “It is contrary to the principle of *Tawakkul*” (p. 68). “Some Islamic scholars claim that having a life insurance policy means that one is ensuring one’s life against death. . . .” (p. 68). They also refer to unlawful enrichment. “Life insurance contract involves unlawful elements” (p. 68), which are not binding for Muslims.

Using references to the Qur’ān and *ḥadīth*, the authors have suitably responded to the above-mentioned misconceptions arguing that Islamic insurance does not violate any Islamic injunctions.

Discussing legal capacity of a *takāful* contract, authors recommend that only Muslims should be given the license of a *takāful* operator’

For an operator, one should be a Muslim in capacity, an individual or a company, partnership or a society, whose activities are based on *Shari’ah* rulings. However, a non-Muslim (either an individual, partners in a firm, company directors, management body or the members of a society) may not have the right to carry out *Takaful* practices as an operator.” (p. 83)

They offer the following reasons: “This mutual cooperation under Islamic Law will naturally be only with those who share their faith” (p. 83). Authors believe that given dominance and authority a non-Muslim operator may “misuse the *Shari’ah* guidelines and misguide the participants. . . .” (p. 84). “Therefore, if a non-Muslim is allowed to be an operator, he may tarnish chief objective of *Takaful* practices. . . .” (p. 84).

The reviewer is of the view that the above-mentioned position of the authors may be more harmful to the cause of *takāful* than the benefits they may foresee in making above recommendations.

Chapter Three: *Takaful* and Conventional Insurance: Dichotomy

This chapter, as the title suggests, is dedicated to understanding the contrast between the two ideas of insurance.

Unfortunately, this chapter borrows heavily from the previous chapters such as page 137 and 138 have been verbatim copied from page 1 and 2. Pages 138, 139, and 140 have portions that are almost repeated

from page numbers 58, 59, 60, and 62. Similarly, pages 189 and 190 are identical with page 89 and 90 while pages 126 and 128 have a portion, which is a verbatim copy of each other.

Pages 149 (contributions onward), 150, 151, and 152 are repeated in the next chapter page 182 (section 4.3), 183, 184, and 185.

Table 3.1 gives a comparison between *takāful* and conventional insurance. One of the points regarding *takāful* reads, “The contract is bilateral in nature, which binds both contracting parties on the basis of *Surah al-Maidah*” (p.144). Table 3.2 highlights the contrast between *takāful* and conventional insurance, a portion here reads, “Contributions cannot be forfeited in any situation but it is treated as capital in *Mudharabah* and also as a *Tabarru*.” Contrasting this same point with conventional insurance, the authors mention that the premium (in conventional insurance) may be forfeited on the grounds of breach of utmost good faith (p. 156). In table 3.6, the authors are of the view, “For breach of utmost good faith, a *Takaful* policy may not be enforceable while the paid contributions will also not be forfeited, as it will be treated as the capital in the *Mudharabah* and *al-Tabarru* fund” (p. 172). Contradicting their view, authors at another place state, “It may not be ethical or legally supported to conclude a contract on the basis of *al-Mudharabah* while treating it subsequently as *al-Tabarru*” (p. 181). It is not clear if the authors are referring to family *takāful* only or they mean to suggest that the concept of *tabarru* (in general *takāful*) triggers only after the expiry of non-claim by the contributor (participant). The reviewer could not find any explicit statement made by the authors in this regard.

Discussing Insurance Act (Malaysia) 1996, the authors write, “The insurer has the right to choose whether to regard the policy void, unenforceable or otherwise. If he wishes to regard it unenforceable, he may claim for a refund of premiums paid and compensation for any loss that he has incurred” (p. 157). This statement is confusing, with whom the “insurer” can claim refund of premium? And if they mean “insured,” considering this a typo, then what is the justification behind the claim for compensation in addition to the refund of the premium?

Authors further write, “Insurance Act (Malaysia) 1996 provides that a policy may not be enforced if the insurer is able to prove that the statement made on the material fact or matter by the policyholder was inaccurate or false or made fraudulently, and was within the insured’s knowledge” (p. 170). There are several other references to this act in the

chapter. However, it is not clear why the authors have chosen to rely on an act which was repealed in 2013.⁵

The most interesting part of the chapter is discussion on various principles of insurance. Explanation on the essence and concept of good faith is quite comprehensive from the *sharī'ah* as well as conventional points of view.

Chapter Four: Practices of *Takaful*

The chapter starts with a discussion on agency and brokering. The authors offer different alternative solutions but are forthcoming in expressing their concerns as well. Under the first alternative they opine,

The licensed agent or broker should be a Muslim. In this case (meaning *Takaful*) someone who has no commitment to Islam or the Islamic faith may not treat both products fairly. In other words, if the agent or the broker is not a Muslim they may tend to mix right (*Halal*) with wrong (*Haram*) in the light of *Shari'ah* principle. There is a clear warning from Allah (swt) not to mix truth with falsehood. (p. 179)

In the second alternative, the authors are of the view, “If a person is allowed to market conventional insurance products together with *Takaful* products they may cause injustice to the market by mixing truth with falsehood in the sight of *Shari'ah*, something which is not tolerated in Islamic teaching” (p. 180). Here the Qur'ānic reference to the first alternative is incorrect, but a major issue in the reviewer's considered opinion is a myopic interpretation of the situation and not applicable to the suggestion provided. In the third alternative, the authors have suggested that a broker should be permitted to distribute *takāful* provided he is not allowed to market conventional products.

A portion of page 187 is repeated on page 192.

An important section of this chapter describes beneficiaries in *takāful*. The authors have well explained how from the *sharī'ah* point of view benefits of an insurance policy should be prioritized. They recommend that policy benefits should be clubbed together along with other assets and based on the *sharī'ah* priorities between *ḥuqūq Allāh* and *ḥuqūq al-ibād*; the latter should be given higher priority over the former. According to the authors, wealth (including insurance policy benefits) should be distributed in the following order: payment of debt, meeting of

⁵ There are three sections (4.12, 4.13, and 4.14) dedicated to discussing Insurance Act 1996 (p. 211–228). However, this reviewer could not find any justification for discussion on this act, which was repealed with Islamic Financial Services Act 2013. It would have been helpful if the authors had discussed these issues with reference to the new act.

funeral expenses, *waṣiyyah* (if there is an existing will subject to the maximum limit of one-third), and then the inheritors, according to their predetermined share. The authors emphasize that any *waṣiyyah* in favour of an inheritor will be valid only with the consent of other inheritors.

Moving ahead, the authors have gone in detail in discussing the rights of an illegitimate child. In addition to the classical discussion on the subject, they have also explored various modern possibilities of a child born out of valid wedlock such as surrogacy. Quoting sources of the *sharīah*, the authors declare that a child born to any women outside the recognized marriage will not be eligible to receive policy benefits from his/her father's side, but he/she will have the rights over the wealth of his/her mother and maternal relatives (p. 197).

Moving on the subject of accounting treatment in *takāful*, the authors are of the view that contributions and income should be recognized on a cash basis while expenses should be recognized on an accrual basis. Moreover, they have beautifully explained (and with great conceptual clarity) contributor's entitlement to the family *takāful*. This is followed by the authors' comment on *takāful* investment in government securities.

Meeting management expenses has been a subject matter of keen interest for *sharīah* scholars as well as business owners. Authors rightly portray that the contract of *muḍārabah* does not provide much flexibility on this count. However, relying on views of Ḥanbalī scholars, the authors offer three alternative solutions: 1) Meeting expenses through *muḍārabah* fund by taking advance prior consent of the participants; 2) meeting expenses through *takāful* operator's shareholders' fund; 3) deducting management expenses from *tabarru'* account of the participants. Making *qiyās*, the authors argue that when deduction of expenses are allowed from *zakāh* then why not from *tabarru'* account.

Solvency is another important topic touched upon in this chapter. The authors very rightly note that in *takāful* "conventional provision (of solvency) shall not be suitable" (p. 207; emphasis added). Justifying their reason, the authors state,

The *Takaful* operator is like a fund manager of the *Takaful* fund contributed by the participants. The operator is under an obligation, in consideration of a mutual benefit, to manage the fund wisely and provide security against a defined risk. Therefore, in the course of managing the fund, if the operator faces a form of unexpected insolvency, both the operator and the participants must equally share responsibility in facing the insolvency financially. (p. 207)

This assertion raises two important *sharī'ah* issues. First, the concept of mutuality is applied to the participants only who join to share the collective risk of each participant. Second, the *sharī'ah* relationship between the participant (or the fund) and the operator is based on *muḍārabah* (or *wakālah*). In such a scenario, the *sharī'ah* requirements of the contract do not allow the operator (*muḍārib* or *wakīl*) to share the risk of insolvency. A financial burden on *muḍārib* or *wakīl* can be imposed only in the case of breach of contract or willful negligence. Taking discussion forward, authors recommend that fifty per cent “of the entire liability may be imposed on the operator. . . .” They also recommend this responsibility to be accounted, “as a *Qardhu al-Hasana* with temporary effect” (p. 210). What the *sharī'ah* justification is for this suggestion is not very clear as the authors have used the same set of references for their views time and again. The Qur’ānic verse, “And co-operate ye one another in righteousness and piety” (Qur’ān 5:2) has been used more than thirty times in the book in various contexts.⁶ Can this exhortation be justified to avoid basic *sharī'ah* requirements of a *muḍārabah* and *tabarru'* contracts?

Discussing transfer of business of *takāful*, authors stress, “In order to fulfill the objective of *Takaful*, a mutual cooperation in the course of business of *Takaful* can be sustained only among the *Shari'ah* based *Takaful* operators but not between a conventional insurer and a *Takaful* operator” (p. 219). Their recommendation about non-cooperation between *takāful* and conventional insurance companies has been highlighted by the reviewer in the previous section. This reviewer believes that this suggestion will cut no ice.

Chapter Five: Family *Takaful* (Islamic Life Insurance)

This chapter is dedicated to discussing life insurance or family *takāful* as it is more popularly known. The chapter begins by highlighting common issues raised on the subject. Thereafter, common differences between conventional and Islamic life insurance are noted. Most of the issues raised in this chapter have already been discussed in the second chapter. For example, section 2.3 (p. 66) relates to “The dispute among the Ulema on Insurance.” Almost the same arguments, with slightly different angles, are discussed in this chapter under section 5.5 under the title, “Dispute among the Islamic Scholars” (p. 238). The second chapter talks

⁶ For example, see the following page numbers: 4, 15, 18, 24, 53, 55, 66, 69, 73, 79, 87 (2), 101, 102, 106, 138, 146, 149, 161, 164, 183, 187, 192, 208, 209, 236, 238, 243, 244, 246, 249, and 363.

about “Misconceptions related to Islamic Insurance.” This chapter talks of “Opposing Views” and its grounds (p. 239). Similarly, “Response to these Misconceptions” (p. 69) has similarity with “Response to the Opposing Views” in this chapter (p. 242). “Further Justifications for the Validity of Insurance in the Islamic Economics” in Chapter two (p. 71) has almost a mirror image in this chapter under the head, “Further Grounds for Justification of Life Insurance in Accordance with the *Shari’ah* Principles” (p. 247). This uncanny similarity is hard to miss. Why did the authors choose to add a separate chapter when all these issues could have been put at one place without repetition? If they wanted to have a separate discussion on life *takāful*, then why is there no chapter on general *takāful*?

Chapter Six: *Retakāful* and Its Importance to Islamic Finance

Notwithstanding its title, this chapter’s focus seems to be on highlighting the landscape of the global *takāful* industry. Table 6.1 gives a list of top-ten *takāful* countries in terms of assets. Table 6.2 gives an idea of “Countries Outlook” and table 6.3 gives region-wise breakup of *takāful* assets. Table 6.4 is repeat of Table 1.1 (p. 8). Table 6.5 provides a list of Islamic finance industry organizations followed by a small introduction of select organizations.

Section 6.3, “The Role of *Retakāful*” sets the context with a short introduction on facultative and treaty reinsurance. The Islamic Fiqh Academy’s resolution of 1985 is cited to highlight the need and importance of *retakāful*.

Section 6.4 is focused on *retakāful* operational models. Some of the models discussed here have already been discussed in chapter one (p. 39–40). The *wakālah*, *waqf*, and *wadī’ah retakāful* models are the additional models discussed here. This reviewer is not aware of any *wadī’ah*-based *retakāful* in practice.

In essence, there is no conceptual difference between the *takāful* and *retakāful* models. However, in real life, participants in *takāful* are individuals and businesses whereas in *retakāful* participants are *takāful* companies only. *Retakāful* assumes significance as *takāful* operators themselves need to spread their own risks, to arbitrage on different risk pricings, and to achieve better solvency margins. All these important roles are played by *retakāful* operators under the same *shari’ah*-compliant models as in *takāful*. Risks in *retakāful* models are shared both vertically and horizontally. It could be shared proportionately or non-proportionately. It could be through general understanding with the *takāful* operator or through specially negotiated agreements.

In the next section (i.e., 6.5), the authors talk about “The Role of *Retakaful* as Constraint on Growth of *Takaful*.” They note various specific challenges faced by *retakāful* segment such as their “restricted capacity” which forces *takāful* companies to approach conventional insurance companies. They also talk about poor staffing in *retakāful* segment and recommend various training organizations to play a role in “reshaping attitudes about insurance and encourage young people to seek” a career in *takāful* (p. 274). Importance of rating is also highlighted in this regard by the authors.

The authors write, “Thus, we will next describe the profile of global reinsurance for a better appreciation of what resources currently exist and trends which will impact future *Takaful* growth” (274). Unfortunately, this reviewer could not find any discussion on this subject in the entire book.

At the end, there is an appendix which presents IFSB governance guidelines as well as makes some graphical representations of the *takāful* market. The following discrepancies are observed by this reviewer:

- 1) Figure 6A.1 projects global *takāful* assets from 2012 to 2022. It is not clear from the graph as to which is the actual figure, and which is projected.
- 2) Figure 6A.3 misses the actual number by a big margin. The original source Milliman’s *Global Takaful Report 2017* (p. 7) quotes the South East Asia Market size as fifteen per cent whereas in this appendix this figure is quoted as ten per cent. Similarly, the GCC market in the appendix is projected as eighty-two per cent but in the original report this figure is quoted as seventy-seven per cent.
- 3) The most glaring oversight is observed in copying CIBAFI *Global Takaful Survey of May 2018* (p. 42). CIBAFI original report presented a survey capturing *takāful* risks as expressed by respondents in respective orders. The same survey is copied in this appendix (p. 283) in alphabetical order missing the whole insights of the survey.
- 4) Another table “*Global Takaful Industry Top Concerns*” is repeated on page 283 and 285.
- 5) There are avoidable typos and omissions found when this appendix is tallied with the original sources.

Chapter Seven: Contemporary Issues in *Takaful* Implementation

This chapter raises a host of issues faced by *takāful* industry in general. The chapter talks about legal framework, role of institutions and infrastructure, importance of supervision, role of research and

innovation, communication and training, governance, reputation, international cooperation, liquidity, and investment management. The chapter quite systematically covers the above-referred issues and makes recommendations on how to address these challenges.

The multiplicity of legal and regulatory environment, lack of *sharīah*-compliant investment, and problem of liquidity is highlighted along with major challenges faced in *takāful* governance and risk-management-control processes. There is also an important suggestion to make *takāful* products easy to comprehend (p. 289). Shortage of expertise in *takāful* and *retakāful* is also pointed out (p. 290). The authors have rightly highlighted participants' lack of representation in the governance structure and recommend that they be accommodated (p. 291).

The lack of suitable *sharīah*-compliant investment instruments, keeping in view the specific requirements *takāful*, is also highlighted in detail. Authors, while talking about equity investments, have highlighted following conditions in conformity of *sharīah* law (p. 296): 1) The social object must be lawful. 2) The assets of the company must consist mainly of physical assets and not of claims. 3) The company must not contract loans or interest loans. 4) There cannot be any preferred shares or super dividends because the rights of all shareholders are equal in capital.

Above recommendations are quite old. In the last twenty years, many organizations including AAOIFI and SEC Malaysia have come up with more specific and objective *sharīah*-screening criteria. It is not clear why the authors have chosen not to consider them.

Moving further, the authors have highlighted marketing strategies, branding, and accounting related issues such as upfront heavy deductions, etc. Chapter ends with an engaging discussion on *takāful* in Europe. The authors have highlighted the importance of cooperation between Muslims and non-Muslims for spreading *takāful* in Europe. They suggest, "*Takāful* should not be marketed exclusively to Muslims but an inclusive way for everyone" (p. 314).

Unfortunately, in this section also a paragraph is verbatim repeated on page 311 from page 286.

Chapter 8: Databank of *Takāful* and *Retakāful*

This is the last chapter of the book comprising nine sections:

1. Reference to Qur'ānic verses justifying *takāful*. All the verses quoted in the book are stated here.

2. References to Prophetic traditions justifying *takāful*. All the *ḥadīths* quoted in the book are presented here.
3. This section gives a selective list of juristic opinions related to insurance (regarding its permissibility, prohibition, and recommendation). The latest *fatwā* listed here is of 1995.
4. Encyclopedia, dictionaries, and periodicals related to *takāful* and *retakāful* are listed here, the latest being from 1999.
5. A list of online sources of information.
6. Regulatory framework governing *takāful* and *retakāful*. This list is highly selective and dated. Insurance Act (Malaysia) 1984 is listed here but later versions like 1996 and 2013 are missing from the list.
7. This section lists thirty-two reasons highlighting the contrast between *takāful* and conventional insurance.
8. This section is comprised of selective extraction from *One Hundred Questions & One Hundred Answers Concerning Islamic Banks*, published by Islamic Banks International Association Cairo, 1980 and *Rules of Shari'ah Supervisory Boards*, by Faisal Islamic Bank, Sudan.
9. The final section is a graphical representation of three *family takāful* models. (i.e., *wakālah*, *muḍārabah*, and hybrid of the two). Unfortunately, the most glaring omission in all the three graphs is the claim and *retakāful* part. No mention of payment of claims and *retakāful* contributions makes the graphs look like just investment management schemes based on *wakālah* and *muḍārabah*, hence missing the real essence of *takāful*.

Last Words

The book is rich in content. However, poor editing, replications, repetitions of arguments, tables, references, and less than thoughtful reproduction of earlier published work of CIBAFI and *Shari'ah* Supervisory Board (SSB) much reduces the pleasure of reading this book.

The title, *Encyclopedia of Islamic Insurance, Takaful and Retakaful* does not fairly reflect the contents in the book. Encyclopedic information is less at the cost of views and normative suggestions. Using two words “Islamic Insurance and *Takaful*” in the title does not make much of a sense as they both are the same. Finally, there is hardly any fruitful discussion on *retakāful*. The chapter focused on *retakāful* has more discussion on reinsurance and *takāful* than *retakāful*.

In the last five years there have been some excellent researches published on the subject. It would have been great if the authors had not missed referring or listing them in the bibliography.

Takāful remains a very exciting and underexplored subject and it is hoped that the authors and other researchers will produce more substantive, relevant, and contemporary research on the subject.

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