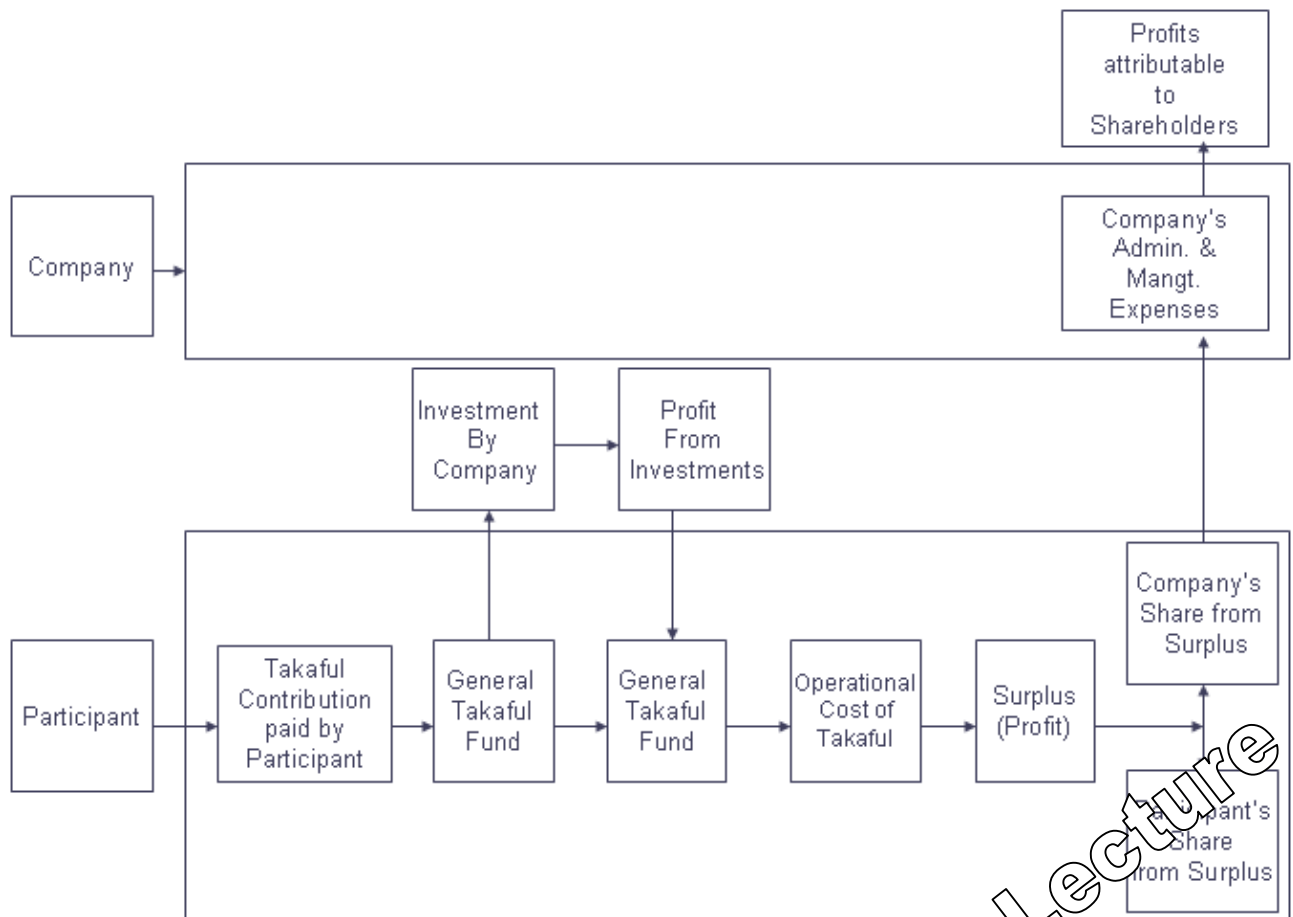


Chapter 20: Takaful Models

a. Mudaraba Model

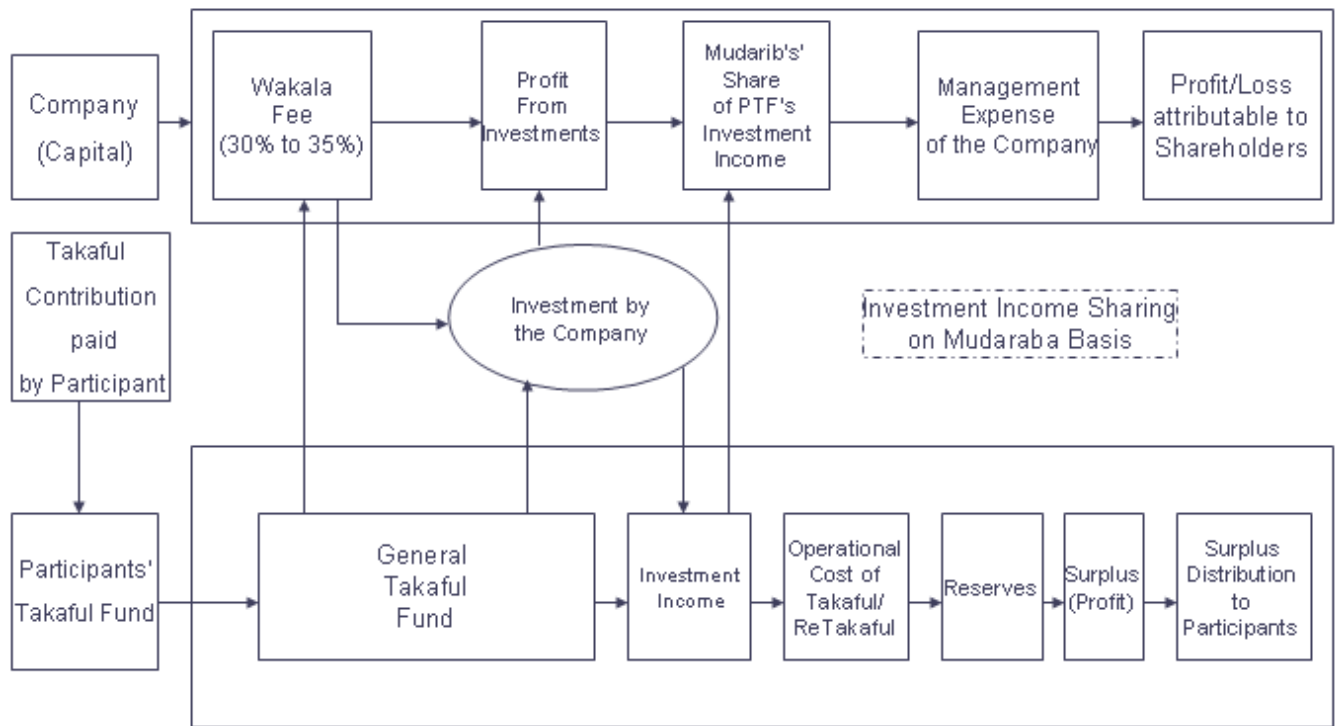
The surplus is shared between the participants with a takaful operator. The sharing of such profit (surplus) may be in a ratio 5:5, 6:4 etc. as mutually agreed between the contracting parties. Generally, these risk sharing arrangements allow the takaful operator to share in the underwriting results from operations as well as the favorable performance returns on invested premiums.



Sample Lecture

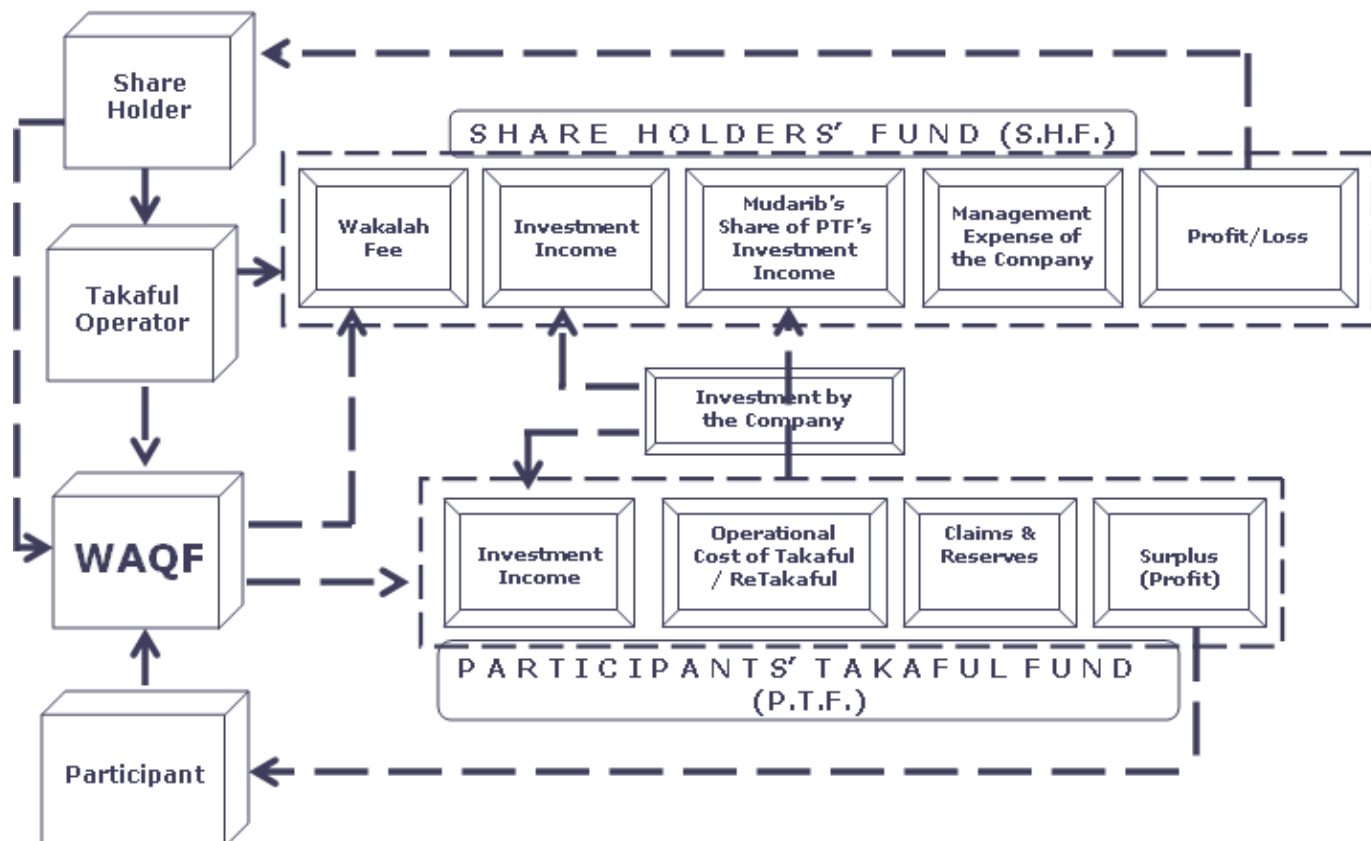
b. Wakala Model

Cooperative risk sharing occurs among participants where a takaful operator earns a fee for services (as a Wakeel or Agent) and does not participate or share in any underwriting results as these belong to participants as surplus or deficit. Under the AI- Wakala model, the operator may also charge a fund management fee and performance incentive fee.



Sample Lecture

c. Wakala -Waqf Model



It is a WAKALAH model with a separate legal entity of WAQF in-between.

- The relationship of the participants and the operator is directly with the WAQF fund. The operator is the 'Wakeel' of the fund and the participants pay contribution to the WAQF fund by way of Tabarru.
- The contributions received would also be a part of this fund and the combined amount will be used for investment and the profits earned would again be deposited into the same fund which also eliminates the issue of Gharar.
- Losses to the participant are paid by the company from the same fund.
- Operational expenses that are incurred for providing Takaful services are also met from the same fund.