

Shariah Status of Conventional Insurance: An overview of Takaful Framework in Pakistan

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Abstract

Emerging awareness of the necessity for protection is creating the demand for takaful. Islamic Finance and Takaful have appealed for the strong ethics of the system of fairness, transparency, and distribution of wealth leading to social goodness and an environmentally friendly focus for generating economic activity. In this study, we will provide a comprehensive concept of takaful along with its legal status under Shari'ah law. This study will clarify the differences between conventional insurance and Takaful and the significant emerging importance of Takaful in Pakistan. Conventional insurance is based on uncertainty with the traditional system, which is not allowed under Shariah Law. The rich data also show this difference, so this study will also deal with the legal status of conventional insurance along with the conceptual and practical framework of Takaful in Pakistan. We used a qualitative approach based on library research, books, articles, research papers, and juristic analogies. The main purpose of this study is to provide a comprehensive conceptual framework of Takaful and conventional insurance and its legal status under Shari'ah law in Pakistan.

Keywords: Takaful, Conventional Insurance, Shariah, Pakistan.

Introduction

The word Takaful originated from the root word “Kafalah” which refers to “guaranteeing to each other” or “mutual benefits.” This term is used to describe the structure of Islamic insurance as an alternative to conventional insurance. In simple words, Takaful is professed as mutual or cooperative insurance, where contractors contribute a certain amount of their assets to a common pool. The main purpose of this mechanism is to not generate only profits but is to uphold the principles of “bearing one another’s burden.” Conventional insurance is not allowed in Islamic Law

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because it contains harmful elements in its structure, likewise uncertainty, Gambling, and Interest.

The takaful concept is being emerged due to its smooth process and as an alternative to conventional insurance. Therefore, the Takaful system is designed to provide compensation and protection to individuals in the industry. The structure of Takaful coverage is based on the Islamic law of contracts. Basically, insurance or life insurance or any other kind of insurance is not haram. But, in the current era, most of the insurance structures are riba based, so it is not permissible. However, any insurance or life insurance that is related to the riba is not allowed in Islam. Because they fix the profit that would be provided after the specific time to the customer. Islam provides an alternative known as Takaful that is fully halal-based and Shari'ah compliant. In takaful multiple, the customers make a pool together and invest their amounts for the purpose of helping each other in case of occurring any loss or damage. So, for this purpose, through the halal mechanism and making sure that there is no element of riba or uncertainty, it is allowed and permissible.

Over the past decade, Pakistan's Islamic ideology has explored the role of takaful in the economic system of Pakistan. It is also observed that there is a little bit of rejection of Takaful due to some normal reasons, such as the lack of accurate awareness among the people. This study is prepared as a discussion of Islamic insurance and points to its framework in Pakistan, citing the views of jurists and Islamic scholars. Due to the robust growth of the Takaful, quick guidance is being introduced as a development of the Takaful market. In addition, a change in the views of schools of thought and Shariah scholars lead to the development of ethics in the Takaful institutions (Eddine, 2013).

a) Conventional Insurance

It is very important to understand the comprehensive concept of conventional insurance. It may also provide financial assistance in the event of a disaster. In advanced countries, insurance is already developed into day-to-day operations and, in many cases, is known as unavoidable. The current conventional insurance system is playing a dynamic role in Pakistan's economic system. Most economic theories also agree that the essence of takaful insurance is to eliminate the risk of uncertainty by amassing a large number of individuals. Therefore, the latest comprehensive research on Takaful insurance is providing true awareness to eliminate the confusion regarding Takaful in Pakistan. Unfortunately, when it goes beyond insurance practices, it is observed that conventional insurance involves prohibited aspects such as uncertainty, interest, and gambling. These things are contradictory to the teachings of Islam, as the result of incorporating these elements does not bring justice to all concerned (Center for History and New Media et al., 1999).

Insurance is an agreement between two parties; one is an insurer and pays a specific fee to another insurer in exchange for an amount in certain circumstances. Thus, the person buys the insurance to protect his or her future risk and pays for unforeseen damages. According to company policy, if one of its insurers suffers a loss, he is reimbursed in full, and the company reimburses for the benefit. At the same time, Takaful insurance is a system that is fully Shari'ah compliant and does not contradict Shari'ah rules and regulations. There are also some situations in which conventional insurance procedures are not allowed (Klingmuller, 1969).

b) Mechanism

In the insurance application, Hanafi must conclude that the insurance companies affiliated with the insurance company do not affect the validity of the insurance contract itself. The agreement will not be declared invalid under Islamic law. For this policy, it applies in full to the following terms and conditions:

- Risk management
- Investment security
- Prudent deposit payments
- Extremely high forecasting
- Risk assessment and control
- Behavior for problem-solving
- level of acceptance and expenditure

Managing insurance plans requires knowledge and awareness of prohibitions in contradiction to Islam. Thus, knowledge of Shariah law is most important. Investment management requires specialized skills and experience as well as adherence to standards to ensure successful financial management. It should be noted that the development of Islam and nationalism, which led to a good and demanding insurance system, was the first to understand the positive effects of international cooperation. International relations create new laws and tariffs despite restrictions. It will also provide additional insurance to these companies under the contract process. In addition, international cooperation provides good insurance coverage opportunities in developing countries where the size of the insurance sector is relatively small. The global economy can contribute to the health insurance industry by following the regulatory principles of the economy and the growth of the global economy, individually, regionally, or as a group.

c) Islamic-Legal Status of Conventional Insurance

This section discusses the legal status of insurance with the evidence from Quran, Hadith, and Fatwas. Investing is a key part of financial matters. When it comes to insurance, assets must be legally provided to the benefit of the insurer by participating in campaigns with groups that accept Islam and do not participate in restricted matters.

The difference between legal and conventional insurance practice is complex. Some of the jurists are presuming to cancel their insurance agreements if they have invested in unconditional practices, arguing that the profits have not been eliminated. Another jurist argued that insurance companies do not invest in capital agencies that violate Shari'ah or are affiliated with other companies involved in crime or other offenses.

The Islamic financial system provides a fully Shari'ah-compliant Takaful insurance system as well as an alternative to conventional insurance. Here is evidence from the Quran regarding the prohibition of alcohol.

“And from the fruits of date palms and grapes, you obtain sugar and (other) wholesome foods. Indeed, there is a sign in it for those who have a reason”.

[An-Nahl, 16: 67]

“They ask you about alcohol (i.e., intoxicants) and gambling. Say: ‘Major sin lies in both of them and also some (worldly) profit for the people, but their sin is greater than their profit.’ And they also ask you about what they should spend. Say: ‘(Spend) whatever is surplus to your needs.’ Thus does Allah make His commandments clear to you so that you may meditate”.

[Al-Baqarah, 2:219]

“O, believers! Do not go near Prayer in a drunken state until you are able to understand what you say. Nor (should you approach Prayer) until you bathe after total ablution becomes obligatory unless you are traveling. And if you are sick, or on a journey, or return from a call of nature, or make sexual contact with (your) women and then fail to find water, then clean yourselves by using pure soil. So, wipe your faces and hands. Surely, Allah is Most Pardoning, Most Forgiving”.

[An-Nisā', 4:43]

Islamic financial institutions have reported that investors are investing in Islamic services. When investing with the participation of banks in subsidiaries, the distribution affects the minimum amount to be paid. Islamic bank reserves are generally stronger than private banks because many depositors create a few small accounts (Daud et al., 2012). Islamic investment companies are represented, especially Western traders like Dar al-mal al-Islami in Geneva and Al Baraka and Al Raji investments companies. Islamic banks and other Islamic financial institutions make significant profits from the return of investments. Today, interest rates are the international standard for investing in free markets. As an expression of capital, it controls supply and demand and promotes the integration of different foreign exchange policies. This is well aware that several studies are being conducted on laws regarding interest rates and the prices of goods and services. If any insurance company intends to liquidate the international financial system, it may consider terminating the

closed operation. However, this method can cost as much as an Islamic company. Unless the industry recognizes Islamic companies, it is not possible to reinvest in investment companies, especially if the income is higher or lower than that of ordinary companies. The failure of the investment system is due to illegal Islamic practices, which are often observed in counter economies where interest plays an important role at all levels. But this situation is not the key to coverage; it comes from the insurance system. If there is a way to invest and operate the insurance, the insurance will not be completely free of restrictions (Khorshid, 2004).

The purpose of the Shariah law is the protection of religion, life, reason, progeny, and property. In this context, we must consider the concept of expansion and its application in Islam. In other words, this discussion will also examine both the concept of Islam and its relation to the objectives of Shariah.

The main purpose of Islamic law is to avoid violence and harassment against all people. These benefits are also important to others. Doing good valuable life and hereafter. The value of the world in life is central to the spirit of life. Human life, conceived by God, is a present and a future. Lifestyle, religion, children, life, and wealth must be protected. Good people need to set and follow certain guidelines and goals, but these effects are often confused with human physical weakness. The main purpose of understanding and interpreting Shariah is to protect human life, improve information and media, protect one's progeny from immorality, and protect business by avoiding things forbidden by Islamic law. These are simple necessities, not only for human health and physical needs but also for the most important spiritual and life needs. A Muslim's life can be dangerous and confusing without the development of the five elements, social security, religion, ideology, and infrastructure in this current era. According to Syed Ibn-Abdin, it is not according to Islamic law for a trader to pay an insurance company to make up for lost expenses. Providing traditional coverage includes Riba, Maysir, and Gharar, which is against Islamic Law. Riba is used in Arabic, which means to pass or add. In Islam, interest-free loans are accepted if the interest is charged; it is illegal and contradicts Shariah law. Hazrat Jabir (R.A) said, "The Holy Prophet (SAW) cursed the destroyer of the island, his rewarder, the scribe and two witnesses that they are one (in sin)" (Karim). Not sure if the agreement of one party will get the other to lose it. Maysir is a place where small business investor expects to make a huge profit in the short term due to the loss of their invested capital as well as the potential for higher returns. Maysir refers to the acquisition of something easily. In the Qur'an, Allah clearly states that Maysir (gambling) is illegal and has no entertainment in it.

About 200 scholars attended a conference in Mecca and concluded that the coverage provided by traditional insurance companies is contrary to Shariah (Sugawara & Nikaido, 2014). At this conference, it was also decided that the shariah insurance system is different from the traditional insurance system and adheres to shariah law.

The first Islamic insurance company in Pakistan was established in 2004 and now has several Islamic insurance companies. This section discusses the general position of Muslim lawyers in obtaining general insurance coverage, including conventional insurance coverage. It also outlines plans to establish security measures under Islamic law. The Fuqaha (Islamic Lawyers) ignore the notion of insurance coverage in Islam, mainly because they care about the beneficial behavior of Muslims in society daily and not for the sake of distrust and panic, which is closely related to the concept of coverage.

Ulama's issued fatwas related to conventional insurance. Hanafi scholars consider collaborative insurance to be halal, whereas other types of insurance are haram because it involves interest. According to Maliki (other schools of thought), a life insurance policy is unconstitutional, whereas other insurance policies are legal. Sha'fi agrees with Maliki but is on another insurance contract. They think the same way. Based on Hanbali's insurance, contracts are illegal (Mankahady, 1989). A conventional insurance policy includes risk factors that make the contract void and therefore unacceptable in Islam, where a support agreement (takaful) follows shariah principles and is valid. The true nature of Takaful has dedicated support from Fatwa Ulama. From the arguments discussed earlier, social security lawyers see business insurance as a form of cooperation that promotes security and peace among the people rather than being more active in the region. Giving money has become an important part of dealing with life's problems today. Therefore, it considers itself a matter of daily life that a developing country cannot survive. Some of the Islamic scholars in Shariah have different views on conventional insurance, not in human thought, but on the type of modern business plan and solidarity. Some people think that this kind of economy is an attempt to break the unity because Islam supports this kind of economy which has many benefits for the individuals. Wherever there is a price, it must be present. They see this guarantee as a promise of cooperation that seems unknown, according to Islamic law, which recognizes the transaction in detail. In addition, it has a suspicion that it is dangerous and unpredictable. The Prophet Muhammad (SAW) said: "Let go of that which doubts you, and dwell on that which does not doubt you." Although shariah scholars differ from the insurance industry, they certainly agree that this type of insurance is still questionable, objectionable, and illegal under Islamic law. Policies make sure that how insurance companies do not accept investments and how they pay their clients' insurance. Other lawyers do not look at the fiscal crisis in search of insurance but often believe that insurance has become an important part of life. It requires more focus under new laws that often follow the spirit and principles.

Takaful Insurance

All Islamic financial institutions must fulfill the Shariah rulings to get approval for being Shariah-compliant. The agreement must be under the principles of Islamic law. It is also forbidden to agree with parties that agree to buy and sell their products or are

particularly insecure because the seller must decide to avoid confusion or conflict. Takaful must abide by a legal agreement to justify its activities, which include enrolling in the Takaful fund, investing in those funds, and making payments to applicants who are entitled to cash. These are all financial companies that need legalization regarding the execution of Takaful. In relative terms, the concept of modern or conventional insurance is easier to understand and define, especially from a business perspective. It is an agreement that obliges the insurance company to pay the sum insured or demand payment. Insurance companies will have to pay a premium to take advantage of this agreement. As a company with specific obligations in the agreement, the company must be viewed from a regulatory perspective to meet those obligations. Takaful cannot adopt the same concept because, under Islamic law, an exchange agreement means that the exchange of protection for a premium is not certain in the relevant values.

Freedom from uncertainty is never possible in the insurance industry because uncertainty is separate and inseparable from premiums/contributions and fees. In response, the Takaful Agreement should be based on a different type of agreement with reference to the first World Islamic Fatwa issued for insurance, such as the Tabarru agreement or the donation. The legal arguments for this fatwa are well-meaning, although they are not necessarily coherent and commercially attractive. Furthermore, the Fiqhi maxim has embraced the concept of Tabarru cooperation, which can counteract the uncertainty of a Tabarru agreement. This is seen as the best principle to facilitate modern takaful schemes. Technically, Tabarru is a generic name, not for a bilateral agreement, but a declaration of unilateral intent, a special type of agreement in Islamic finance. The purpose of these agreements is to assist the recipient in return without much consideration. In Takaful, this means that the person participating in the program provides funds for the benefit of other participants under the agreed terms. The donor is not considered to be in default in this process. This agreement is considered in Islamic business Law and also as a permitted agreement. After discussing how to add value and importance to Tabarru agreements, the question arises whether a simple Tabarru agreement is an effective way to make specific activities financially and legally feasible. This is based on the premise that the Accounting and Auditing Authority of Islamic Financial Institutions (AAOIFI) has developed a technical approach to Tabarru, defining consensus. Takaful is described as a joint venture rather than a single partnership agreement. The institutional component of the legal framework has changed significantly. Although this aspect can make the agreement more constructive and legal, it raises the puzzling question of whether conditions can be created for the company to benefit from it. In the case of Takaful, the donation agreement is not pure or simple, as the Takaful subscriber will donate only if he can benefit from the fund in case of additional claims and distributions. The question arises as to whether conditional gifts are allowed. There is nothing wrong with giving away something to benefit from their partnership in the

future. The possibility of receiving a claim from members/donors does not invalidate the original gift, as a claim may or may not be made. Even when the claim is paid, the money is received from a mixed and indivisible mutual fund.

a. Takaful Mechanism

Takaful is being widely emerged in the Islamic financial system of Pakistan. It is important to highlight the issues regarding insurance plans. Conventional and Islamic Insurance (Takaful) were working together until the enactment of the Insurance Act in 2005. Since then, Takaful companies have entered the industry, and now there are many Takaful companies operating in Pakistan. Since 2006, some of the Takaful companies have shown good growth as well as low cost and resource management, which are mentioned below.

- Pak Kuwait-Takaful Ltd.
- Dawood Kuwait-Takaful Ltd.
- Dawood Family-Takaful Ltd.
- Pak Qatar General-Takaful Ltd.
- Pak Qatar Family-Takaful Ltd.
- Takaful Pakistan Ltd.

In terms of performance, this is a key factor for Takaful companies as they face stiff competition from conventional insurers. There are new customers in the market who do not want to buy insurance policies due to their contradictions with Islamic law. But now, with the benefits of Shariah's support, many new customers are ready to go for Islamic insurance. Therefore, Islamic insurance companies can increase their customers and market efforts. Takaful companies have grown rapidly in recent years. This is the main reason for evaluating the performance and effectiveness of insurance and such coverages. Moreover, Shariah-compliant insurance companies and regulators will try to develop products following modern Islamic law, which will increase the demand for fees and increase the growth of the Takaful industry in Pakistan.

b. Nature of Contract in Takaful Companies of Pakistan

In general, Takaful has a higher risk rather than conventional insurance. Conventional insurance companies invest heavily in their budgets and savings to reduce risks. However, under Islamic law, Takaful prohibits interest, which prohibits investing in a fixed amount. In the case of general insurance, the contract is based on an interest rate exchange policy. Conventional insurance companies enable you to get high-quality insurance. Under Islamic law, it is forbidden to join an insurance contract (Archer et al., 2012). According to law, everyone has the right to know how their

money is being used and the market value. In Pakistan, two main types of takaful contracts are widely being addressed, which are known as general Takaful and Family Takaful. The main differences between these two types are mentioned below.

Table 1.0: Difference between General and Family Takaful

General Takaful	Family Takaful
General Takaful is a complete Takaful that covers everything except family and health benefits. This is usually for a short term, such as the number of insurance days. Here are some examples of popular General Takaful products;	Family Takaful is an example of life insurance. This includes family, health, and education. This is usually a long-term policy that can take up to 30 years. There are some exceptions;
Car Policy;	Critical Illness
Fire Takaful;	Saving Benefit;
Travel Policy;	Family Takaful;
House Coverage;	Health Benefit Takaful;
Group Coverage;	Education Benefit; Coverage;
House Content Coverage;	

Conceptual Framework of Takaful

A huge amount of literature regarding the emerging development of Takaful has grown exponentially over the past decades. Several books refer to the Takaful theory that differs in the matter are often overlooked (Archer et al., 2012). Below, the comprehensive conceptual framework of Takaful and Conventional Insurance is described. Below is the difference between Takaful and conventional insurance.

i. Joint Guarantee/Tawaan.

Takaful defines it as Islamic insurance, which includes a grant or compensation, but health insurance is based on compensation and insurance exchange (Archer et al., 2012). Character relationships are based on a sense of solidarity, trust, and brotherhood, but leadership always comes from others (Gunasekaran & Yusuf, 2002). In Islamic society, honorable deeds are based on the principles of cooperation and understanding. Participants agreed that they would help each other and give of themselves by collecting donations from individuals and finding their relationships. Insurance companies work to protect against discrimination (Billah, 1997). The main purpose of the Takaful in the context of Islamic Law is to ensure equality for all participants and the purpose of the agreement is to help others. But, if we move toward the current era, the capital being collected is immediate, and the business is started to generate (Hussain & Pasha, 2012).

ii. Social Solidarity/Shared Responsibility:

Takaful, Islamic health insurance is to be viewed from the perspective of solidarity, cooperation, and the exclusion of missing societies. When an agreement is reached between a group of jurists, they agree to point out responsibility for any destruction or damage that may result from one of their prayers. In its joint venture, when the relationship with the insurance company is severed, it is paid according to the law and circumstances (Maysami, Golriz, and Hedayati, 1997). Takaful agreements cover all aspects of human life and business and property damage. The principle of Islamic protection is based on the principles of cooperation and solidarity. Social Security aims to prevent the risk of compensation by covering the costs of activities that impact very negatively.

iii. Concept of Aqilah:

Takaful is not a modern concept in Islamic business law. Lawyers now agree that the obligatory basis or Takaful was applied to the "Aqilah" system, which is a provision for assistance or the usual payment of tribes in the time of the Prophet (S.A.W). In the event of a disaster, everyone contributes until the debt is paid off. Takaful is based on Aqilah's idea of paying blood money, as each tribe paid for it. Islam embraces the principle of mutual reward (Billah, 1998).

iv. Risk Distribution:

The difference between Takaful and insurance is that in Takaful, there is no risk of the employee losing large sums of money, which means that the employee does not sell without an accident and does not participate in the co-signing (Mushtaq Hussain & Tisman Pasha, 2011). The third member acts as an administrator. As such, investors do not pose risks, but delegates agree to report risks from the investor. Traditionally, health insurance is an agreement between two parties in which the first person agrees to put the other person at risk and the second person to insure (SPENCE & ZECKHAUSER, 1978).

Conceptual Framework of Conventional Insurance

The process of working in insurance is always based on "risk," but takaful work is done through cooperative work. Health insurance plans are based on the following.

a) Concept of Uncertainty:

According to Dr. Zuhayli, Gharar means "A contract which contains a risk to any one of the parties which could lead to his loss of properties." We can imagine simple examples such as "selling fish in the water" or fruit from a tree at the beginning of the

season. This can cause unlawful harm to one party and further injustice to the other. Gharar prevented him from seeking the consent and assistance of both parties because he did not provide any information, publication, or statement (Haberbeck, 1987).

With the expertise of startups that limit business potential, it is important to understand that uncertainty is the impossibility of trading (Khan, 2005). Islamic texts use the word "Gharar" to describe uncertainty. This promise of loss or profit is often expressed in rare cases. Under Islamic law, fraudulent exchange of transactions should be identified if it is part of the family, but health insurance always follows the notions of risk and ignorance (El-Gamal, 2000).

b) Concept of Gambling:

Gambling in the insurance industry is 'very risky' for the insured to earn large sums of money without insurance. However, the law of "large numbers" also works, namely social uncertainty. Maysir, which causes Gharar, is avoided under the Takaful system. But insurance policies are observed as a form of gambling wherein the insured is risking losses for insurance companies. It is also observed as acquiring wealth or, by default, on other values (Khan, 2005). Muslims will come forward to control or supervise the insurance company. The need for insurance companies is growing everywhere, leading to more effective policies than state regulations and policies. Many countries like India have introduced insurance companies. For Islamic countries, the issue is not whether an insurance company should be organized, but what needs to be considered is whether it is designed in such a way as to promote the interests of all with the sunnah contradictions in mind. So, it must be encouraged and disseminated at the national level in the Islamic community. Insurance against aging, unemployment, illness, and injury will be supported by governments at the national level, so all those countries can unite in providing care for the sick, elderly, or unemployed, with or without employment. Except for premiums, Islamic governments will receive zakat on their contributions. It is like the national insurance system that covers the financial risks of everyone from childhood to death. The only difference is that the money is not used for interest-bearing activities. Moreover, insurance companies are now investing their money in loans and other income-generating services. But Islamic insurance companies need to lend rather than trade in the industry. Islamic insurance companies are encouraged to invest immediately or in Mudarabah or Islamic banks and other credit institutions. The Islamic government can learn about the welfare, opportunities, and methods of setting up insurance companies and Islamic banks because Islam does not accept the game with uncertainty.

c) Concept of Interest:

The Islamic financial system does not accept interest. The Sunnah of the Holy Prophet (SAW) strictly forbids charging any increment on a given amount (El-Hawary

et al., 2007). The most important source of income is used, and as land or resources, everyone has the right to return regardless of what they do or lose. But we must understand that the basic principle of the Islamic financial system is that any profit from trade is commensurate with price or risk. According to Sharia, capital and budget are pending projects with risks and rewards. Insurance companies often charge premiums on interest-bearing applications such as bonds and loans (Nadar, 2009).

d) Investment of Funds:

The division between conventional insurance and Takaful insurance is also viewed from an investment point of view. Insurance providers cannot invest in assets that are prohibited by Sharia, such as alcohol, prostitution, or prohibited pork. However, Takaful companies invest in interest-free businesses keeping in mind the concept of Halal and Haram (Khan, 2005).

Economic Foundation of Conventional Insurance

The economic foundation of conventional insurance is not the elimination of risk or loss, although insurance companies may find it beneficial to engage in this activity. The recovery of small losses is known for large losses that are not covered. The impact of this foundation is not as severe as it seems at first. The general public benefit from the pool of assets that compensates for losses due to the destruction of valuable assets. Trade costs are lowered until threat levels are removed, credit is promoted, and people are protected by cooperation to avoid poverty and deprivation for themselves and their dependents. The fact that membership payments help each member when needed is an important feature of insurance.

In Pakistan, insurance has been recognized as a highly effective source of information for raising national funds for productive purposes. Gambling is not allowed in Pakistan's Islamic financial system. Gambling contaminates social life, impedes moral and spiritual development, and promotes unjust. In this way, it becomes an obstacle to development. Now the question is, is there a difference between Islamic and traditional insurance? Islamic insurance differs from conventional insurance in terms of formation. In other words, Islamic insurance coverage (Takaful) is acceptable if it does not include prohibited elements.

Conclusion

We found a big literature on conventional insurance and Islamic Insurance and the comparison between conventional insurance and Islamic insurance. We found that there are differences between Conventional insurance and Islamic insurance due to their different structures. Therefore, this article is presented to meet this basic and important need to provide authentic awareness of the insurance system and to motivate people toward the Takaful insurance system. So that the doubts among the people

about conventional Insurance and Islamic Insurance can be completely eradicated. Most previous research has raised issues, but no one has mentioned a suitable solution. However, regulators should guide research projects so that appropriate steps can be taken to address the existing problems of the Takaful industry, keeping in view the new regulations as well. Thus, this study provides the Shariah legal status of conventional Insurance and Takaful insurance by addressing all ambiguities about insurance. It will be much useful for the researchers and the people to understand Islamic Insurance and emphasizes the need to build unified models. Also, there are some critical issues in the current Takaful system of Pakistan. Regulators and operators should properly address those issues so that the Takaful structures can be implemented very well.

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