



MÜİSEF
Institute of Islamic
Economics and Finance



**Insurance Research
Center (IRC)**

**Türkiye Model Participation-Based Insurance, Takaful and
Private Pension Certificate Program: An Evaluation Within the
Framework of Contract Theory**

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Strong legacy, bright future...

**10th International Exhibition of Exchange, Banking, Insurance, Privatization & Presenting
Iran's Investment Opportunities, The Iranian Insurance Research Center (IRC),
6-9 November 2023, Kish Island, Iran.**





History of Insurance

- ❖ Mercantalism,
- ❖ Bourgeoisie Sale of manufactured goods to Eastern Countries,
- ❖ The first insurance was marine insurance, enacted in 1435. It is the Barcelona Ordinance.
- ❖ It was based on cooperation among Venetian merchants.
- ❖ The Jews exploited this and turned it into a means of profit.
- ❖ Sickness, work accident, disability and old-age insurance were established for workers in Germany between 1881 and 1889.
- ❖ Starting from 1924, "Unemployment insurance" was developed.
- ❖ In Turkiye, insurance legislation was prepared in 1936.
- ❖ On July 7, 1945, the Workers' Insurance Institution Law was put into effect.
- ❖ The Social Security Law came into force on March 1, 1965.

1453,
Marine
Insurance,
Barcelona

1881 and
1889,
Germany

1924,
Unemployment
insurance

1936
Legislation

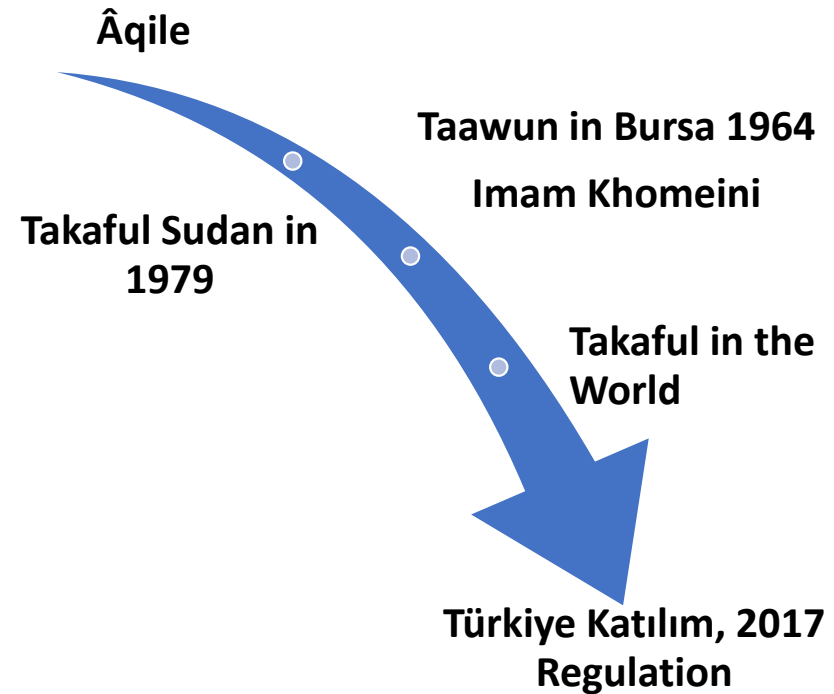
1945, Workers' Insurance
Institution Law

1965, Social
Security Law



Insurance in Islamic Tradition

- ❖ There is a social security institution called **âkile**.
- ❖ The aim is to ease the burden of the person who needs to pay the diet (compensation) and to help the victim.
- ❖ Strengthening the collective consciousness and sense of responsibility with the **Âqilah** system.
- ❖ Man was created as the most honorable being.
- ❖ «and help one another in goodness and piety, and do not help one another in sin and aggression...» Maidah 2
- ❖ **First the term for the Islamic Insurance was used by Imam Khomeini in Bursa Turkiye in 1964** (by Prof. Muhammad Mahdi Asgari)
- ❖ Takaful insurance was established in Sudan in 1979 as The Islamic Insurance Co.
- ❖ In the United Arab Emirates, The Islamic Arab Insurance Co.
- ❖ The idea of takaful was expressed at the International Symposium on Islamic Banks and Strategies of Economic Cooperation" held in Germany, on 6-8 May 1981.
- ❖ The new draft regulation by the Insurance and Private Pension Regulation and Supervision Agency (SEDDK), the Turkish model (Katılım) will be taken as basis instead of the Malaysian model in the regulation published in 2017.



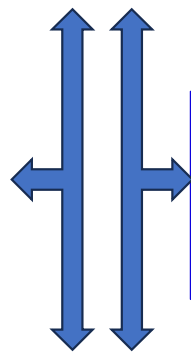


Takaful Model Insurance Used in the World:

Takaful Model Principles and Practice

Participation Insurance Company (Takaful Operator):
It manages the risk fund in return for a management fee and lends the fund interest-free if the fund is insufficient for payments. In principle, it is only an intermediary. In practice, it can take on the risk like a traditional insurance company.

Not providing coverage for issues and risks that are not legitimate by religion.



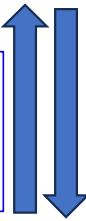
Advisory Committee

Evaluation of premiums and other financial assets according to participation principles.



Insured (Customers):

Compensation or Savings/balance refund



Premium/ Donation

Risk/Gift Fund:
Premiums paid as gifts / Damages are paid with donations.



Türkiye Model Participation-Based Insurance (Katılım)

Functioning of the Türkiye Model:

Participation Insurance Company

It evaluates the premiums collected from customers within the framework of participation principles and makes the necessary compensation payments. It does not provide insurance coverage or services to issues and areas that are not religiously legitimate.

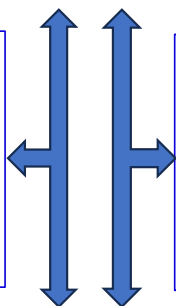
Premium



Compensation

Insured
(Customers):

Not taking into consideration religiously illegitimate issues and risks



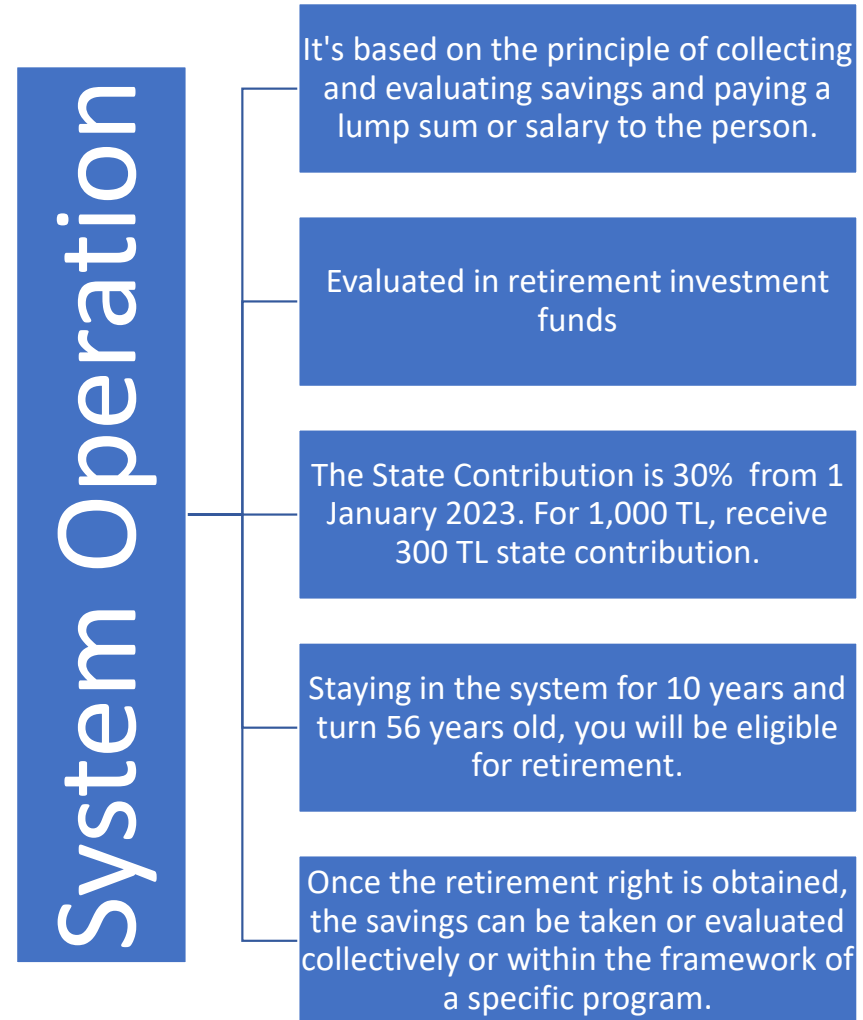
Evaluation of premiums and other financial assets according to participation principles

Advisory Committee



Private Pension System (BES) in Türkiye

- ❖ Private Pension System is a private retirement system that enables individuals to save during their working lives for a comfortable retirement period and provides additional income to retirement income as a complement to the Social Security System.
- ❖ In this way, a second retirement right is obtained.





Main Updates made in the 2017 Regulation

- ❖ Regulation on Insurance and Private Pension Activities within the Framework of Participation Principles:
- ❖ Principles Regarding Application
- ❖ Principles Regarding the Advisory Committee
- ❖ Regarding issues related to the training to be given by the advisory committee: It is obliged to give educational training to the relevant people once a year.

- ❖ Private Pension Savings and Investment System Law No. 4632, dated 28/3/2001
- ❖ Insurance Law No. 5684, dated 14/6/2007

2 INDIVIDUAL RETIREMENT

Participation-based private pension activities and reporting processes also gained a legal basis.

1 TAKAFUL

The Takaful model, which is grant (hibah)-based and based on the separation of funds, has been removed from the axis of the regulation (Anyone who wishes can still apply it).

3 ADVISORY COMMITTEE

Advisory committee structure and reporting processes have been improved. Supported by Sharia Corporate Structure.

- Easy to apply
- Low operational burden
- Easily understandable and explainable
- Consistent with its principles
- Self-monitoring

Main Updates made in the 2017 Regulation... Cont.

ORIGINAL APPLICATION FORM

4

The application method specific to Türkiye was taken as basis. Different models deemed appropriate by the Advisory Committee can be applied, while complying with the following 3 issues.



7

PARTICIPATION INTERNAL AUDIT REPORT

In order for the system to self-audit, the requirement to prepare a Participation Internal Audit Report was introduced.

8

HUMAN RESOURCES

A training-exam-certification mechanism was introduced to train company personnel and intermediaries in this field.

- **Training and Exam**
All insurance and private pension intermediaries
- **Certification and Exam**
All relevant company and organization employees.

6

PARTICIPATION COMPLIANCE UNIT

The participation compliance unit function was introduced to monitor the compliance and supervision of the participation principles.

9

INSURANCE POOLS

TARSİM, DASK, Assurance Account, TMTB and Turkish RePools, which are affiliated with participation insurance companies or provide exclusive services, are also included in the scope.



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INTERMEDIARIES TRAINING

Participation Based Insurance and Private Pension Certificate Program



SİGORTACILIK VE ÖZEL EMEKLİLİK
DÜZENLEME VE DENETLEME KURUMU



Insurance and Private Pension Regulation and
Supervision Agency (SEDDK)

Prof. Dr. Saim Kayadibi



TRAINING and EDUCATION: HUMAN RESOURCES

Participation Based Insurance and Private Pension Certificate Program

**Module
(Course)
Title**

Basic Concepts of Islamic Law

Usul al-Fiqh, Principles of Islamic Jurisprudence

Contracts in Islamic Law

Qawaidi Kulliyah- Prohibited Transactions

Islamic Ethics Rules in Services

Shariah Corporate Governance and Shariah Risk Management

Islamic Economy and Participation Banking

Islamic Capital Markets - Participation Funds

Participation Based Insurance and Private Pension Certificate (BES) Legislation

Participation Based Insurance Models

Participation Based Company Processes

TOTAL CLASS HOURS : 36



Module 3: Contracts in Islamic Law

The insurance contract has been compared to the following contracts:

- ❖ Muwâlât (being guardians of each other),
- ❖ Wadîa (preservation),
- ❖ Zimmah (embezzlement contract with minorities),
- ❖ Âkila system for paying diet (compensation).

Contracts (Uqud) in Islamic Law

- MUÂMELÂT FIKHI (FINANCIAL RULES, TRANSACTIONS)
- CONTRACT AND ITS ELEMENTS
- KHIYARAT IN THE CONTRACTS (FREEDOM, RIGHT OF OPTION)
- THE CONCEPT OF UNCERTAINTY AND RISK IN CONTRACTS
- SPIRIT AND FORM OF CONTRACTS
- INSURANCE CONTRACT
- CONTRACT TYPES
- SOME TRANSACTION PROHIBITIONS
- CONTRACT-RELATED ISSUES



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Exam



Prof. Dr. Saim Kayadibi



Teşekkür Ederim

متشكراً

Thank You