



**“A CASE STUDY ON THE COMPARISON BETWEEN
CONVENTIONAL AND ISLAMIC (TAKAFUL) INSURANCE”**

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OCTOBER 2009



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“DECLARATION OF ORIGINAL WORK”

I, Nor Hazlin Binti Hussin, (I/C Number: 830629-14-6182)

Hereby declare that,

- This work has not previously been accepted in substance for any degree, locally or overseas and is not being concurrently submitted for this degree or any other degrees
- This paper is a result of my independent work and investigation, except where otherwise stated
- All verbatim extracts have been distinguished by quotation marks and sources of my information have been specifically acknowledged.

Signature: _____

Date: 27th October 2009



LETTER OF SUBMISSION

27th October 2009

The Head of Program
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Dear Madam,

SUBMISSION OF PROJECT PAPER (FIN 661)

Attached is the project paper titled **“A CASE STUDY ON THE COMPARISON BETWEEN CONVENTIONAL AND ISLAMIC (TAKAFUL) INSURANCE”** to fulfill the requirement as needed by the Faculty of Business Management, Universiti Teknologi MARA.

Thank you

Yours sincerely,

NOR HAZLIN BINTI HUSSIN

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Bachelor of Business Administration (Hons) Finance

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ABSTRACT

In Malaysia the operation of Takaful is licensed and regulated by the Takaful Act 1984. The Act was specially promulgated and passed by the Malaysian Parliament with a view of ensuring that Takaful as a sector within the Islamic financial system would grow in an orderly manner. The insurance industry in Malaysia is licensed and regulated by a separate act. At present, the supervisory authority vested under the Takaful Act is the Central Bank of Malaysia (Bank Negara Malaysia) whereby the Governor of the Bank is also the Director General of Takaful.

Islamic finance has developed mainly in two directions namely Islamic banking and Islamic insurance (Takaful). All human beings are invariably exposed to the possibility of meeting catastrophes and disasters giving rise to misfortunes and sufferings such as death, loss of limbs, accident, and destruction of business or wealth. Notwithstanding the belief of all Muslims in *Qadha-o-Qadr*, Islam provides that one must find ways and means to avoid such catastrophes and disasters wherever possible, and to minimize his or his family's financial losses should such events occur. One possible way out is to buy an insurance cover as in the conventional system. Different views have been expressed about the status of conventional insurance from the point of view of Islam. Takaful is not a new concept in Islamic commercial law. The contemporary jurists acknowledge that the foundation of shared responsibility or Takaful was laid down in the system of '*Aaqilah*', which was an arrangement of mutual help or indemnification customary in some tribes at the time of the Holy Prophet.

The contract of Takaful provides solidarity in respect of any tragedy in human life and loss to the business or property. The policyholders pay subscription to assist and indemnify each other and share the profits earned from business conducted by the company with the subscribed funds. The distinction between the conventional insurance and Takaful business is more visible with respect to investment of funds. While insurance companies invest their funds in interest-based avenues and without any regard for the concept of *Halal-o-Haram*,