

Chapter 4

TAKAFUL AS AN ALTERNATIVE INSURANCE INSTRUMENT FOR THE INVESTORS WITH RELIGIOUS SENSITIVITY

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INTRODUCTION

An extraordinarily turbulent period was seen in the international finance system together with both the global petroleum crisis and the demolition of Bretton Woods system especially in 1973. Right in this period, the need for an alternative insurance occurred in a way that it will address to the believer individuals and be convenient for the religious provisions instead of the traditional insurance business depending on the religious reasons such as the prohibition of interest together with the impact of the transformation of the Islamic banking into a functional situation. As a result of this need and for the purpose of filling the gap in this area, the emergence of the takaful system was inevitable.

CONCEPTUAL FRAME OF TAKAFUL

The codes of practice of takaful; in other words, Islamic insurance method, are based on the commands and prohibitions of Islamic religion. The purpose in takaful system is to minimize the possible damage under the exposed dangers by uniting the individuals within a certain risk group or to provide the compensation of the losses without allowing them to wreck the lives of the individuals. In this system; also, the aim is to provide the mutual warranty with the principle of undertaking one risk to the account of another instead of making profit (Karayazgan, 2008:109). Besides; the premiums paid by the participants is not for the purpose of loading the risk of the insured to another participant. The purpose here is to show a cooperation activity that will gain the sake of Allah and to operate the social security mechanism by sharing the risk of the insured with other individuals. Because the paid premiums are invested as donations, it shows that a long-term cooperation is aimed (Selçuk, 2014:352).

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RESULTS AND SUGGESTIONS

Today's conventional insurance applications cause especially the individuals with high religious sensitivity to approach the classical insurance system with doubts. Therefore; takaful system has an important potential as an alternative insurance instrument that could address to these people.

The past of takaful in Turkey is very novel. As the recognition of the system increases, adaptation to the competitive conditions of the market will be fast and therefore; in parallel to this, the market share will increase in time. The actions necessary to be taken to increase the market share are as follows: Firstly; the legislation infrastructure regarding participation insurance should be reinforced. Within this scope; the establishment of a structure such as "Participation Insurance Consultation Board" or similar ones within the body of T.R. Prime Ministry Undersecretariat of Treasury working in coordination with the Administration of Religious Affairs will be beneficial in terms of the formation of the theoretical background of the system and in this way, the functionality of the system in the future will increase. Also; being able to render competitive products to the customers and the efficient promotion efforts will also be able to make highly significant contributions. As the reliability, service quality and recognition of the companies rendering takaful insurance service in the market increase, there will be an orientation towards takaful from the conventional insurance companies controlling almost all of the market in current condition. Furthermore; the activation of the takaful operations with which the participation insurance companies could perform business together in the industry and variation of the participation insurance products as well as increasing the informatics infrastructure and individual capital quality of the participation insurance companies could be considered as the activities that could increase the interest in the takaful insurance.

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