The Study of Halal Insurance

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ABSTRACT: *The study of the Halal Insurance examines the literature on Islam-related insurance. Halal insurance is to protect each other, please help among a number of people/parties through investment in the form of assets or tabarru' which gives the pattern of returns to face certain risks through contract (the Alliance) that in accordance with the Sharia. There are many differences between sharia insurance with conventional insurance in terms of the concept, the elements of gharar, maisir and usury, Syariah Supervisory Board, Akkad, the handling of risks, fund management, investment fund, ownership, source of payment claims, and advantage. The goal of insurance halal is more directed toward the mission of aqidah, worship, iqtishodi (economy) and the empowerment of the people. The principle used in Islamic insurance is the principle of unity, justice, help each other, mandate, mutual pleasure, avoid gharar, maisir and usury. The type of income in the Insurance Fund's income consists of halal tabarru' and the company's revenue.*

KEYWORDS: Insurance, The Principle of Lawful

I. INTRODUCTION

Islam as rahmatan lil ' alamin religion, certainly very responds to the needs of man to improve his life by running the business and developing creative industries in achieving prosperity and prosperity. Islamic jurisprudence provides a very wide gap in the aspect of economic activity, or so-called muamalat. In the rules of jurisprudence mentioned that "basically, all forms of muamalah can be done unless there is evidence again outlaw".One aspect of muamalat which arose in the midst of modern society today, in this case in Indonesia, is a Shariah-compliant insurance. Islamic insurance (takaful, ta'min, and tadhamun) is a mutual effort to protect and help each other among a number of people/parties through investment in the form of assets and/or tabarru ' which gives the pattern of returns to face certain risks through a contract (the Alliance) that comply with Shariah.

But unfortunately, the existence of syariah insurance industry has not been touched by the accommodating rule of law against the certainty of the law. This paper will expose Islamic insurance, from the beginning to the history and development, its principles, contract and product offerings, and a cornerstone of the law. Then from this it would appear that the need for the rule of law, with amendments to the law of current insurance, is an immediate need to be made by the makers of the legislation on the unitary State of the Republic of Indonesia.

II. LITERATURE REVIEW

II.1. The Definition of The Insurance

In accordance with the provisions of the Law of the Republic of Indonesia number 2 of 1992 concerning Insurance Business, the definition of insurance is:
Agreement between two or more parties, where the insurer binds itself to the insured, by accepting insurance premiums, to provide compensation to the insured due to loss, damage, or loss of expected profits, or legal liability to third parties that might be suffered by the insured, who arises from an uncertain event; or to provide a payment based on the death or life of someone insured.

II.2. The Definition of The Sharia Insurance

At present the existence of Islamic insurance in Indonesia is still based on the Decree of the Directorate General of Financial Institutions Number: Kep.4499 / LK / 2000 concerning the type, valuation and limitation of investment in insurance companies and reinsurance companies under the sharia system.

While general guidelines regarding sharia insurance are regulated in the Fatwa of the National Sharia Council-Indonesian Ulama Council (DSN-MUI) Number 21/DSN-MUI/X/2001. The purpose of this fatwa is as an initial guideline for the operation of Islamic insurance in Indonesia. Based on the first provision regarding the general provisions of the first point contained in the general guidelines it is stated that the definition of sharia insurance is:

Efforts to protect each other and help help between a number of people / parties through investments in assets or tabarru 'which provide a pattern of returns to deal with certain risks through contracts (agreements) in accordance with sharia.

According to PSAK 108, paragraph 7, the definition of sharia insurance is:

A comprehensive system in which participants donate part or all of their contributions which are used to pay claims for losses due to disaster on the soul, body, or objects experienced by some other participants. The donation is a conditional donation that must be accounted for by the Takaful entity. The role of sharia insurance entities is limited to managing insurance operations and investing participant funds.

III. RESEARCH METHODS

The method used in this paper is a qualitative method, namely the author uses the study of literature, by collecting material from several literature such as Al Qur'an, Hadith, books and journals that are in accordance with the issues discussed, as well as websites or internet site. The technique of data collection done by the author is by reading all the literature related to the subject matter being studied and providing solutions related to these problems.

IV. RESULTS & DISCUSSION

The results of the halal insurance will be divided as follows:

1. Difference between Sharia Insurance and Conventional Insurance

According to Sula (2004) there are several differences between Sharia Insurance and Conventional Insurance which are described in the table as follows:

a. Concept

In conventional insurance, the concept is to reduce the risk of an individual or institution (the insured) and transfer it to an insurance company (underwriter) through an agreement (contract). The insured pays a sum of money as a sign of engagement, and the insurer promises to pay compensation in the event of an event as agreed in the insurance contract (policy).

While the concept of sharia insurance is the occurrence of mutual bearing risks among fellow participants. So, one participant with another becomes the guarantor of the risks that arise. This mutual risk is carried out on the basis of mutual help in goodness by the way each participant issues tabarru 'funds or virtue funds intended to bear the risk. This definition is in accordance with the Word of God contained in QS. Al-Maidah verse 2:

يَٰٓأَيُّهَا ٱلَّذِينَ ءَامَنُوا۟ لَا تُحِلُّوا۟ شَعَٰٓئِرَ ٱللَّهِ وَلَا ٱلشَّهْرَ ٱلْحَرَامَ وَلَا ٱلْهَدْىَ وَلَا ٱلْقَلَٰٓئِدَ وَلَآ
ءَآمِّينَ ٱلْبَيْتَ ٱلْحَرَامَ يَبْتَغُونَ فَضْلًا مِّن رَّبِّهِمْ وَرِضْوَٰنًا ۚ وَإِذَا حَلَلْتُمْ فَٱصْطَادُوا۟ ۚ وَلَا يَجْرِمَنَّكُمْ
شَنَـَٔانُ قَوْمٍ أَن صَدُّوكُمْ عَنِ ٱلْمَسْجِدِ ٱلْحَرَامِ أَن تَعْتَدُوا۟ ۘ وَتَعَاوَنُوا۟ عَلَى ٱلْبِرِّ
وَٱلتَّقْوَىٰ ۖ وَلَا تَعَاوَنُوا۟ عَلَى ٱلْإِثْمِ وَٱلْعُدْوَٰنِ ۚ وَٱتَّقُوا۟ ٱللَّهَ ۖ إِنَّ ٱللَّهَ شَدِيدُ ٱلْعِقَابِ ﴿٢﴾

Meaning: " O ye who believe, do not violate the shi'ar-shi'ar of Allah, and do not violate the honor of the holy months, do not (disturb) the beasts, and animals qalaa-id, and do not (also) disturbing those who visit the Temple while they seek mercy and pleasure from their Lord and if you have completed the Hajj, then may hunt. And do not hate (for you) something for the people because they prevent you from the Holy Mosque, encouraging you to persecute (them). And help you in (doing) virtue and piety, and do not help in committing sin and transgression. And fear Allah, verily Allah is severe in punishment.

b. Elements of Gharar, Maisir, and Riba

All existing conventional insurance still contains elements of *gharar*, *maisir* , and *usury* . *Gharar* occurs when, between the insured and the insurer, they do not know what will happen, when disaster will happen, and so on. This is called *gharar* or uncertainty or uncertainty which is prohibited in Islam, because conventional insurance has 'sold' uncertainty with certainty.

Literally, *maisir* has the meaning of getting things very easily without working hard or making a profit without working. *Maisir* is also called gambling. In the conventional insurance industry, *maisir* can occur in three ways, namely:

When a policy holder is suddenly hit by a disaster so that he gets a claim, even though he has only recently become an insurance client and has only paid a little premium. If this happens then the customer benefits. Conversely, if something does not happen until the end of the agreement period, while he has paid the premium in full / paid off, then the company will benefit. If the policy holder with certain reasons cancels his contract before the *reversing period*, then the concerned person will not receive back the money paid or the money is considered forfeited.

Technically usury means that it is taking extra from basic assets or capital in a nutshell. According to Syeikh Yusuf Al Qardhawi as stated by Muhammad Syakir Sula, conventional insurance is the same as gambling, because the insured expects guarantee assets or dependents to exceed the amount of the premium payment. Therefore, there are also elements in the insurance the ribs. Then there is a *gharar* element in the calculation of the money to be returned, because it is very dependent on developments when the dependents must be paid by the guarantor.

Islamic insurance, must be free from these three elements. This can be seen in the operational system that is carried out, where in the management mechanism there is a separation between the company's funds and the participants ' funds collectively. The purpose of this separation is to avoid mixing funds. So, Islamic insurance can avoid *maisir* and *gharar*. As for the problem of usury can be eliminated by using Islamic instruments as a substitute for usury systems, such as *mudharabah*, *wadiah*, *wakalah*, and so on.

The prohibition against gambling is contained in QS. Al Maidah verse 90 as follows:

يَا أَيُّهَا الَّذِينَ آمَنُوا إِنَّمَا الْخَمْرُ وَالْمَيْسِرُ وَالْأَنْصَابُ وَالْأَزْلَامُ رِجْسٌ مِنْ عَمَلِ الشَّيْطَانِ فَاجْتَنِبُوهُ
لَعَلَّكُمْ تُفْلِحُونَ ﴿٩٠﴾

Meaning: "O ye who believe, verily (drink) khamar, gamble, (sacrifice for) idols, draw fate with arrows, are acts of vile including acts of shaitan. So stay away from those deeds so that you get good luck. "

Whereas the prohibition on usury is found in many verses, one of which is as found in QS. Al Baqarah 278-279 as follows:

يَا أَيُّهَا الَّذِينَ آمَنُوا اتَّقُوا اللَّهَ وَذَرُوا مَا بَقِيَ مِنَ الرِّبَا إِنْ كُنْتُمْ مُؤْمِنِينَ ﴿٢٧٨﴾
فَإِنْ لَمْ تَفْعَلُوا فَأْذَنُوا بِحَرْبٍ مِنَ اللَّهِ وَرَسُولِهِ وَإِنْ تُبْتُمْ فَلَكُمْ رُءُوسُ أَمْوَالِكُمْ لَا
تَظْلِمُونَ وَلَا تُظْلَمُونَ ﴿٢٧٩﴾

Meaning: "O ye who believe, fear Allah and leave the rest of usury (which has not been collected) if you are believers. If you do not work (leaving the rest of usury), then know that Allah and His Messenger will fight you. And if you repent (from taking usury), then for you the treasure; you do not persecute and do not (also) know."

c. Sharia Supervisory Board

Conventional insurance does not have a Sharia Supervisory Board (DPS) to oversee matters related to muamalah principles and contracts in insurance transactions. However, it does not mean that conventional insurance is without rules, because it is regulated by the state in the Laws and Government Regulations.

The Sharia Supervisory Board is an integral part of the National Sharia Council-Indonesian Ulema Council (DSN-MUI). Its main role is to oversee the daily operations of Islamic Financial Institutions (LKS) so that they are always in accordance with sharia provisions.

Functions of the DPS are: (1) periodic supervision of LKS under his supervision, (2) obliged to submit proposals for the development of worksheets to the leaders of the relevant institutions and to the DSN, (3) report on product development and operational LKS monitored to DSN at least twice in one fiscal year, (4) formulating problems that require discussion of DSN.

d. Agreement or Agreement

The contract for conventional insurance is the *mu'awadhah* contract, which is a contract or agreement whereby the party that gives something to another party has the right to receive compensation from the party he gives. Insurers obtain insurance premiums in lieu of the sum insured that has been promised payment. While the insured gets the sum insured if an event or disaster occurs in lieu of the premiums he has paid.

In Islamic insurance, the contract used is *tujarah* and/or *tabarru'* contract. *Tijarah* contract in question are all forms of contract is done for commercial purposes, such as *Mudharabah*, *Musharaka*, *kafalah*, *Wakalah*, and *Jua'lah.* While the *tabarru'* contract is all forms performed for the purpose of goodness and help, not just for commercial purposes. In the *tabarru'* contract, participants give donations with the aim of helping someone in distress who is highly recommended in Islamic law.

e. Risk Management

According to Abdullah Amrin in conventional insurance, there is a *transfer of risk* from the customer to the company. Instead, the company will receive premiums from customers, and customers will get protection from an event. The insurance premium is a prerequisite for an insurance agreement, because without a premium there will be no insurance (*No Premium, No Insurance*).

According to Syakir Sula, the process of the relationship between participants and companies in the insurance mechanism in sharia insurance is sharing the risk (*sharing of risk*). In the event of a disaster, all sharia insurance participants bear each other's risks. Thus, there is no transfer of risk from participants to companies because in practice, contributions (premiums) paid by participants do not occur what is called the *transfer of funds*, because the ownership status of the funds remains attached to the participants as the owners of the funds.

Figure 2.1
The Concept of Transfer of Risk in Conventional Insurance

Source: Muhaimin Iqbal, *Syariah General Insurance*, 2006

Figure 2.2
The Concept of Sharing Risk in Sharia Insurance

Source: Muhaimin Iqbal, *Syariah General Insurance*, 2006

f. Fund Management

In conventional insurance, there is no separation between participant funds and *tabarru* funds. All mixed into one and the status of these funds became company funds. As a result, participants cannot freely withdraw their funds at urgent times for life insurance products that contain *savings*, except in the status of borrowing (policy loan).

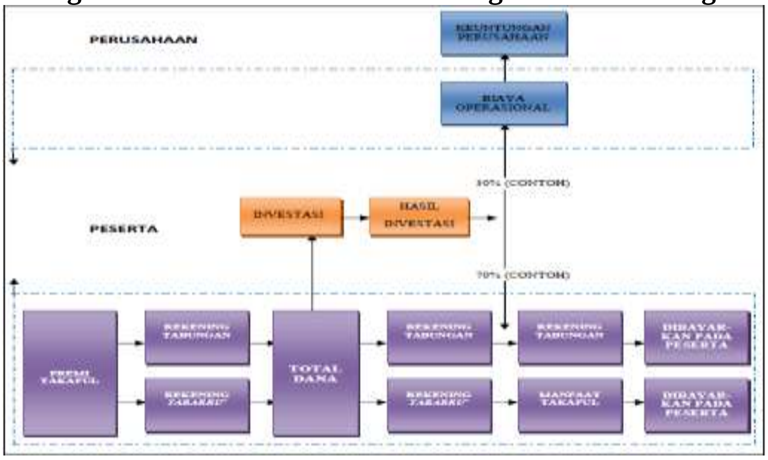
In sharia insurance, for products containing *saving* (savings), funds paid by participants are immediately divided into two accounts, namely participant accounts and *tabarru* accounts. Then the total funds invested, and investment returns are divided proportionally between the participants and the managing entity based on the predetermined profit sharing scheme. Whereas for products that do not contain savings elements, the total contribution of funds from participants is invested, then the investment returns are shared between participants and the managing entity according to the predetermined scheme of profit sharing.

g. Fund Investment

According to government regulations, investments must be made on the types of investments that are safe and profitable and have liquidity that is in accordance with the obligations that must be met.

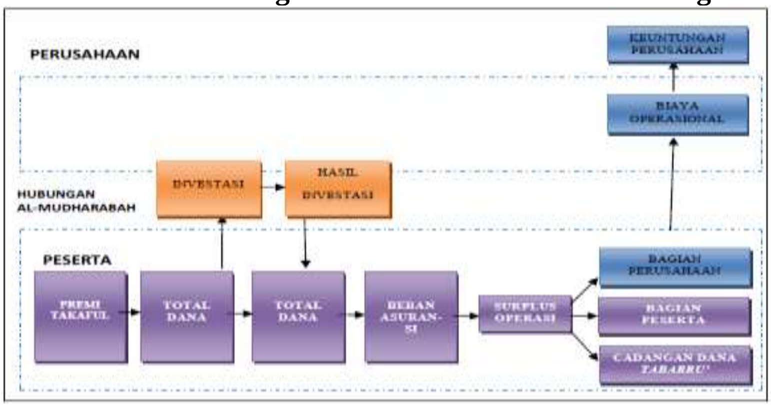
While Islamic insurance may only invest funds in Sharia Banks, Sharia Bonds, Sharia Capital Markets, Sharia Leasing, Sharia Pawnshops, and other business instruments while using contracts that are justified by Islamic sharia.

Figure 2.3
Fund Management Mechanism for Containing Products Savings Elements



Source: Muhammad Syakir Sula, *Sharia Insurance (Life and General)*, 2004

Figure 2.4
Mechanism of Fund Management / Premiums on Non-Saving Products



Source: Muhammad Syakir Sula, *Sharia Insurance (Life and General)*, 2004

h. Fund Ownership

In conventional insurance, the funds collected from participants' premiums all belong to the company. Companies are free to use and invest these funds anywhere. Whereas in Islamic insurance, the funds collected from participants in the form of contributions belong to the participants. The company is only a trustee in managing. These funds, except for *tabarru* funds, can be taken at any time by the participant and are free of charge.

i. Claim Payment Source

In conventional insurance, the source of payment of claims is from company accounts and is purely business. Claims paid by the company are part of the return obligation stipulated in the contract or insurance agreement.

In sharia insurance, the source of the claim payment is obtained from the *tabarru'* account, which is a fund account that helps all participants, who from the beginning have been intentionally intended by the participants for the needs of their brothers.

j. Profit

In conventional insurance, profits are obtained from the *underwriting* surplus, reinsurance commission, and investment return in one year, which will later be distributed to shareholders at the end of the year or returned to the company as equity participation. Profit on Islamic insurance, obtained from a surplus of *underwriting*, reinsurance commission, and investment returns. But this profit is not entirely owned by the company. Later the profit sharing between the company and the participants will be carried out as agreed.

V. DISCUSSION

As the theoretical basis and results described above are based on law from Al Qur'an, hadith, the results of the conference, ijma and qiyas scholars will be explain as follow:

1. Sharia Insurance Purpose

According to Muhammad Syakir Sula, there are four general objectives of Islamic insurance, namely:

a. *Aqeedah* Mission
Islamic economics is a Divine economy because its emphasis is on Allah and its purpose is to seek the pleasure of Allah

b. Worship Mission (*Ta'awun*)
Islamic insurance is insurance that relies on the concept of help in goodness and piety, and protection. Also make all participants as big families that bear each other.

c. *Iqtishodi* Mission (Economy)
The establishment of Islamic insurance will increase insurance awareness. So that, besides contributing to strengthening domestic financial resources, it will also have an impact on monetary contraction to curb inflation. With the optimal investment carried out in accordance with sharia principles, it will be able to help maximize economic growth.

d. Mission of Empowering People (Social)
As the mission carried out by insurance in general, in Islamic insurance the mission of carrying out social responsibility feels more inherent in itself, through products specifically designed to lead to social interests and empowerment of people rather than commercial interests. Because if observed, customers from conventional insurance are dominated by the upper middle class. In contrast to Islamic insurance, participants from various walks of life can get the opportunity to obtain protection according to the ability of each group to take the product.

2. Principles of Sharia Insurance

According to Abdullah Amrin, the principles of managing Takaful are some of the following:

a. The Principle of *Tawhid*
Viewed from the company side, the principle used is not merely to gain market advantages and opportunities. However, the initial intention was to implement Islamic values in the world of insurance. Whereas in terms of participants, the aim of sharia insurance is to transact in the form of help, not merely seeking "protection" in the event of a disaster.

b. Principle of Justice
Islamic insurance must be truly fair in making a pattern of relations between participants and managing entities, related to their respective rights and obligations. Islamic insurance may not tyrannize participants with things that make it difficult and miserable, such as forfeited funds.

c. Principle of Help-Help
The essence of sharia insurance is that each participant contributes in helping other participants who experience disaster. Because payment of claims comes from *tabarru* funds from participants. Therefore, the management entity is not entitled to claim or take funds *tabarru* customers. The company only gets *ujrah (fee)* for the management of the *tabarru* funds, which are paid by the participant together with the payment of contributions (premiums).

d. Principle of Amanah
The managing entity is required to be trustworthy in all matters such as managing premium funds and claim processes. Companies may not arbitrarily take advantage, which affects the loss of participants. Likewise, participants must not make something happen or disaster in order to get a claim payment.

e. Ruling Mutual Principles
Participants are willing to fund managed by a trustworthy and professional management entity, and are willing to allocate funds to other participants who experience disaster. While the managing entity, is willing to trust the mandate of the participants in managing their (premium) contribution.

f. Principles for Avoiding *Gharar, Maisir*, and *Usury*
To avoid *gharar*, *maisir*, and *usury*, the managing entity must apply the concept of sharing of risk which relies on the *tabarru '* contract.

3. Types of Income in Sharia Insurance

a. Tabarru 'Revenue

Revenues from contributions received by participants are included in a *tabarru'* special fund account that belongs to the Sharia insurance participants collectively which is separate from the company's income account. If there is a surplus on *tabarru'* fund underwriting, it will enter this *tabarru'* fund account. In addition, additional funds from *tabarru'* also come from investment results using *tabarru* funds' carried out by the managing entity. *Tabarru* funds' income is used to pay claims submitted by participants.

b. Company Revenue

According to Muhaimin Iqbal, the income of sharia insurance companies can come from:

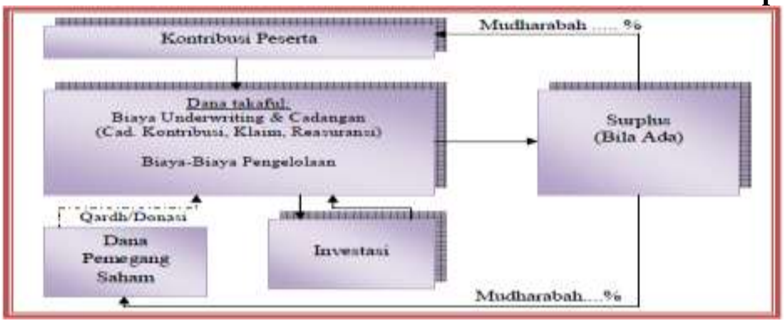
1) *Mudharabah* Transactions

Is a transaction between capital owners and managers, where profits are divided according to the ratio or percentage agreed by both parties, In terms of funding *tabarru* participants and companies, the company is as a fund manager, whereas the participants as the owner of the funds. However, the company is the owner of company funds, which can invest funds to other places to be managed according to sharia regulations.

2) *Wakalah* Transaction

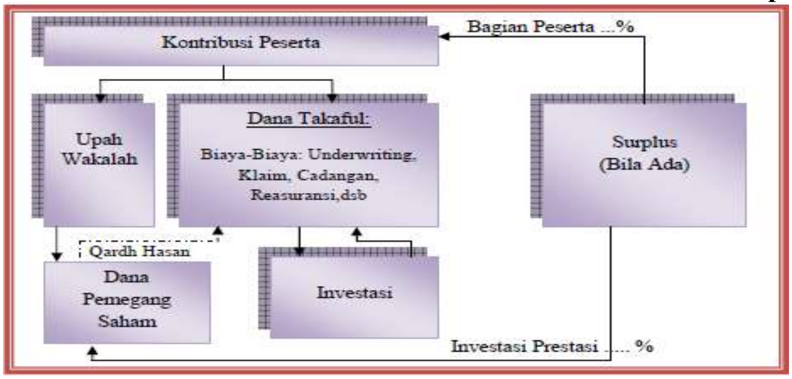
In this transaction, one party appoints and authorizes the other party (representative) to act on his behalf. Representatives can charge fees to the party they represent. In terms of Islamic insurance, insurance participants are *tabarru'* fund owners and insurance companies are *tabarru'* fund managers. For the Takaful business in managing participant funds, the company has the right to get a *fee*.

Figure 2.5
Financial Model of Islamic Insurance with Mudharabah Principles



Source: Muhaimin Iqbal, *Sharia Insurance in Practice*, 2006

Figure 2.6
Financial Model of Islamic Insurance with the Wakalah Principle



Source: Muhaimin Iqbal, *Sharia Insurance in Practice*, 2006

4. Basic Assumption of Sharia Insurance Income

According to the Basic Framework for Preparation and Presentation of Islamic Financial Statements, the following is an explanation of the implementation of accounting in Islamic insurance:

To achieve its objectives, sharia financial statements are prepared on an accrual basis. On this basis, the effect of transactions and other events is recognized at the time of the event (and not when cash or cash equivalents are received or paid) and disclosed in accounting records and reported in the financial statements of the period.

Calculation of income for the purpose of distributing business results uses a cash basis. In the case of the principle of distributing business results based on profit sharing, the intended income or yield is *gross profit*.

Posts that meet the definition of an element are recognized if:

It is possible that the economic benefits associated with the post will flow from or into the sharia entity; and The post has a value or cost that can be measured reliably. Costs or values must be estimated; Proper estimation is an essential part of the preparation of financial statements without reducing the level of reliability. A number of different measurement bases are used in different degrees and combinations in financial statements. The various basic measurements are as follows: Historical cost. Assets are recorded at the amount of cash payments paid or at the fair value of the benefits provided for obtaining these assets at the time of acquisition. Current cost *(current cost)*. Assets are valued in the amount of cash that should be paid if the same or equivalent asset is obtained now. Value of realization/ settlement. Assets are expressed in the amount of cash that can be obtained now by selling assets in normal disposals.

5. Difference Between Conventional Insurance Accounting and Accounting for Sharia Insurance

Based on the *International Course on: "Islamic Insurance and Takaful*" held in 2005 by the Islamic Development Bank, Islamic Insurance Society, Global Leadership Development Institute, and PT Tugu Pratama Indonesia General Insurance, the difference between conventional insurance accounting and sharia insurance accounting is like the one in the following table:

6. Revenue Recognition, Measurement, Presentation and Disclosure Based on PSAK 108: Accounting for Sharia Insurance Transactions

Recognition and Measurement

Recognition

Contributions from participants are recognized as part of *tabarru* funds in participant funds. (Paragraph 14)

The *tabarru* funds received are not recognized as income, because the Takaful entity is not entitled to use the funds for their needs, but only manages the funds as representatives of the participants. (Paragraph 15)

Apart from participant contributions, additional *tabarru'* funds also come from investment returns and accumulated *tabarru* funds*' underwriting* reserves. The investment by the managing entity is carried out (in the position as a managing entity), among others, as the representative of the participant *(wakalah)* or fund manager (*mudharabah* or *mudharabah musytarakah*). (Paragraph 16)

The portion of payment from participants for investments is recognized as: Temporary *Syirkah* funds if using *mudharabah* or *mudharabah musyakarah* contact; and or Obligation if using *wakalah* contract. (Paragraph 17) When the managing entity distributes investment funds that use *the ujrah bilakalah* contract, the entity reduces the liability and reports the distribution in the report on changes in the bound investment fund. (Paragraph 18)

The accounting treatment for investments using *mudharabah*, or *musytarakah mudharabah contracts* refers to the relevant PSAK. (Paragraph 19)

The share of contribution to *ujrah/fee is* recognized as income in the income statement and becomes a burden in the report of the *tabarru* fund *underwriting deficit*. (Paragraph 20)

7. Measurement after Initial Recognition

Determination of the amount of *tabarru* funds *underwriting* surplus depends on the participants collectively, regulators or management policies.

All surpluses are *tabarru* funds *'* reserves; Some as a reserve for *tabarru'* funds and others are distributed to participants; or Some as *tabarru* funds *'* reserves, some are distributed to participants, and some are distributed to the managing entity. (Paragraph 21)

The *tabarru* funds*' underwriting* surplus portion distributed to participants and the *tabarru'* fund underwriting surplus portion distributed to the managing entity is recognized as a reduction in the surplus in the *tabarru* funds *'* corporate report. (Paragraph 22)

The *tabarru* fund *underwriting* surplus received by the managing entity is recognized as income in the income statement, and the *tabarru* fund *underwriting* surplus distributed to participants is recognized as an obligation on the balance sheet. (Paragraph 23)

If there is a *tabarru* fund *underwriting* deficit, the management entity is obliged to overcome these shortcomings in the form of loans (*qardh*). The return of the *qardh* to the managing entity comes from a future surplus of *tabarru'* funds. (Paragraph 24)

8. Presentation

Part *underwriting* surplus funds *tabarru* distributed to participants presented separately on posts "section *underwriting* surplus funds *tabarru* distributed to the participants" and part of the surplus distributed to the entity manager presented separately on posts "section *underwriting* surplus funds *tabarru* distributed to manager" in *tabarru'* funds change report. (Paragraph 32)

Technical allowance is presented separately on the obligations in the balance sheet. (Paragraph 33)

Tabarru funds are presented as participant funds that are separate from obligations and equity in the balance sheet (statement of financial position). (Paragraph 34)

Tabarru funds *'* reserves are presented separately in the *tabarru* funds*'* change report. (Paragraph 35)

9. Disclosure

The managing entity discloses related contributions, including but not limited to:

Accounting policy for:

(i) Contributions received and changes;

(ii) Cancellation of insurance policies and their consequences

Receivable contributions from participants, insurance entities, and reinsurance; Details of contributions based on type of insurance; Amount and percentage of components contributing to the risk section and *ujrah* of the total contribution per type of insurance; Policy on treatment of *tabarru'* surplus or *underwriting* deficit. Loan amount (*qardh*) to cover the *underwriting* deficit (if any). (Paragraph 36)

The express management entity is related to investment funds, including but not limited to: Accounting policies for managing investment funds originating from participants; and Details of the amount of investment funds based on the contract used in the collection and management of investment funds. (Paragraph 37)

The managing entity discloses related technical provisions, but is not limited to: Types of technical allowance (initial balance, amount added and used during the current period, and ending balance); The basis used in determining the amount for each technical allowance and change of base used. (Paragraph 38)

The managing entity discloses related *tabarru* funds*'* reserves, including but not limited to: The basis used in determining and measuring *tabarru'* fund reserves Changes in *tabarru'* fund reserves per type of backup purpose (initial balance, amount added and used during the current period, and ending balance); The party that receives the transfer of *Tabarru'* reserve fund balance in the event of liquidation of the product or entity; Amount used as the basis for determining the distribution of *underwriting* surplus. (Paragraph 39)

The managing entity discloses the assets and liabilities that belong to *Tabarru'* funds. (Paragraph 40)

10. Accounting for Participant Funds

Participant funds are a collection of premium contribution funds from sharia insurance participants destined for funds to help fellow participants, both in the form of claims, reinsurance and reserves, and invested in developing a collection of participant funds. From the participant's funds section is also used to pay management fees to the operator.

VI. CONCLUSION & SUGGESTION

A. Conclusion

From the above discussion of the conclusions to be drawn as follows:

1. Sharia insurance is an effort to protect each other, please help between a number of people / parties through investments in assets or tabarru 'which provide a pattern of returns to deal with certain risks through contracts (agreements) in accordance with sharia
2. There are many differences between Takaful and conventional insurance in terms of concepts, gharar, loan and usury, Sharia Supervisory Board, contract, risk management, fund management, investment, fund ownership, claims payment sources, and profits.

3. The purpose of Islamic insurance is more directed towards the mission of aqeedah, worship, iqtishodi (economy), and empowerment of the ummah
4. The principle used in sharia insurance is the principle of tauhid, justice, help, trust, mutual pleasure, avoiding gharar, mourning and usury,
5. The type of income in Islamic insurance consists of tabarru funds' income and company income.

B. Suggestion

Suggestion that can be given from the results of this discussion is the government must make clear rules regarding the implementation of Islamic insurance so that people feel the full benefits of the existence of the Islamic insurance

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