



## THE MAIN FEATURES OF CARGO INSURANCE IN ISLAMIC LAW AND ITS FUTURE

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***Annotation:*** *This article delves into the fundamental aspects of Islamic cargo insurance, known as Takaful, and explores its distinctive features compared to conventional insurance. It outlines the principles underpinning Takaful, including mutual cooperation, risk-sharing, and adherence to Sharia law, which prohibits interest (riba), excessive uncertainty (gharar), and gambling (maysir). The article also examines the operational models of Takaful, such as Mudarabah and Wakalah, and their applications in insuring cargo. Additionally, it provides insights into the regulatory frameworks and challenges faced by Islamic cargo insurance providers. Looking forward, the article discusses the potential growth and integration of Takaful within the global insurance industry, highlighting the increasing demand for Sharia-compliant financial products and the opportunities for innovation and expansion.*

***Key words:*** *takaful, Islamic insurance, risk-sharing, sharia-compliance, cargo.*



## ОСНОВНЫЕ ОСОБЕННОСТИ ИСЛАМСКОГО СТРАХОВАНИЯ ГРУЗОВ И ЕГО БУДУЩЕЕ

***Аннотация:** В данной статье рассматриваются фундаментальные аспекты исламского страхования грузов, известного как Такафул, и исследуются его отличительные особенности по сравнению с традиционным страхованием. В нем излагаются принципы, лежащие в основе Такафула, включая взаимное сотрудничество, распределение рисков и соблюдение законов шариата, которые запрещают проценты (риба), чрезмерную неопределенность (гарар) и азартные игры (майсир). В статье также рассматриваются операционные модели Такафула, такие как мудараба и вакала, и их применение при страховании грузов. Кроме того, он дает представление о нормативно-правовой базе и проблемах, с которыми сталкиваются исламские поставщики услуг по страхованию грузов. Заглядывая в будущее, в статье обсуждается потенциальный рост и интеграция Такафул в мировую страховую индустрию, подчеркивая растущий спрос на финансовые продукты, соответствующие шариату, а также возможности для инноваций и расширения.*

***Ключевые слова:** такафул, исламское страхование, распределение рисков, соблюдение шариата, груз.*

## ISLOM HUQUQIDA YUKLARNI SUG'URTALASHNING ASOSIY XUSUSIYATLARI VA UNING KELAJAKDAGI O'RNI

***Аннотация:** Ushbu maqolada “Takaful” nomi bilan mashhur bo‘lgan islom yuklarini sug‘urtalashning asosiy jihatlarini, uning an’anaviy sug‘urtaga nisbatan o‘ziga xos xususiyatlarini, “Takoful” asosini tashkil etuvchi tamoyillar, jumladan, o‘zaro hamkorlik, tavakkalchilikni taqsimlash va foiz (riba), haddan tashqari*



*noaniqlik (g'arar) va qimor (maysir)ni taqiqlovchi shariat qonunlariga rioya qilish kabi tamoyillar bayon etilgan. Maqolada, shuningdek, Mudarabah va Vakala kabi Takaful operatsion modellari va ularning yuklarni sug'urtalashda qo'llanilishi muhokama qilinadi. Bundan tashqari, u me'yoriy-huquqiy baza va islomiy yuklarni sug'urtalovchi provayderlar duch keladigan muammolar haqida tushuncha beradi. Maqolada kelajakka nazar tashlab, Takafulning potentsial o'sishi va global sug'urta sanoatiga integratsiyalashuvi muhokama qilinadi, shariatga mos moliyaviy mahsulotlarga talab ortib borayotgani, shuningdek, innovatsiyalar va kengayish imkoniyatlariga e'tibor qaratiladi.*

**Kalit so'zlar:** *Takaful, islom sug'urtasi, riskni taqsimlash, shariatga rioya qilish, yuk.*

### **Introduction**

Cargo insurance within Islamic law, often referred to as Takaful, embodies a unique approach to risk management that adheres to the principles of Sharia. Unlike conventional insurance, which involves elements prohibited in Islam such as uncertainty (gharar) and interest (riba), Islamic cargo insurance operates on principles of mutual cooperation and ethical investment. This introduction explores the main features of cargo insurance in Islamic law, highlighting its current practices and examining potential future developments in the evolving landscape of Islamic finance.

Here are some key features:

**Risk-sharing:** Participants pool their contributions (premiums) into a fund to cover potential losses of any member who suffers a covered loss (in this case, related to cargo).

**No interest (riba):** The system avoids interest-based transactions. Instead of insured and insurer relationships found in conventional insurance, participants share risk collectively.



**No uncertainty (gharar):** Contracts are structured to avoid ambiguity or excessive uncertainty, ensuring clarity and fairness in transactions.

**Ethical investments:** Investments made with premiums are screened to ensure they comply with Islamic principles, such as avoiding investments in businesses that deal with alcohol, gambling, or other prohibited activities.

**Mutual cooperation:** The emphasis is on solidarity and mutual aid rather than profit maximization. Any surplus generated is typically redistributed among participants or used to lower future contributions.

**Sharia compliance:** The entire structure and operation of Islamic cargo insurance are overseen by Sharia scholars or boards to ensure compliance with Islamic law.

### **Methodology**

As for giving description to this theme in theoretical manner, we should say some opinions of scholars. Dr. Monzer Kahf, a respected scholar in Islamic economics, emphasizes the principles of mutual cooperation and risk-sharing in Islamic finance. He advocates for Takaful (Islamic insurance) as a means to provide protection for goods while aligning with Sharia principles of fairness and ethical conduct. Kahf's writings often delve into the operational aspects of Takaful, including cargo insurance, within Islamic legal frameworks<sup>1</sup>.

Dr. Mohammad Hashim Kamali, an authority on Islamic law and ethics, provides insights into the jurisprudential aspects of insurance under Sharia. His work addresses the principles of contract law, risk management, and ethical considerations in Islamic finance. Kamali's perspectives on cargo insurance would likely emphasize compliance with Sharia guidelines, avoidance of prohibited elements such as uncertainty (gharar), and the ethical conduct required in

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<sup>1</sup> Kahf, Monzer. "Islamic Insurance: A Modern Approach to Islamic Banking." Edward Elgar Publishing, 2009



commercial transactions involving goods transportation<sup>2</sup>. Dr. Mahmoud A. El-Gamal, an economist and scholar specializing in Islamic finance, offers insights into the economic dimensions of Takaful and its applications in modern financial markets. His research often explores the feasibility of Takaful models, including cargo insurance, and the role of ethical investments in Islamic financial institutions. El-Gamal's views would likely highlight the economic rationale behind cargo insurance in Islamic law and its potential contributions to financial stability and risk mitigation<sup>3</sup>.

Dr. Mohd Ma'sum Billah, known for his contributions to Islamic economics and finance, focuses on the social and ethical dimensions of financial transactions under Sharia. His writings may discuss the societal benefits of Takaful, including cargo insurance, in fostering solidarity and community welfare through risk-sharing mechanisms. Billah's perspective would underscore the importance of ethical conduct and social responsibility in Islamic financial practices<sup>4</sup>. According to Dr. Mohd Ma'sum Billah's perspective, ethical conduct and social responsibility are the significant aspect of Islamic practices. Especially these aspects of this insurance contribute to develop the Islamic cargo insurance in Uzbekistan, that's why because of some conventional insurance companies people, who use the services of insurance, underscore that these companies are not trustworthy. So, I do agree with Dr. Mohd Ma'sum Billah's perspective.

These perspectives reflect the diverse viewpoints within the academic community regarding cargo insurance in Islamic law, highlighting considerations such as ethical standards, economic viability, legal frameworks, and societal impacts. For specific quotes and detailed references, consulting their published

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<sup>2</sup> Kamali, Mohammad Hashim. "Principles of Islamic Jurisprudence." Islamic Texts Society, 2003

<sup>3</sup> El-Gamal, Mahmoud A. "Islamic Finance: Law, Economics, and Practice." Cambridge University Press, 2006

<sup>4</sup> Billah, Mohd Ma'sum. "An Introduction to Islamic Economics and Finance." Pearson Malaysia Sdn Bhd, 2011



works and academic papers would provide deeper insights into their opinions on this topic.

Overall, Islamic cargo insurance seeks to provide a risk management solution that aligns with Islamic principles of fairness, ethical conduct, and mutual cooperation, while also fulfilling the need for protection against potential losses associated with cargo transportation.

### **Results**

Now, we may discuss this type of insurance in a wide way, insuring cargo under Takaful, which adheres to Islamic principles, involves a structured process designed to ensure compliance with Sharia while providing necessary coverage against risks associated with transportation and logistics. Here's a comprehensive overview of how cargo can be insured in Takaful:

#### **The first step: *Formation of Takaful Fund***

- Participants: Individuals or businesses seeking cargo insurance become participants in a Takaful fund. Each participant contributes premiums based on the value and type of cargo to be insured.

- Takaful Operator: A Takaful operator manages the fund on behalf of the participants. The operator may be a company specializing in Islamic finance or a cooperative entity formed for mutual assistance.

#### **The second step: *Risk Pooling and Sharing***

- Risk Pooling: Premiums collected from participants form a collective pool, which is used to cover potential losses or damages to insured cargo.

- Risk Sharing: In the event of a claim, funds from the pool are used to compensate the participant who suffered the loss. This process emphasizes solidarity and mutual assistance among participants.

#### **The third step: *Sharia-Compliant Contracts***



- Wakala Model (a model of Takaful): The Takaful operator acts as an agent (wakil) for the participants, managing the fund and charging a fee for administrative services.

- Mudarabah Model (a model of Takaful): Alternatively, profits generated from investing the Takaful fund's assets may be shared between participants and the operator based on a pre-agreed ratio, adhering to the principles of profit-sharing.

**The fourth step: *Underwriting and Risk Assessment***

- Transparent Contracts: Contracts are structured to ensure transparency and avoid uncertainty by clearly defining the scope of coverage, terms of compensation, and conditions for claims.

- Ethical Investments: Takaful funds are invested in Sharia-compliant assets, such as real estate or ethical businesses, ensuring that investments do not involve prohibited activities such as alcohol or gambling.

**The fifth step: *Claims Management***

- Fair Claims Handling: Claims are assessed fairly and promptly. If a participant suffers a loss due to damage or theft of cargo during transportation, they submit a claim to the Takaful operator.

- Compensation: Upon verification of the claim, compensation is provided from the Takaful fund according to the terms of the agreement. Surplus funds, if any, may be distributed among participants or used to reduce future premiums.

**The sixth step: *Regulation and Oversight***

- Sharia Supervision: All aspects of Takaful operations, including contracts, investments, and claims management, are overseen by Sharia scholars or advisory boards to ensure compliance with Islamic principles.

In Islamic law, the types of cargo can be categorized based on various considerations related to their nature, ownership, and usage. Here are some common classifications of cargo in Islamic jurisprudence:



1. Halal Goods: These are goods that are permissible (halal) for Muslims to trade, consume, and use according to Islamic principles. Halal goods include everyday items such as food products, clothing, tools, and other necessities.

2. Haram Goods: Conversely, haram goods are those that are prohibited (haram) in Islam due to their nature, usage, or origin. This category typically includes items such as alcohol, pork, gambling materials, and anything derived from unlawful activities.

3. Mixed Goods (Muztarib): Mixed goods are those whose halal and haram elements cannot be easily separated, making their status ambiguous. Islamic jurisprudence provides guidelines on how to handle mixed goods in trade and consumption, emphasizing caution and adherence to ethical standards.

4. Stolen Goods: Goods obtained through theft or dishonest means are considered unlawful (haram) in Islam. Islamic law prohibits the trade or possession of stolen goods and emphasizes restitution and justice in dealing with such items.

5. Perishable Goods: These are goods that have a limited shelf life or can easily spoil if not handled properly. Perishable goods include food items, fresh produce, dairy products, and pharmaceuticals. Islamic law provides guidelines on the storage, transportation, and sale of perishable goods to ensure their quality and safety.

6. Valuable Goods (Thaman): Valuable goods refer to items of significant worth or importance, such as precious metals (gold, silver), gemstones, art objects, and antiques. Islamic law addresses specific rules regarding the trade, ownership, and valuation of valuable goods to prevent fraud and ensure fair transactions.

7. Contractual Goods: These are goods that are subject to specific contractual agreements between parties, such as sale contracts (bay') or lease agreements (ijarah). Islamic law governs the terms and conditions of these contracts to ensure fairness, transparency, and adherence to ethical principles.





8. Public Goods (Maslahah Ammah): Public goods are those that benefit the community or society at large, such as infrastructure projects, public utilities, and communal resources. Islamic law encourages the equitable distribution and fair use of public goods to enhance social welfare and economic development.

These classifications illustrate how Islamic law categorizes goods based on their legal status, ethical considerations, and economic implications. Understanding these categories helps ensure that trade and commerce adhere to Islamic principles of fairness, justice, and ethical conduct in all transactions involving cargo.

Islamic cargo insurance, often facilitated through Takaful principles, is utilized in various countries with significant Muslim populations or where Islamic finance has gained traction. Some of the countries where Islamic cargo insurance is practiced include:

1. Saudi Arabia: As the birthplace of Islam and a major hub for Islamic finance, Saudi Arabia has a well-established Takaful market that includes Islamic cargo insurance.

2. United Arab Emirates (UAE): Dubai and other Emirates have developed robust Islamic finance sectors, including Takaful companies offering Sharia-compliant insurance products, including cargo insurance.

3. Malaysia: Malaysia is a global leader in Islamic finance and has a comprehensive regulatory framework supporting Takaful operations. Islamic cargo insurance is part of the broader Takaful industry in Malaysia.

4. Indonesia: With the world's largest Muslim population, Indonesia has a growing Takaful sector that includes offerings such as Islamic cargo insurance to cater to Sharia-compliant financial needs.

5. Pakistan: Pakistan has embraced Islamic finance, and Takaful operators offer various Sharia-compliant insurance products, including cargo insurance, to meet market demands.



6. Bahrain: Bahrain serves as a key financial hub in the Gulf region and hosts numerous Takaful operators offering Islamic insurance products, including those tailored for cargo.

7. Turkey: Turkey has a significant Muslim population and has been developing its Islamic finance sector, including Takaful offerings that encompass cargo insurance.

8. Jordan: Jordan has witnessed growth in Islamic finance, and Takaful operators provide Sharia-compliant insurance solutions, including cargo insurance, to meet market needs.

9. Sudan: Sudan has a longstanding tradition of Islamic finance, and Takaful companies operate within the country, offering various Sharia-compliant insurance products.

These countries represent a diverse range of regions where Islamic cargo insurance is used, driven by regulatory frameworks supportive of Islamic finance, market demand for Sharia-compliant products, and the growing awareness and acceptance of Takaful principles in the insurance industry.

The future of Takaful appears bright with opportunities for expansion, innovation, and increased adoption worldwide. As regulatory environments evolve and consumer awareness grows, Takaful is well-positioned to play a significant role in the global insurance industry, offering ethical alternatives that resonate with the principles of fairness, solidarity, and mutual cooperation inherent in Islamic finance.

#### Market Growth and Expansion:

Takaful is expected to expand beyond traditional Islamic markets into regions with Muslim minorities and even non-Muslim majority countries. This expansion is driven by increasing awareness of ethical finance and the demand for Sharia-compliant products.

#### Emerging Markets:



Growth opportunities exist in emerging economies where Islamic finance is gaining traction due to supportive regulatory frameworks and infrastructure development.

**Standardization:** Efforts towards standardizing Takaful practices and contracts across different jurisdictions aim to reduce complexity and enhance interoperability in global markets.

**Social Responsibility:** Takaful operators are increasingly focusing on corporate social responsibility (CSR) initiatives aligned with Islamic values, such as community welfare projects and sustainable development goals.

In conclusion, the main features of cargo insurance in Islamic law underscore its adherence to Sharia principles, emphasizing fairness, ethical conduct, and risk-sharing among participants. Takaful, the Islamic insurance framework, provides a cooperative mechanism where premiums contribute to a collective fund used for compensating losses, ensuring mutual protection without involving elements prohibited in Islam such as interest and uncertainty. Looking ahead, the future of Islamic cargo insurance appears promising with continued global expansion driven by increasing awareness, regulatory support, and market demand for ethical financial solutions. Innovations in product offerings, enhanced regulatory frameworks, and technological advancements are poised to further strengthen the Takaful industry's role in global insurance markets.

As Islamic finance continues to integrate into mainstream financial systems, cargo insurance under Takaful principles stands to play a pivotal role in meeting the diverse needs of businesses and individuals while upholding Islamic values of solidarity, equity, and social responsibility. Through these principles, Islamic cargo insurance not only provides effective risk management but also fosters sustainable economic growth in accordance with ethical principles outlined in Islamic law.



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