

**ORIGINAL ARTICLE****INSURANCE BUSINESS MODELS UNDER ISLAMIC LAW AND PARTICIPATION INSURANCE**

Muharrem UMUT  
Enes AKKURT

**Abstract**

The share of the insurance sector in Turkey is gradually increasing and gaining importance. One of the alternative systems to the traditional insurance is the participation insurance, whose attention is constantly increasing both in the world and in Turkey. The concept of Islamic insurance and/or participation insurance has started to become widespread in the sector, particularly in recent years, similar to participation banking. One of the main reasons for this is the sensitivity and demand of individuals towards interest-free products. Participation or Takaful insurance is the focus of the study. Although the participation insurance practices have a history of more than 40 years in the world, it is relatively new in the Turkish insurance sector. However, it is obvious that participation insurance will show great improvement in Turkey in the future. In the study, Iranian, Pakistani, Saudi Arabian, Takaful and Turkish models, which are insurance business models within the framework of Islamic Law, are mentioned. The most used Takaful model in the research is Hybrid and the country with the highest premium production in participation insurance business is Saudi Arabia, which implements the cooperative model. At the end of this study, various suggestions were made for the further development of participation insurance.

**Keywords**

Insurance sector, Conventional insurance, Participation insurance, Business models.

**JEL Classification**

G20, G22, G28.

**Authors Notes:****Correspondence**

Doç. Dr., Ankara Hacı Bayram Veli  
University School of Banking and Insurance,  
ORCID: 0000-00002-9213-1440,  
muharrem.umut@hbv.edu.tr

Master Student., Ankara Hacı Bayram Veli  
University School of Banking and Insurance,  
ORCID: 0000-0002-7770-7704,  
enes.akkurt@hbv.edu.tr

## 1. INTRODUCTION

Insurance, which is dating back to old times, has become a system that enables individuals to insure themselves against certain risks. The insurance is defined as a formation that covers different types of risks formed with the desire of the parties to come together and minimize their losses in case the risk occurs, for individuals to feel safe (Özüdoğru, 2017, p.2). Insurance has many benefits such as increasing solidarity, creating a sense of trust in people, compensating for losses, and contributing to the development of the economy (Hancı, 2007, p.3).

The idea of participation insurance, which has emerged particularly in Muslim countries, came to the fore for the first time in the Islamic world by Ibn Abidin. Ibn Abidin believes that the concept of insurance is not compatible with Islam. After seeing that a large part of the society agreed with this view, participation insurance started to be discussed especially in the 1970s. Before the 1970s, there were practices similar to participation insurance. However, after the 1970s, it became increasingly official and its sectoral importance began to increase (Laçınbala & Ünsal, 2019, p.182-183). The market share of participation banking and participation insurance in Turkey is increasing daily. In this regard, especially the decisions, fatwas, and announcements, made by the Presidency of Religious Affairs, are important. While the first examples of participation insurance in the world are in Sudan, Malaysia, and Saudi Arabia, in 2010 it started to be implemented for the first time in Turkey.

The growth of the participation insurance sector is linked to the participation banking sector. As the share of the participation banking in the sector increases, the percentage of the participation insurance sector also increases. For this increase to be long-term, it is necessary to raise awareness of the public and private sectors in terms of participation insurance.

In the study, the participation insurance and the business models related to the participation insurance are explained. The differences between the participation insurance and the traditional insurance, as well as the premium production of companies in this field and their shares in the sector, are examined. The models applied in the participation insurance are the Iranian and Pakistani model, the cooperative model, and the Takaful model. After reviewing the models implemented by the participation insurance companies in Turkey, the results obtained are discussed and suggestions are made in conclusion.

## 2. THE PARTICIPATION INSURANCE

### 2.1. The Participation (Takaful) Insurance and Features

The meaning of Takaful is trust and solidarity. In various sources, the Takaful insurance is also referred to as participation insurance, Islamic insurance, and mutual insurance (Üstün, 2014, p.6-7). Therefore, in the study, it will be used as participation insurance with its widespread use in our country. Participation insurance is the way individuals, who make up a specific risk group, come together and guarantee their risks within the framework of a partnership, without the aim of profit, to cover the possible losses that may occur as a result of the realization of their risks in the future. There are mutual solidarities based on voluntary participation in insurance. In this type of insurance, there is no possibility of interest, doubt and situations that may be against morality. In companies producing Takaful insurance, the risk of errors in the writing of the policy and the investment risk, that will consist of the invested parts of the collected funds, are undertaken by the participants, while the other risks are undertaken by the Takaful company (Kassim, 2013, p.29). There is a pool system in which damages and responsibilities are shared equally among the individuals in that group (Sezal, 2017, p.1161-1162).

## 2.2. Takaful Insurance History

After the first session of the Fiqh Council, an institution affiliated with the Union of the Islamic World, in 1978, it was decided to ban all insurances (Mohammed, 2020, p.22). Since 1980s, the Takaful insurance has become a type of insurance applied in Muslim countries, particularly in Malaysia, in the European countries (England) and in the United States (Aksoy, 2018, p.3). With the “Participation Insurance Regulation” issued in 2017 in Turkey, legislative regulation was made for the first time as well.

**Table 1**

*First Established Takaful Insurance Companies*

| Takaful Company                      | Country             | Year |
|--------------------------------------|---------------------|------|
| Islamic Insurance Co Ltd.            | Sudan               | 1979 |
| Islamic Insurance Co. Ltd.           | Saudi Arabia        | 1979 |
| Dar Al Maal Islami, Cenevre          | Switzerland         | 1983 |
| Takaful Islam Luxembourg             | Belgium             | 1983 |
| Takaful Islam Bahamas                | Bahamas             | 1983 |
| Syarikat Takaful Malaysia Sdn Bhd    | Malaysia            | 1984 |
| Takaful TAIB Sdn Bhd                 | Sultanate of Brunei | 1993 |
| Takaful IBB Bhd                      | Sultanate of Brunei | 1993 |
| MNI Takaful                          | Malaysia            | 1993 |
| PT Syarikat Takaful Indonesia        | Indonesia           | 1994 |
| PT Asuransi Takaful Keluarga         | Indonesia           | 1995 |
| Syarikat Takaful Singapura Pte. Ltd. | Singapore           | 1995 |
| PT Asuransi Takaful Umum             | Indonesia           | 1996 |

**Source:** Yıldırım, İ. (2014). Development of Takaful (Islamic) insurance system in the world and its applicability in Turkey. *Journal of Organization and Management Sciences (OYBD)*, 6(2), p.55

## 2.3. The Participation and the Conventional Insurance Comparison

There is a significant difference between the participation and the conventional insurance. Although both of them are insurance in nature, there are essential differences in the practice, in the business style and in the selection of investment assets. A brief comparison is presented below.

**Table 2**  
*Comparison of Takaful and Traditional Insurance*

|   | <b>Participation Insurance</b>  | <b>Traditional Insurance</b>   |
|---|---|--|
| <b>Agreement</b>                        | The profit-loss partnership combination has a mixed structure   | It is a structure in which the insured only buys the policy and transfers the risk.                        |
| <b>Company</b>                          | There is a share ownership structure. In addition, the insurance operator is called the "insurance operator". | There is one-to-one policy ownership, not share ownership. The insurance operator is called the "insurer". |
| <b>Risk of Damage</b>                   | The participants and the insurance operator undertake risks together.   | Only the insurance company bears the risk.   |
| <b>Contribution (Teberru) / Premium</b> | Payments are made on a donation basis.  | Payments are made on a premium basis.  |
| <b>Insurance Risk</b>                   | Transferred to the takaful fund with the participants.  | The insured can take the risk themselves or share it with other insurers.                                  |
| <b>Premium Surplus</b>                  | The participants also have rights.  | Only the insurance company has the right.  |
| <b>Investment</b>                       | The investments are made only in interest-free instruments.   | It is possible to invest in anything provided that complies with the law.                                  |
| <b>Retakaful / Reinsurance</b>          | It can be transferred to the retakaful company.   | It can be transferred to other companies through reinsurance.  |

**Source:** Özüdoğru, H. (2018). Participation insurance and its current condition in Turkey. Third sector Social Economic Review, (53)1, p.7

### 3. INSURANCE BUSINESS MODELS IN THE WORLD

#### 3.1. The Iranian Model

The compulsory insurances applied in Iran are health, third party motor vehicles and social insurances. The important point is that a specific part of the premiums in life and non-life branches are to be transferred to the "Iranian insurance company- Bimeh ". The participation model applied in the country is distinctly different from other models. The Iran's Legal System Based on Shia Islam makes the participation model a differentiator. Iran does not need a sharia board in the Takaful insurance like other Islamic economies and doesn't operate like traditional Takaful operators. Besides, there is no clear distinction between conventional and participation insurance in Iran. The Iranian financial system is based entirely on Shia Islam. In other words, the insurance is not carried out according to Sharia legislation, unlike in other countries. The window system is used in participation insurance. The structure of the participation system is similar to the classical insurance features. The most distinctive feature of the Iranian participation insurance is that Islamic products, which are preferred in directing contribution premiums to investment. According to the data for 2020, there are 305 Takaful operators of which 107 of them are licensed for general insurance, 57 of them are approved for family Takaful, and 25 of them are repetitive Takaful operators in the country (Afshari, 2020, p.7).

The window system is a system in which traditional insurance companies can also offer participation insurance products (Laçınbala & Ünsal, 2019, .184).

**Table 3**

*Country Practices Regarding the Window System in Participation Insurance*

| Countries Allowing Window System in Insurance | Countries That Do Not Allow Window System in Insurance |
|---|--|
| Iran  | Brunei   |
| Bahrain                                       | Indonesia  |
| United Arab Emirates                          | Malaysia   |
| England (United Kingdom)                      | Sudan  |
| Qatar   | Saudi Arabia   |
| Labuan  | Bangladesh   |
| Pakistan                                      | Turkey   |
| Singapore                                     |  |

**Source:** Laçınbala, Y. & Ünsal, H. (2019). An Overview on Window Model in Participation Insurance (Takaful) System. *Sosyoekonomi Journal*, 27(42), p.188

For the window system in Turkey, this system has been applied by many companies until today. However, in the Regulation on Insurance and Private Pension Activities within the Framework of Participation Principles, published in the Official Gazette on 19.12.2020, the window system is not going to be applied after 31.12.2021.

**Table 4**

*Production Table of Participation Insurance Companies in 2021 and Total Shares in the Market*

| PARTICIPATION INSURANCE COMPANIES |                     |               |  | 2021 / DECEMBER                                 |  |
|-----------------------------------|---------------------|---------------|--|---|--|
| Company Name                      | Branch              | Takaful Model | Starting Date of Participation Insurance | Participation Insurance Premium Production (TL) | Participation Insurance Market Share (%) |
| Neova Sigorta A.Ş.                | Non – Life          | Full-Fledged  | 2010                                     | 2.648.372.639                                   | 48.43                                    |
| Bereket Sigorta A.Ş.              | Non – Life          | Window        | 2018                                     | 2.080.840.319                                   | 38.05                                    |
| Doga Sigorta A.Ş.                 | Non – Life          | Window        | 2014                                     | 2.448.802                                       | 0.04                                     |
| Bereket Emeklilik ve Hayat A.Ş.   | Life and Retirement | Window        | 2018                                     | 303.231.347                                     | 5.54                                     |
| Katılım Emeklilik ve Hayat A.Ş.   | Life and Retirement | Full-Fledged  | 2014                                     | 166.247.714                                     | 3.04                                     |
| Türkiye Hayat ve Emeklilik A.Ş.   | Life and Retirement | Window        | 2020                                     | 32.488.414                                      | 0.59                                     |
| Türkiye Sigorta A.Ş.              | Non – Life          | Window        | 2020                                     | 63.243.477                                      | 1.16                                     |
| HDI Sigorta A.Ş.                  | Non – Life          | Window        | 2019                                     | 63.780.733                                      | 1.17                                     |
| Bereket Katılım Sigorta A.Ş.      | Non – Life          | Full-Fledged  | 2020                                     | 69.813.865                                      | 1.28                                     |
| Bereket Katılım Hayat A.Ş.        | Life                | Full-Fledged  | 2020                                     | 38.063.272                                      | 0,70                                     |
| Unico Sigorta A.Ş.                | Non – Life          | Window        | 2019                                     | 193.418   | 0,00                                     |
| Groupama Hayat A.Ş.               | Life                | Window        | 2019                                     | 137.841   | 0,00                                     |

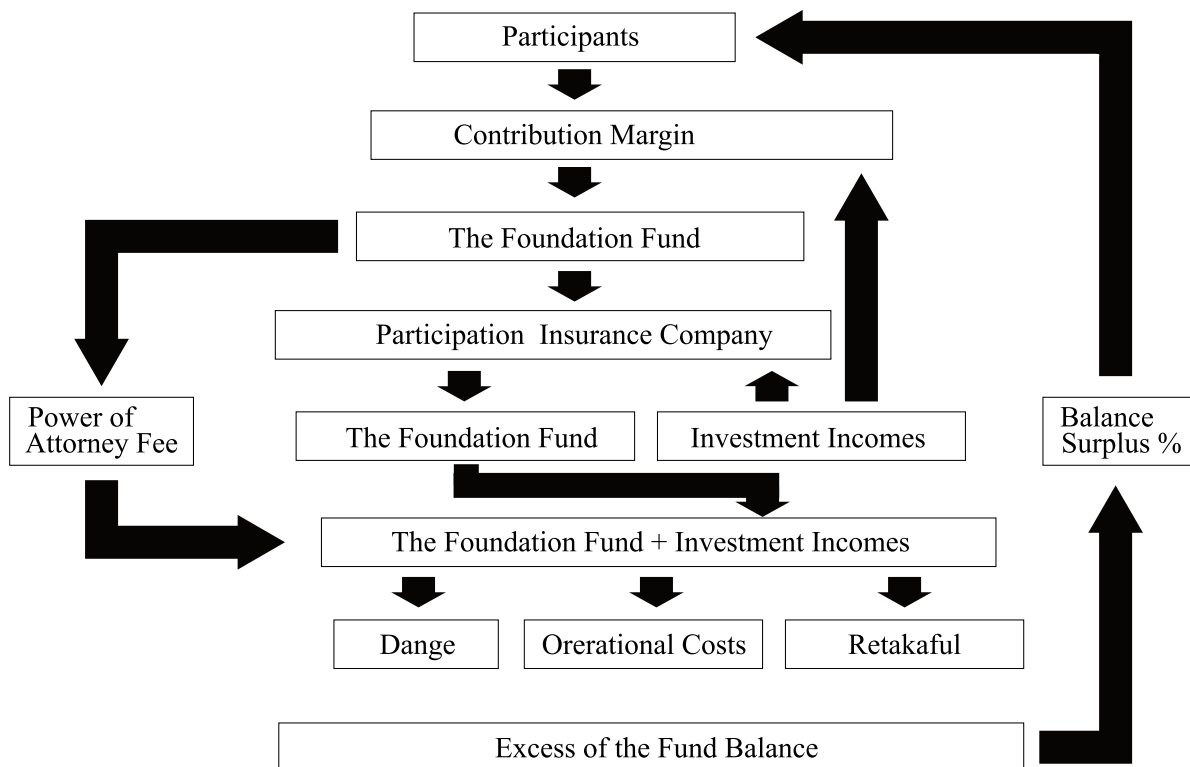
**Source:** Işık, M.A. (2021). A comparative analysis on participation insurance in Turkey and England. (Publication No. 672411) [Master's thesis, İstanbul Ticaret University]. p.59

### 3.2. The Pakistani Model in Participation

The model applied in Pakistan is called the “foundation model”. Basically, there is an understanding of foundation and applied through Wakalah, Mudarabah and Hybrid methods. The Wakalah method is predominantly used, and in this foundation model, the participant is more prominent. Wakalah means an agent or representative (Khan, 2003, p.192). In the model, it is thought that companies that risk as partners in the participant capital company, will evaluate their current investments more carefully (Işık, 2021, p.35). In addition, if the resources are insufficient, it is possible for the system to progress regularly by using interest-free loans (Yazıcı, 2015, p.50-51). This is an Islamic insurance model widely applied in countries such as Malaysia, Singapore, Indonesia, India, Pakistan, United Arab Emirates, Ukraine, Kuwait, United Kingdom (Aslan,2021, p.40).

**Figure 1**

*Mandate – Foundation Model Flow Chart*



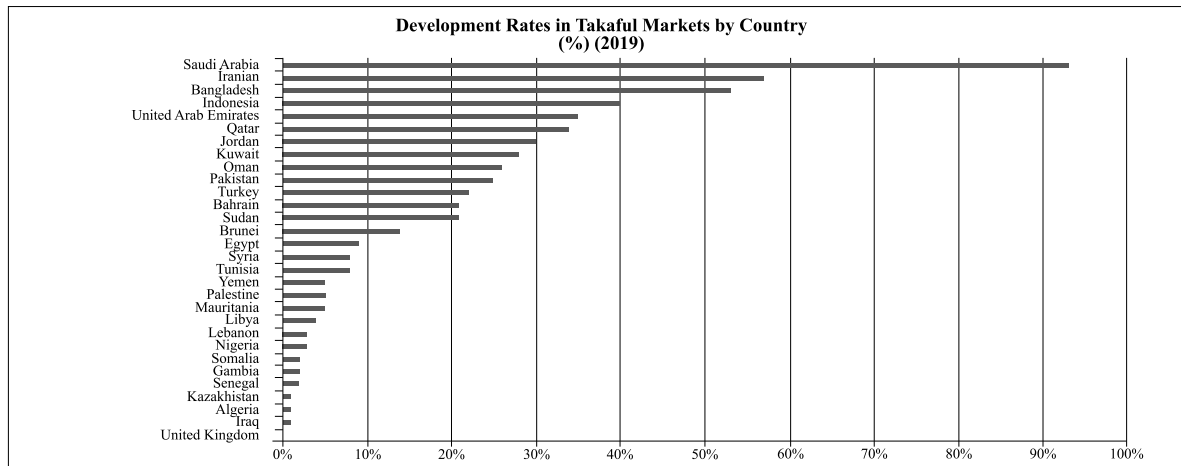
**Source:** Işık, M.A. (2021). A comparative analysis on participation insurance in Turkey and England. (Publication No. 672411) [Master’s thesis, İstanbul Ticaret University]. p.36

According to Figure 1, the company, which establishes a foundation, makes the initial investment, and collects the funds of the participants in the account it opens. In addition, a Wakalah fee is collected at predetermined rates on the contribution premiums collected from the investors. The company earns investment income by transferring the remaining contribution premiums to the foundation fund. After making certain deductions from these investment incomes and the funds collected in the foundation, the remaining balance is shared between the participant and the company at predetermined rates, which is called the Mudarabah foundation method.

### 3.3. The Saudi Arabian (Cooperative) Model

Saudi Arabia is the country with the largest share of the Takaful markets. It is possible to make this interpretation by looking at the ratios in Graph 1.

**Graph 1**  
*Development Rates in Participation Markets by Country*

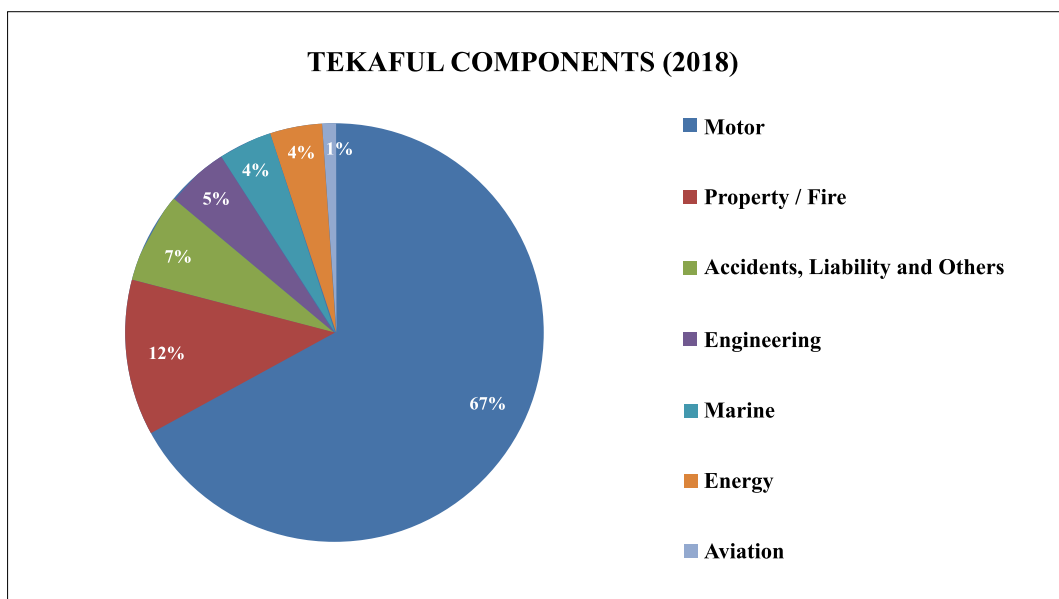


**Source:** Improving the Takaful Sector In Islamic Countries, (2019), Standing Committee for Economic and Commercial Cooperation of the Organization of Islamic Cooperation (COMCEC), p.13

According to Graph 1, the country with the largest share of participation markets in 2019 is Saudi Arabia with a high rate of 93%, followed by Iran with a rate of 57%. In Turkey, the participation market shows a size ratio of 22%.

As a result of the research based on Graph 1, according to 2018 data, Saudi Arabia has the highest participation market share with 38% in the global economic participation market. A model called “The Cooperative Insurance Model” is implemented in Saudi Arabia (COMCEC, 2019, p.77).

**Figure 2**  
*General Takaful Components In Saudi Arabia (2018)*



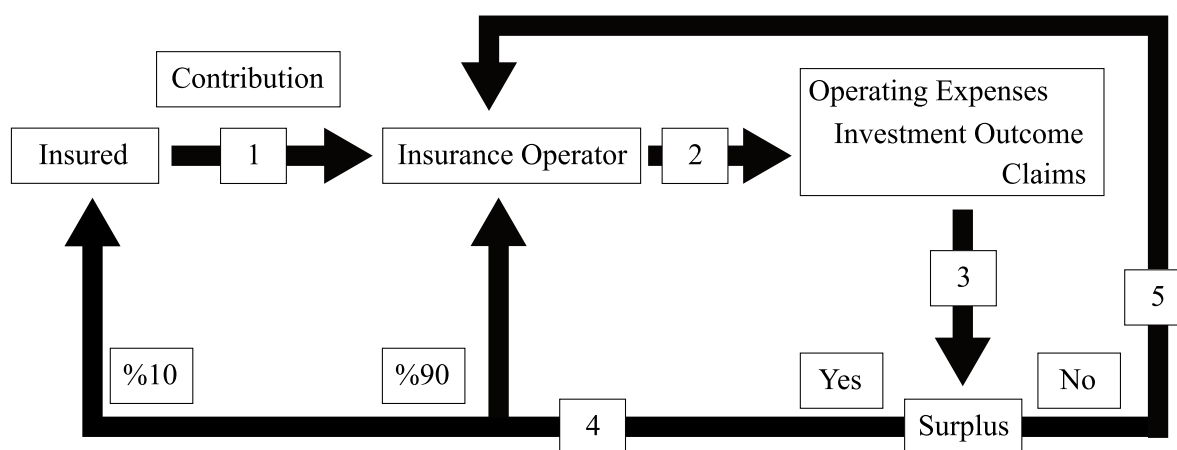
**Source:** Improving the Takaful Sector In Islamic Countries, (2019), Standing Committee for Economic and Commercial Cooperation of the Organization of Islamic Cooperation (COMCEC), p.77

According to Figure 2, 67% of the participation components belong to property / fire types with a rate of 12% after the engine in 2018. These are also followed by accident, liability and others with 7%, engineering with 5%, maritime with 4%, energy with 4% and aviation with 1%.

When establishing insurance companies in Saudi Arabia, only the cooperative model, which is not inconsistent and regulated according to the provisions of sharia, is allowed according to the royal decree dated 17.04.1405 and numbered m/5 (COMCEC, 2019, p.78). The companies are subject to the provisions of the National Company Articles of Association. Only the cooperative structures are allowed as company types. The cooperative insurance model in Saudi Arabia has the characteristics of Takaful insurance (AlNemer, 2013, s.248). However, it is seen that there are no detailed guidelines on the models that the companies will implement in their internal transactions. Therefore, in practice, it can be said that the insurance companies are entitled to apply different models (Demirci, 2019, p.31-32). There are three cooperative insurance models implemented in Saudi Arabia.

**Figure 3**

*The Flow Chart Cooperative Insurance Model In Saudi Arabia*



**Source:** Improving the Takaful Sector In Islamic Countries, (2019), Standing Committee for Economic and Commercial Cooperation of the Organization of Islamic Cooperation (COMCEC), p.84

In Figure 3, according to the first cooperative insurance model, the insured pay their contribution to the insurance operator. Then, some of the premiums cover operating expenses, while the remaining amounts are invested in the requested investment and risk funds. If any amount remains, the insurance company can assess it according to its own will. At the end of the period, it is calculated whether there is a surplus or a deficit in earnings. If there is a surplus, 90% is distributed to the insurance operator and 10% to the shareholders. In other words, the operator returns some of the earnings to the insured. If there is a gap, it is the responsibility of the insurance operator. In the second cooperative insurance model, the only difference from the first model is the 5% of the gross wage for the insurance operator. The only difference between the third cooperative insurance model from the first model is that operating expenses such as the receivables and the investment percentages are left to the initiative of the insurance operator.

### 3.4. The Takaful Model and Types of Takaful Management Methods

Takaful model is a form of insurance that consists of management models based on the Takaful system. The purpose of the Takaful model system is to bring together people in a certain risk group and to minimize the losses arising from the risks they will face (Wahab and Rahim, 2006). The primary purpose of this system is not to make a profit, but to minimize the losses of individuals through solidarity and unity (Çalık, 2011, p.31). The Takaful management models should not include some

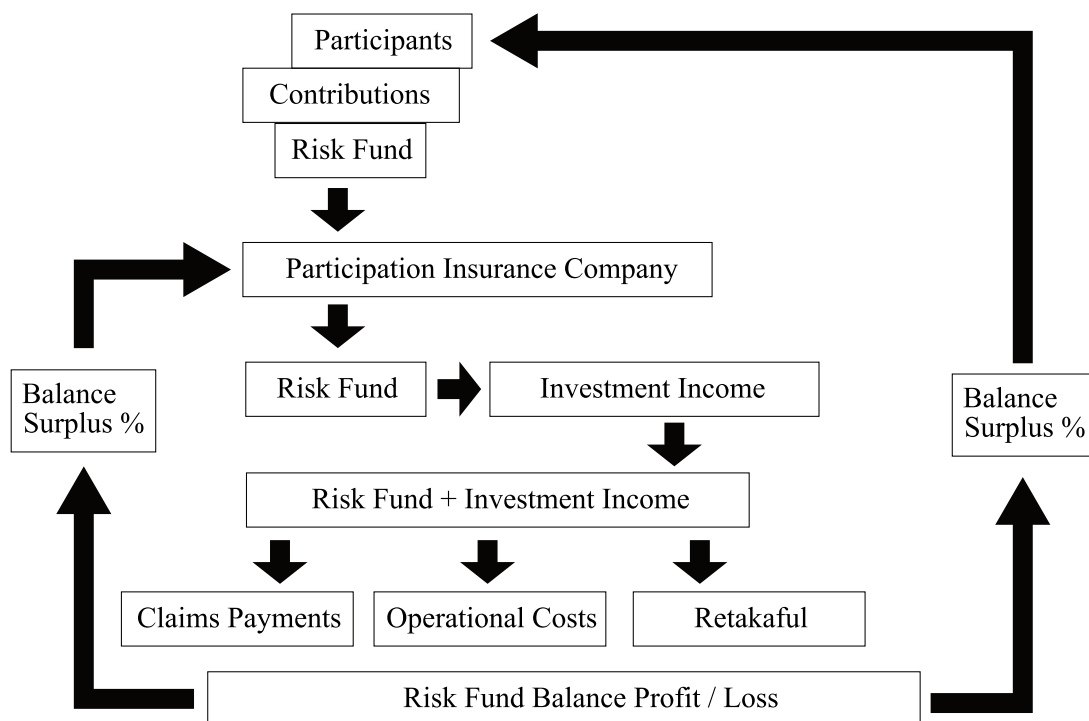


elements (Yıldırım, 2014, p.50-51). In the Takaful model, interest (riba), excessive risk taking (maisir), uncertain or unclear contractual aspects (gharar) are islamically unsuitable investments (haram).

**Mudarabah Management Method:** In the mudarabah management model, also known as “profit-loss partnership” in Turkey, one of the parties reveals its capital and the other its labor, and accordingly, a labor-capital or profit-loss partnership is formed (Öner, 2020, p.41 – 42). When any loss occurs, one party loses his labor and the other his capital (Usmani, 2007, p.82). If there is an increase at the end of the period at the time of policy issuance or when the contract is concluded, the amount of sharing will be determined clearly and unequivocally. In this management model, no Wakalah fees are charged. Since the dividends are clear from the beginning, the participants get rid of negative thoughts. Participants who want to leave the system are given the right to terminate their membership after deducting certain costs and sharing profits (Hacak & Gürbüz, 2021, p.311).

**Figure 4**

*Mudarabah Management Method*

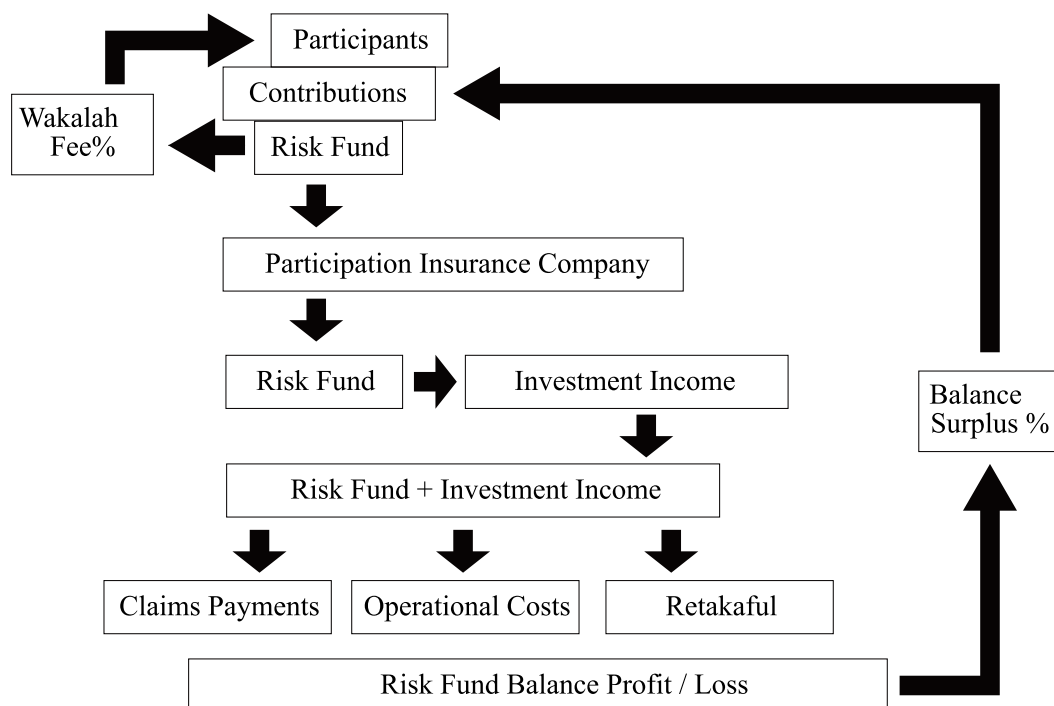


**Source:** Işık, M.A. (2021). A comparative analysis on participation insurance in Turkey and England. (Publication No. 672411) [Master’s thesis, İstanbul Ticaret University]. p.32

According to Figure 4, contributions are collected from the participants. After deducting the expenses from the contribution premiums, the remaining amount is invested. If there is a profit, both the participant and the company receive a certain share. However, in case of damage, only the participants, not the company, are responsible for the damage. The most discussed feature of this management model is that the company is a partner in the surplus and does not participate in the loss. In this case, the understanding of participation is contradicted (Işık, 2021, p.31-33). In participation insurance, there should be no unfair or excessive use cases.

**Wakalah Management Method:** The word Wakalah is a word of Arabic origin that occurs several times in the Qur’an. This word has multiple meanings. For participation insurance it means “to represent another person”. This method became more popular in the 2000s (Alhabshi & Razak, 2009, p.286). This management model is mainly applied in Gulf Arab countries (Işık, 2021, p.33).

**Figure 5**  
*Wakalah Management Model Flow Chart*

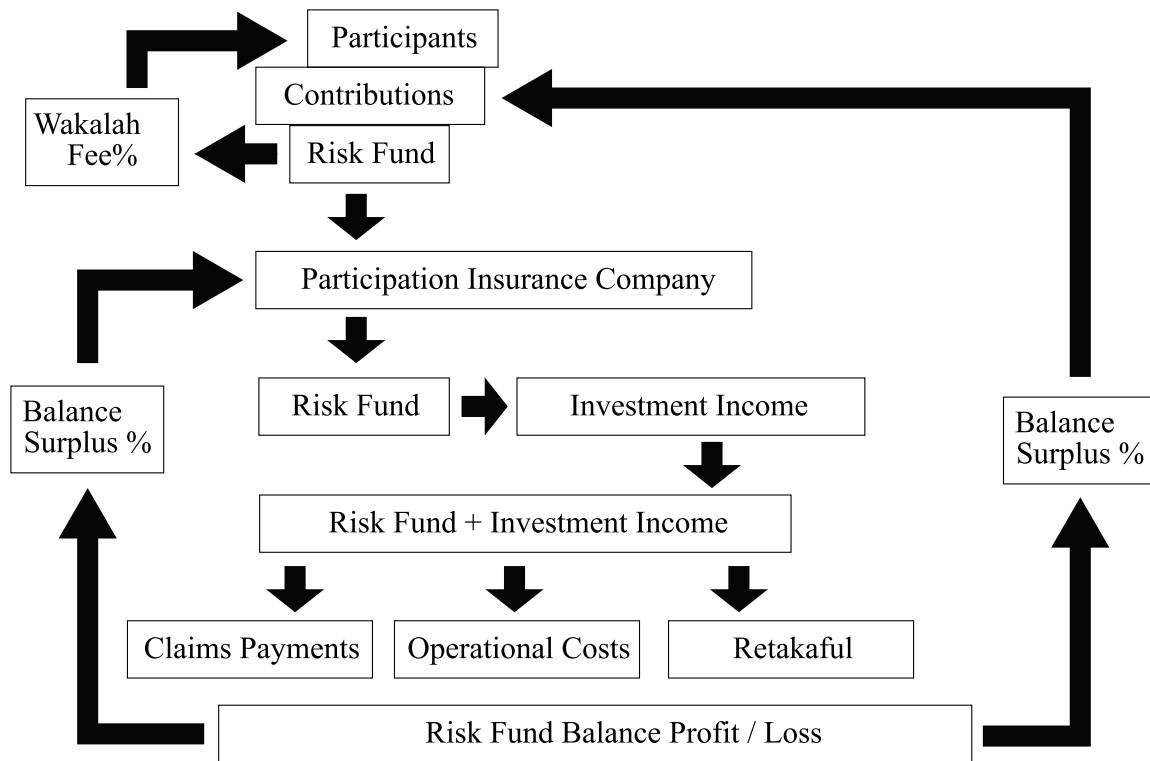


**Source:** Işık, M.A. (2021). A comparative analysis on participation insurance in Turkey and England. (Publication No. 672411) [Master's thesis, İstanbul Ticaret University]. p.34

Figure 5 shows that the contributions are collected in a pool. The remaining amount is invested by taking the Wakalah (operation) fee at a predetermined rate over the accumulated contributions. The Wakalah varies according to the performance of the Takaful operator (Alnemer, 2013, p.244). If profit is made, it is shared among both the participants and the company. In case of damage, it is only the responsibility of the participants. The negative side of this management model is that the company does not share in the loss even though it receives Wakalah fees and shares in the profits. In this case, the concept of “gain” emerges. The meaning of gain in law is to take excessive advantage of a situation. Here, there may be an unfair benefit for the participants. Because the company both receives attorney's fees and shares in the profit but does not support the participants in case of a loss (Dilek, 2019, p.60). A hybrid management method, which is a mix of Wakalah and Mudarabah methods, has been developed, considering that the company's reimbursement of the Wakalah fee may affect its efficiency in the fund management.

**Hybrid Management Method:** It is also referred to as the “mixed model”. It is implemented as a mix of Mudarabah and Wakalah methods (Htay & Zaharin, 2011, p.5). In this method, both Wakalah and Mudarabah contracts are made. This model also emerges as the most used management model in participation insurance. It is common in Middle Eastern countries, particularly in Malaysia, Indonesia, and Sudan. In this management, insurance activities are carried out with a mandate contract, while the profit and loss to be obtained from the investment are made with a Mudarabah contract. The Participation Insurance Regulation emphasized that “the company receives a Wakalah fee in return for the risk fund management and other technical and legal transactions related to insurance; all of the technical profits are distributed to the participants, but the investment profit should be shared between the participant and the company at a predetermined rate” (Başoğlu, 2020, p. 1053-1054). It is a method recommended to be implemented by the Accounting and Auditing Organization of Islamic Financial Institutions (AAOIFI). It is also mandatory in countries such as Bahrain and Malaysia (Hacak & Gürbüz, 2021 p.312).

**Figure 6**  
*Hybrid Management Model Flow Chart*



**Source:** Işık, M.A. (2021). A comparative analysis on participation insurance in Turkey and England. (Publication No. 672411) [Master's thesis, İstanbul Ticaret University]. p.37

Figure 6 shows that participants first pay their contributions. After deducting the operator's fee at the predetermined rate from this payment and after other deductions are made, the contributions are evaluated by directing them to investment. If a surplus is achieved, only the participants receive a share of the technical profit, while the company and the participants jointly receive a percentage of the investment profit.

### 3.5. The Turkish Model in Participation

Participation insurance started in Turkey in 2010. Until today, it has been making rapid progress in the sector. Particularly at the end of 2020, a new Turkish model was created with the combination of public authority and the private sector in Turkey. The features of this model include the establishment of structures such as the advisory committee and the participation compliance unit, the provision of collateral in religiously halal areas, and the evaluation of investments in interest-free instruments. The personnels who want to operate in the participation insurance sector in Turkey are obliged to have a certificate issued in that field. In addition, this practice was supported by various training programs, helping Turkey to create a unique model and gain positive momentum for developing the participation insurance sector. An important point to be noted is the window system, which has been banned in Turkey as of the end of 2021. While many participation insurance companies continued their activities according to this system, they had to end their operations as of 31.12.2021. It is not yet possible to make a definite comment about the effect of this application on the sector. Finally, it is possible to say that the Turkish model is a different model with the new participation insurance legislation and different criteria from other models, and it has a special place in the world participation insurance sector.

#### **4. THE ACTIVITIES AND THE APPLIED PARTICIPATION MODELS OF INSURANCE COMPANIES OPERATING IN TURKEY**

In this section, the participation insurance models used by the participation insurance companies operating in Turkey and the data on the basis of companies in the sector are compared based on the years 2020 and 2021.

According to Table 5, the company that started its activities in the field of participation insurance in Turkey in 2010 and has the highest share in the participation insurance sector, is Neova Katılım Sigorta A.Ş. Secondly, the participation insurance company Bereket Sigorta A.Ş. On the other hand, it has the second highest share in the sector in the non-life segment, while it has the company profile with the highest percentage in the life and pension segments. While it is seen that the companies that mostly use the Hybrid and the Wakalah model are Bereket Katılım Sigorta A.Ş. and Bereket Katılım Hayat A.Ş. Two companies, founded in 2020, use the Performance Supported Incentive Wakalah Method. In addition, it is seen that the participation insurance sector has the highest shares in non-life branches.

**Table 5**  
*Companies and the models in which they are used*

| <b>Non-Life Branch Companies</b> |   |   |   |        |   |        |
|----------------------------------|---|---|---|--------|---|--------|
| <b>Company Name</b>              | <b>Starting Year of Participation Insurance</b> | <b>Management Model Used</b>                          | <b>Premium Production and Share in the Sector in 2020</b> |        | <b>Premium Production and Share in the Sector in 2021</b> |        |
| Neova Sigorta A.Ş.               | 2010  | Hybrid  | 1.899.270,816   | %48.19 | 2.648.372.639   | %52.36 |
| Bereket Sigorta A.Ş.             | 2017  | Hybrid  | 1.419.236.646   | %36.01 | 2.080.840.319   | %41.14 |
| Doga Sigorta A.Ş.                | 2014  | Wakalah   | 394.403.936   | %10.01 | 2.448.802   | %0.05  |
| Türkiye Sigorta A.Ş.             | 2020  | Hybrid  | 4.006.028   | %0.10  | 1.614.124   | %0.03  |
| HDI Sigorta A.Ş.                 | 2017  | Wakalah   | 37.593.020  | %0.95  | 63.780.733  | %1.26  |
| Bereket Katılım Sigorta A.Ş.     | 2020  | Performance Supported Incentive Wakalah Model         | 44.500.866  | %1.13  | 82.719.774  | %1.64  |
| UNICO Sigorta A.Ş.               | 2019  | Wakalah   | 3.601.701   | %0.09  | 193.418   | %0.00  |
| <b>Life Branch Companies</b>     |   |   |   |        |   |        |
| <b>Company Name</b>              | <b>Starting Year of Participation Insurance</b> | <b>Management Model Used</b>                          | <b>Premium Production and Share in the Sector in 2020</b> |        | <b>Premium Production and Share in the Sector in 2021</b> |        |
| Bereket Katılım Hayat A.Ş.       | 2020  | Performance Supported Incentive Wakalah Model (PSIWM) | 18.208.585  | %0.43  | 38.063.272  | %0.70  |
| Groupama Hayat A.Ş.              | 2019  | Wakalah   | 1.590.636   | %0.04  | 137.841   | %0.00  |
| <b>Pension Branch Companies</b>  |   |   |   |        |   |        |
| <b>Company Name</b>              | <b>Starting Year of Participation Insurance</b> | <b>Management Model Used</b>                          | <b>Premium Production and Share in the Sector in 2020</b> |        | <b>Premium Production and Share in the Sector in 2021</b> |        |
| Bereket Emeklilik ve Hayat A.Ş.  | 2018  | Hybrid  | 180.722,995   | %4.24  | 303.231.347   | %5.54  |
| Katılım Emeklilik ve Hayat A.Ş.  | 2014  | Hybrid  | 147.095,557   | %3.45  | 166.247.714   | %3.04  |
| Türkiye Hayat Emeklilik A.Ş.     | 2020  | Hybrid  | 69.440.532  | %1.63  | 32.488.414  | %0.59  |

**Source:** Insurance Association of Türkiye & Annual reports of companies

## 5. CONCLUSION AND RECOMMENDATIONS

In the study, the evaluation of participation insurance and the examination of the models were made. Although participation insurance is a new sector in Turkey, the research shows it has developed. Among the reasons for its development is that it is resistant to crises and more suitable for people than traditional insurance since there are no interest and similar risks. The models carried out in accordance with Islamic rules, Iranian, Pakistani, Saudi Arabian cooperative, Takaful model and finally the participation model applied in our country, Turkey. The country with the highest share participation market is Saudi Arabia. The model used in Turkey, is the participation model mainly characterized by three criteria. There are four different management methods within this model itself. Companies are free to choose and apply any of these management models. These methods are Waqf, Mudarabah, Wakalah and Hybrid. The first of the most used methods in Turkey between 2017 and 2020 has been the Hybrid (Wakalah + Mudarabah). As of 2020, the insurance company with the highest share in the participation insurance sector in Turkey, excluding life, is Neova Katılım A.Ş., while the insurance company with the lowest share, Unico A.Ş. Bereket Hayat ve Emeklilik A.Ş., represents the insurance company with the highest share in the Life and Pension Branches. As a result, it is possible to develop participation insurance within the scope of the following recommendations:

- It can be enlarged and expanded by making new trainings on participation insurance and explaining it to the public. In this way, accurate data will be used through the most up-to-date sources.
- Companies can try to develop different models that are unique to them instead of preferring standard models. As a matter of fact, this has been made possible by the new participation insurance legislation in Turkey.
- It will be extremely beneficial to conduct research, prepare reports and provide trainings in the sector and in academia to increase the awareness of participation insurance. Especially in universities, it is possible to raise awareness by creating courses suitable for this.
- In addition, units (institutes) related to participation insurance can be established.
- Participation insurance products can be offered with different features according to each person. For instance, a share increase can be experienced in the sector by making some changes to low-income participants and lowering them to their level or making changes to high-income participants in the same way.
- Strengthening the technological structures of the companies in the field of participation may increase the interest in the sector. If insurance companies develop their websites and mobile applications accordingly, a significant acceleration will be achieved.
- Customers' access to the system can be further increased by developing special formulas at the rate of the customer that each customer will bring with them.

### Declaration of Research and Publication Ethics

This study which does not require ethics committee approval and/or legal/specific permission complies with the research and publication ethics.

### Researchers' Contribution Rate Statement

The authors declare that they have contributed equally to the article.

### Declaration of Researcher's Conflict of Interest

There are no potential conflicts of interest in this study.

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