

**CIVIL-LEGAL REGULATION OF ISLAMIC INSURANCE
(TAKAFUL): ANALYSIS OF INTERNATIONAL EXPERIENCE FOR
UZBEKISTAN**

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Abstract: This thesis conducts an in-depth analysis of the civil-legal regulation of Islamic insurance (takaful) and aims to develop relevant proposals for Uzbekistan. The legislative experience of leading countries in the takaful industry, such as Malaysia, Saudi Arabia, and the United Arab Emirates, has been studied in detail. The research identified the main models of takaful system regulation (mudaraba, wakala, and hybrid models), Shariah compliance requirements, rights and obligations of participants in takaful contracts, and specific features of international takaful standards. Detailed proposals were provided for Uzbekistan, including the adoption of a special law on takaful, establishment of a regulatory body to oversee Islamic financial services including takaful activities, setting licensing requirements for takaful operators, and creating a system for training specialists. The conclusion section outlines promising directions for developing the takaful industry in Uzbekistan and its civil-legal regulation, as well as potential difficulties in this process and ways to overcome them.

Keywords: Islamic insurance, takaful, civil-legal regulation, international experience, Uzbekistan, Shariah standards, takaful contract, Islamic finance, mudaraba, wakala

The rapid development and widespread use of Islamic financial services in the modern world necessitates legal regulation of this sector, particularly Islamic insurance (takaful). Takaful is an important component of the Islamic financial system, providing financial protection services to Muslim populations in accordance with Shariah requirements. Today, the takaful industry is showing steady growth rates globally. According to 2023 data from Deloitte consulting company, the global takaful market volume reached \$33.5 billion, with an annual growth rate of approximately 12.5%.

Creating an effective system for legal regulation of takaful is an important task for Uzbekistan. Initial steps are being taken in the Republic to introduce Islamic financial services, including takaful. In this regard, studying and analyzing international experience is of particular importance. The purpose of this thesis is to develop detailed proposals for the civil-legal regulation of takaful in Uzbekistan based on the study of international experience.

The following research methods were used during the study:

- **Comparative legal analysis:** Comparing legislation and practices in the takaful sector across different countries.
- **Systematic analysis:** Studying the legal regulatory system of takaful as a holistic phenomenon.
- **Historical-legal method:** Studying the stages of formation of the takaful regulatory system.
- **Formal-legal method:** Analyzing legal norms and concepts.
- **Forecasting:** Determining the prospects for legal regulation of takaful in Uzbekistan.

The study examined in detail the legislation and practices of Malaysia, Saudi Arabia, the United Arab Emirates, and other leading countries in the takaful sector.

Analysis of international experience. Takaful is regulated differently in various countries around the world. Analyzing the legal approaches used in leading takaful markets allows us to select an appropriate model for Uzbekistan.

Malaysia's experience deserves special attention. Malaysia was the first country in the world to adopt a special law regulating takaful - the Takaful Act of 1984. In 2013, an improved Islamic Financial Services Act was adopted. This

law defines the licensing of takaful operators, their supervision, requirements for takaful contracts, protection of participants' rights, and mechanisms for ensuring Shariah compliance. In Malaysia, takaful operators are supervised by the Central Bank of Malaysia (Bank Negara Malaysia), while each takaful operator has a Shariah Board that ensures the company's operations comply with Shariah.

Saudi Arabia applies a different approach to takaful. In this country, all insurance activities must comply with Shariah principles, and traditional commercial insurance is prohibited. The Cooperative Insurance Companies Control Law, adopted in 2003, mandates all insurance companies to apply a cooperative insurance model. In Saudi Arabia, insurance companies are supervised by the Saudi Arabian Monetary Authority (SAMA). A distinctive feature of the Saudi model is that high capital requirements are established for takaful operators, and companies must be established in the form of joint-stock companies.

In the United Arab Emirates (UAE), takaful activities are regulated based on Federal Law No. 6 of 2007 on Establishment of the Insurance Authority & Organization of its Operations. This law regulates the licensing and supervision of takaful operators. In 2010, the UAE Insurance Authority adopted the Takaful Rules, which establish additional requirements for takaful operators. A distinctive feature of the UAE model is that takaful operators are required to establish a Shariah board and conduct annual Shariah audits.

Indonesia, Qatar, Bahrain, and Pakistan have also created special legislative frameworks for regulating takaful. The experience of these countries provides valuable information on ensuring the effective operation of takaful in various legal systems and economic conditions.

The analysis of international experience revealed the following main trends and issues:

- **Diversity of takaful models:** Different countries apply various takaful models - mudaraba (profit-sharing), wakala (agency), waqf, and hybrid models.

- **Mechanisms for ensuring Shariah compliance:** Various mechanisms are used to ensure takaful operators' compliance with Shariah, including central Shariah boards, company Shariah boards, and Shariah audits.
- **Protection of participants' rights:** Special attention is paid to improving mechanisms for protecting takaful participants' rights, increasing transparency, and creating dispute resolution mechanisms.
- **Development of international standards:** International organizations such as the Islamic Financial Services Board (IFSB) and the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) are developing international standards for takaful.
- **Development of retakaful (Islamic reinsurance) system:** Significant attention is being paid to developing retakaful mechanisms for managing takaful operators' risks.

Proposals for Uzbekistan. Based on the study and analysis of international experience, the following proposals have been developed for the civil-legal regulation of takaful in Uzbekistan:

1. Adoption of the "Law on Islamic Insurance (Takaful)." This law should regulate the following issues:

- Concept, principles, and models of takaful;
- Establishment, licensing, and supervision of takaful operators;
- Requirements for managing takaful funds;
- Conditions and procedures for concluding takaful contracts;
- Mechanisms for ensuring Shariah compliance;
- Protection of participants' rights;
- Dispute resolution mechanisms.

2. Establishment of a regulatory body to oversee Islamic financial services, including takaful. This regulatory body could perform the following functions:

- Licensing and supervision of takaful operators;
- Ensuring Shariah compliance of takaful operators;
- Facilitating dispute resolution in the takaful sector;
- Developing methodological recommendations for takaful market participants;
- Cooperating with international organizations.

This regulatory body could be established under the Central Bank of the Republic of Uzbekistan or within the Ministry of Finance.

3. Establishing licensing and capital requirements for takaful operators. It is advisable to establish the following requirements for takaful operators:

- Minimum statutory capital requirements;
- Solvency requirements;
- Requirements for establishing reserve funds;
- Requirements for investment activities;
- Requirements for establishing a Shariah board.

4. Creating a system for training specialists in the takaful sector. The following measures are recommended in this direction:

- Opening "Islamic Finance" and "Takaful" programs in higher education institutions;
- Developing programs for training takaful specialists abroad;
- Preparing methodological manuals on Islamic finance and takaful;
- Creating online training programs on Islamic finance and takaful.

5. Implementing international standards and developing international cooperation. The following measures are recommended in this direction:

- Implementing standards developed by international organizations such as IFSB and AAOIFI into Uzbekistan's legislation;
- Cooperating with international takaful operators;
- Exchanging experiences with leading countries in Islamic finance;
- Developing retakaful mechanisms.

6. Introducing a special taxation regime for takaful activities. Taking into account the specific features of takaful activities, it is necessary to regulate the following tax issues:

- Taxation of takaful funds;
- Taxation of takaful operators' profits;
- Taxation of profits distributed to participants;
- Taxation of takaful payments.

7. Improving financial literacy of the population and entrepreneurs in the takaful sector. The following measures are recommended for this purpose:

- Conducting information campaigns about takaful services;
- Providing explanations on concluding takaful contracts;
- Preparing materials promoting takaful services;
- Creating special sections on takaful in mass media.

Conclusions and recommendations. Forming a system for legal regulation of takaful in Uzbekistan is a complex and multifaceted process that requires joint efforts of government bodies, the private sector, and the scientific community. Analysis of international experience shows that the "Dual Framework" approach - creating separate legislative frameworks for takaful and traditional insurance - is the most suitable option for Uzbekistan. This model allows creating the necessary legal conditions for takaful development, taking into account its specific features.

In subsequent stages, it may become necessary to develop special legal norms for specific areas of takaful (general takaful, family takaful, microtakaful). Additionally, the introduction of digital technologies (FinTech) in the takaful sector will also require legal regulation.

The main potential difficulties in the process of legal regulation of the takaful sector in Uzbekistan include:

- Shortage of qualified specialists in Islamic finance and takaful;
- Complexity of adapting Shariah standards to national legislation;
- Competition issues between takaful and traditional insurance;
- Complexity of integration into international takaful and retakaful markets.

To overcome these difficulties, the following measures are recommended:

- Developing a special program for training specialists in Islamic finance and takaful;
- Forming a working group to adapt Shariah standards to national legislation with the involvement of international experts;
- Creating a fair competitive environment between takaful and traditional insurance;

- Establishing cooperative relationships with international takaful and retakaful operators.

In conclusion, it should be emphasized that forming a system for legal regulation of takaful in Uzbekistan is a long-term and complex process that requires constant monitoring, analysis, and improvement. To succeed in this process, special attention should be paid to the following aspects:

- **Adaptability and openness to innovation:** The legal framework should encourage innovations in the takaful sector and be able to adapt to them.
- **Maintaining balance:** It is important to find a balance between ensuring Shariah compliance and security of the takaful system on one hand, and not hindering its development on the other.
- **International cooperation:** As takaful is a global financial service, special attention should be paid to international cooperation in its regulation.
- **Ensuring public participation:** It is important to ensure the participation of the wider public, including civil society institutions, academic circles, and business representatives in the process of legal regulation of takaful.
- **Transparency and accountability:** Special attention should be paid to ensuring transparency and accountability in takaful operators' activities.
- **Regular assessment and review:** It is necessary to regularly assess the legislation and regulatory mechanisms in the takaful sector and revise them when necessary.

Thus, forming a system for legal regulation of takaful in Uzbekistan is a complex task that encompasses not only legal but also technological, social, and economic aspects. In this process, it is important to deeply study international experience and take into account national characteristics, as well as ensure broad public participation. This approach will ensure sustainable development of takaful services in Uzbekistan and help position the country competitively in the global Islamic finance market.

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