

İSTANBUL TİCARET ÜNİVERSİTESİ – ISTANBUL COMMERCE UNIVERSITY
2020-2021 Akademik Yılı- Bahar Dönemi
2020-2021 Academic Year – Spring Semester

GNL 327 PARTICIPATION BANKING AND ISLAMIC FINANCE

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5.W.

10.03.2022

(The Class is postponed because of heavy snow)

Attributes of

ISLAMIC = PARTICIPATION FINANCE

1. Lending transactions should not aim «return» (income)-
Partnership & Trade
- 2. *Risk transfer should not aim «return» (income).
Risk should be shared not to be transferred***
3. Objectives of islamic law should be abided with
4. The understanding of custody «amana» should be internalized. The universe is granted to the custody of human being
5. Financing activity should not be disconnected from «production» (Real Sector)

INSTITUTIONS OF Islamic Finance = Participation Finance

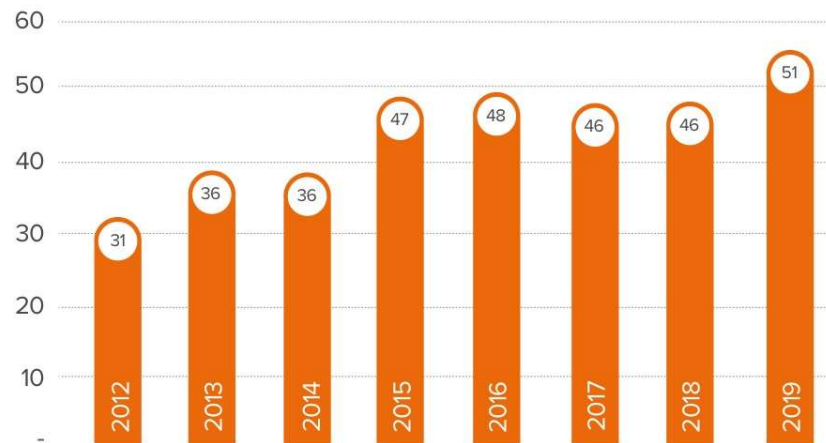
- 1. Participation Banks*
- 2. Islamic Insurance Co.s = Takaful
Companies = Participation Insurance
Companies*
- 3. Asset Management companies complying with islamic
principles*
- 4. Pension Funds complying with islamic principles*
- 5. Waqfs*
- 6. Micro Finance Companies*



TAKAFUL

- US\$ 51 Billion** Total Takaful Assets in 2019
- 10%** Annual Growth of Takaful Assets in 2019
- 336** Total Takaful Operators * in 2019
*including windows
- Turkey** Fastest Growing Market in Takaful Assets in 2019

Takaful Assets Growth 2012 - 2019 (US\$ Billion)



Number of Takaful Operators by Type 2019

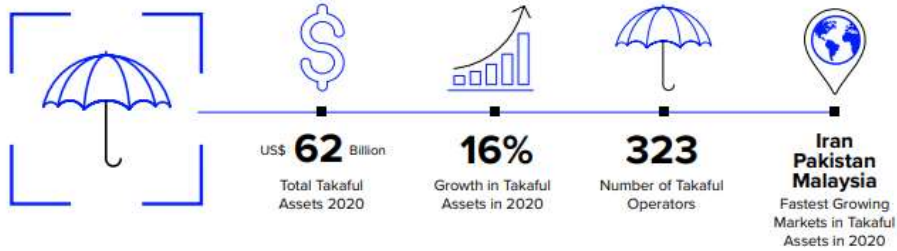
General 124

Family 76

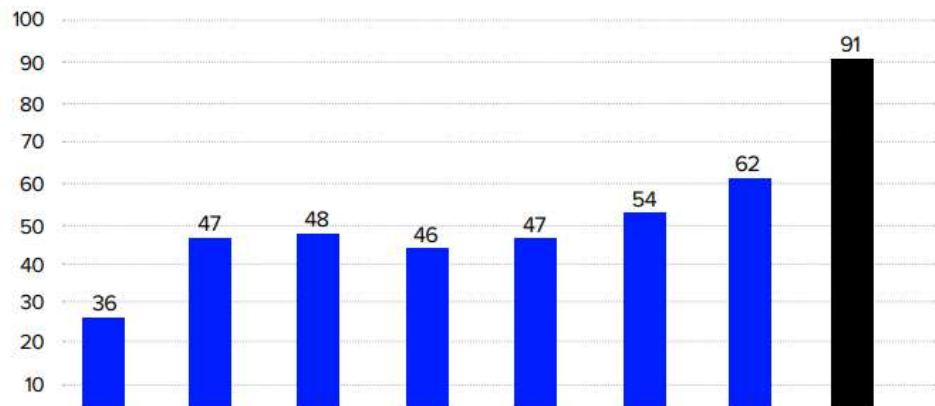
Composite 115

Retakaful 21

TAKAFUL

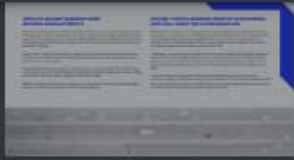


Takaful Assets Growth (2014 - 2020, USD Billion)



Takaful Assets by Region (2020)

Region	Takaful Assets (USD Million)
GCC	22,594
Other MENA	19,877
Southeast Asia	15,846
Europe	2,402
South Asia	1,322
Americas	4
Other Asia	0.04



30



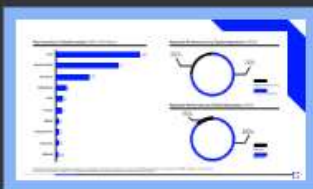
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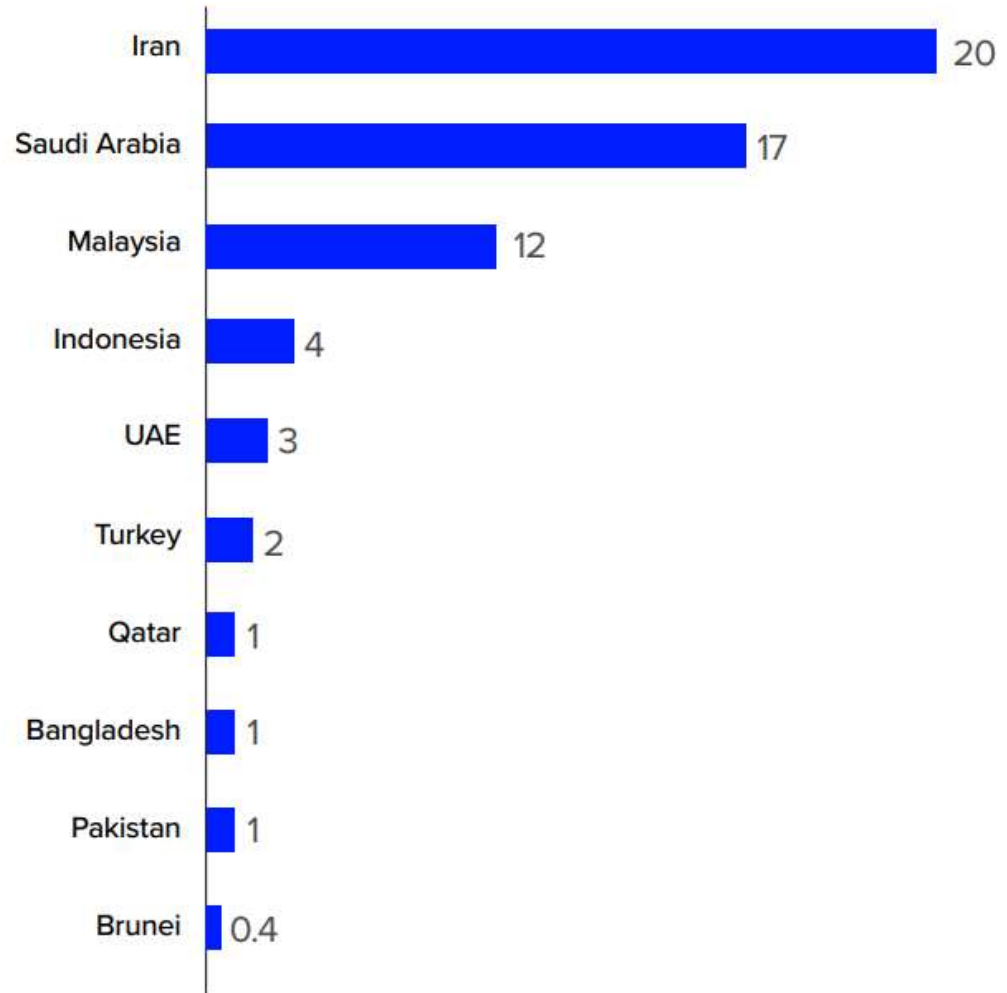


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34

Top Countries in Takaful Assets (2020, USD Billion)



RELEVANT CONCEPTS

- ***Participant***
- ***Tabarru (Participation Fee Or Premium)***
- ***Takaful (Insurance) Fund***
- ***Operator Company to manage the Takaful Fund and manage insurance services***

BASIC MOTIVATION

Risk transfer should not aim «return» (income).

***THEREFORE RISK CAN NOT BE SOLD or TRANSFERRED TO THE
INSURANCE COMPANY LIKE IN MAINSTREAM INSURANCE
BUSINESS***

Risk should be shared not to be transferred

Since the RISK will not be sold

***A TAKAFUL FUND SHOULD BE ESTABLISHED BY THE
PARTICIPANTS***

RISK CAN NOT BE SOLD or TRANSFERRED

What do we mean by sales or transfer of RISK?

- ***The insurance premiums paid are INCOME of the insurance company in Conventional (=Main Stream) Insurance.***
- ***That is because of the SALES OF RISK by policy holders to the insurer.***

When is not Transferred but Shared

The Premiums (Participating Fees)

*paid by the Policyholders **still belong to them or
considered as their gift (tabarru)***

THE FUND ESTABLISHED BY THE PARTICIPANTS

Takaful Fund

MODEL 1

- *Self management by the participants by organizing themselves*
- *A cooperative which will be founded by the participants will make this function*

MODEL 2

- *Delegating the management of the fund and realizing insurance services to another business entity*

What is a cooperative?

<https://www.ica.coop/en/cooperatives/what-is-a-cooperative>

- **Cooperatives are** people-centred enterprises owned, controlled and *run by and for their members to realise their common economic, social, and cultural needs and aspirations.*
- Cooperatives bring people together in a democratic and equal way. Whether the members are the customers, employees, users or residents, cooperatives are democratically managed by the '*one member, one vote*' rule. Members share equal voting rights regardless of the amount of capital they put into the enterprise.
- As businesses **driven by values**, not just profit, cooperatives share internationally agreed principles and act together to build a better world through cooperation. Putting fairness, equality and social justice at the heart of the enterprise, cooperatives around the world are allowing people to work together to create **sustainable enterprises** that generate long-term jobs and prosperity.
- Cooperatives allow people to take control of their economic future and, because **they are not owned by shareholders**, the economic and social benefits of their activity stay in the communities where they are established. Profits generated are either reinvested in the enterprise or returned to the members.

Model 1 :Cooperative Takaful Business

- ***Participants' contributions (Premiums) are accumulated in a pool as Takaful Fund***
- ***Administrative expenses are paid out of this fund***
- ***Compensation Claims for Damages are paid from this fund***
- ***Employed staff makes the necessary paper work for collecting premiums, managing the asset of the fund, payment of damage compensations***

Cooperative Takaful Business Model

- *The Surplus (if remains) belongs to the participants*
- *If the fund assets are not enough to pay the compensations, the problem emerges. This is the difficulty by cooperative method.*
- *Cooperatives, having dependency on premiums from new participants and return on fund assets having constraints to grow.*
- *Cooperatives are not «competitive» should be prudent and conservative*

***«Mutual Insurance» in conventional
(Main Stream) insurance sector***

***Has very similar peculiarities
(characteristics) as TAKAFUL***

What Is a Mutual Insurance Company?

<https://www.investopedia.com/terms/m/mutual-insurance-company.asp>

- *A mutual insurance company is an insurance company that is owned by policyholders.* The sole purpose of a mutual insurance company is to provide insurance coverage for its members and policyholders, and its members are given the right to select management. Mutual insurance companies make investments in portfolios like a regular mutual fund, with any profits returned to members as dividends or a reduction in premiums. Federal law, rather than state law, determines whether an insurer can be classified as a mutual insurance company.

**International Cooperative and Mutual Insurance Federation
Uluslar arası Kooperatif ve Karşılıklılık Esasına dayalı
Sigorta Federasyonu (ICMIF)**

- 1922 yılında kurulmuş, merkezi Brüksel'de
- <https://www.icmif.org>

THE GLOBAL INSURANCE MARKET SHARE HELD BY MUTUAL AND COOPERATIVE INSURERS

<https://www.icmif.org>



**Mutual and cooperative insurers in 2017
collectively represented:**

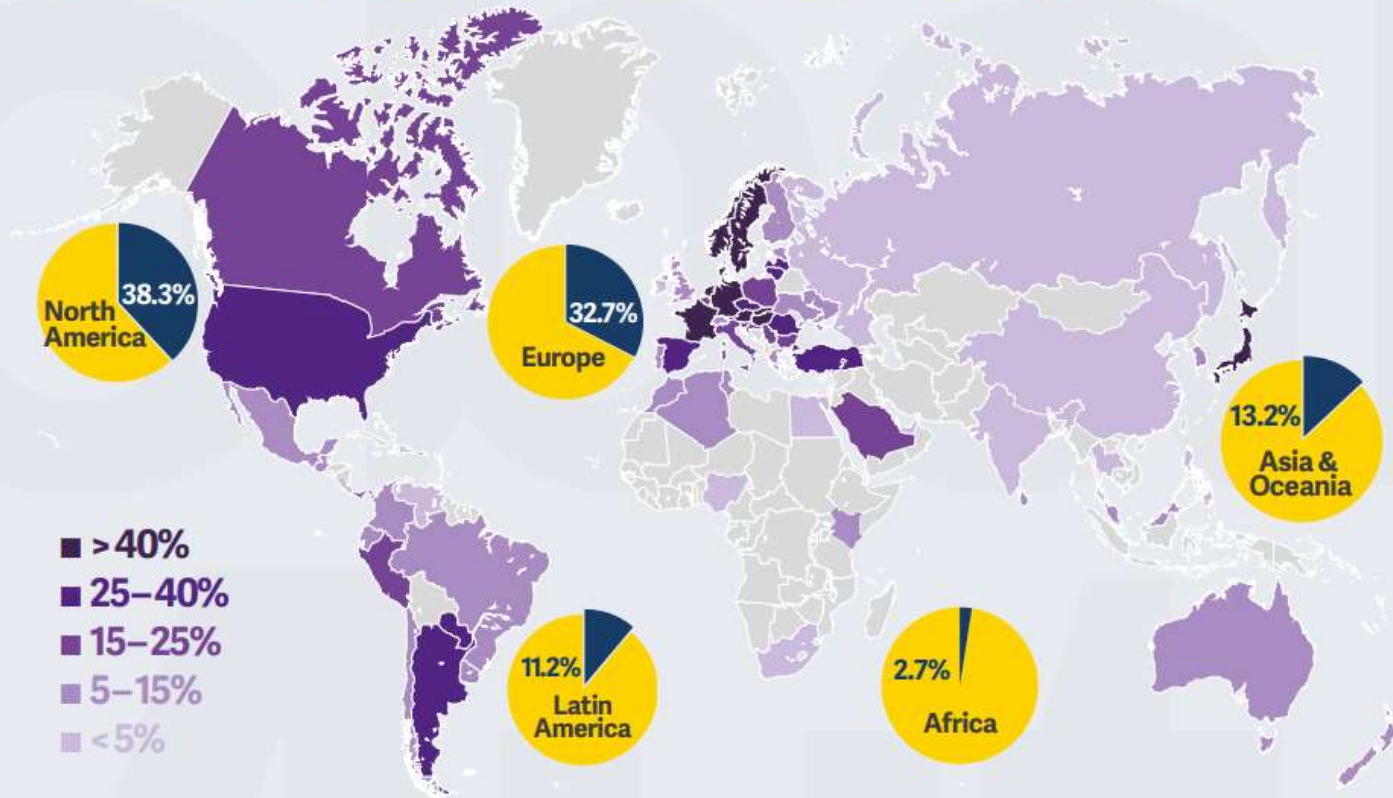
USD
8.9
trillion
in total assets

1.16
million
employees

922
million
members/
policyholders



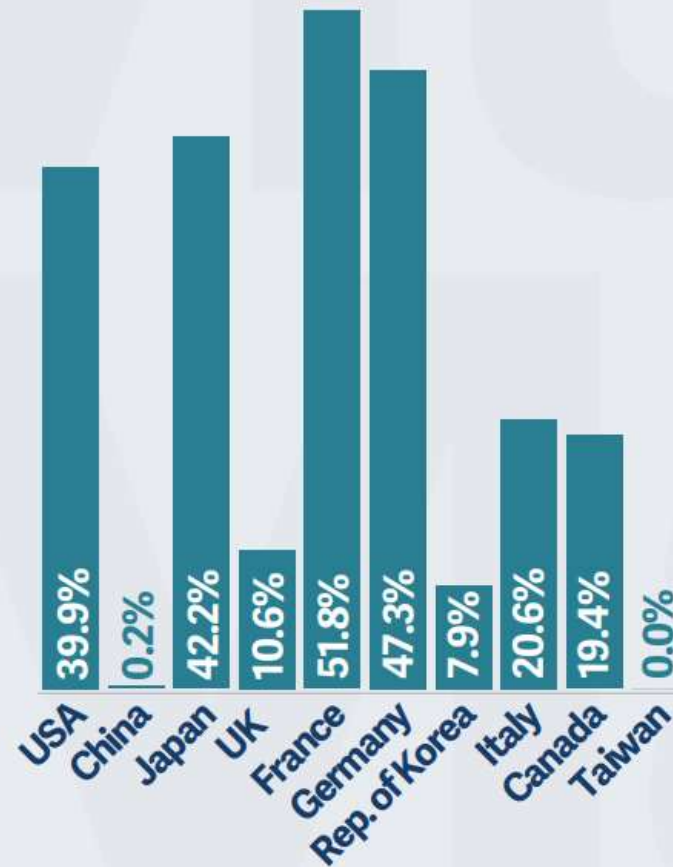
Mutual/cooperative market share by country/region



Mutual/cooperative market share in the 10 largest global insurance markets

The largest insurance markets in terms of mutual/cooperative market share

Mutual/cooperative market share in the 10 largest global insurance markets



The largest insurance markets in terms of mutual/cooperative market share

Austria 59.9%

Finland 56.2%

Netherlands 55.9%

Slovakia 53.4%

France 51.8%

Denmark 48.1%

Germany 47.3%

Sweden 45.3%

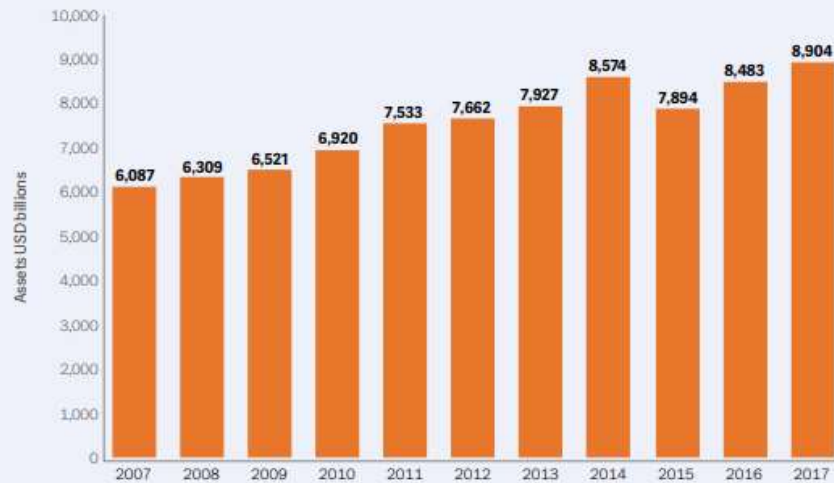
Norway 44.4%

Hungary 43.6%

Total assets of the mutual sector

The global mutual insurance sector reported just under USD 9 trillion (USD 8,904 billion) worth of assets in 2017 (see Figure 13). This was the highest amount of total assets held since 2007 and represented an overall increase of 46.3% from pre-crisis asset values (2007: USD 6,087 billion). Over this period, asset values increased in nine of the 10 years, equating to a CAGR of 3.9%. The only year of deterioration in total assets was in 2015, when widespread currency depreciation against the US dollar negatively impacted asset values.

Figure 13
Total assets of the mutual sector



Although there are no definitive statistics on the total assets of the global insurance industry¹³, data from the Organisation for Economic Cooperation and Development (OECD)¹⁴ valued the aggregate industry assets in OECD member economies¹⁵ at USD 21.8 trillion in 2016; this suggests that, based on ICMIF's asset calculations, the mutual insurance sector holds 39% of total assets in OECD countries.

World Bank publishes book on mutuals and takaful

Monday, 26 November 2012



A valuable new [World Bank publication](#) stresses the links between mutual and cooperative insurance and takaful, the fast-growing Shariah compliant alternative to insurance.

The book, [Takaful and Mutual Insurance: Alternative Approaches to Managing Risk](#), was launched at a well-attended [conference](#) held in Istanbul,

Turkey in mid-November. The conference itself provided an overview of mutual insurance structures (including Christian and Jewish examples) in the context of takaful development. It also explored ways in which takaful structures could be applied to the microinsurance markets in emerging economies with large Muslim populations.

"The book seeks to increase the understanding, appreciation, and discussion of the challenges and solutions needed for the active development and implementation of takaful," said Serap Gonulal, Senior Financial Sector Specialist, [World Bank](#). *"It attempts to develop a hybrid model of takaful, benefiting from existing models established around the world and bearing in mind compliance with Shariah rules and consistency with the culture of Muslim communities."*

Opening the conference, World Bank Managing Director Mahmoud Mohieldin, reminded his audience that takaful was based on the concept of social solidarity, cooperation and mutual support. *"Essentially, takaful is a cooperative institution in the same spirit as the early cooperative movements that took shape on Europe and in the Americas in the 1800s. These movements share the same fundamental*

Latest News



CLIMBS steps up efforts to support members, employees and general public in the Philippines during COVID19 pandemic



The DHAN Foundation reaches out to low income communities in India to provide support during Coronavirus pandemic



SEWA is working to alleviate devastating impact of COVID 19 on informal and migrant workers in India



Desjardins General Insurance Group announces a discount for motor insurance clients who are driving significantly

less due to COVID-19



Swedish mutuals Folksam and Länsförsäkringar make further investments in social bonds to support the fight against coronavirus

[See more](#)

populations.

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ICMIF Senior Vice President Sabbir Patel, one of the contributors to the World Bank publication, was another speaker at Istanbul. He stressed in his presentation the importance of the mutual and takaful movements working together. As he mentioned, ICMIF already has many takaful providers in membership of the Federation, as well as running its dedicated [takaful website](#) and producing a regular Takaful newsletter.

Sabbir Patel also emphasised the importance for ICMIF and its members of developing Shariah compliant forms of microinsurance. *"The next big thing is microtakaful, and we have a real opportunity to be at the forefront of this development,"* he says.

Tags: [Mutual insurance](#), [takaful](#), [takaful insurance](#), [The World Bank](#), [World Bank](#)



who are driving significantly less due to COVID-19



Swedish mutuals Folksam and Länsförsäkringar make further investments in social bonds to support the fight against coronavirus

[See more](#)

Model 2 :Takaful Business by an Operator

If the «management of the fund»and «realizing insurance services (=underwriting)» functions are delegated to another business entity :

There are alternative relationships to be set up between the Fund Owners and the Operator Co. :

- 1. Operator can be wakeel (agent) of the fund owners*
- 2. A mudaraba partnership can be founded*
- 3. A hybrid set up*
- 4. Through a Waqaf organisation*

Business Entities

[Economic Units producing Goods and Services]

***Participation Banks and Participation
Insurance Operating companies are
BUSINESS ENTITIES***

***They should be organized as
JOINT STOCK COMPANY
(Anonim Şirket)***

The Relationship between Takaful Fund (Asset Pool) and Equity of the Operator Co

The Fund is Embedded in the Operator Co.

- *It is necessary to separate the Fund assets and Equity of the Operator Company*
- *«Katılımcıların Fonu» ile «Paysahiplerinin Özkaynağı» kesin bir şekilde hesaplarda ayrı tutulmalıdır*

FUND

- *The Fund owners (Participants of the Takaful) has a separate ENTITY*
- *Fon sahipleri Operatör Şirketten ayrı bir iktisadî kişilik oluştururlar*

RELATIONSHIP BETWEEN THE FUND AND THE OPERATOR COMPANY

THE TAKAFUL FUND

- *A Seperate «AccountingEntity» owned by the participants by Participation Fees (Tabarru)*
- *This Fund will be used to cover the CLAIMS of the Participants who incur loss*

THE OPERATOR COMPANY

- *A Seperate entity owned by the shareholders of the Operator Company as a «Joint Stock Co.»*
- *Undertakes ;*
 - A - To manage the Fund*
 - B - To run the underwriting transactions as ;*
 - 1. Collecting the Fees*
 - 2. Payment of Compensations to the participants whose insured asset is damaged*

1. Operator can be wakeel (agent) of the fund owners
Wakālah Method – Source IFSB 8

The Takaful Operator and the Takāful participants form a principal–agent relationship whereby the TO acts strictly as a Wakīl (agent) on behalf of the Takāful participants as the principal, to run both the investment and underwriting activities.

In return for the service rendered by the TO as Wakīl, the TO **receives a management fee**, called a Wakālah fee, which is usually a percentage of the contributions paid.

The Wakālah fee must be pre-agreed and expressly stated in the Takāful contract. For the TO, the Wakālah fee is expected to cover the total sum of: ***(a) management expenses; (b) distribution costs, including intermediaries' remuneration;*** and ***(c) a margin of operational profit to the TO.***

**RELATIONSHIP BETWEEN
THE FUND AND THE OPERATOR COMPANY AS AGENT (=WAKIL)**

THE TAKAFUL FUND

- *A Seperate «Accounting Entity owned by the participants by Participation Fees (Tabarru)*

- **ACTS AS A «PRINCIPAL» IN AGENCY (= WAKALA) CONTRACT**

THE OPERATOR COMPANY

- *A Seperate entity owned by the shareholders of the Operator Company as a «Joint Stock Co.»*
- **Undertakes THE FOLLOWING AS AN AGENT (=WAKIL) ;**
 - A - To manage the Fund**
 - B - To run the underwriting transactions as ;**
 1. *Collecting the Fees*
 2. *Payment of Compensations to the participants whose insured asset is damaged*

Takaful Operator as AGENT(=Wakil)

In this respect, a TO will be profitable if the Wakālah fee it receives is greater than the management expenses incurred.

It also does not directly share in the risk borne by the Takāful fund or any of its investment profit or surplus/deficit.

In addition, the Wakālah model may permit the TO to receive part of its remuneration as Wakīl in the form of a performance-related fee, as an additional incentive.

A performance-related fee, as agreed in the Takāful contract, is typically related to the underwriting outturn. Subject to maintaining adequate reserves as capital within the fund for solvency purposes, there is no need for any underwriting surplus from the participants' perspective. However, the level of participants' contributions needs to be set high enough to allow for the payment of a reasonable Wakālah fee, including any performance-related element.

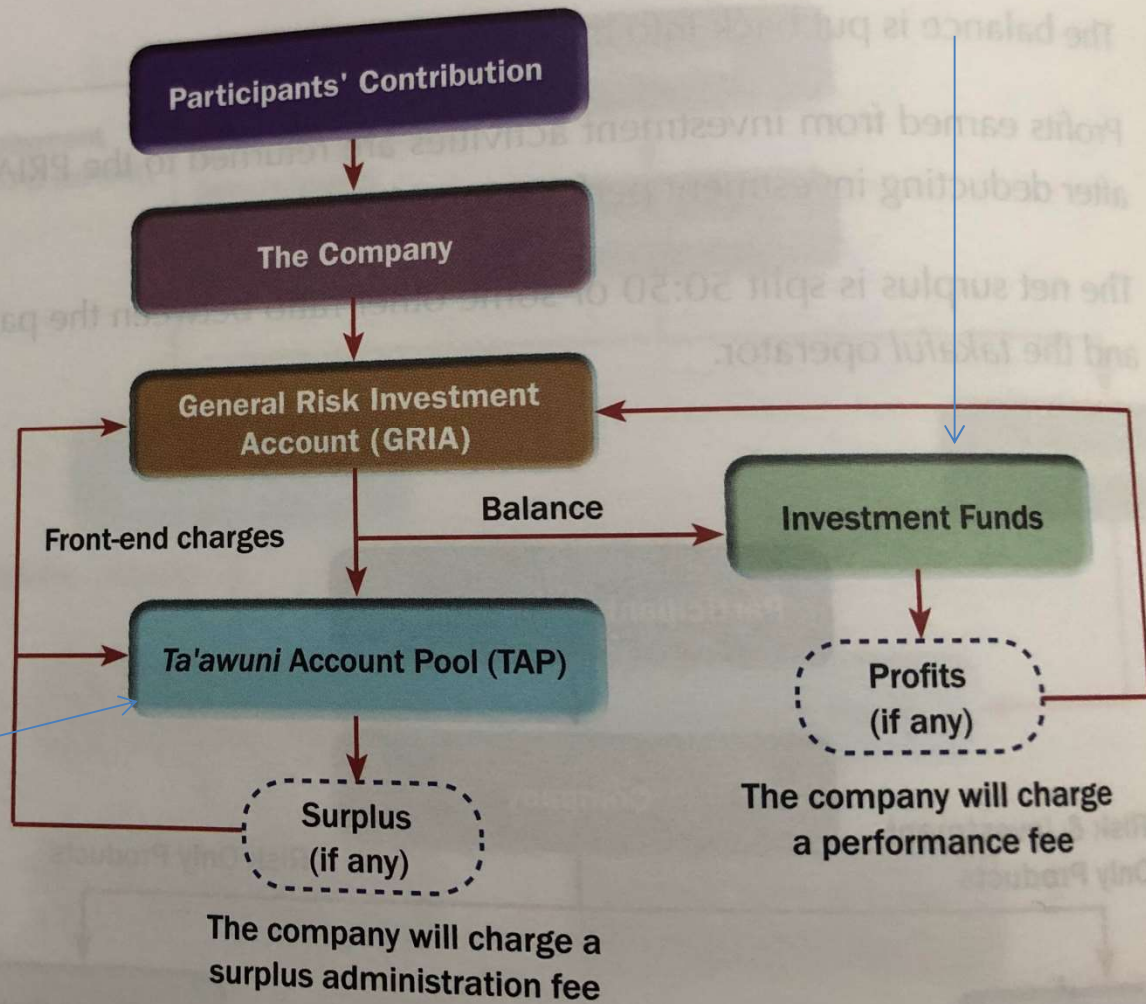


Figure 5.10 General Takaful: Wakalah Model

2. Mudarabah Method (Source IFSB 8)

The Takaful Operator acts as a Mudārib (entrepreneur) and the Takāful participants as Rabb-ul-mal (capital provider).

As Mudarib, the TO manages both investment and underwriting (of risk) activities on behalf of the Takāful participants.

In return, the TO is remunerated by a predetermined percentage share in the investment profit and/or underwriting surplus, which usually would be stated explicitly in the Takāful contract.

The TO and Takāful participants cannot unilaterally alter the agreed sharing ratio of the investment profit and/or underwriting surplus once the contract is signed.

Any financial losses suffered from the investment and underwriting activities are to be borne solely by the Takāful participants as the Rabb-ul-mal, provided that the losses are not attributable to the TO's misconduct or negligence.

In this regard, the TO can generally expect to make a profit only by ensuring that the expenses of managing the Takāful operation are less than the total share of investment profit and/or underwriting surplus it may receive.

RELATIONSHIP BETWEEN THE FUND AND THE OPERATOR COMPANY IN MUDARABA

THE TAKAFUL FUND

- *A Seperate «Accounting Entity» owned by the participants by Participation Fees (Tabarru)*
- **This Fund will be ACT AS CAPITAL OWNER**

THE OPERATOR COMPANY

- *A Seperate entity owned by the shareholders of the Operator Company as a «Joint Stock Co.»*
- **Undertakes the following as MUDARIB (= Entrepreneur);**
 - A - To manage the Fund**
 - B - To run the underwriting transactions as ;**
 1. *Collecting the Fees*
 2. *Payment of Compensations to the participants whose insured asset is damaged*

Mudarebe Modeli

Sahib ul Mal (Sermaye sahibi)

- *Fonun katılımcıları oluşturdukları fonu yönetmek üzere bir «mudarib» ile sözleşme yaparlar.*
- *Sözleşme sırasında kârın paylaşım yüzdeleri belirlenir*
- *Mudarib'in hata ve kusuru dışında oluşan zararlar katılımcılar tarafından üstlenilir*

Müteşebbis (Mudarib)

- *Tekafül Operatörü, oluşacak kârdan alacağı pay karşılığında*
 - A. *Fonu bir «Varlık Yönetimi» anlayışıyla yönetir.*
 - B. *Sigorta primlerinin toplanması ve hasar bildirimlerinin alınıp tazminatların ödenmesini yönetir*

3. HYBRID model

Wakālah–Mudarabah Method

***Under this model,
the Wakālah contract is adopted for
underwriting activities,
while the Mudarabah contract is employed for
the investment activities.***

RELATIONSHIP BETWEEN THE FUND AND THE OPERATOR COMPANY IN HYBRID MODEL

THE TAKAFUL FUND

- A Seperate Entity owned by the participants by Participation Fees (Tabarru)

This Fund will ACT AS

CAPITAL OWNER FOR
MUDARABA

PRINCIPAL FOR
UNDERWRITING

THE OPERATOR COMPANY

- A Seperate entity owned by the shareholders of the Operator Company as a «Joint Stock Co.»
- Undertakes ;

A - To manage the Fund as an Agent

B - To run the underwriting transactions as MUDAREB ;

1. Collecting the Fees
2. Payment of Compensations to the participants whose insured asset is damaged

4. Through a Waqaf organisation

- ***The premiums of the participants are paid as a gift (tabarru) to the Waqf***
- Katılım payları vakıfa bağış şeklinde
- ***The remainder amount if available can not be distributed***
- Artanın geri alınması sözkonusu değil

- Any person, by signing the proposal form, contributing to the waqf and subscribing to the policy documents shall become a member of the waqf fund.

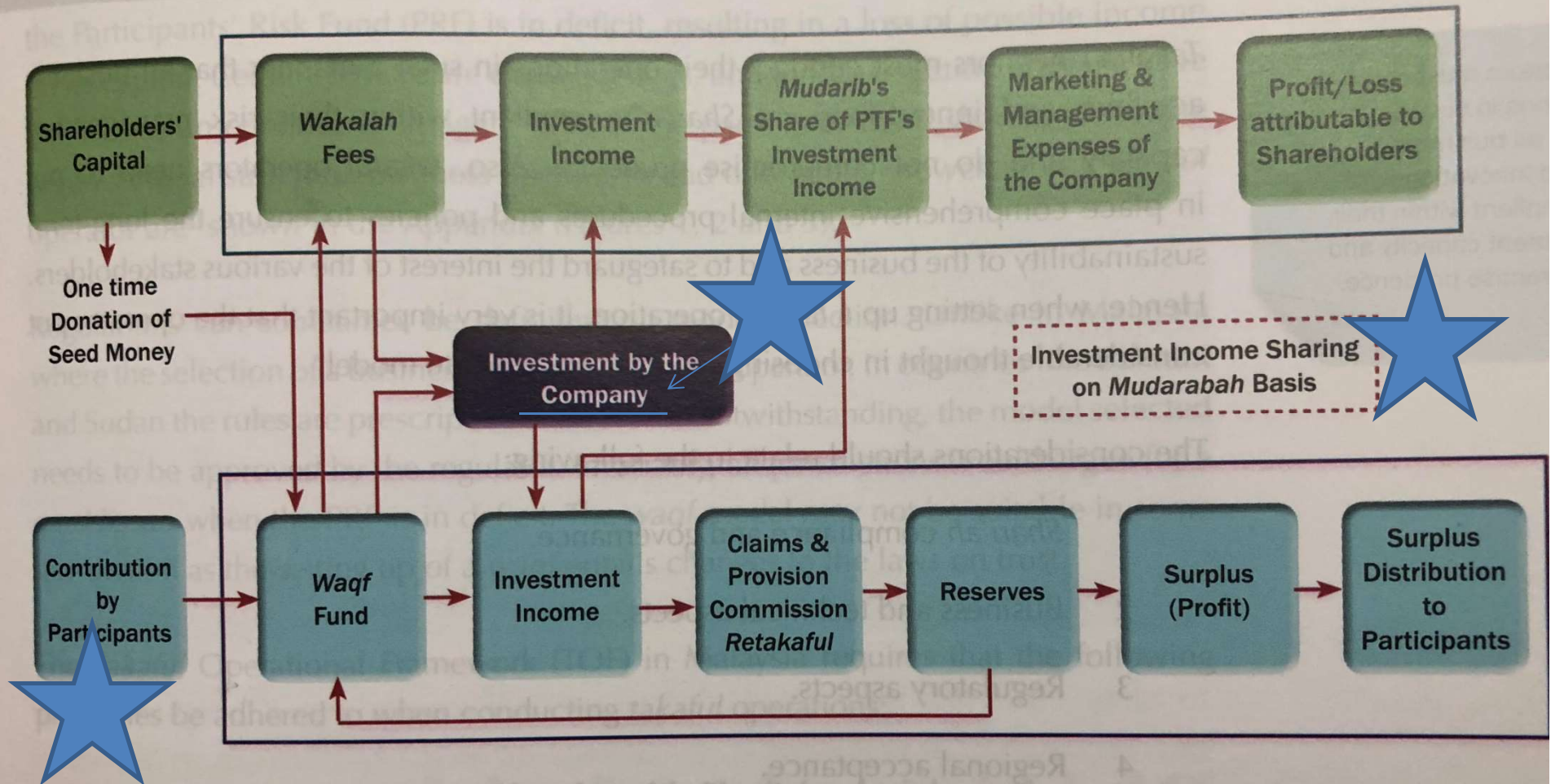


Figure 5.13 Wakalah-Waqf Model

- The objectives of the waqf fund are as follows:

(a) To extend financial assistance to its members in the event of losses,

Islamic Financial Services Board

IFSB

- ***IFSB 8 : GUIDING PRINCIPLES ON GOVERNANCE FOR TAKĀFUL (ISLAMIC INSURANCE) UNDERTAKINGS***

December 2009

- IFSB 8 : Tekafül girişimlerinde (Taahütlerinde) Kurumsal Yönetim Rehber İlkeleri

IFSB 8 Paragraf14.-Takaful Core Principles

The concept of Takāful is significantly defined by ***the following core principles:***

(i) Tabarru' Commitment

(ii) Ta'awun

(iii) Prohibition of Riba

IFSB 8 Paragraf14.- Takaful Core Principles

(i) Tabarru' Commitment : Tabarru' commitment, is a type of Islamic financial transaction that is fundamental to Takāful schemes.

It is the amount contributed by each Takāful participant to fulfil obligations of mutual help and to pay claims submitted by eligible claimants.

IFSB 8 Paragraf14.- Takaful Core Principles

(ii) Ta`awun

The concept of Ta`awun, or mutual assistance, is another core principle to the operation of Takāful, with participants agreeing to compensate each other mutually for the losses arising from specified risks.

As Takāful has often been perceived as a form of cooperative or mutual insurance, the initial objective is not to gain profit but to assist one another mutually, under the principle of Ta`awun.

It is clearly stated in the Qur`ān, “help one another in goodness and piety, and do not help one another in sin and aggression” (Al Maidāh:2). Even the word “Takāful” itself, in Arabic, means “solidarity”.

Relevant AAOIFI Standards

Accounting

- *FAS 12.*
- *FAS 13.*
- *FAS 15.*
- *FAS 19.*

- *Exposure Draft*

Law

- *SS 26.*
- *SS 41.*

DEFINITIONS

Unearned Contributions

- *Unearned contributions are amounts deducted from the contributions paid by policyholders **because they relate to next financial period** and are **therefore not recognized as revenue for the current financial period in which the insurance policy has been issued**; i.e., they are prepayment by policyholders whose periods of cover straddles the company's financial period. The deducted amount is used to cover the risk of the policy which is extended beyond the current financial period.*

Kazanılmamış Katkı Payları (Primler)

- Poliçe sahipleri tarafından ödenmiş olduğu halde gelecek finansal döneme ait olan katkı payları
- Bu döneme ait olmadıkları için, Poliçe Sahiplerinin Hasılat ve Giderleri Tablosunda Bürüt Katkı paylarından düşülür, Bilanço'da yükümlülük olarak açıklanırlar
- Sigorta poliçesinin yazıldığı (issue) dönemde katkı payı hasılatı olarak tanınmaz (kayıtlara alınmaz)
- Poliçe sahiplerinin yaptıkları ön ödemeler ile şirketin finansal dönemleri çakışmadığında yani finansal dönemin ötesine taşan ödemeler olduğunda ortaya çıkar

UNEARNED CONTRIBUTIONS

Kazanılmamış Katkı Payları

- ***Police sahipleri tarafından ödenen primlerden gelecek finansal döneme ait oldukları için düşülen tutarlar.***
- ***Sigorta poliçesinin yapıldığı içinde bulunan (Cari) finansal dönemde «Gelir» (Hasılat) olarak tanınmamışlardır***
- ***Bunlar police sahipleri tarafından yapılan ön ödemelerdir***

DEFINITIONS

Outstanding Claims

*Outstanding claims are claims that have occurred during the current financial period and have been reported in the same period, **but have not yet settled up to the date of the statement of the financial position.***

OUTSTANDING CLAIMS

= MUALLAK (Henüz Ödenmemiş) Tazmin Talepleri

*Cari (içinde bulunulan) Finansal Dönemde
meydana gelmiş, bu dönemde rapor edilmiş*

*ancak dönems sonu itibarıyla henüz
hesaplaşma yapılmamış*

(= karşılanmamış,ödenmemiş) tazmin talepleri

Karşılanmamış Tazminat Talepleri (outstanding claims)

- Cari finansal dönemde meydana gelmiş, aynı dönemde rapor edilmiş ancak bilanço tarihinde henüz hesaplama (settlement) yapılmamış olan tazminat talepleri

***TAKAFUL = Islamic or
Participation INSURANCE***

***Sample Financial Statements from
AAOIFI-FAS 12***

AAOIFI-FAS 12

2/1 The complete set of financial statements

The complete set of financial statements that should be prepared by the company should consist of the following:

a) A statement of financial position (the balance sheet).

b) A statement of policyholders' revenues and expenses. ←

c) An income statement.

d) A statement of cash flows.

e) A statement of changes in owners' equity (the shareholders).

f) A statement of policyholders' surplus (or deficit). ←

g) A statement of sources and uses of funds in the Zakah and charity fund.

h) Notes to the financial statements.

i) Any statements, reports and other data which assist in providing information required by users of financial statements if required by the profession provided they do not contradict Shari'a rules and principles. (para. 2)

AAOIFI-FAS 12

2/1 The complete set of financial statements

The complete set of financial statements that should be prepared by the company should consist of the following:

a) A statement of financial position (the balance sheet).

b) A statement of policyholders' revenues and expenses.

c) An income statement.

d) A statement of cash flows.

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FAS 12 İslamî Sigorta Şirketlerinde Bilgi Sunumu ve Açıklamanın Genel İlkeleri

Tüm iktisadî kişiliklerin hazırlaması gereken finansal tablolar yanında, ***İslamî Sigorta Şirketleri şu tabloları da hazırlamalıdır :***

1. Gelir Tablosundan başka; ***«Police Sahiplerinin gelir ve giderleri tablosu»***
2. Özkaynaklar değişim tablosu yanında, ***«Police sahiplerinin Fazlası (veya Açığı) Tablosu»***
3. Zekat ve Hayır Fonunda kaynak ve kullanımlar Tablosu (Paragraf 2)

FAS 12

Prg.4. Presentation and Disclosure in Each Statement

4/1 Statement of financial position

****The statement of financial position should include the company's assets, its liabilities, owners' equity and policyholders' equity. (para. 34)***

****Significant items of assets, liabilities, policyholders' equity or owners' equity should not be combined on the face of the statement of financial position without disclosure. (para. 36)***

AAOIFI- FAS 12 Prg. 4 / 1 Disclosure should be made on the face of the statement of financial position of the following assets with separate disclosures in the notes to the financial statements of assets jointly financed by the owners' equity and policyholders' equity and those exclusively financed by each of them wherever possible:

a) Cash and cash equivalents.

b) Contributions receivable.]

c) Reinsurance receivables.]

d) Deferred sales receivables.

■ Murabaha.

■ Salam (goods sold using Salam contract).

■ Istisna'a.

e) Investment securities.

f) Mudaraba financing.

g) Musharaka financing.

h) Investments in other entities' capital.

i) Investment in real estate.

j) Assets acquired for leasing.

k) Fixed assets, with disclosure of significant types and related accumulated depreciation.

(l) Other assets, with disclosure of significant types. (**para. 39**)

AAOIFI- FAS 12 Prg. 4 / 1

Disclosure should be made on the face of the financial statements or on the notes to the financial statements of the following liabilities:

- a) Unearned contributions.*
- b) Outstanding claims.*
- c) Claims incurred but not reported.*
- d) Other provisions.*
- e) Reinsurers and other parties share of outstanding claims.*
- f) Reinsurance credit balances:*
 - *Insurance cash balances.*
 - *Retained unearned contributions/premium.*
 - *Retained outstanding claims.*
- g) Declared but undistributed profits attributable to owners' equity.*
- h) Zakah and taxes payable.*
- i) Other liabilities. (para. 40)*

AAOIFI- FAS 12 Prg. 4 / 1

Policyholders' equity

should be disclosed and presented in the statement of financial position as a separate item between liabilities and owners' equity. (para. 41)

- 1. Liabilities***
- 2. Policyholders' equity***
- 3. owners' equity***

REMEMBER

ISLAMIC (PARTICIPATION) BANKING

- 1. Liabilities**
- 2. Investment Account
Holders' Equity**
- 3. Owners' Equity**

TAKAFUL (ISLAMIC INSURANCE)

- 1. Liabilities**
- 2. Policyholders' Equity**
- 3. Owners' Equity**

FAS 12

Prg.4/2 Statement of policyholders' revenues and expenses

The financial period covered by the statement of policyholders' revenues and expenses should be disclosed. (para. 44)

To the extent applicable the following information should be disclosed on the face of the statement of policyholders' revenue and expenses, or on the notes to the financial statements:

- a) Gross contributions.*
- b) Reinsurance share of contributions.*
- c) Changes in unearned contributions.*
- d) Earned contributions for the financial period.*
- e) Commission earned from reinsurance for the financial period.*
- f) Reinsurance profit sharing commission of the previous financial periods.*
- g) Gross claims paid.*
- h) Reinsurance share of gross claims paid.*
- i) Other parties share of gross claims paid.*
- j) Insurance business acquisition cost.*
- k) Changes in outstanding claims.*
- l) Changes in reinsurance share of outstanding claims.*
- m) Provisions for outstanding court cases or any other matters.*
- n) Any other expenses.*
- o) Investment income.*
- p) Remuneration of the party managing insurance operations.*
- q) Remuneration of the party managing policyholders' funds and owners' equity funds.*
- r) Surplus or deficit resulting from technical operations. (para. 45)*

4/6 Statement of the policyholders' surplus (or deficit)

The period covered by the statement of policyholders' surplus (or deficit) should be disclosed. (para. 61)

Disclosure should be made in the face of the statement of policyholders' surplus (or deficit) of the following:

- a) Surplus or deficit balance at the beginning of the period.***
- b) Surplus or deficit for the period.***
- c) Gross surplus or deficit.***
- d) Distributions to policyholders during the period.***
- e) Balance of surplus or deficit at the end of the financial period. (para. 62)***

Standardın konusu olan «İslamî Sigorta Şirketi» (Operatör)'in Bilançosu

1. VARLIKLAR BÖLÜMÜ

1.1.İ.S.Ş.'nin Varlıkları arasında bulunan **«Yatırımlar Kalemi»**

- hem şirketin kendi özkaynaklarından yaptığı,
- hem de Tekafül Fonundan yaptığı yatırımları içerir.

Yatırımların bu açıdan kırılımı dipnotlarda açıklanır.

1.2. Katılımcılar ile ilgili olarak **«Katılımcılardan Alacaklar»** kalemi bulunur

Standardın konusu olan «İslamî Sigorta Şirketi» (Operatör)'in Bilançosu

2. KAYNAKLAR BÖLÜMÜ

*Kaynakların olağan iki bölümü olan «Borçlar» ve «Özkaynaklar» yanında; **POLİÇE SAHİPLERİNİN HAKLARI** Bölümü bulunur

***BORÇLAR (veya YÜKÜMLÜLÜKLER) arasında Tekafül Fonu** Katılımcıları ile ilgili olarak :

- **Karşılanmamış Tazminat Talepleri**
 - **Kazanılmamış Katkı Payları (Primler)**
- Kalemleri bulunur**

«*Poliçe Sahiplerinin gelir ve giderleri tablosu*»

Ana kalemler :

- Toplam Sigorta Hasılatları...(Katılım Payları=Primler burada)
(-) Toplam Sigorta Giderleri....(Hasar Tazminatları burada)
= ***Sigorta Operasyonlarından Net Fazla (1)***
- Yatırım Gelirleri
Toplam Yatırım Geliri
(-) Yatırım Portföyünü yöneten Sigorta Şirketinin payı
Net Yatırım Geliri (2)
HASILAT GİDER FAZLASI (1) + (2)

Standardın konusu olan «İslamî Sigorta Şirketi» (Operatör) ile Sigorta Fonu Katılımcıları ilişkisi

Police sahiplerinin (Katılımcılar)
Hasılat (Gelir) ve Giderleri Tablosu

Sigorta Giderleri :

Sigorta Operasyon Giderleri

Yatırım Gelirleri

Toplam Yatırım Geliri

(-) ***Yatırım Portföyünü yöneten
Sigorta Şirketinin payı***

İ.S.Ş.'nin Gelir Tablosu

İ.S.Ş.'nin Gelir Tablosunda

- Kendi Özkaynaklarıyla yaptığı yatırımdan sağladığı Gelir.*
- Katılımcıların sigorta operasyonlarını yönetme karşılığı elde ettiği **gelir**
- Katılımcıların Fonunu yönetme karşılığı elde ettiği **ücret**.

«Police sahiplerinin Fazlası (veya Açığı) Tablosu»

1. Dönembaşı Hasılat Gider Fazlası

2. İlgili Yılın Police Sahiplerinin gelir ve giderleri tablosundan HASILAT GİDER FAZLASI

1+2=Dönemsonunda toplam Hasılat Gider Fazlası

(-) Police Sahiplerine (Katılımcılar) dağıtılan

Dönemsonu itibarıyla dağıtılmamış Hasılat Gider Fazlası (Operatör Şirketin Bilançosunda Görünür)

***YOU ARE NOT RESPONSIBLE FOR THE AMOUNTS
ON THE FINANCIAL STATEMENTS***

***ALSO NOT RESPONSIBLE FOR ALL ITEMS BUT
ONLY THOSE REFERRED***

Statement of Financial Position
as at xxx* year xxx *** (last year)**

	Note	xxx (year) Monetary Unit	xxx (last year) Monetary Unit
Assets			
Cash & cash equivalents	(8)	13,720	—
Investments	(9)	65,680	—
Contributions receivables		6,000	—
Fixed assets (net)	(10)	4,500	—
Development cost	(11)	800	—
Total assets		90,700	—
Liabilities, policyholders' equity and owners' equity			
Liabilities			
Outstanding claims	(12)	4500	—
Unearned contributions	(13)	21,600	—
Reinsurance balances	-	-	—
Dividends payable		840	—
Other liabilities		500	—
Zakah payable		1,350	—
Taxes payable		1,140	—
Total liabilities		29,930	—
Policyholders' equity		9,900	—
Owners' equity			
Authorized & paid-up capital	(14)	50,000	—
Legal reserves	(15)	320	—
Retained earnings		450	—
Total owners' equity		50,870	—
Total liabilities, policyholders' equity and owners' equity		90,700	—

STATEMENT OF POLICYHOLDERS' REVENUES AND EXPENSES

for financial year ended on ^{*}(year) and ^{***}(last year)**

	xxx (year) monetary unit	xxx (last year) monetary unit
Insurance revenues		
Gross contributions	180,000	—
Less Reinsurers' shares	(126,000)	—
Net retained contributions	54,000	
Less changes in unearned contributions	(21,600)	—
Earned contributions	32,400	—
Reinsurance commissions	37,800	—
Total insurance revenues	70,200	
Insurance expenses		
Paid claims	15,000	—
Recovered claims from reinsurers and other parties	(11,400)	—
Net paid claims	3,600	—
Outstanding claims at end of financial period	21,000	—
Less recoverable outstanding claims from reinsurers and other parties	16,500	—
Net outstanding claims Remuneration of owners' equity for managing	4,500	—
Insurance operations	45,000	—
Acquisition cost	9,000	—
Total insurance expenses	62,100	—
Net surplus from insurance operations	8,100	—
Investment income		
Total investment income	2,000	—
Less owners' equity share for the management of Investment portfolio	(200)	—
Net investment income	1.800	—
Surplus of revenues over expenses	9,900	—

(Name of Company)
Statement of Policyholders' Revenues and Expenses⁽⁵⁾
for financial year ended on *** (year) and *** (last year)

	xxx (year) monetary unit	xxx (last year) monetary unit
Insurance revenues		
Gross contributions	180,000	—
Less Reinsurers' shares	(126,000)	—
Net retained contributions	54,000	—
Less changes in unearned contributions	(21,600)	—
Earned contributions	32,400	—
Reinsurance commissions	37,800	—
Total insurance revenues	70,200	
Insurance expenses		
Paid claims	15,000	—
Recovered claims from reinsurers and other parties	(11,400)	—
Net paid claims	3,600	—
Outstanding claims at end of financial period	21,000	—
Less recoverable outstanding claims from reinsurers and other parties	16,500	—
Net outstanding claims Remuneration of owners' equity for managing	4,500	—
Insurance operations	45,000	—
Acquisition cost	9,000	—
Total insurance expenses	62,100	
Net surplus from insurance operations	8,100	
Investment income		
Total investment income	2,000	—
Less owners' equity share for the management of Investment portfolio	(200)	—
Net investment income	1,800	
Surplus of revenues over expenses	9,900	

(*) The attached notes from No. () to No. () form an integral part of the financial statements.

(5) Assuming that owners' equity are the managing party of the insurance operations and investments.

Financial Accounting Standard No. (12):
General Presentation and Disclosure in the Financial Statements of Islamic Insurance Companies

(Name of Company)
Statement of Policyholders' Surplus (or Deficit)
for financial year ended on ^{*}(year) and ^{***}(last year)**

	xxx (year) monetary unit	xxx (last year) monetary unit
Surplus balance at beginning of period	000	—
Surplus for the current financial period	9,900	—
Total surplus at end of the period	9,900	—
Distribution to policyholders	2,600	—
Balance of retained surplus at end of period	7,300	—

Financial Accounting Standard No. (12):
General Presentation and Disclosure in the Financial Statements of Islamic Insurance Companies

(Name of Company)
Income Statement
for financial year ended on *(year) and ***(last year)**

	Note	xxx (year) Monetary Unit	xxx (last year) Monetary Unit
Revenues			
Investment revenues		3,000	—
Owners' equity remuneration for managing insurance operations	(19)	45,680	—
Owners' equity share for managing investment portfolio	(19)	200	—
Total revenues		48,200	—
Expenses			
General expenses		43,800	
Development costs	(6)	200	—
Total expenses		44,000	—
Income before Zakah		4,200	—
Zakah payable		(1,350)	—
Income before Tax		2,850	—
Tax		(1,140)	—
Net Income		1,710	—

FINANCIAL STATEMENTS

COMMON Financial statements

1. **Statement of financial position as at the end of the financial reporting period (balance sheet)**
2. **Statement of income and other comprehensive income for the financial reporting period**
3. **Statement of changes in owners' equity for the financial reporting period;**
4. **Statement of cash flows for the financial reporting period**

Financial Statements required By AAOIFI for Islamic Financial Institutions

1. **Statement of income and attribution related to quasi-equity for the financial reporting period; *Special For Islamic Banks (= Participation Banks)**
2. **Statement of changes in off-balance-sheet assets under management for the financial reporting period
Special For Islamic Banks (= Participation Banks) ; and
3. **Statements relating to Takaful / insurance operations (including e.g. statements segregating the elements of financial statements related to participants and investments)
***Special For Islamic Banks (= Participation Banks)**

(Name of Company)
Statement of Financial Position
as at xxx*** year xxx*** (last year)

	Note	xxx (year) Monetary Unit	xxx (last year) Monetary Unit
Assets			
Cash & cash equivalents	(8)	13,720	—
Investments	(9)	65,680	—
Contributions receivables		6,000	—
Fixed assets (net)	(10)	4,500	—
Development cost	(11)	800	—
Total assets		90,700	—
Liabilities, policyholders' equity and owners' equity			
Liabilities			
Outstanding claims	(12)	4500	—
Unearned contributions	(13)	21,600	—
Reinsurance balances	-	-	—
Dividends payable		840	—
Other liabilities		500	—
Zakah payable		1,350	—
Taxes payable		1,140	—
Total liabilities		29,930	—
Policyholders' equity		9,900	—
Owners' equity			
Authorized & paid-up capital	(14)	50,000	—
Legal reserves	(15)	320	—
Retained earnings		450	—
Total owners' equity		50,870	—
Total liabilities, policyholders' equity and owners' equity		90,700	—

(*) The attached notes from No. () to No. () form an integral part of the financial statements.

Finansal Durum Tablosu

Varlıklar

- Nakit ve Nakit eşdeğerleri
- Yatırımlar * (not 9)
- Katkı Payı Alacakları
- Duran Varlıklar
- Gelişme Maliyeti
- **TOPLAM VARLIKLAR**

YÜKÜMLÜLÜKLER, POLİÇE SAHİPLERİNİN HAKLARI, ÖZKAYNAKLAR

- Yükümlülükler
- Henüz ödenmemiş tazmin talepleri
 - Kazanılmamış Katkı Payları
 - Reassurans Bakiyeleri
 - Ödenecek Kâr Payları
 - Diğer Yükümlülükler
 - Ödenecek Zekat Borçları
 - Ödenecek Vergiler

POLİÇESAHİPLERİNİN HAKLARI

ÖZKAYNAKLAR

- Çıkarılan & Ödenmiş Sermaye
- Yasal Yedekler
- Dağıtılmamış Kârlar

TOPLAM ÖZKAYNAKLAR

- **TOPLAM YÜKÜMLÜLÜKLER, POLİÇE SAHİPLERİNİN HAKLARI, ÖZKAYNAKLAR TOPLAMI**

(Name of Company)
Statement of Policyholders' Revenues and Expenses⁽⁵⁾
for financial year ended on *** (year) and *** (last year)

	xxx (year) monetary unit	xxx (last year) monetary unit
Insurance revenues		
Gross contributions	180,000	—
Less Reinsurers' shares	(126,000)	—
Net retained contributions	54,000	—
Less changes in unearned contributions	(21,600)	—
Earned contributions	32,400	—
Reinsurance commissions	37,800	—
Total insurance revenues	70,200	
Insurance expenses		
Paid claims	15,000	—
Recovered claims from reinsurers and other parties	(11,400)	—
Net paid claims	3,600	—
Outstanding claims at end of financial period	21,000	—
Less recoverable outstanding claims from reinsurers and other parties	16,500	—
Net outstanding claims Remuneration of owners' equity for managing	4,500	—
Insurance operations	45,000	—
Acquisition cost	9,000	—
Total insurance expenses	62,100	
Net surplus from insurance operations	8,100	
Investment income		
Total investment income	2,000	—
Less owners' equity share for the management of Investment portfolio	(200)	—
Net investment income	1,800	
Surplus of revenues over expenses	9,900	

(*) The attached notes from No. () to No. () form an integral part of the financial statements.

(5) Assuming that owners' equity are the managing party of the insurance operations and investments.

POLİÇESAHİPLERİNİNGELİRLERİ VE GİDERLERİ

Sigorta Gelirleri

Bürüt Katkı payları

(Eksi) Reassurans Payları

Net Dağıtılmamış Katkıpayları

(Eksi) Kazanılmamış Katkı paylarında değişim

Kazanılmış Katkıpayları.....+

Reassurans Komisyonları.....+

Toplam Sigorta Gelirleri

SİGORTA GİDERLERİ

Ödenen Tazminat Talepleri.....15,000

Reassurans ve diğer partilerden Geri alınan Tazminat Talepleri (11.400)

Net ödenen Tazminat Talepleri.....3,600

Dönem sonu Karşılanmamış Tazminat Talepleri.....21,000

(Eksi) Reassurans ve diğer partilerden Geri alınabilecek, ödenmemiş tazminat talepleri.....16,500

Operatör (Özkaynak) yönetiminden getiri4,500?***

Sigorta Operasyonları.....45,000 →

Edinme Maliyeti.....9,000

Toplam Sigorta Giderleri62,100

Sigorta Operasyonlarından Net Artan 8,100

Yatırım Geliri

Toplam Yatırım Geliri.....2,000

(-) Operatör Şirket (Özkaynak) Payı.....(200) →

Net Yatırım Geliri.....1,800

GİDERLERİ AŞAN GELİR FAZLASI.....9,900

Yatırımlar *

(not 9) :

Police sahiplerinin Yatırımları.....	X
Operatör Şirketin Özkaynaklarından yaptığı yatırımlar.....	<u>Y</u>
TOPLAM.....:	65,680

- ***Bu 4,500 rakamı toplama eklenmemiş görünüyor***
- ***Net Outstanding claims Remuneration of owner's equity for managing = Operatör şirketin yönetimden ötürü ödenmemiş ücret talepleri***

—————> ***OKLA İŞARETLENDİRİLENLER «GELİR TABLOSU»NDA GÖRÜNÜYOR***

Finansal Muhasebe Standardı NO: 12
İslami Sigorta Şirketlerinin Finansal Tablolarında Genel Sunum ve Açıklamalar
POLİÇE SAHİPLERİNİN FAZLAI (AÇIĞI) TABLOSU

Financial Accounting Standard No. (12):
General Presentation and Disclosure in the Financial Statements of Islamic Insurance Companies

(Name of Company)
Statement of Policyholders' Surplus (or Deficit)
for financial year ended on *** (year) and *** (last year)

	xxx (year) monetary unit	xxx (last year) monetary unit
Surplus balance at beginning of period	000	—
Surplus for the current financial period	9,900	—
Total surplus at end of the period	9,900	—
Distribution to policyholders	2,600	—
Balance of retained surplus at end of period	7,300	—

Dönembaşı Fazla Kalanı...00
Cari Finansal Dönem Fazlası:9,900
Dönemsonu toplam Fazla..: 9,900
Polİçe sahiplerine dağıtım....2,600
D.sonu Dağıtılmamış Fazla.. 7,300

OPERATÖR ŞİRKETİN GELİR TABLOSU

General Presentation and Disclosure in the Financial Statements of Islamic Insurance Companies

(Name of Company)
Income Statement
for financial year ended on *** (year) and *** (last year)

	Note	xxx (year) Monetary Unit	xxx (last year) Monetary Unit
Revenues			
Investment revenues		3,000	—
Owners' equity remuneration for managing insurance operations	(19)	45,680	—
Owners' equity share for managing investment portfolio	(19)	200	—
Total revenues		48,200	—
Expenses			
General expenses		43,800	—
Development costs	(6)	200	—
Total expenses		44,000	—
Income before Zakah		4,200	—
Zakah payable		(1,350)	—
Income before Tax		2,850	—
Tax		(1,140)	—
Net Income		1,710	—

Operatör Şt.'in Kendi.....
öz kaynaklarından Yatırım Gelirleri3,000

**Operatör Şirketin Sigorta Faaliyetlerini
Yönetmesi**

karşılığı Poliçe Sahiplerinden.:45,000 →

Tekafül Primlerinden oluşan fonu

Yönetme karşılığı Poliçe Sahiplerinden.: 200 →

TOPLAM.....: 48,200

Cash Flow Statement
for the years ended **xxx (year)** and **xxx (Last year)**

	xxx (year) Monetary Unit	xxx (last year) Monetary Unit
Cash flow from operation		
Net income	1,710	—
Policyholders' surplus of revenue	9,900	—
Depreciation of fixed assets	500	—
Development costs	200	—
Net income before changes in operating capital	12,310	
Increase in fixed assets	(5,000)	—
Increase in development costs	(1,000)	—
Increase in contribution receivable	(6,000)	—
Increase in other payable	500	—
Increase in outstanding claims	4,500	—
Increase in unearned contribution	21,600	—
Increase in Zakah payable	1,350	—
Increase in taxes payable	1,140	—
Net cash from operations	29,400	—
Cash flow from Investment		
Increase in investment	65,980	—
Increase (or decrease) in cash and cash equivalent	(36,280)	—
Cash and cash equivalent at beginning of period	50,000	—
Cash and cash equivalent at end of period	13,720	—

(*) The attached notes from No. () to No. () form an integral part of the financial statements.

NAKİT AKIŞ TABLOSU

- Dolaylı Yöntem
 - Gelir Tablosundan Aldığı Net Gelir (Kâr)'a
Poliçe Sahipleri Gelir Fazlası'nı
Eklemiş (9,900)

(Company Name)
Statement of Changes in Owners' Equity
for the years ended on ***(year) and ***(last year)

Description	Paid-up Capital (Note 14)	Reserves (Note 15)		Retained Earnings	Total
		Legal	General		
	Monetary Unit	Monetary Unit	Monetary Unit	Monetary Unit	Monetary Unit
Balance as at beginning of xxx (last year)					
Issue of () shares					
Net Income					
Distributed profits					
Transfer to reserves					
Balance as at beginning of current year	50,000				50,000
Net Income				1,710	1,710
Distributed profits				(840)	(840)
Transfer to reserves		(420)		(420)	
Balance as at end of xxx (current year)	50,000	420		450	50,870

(*) The attached notes from No. () to No. () form an integral part of the financial statements.

OPERATÖR ŞİRKETİN ÖZKAYNAKLAR DEĞİŞİM TABLOSU

Dönembaşı Özkaynak 50,000
+ Dönem Kârı (Geliri).....: 1,710

Dağıtılan Kârpayı...: (840)
(Operatör şirketin pay sahiplerine)

Dönemsonu Özkaynak : 50,870
(Bilanço'da görüldüğü gibi)

FAS 12 Dipnot Açıklamaları

- ***Başlıca Muhasebe Politikaları***

*.....muhasebe kayıtları «Police Sahiplerinin hesapları» ile «Operatör Şirketin özkaynakları=özsermayesi» nin **AYRILMASINI** temin edecek şekilde yapılır.*

END OF WEEK 5