

TITLE: THE BEST TAKAFUL MODEL VERSUS CONVENTIONAL INSURANCE ON PROFITABILITY

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ABSTRACT

The study was conducted in Nairobi between July 2013 and March 2014, and data was obtained from the leading takaful operator in Kenya Takaful Insurance for Africa (TIA). Takaful is a type insurance that enables policyholders to share in profits if they do not make a claim. The data obtained was simulated across the three takaful models that exist and the profits compared with those from the conventional insurance. Conventional insurance refers to the normal type of insurance. The three takaful models are the mudharabah model, wakala model and wakala with mudharabah model. The research aimed at identifying the best takaful model in terms of profitability. It was found that the best model was the wakala with mudharabah model as it offered the highest profit to the operator. The best takaful model was then compared with the conventional insurance profits. The takaful model proved to be more profitable than the conventional insurance mode of operation.