

Seated: Kaddunabbi (centre), Walusimbi (second-left) and other officials, during the sensitisation and dissemination meeting on Takaful and Retakaful held at the IRA headquarters in Kampala

HOW TAKAFUL INSURANCE CAN LINK UGANDA TO \$75B GLOBAL MARKET

By Simon Okitela

After years of consultations and benchmarking, Uganda's insurance's sector is finally breaking new ground with the rollout of Takaful, a Sharia compliant model that promises to bring inclusivity and ethical finance to the forefront.

This also comes as relief for

BETWEEN THE LINES

◀ As part of its proactive approach, the Insurance Regulatory Authority has already licensed its first Takaful provider, Tamini General Insurance Uganda Limited, marking a significant milestone in the initiative's rollout.

communities that have in the past been excluded by the operational models of conventional insurance products where the insured-transfers the burden to the insurer through paying premiums.

Backed by newly gazetted regulations, the framework unlocks Uganda's potential to tap into a global Takaful market projected to soar past \$75b by 2033, while offering local policyholders' greater transparency, stronger governance and renewed trust in the

industry.

Speaking during the sensitisation and dissemination meeting on Takaful and Retakaful held at the Insurance Regulatory Authority (IRA) headquarters in Kampala, IRA chief executive officer Dr Kaddunabbi Ibrahim Lubega disclosed that Uganda was ready to compete with the bigger economies

"After years of waiting, as an industry

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we are now ready to roll out Takaful and I want to comment the Ministry of Finance Planning and Economic Development for fast tracking and to gazette the regulations. With the growing demand of Takaful among the Muslim population, we have a significant opportunity to expand," he noted. The global Takaful market is projected to grow from approximately \$36.6b in 2024 to about \$75.3b by 2033, with a compound annual growth rate (CAGR) of 8%-9% over the next decade.

"Globally, approximately \$7b has been collected in premiums under Takaful operators, with projections indicating that by the year 2033, this figure could reach about \$77.75b. This signifies an important opportunity for Uganda to tap into the globe market," Kaddunabbi added.

This initiative not only represents a new chapter in Uganda's financial and social fabric, but also underscores our commitment to fostering an inclusive and resilient insurance sector.

The recently gazetted Insurance (Takaful and Retakaful) Regulations of 2025 lay the groundwork for licensing and governance in this new sector.

By establishing rigorous standards for Sharia compliance, capital adequacy and operational transparency, the regulations ensure that Takaful is conducted with the utmost professionalism and integrity.

The necessity of a Sharia committee for each Takaful operator will guarantee that all practices adhere to Islamic finance principles, thereby safeguarding the interests of participants.

Irrespective of its nascent stage in Uganda, the Takaful sector has significant potential for growth. Neighbouring countries such as Sudan, Kenya, and Nigeria have begun to experience the benefits of this insurance model, and Uganda is now poised to follow suit.

The new framework promises not only policyholder protection through the segregation of funds but also financial stability backed by strong capital governance requirements. Furthermore, the establishment of clear Sharia supervisory boards aims to cultivate market confidence, fostering trust among potential participants.

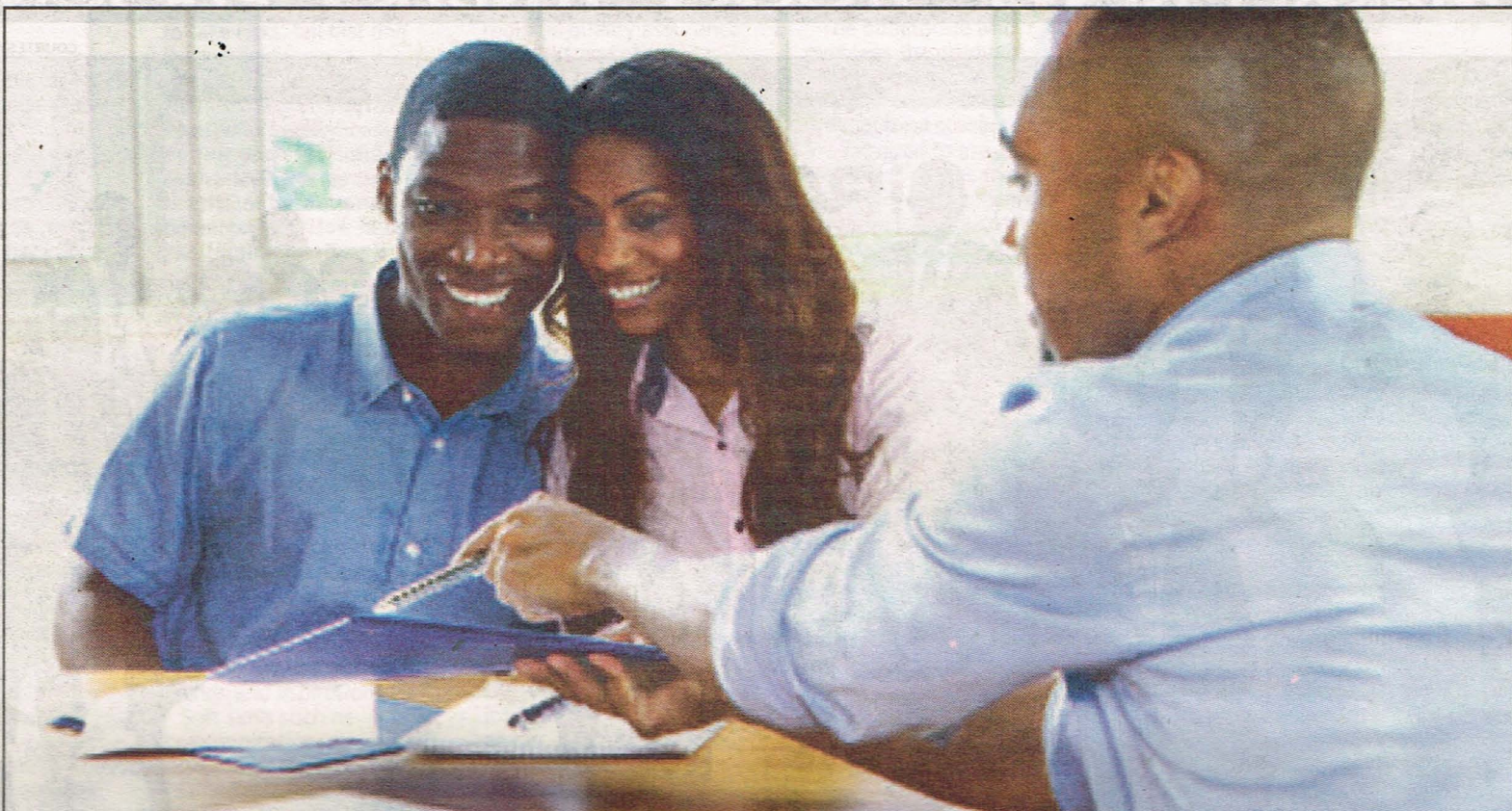
As part of its proactive approach, the IRA has already licensed its first Takaful provider, Tamini General Insurance Uganda Limited, marking a significant milestone in the initiative's rollout.

"With the regulatory framework now in place, we are ready to facilitate the entry of more players into the Takaful market to compete with the one already licensed as we seek to enhance insurance penetration in Uganda."

This initiative addresses a crucial need in the community, particularly for individuals who have hesitated to purchase insurance due to ethical concerns. The introduction of Takaful represents a compelling alternative grounded in mutual support, community values and financial ethics.

Assoc. Prof. Abdul Hafiz Walusimbi,

TAKAFUL INSURANCE TO LEAD WITH INCLUSIVITY, ETHICAL FINANCE



A couple considering their insurance options. Takaful is committed to fostering an inclusive and resilient insurance sector



Irrespective of its nascent stage in Uganda, the Takaful sector has significant potential for growth.

a Sharia consultant, cites some of the fundamental principles of Islamic insurance (Takaful) such as; mutual help, protection and responsibility in the spirit of *munno mukabi*, equity participation according to agreed-upon models, distribution of surplus or deficit arising from the business.

HOW DOES TAKAFUL INSURANCE OPERATE

Takaful is a unique and ethical financial model rooted in the principles of mutual co-operation, shared responsibility, and social solidarity. It is grounded in Sharia law, emphasising fairness, transparency, and ethical investment, which sets it

apart from conventional insurance models.

In Takaful, the pooled contributions constitute the Takaful Fund, which is legally owned by the participants. The Takaful Operator merely manages this fund on an agency or profit-sharing basis. Conversely, in conventional insurance, the premiums paid become the property of the insurer's shareholders.

The relationship in Takaful is defined by the Tabarru' contract, a non-commercial agreement of donation and mutual co-operation. The participant makes a donation to aid others and the promise of a payout is a pre-agreed condition of the mutual agreement. Conventional insurance is based on a contract of sale, where the policyholder transfers the risk to the insurer in exchange for a premium payment.

The investment of Takaful funds must strictly adhere to Sharia principles, prohibiting investment in businesses involved with alcohol, gambling, pork products, or interest-bearing financial instruments. This means the Operator must utilise Sharia-compliant investment vehicles, such as Sukuk (Islamic bonds) or Sharia-screened equity funds. Conventional insurers are generally unrestricted in their investment choices, allowing them to pursue higher returns through non-compliant assets.

CATEGORIES OF TAKAFUL PRODUCTS

The Takaful model is applied across the same risk categories as conventional insurance, providing a comprehensive range of Sharia-compliant protective products. These products are broadly categorised into two main types: Family Takaful and General Takaful.

■ FAMILY TAKAFUL

Family Takaful is the Sharia-compliant equivalent of life insurance, providing coverage against the risk of death or disability. These policies often incorporate an element of savings and investment, similar to universal or whole life products. The participant's contribution is split into a Tabarru' portion for risk coverage and a savings portion for investment.

■ GENERAL TAKAFUL

General Takaful covers all forms of property and casualty (P&C) risk, offering short-term protection. This category includes common coverages such as motor vehicle Takaful, fire and property Takaful, health Takaful, and marine Takaful. The entire contribution in General Takaful is typically treated as Tabarru' into the risk pool, as there is generally no long-term savings component.

