

Office of the National Chairman manager Hadijah Namyalo (Centre) and other Muslim faithful during a meeting in Kampala last week. She said they expect to launch the insurance service today. PHOTO/NRM MUZZUKULU X HANDLE

Takaful explained: How Islamic insurance works

Museveni is expected to launch Uganda's first Islamic insurance firm today. Unlike traditional insurance, Takaful enables clients to join the company as members and share in both the profits and losses.

BY BUSEIN SAMILU & SHABIBAH NAKIRIGYA

President Museveni is today expected to launch Tamini General Insurance, the first Islamic insurance firm, at a mega Iftar dinner that has been jointly organised by his Kyambogo-based Office of the National Chairman (ONC).

Islamic insurance, also known as Takaful, is booming worldwide, providing a Shariah-compliant alternative to conventional insurance services. Takaful is the Arabic term for mutual co-operation, shared responsibility, and participation. It arises from the Arabic word Kafalah, which means joint guarantee.

Officials from the firm and Muslim leaders told *Daily Monitor* yesterday that the launch will signal a landmark shift in the nation's financial landscape with the introduction of its first licensed provider of Islamic insurance (Takaful).

Tamini General Insurance, a member of Salaam Group, received its licence from the Insurance Regulatory Authority of Uganda (IRA) on November 26, 2025.

It is the second Shari'ah-compliant financial institution in Uganda under the Financial Institutions (Amendment) Act 2023, which paved the way for the establishment of Salaam Bank, the first country's Islamic bank that was launched on March 27, 2024.

Mr Mohamed Bahdon, the chairman of Tamini Group, said the two entities form a comprehensive financial ecosystem designed to serve Ugandans who have historically avoided traditional financial services due to religious or ethical constraints.

"In Uganda, less than one percent of the population takes up insurance, and we know a significant number snub insurance because they are of a religion like Muslims, and that's one of the gaps we have come to close," he said.

He added: "Unlike conventional insurance based on risk transfer, the Takaful model is rooted in mutual assistance, where policyholders act as participants in a collective pool to protect the group against loss."

He further said: "Management identified three operational pillars for the Ugandan market, focusing on ethical investment, transparent oversight, and collective participation."

How Islamic insurance operates

Islamic insurance, also known as Takaful, is a Shariah-compliant, cooperative system of insurance where participants contribute to a mutual pool to guarantee each other against defined risks.

Unlike conventional insurance, Takaful operates on risk-sharing rather than risk-transfer, prohibiting interest (riba), excessive uncertainty (gharar), and gambling (maisir).

Mr Michael Mande, the Chief Executive Officer of Salaam Bank Limited in Uganda, said this type of insurance has a provision of giving back a certain percentage of premium to the insured in case they don't face any risk, which is far different from the conventional insurance, where the insured pays agreed premium without expecting anything in return but only to be covered in case of danger.

> **The big goal.** "Unlike conventional insurance based on risk transfer, the Takaful model is rooted in mutual assistance, where policyholders act as participants in a collective pool to protect the group against loss," Mr Mohamed Bahdon, the Chairman of Tamini Group

"The company invests the premium in a Sharia-compliant business and earns returns, and at the end of the year, the profits are shared with the members of the pool," he said.

He added: "Another thing, participants who do not get injuries or risks in the year are given a leeway to pay less premium in the subsequent year."

Mr Mohamud Omar, the chief executive officer of Tamini General Insurance, said under this scheme, the insured comes out willingly to contribute to the pool while insuring their properties, such as motor, fire, and property, among others.

"We get 30 percent of that fund as management fees, which is used to pay salaries of staff, pay utility bills, and the rest remains in the pool for a certain agreed period of time, and when no risk is registered, we invest the money in a Sharia-compliant venture where profits are shared with the clients under Mudaraba," he explained.

Mudaraba is an Islamic profit-sharing partnership where one party provides 100 percent of the capital, while the other manages the business using their expertise, and then profits are shared based on a pre-agreed ratio, while financial losses are borne solely by the provider.

Ms Mariam Nalunkuma, the [illegible] Corporate Affairs IRA, said Takaful operators are required to establish [illegible] supervisory committees to oversee investments and financial operations.

"The principles of fairness, transparency, and ethical investment apply to everyone, regardless of faith. Every individual or business faces risks such as accidents, illness, or property loss. Takaful offers a structured and ethical way to manage those risks," she said.

Company officials said the [illegible] deepen insurance penetration by including those previously excluded from the financial system. The leadership emphasised that Tamini intends to operate inside the Ugandan public by providing a system that values people and purpose over pure profit.

Muslim scholars weigh in

Muslim scholars yesterday welcomed this insurance, which they said addresses a long-standing gap in the financial sector for the country's Muslim community.

Sheikh Hafithu Walusimbi, a lecturer from the Islamic University in Uganda (IUIU) and head of the Sharia-compliant Muslim group, said Muslims have long sought an insurance product that meets religious requirements.

"Most insurance operators in the country have been running under conventional systems, which include elements of interest and practices that are not Sharia-compliant. Muslims have been waiting for a system that aligns with their faith and this initiative comes at a time when it has been long overdue," he said.

Mr Walusimbi added that under the Sharia-compliant model, policyholders can insure their property or life with confidence. Unlike conventional insurance, participants share in any profits if the insured event does not occur, thus creating a sense of fairness.

"In the conventional system, you pay a premium, you have no benefit if the event does not happen. But in Sharia-compliant insurance, policyholders are part of the excess pool," he said.

He advised Muslims to embrace the initiative but also to first seek adequate knowledge about how it works.

"Before signing up, they should attend awareness sessions and seminars to understand their rights, obligations, and how the system operates. This will help they benefit fully from the insurance," Mr Walusimbi said.

He adds that the introduction of Sharia-compliant insurance is a milestone for Uganda's Muslim community, as it will broaden access to financial services while respecting religious principles.

Globally, countries including the United Kingdom, South Africa, and Malaysia have adopted Takaful products into their mainstream financial systems.

In Uganda, reforms by the Insurance Regulatory Authority of Uganda paved the way for Takaful by introducing regulations, leading to the licensing of Salaam Bank in 2023. The Capital Markets Authority is also advancing to introduce Islamic financial instruments such as Sukuk.

Ms Nalunkuma said the introduction of Islamic finance presents a unique opportunity for Ugandans to diversify their protection options.

"Embracing Takaful strengthens not only individual financial resilience but also contributes to a more inclusive economy," she said.

If you would like, I can now create a complementary/opinion version of Ms Nalunkuma's byline, which may be more persuasive and engaging than straight hard news.

THE STRUCTURE

The Islamic insurance has three cores, including the principles, structure, and surplus. The principles are based on Ta'awun (mutual assistance) and Tabarru (donation), where participants donate to the pool to help others in need.

On the other hand, the Takaful operator manages the fund for the participants and ensures investments are Shariah-compliant, while any surplus funds, after paying claims and costs, is distributed back to participants, unlike conventional insurance. The two main and most common types of Takatul are General Takaful (motor, fire, property) and Family Takaful (life/long-term). A Shari'ah Advisory Board governs all transactions to ensure fairness, while the model treats clients as members of a mutual protection scheme rather than mere policyholders.

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