

## MAJOR DIFFERENCE b/w INSURANCE & TAKAFUL

Conventional Insurance	Takaful
1. Commutative contract	1. Non – Commutative contract
2. Two parties. Insurer (company), Insured (Policy holders)	2. Three parties company, policy holder, pool
3. The premium comes in the ownership of company.	3. Takaful company does not become owner of premium
4. Covering of risk is duty of company	4. Covering of risk is duty of company.
5. There is only one contract i.e. commutative contract.	5. There is a bunch of contracts. (Four contracts as described before)
6. Only insurance company is insurer	6. Takaful company is not insurer but policy Holders are insurers & insured among themselves.
7. Accounting Difference i.e. based on one contract	7. Accounting based on bunch of contracts
8. Surplus is not returned to policy holders totally or partially	8. Surplus is returned to policy holders.
9. Pool of Insurance company is not a legal identity	9. Pool of Takaful Company is a legal identity
10. There is one relation in insurance.	10. there are a different relations at different stages in Takaful