

# Uganda Steps into Sharia-Compliant Insurance with Launch of Takaful Regulations



Insurance industry representatives at the dissemination workshop

Uganda has officially entered the world of Sharia-compliant insurance with the licensing of its first Takaful operator, marking a historic milestone for the country's financial sector. While the identity of the licensee remains under wraps, the move is expected to boost financial inclusion, provide ethical insurance alternatives, and position Uganda within the expanding regional and global Islamic finance market. Speaking at the dissemination of the Takaful and Retakaful regulations in Kampala,

Insurance Regulatory Authority (IRA) Chief Executive, Ibrahim Kaddunabbi Lubega, confirmed that the regulatory framework is now in place, allowing operators to be licensed, monitored, and supported.

"As of today, we have licensed our first Takaful operator. This shows that Uganda is ready to roll out regulations and enable Sharia-compliant providers to do business," he said.

Takaful insurance meets a growing demand from individuals and businesses that have previously avoided conventional insurance

due to religious, ethical, or personal concerns. Many potential policyholders were uncomfortable with products involving interest, excessive uncertainty, or investments in activities considered non-compliant with Islamic teachings.

"People can now insure their businesses and themselves through Sharia-compliant providers, ensuring protection while respecting their beliefs," Kaddunabbi added.

The Takaful model is built on mutual assistance and collective responsibility. Participants contribute to a shared pool used to cover

claims, and any surplus funds at the end of the agreed period are redistributed among members, ensuring fairness and transparency. Unlike conventional insurance, these funds do not earn interest and are invested in halal-compliant ventures. Unused funds are also subject to Zakat, the Islamic act of charity, to support social welfare. The launch, held at Insurance Tower in Kampala, brought together government officials, Islamic scholars, industry experts, and insurance leaders. Kaddunabbi explained

that Uganda's Takaful framework rests on three pillars, including policyholder protection through fiduciary management of contributions, financial stability via robust capital and governance requirements, and market confidence supported by clear Sharia compliance and supervisory committees.

"The first licensed operator is just the beginning. Its success depends on market uptake, and public support is crucial to ensure operators thrive," he said.

For decades, Uganda's insurance sector has been dominated by conventional products, leaving many, particularly Muslim communities, underserved. Takaful now fills this gap, promoting both financial inclusion and ethical risk-sharing.

"Takaful is about participants forming a collective pool. Contributions are used to support members facing risk, creating solidarity and mutual benefit," explained Dr. Abdul Hafiz Walusimbi, senior lecturer at Makerere University and chairman of the Insurance Training College board. He emphasized that strong Sharia governance structures are essential to maintain compliance and credibility.

Dr. Walusimbi highlighted the broader opportunities Takaful presents, such as allowing previously excluded communities access to

insurance, increasing overall insurance penetration in Uganda, facilitating regional integration with countries like Kenya and Sudan, supporting economic development through mobilizing savings and ethical investments, and creating academic pathways for careers in Islamic finance. He also acknowledged challenges, including potential regulatory gaps, limited Sharia-compliant expertise, misconceptions that Takaful is only for Muslims, slow institutional adoption, and low public awareness. "Any opportunity without challenges is not worth taking. Addressing these obstacles will ensure sustainable growth for the industry," he said.

With the launch complete, the focus now shifts to public education, stakeholder engagement, and market uptake. Kaddunabbi

encouraged insurers to start with Takaful windows before establishing full operations, while Dr. Walusimbi urged companies to embrace ethical frameworks fully.

Uganda's entry into the Takaful market signals a new era that blends faith, ethics, and financial security. With a licensed operator, a robust regulatory framework, and growing public awareness, the country is poised to expand financial inclusion, promote ethical insurance, and participate in a rapidly growing global market.