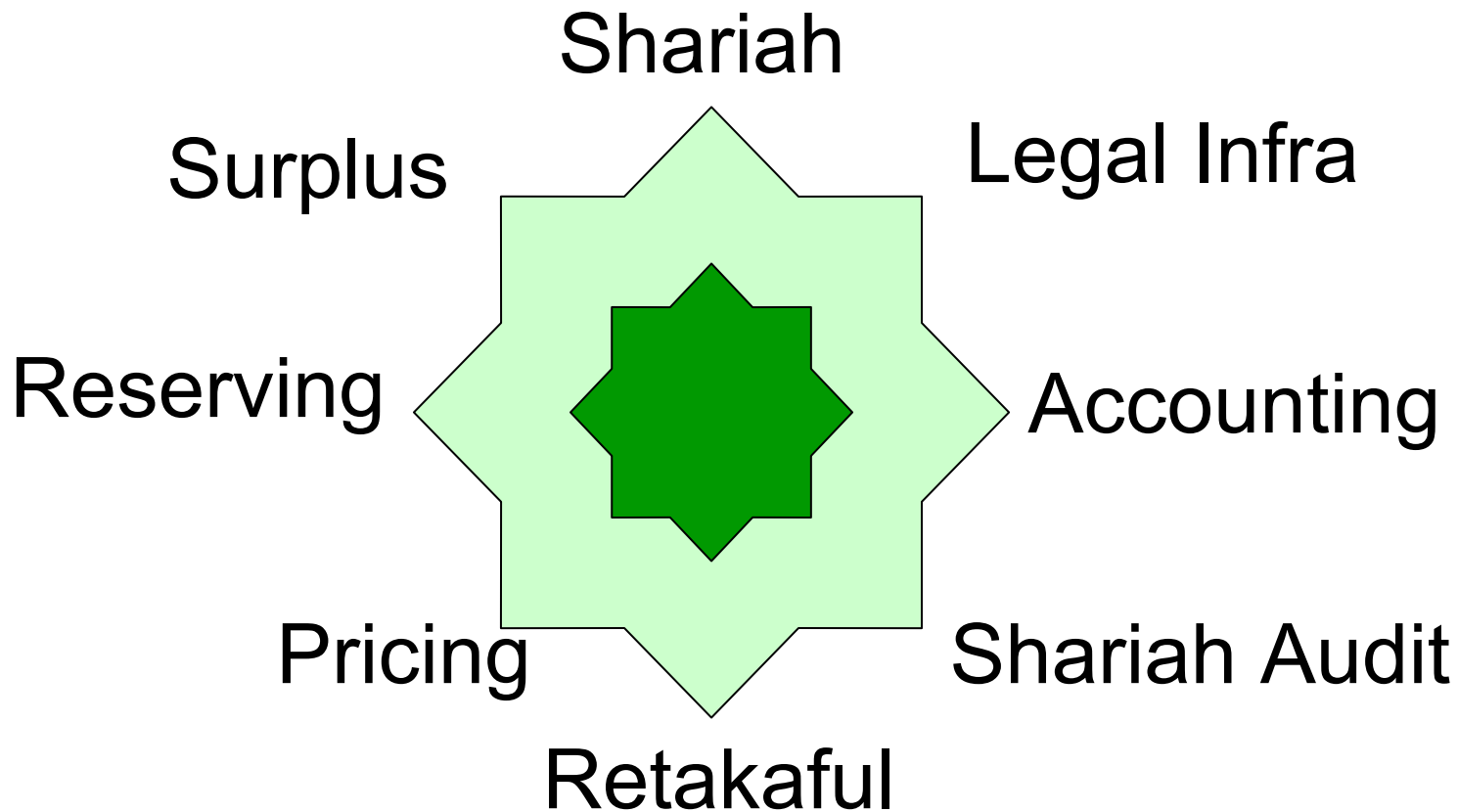


# Technical Aspect of Takaful Business Operations – Proposal for Enhancement

Azman Ismail  
HIJRAH Strategic Advisory Group  
Tel : 603-42601995  
Fax : 603-42523114  
Email : [azman.hijrah@email.com](mailto:azman.hijrah@email.com)  
[azmanwong@yahoo.com](mailto:azmanwong@yahoo.com)

# Technical Areas of Concern ...



# Is Shariah “Technical”



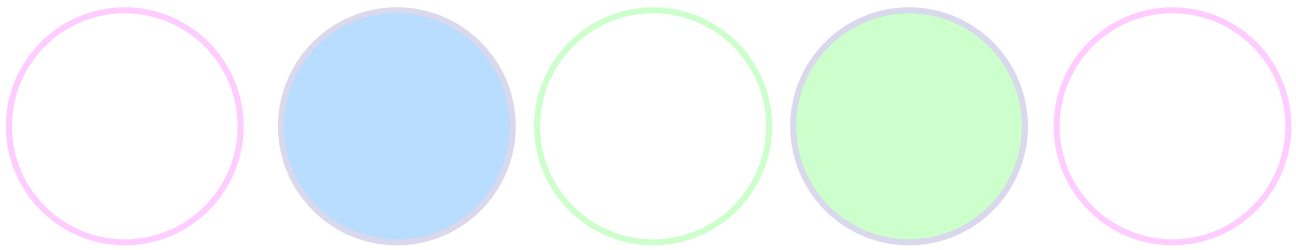
- Takaful Practitioners technically “incompetent” when it comes to shariah issues.
- Reflect the state mentioned by Abdul Qadir Audah
- The need for practitioners to be ‘technically’ competent in both shariah and insurance knowledge

# “Shariah Technical” Aspects



- Application/Proposal Forms
- Policy/Certificate Wordings
- Accounting of Premiums/Contributions, Claims & Retakaful (Additional discussions on accounting and retakaful)
- Surplus distribution – shariah issues

# Proposal



- Employ more shariah graduates
- Expose practitioners to usul fiqh, qawaid fiqhiyah & fiqh muamalah
- Shariah scholars given allowance to 'sit-in' at least once a week

# Legal Infra structure



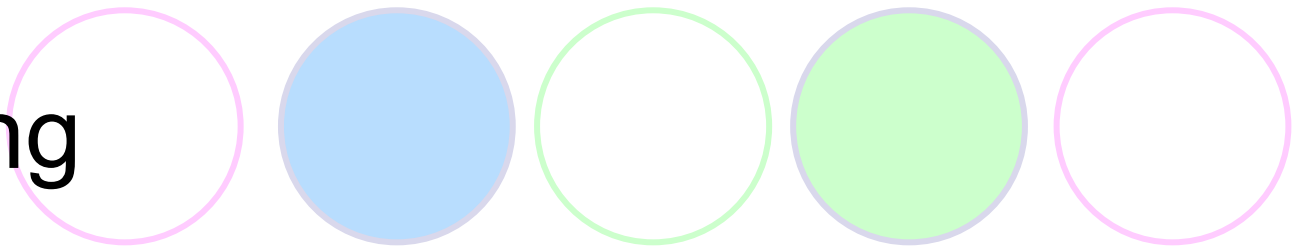
- Not all countries have legal infrastructure
- Those countries that have legal infrastructure – conflicts between legislations
- Gap between legislators, supervisors and players

# Proposal – Legal Infrastructure



- Legal infrastructure for Muslim countries – acts of parliament, decrees, DG guidelines,
- Committee for legal reforms – to establish and enhance takaful position
- Common ombudsman – e.g. IFSB etc

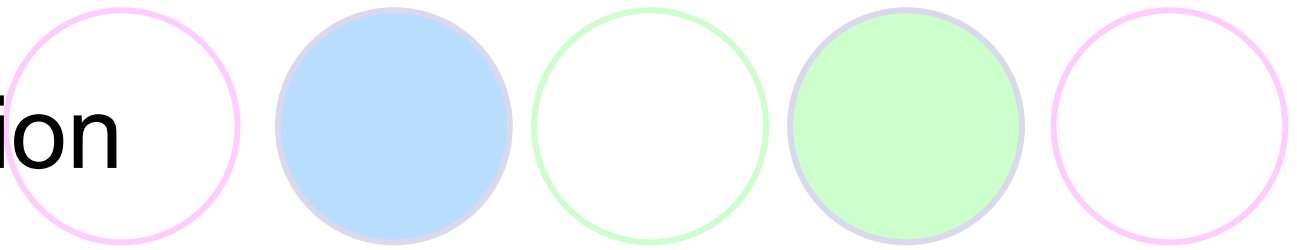
# Accounting



- Contribution
- Claims/Reserves
- Surplus



# Contribution



- Cash/Accrual Issues
- Late payment issues
- Agency/collection issues
- Contribution Warranty Issues

# Claims/Reserves



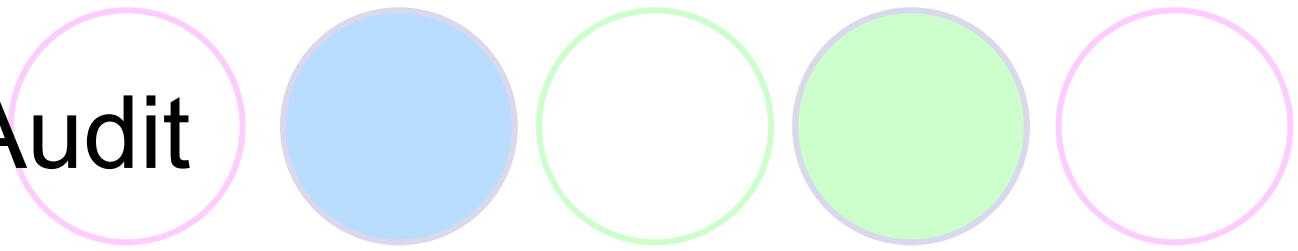
- Unearned/Unexpired risks
- IBNR (including IBNYR, IBNER)
- Valuation Reserves

# Proposal - Accounting



- Accounting Standards – AAOIFI base
- Standard Contractual Model
- Financial Models

# Shariah Audit



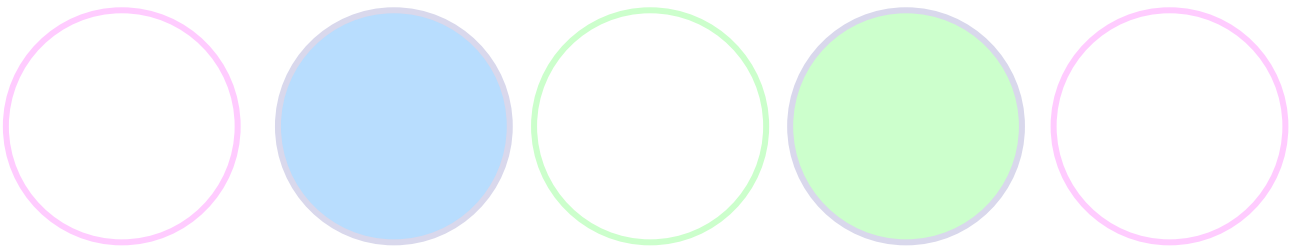
- Lacking In Takaful
- Parallel To Conventional Audit
- Areas of Audit

# Proposal - Audit



- Combine shariah & technical personnel to conduct regular audit
- Develop audit standards & instruments
- Make it compulsory on operators
- Training for shariah auditors

# Retakaful



## ● Retakaful Programming

### ○ Shariah Considerations

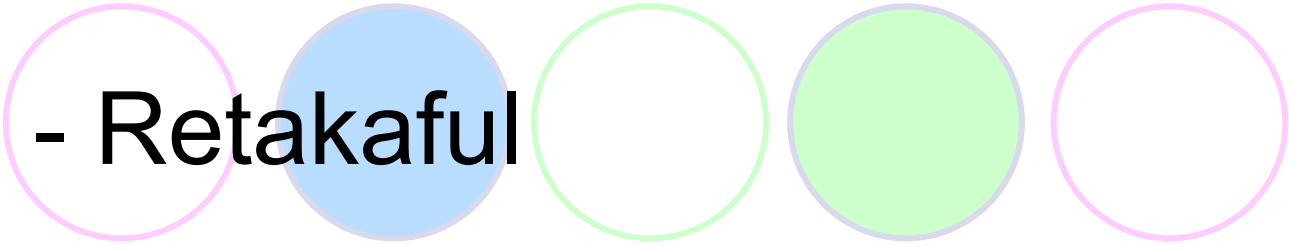
- Holding company is conventional insurance
- Co-takaful – among operator & with conventional

### ○ Retention

- Between shariah & business considerations

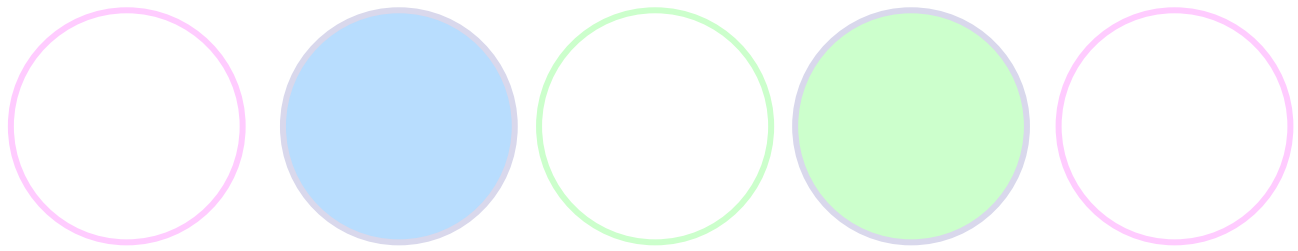
### ○ Structure

# Proposal - Retakaful



- Retakaful Pool Beyond Geographical Groupings
- Strong Technical Retakaful Operator
- Strategic Partnership With Reinsurers
- Transfer of Appropriate Technology

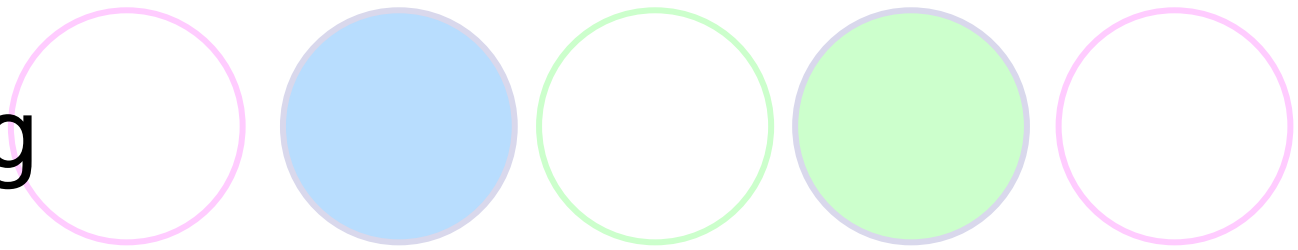
# Pricing



- “Scientific” approach
- General takaful – actuarial input
- Pricing factors
- “Image”
- Compilation & coordination of data among operators

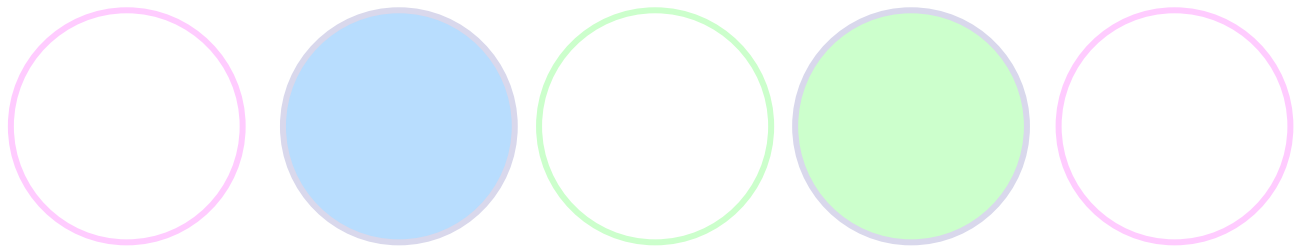


# Reserving



- Conventional reserving methods for general insurance
  - May elect to choose most suitable based on shariah considerations
- Conventional reserving methods for life insurance
  - Most may be suitable from shariah angle
  - Based on legal maxims

# Surplus



- Pure Mudharabah Model
- Modified Mudharabah Model
- Basic Wakalah Model
- Wakalah-Jualah Model

Wassalam

