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MALAYSIAN TAKAFUL AGENCY FORCE: A PRE-RECRUITMENT ASSESSMENT

Introduction

The Malaysian Takaful industry has shown remarkable growth since its inception slightly more than two decades ago. Indication to the need for Takaful operators to further strengthen its position in the industry and be more prepared for the challenging economy was intensified by the central bank of Malaysia development of the Financial Sector Master Plan to chart the direction and recommendations to strengthen the financial industry.

Among challenges faced by the Malaysian Takaful industry were the increased competitions as a result from globalization and financial liberalization; adapting technological advances, and to meet the needs of more sophisticated and well informed customers. The Takaful industry should be represented by strong Takaful operators represented by sufficient expertise.

Background

Established in 1993, Takaful Nasional (TN) was the second Takaful operator formed in Malaysia nine years after its predecessor, Syarikat Takaful Malaysia. Great efforts were taken to bring the company to the height as it is today. The company has grown tremendously over the years, and for the past three consecutive years TN has maintained itself as the premier and leading Takaful operator in Malaysia.

In 2004 the paid-up capital of TN was raised to RM 100 million (USD 26.3 million) to improve underwriting capacity and precipitate more product launches. As of 31st March 2005 TN achieved a profit before tax of RM 51.92 million (USD 13.66 million), with a total asset of RM 2.82 billion (USD 0.7 billion). Zakatable profit too has risen from RM 1.45 million in 2004 to RM 1.95 million (USD 0.5 million) in 2005.

One of the contributing factors for the success of TN is the major role played by its agency force, which is the best channel for individual market, for they have proven to optimal reach to customers. Without their presence the achievement and success would not have been made possible.

Agency Force Recruitment: The Early Years

During the early years of establishment until about the year 2001, the process to evaluate suitability of candidates to be recruited as agents were done via internal examination, and later through collaboration with the Malaysian Insurance Institute (MII), where prospective agents sat for a Takaful pre-contract examination offered by the institute. Upon passing the examination offered through MII, successful candidates may then submit their application to TN to be contracted as agent. Once contracted the newly appointed agents undergo a 20-hour agency basic training conducted internally by the company as mandated by the Central Bank.

TN however suspended utilizing the Takaful pre-contract examination services from the Malaysian Insurance Institute examination in December 2002 due to changes in the immediate needs of the company.

Fast Track Pre-Recruitment Training Program

While analyzing and planning for a better form of pre-recruitment assessment, a fast track pre-recruitment 20-hour training program, or termed as LAW (Latihan Asas Wakil) was planned by the Family Takaful Agency Department (FTAd). Enforcement of LAW was announced on 2nd December 2002, and on the same date the Takaful pre-contract examination provided by the Malaysian Insurance Institute was temporarily suspended. The LAW program was under the purview of the FTAd.

Under LAW training approach, interested members of the general public who would like to join TN as agent were to apply for the program through an agency leader. They are to pay a refundable commitment fee of RM 40 (approximately USD 10.50). The commitment fee shall be returned at no cost to the successful candidate providing within 30 days upon contracted as agent, he/ she submitted a minimum of four accepted cases, and attaining FYCC of not less than RM 500 (approx. USD 131.58).

The pre-recruitment training or LAW was a two-day training program that covers among other topics: company profile, Takaful concept, selling skills, and product knowledge on Family Takaful. The training was considered by TN to have met the requirements of the central bank's 20-hour mandatory agency training program. Trainings were conducted by Agency Development Executives, and certified agency managers who attended the train-the-trainer program held on 21-22 December 2002. Those who attended the training may start with their business once they get appointment letter from the Agency Administration Department.

Formation of Training Department & Continuation of LAW

At about the same time, an agency training department named Channel Management Training Department (later changed to Channel Education and Training Department) was formed on 15 November 2002 by TN. The newly set up department headed by an assistant vice president was under the supervision of the Channel Management Division.

Channel Education and Training Department (CEnT) took over LAW training management and supervision on 30 January 2003, approximately 15 days after the official handover of training responsibilities from FTAd to CEnT. From Dec 2002 through 31 March 2003, a total of 40 LAW trainings were conducted throughout the country with 3,079 attendees.

Introduction of Wakil Basic Examination

During the on-going implementation of LAW training program, the 12 team members of Channel Education and Training Department (CEnT) was on the assembly line preparing, developing and finalizing a standardized pre-recruitment evaluation, a multiple choice examination for prospective agents. It is an assessment which is closely tied to TN to evaluate a basic understanding on Takaful. The examination is to be called the Wakil Basic Examination (WBE). All new pre-Wakils have to pass the WBE in order to be contracted as agent, and to be followed by attending a 20-hour Family Takaful Basic (FTB1) training program as per Bank Negara training requirement.

A 69-page examination manual was prepared by CEnT team. Among topics covered was company profile; introduction to insurance and Takaful; the concepts and principles of Takaful; regulation, legal and compliance; insurance industry in Malaysia; risk management concepts; Takaful agency; family Takaful operations; family Takaful

schemes including underwriting & claims; general Takaful operations including underwriting and claims. The examination shall be a 60 multiple choice questions.

Passing the Wakil Basic Examination is compulsory before the acceptance of a potential agent (Wakil) to transact business on behalf of TN. Sitting for the examination is the first step to be taken by a potential agent. The potential Wakil candidate is to complete and submit the WBE application form no later than 20 days before the examination, except for repeat where closing date is 10 days before the examination. During examination registration, each candidate are to pay a non-refundable fee of RM 48 (USD 12.63) to be paid at TN branches through bank drafts/ banker's cheque or money order. The fee covers examination manual, processing fee, venue, and invigilator fee.

Those who fail the examination and would like to repeat are to pay RM 30 (USD 7.89) for each additional examination attempted. The one hour examination is scheduled on every 3rd Saturday of each month, unless notified of cancellation or postponement.

A collaboration effort was concluded with the Malaysian Ministry of Education for TN to utilize their technical schools and teachers as invigilators. Venues of the examination are at Technical Schools - government schools all over Malaysia - under the supervision of the Technical Vocational Education Department, Malaysian Ministry of Education. Invigilators consist of fully trained graduate teachers serving at the technical schools.

Preparations of candidates' examination list and printing of examination question papers are to be ready no less than 10 days prior to the examination day. The examination materials are sorted accordingly and sent to examination centres via courier service.

During the examination, candidates are to answer using a scantron (OMR) answer sheet. A third party vendor was appointed to provide the scantron sheets, process and finally analyze the results. Determination of pass or fail cut off point is to be decided by an appointed committee.

Once the examination is over, the OMR answer sheets and question papers (candidates are not allowed to keep the question papers) are collected, counted, and bundled by the invigilators. Then an appointed courier service provider shall collect the bundled documents and go to the next process of delivery to CEnT.

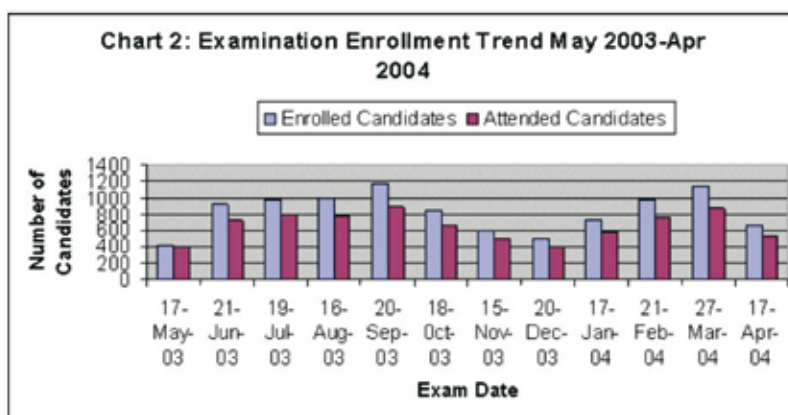
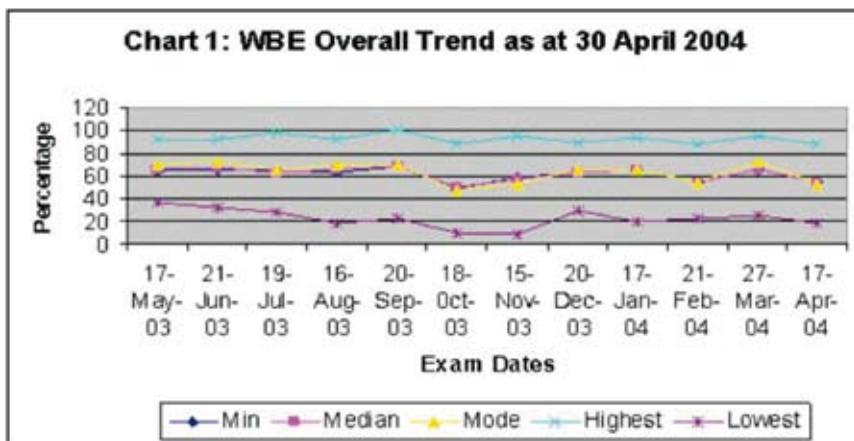
By Monday afternoon (two days after the examination) all papers are to be received by CEnT. The answer papers are sorted and checked, and recounted to make sure all answer sheets, number of question papers returned tally, get the roster of invigilators. The OMR (scantron sheets) are to be sent to the appointed vendor for scanning, processing and result analyses. OMR result will be presented to an examination committee, and finally to publish the results. Final results should be out within five working days after the examination.

Implementation of Wakil Basic Examination

LAW training program was called off with effect from 1st April 2003 to make way for the Wakil Basic Examination which convened on 17th May the same year. The first WBE was successfully conducted at 13 venues with a total 409 examination candidates. The final result analysis was 220 passes and 189 fail (53.79% and 46.21% respectively). Highest score achieved was 92.5% with min of 64.02%.

For the first 12 months period (17 May 2003 through 17 April 2004) a total of 9970 candidates enrolled for the examination. The final result analyses were YTD min of 61.1%, highest score of 92.7 and SD 13.0 with a total number of 4449 (56%) passes and 3453 (44%) failures. The overall WBE performance (Chart 1) and examination

enrolment (Chart 2) trend as at 30 April has a mixed indicator of performance against enrolment.



The numbers of examination candidates have grown tremendously since the inception of Wakil Basic Examination in May 2003. As of 5th January 2006, a total of 23,682 have enrolled to sit for WBE (Chart 3). The enrolment represents 23,505 Malays, 26 Chinese, 10 Indians, and 129 from other race. When divided by gender, a total of 16,253 (68.6%) are male and 7429 (31.4%) are female.

Chart 3: Total Number of Enrolled WBE Candidates According to RACE

		FREQUENCY	PERCENT	VALID PERCENT	CUMULATIVE PERCENT
Valid	.00	12	.1	.1	.1
	MALAY	23505	99.2	99.3	99.3
	CHINESE	26	.1	.1	99.4
	INDIAN	10	.0	.0	99.5
	OTHER	129	.5	.5	100.0
	Total	23682	100.0	100.0	
Missing	System	1	.0		
Total		23683	100.0		

Chart 4: Total Number of Candidate According to GENDER

		FREQUENCY	PERCENT	VALID PERCENT	CUMULATIVE PERCENT
Valid	MALE	16253	68.6	68.6	68.6
	FEMALE	7429	31.4	31.4	100.0
	Total	23682	100.0	100.0	
Missing	System	1	.0		
Total		23683	100.0		

Wakil Basic Examination: The Way Forward

The Wakil Basic Examination is here to stay, but in the near future to cover an even bigger scope this time. The Management Committee of the Malaysian Takaful Association, whose members consist of all Takaful operators doing business in Malaysia has endorsed in late 2005 that the Wakil Basic Examination is to be the standardized examination for their incoming new agents.

The examination shall be taken over and to be under the purview of the Islamic Banking & Finance Institute of Malaysia (IBFIM), once the institute is ready to take over the examination from TN.

This healthy development is a very positive indicator that the Wakil Basic Examination introduced by TN in 2003 has been a great success to the company and now a model to the Malaysian Takaful Industry. TN has proven itself to have been represented by a strong sufficient expertise!

About the author.

Dr Zulkifli Zakaria joined Takaful Nasional on 15 November 2002 as Assistant Vice President, Channel Education & Training Department. Later in May 2004, he was seconded as Assistant Vice President - Corporate Office, heading the Shariah Secretariat & Compliance Department.

Regarding career history, he was an educator from 1980-2002. He had teaching experience in both elementary and secondary school, in post secondary level teaching at polytechnics, and his latest teaching career before joining Takaful Nasional was as assistant professor at University College Tun Hussein Onn in Malaysia.

In academic achievement, Dr. Zulkifli received his teaching diploma from Sultan Idris Teachers College Malaysia in 1980, later a Diploma in Business Studies from MARA Institute of Technology in 1989. He then graduated in Bachelors in Business Administration - majoring in Insurance from the University of Central Oklahoma USA in 1994. Three years later, in 1998 he continued his studies in Virginia Polytechnic Institute & State University USA and received his Masters of Science in 1999 and PhD in 2001 both in the field of Vocational Technical Education.