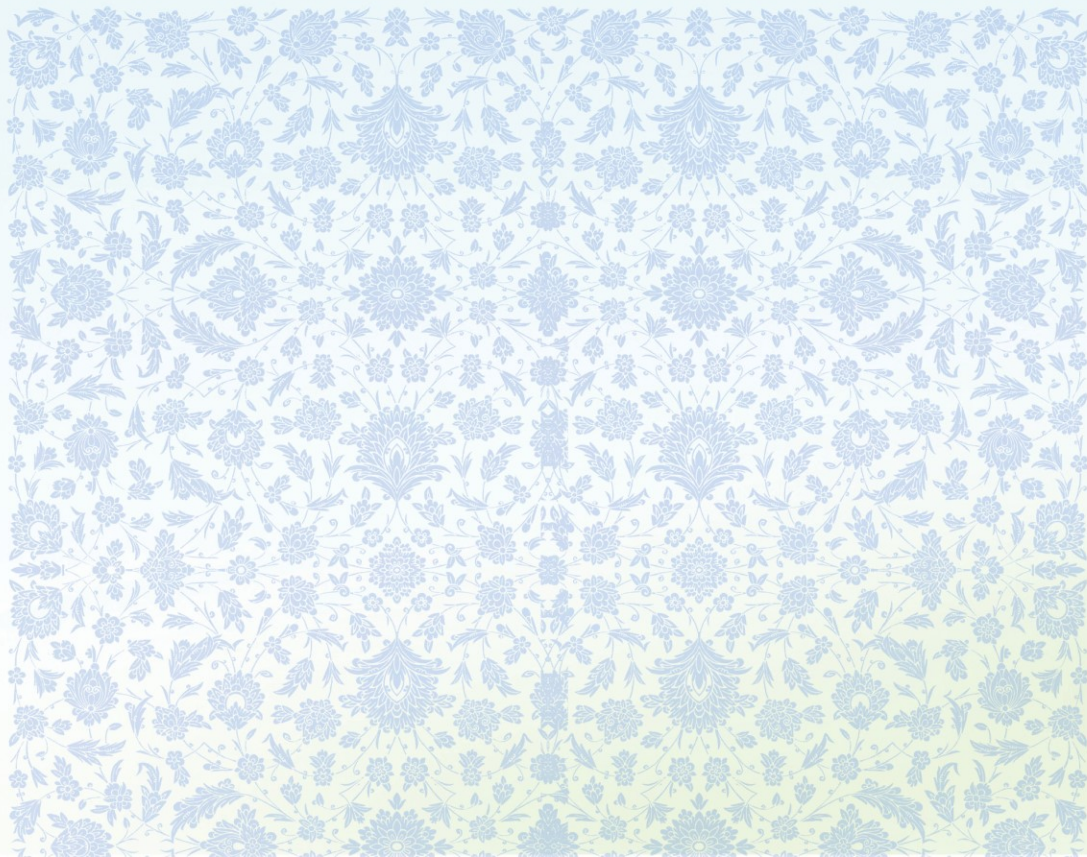


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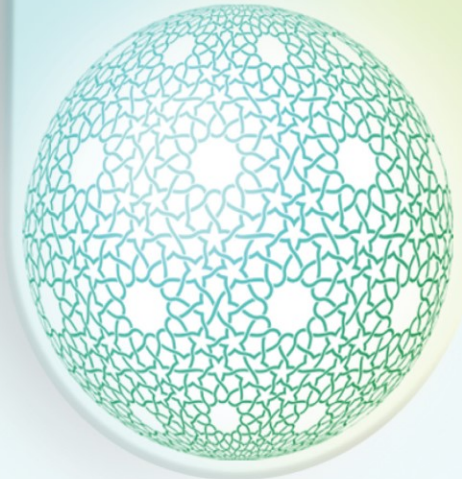


INSURANCE AND
DEVELOPMENT CONFERENCE

30th National and 11th International Conference
on Insurance and Development (ICID 2023)

The Evolution of Insurance Industry Ecosystem

(Takaful, Governance, Modern Technologies)



MANAGEMENT OF FAMILY TAKAFUL PARTICIPANT RISK FUNDS: MALAYSIAN EXPERIENCE PURSUANT TO THE ISLAMIC FINANCIAL SERVICES ACT 2013 (IFSA 2013)

BY: YUSAINI BINTI YUSOF
DIRECTOR & HEAD OF SHARIAH,
CEO OFFICE, PRUDENTIAL BSN TAKAFUL BERNHAD



Topics

1. Introduction to Family Takaful Business in Malaysia: Overview of the models and types of products.
2. Highlights on the selected Islamic Financial Services Act 2013 (IFSA 2013).
3. Discussions on the application of Family Takaful nomination (Schedule 10 of IFSA 2013).

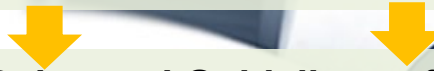


Governance in Islamic Finance Business

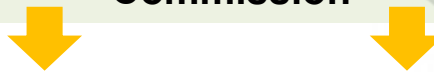
The Statutes on Islamic Finance



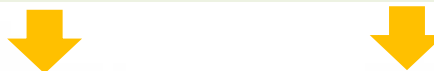
The resolutions by the national Shariah Advisory Councils of BNM and Securities Commission



The Regulations, Rules and Guidelines of BNM and Securities Commission



The Resolutions of the Shariah Committee of the Takaful Operator



The policy and framework of the Takaful Operator

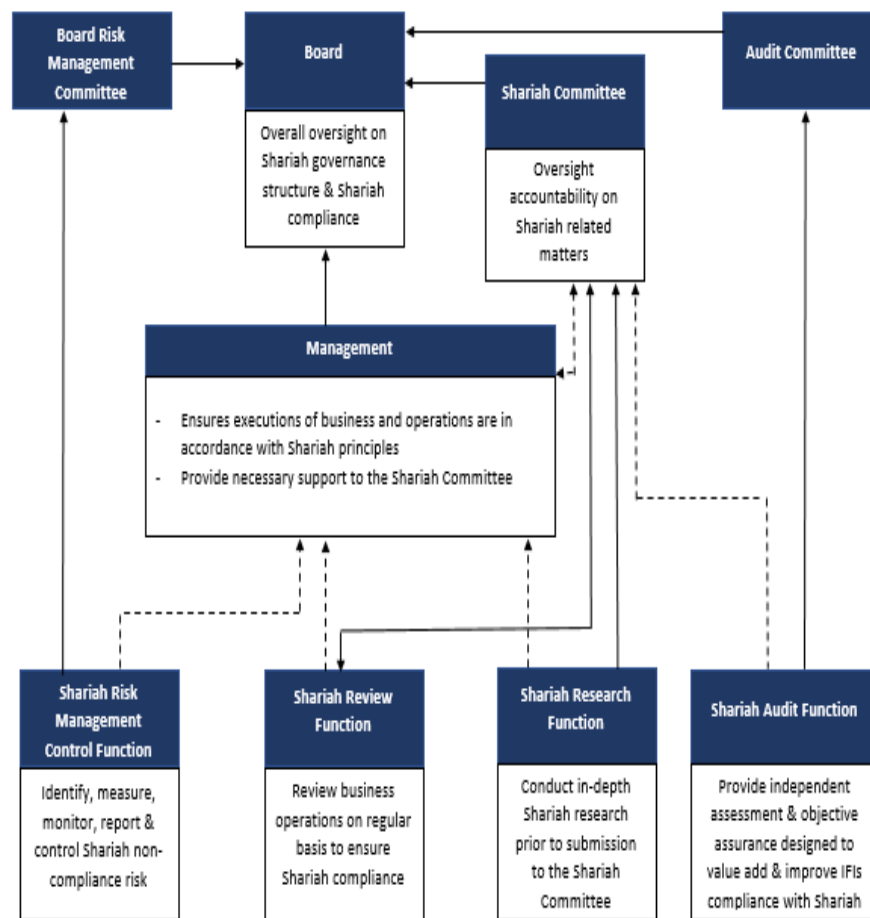


Islamic Financial Services Act 2013 (IFSA)

Section 28(1) of IFSA states that, *“An institution shall at all times ensure that its aims and operations, business, affairs and activities are in compliance with Shariah”*.

Section 29 (6) of IFSA states that, *“ Any person who fails to comply with any standards specified under subsection (1), commits an offence and shall, on conviction, be liable to imprisonment for a term not exceeding eight years or to a fine not exceeding twenty-five million ringgit or to both.”*

Conclusion: Among the salient change in IFSA the strengthening of Shariah compliance requirements through the codification of key elements of Shariah Governance Framework to promote compliance with Shariah





2 Types of Takaful



Family takaful provides financial protection to participant from illness, disability and death



General takaful provides financial protection to participant for losses arising from perils such as accident, fire, flood, liability and burglary

Dynamic Market Players

Family Takaful



General Takaful



Retakaful





Introduction – Family Takaful Business

An arrangement based on **mutual assistance** under which takaful participants agree to contribute to a **common fund** providing for **mutual financial benefits** payable to the takaful participants or their beneficiaries on the occurrence of pre-agreed events; *[Section 2(1) of the Islamic Financial Services Act 2013]*

“family takaful business” means the business relating to the administration, management and operation of a takaful arrangement under a family takaful certificate. *[Section 2(1) of the Islamic Financial Services Act 2013]*

Takaful literally means **responsibility, guarantee, collective assurance and mutual undertaking**. Broadly speaking, takaful is founded on the **cooperative arrangement (ta`awun)** based on principles of **mutuality and solidarity**, encompassing the elements of **joint indemnity and common interest**.

Takaful is derived from Arabic word ‘kafala’ which means “joint guarantee” or guaranteeing each other.

Types of Takaful Model

Pure Wakalah

Wakalah with Incentive Fee

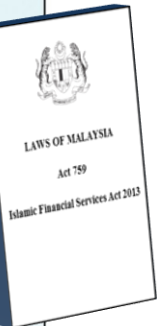
Wakalah-Mudarabah

Wakalah-Waqf

Mudarabah

Modified Mudarabah

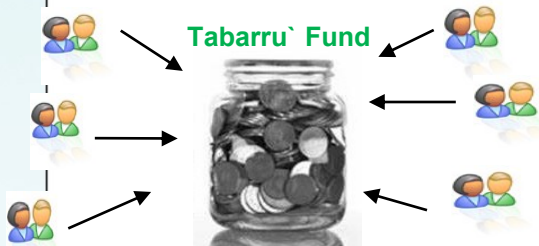
Cooperative





In brief, there are 2 main contracts in our main Investment-linked takaful model

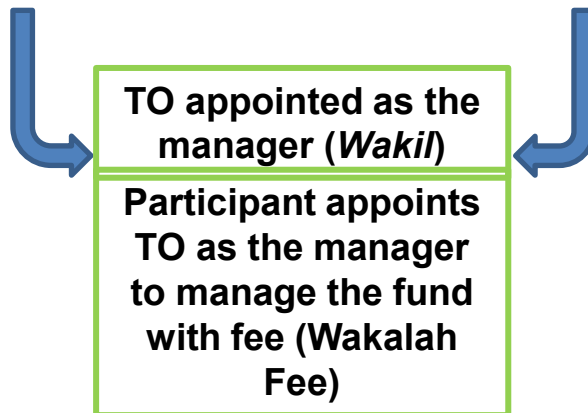
1



Upon participating in takaful, the participant agrees to participate on the basis of **TA`AWUN** - mutually agree to utilise the pooled fund (Tabarru` Fund) to assist each other via the payment of the pre-agreed takaful benefit.

The **reality is** that....
In takaful, the **expectation of benefit is the main element of the subscription/participation.**
Having said that, it remains to be a *ta`awuni* (mutual assistance) arrangement which is *tabarru`at* (charitable in nature)

2



At the same time, participant agrees to appoint PruBSN as a *Wakil* to manage the plan and invest fund under the **WAKALAH** (Agency) agreement.



Some main Roles & Responsibilities of Takaful Operator as a *Wakil*

9.1 BNM Wakalah PD: *“The inherent nature of Wakalah is the delegation of powers to, or authorization of, the agent by the principal which gives rise to the agent having fiduciary duties (amanah) towards the principal within what he has been authorized to do”*

To establish good governance and maintain the stability of the takaful business.

To safeguard the takaful fund and protect the interests of the stakeholders.

To ensure proper segregation of takaful funds from the shareholders' fund.

To ensure fair and reasonable treatment to the takaful participant during the surrender process.



To perform *qard* from shareholders' fund during the event of takaful fund insolvency.

To ensure long-term sustainability of the takaful fund in meeting future liabilities.

To promote full disclosure and transparency in its contractual duties.



Takaful Operational Framework

BOD & Senior Management Responsibility

Takaful Model

Application of Shariah Contract

Establishment & Maintenance of Takaful Funds

ful Operational Fram

Other Operational Supporting Policies

Underwriting Policy

Claims Policy

Investment Policy

Retakaful Policy

Surplus & Invt Profit Policy

Remuneration & Operating Cost Policy

Product Development Policies & Procedures

Mismanagement, Negligence and Compensation Policy

Management of Group Family Takaful Products Risk Policy

Management of Mortality and Morbidity Risk Policy

Takaful Operational Framework (TOF)

outlines the parameters that govern the operational requirements relating to the management of takaful funds and shareholders fund. TOF aims to achieve operational efficiency of takaful business and sustainability of takaful funds, thereby safeguarding the best interest of the takaful participants

Board's responsibility:

To oversee the effective management of takaful operations that support PruBSN's business and risk strategies. In fulfilling this role, the board must approve an operational framework governing the management of takaful operations that complies with Shariah and promotes sustainable takaful operations.




Example – Suite of Family Takaful Products and the propositions

2mil+ Customers

Value Proposition & Concept:

- Hibah legacy/ High protection
- All-in-one protection with various riders
- Women specific protection for various female conditions

- PruBSN WarisanPlus
- PruBSN AnugerahPlus
- PruBSN AsasLink
- PruBSN Anggun 
- EPF Lindung



- PruBSN Sinar: **NEW** Crisis TotalCare
- Crisis Protector
- Crisis Shield
- Cancer Protector
- EPF Cegah

Value Proposition & Concept:
Income Replacement

Value Proposition & Concept:

- Flexible entry
- 2nd medical plan with high deductible
- High medical limits

- PruBSN Damai: **NEW** Medic TotalCare + Medic BoostCare
- HealthProtector
- Medic Protector + Medic Booster

- PruBSN Aspirasi
- Smart Aspire Takaful **NEW**
- Takaful Saver
- ESG Fund

Value Proposition & Concept:
• Wealth Accumulation
• Gift of Love
• Golden Retirement
• Pilgrimages
• Education



PruBSN's mission: Securing the future of Malaysian families through innovative solutions built on Islamic values

Malaysian Income Group and Household Income*



Product Solutions

Legacy Wealth Accumulation	PruBSN WarisanPlus PruBSN Aspirasi / Smart Aspire Takaful / Premier Vantage
Hibah Legacy All-in-one Protection Medical Protection Critical Illness Protection Exclusive for Women Wealth Accumulation	PruBSN WarisanPlus PruBSN AnugerahPlus/AsasLink PruBSN Damai <small>NEW</small> PruBSN Sinar <small>NEW</small> PruBSN Anggun PruBSN Aspirasi / Smart Aspire Takaful / Premier Vantage
All-in-one Protection Essential Protection Donation	PruBSN AnugerahPlus/AsasLink BSN Takaful Sakinah / EPF Ihsan rider
Community Engagement	Microtakaful Jariyah

*Source: Household Income And Basic Amenities Survey Report 2019, Department Of Statistics, Malaysia



Income Protection is a MUST with PruBSN WarisanPlus

Launch Date	July 2020
Channel	Agency
Target Segment	Young family & Mature Adults



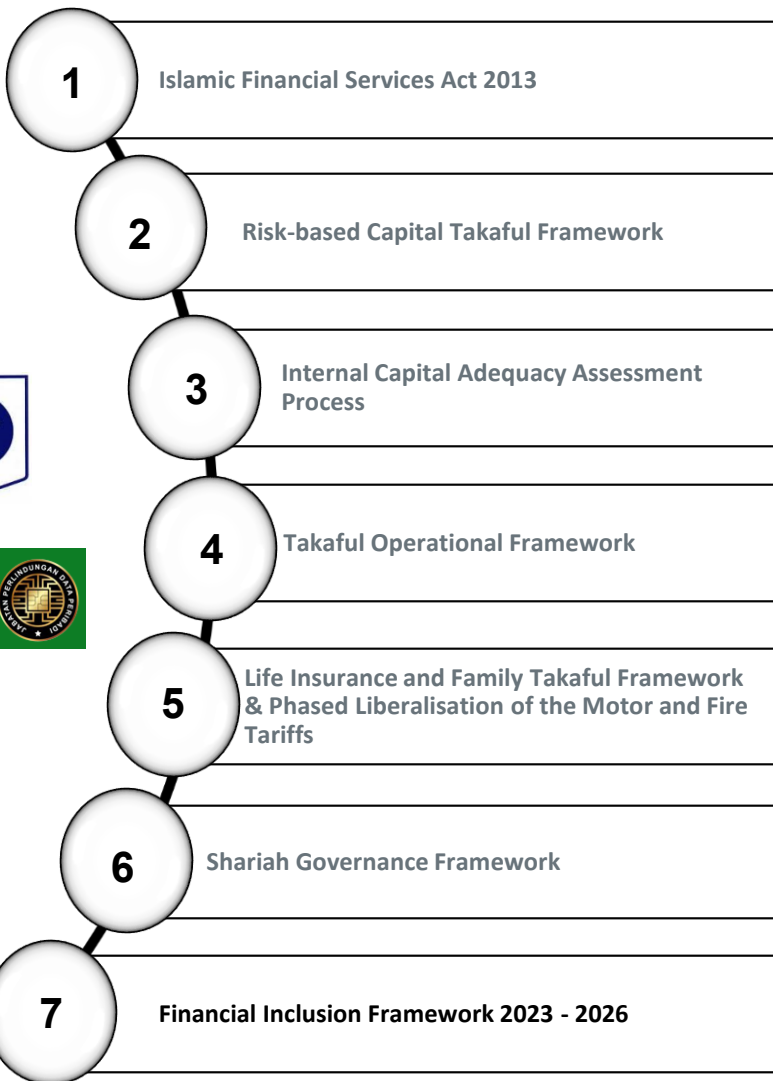
Target: Affluent & HNW Segments
ACE: 210mil (22% of portfolio)

Income Replacement & Hibah Legacy proposition

Death/TPD* (BSC)	Accidental Death* (ADB) Upto 400%	Various Illnesses
<p>Basic Sum Covered from RM350,000*</p> <p>Khairat Benefit RM3,000</p> <p>Death Coverage Higher of: Basic Sum Covered; or PUA Cash Value</p> <p>100% Death Coverage Death due to all causes</p>	<p>200% Death Coverage Death due to accident</p> <p>300% Death Coverage Death due to accident while travelling in public conveyance, in an elevator car, or due to burning of public building</p> <p>400% Death Coverage Death due to accident outside of Malaysia</p>	<p>Infectious Disease* RM5k / 10k upon diagnosis / hospitalisation for 14 selected diseases</p> <p>Crisis Protector/ Crisis Shield^ (optional)* Lump sum amount upon diagnosis of any of 43 listed Critical Illnesses</p> <p>Contributor (optional) Contribution payment assistance if diagnosed with Critical Illness/ TPD</p>



Key Rules & Regulations for Takaful Operators



To regulate and supervise financial institutions in order to promote financial stability, to ensure Shariah compliance, and to administer any consequential or incidental disputes.

To set BNM's expectation for TOs to maintain levels of capital adequacy, commensurate with the risk profiles of Takaful and to act as a financial buffer for Takaful exposure.

To outline the overall process by which an insurer or Takaful provider is required to ensure adequate capital in order to meet its capital requirements on an ongoing basis.

To outline the parameters that govern the operational requirements relating to the management of Takaful funds and shareholders' funds. The framework aims to achieve operational efficiency of Takaful businesses and sustainability of Takaful funds, thereby safeguarding the interest of Takaful participants.

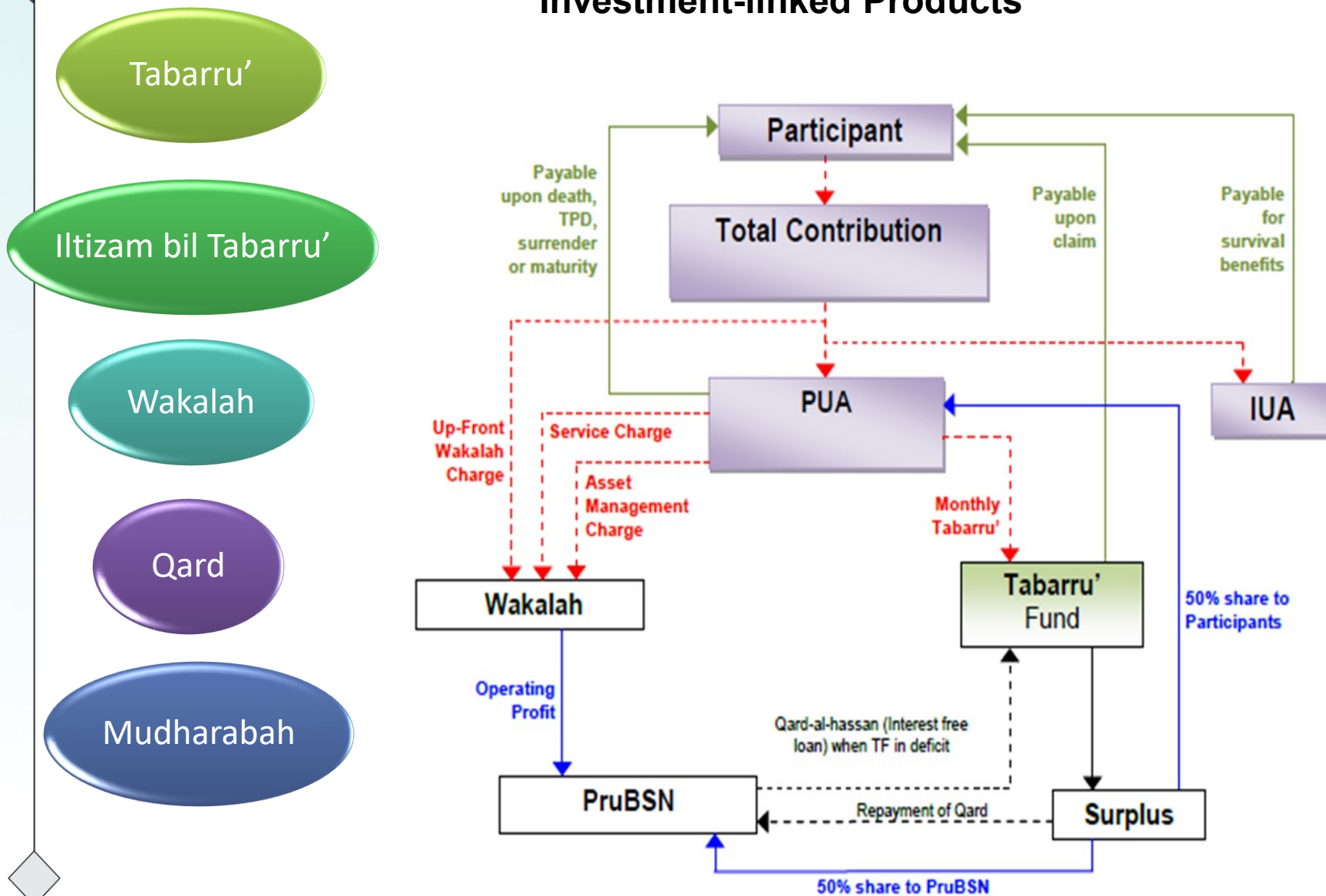
To support the long-term sustainable growth and development of the insurance and Takaful industry with an increased value proposition to consumer.

To institutionalise governance structure, policies and processes to promote end-to-end Shariah compliance in Islamic finance operations.

To align with the Financial Sector Blueprint 2022 - 2026, the 2nd Financial Inclusion Framework 2023 – 2026 serves as a four-year strategic roadmap and principle-based guidance to advance financial inclusion in Malaysia



Takaful Contracts – Example of a model used for Family Takaful Investment-linked Products





Bank Negara Malaysia issued the “**Investment-linked Business**” guideline on 11 January 2019 with key changes in the following areas:

- Minimum Allocation Rate (MAR) – effective July 2020
- Management of sustainability of cover
- New product illustration

Objectives:



Strengthen IL
business **conduct**



Transparency of
product
information



Higher allocation
rates



Better customer
understanding



An investment linked plan (ILP) combines both protection and investment elements.

1

- A portion of contribution are allocated to purchase units in the chosen investment fund(s).



Customers



Allocated Contribution

2

- Various charges, notably tabarru' charges (to sustain takaful coverage) are deducted from the fund(s).



Fund Value (Invested)



Tabarru' deduction



Other fees & Charges

3

- The **fund value needs to be sufficient to ensure continuous coverage.**
- If the fund value is insufficient and reduces to zero, coverage will stop (lapse).

Sustainability refers to **sufficiency** of the Investment-Linked Plan's **fund value** to deduct for various fees & charges until the end of certificate term.



What will affect the fund value and sustainability?

Factors affecting Fund value (a.k.a. Cash value)



Not paying
contribution when
it is due



Poor investment
return



Making partial
withdrawals from
the fund



Choosing not to increase
contributions when increasing
protection cover (e.g. adding
riders)



Choosing not to increase
contributions, or perform top up
when the takaful operator
increases protection/ other
charges

Sustainability refers to **sufficiency** of the Investment-Linked Plan's **fund value** to deduct for various fees & charges until the end of certificate term.



Customers with lower affordability

- Can choose lower expiry age.
- Secure the protection **before it is too late.**
- **Review the certificate regularly** when financial situation improves over time.

Customers with better affordability

- Can choose higher expiry age.
- Keep a legacy that lasts when you live long.

*Sample contribution for PruBSN AsasLink:

30 ANB, MNS

Basic: RM100,000; Crisis Shield: RM50,000; Accidental Protector Plus: RM100,000

HealthProtector: Plan 200, SmartSaver300, SVP 1mil; Contributor Protect: Attached



PruBSN AsasLink – Extension of Certificate Term

Example:



Mr. Wee



30 ANB

70 ANB

100 ANB



Extended coverage

- Participates in PruBSN AsasLink
- Chosen Expiry Age: 70 ANB
- Contribution: RM2,400/year
- **During application, agent explains and Mr Wee is fully aware of Extension of Certificate Term until age 100**

- At least 90 days in advance: **Reminder** for Extension of Certificate Term and **new Contribution amount** needed

- Extension of Certificate Term until age 100*
- Contribution: RM4,000/year

*Contributor rider's coverage term will extend as well but the sum covered amount will not change, i.e. remain the same sum covered as prior to the additional contribution.



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Sample: PruBSN AsasLink – Extension of Certificate Terms

PRUDENTIAL BSN

TAKAFUL

- Applicable only when Certificate Term chosen is other than Expiry Age 100.
- The certificate term will be **extended up to age 100** next birthday at the point of extension.
- **Additional contribution is needed at the point of extension*.**
- **If customer refuses to pay the new contribution amount, certificate may lapse earlier than 100 ANB.**
- Tabarru' and other charges will continue to be deducted i.e. extended (except for benefits already dropped/terminated).
- Customers can choose to disable/re-enable this extension by informing PruBSN. If customers choose to re-enable the Extension of Certificate Term after disabling it, the request is subject to underwriting review.



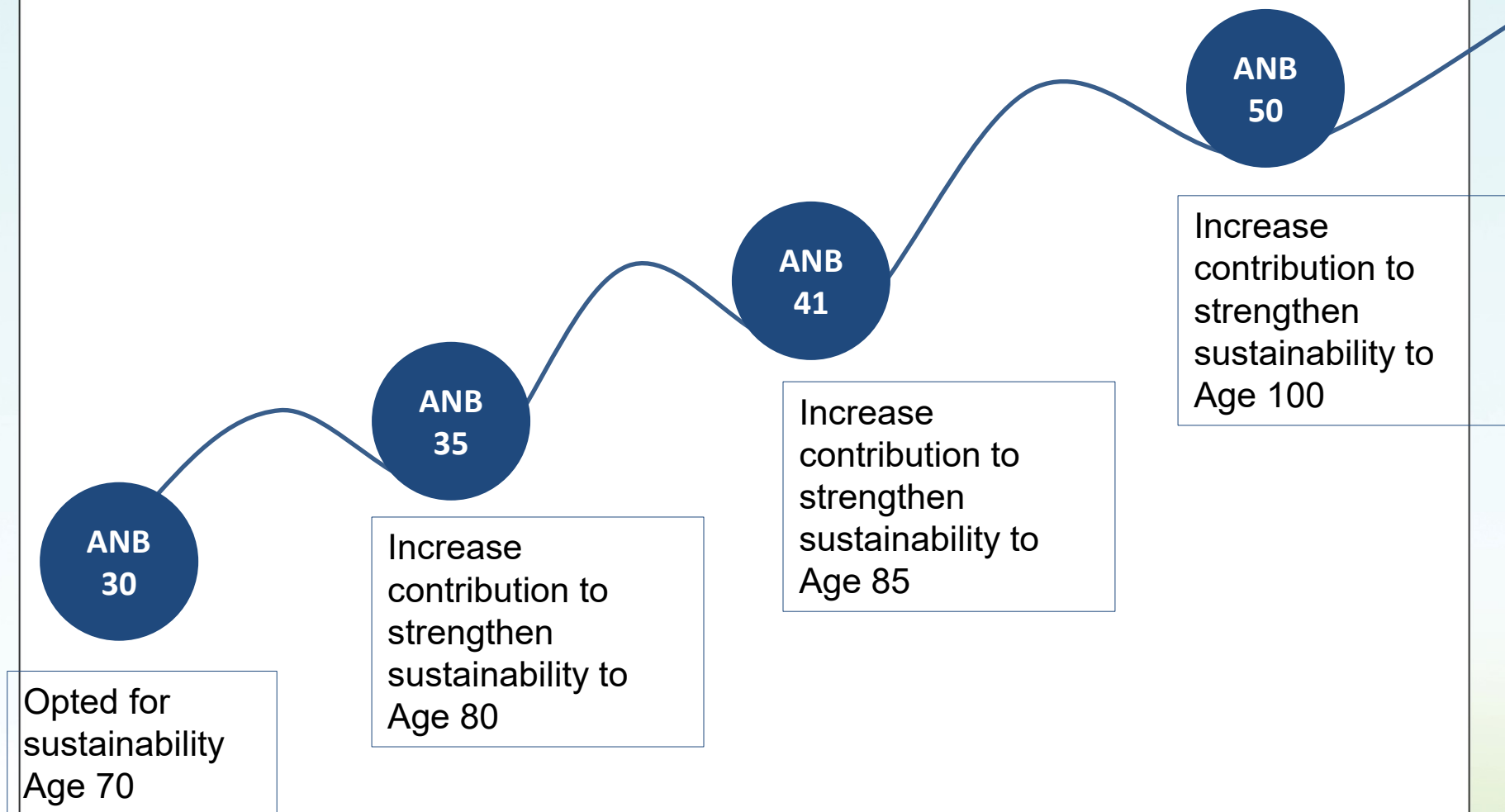
With **Extension of Certificate Term** option, coverage can extend further into customers' retirement years where they may need it most!

*Contributor riders' **coverage amount will not change**, i.e. remain the same sum covered as prior to the additional contribution.



Periodic Certificate Review is Important

via assessment on protection needs and affordability





Agent is encouraged to:

- Approach affected pre-lapse certificate owners.
- Go through letter with certificate owner and provide background on the certificate affected:
 - ✓ What is sustainability?
 - ✓ Why is the plan going to lapse within the next 12 months?
 - ✓ What options are available for certificate owner?
- Advise best course of action for the certificate owner.
- **Conduct regular certificate review.**



What to focus on during Certificate Review?

- Coverage level
- Current needs
- Nomination
- **Current cash value**
- **Certificate sustainability for ILP**

Starting Jan 2020, info on ILP certificate sustainability status will be provided:

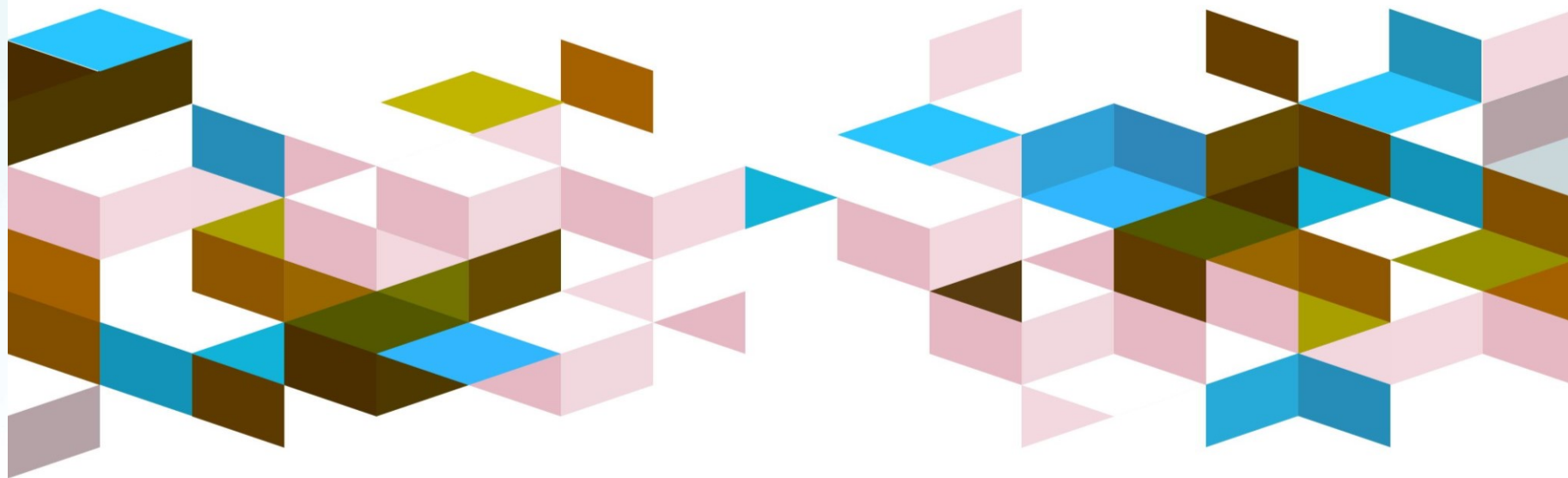
- in the Annual Statement, and
- whenever changes are done (e.g. endorsement, partial withdrawal)



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Management of Takaful/Participant Risk Fund





Takaful Funds

In line with Takaful Operational Framework, PruBSN has the following fund type:

a) Participants Risk Fund (PRF)

- This is a takaful fund established to pool a portion of a takaful participant's contributions for the purpose of meeting takaful claims associated with events or risks specified in the takaful certificate as takaful benefit.

b) Participant Investment Fund or Savings (PIF); and

- This is a takaful fund established to allocate a portion of a takaful participant's contributions for the purpose of investment or savings.

c) Shareholders fund

- This fund is to account for the fees remunerated from the takaful funds. Management expense and commission are paid from this fund.

In addition, PruBSN maintain the operating fund as part of the overall business operations.

d) Operating fund

- This fund is to account for contribution and allocation for each certificate. There should not be any fee earned for this fund.



Section 92 of IFSA 2013

Requirements relating to takaful funds

92. (1) A takaful fund established under section 90 shall be maintained and managed by a licensed takaful operator on behalf of and in **the best interests of the takaful participants** and the licensed takaful operator shall—

(a) pay into a takaful fund all receipts in respect of takaful certificates to which the takaful fund relates and which are issued by it or under which the takaful fund has undertaken liability, including all income of that takaful fund;

(b) maintain at all times assets in a takaful fund of a value equivalent to or higher than the liabilities of that takaful fund;

(c) apply the assets of a takaful fund **only to meet the liabilities and expenses properly incurred by that takaful fund**; and

(d) comply with such other requirements as may be specified by the Bank under paragraph 57(2)(g) including requirements on the types of assets to be, or not to be included, as assets of a takaful fund.





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In essence, **fairness among the Takaful participants via mutual assistance and risk sharing under a Takaful arrangement** mainly relates to all the following aspects:

- (a) **Concerning the act of participation via payment of risk charge/contribution into the *Tabarru`* Fund on the basis of *iltizam bi al-Tabarru`*.** Fairness at this point, deals with the fact that each participant is made to fairly contribute into the *Tabarru`* Fund.
- (b) As a result of takaful participation mentioned under paragraph (a) above is the entitlement of the participants to receive financial assistance as stipulated in the Takaful contract. **Ensuring that the *Tabarru`* Fund is sustainable to ensure smooth claims experience throughout the tenure of all the plans also relates to the basic preservation of participants' interest.** Although the requirement to provide *qard* by the Takaful operator shall ensure claims are honoured even if the *Tabarru`* Fund is in a deficit position, the same is considered to be a back-up or supplementary arrangement as far as the Takaful model is concerned.
- (c) Surplus entitlement of each of the participants upon the implementation is also an important aspect in assessing fairness towards the participant.

Note: Although the surplus sharing provision is clearly stated in the contract, it will only crystalize into an entitlement for each of the participants when there is a declaration of distributable surplus. In certain circumstances and depending on the advice from the Appointed Actuary relating to the sustainability of the fund, the disbursement of surplus can also be deferred if deemed necessary.



Shariah Considerations for Underwriting

Upholding *Maqasid Shariah* through underwriting

Underwriting is consistent with Shariah

1. It preserves fairness among the participants during the process of underwriting and determination of contribution. Fairness is sought after in Islam, as mentioned in the Quran:

Allah SWT says: "O believers! Stand firm for Allah and bear true testimony. Do not let the hatred of a people lead you to injustice. Be Just! That is closer to righteousness. And be mindful of Allah. Surely Allah is All-Aware of what you do". (al-Ma'idah:8)

2. Underwriting is encouraged since there is no argument against it. In *Muamalat*, everything is encouraged for as long as there is no obvious argument against the act itself. This is parallel with Islamic legal maxim which says: The original ruling for everything that is beneficial is *mubah* (permissible), until there is evidence of its prohibition.
3. Underwriting is a common practice in the Takaful industry and is not against the principle of Shariah. This common practice is consistent with the Islamic legal maxim of "Custom is of force".



Shariah Considerations for Underwriting

Issue – SOURCE OF INCOME (Where the contributor is an individual)

Consideration	Decision	Justification
Individual employed with a company that carries out <i>haram</i> business.	Allowed	<p>The Takaful protection is for the individual and should not be considered as interconnected with the employment of that individual.</p> <p>We should not stop the intention of any individual to participate in <i>Tabarru`</i> contribution and whether or not the contribution is actually from the salary is not within our knowledge. Even if the monthly/periodic contribution is by way of salary deduction, it should not be an issue.</p> <p>Note: Shariah considers the practices of individual lifestyle to be irrelevant for assessment from Shariah perspective. In line with the nature of the coverage, Shariah however stresses the importance of the assessment in terms of medical and health perspective. GRO for example should be considered as high-risk occupation and a strict underwriting treatment for such occupation is in line with Shariah.</p>



Shariah Considerations for Underwriting

Issue – **SOURCE OF INCOME** (Where the contributor is an **individual**)

Consideration	Decision	Justification
When the covered person and/or the person making the contribution is a non-muslim.	Allowed – no issue.	Islam acknowledge the freedom of religion. Islam does not prohibit for non-Muslim to participate in giving the contribution/donation (<i>Tabarru'</i>) and to benefit from the donation/financial assistance from others in particular during the unexpected calamities or particular loss.



Issue – SEXUAL LIBERALISM e.g LGBT, change of gender, etc) & medical condition that relates to HIV and AIDS cases

Consideration	Decision	Justification
When the covered person is found to be liberal in his/her sexual orientation.	Allowed	<p>Only allow for basic death takaful cover on grounds that the cover is to assist their next of kin. This foregoing stance does not in any way reflect the acknowledgement of the non-Shariah compliant individual lifestyle of the participant. Those categorized under the said group should not be supported in terms of other benefit within his/her lifetime such as medical benefit.</p> <p>Underwriting approach would be to only offer Death cover for individual under this category. Embedded benefits into the Basic Plan that is not for the next of kin will be declined/excluded.</p> <p>Eg. Basic plan that covers Death, Total and Permanent Disability (TPD) and Accidental Death Benefit (ADB) or Infectious Disease. Where terms are offerable, only allow for Death and ADB. TPD and Infectious Disease will need to be declined.</p> <p>Pursuant to the above understanding, underwriting department will also determine which embedded benefits in future product's basic plan will be offered to these individuals.</p>
When the covered person is a LGBT personality and is known to be advertising his/her lifestyle to the public	Not allowed	TO should not be seen as supporting such lifestyle and practices. In cases of doubt, consultation with the Shariah Department and/or Shariah Committee will be carried out.



Shariah Considerations for Underwriting

Issue – **SOURCE OF INCOME** (Where the contributor is a **corporation**)

Consideration	Decision	Justification
The revenue of the company is wholly from <i>haram</i> business.	NOT Allowed	<p>It is taken that the monies to be contributed and paid by the company with Shariah non-compliance core business would be funded by its Shariah non-compliant revenue/income hence will not be accepted. All companies' sources of income shall be assessed based on the list of Shariah non-compliance activities as stated in the Underwriting Policy.</p> <p>Any issues or further clarification in relation to the core business assessment shall be referred to Shariah Department.</p>
When the income is a mixture of <i>halal</i> and <i>haram</i> .	Subject to Shariah Committee's decision	<p>Note that prior approval from the Shariah Committee is required from case to case basis.</p> <p>Consultation with the Shariah Department is to be carried out and relevant information is to be tabled to the Shariah Committee in the Shariah Committee Meeting.</p>

It is to be observed that the approach in assessing the 'source of income' of an individual and a company differ. Core business of the company must be Shariah compliant in order for the company to participate in Takaful.





Shariah Considerations for Underwriting

The SC allowed the relaxation on the 'source of income' requirement of corporate participants for Group Employee Benefit application based on the following grounds:

- a) *The intention of the family takaful coverage is **to assist the next of kin/ family of the deceased** (when death occurs) and to assist the participant (when participant suffers any of the defined illnesses); and*
- b) *Although the employees contribute to the haram or mixed income business activities, the need **to provide Shariah-compliant solutions to individual employees and their next of kin should prevail**. Not disregarding the fact that supporting any haram business (either directly or indirectly) should be avoided, *maslahah* is to be applied having in mind the interest of the individual employees.*

Having said the above, **stricter assessment would still be suitable** if the following factors are found:

- a) ***The element of haram Ightisab.** Ightisab refers to unethical and haram practice of taking away people's rights by way of force that is not approved by the owner of the rights. Under the current context, the risk of this is low since the activities that relate to manipulations, theft, treachery etc., are considered illegal; or*
- b) ***The issue of Shariah reputational risk.** The SC agreed that there is subjectivity concerning this issue hence continuous support to the business by the Shariah team is required. The SC agreed that gambling business and a business that manufactures liquor/intoxicants shall be excluded as it poses high Shariah reputational risks if PruBSN is found to be covering its employees.*





Shariah Considerations for Underwriting

Issue – purpose of takaful

Consideration	Decision	Justification
The covered asset is <i>Halal</i> by way of attribute.	Allowed. There is no issue if the acquisition of the asset is by way of conventional loan.	It is not an issue if it is acquired via conventional loan because the coverage is not for the loan but for the mutual indemnity with regards to the assets. The decision is according to the principle of <i>Fiqh</i> : “Latitude should be afforded in the case of difficulty”.
Usage of the asset is specifically for the production of <i>Haram</i> products e.g. machine for the production of liquor.	NOT allowed. However, if the usage is not clearly specified, it is allowed.	If we do not have specific information, the contract or arrangement between the owner/customer with any third parties is to be considered as separate and independent from the Takaful arrangement. It is not within our control and knowledge. We are not obliged to inquire or monitor the activities carried out in the building.



Shariah Considerations for Underwriting

Issue – purpose of takaful

Consideration	Decision	Justification
It is known that the building is used for activities that consist of <i>Halal</i> and <i>Haram</i> activities.	Allowed provided that the core business is <i>Halal</i> .	The protection should not include the area within which the <i>Haram</i> activities are being carried out. However, if it is not possible to segregate and the information is not within our knowledge, we are not obliged to investigate.
If the asset possess a bad image from the Shariah perspective.	NOT allowed.	This is to be considered as an additional screening that requires certain extent of discretionary assessment. Not allowed as it will indirectly affect our reputation. Example is a cinema building. Cinema is closely associated with social hazard and has somewhat a negative image. Hence, it is recommended if Takaful protection is not granted on a cinema building.



Shariah Considerations for Underwriting

Issue – purpose of takaful

Consideration	Decision	Justification
Purpose is for the settlement of outstanding sum due from conventional loan	NOT Allowed.	TOs should filter the purpose of the Takaful coverage. It is the obligation of the TOs as the manager to ensure (if possible) that the benefit is not utilised for <i>Haram</i> purposes including the payment of <i>Riba</i> based loan (particularly the interest portion).



A Sample of Resolution of SC of PruBSN

THE IMPERMISSIBILITY OF OFFERING MORTGAGE REDUCING TERM TAKAFUL (MRTT) FOR CONVENTIONAL HOME LOAN

Bank Negara Malaysia, Shariah Advisory Council (“SAC”)
Resolution that states:

“The SAC, in its 54th meeting dated 27 October 2005 has resolved that a takaful company may offer a takaful coverage for a customer’s asset even though the asset is financed conventionally, **provided that it is offered separately and not as a package.**”



A Sample of Resolution of SC of PruBSN

THE IMPERMISSIBILITY OF OFFERING MORTGAGE REDUCING TERM TAKAFUL (MRTT) FOR CONVENTIONAL HOME LOAN

Background:

In 2012, the SC was consulted with the issue of MRTT for conventional home loan. There were prolonged discussions on the matter as it was considered as an industry issue. In light of the foregoing, feedback from a research body, i.e., ISRA was also obtained.

The discussions we had with the SC have taken into account many factors. Among others, the arguments by both sides are as summarised below:

No.	Argument by the Business	Feedbacks from the SC
1.	The MRTT will not cover the interest portion. As the financing amount will be reduced on monthly basis and the interest portion also will be settled on monthly basis, therefore, the outstanding financing amount that we cover is not inclusive of the interest portion.	Although the reducing amount will never exceed the financing amount, it is not possible to consider the principal and the interest amount as segregated. Should we want to cover only the principal, monthly installments serviced by the customer should then be directly and wholly taken to reduce the principal amount.



A Sample of Resolution of SC of PruBSN

THE IMPERMISSIBILITY OF OFFERING MORTGAGE REDUCING TERM KAFUL (MRTT) FOR CONVENTIONAL HOME LOAN

Background:

No.	Argument by the Business	Feedbacks from the SC
2.	<p>Making available MRTT for customers that intend to take Islamic coverage despite not having Islamic financing for certain valid reasons. In the event that a customer is not given an option to get Islamic financing, instead, he is given a conventional loan, he should at least be given an opportunity to have Islamic cover for his loan, and otherwise he is exposed to another conventional arrangement.</p>	<p>Since Islamic financing opportunities now are many and competitive, the assumption should be that Islamic finance is available for them. The SC is not agreeable with the assumption that many customers are not able to take Islamic financing. The SC believes that the cases of customers being denied Islamic financing are minority cases hence general assumption on that basis can't be formed.</p>





A Sample of Resolution of SC of PruBSN

THE IMPERMISSIBILITY OF OFFERING MORTGAGE REDUCING TERM TAKAFUL (MRTT) FOR CONVENTIONAL HOME LOAN

Background:

No.	Argument by the Business	Feedbacks from the SC
3.	Attempt was made to explain that putting the conventional loan aside, the aim of MRTT is to help next of kin so that the family is not left with debt upon death of the customer. Ultimately, MRTT will ease the burden of the deceased next of kin.	Whilst the SC understand the outcome or impact on the deceased family, PruBSN is still not allowed to offer when it is a clear-cut case that the amount to be covered arises from a riba' transaction.
4.	To a certain extent, taking into account the prevalent practice in the industry, the issue of necessity is still relevant.	The SC is not convinced that necessity can still be applied.



A Sample of Resolution of SC of PruBSN

THE IMPERMISSIBILITY OF OFFERING MORTGAGE REDUCING TERM TAKAFUL (MRTT) FOR CONVENTIONAL HOME LOAN

Resolution

The SC has unanimously resolved that the offering of MRTT on conventional home loan is prohibited. The general rule is that takaful operators should filter the purpose of takaful coverage. Accordingly, it is the obligation of PruBSN to ensure that the takaful benefit is not utilised for Haram purposes which includes payment of riba' based loan (particularly the interest portion).

The SC acknowledged that the main issues relating to the matter can be broken into the following:*

a. Purpose of the takaful:

Generally, it is the obligation of the Takaful operator as the manager to ensure, as far as possible, that the Takaful fund/benefit is not utilised for haram purposes. If the purpose of the takaful is interpreted as covering the outstanding loan arises from the riba' based contract, the offering can never be permissible. Participation of a takaful operator in the offering of coverage would also be deemed impermissible;

b. Interpretation on the proviso of the SAC resolution.**

It is very much relevant in this case to discuss the practical application of the proviso to the Shariah Advisory Council of Bank Negara Malaysia resolution on the matter that states "...provided that it is offered separately and not as a package."⁶ How should we construe whether or not both transactions are separated or not packaged together would be depending on case to case basis. The existence of a strategic collaboration or partnership would work against the argument that the offering was separate.



A Sample of Resolution of SC of PruBSN

THE IMPERMISSIBILITY OF OFFERING MORTGAGE REDUCING TERM TAKAFUL (MRTT) FOR CONVENTIONAL HOME LOAN

Justification

a. Prohibition of Riba in Surah An-Nisa' verse 160-161

“For the wrongdoing committed by the Jews, We forbade them certain good things that had been permitted to them before: for having things that had been permitted to them before: for having frequently debarred others from God’s path; for taking usury when they had been forbidden to do so...” (Surah An-Nisa: 160 – 161)

b. Prohibition of Riba in Surah Al-Imran verse 130-132

“O you, who believe, do not gorge yourselves on usury, doubling and re-doubling it, but remain conscious of God so that you might attain to a happy state; and beware of the fire which awaits those deny the truth! And pay heed unto God and the Apostle so that you might be graced with mercy.” (Surah Al Imran: 130-132)

c. Prohibition of Riba in Surah al-Baqarah: 275

“Those who gorge themselves on usury behave but as he might behave whom satan has confounded with his touch for they say “Buying and selling is but a kind of usury – whereas God has made buying and selling lawful and usury unlawful. Hence, whoever becomes aware of his Sustainer’s admonition and thereupon desists (from usury) may keep his past gains, and it will be for God to judge him; but as for the fire, therein to abide! God deprives usurious gains of all blessing, whereas He blesses charitable deeds with manifold increase. And God does not love anyone who is stubbornly ingrate and persists in sinful ways. Verily, those who have attained to faith! Remain conscious of God and give up all outstanding gains from usury, if you are (truly) believers; for if you do it not, then know that you are at war with God and His Apostle. But if you repent then you shall be entitled to (the return of) your principal; you will do no wrong and neither will you be wronged.” (Surah al Baqarah: 275)



A Sample of Resolution of SC of PruBSN

THE IMPERMISSIBILITY OF OFFERING MORTGAGE REDUCING TERM TAKAFUL (MRTT) FOR CONVENTIONAL HOME LOAN

Justification

The Quranic injunction confirms two important matters: First, the term *riba'* has a linguistic meaning which reflects customary practice of the Arabs; it means interest attached to a loan on the due date. The Quranic text prohibits this practice and the Prophet (peace upon him) interpreted the term *riba* in the Quran as *riba al jahiliyyah* (the pre Islamic interest based loan). Second scholars unanimously agree that any loan.* Thus, covering conventional loan is helping towards expansion of *riba*.

Allah has stated in Surah Al-Maidah:

“And cooperate in righteousness and piety, but do not cooperate in sin and aggression.” (Surah al Maidah: 2)

The takaful operator and the policyholder should not cooperate with each other in committing sin or promoting what is unlawful such as *riba'*.

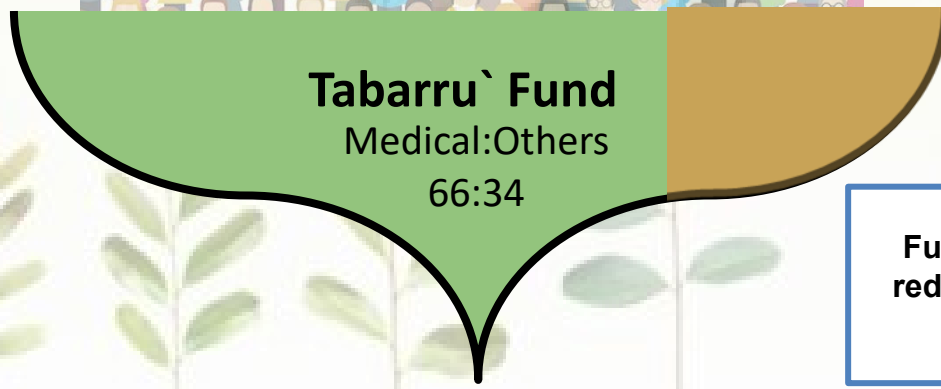


Medical Inflation & the need for re-pricing sample illustration



Total Tabarru`	RM1 million
Cost of Medical	RM10,000
Number of people can be supported	100 people

Total Tabarru`	RM1 million
Cost of Medical	RM20,000
Number of people can be supported	50 people



Future medical inflations reduces future customers' needs of protection

Support all future claims



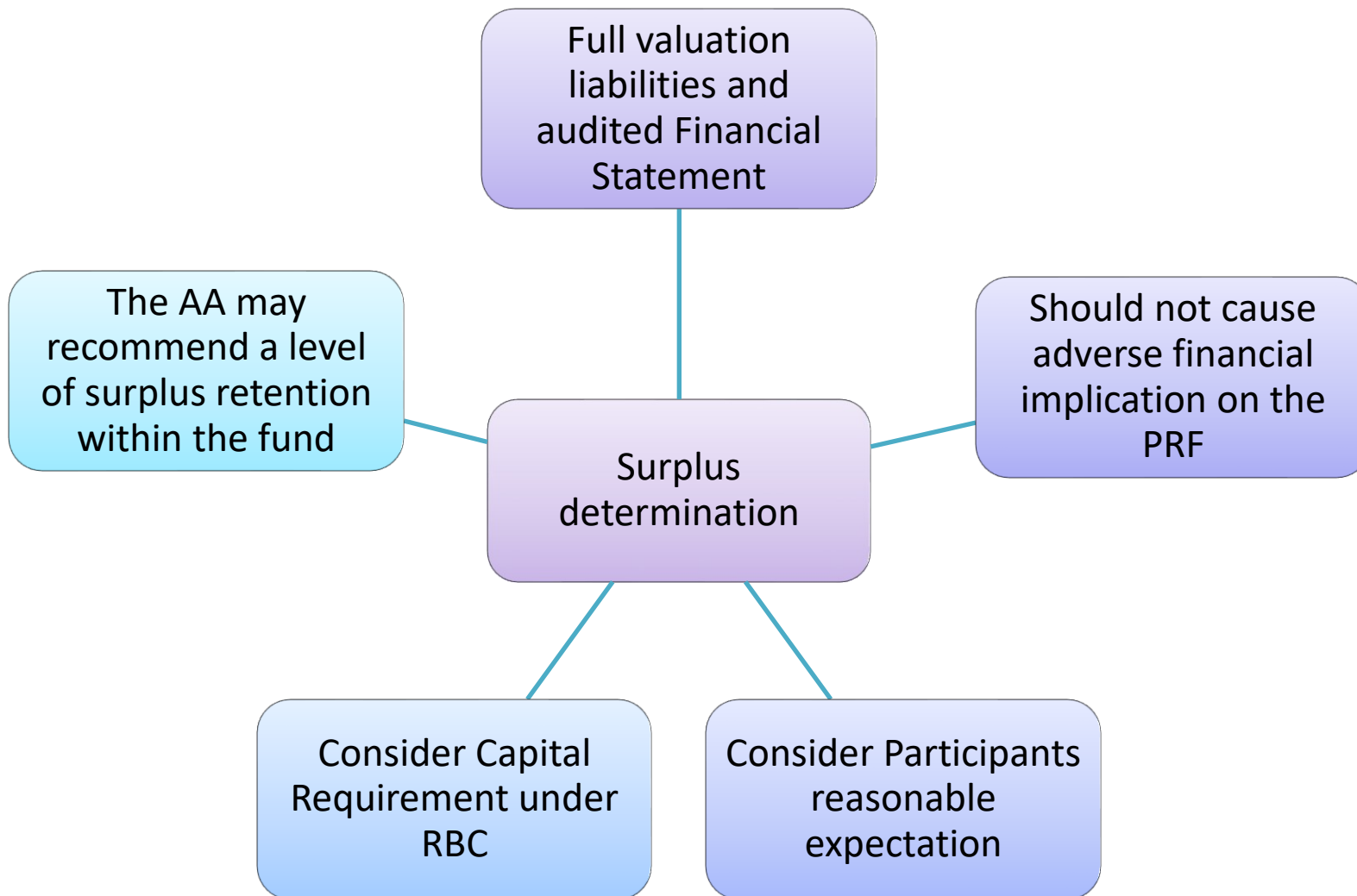


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Family Takaful Surplus

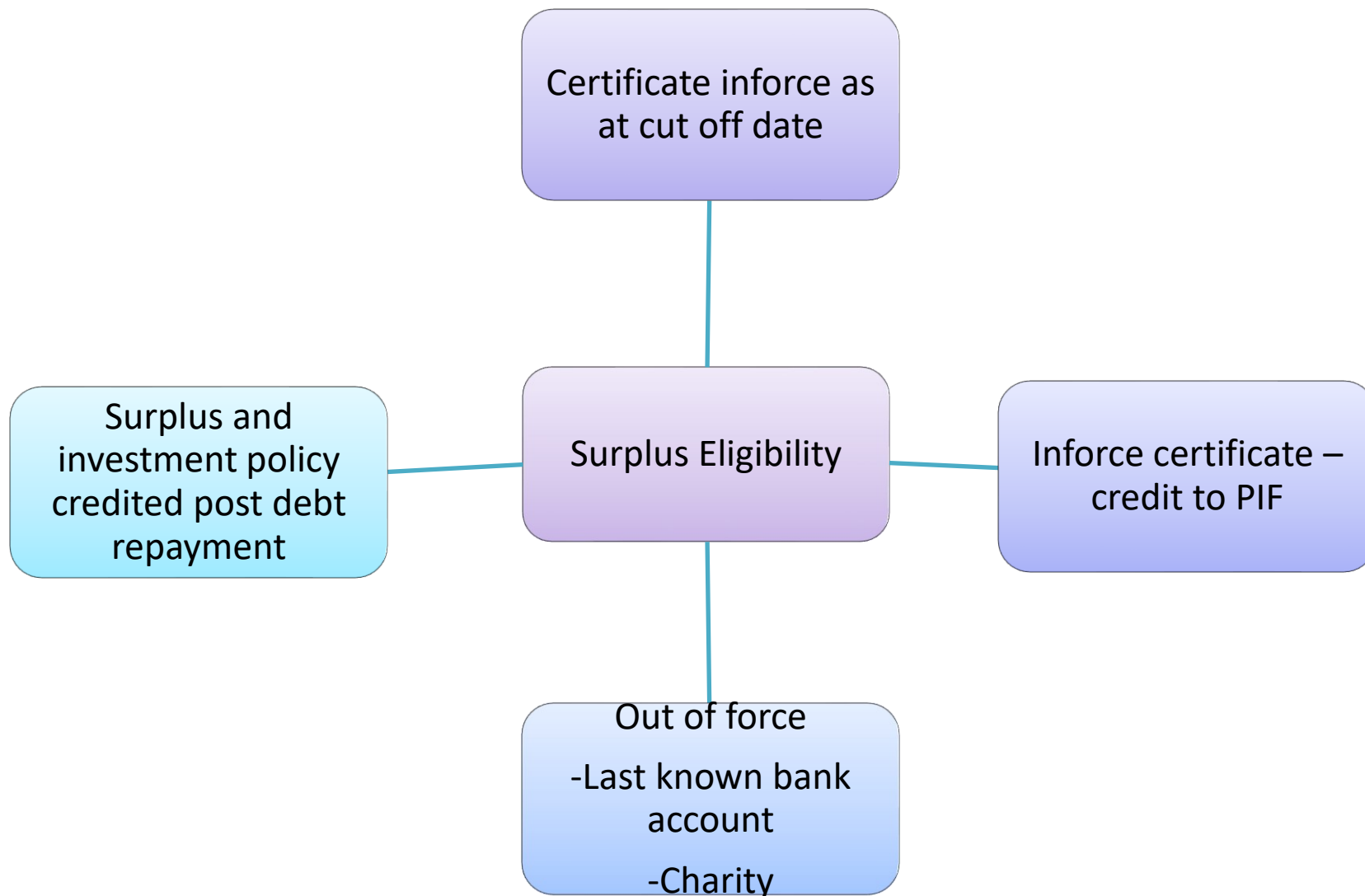
Key Principles





Family Takaful Surplus

Surplus Eligibility & Distribution





Minimum Allocation Rate (MAR)

Background:

- Minimum Allocation Rate (MAR) is prescribed in the BNM ILP Business Management Policy Document, effective 1 Oct 2020
- It refers to revision to the distribution of Allocation Rate for ILP, with **higher allocation to the customers especially during the early certificate years**

Implication

- MAR affects viability of ILP business – it has significant impact on **New Business (NB) Strain** and **CAR** including **profitability of ILP products**

Cert Year	Before MAR				Upon MAR			
	Customer Allocation	Cumulative	Agent Commission	Balance	Customer Allocation	Cumulative	Agent Commission	Balance
1	40%	40%	40%	20%	60%	60%	40%	0%
2	40%	80%	40%	20%	60%	120%	40%	0%
3	60%	140%	25%	15%	60%	180%	25%	15%
4	75%	215%	25%	0%	80%	260%	25%	-5%
5	90%	305%	15%	-5%	80%	340%	15%	5%
6	95%	400%	15%	-5%	80%	420%	15%	5%
7	100%	500%	-	-	95%	515%	-	5%
8	100%	600%	-	-	95%	610%	-	5%
9	100%	700%	-	-	95%	705%	-	5%
10	100%	800%	-	-	95%	800%	-	5%

Note: The above allocation / rates are based on a sample product with 20 years or full contribution payment term

- Upon MAR, customers get more allocation, especially in the early certificate years
- Same level of allocation at year 10

- Agents get the same % of commission, before & after MAR

- Upon MAR, 0% for company for the first 2 years



Financial Retakaful

Example – Illustration of expense strain in managing Investment-linked certificates

Figure 2: PruBSN's Takaful Operator Profits, before Retakaful
Graph shows 3 years of New Business

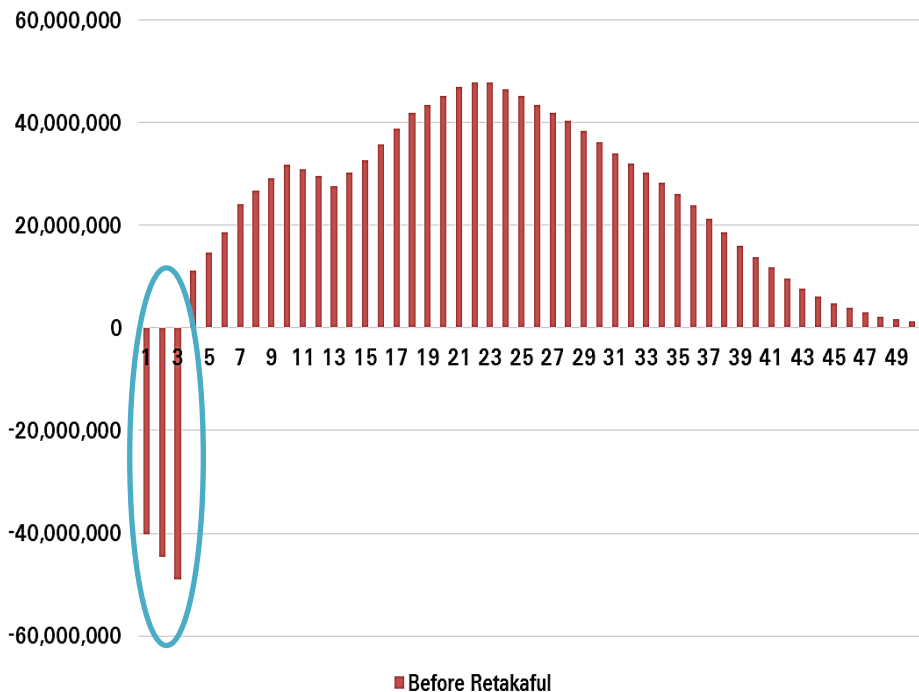
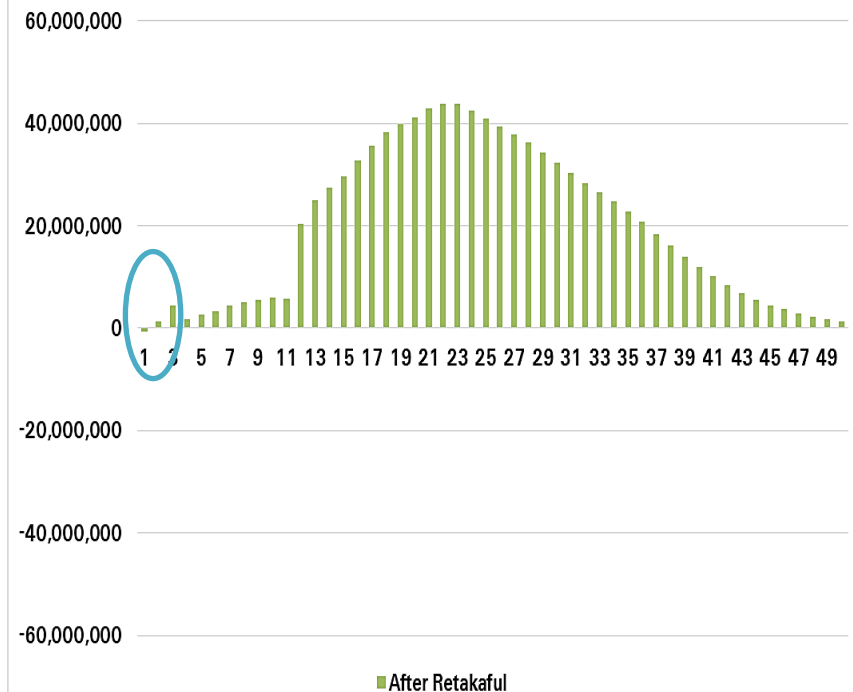
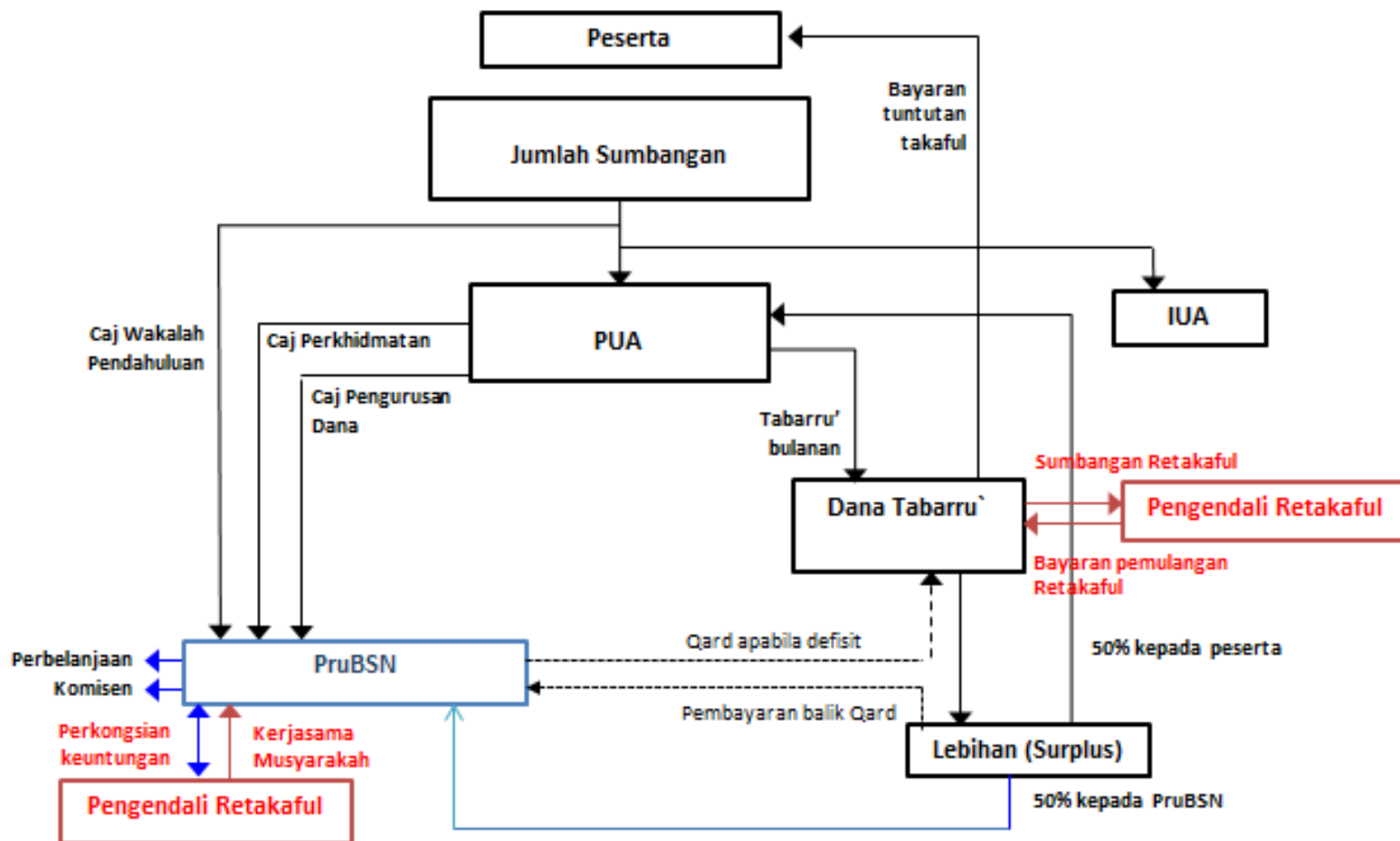


Figure 3: PruBSN's Takaful Operator Profits, after Retakaful
Graph shows 3 years of New Business





Financial Retakaful

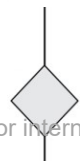
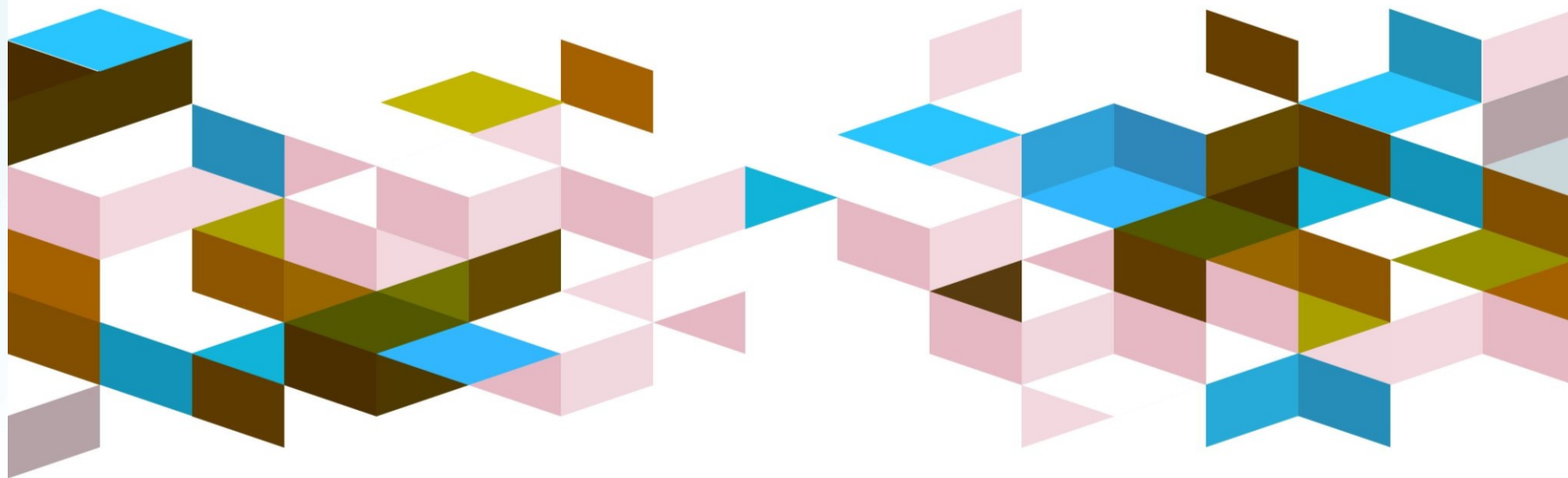




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Payment of Takaful Benefit - Nomination



Nomination

*“A takaful participant who has attained the age of sixteen years may nominate **an individual** to receive takaful benefits, payable upon his death under the takaful certificate, either as an executor, or as a beneficiary under a conditional hibah by notifying the licensed takaful operator in **writing the name, date of birth, national registration identify card number or birth certificate number and address of the nominee.**”*

Clause 2(1) , Schedule 10 of the Islamic Financial Services Act 2013 (IFSA)



Nomination

Two types of nomination:

1. Wasi (Executor) or
2. Beneficiary under Conditional Hibah (Gift)

as stated under the Islamic Financial Services Act 2013

When?

- Nomination can be made:
 - ✓ during proposal submission
 - or
 - ✓ anytime after the proposal is



- Can be amended / revoked anytime as well

The image shows a 'PRUDENTIAL BSN TAKAFUL' Nomination Form. It includes sections for 'SECTION A: IMPORTANT NOTES FOR NOMINATION', 'SECTION B: INFORMATION OF THE POLICYHOLDER', and 'SECTION C: CERTAIN INFORMATION OF THE POLICYHOLDER'. There are checkboxes for 'I am a Muslim' and 'I am a non-Muslim'. The form also contains a 'PRUDENTIAL NOTICE / NOTIS PRIVASI' section at the bottom.

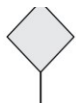
Nomination Form





Nomination - Differences

Wasi (Executor)	Conditional Hibah (Gift)
Nominees act as executors	Nominees act as beneficiaries
Monies received will be distributed according to Islamic Law of Inheritance or Probate and Administration Act 1959 (whichever applicable).	The certificate monies are the property of the nominee





Nomination – Conditional Hibah

*“A nomination by a takaful participant for a nominee to be a beneficiary under a conditional hibah, shall, **notwithstanding any written law, have the effect of transferring ownership, and shall transfer ownership, of the takaful benefits payable to the nominee upon the death of the takaful participant and such takaful benefits so transferred shall not form part of the estate of the deceased takaful participant or be subject to his debts.**”*





Conditional Hibah: Impact on Death Claims (IFSA 2013)



A nominee receiving these moneys as a *hibah* or gift is entitled to the full proceeds and has no obligation to distribute it to any other beneficiaries of the estate



The moneys received “shall not form part of the estate of the deceased Takaful participant or be subject to his debts”



This effectively makes the death claim benefits a “creditor proof” source of funds for the named nominee



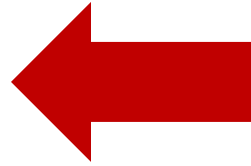
In life insurance contract this privilege was given only to trust policies

Excerpts from Schedule 10 of the FSA 2013

Trust of policy moneys 5. (1) A nomination by a policy owner, other than a Muslim policy owner, shall create a trust in favour of the nominee of the policy moneys payable upon the death of the policy owner, if—

- (a) the nominee is his spouse or child; or
- (b) where there is no spouse or child living at the time of nomination, the nominee is his parent.

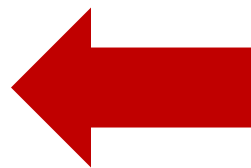
(2) Notwithstanding any written law to the contrary, a payment under subparagraph (1) shall not form part of the estate of the deceased policy owner or be subject to his debts.



Trust of policy moneys is only applicable to non-Muslim policy owners

Nominee other than nominee under subparagraph 5(1) 6. (1) A nominee, other than a nominee under subparagraph 5(1), shall receive the policy moneys payable on the death of the policy owner as an executor and not solely as a beneficiary and any payment to the nominee shall form part of the estate of the deceased policy owner and be subject to his debts and the licensed insurer shall be discharged from liability in respect of the policy moneys paid.

(2) The nominee referred to in subparagraph (1) shall distribute the policy moneys in due course of administration of the estate of the deceased policy owner in accordance with the will of that policy owner or the law relating to the distribution of the estate of deceased persons as applicable to that policy owner.



- Muslim nominees will receive money as executors
- Nominees will distribute the money according to the policy owner's will



What is *hibah*? What is then conditional *hibah*? Further, what exactly is ‘conditional *hibah*’ as defined under Schedule 10 of the IFSA 2013? Is the option of conditional *hibah* for nomination of takaful benefit is applicable to Muslims only?



- Hibah is a form of benevolent (tabarru’) contract.
- Conditional *hibah* is a *hibah* that is contingent upon a certain condition or event in the future. The conditions or event must in the first place be Shariah-compliant.
- Conditional Hibah for takaful or sometimes known as ‘hibah takaful’ is a gift which is conditional upon the demise of the donor. The conditional hibah shall have the effect of transferring ownership, and shall transfer ownership of the takaful benefit upon the death of the takaful participant.
- Applicable to both Muslims and non-Muslim.





Will the takaful benefit forms part of the deceased estate?

- If the nomination is made on the basis of **conditional *hibah*** – **Takaful Benefit shall NOT form part of the estate.**
- Recipient of conditional *hibah* shall own the takaful benefit upon the demise of the takaful participant and shouldn't be any question of whether any other parties would have the right over the takaful benefit

- However, the **takaful benefit shall form part of the estate** should the nominee be named as a *wasi* (executor). The *wasi* should manage the takaful benefit and is subject to the inheritance laws.



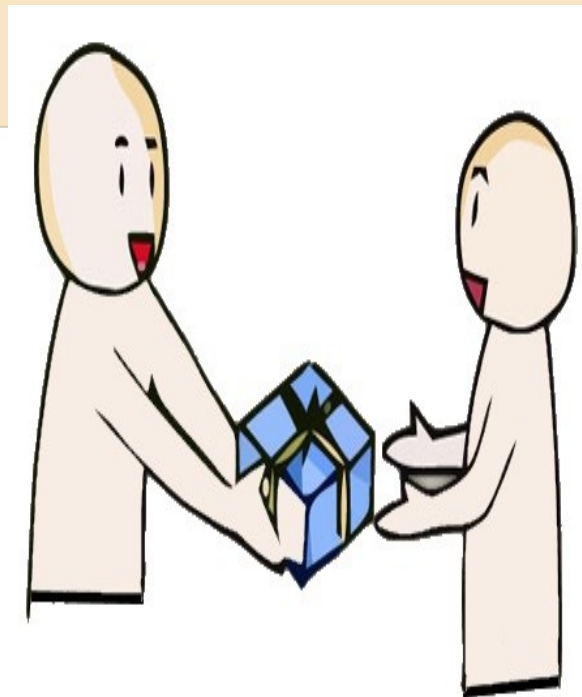


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What's the main effect of *hibah* if chosen for nomination?

- Upon the death of the participant, the conditional *hibah* recipient will receive the takaful benefit and effectively owns the said monies.
- *Hibah* recipient shall have the right to manage/spend the monies as he/she would like.
- Takaful benefit obtained under conditional *hibah* would be excluded from the estate of the deceased. As such, the monies can be utilised immediately upon receipt from the Takaful Operator.



IMPORTANT: Should the participant wishes for the conditional *hibah* recipient to manage the monies in a certain manner, a separate agreement/arrangement would need to be done according to professional advise to avoid the risk of the conditional *hibah* recipient not implementing the participant's wishes.





Can the nomination by way of conditional *hibah* be made under the name of/for a person who is not the participant's legal heir?



YES! The participant is allowed to name a person who is not his/her heir as his/her nominee under conditional *hibah*. In other words, eligible conditional *hibah* recipient would include the participant's friend or any other acquaintance that is not a family or relative of the participant.





I am a Muslim and I have a few children as well as an adopted child? What would be the most suitable option if I wish to give the takaful benefit to the adopted child?

- The list of heir of a Muslim and Non-Muslim person differs.
- In Islam, adopted child whether legally registered or not, would not come under the list of a Muslim parent's heir.
- If the intention is for the takaful benefit to be utilised for the care/interest of the adopted child, a suitable option can be naming the adopted child as a conditional *hibah* recipient.
- The monies given under conditional *hibah* will be excluded from the estate of the deceased hence the heirs shall not have any legal grounds to dispute the matter.





If my wish is to ensure that my children are being taken care of immediately and not financially affected upon my demise - by being able to support continuing life expenses using the takaful benefit, which option for nomination would be a better one?

- If the emphasis is relating to the ability to immediately utilise the takaful benefit (taking into account inheritance procedures may take a long time) then we may agree that the more suitable tool would be nomination based on **conditional *hibah*** simply because the process will be faster since the monies will be excluded from the estate.



IMPORTANT! Participant should be mindful that under the law, upon participant's death and receipt of the *hibah*, the recipient shall be the absolute owner of the monies and is not legally obliged to utilise the monies according to the deceased participant's wish (assuming if verbally communicated within his lifetime).





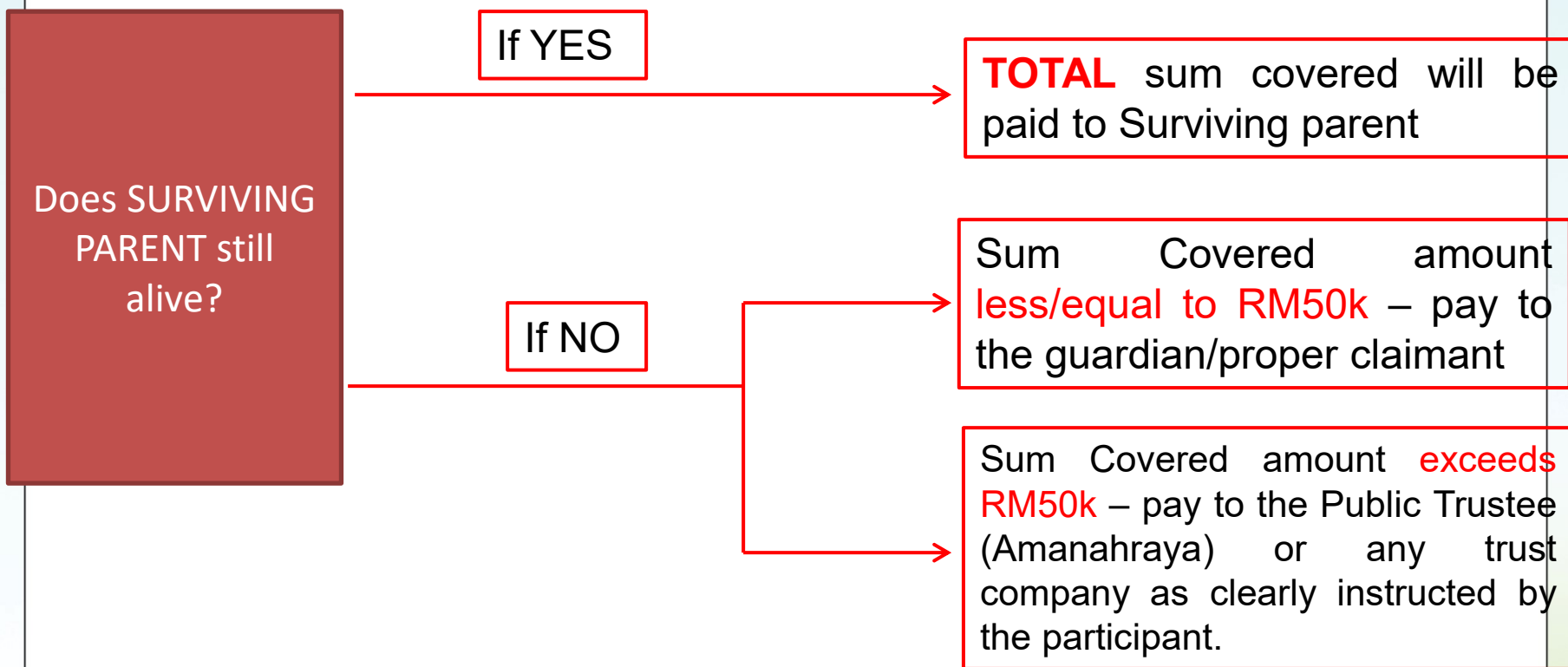
Can an institution (e.g charitable bodies, trustee companies) be named as a nominee under conditional *hibah*?

- *Clause 2(1) of Schedule 10 IFSA states that; “A takaful participant who has attained the age of sixteen years may nominate an individual to receive takaful benefits, payable upon his death under the takaful certificate, either as an executor, or as a beneficiary under a conditional hibah by notifying the licensed takaful operator in writing the name, date of birth, national registration identify card number or birth certificate number and address of the nominee.”*
- By interpreting the provision above, it is clear that **only individual can be nominated as beneficiary**. If the participant wishes to channel the takaful benefit to any charitable bodies, for example, the participant may do so separately with consultation from relevant experts.





What happens if I name my child/children as a recipient of conditional *hibah*? If they are below 18 years old, would the takaful benefit be automatically channeled to the Public Trustee i.e. Amanahraya?





What is the *hukm* for the nominee who is supposed to act as the *wasi* but has failed to distribute the takaful benefits accordingly, instead he/she utilises that monies for his/her own interest?



Muslim believes that it is a **BIG SIN** if a nominee did not distribute the takaful benefits accordingly as Allah had stated in Quran; “O you who have believed, do not betray Allah and the Messenger or betray your trusts while you know [the consequence].” Surah Al-Anfal : 27

Schedule 10 IFSA states that, “A nominee who receive takaful benefits shall distribute the takaful benefits in due course of administration of the estate of the deceased takaful participant in accordance with the will of that takaful participant or the law relating to the distribution of estate.”

If the nominee did not comply with the regulation, it may be disputed by the participant’s heirs and they may pursue the matter by way of legal action.

- **IMPORTANT: It is highly encouraged for the agents to briefly explain the implication of naming a nominee of takaful benefit either as wasi or conditional hibah recipient.**
- **On the part of the company, the template letter provided to the takaful benefit recipient at the point of claim would also briefly state such fact just as a reminder to the recipient.**





Question No.10

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Since the responsibility of the *wasi* is to distribute the takaful benefit according to Islamic Inheritance Law, why there is option to nominate more than one *wasi* based on percentage?

*“A nomination made under paragraph (1) may be in favour of one person or several persons and where there is more than one nominee, the **takaful participant** may direct that specified shares be paid to the **nominees** and in the absence of such direction by the takaful participant, the licensed takaful operator shall pay the nominees in equal shares.”* (Clause 2(6), Schedule 10, IFSA 2013)





For Muslims, what are the basic obligations of a *wasi* under the Islamic law in terms of payment prioritisation as far as the estate distribution practice is concerned?

Funeral expenses

All the debts of the deceased

Distribution order, wills or court order
(where applicable).

Distribution to the legal heirs according to
the *faraid* letter



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If my wish is for the takaful benefit to be used for the settlement of my debt, would conditional *hibah* be the most suitable option as compared to naming a person as a *wasi*?

- Part of *wasi*'s role is to ensure the settlement of debt is prioritised before distribution to the heirs. Entitlement of heirs will be after settlement of debt.
- The only issue may be the process and time required for the *wasi* to be able to obtain cash or liquidate assets for the debt settlement
- Some view that practically the process of conditional *hibah* will allow the exclusion of the takaful benefit from the estate hence the process can be expedited – monies can be immediately received by the conditional *hibah* beneficiary(ies) and utilisation can be thereafter carried out.





What are the main differences between nomination on conditional *hibah* and the method of absolute assignment?

Conditional Hibah

- Dealing with the provision of the takaful benefit to the beneficiary upon the death of the participant
- Nomination is basically the act of naming nominee(s) as beneficiary of the takaful benefit
- At any point of his/her life, the participant can revoke the nomination and make amendments/substitution as he/she wishes without the need to obtain consent from the earlier named nominee(s).

Assignment

- Immediately transfers the whole rights over the takaful certificate to the assignee.
- Assignee shall be recorded as the owner of the certificate and changes to the certificate could no longer be effected by the participant unless with the Assignee's consent. The Assignment could not be revoked to reassign the certificate unless with consent by the Assignee.





If participant decides to include his takaful benefits in his/her *wasiat*, can it be enforceable?

That initiative would be outside of the takaful operator's purview.

If the intention of the participant is to include takaful benefit in his/her will, he/she is obliged to ensure his next of kin (named as proposed executor) in the nomination form understand and is aware of his wish.



It is advised that the participants put in place/execute relevant papers separate and in addition to the nomination form to ensure that matter is properly implemented. Its best that the participant obtain advice from an advocate & solicitor on the matter.





Can an agent simplify the offering of a particular product by encouraging the use of conditional *hibah* for nomination without mentioning the option to nominate on the basis of *wasi*?

As mentioned above, the implication of conditional *hibah* differs from naming a person(s) as a *wasi*. The conditions and wishes of one customer to the other are not similar hence **generalising the preference of conditional *hibah* should be avoided.** The law requires both options (conditional *hibah* and *wasi*) to be provided to the customers and the customer must make an informed decision according to his/her situation.





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I am a young mother with 2 children (who are still toddlers). My biggest concern is the welfare of my children after I pass. What would be the most suitable way to handle nomination of takaful benefit?

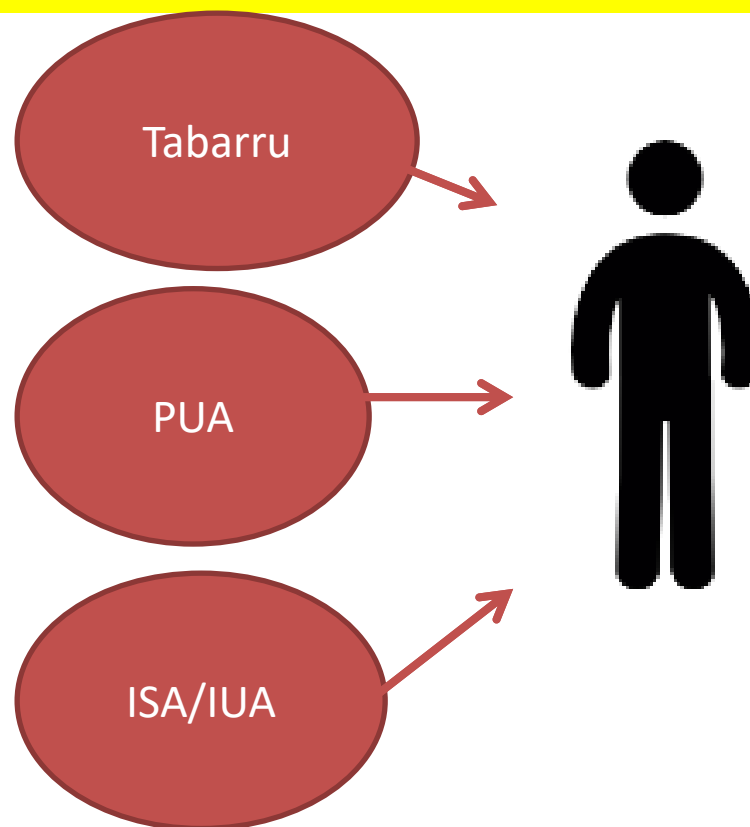
- If the toddlers are named as conditional *hibah* recipients, the father (assuming he is still alive), will receive the monies and should be utilising the same for the benefit of the children.
- If the mother chooses to name a trusted family member as the conditional *hibah* recipient, the law does not prohibit the nominee to utilise the takaful benefit as he/she wishes notwithstanding the fact that the participant's may have wished for the monies to be entrusted for the benefit of the children.
- The *wasi* option may in certain situation be a safer route in ensuring that the children will rightfully receive their inheritance from the mother though the process may be lengthy.
- Professional advice must be sought for further details in formulating a comprehensive inheritance plan.





If I make nomination under conditional *hibah*, what constitute the amount of takaful benefit? Would it include cash value in the individual account such as PUA, IUA, ISA and MSA (where relevant)?

Section 2(1) of the Islamic Financial Services Act 2013 states that **'takaful benefit' means any benefit, whether pecuniary or not, which is payable under a takaful certificate.** Based on the foregoing, we are of the view that we need to be aligned with the provision of the law and pay both individual account value as well as the compensation from tabarru' fund as the total takaful benefit under a particular plan.





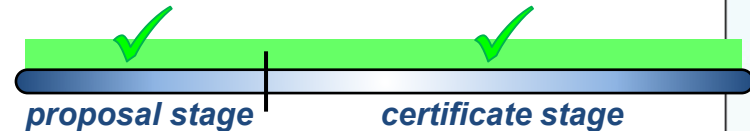
Can a nomination be amended or revoked after being made?

Yes, the participant should be able to change the nomination and the earlier nomination shall be considered as revoked upon the submission of any subsequent nomination.

Other instances where a nomination shall be considered as revoked are as follows:

1. Upon the death of the nominee; and
2. Even if not being substituted by any subsequent nomination, by a notice in writing given by participant to the Takaful Operator.

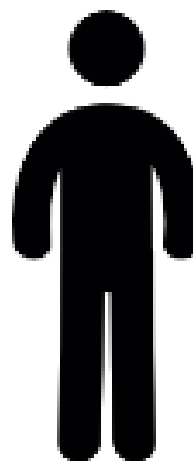
Nomination Form





What happens if a nominee dies after the death of the participant but before any takaful benefits has been paid to him as nominee?

If the nominee is named as a conditional *hibah* recipient died after the participant but before the payment of takaful benefit, the takaful benefit shall be paid to the estate of the deceased nominee. However, if the nominee is named as a *wasi*, the takaful benefit shall be paid to the estate of the takaful participant.





If the nominee under conditional *hibah* passes away together with the giver (i.e. participant), what will happen to that takaful benefit?

Section 2 of the Presumption of Survivorship Act 1950 states that-

“Presumption of survivorship in regard to claim to property

2. In all cases where two or more persons die in circumstances rendering it uncertain which of them survived the other or others, such deaths shall (subject to any order of the court) for all purposes affecting the title to property be presumed to have occurred in order of seniority and accordingly **the younger shall be deemed to have survived the elder.**”





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- **Compensation on claim amount**

12. (1) Where a claim or a part of a claim made under a family takaful certificate, or under a personal accident takaful certificate upon the death of a takaful participant is not paid by a licensed takaful operator within **sixty days of notification of the claim**, the licensed takaful operator shall pay a **minimum compensation at the rate of investment yield of the participant's risk fund plus one percent or such other rate as may be specified by the Bank**, on the amount of takaful benefits upon expiry of the sixty days until the date of payment, whereby the **one percent is to be paid from shareholders' funds**.

(2) Where the balance of takaful benefits are to be paid by a licensed takaful operator to the lawful executor or administrator of the estate of the deceased takaful participant under subparagraph 8(3), compensation payable under subparagraph (1) shall only apply to such balance of takaful benefits upon expiry of sixty days from the time that the lawful executor or administrator produces the grant of probate or letters of administration or distribution order until the date of payment.



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Thank You

