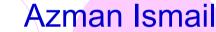
Technical Aspect of Takaful Business Operations – Proposal for Enhancement



HIJRAH Strategic Advisory Group

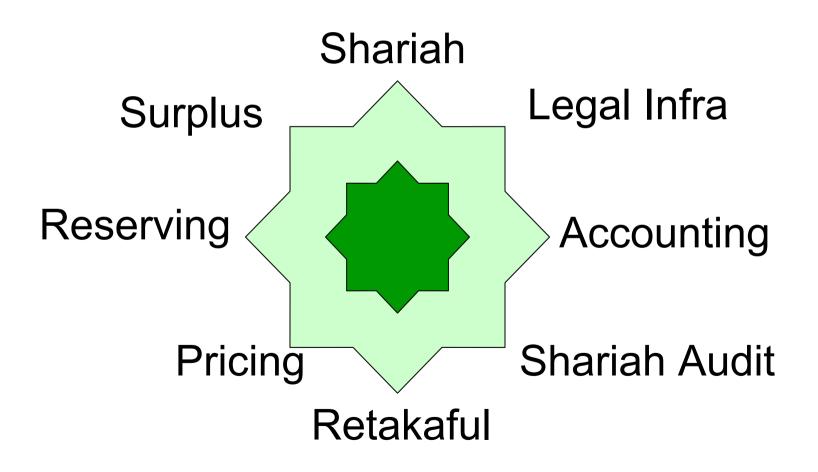
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Technical Areas of Concern ...



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
 - **OShariah Considerations**
 - Holding company is conventional insurance
 - Co-takaful among operator & with conventional
 - **ORetention**
 - Between shariah & business considerations
 - **OStructure**

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
 - OMay elect to choose most suitable based on shariah considerations
- Conventional reserving methods for life insurance
 - OMost may be suitable from shariah angle
 - OBased on legal maxims

Surplus

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

