



**UNDERSTANDING ON THE FACTORS THAT AFFECTING  
THE IMPLEMENTATION OF MODIFIED WAKALAH MODEL  
IN TAKAFUL INDUSTRY IN MALAYSIA**

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**BACHELOR OF BUSINESS ADMINISTRATION (HONS)  
INSURANCE  
FACULTY OF BUSINESS MANAGEMENT UNIVERSITI  
TEKNOLOGI MARA  
KAMPUS BANDARAYA MELAKA**

**APRIL 2011**

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**Submitted in Partial Fulfilment of the Requirement for the  
BACHELOR OF BUSINESS ADMINISTRATION (HONS)  
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**UNIVERSITI TEKNOLOGI MARA**  
**MELAKA**

**“DECLARATION OF ORIGINAL WORK”**

**I, Nurul Farehah Binti Anuar**

**(I/C Number: 880114-06-5792)**

Hereby, declare that,

- This work has not previously been accepted in substance for any degree, locally or overseas and is not being concurrently submitted for this degree or any other degrees
- This project paper is the result of my independent work and investigation, except where otherwise stated
- All verbatim extracts have been distinguished by quotation marks and sources of my information have been acknowledged.

Signature:.....

Date:.....

## **LETTER OF SUBMISSION**

April 2010

The Head of Program  
Bachelor of Business Administration (Hons) Insurance  
Faculty of Business Management  
Universiti Teknologi Mara  
Kampus Bandaraya Melaka  
75300 Melaka.

Dear Sir,

### **SUBMISSION OF PROJECT PAPER**

Attached is the project paper titled “ UNDERSTANDING ON THE FACTORS THAT AFFECTING THE IMPLEMENTATION OF MODIFIED WAKALAH MODEL IN TAKAFUL INDUSTRY IN MALAYSIA ” to fulfill the requirement as needed by the Faculty of Business Management, Universiti Teknologi MARA.

Thank you

Yours sincerely,

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Nurul Farehah Binti Anuar

2009689214

Bachelor of Business Administration (Hons) Insurance

## **ABSTRACT**

Insurance is an economic necessity. But Shariah concept of Takaful is absent in the conventional insurance mechanism. Therefore, there is an urgent need to introduce Shariah based principles and mechanism. This is why the Shariah scholars of the modern age have studied insurance mechanism in depth in order to reach a Shariah ruling that could encourage the Muslims throughout the world to avail of the services of insurance for their own benefit. The objective of insurance is to protect individuals against risks of life, health and wealth. The concept of insurance is acceptable within the framework of Islamic principles. While most of the members of Muslim community are financially handicapped, the establishment and operation of Takaful is the need of the time. The Shariah requires that takaful mechanism should ensure benefit for all the contracting parties. In Islamic law, contracts must serve the interest of both parties equally. An Islamic Insurance company, therefore, should endeavor to meet the objective of cooperation and solidarity among the participants. The contributions made by the participants belong to them and not to the operators as being practised by conventional insurance companies.

There are several forms of contract that govern the relationship between the participants (policyholder) and Takaful operator. The most widely used contracts are the mudaraba (profit sharing) contract and wakala (agency) contract. But there are some issues occurred relating to these models thus some modification have been made to protect the interest of the policyholder in Takaful fund. This research more focusing on the choice of Modified wakalah as Takaful operating model because it permissible the Takaful operator to generate earning from wakalah fee, investment returns and also underwriting surplus.