IMU655: TAKAFUL AND RETAKAFUL

GROUP: IC2106B

TASK: GROUP ASSIGNMENT

TITLE: MODEL OF TAKAFUL IN MALAYSIA

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ASSIGNMENT MARKS	MARKS
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Bibliography / Reference	/2
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Date of Submission: 13 May 2025

STUDENT DECLARATION

بسم الله الرحمن الرحيم

We hereby acknowledge that in fact all of the work in the preparation of this academic work is the result of our own efforts and works except as expressly stated.

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ACKNOWLEDGEMENT

Assalamualaikum Wbt, Alhamdulillah, All the grateful and thankful to Allah S.W.T. who has given us the willingness and opportunity to complete this task. We are Muamalat Bachelor students from University Technology of Mara (UiTM) Machang, Kelantan.

Firstly, we would like to express our gratitude to Dr. Norzuraida Binti Hasan as a lecturer in Takaful & Retakaful (IMU655), UITM. Thank you to Dr. Norzuraida Binti Hasan for providing us with a lot of direction in finishing this assessment, for cooperating by providing informative information and recommendations, and for instructing us during the preparation period this semester.

Finally, a lot of thanks and appreciation to our parents, family, member of the group and others for their cooperation, encouragement, constructive suggestions and full of support, from beginning to the end. Finally to those who have worked throughout the assignment, until completely ready.

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1.0 INTRODUCTION

Takaful is a Sharia system for managing risk transfer involving managers and participants (Iqbal, 2005). According to Ismail (2013), the principles of mutual assistance or al-ta'awun and sharing of responsibility are the basis for any transfer or sharing of risk in the Takaful system. In addition, the Takaful system does not take into account the elements of gharar which is defined as ambiguity, maisir, which is defined as gambling and riba in its risk management (Iqbal, 2005). In Malaysia, the takaful system has developed rapidly in line with the growth of the country's Islamic banking sector. Takaful has grown to become the main insurance option in Malaysia and around the world. This development shows that it is the best option for Islamic risk management. In Malaysia, both family Takaful and general Takaful products are used. Family Takaful products are designed to help participants and their family members when they are beset by misfortunes such as accidents, illnesses or diseases. It also has an annuity scheme but it does not include benefits paid through Individual Accident Takaful certificates.

Bank Negara Malaysia (2012b) has stipulated that the concept of tabarru and the contract between the contributor and the takaful operator should be used for the basic contract in takaful products. This type of contract can consist of mudarabah, wakalah, a combination of mudarabah and wakalah and so on. The concept of tabarru can be used to achieve the main objective of Takaful which is to foster an attitude of cooperation, responsibility and protection of others who are facing hardship (Mustafa and Rahman, 2015). Aspects of Islamic philanthropy such as zakat and waqf are also associated with the term tabarru which means giving without return. This is due to the fact that the idea of Islamic philanthropy is one way to achieve the goals of society (Don et al., 2020).

2.0 RESEARCH OBJECTIVE

1) To identify and explain the basic concepts of takaful models within the framework of Islamic financial principles.
2) To compare the operational structure and mechanisms of each takaful model in terms of risk sharing, investment handling, contribution management and surplus distribution.
3) To examine the current challenges and issues faced in implementing different takaful models in Malaysia.