



اَوْنُوْ رَسِيْقِيْ تِيْكَوْ لُوْ كِيْ مَارَا
UNIVERSITI
TEKNOLOGI
MARA

Akademi
Pengajian Islam
Kontemporari

IMU655 : TAKAFUL AND RETAKAFUL

GROUP : IC210 6B (GROUP 6)

TASK : GROUP ASSIGNMENT

**TITLE : LEGAL AND REGULATORY CHALLENGES IN TAKAFUL AND
RETAKAFUL**

PREPARED BY:

STUDENT NAME	MATRIX NUMBER
MUHAMMAD HUSHAIRE FIQRI BIN MOHAMMAD RAZALI	2022498828
NURIN ATHIRAH BINTI ZAMRI	2022827992
RABIATUN ADALWIYAH BINTI ABDUL MANAF	2022841648
UMMU MARJAN IZZATI BINTI SHUKRI RADZI	2022495388

PREPARED FOR: DR. NORZURAIDA HASAN

ASSIGNMENT MARKS	MARKS
Introduction	/2
Content & Description	/8
Conclusion	/2
Bibliography / Reference	/4
Professional Ethics & Morals	/4
Total	/20

Date of Submission: 13 MAY 2025

ACKNOWLEDGEMENT

We had to enlist the assistance and guidance of a few well-known people to complete our work, and they have our sincere gratitude. We are very happy that this job is finished. We would like to express our gratitude to Dr. Norzuraida Hasan for her many consultations in providing us with helpful assignment guidelines. We also want to express our sincere gratitude to everyone who helped us with this project, both directly and indirectly.

Lastly, I would like to express my gratitude to parents, relatives, fellow group members, and others for their cooperation, support, and helpful criticism from the start of the project to its completion. I also want to thank those who worked on it until it was finished.

TABLE OF CONTENTS

No	Matters	Pages	Student in Charge
1.0	Introduction	1-2	NURIN ATHIRAH BINTI ZAMRI
2.0	Research objective	3	UMMU MARJAN IZZATI BINTI SHUKRI RADZI
3.0	Research Methodology	3	NURIN ATHIRAH BINTI ZAMRI
4.0	Literature Review	4-5	MUHAMMAD HUSHAIRE FIQRI BIN MOHAMMAD RAZALI
5.0	Finding & Discussion		
	5.1 Legal And Regulatory Challenges In Takaful And Retakaful	6-9	UMMU MARJAN IZZATI BINTI SHUKRI RADZI
	5.2 Investment constrains in Takaful Operations	10-12	RABIATUN ADALWIYAH BINTI ABDUL MANAF
	5.3 Accounting and Financial Reporting Issues	13-14	MUHAMMAD HUSHAIRE FIQRI BIN MOHAMMAD RAZALI
	5.4 Operational Issues in Managing Takaful and Retakaful Funds	14-16	NURIN ATHIRAH BINTT ZAMRI
6.0	Conclusion and Suggestion	17	RABIATUN ADALWIYAH BINTI ABDUL MANAF
7.0	References	18-19	
8.0	Appendices	20	NURIN ATHIRAH BINTT ZAMRI

ABSTRACT

This study aims to analyze critical issues faced in the Takaful and Retakaful industry. The background of this study is based on the rapid development of the Islamic finance industry, especially the Takaful and Retakaful sector, which is also facing various challenges in its operations. The main problem statement that prompted this study is the lack of in-depth understanding of legal and regulatory constraints, investment limitations, the complexity of accounting and financial reporting, and operational challenges in Takaful and Retakaful fund management. The main objective that will be discussed in this study is to analyze the legal and regulatory challenges in Takaful and Retakaful operations. Next, it can identify investment constraints in Takaful operations. In addition, it examines accounting and financial reporting issues in the Takaful industry. Finally, it examines operational issues in fund management. The methodology of this study involves content analysis of existing literature, including case studies, industry reports, reliable journals, and academic articles related to Takaful and Retakaful. The findings of this study are expected to reveal a number of significant issues in each aspect studied, including inconsistent interpretation of sharia law, limited investment options, lack of standardization in accounting practices, and inefficiencies in fund management. Based on these findings, the study recommends several improvements, including regulatory harmonization, expansion of Sharia-compliant investment instruments, strengthening of accounting standards specific to Takaful, and increasing the efficiency of fund management through better technology and governance.

Keywords: Takaful, Retakaful, Islamic finance, Legal and regulatory challenges, Investment constraint.

1.0 INTRODUCTION

Takaful and Retakaful have emerged as pivotal components of the Islamic financial system, offering Shariah compliant alternatives to conventional insurance and reinsurance. Rooted in principles of mutual assistance (ta'awun), shared responsibility, and the avoidance of prohibited elements like riba (interest), gharar (excessive uncertainty), and maysir (gambling), these models have witnessed significant growth, particularly in Muslim-majority countries (Md. Habibur Rahman, Md. Faruk Abdullah, Noor Mohammad Osmani, Nur Suhailah Zakiyyah Binti Aziz, 2023). However, despite their ethical foundations and increasing demand, the Takaful and Retakaful industries face several challenges that impede their full potential.

A robust legal and regulatory framework is essential for the sustainable growth of Takaful and Retakaful. In Malaysia, the Islamic Financial Services Act 2013 (IFSA) governs Islamic financial institutions, including Takaful operators, ensuring compliance with Shariah principles. The Act mandates the segregation of funds between participants and operators and establishes a Shariah governance framework overseen by the Shariah Advisory Council (SAC) of Bank Negara Malaysia (Benyamin, 2023). This framework ensures that all operations, investments, and product offerings align with Islamic teachings.

Takaful operators often face difficulties in identifying suitable Shariah-compliant investment avenues. The limited availability of Islamic financial instruments restricts diversification and can impact the profitability of Takaful funds. Moreover, the need to balance risk and return while adhering to Shariah principles adds complexity to investment decisions. This scenario necessitates the development of more innovative Islamic financial products to cater to the investment needs of Takaful operators (Wan Zamri Wan Ismail, Mohd Faiz Mohamed Yusof, & Ismail Ahmad, 2021).

The lack of standardized accounting practices tailored specifically for Takaful operations poses challenges in financial reporting and transparency. While conventional insurance companies follow established accounting standards, Takaful operators must ensure that their financial statements reflect the unique aspects of Takaful contracts, such as the separation of participant and operator funds. This complexity can lead to