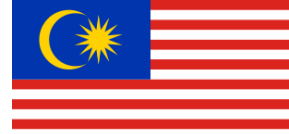




# A-Z OF STARTING A TAKAFUL COMPANY - THE EXPERIENCE IN MALAYSIA

AZMAN BIN ISMAIL, MALAYSIA



# Before Starting

- Feasibility Study
- Draft Business Plan
  - Usual SWOT Analysis
  - Changing environment
  - Changing Competition



# MAIN ACTIVITIES

ACTIVITIES	MONTH						
	1	2	3	4	5	6	7
Appointment of Business Partners / Management Team							
Family Takaful Product Development (Including Approval By Syariah Board)							
Develop Operations System (Manual)							
Develop Support Systems							
Develop IT System							
Training							
Marketing							
Kick off Business							



# DETAILED ACTIVITIES

## **Appointment of Business Partners / Management Team**

*Outsourcing Partner*

*Reinsurers*

*Agents*

*Shariah Advisors*

*Management Team On Board*

## **Family Takaful Product Development (Including Approval By Syariah Board)**

*Shariah Manual*

*Decide on Business/Contractual Model and Products*

*Preparation & Submission of Actuarial Certificates*

*Basic Forms & Policy Wordings*

*Rider Forms & Policy Wordings*

*Mortgage Form & Policy Wordings*

*Forms & Policy Wordings For Group and Riders*

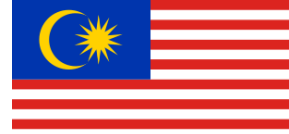
*Questionnaires, Reports, Letters etc*



# Shariah Manual

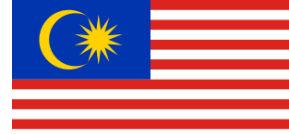
- Most Important Document
  - Shariah Governance Framework
    - Compliance
    - Audit
    - Risk Management
    - Review
    - Research





# Decide on Business/Contractual Model

- Different Model For Different Jurisdiction
- Different Model For Different Product?
- Consistency
- Exceptions



# Forms and Policy Wordings

- Must reflect model
- Must reflect actual intention of the contract although legal maxim, 'The effect in contracts depends on the objective and meanings and not on the words and sentence construction' allows for slight mistakes. This is to minimise legal problems



# DETAILED ACTIVITIES

## **Develop Operations System (Manual)**

*Agency, Sales & Marketing*

*New Business*

*Underwriting*

*Policy Servicing*

*Retakaful*

## **Develop Support Systems**

*Human Resource & Training*

*Finance*

*Accounting*

## **Develop IT System**

*Develop Strategy*

*Identify Needs*

*Prepare Requirements*

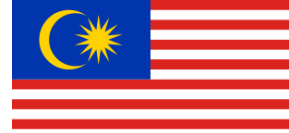
*Commissioning & Testing*





# Agency, Sales & Marketing Manuals and Kits

- Shariah Committee must approve all
- Shariah Committee may delegate some aspects to shariah officer



# NB & Underwriting

- Permissible risks
- Provide general guidelines or detailed occupations?
- Shariah Committee need to understand business needs and legal theory of suspension may be invoked but not abused



# Retakaful Manual

ISRA Islamic Finance Seminar (IIFS)

11 November 2008

- Issues

## ISRA ISLAMIC FINANCE SEMINAR

### *Fiqh Aulawiyat*<sup>1</sup> in *Retakaful*<sup>1</sup> - Between RBC (Risk-Based Capital) Standards and Islamic Institutions<sup>2</sup>

Azman Ismail

#### Abstract

*Fiqh aulawiyat*, the science of priority jurisprudence, is very relevant in Islamic financial services, more so in *takaful* and *retakaful*, whose principal purpose is risk management. Indeed, there is a strong relationship between *fiqh aulawiyat* and risk management and the latter is inherent in *maqasid al-shari'ah*, especially when viewed in the context of the various *mafasid* and *madhar*. This paper discusses the development of both *fiqh aulawiyat* and risk-based capital (RBC), and the application of the former in *retakaful*, in the context of the latter and Islamic financial institutions.

**Keywords** : *Fiqh aulawiyat*, *Usuliyun*, *Mutakallimun*, *Fuqaha*, *Maqasid*, *Maslahah*, *Retakaful*, RBC.



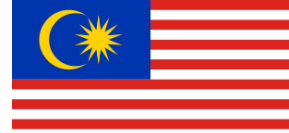
# Human Resource & Training

- All-rounder -> Training areas
  - Usul Fiqh
  - Qawaid Fiqhiyyah
  - Fiqh Muamalat
  - Finance
  - Accounting
  - Technical
  - Soft Skills



# Finance and Accounting

- Investment Manual
  - Local Guidelines e.g. Malaysia
  - International guidelines e.g. DJIM
  - Shariah Committee's approval
- Accounting SOPs
  - Shareholders Fund & Takaful Fund
    - must reflect investment and management contracts



# Develop IT System

- Commensurate With Business
- Calculations must follow contract
- If divergence is necessary, Shariah Committee must approve



# DETAILED ACTIVITIES

## **Training**

*Takaful Management - For Management*

*Shariah Foundation*

*Technical Aspects*

## **Marketing**

*Develop Sales Manual*

*Identify Channels*

*Foundation Training*

*Sales Training*

## **Kick off Business**

*Launch*



# Mistakes

- Over ambitious target
  - Example XOL
- Cashflow - Capital Adequacy Requirements
  - RBC Framework must be understood
  - E.g. UK





# CONCLUSION

- A-Z can be done in a systematic and efficient manner
- Legal and shariah framework must be taken into account
- Can start within three months after management team on board



# About Azman Ismail...

- ***Azman Ismail**, has been in the Islamic finance and takaful industry since 1985. He has been providing training and consultancy services to companies in Malaysia, Singapore, Indonesia, Saudi Arabia, Qatar and Brunei*
- *He is an external lecturer for the Master in Islamic Banking and Finance, Institute of Islamic Banking and Finance, IIUM. He is also a Member, Board of Studies and Course Consultant at the Institute. He has also been by the International Centre for Education in Islamic Finance (INCEIF) and the International Shariah Research Academy (ISRA). He is also a Member, Shariah Committee, Munich Retakaful.*

