



THEORITECAL AND PRACTICAL ISSUES AND PROBLEMS IN TAKAFUL FOR CONSTRUCTION WORKS

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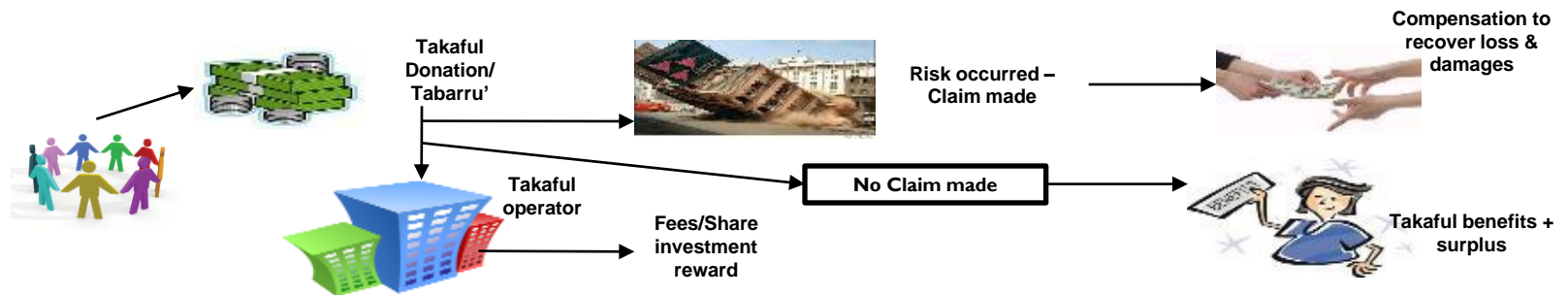
INTRODUCTION

- Construction – involve risks; loss and damage (e.g. fire, theft, natural disaster)
- *Takaful* as risks transfer tool
- Construction – CAR *Takaful*
- CAR *Takaful* 15% per annum, its yet to achieve its full potential
- Issues & problems – Theoretical & Practical



TAKAFUL

- Shariah compliance insurance – Mutual agreement/joint guarantee upon agreed event based on the concept of risk-sharing between participants in a same group



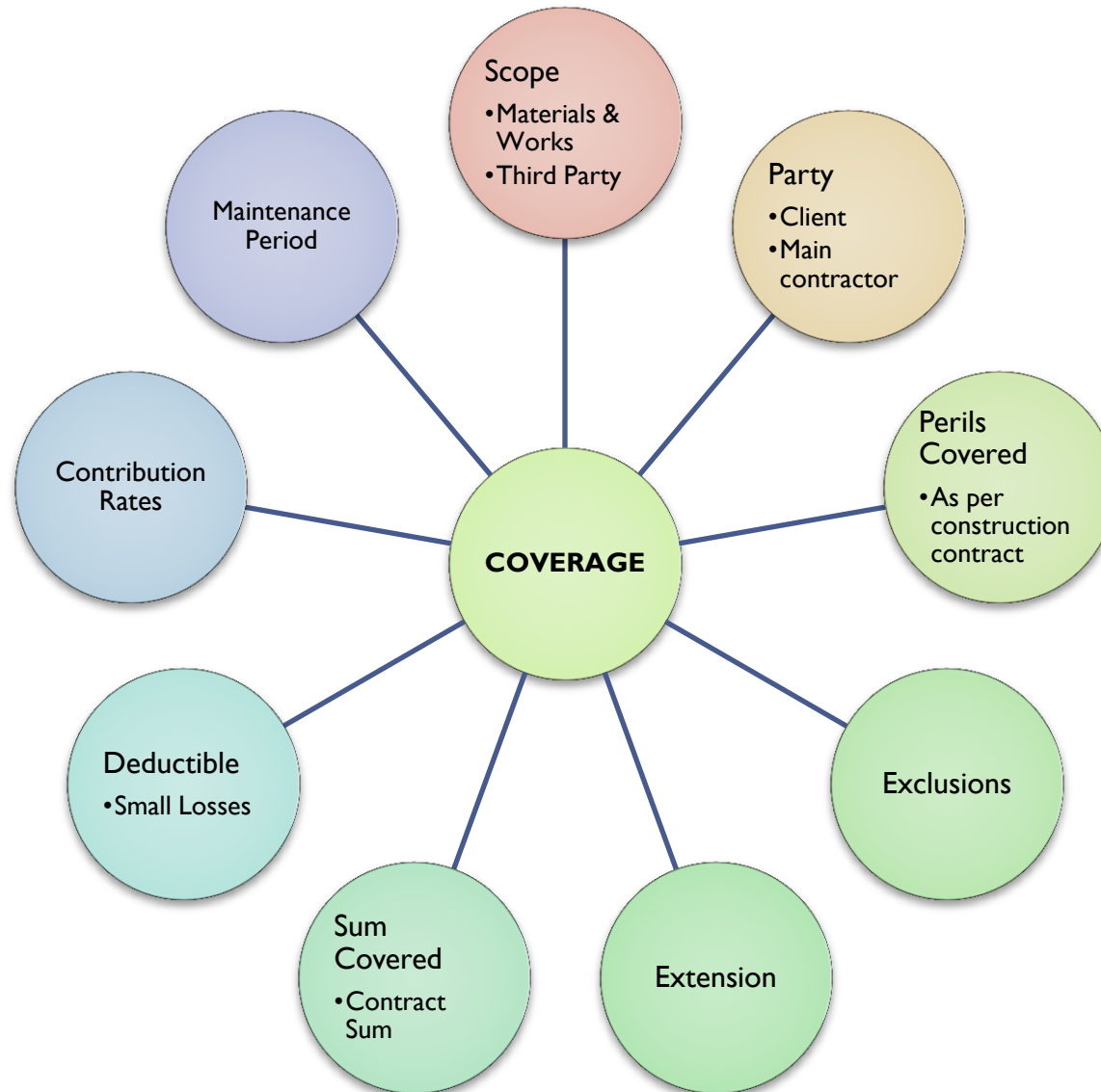


TAKAFUL INDUSTRY IN MALAYSIA

- The *takaful* industry in Malaysia & elsewhere has been expanding at phenomenal rate
- Many Muslims & non-Muslims alike are now using *takaful* as among their risks management tool
- In the context of Malaysia, the rise is reflected by having more numbers of key players entering the market as *takaful* provider¹



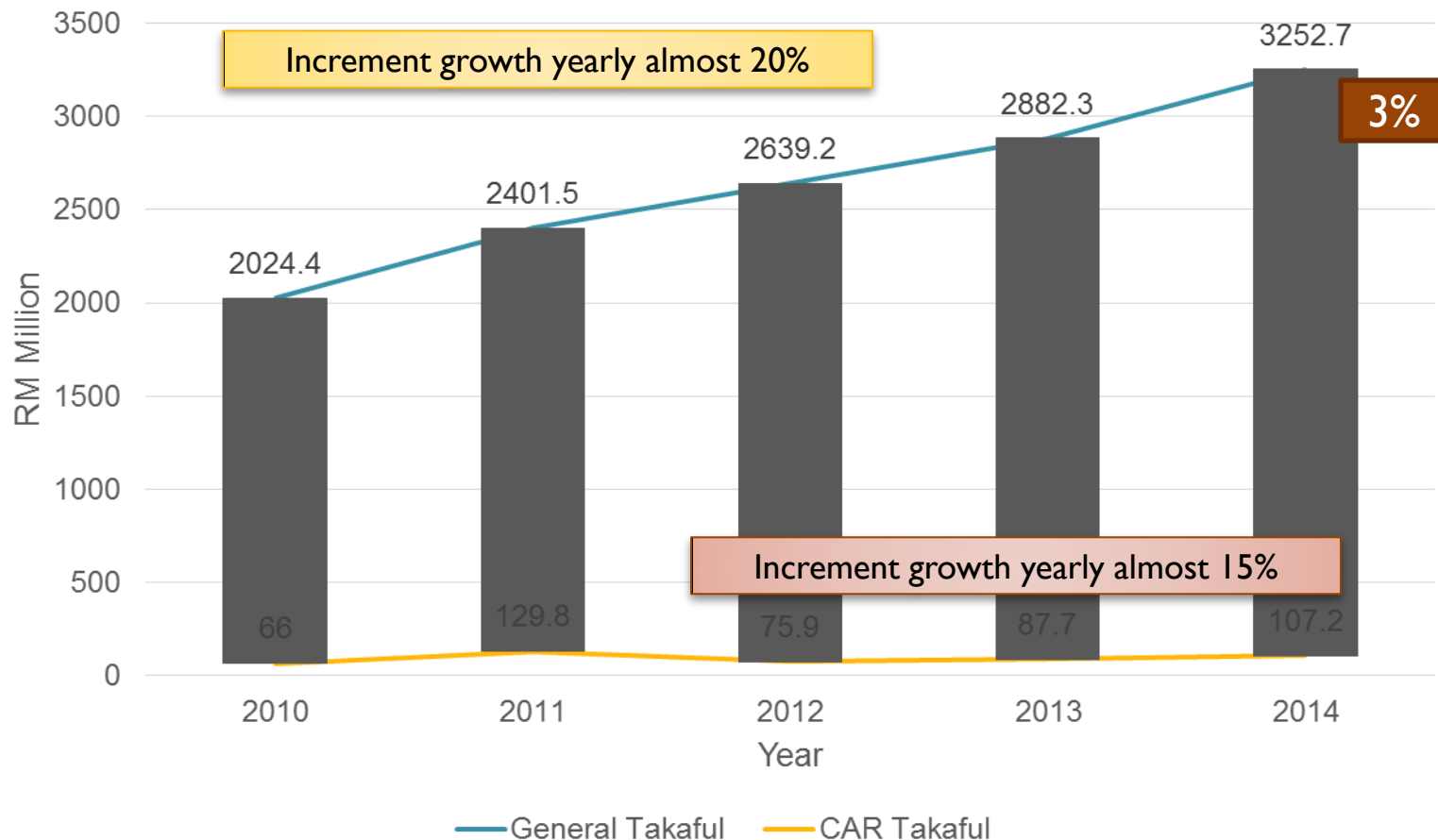
CAR TAKAFUL





GROWTH: TAKAFUL & CAR TAKAFUL IN MALAYSIA

Distribution Contribution (BNM, 2015)





CAR TAKAFUL ISSUES & CHALLENGES

- According to BNM, 2015; Global *Takaful* Insight, EYGM, 2014; Deloitte, 2014, despite the positive annual rate of growth, the penetration of CAR *Takaful* is yet to achieve its full potentials
- Perhaps, there are issues and challenges relating to *takaful* in general and CAR *Takaful* specifically



CAR TAKAFUL ISSUES & CHALLENGES

	Descriptions	Issues	Problems	Strategies
Theoretical	Shariah Legitimacy	✓	✓	IFSA, BNM Guidelines ² <ul style="list-style-type: none"> Issues remained (fragmentation in the interpretations of the Shariah)
	Governance	✓	✓	BNM Guidelines ³ <ul style="list-style-type: none"> Issues remained (lacking in customer confidence)
	Regulatory Framework	✓	✓	BNM; MTA ⁴ <ul style="list-style-type: none"> Issues remained (over-regulation, adoption of conventional practice leading to inconsistencies)
Practical	Transparency & Accountability	✓	✓	Operators have been calling to proposed of a standard industry practice ⁵
	Risks Management	✓	✓	Standard form of contract & takaful have addressed matters related to risks, however it remains in adequate ⁶
	Operational Models	✓	✓	Choice of model (3main types of model) ^{2,6} <ul style="list-style-type: none"> Wakalah Mudharabah Hybrid

² Deloitte (2014)

³ Bank Negara Malaysia (2015)

⁴ Global Takaful Insight, EYGM (2014)

⁵ AMLA (2013)

⁶ Jaffer, S., Farzana, Jabran, Unwin, L. (2015)



CONCLUSION

- The *takaful* and CAR *Takaful* are plagued with issues
- The industry has responded through various strategies – Issues & problems remain
- Issues & problems require urgent attention or else they may not augur well for the future of the Takaful and CAR Takaful industries



**WASSALAM
THANK YOU**