Examining the Feasibility of Waqf (Islamic endowment)-based Islamic Insurance Product from the Malaysian Legal Perspective

DR. NAN NOORHIDAYU MEGAT LAKSANA
DR. MARHANUM CHE MOHD SALLEH
DR. NOR AZIZAN CHE EMBI

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Islamic endowment also known as waqf and under the Islamic law it considered as one of the voluntary charitable act which is recommended at the early age of Islam. Malaysia, the practised of endowment is started during the 15th century of the ascendency of Malacca Sultanate. During this period, endowment becomes one of the popular practised among the Malaysian Muslim.

cash endowment proposed by this research is endowment based on Islamic insurance (takaful) to the flood victim in Malaysia.
A family takaful plan is a long term saving and investment instrument which provide a financial benefits in the event of tragedy to the participant

A participant who enters into family takaful contracts will be grouped together with other participants who share the same risks with him/her such as death or total permanent disability

A participant will pay the contribution and will credited into separate accounts which are Participant Investment Fund (PIF) and Participant Risk Fund (PRF)

PIF is refer to the investment which is done by the Takaful Operator on behalf of the participant and the profit will be shared between the participant and the Takaful Operator according to a pre-agreed ratio

PRF refers to the participants’ contribution in the form of tabarru’ which will be placed in this fund and will be used to fulfill the obligation of mutual help if any misfortune arises from death or permanent disability
Takaful Benefit

PIF

Saving + investment = Profit

PRF

Donation / Tabarru’ Fund contributed by the participants to the fellow participants
Existing Model of Takaful (Islamic Insurance)- MUDARABA Model

Mudarabah Model

- Participants
- Contributions
- Operating expenses
- Shareholders’ funds
- Surplus/(deficit)
- Balance of surplus after paying portion to Shareholders’ fund
- Investment profit
- Policyholders’ funds
- Policy benefits
- Reinsurance/retakaful
- Reserves

Source: PricewaterhouseCoopers
Existing Model of Takaful (Islamic Insurance)- WAKALAH MODEL
Proposing Waqf-based Takaful Model

Takaful Participants (peserta Takaful)

1. Normal contribution (sumbangan biasa)
2. Waqf contribution (sumbangan Waqaf to flood victims)

Waqf Operators (agent/wakil)

1. Flood Victims (mangsa banjir)

Takaful Benefits (flood coverage/perlindungan banjir)

Sources of waqf
Sumber waqaf

1. Pihak kerajaan
   Badan bukan kerajaan (NGO)
   Syarikat-syarikat
   Institusi kewangan
   Waqf institusi
   Orang awam

2. WAQF ASSETS (ASET WAQAF)
   Cash (tunai)
   Tangible Asset (asset ketara)

3. Evacuation Center (Pusat pemindahan banjir)
RESEARCH OBJECTIVES

This study aims in discussing the feasibility of the Waqf principle (endowment) to be introduced in the Islamic insurance products from the legal perspective.
RESEARCH METHODOLOGY
1. Qualitative

Design

Instrument
Focus Group Discussion
Respondents

Distribution of research instrument

April 2017
One-day session (8.30am-5.30pm)
Hotel Marriot, Putrajaya

Islamic Religious Council – 4
Legal Expert – 3
ANALYSIS FROM FOCUS GROUP DISCUSSION
New model of Takaful Fund based on Waqf to flood victim

Takaful Fund (RM100) → Waqf Rider (RM10) → Collection Account → Waqf Fund (e.g: RM500,000) → Takaful Flood → General Takaful RM70 per year
Illustrate the situation of Mr. Ahmad

Mr. Ahmad

(pay monthly contribution RM1000)

Rider

(RM50-Waqf/donation no return)

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Investment

Tabarru’/ Donation

(RM 800)

(RM200)

Manage by Yayasan Waqf Malaysia
Illustrate the situation of Mr. Ali

- Mr. Ali (stay at Risk area-Flood area)
  - Pay RM80 per year

- Investment (RM60)
- Donation/Tabarru’ (RM20)

If flood happen, Mr. Ali will get the compensation from these two funds.
CONCLUSION

It is found that all respondents have agreed with the proposed *Waqf*-based Islamic insurance product as it has special values that may inculcate the culture of brotherhood in society.

The councils have stated their concern on *Waqf* enactments which were different among the states in Malaysia and based on discussion with the legal experts they have proposed to adopt agency principle in order to cater the issue of control over the *waqf* fund.
Nan Noorhidayu Megat Laksana
Lecturer (ASSISTANT PROFESSOR)
(IIUM/IRK/FIQH&USUL AL-FIQH)
E-mail: nanhidayu@iium.edu.my
Mobile: 013-2391877