

KNOWING YOUR FAMILY TAKAFUL

A financial education programme by:



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This booklet is intended to provide readers with a basic understanding of the general concepts in Takaful. You are advised to check with your Takaful operator on the terms and conditions of your plan.

I don't think I need family takaful coverage.

I won't die in an accident.

It won't happen to me.

I won't get cancer.

I have takaful coverage at work.

Getting to Know Your Takaful Plan

If you own a car, have travelled outside the country, or have taken a loan, it is very likely that you have Takaful plan.

It is very important for you to take the time to read the fine print, ask questions, and find the plan that fits your needs.

This booklet will help you find out more about the common Takaful plans available in Brunei Darussalam.

Always remember to make sure you understand your coverage **BEFORE** you sign.

WHY DO I NEED TAKAFUL?

Takaful provides you protection for when things go wrong, such as car accidents, lost luggage while travelling abroad, serious illness or robbery.

In life, there is always a risk that things can go wrong. If they do, you will need money to meet your costs and avoid chaos in your finances.

Takaful is about managing these risks. By taking out the Takaful plan, you are sharing the risk with your fellow participants, for a Takaful contribution.

Without Takaful, you're taking the risk of meeting those costs yourself.

TYPES OF TAKAFUL

There are two types of Takaful:

1. General Takaful

Covers property, such as your car, house, business, employees, money, etc.

2. Family Takaful

Covers you, your loved ones, employees, colleagues, etc.

PARTICIPATING IN TAKAFUL

In Brunei Darussalam, Takaful is provided by Takaful operators registered by Autoriti Monetari Brunei Darussalam (AMBD).

You can obtain Takaful from the following ways:

1. **Directly** from the Takaful operator.
2. From **Takaful agents** that have been authorized to represent Takaful operators.
3. From **banks** that have a bancaTakaful agreement with Takaful operator(s).
4. From **brokers** that have been registered with AMBD.

❖ Refer to AMBD's website (www.ambd.gov.bn) for the list of registered Takaful operators.

For general Takaful, if you participate more than one plan to protect a particular risk, you can only make one claim in the event of loss or damage. The amount payable will be paid by the Takaful operators involved. This means you cannot profit from your general Takaful plan. If you suffer a loss, you will be provided a financial assistance accordingly and no more than that. You will be paid or 'protected' to the position you were in before the loss.

However, if you wish to cover your life, you can participate in more than one plan. Family takaful provides you with both protection and long-term

savings for your peace of mind. You or your beneficiary will be provided with financial benefits if you suffer a tragedy and at the same time, you will enjoy an investment return because part of your contribution will be deposited in an account for the purpose of savings.

TIPS WHEN PARTICIPATING IN FAMILY TAKAFUL

- **Shop around** - Get quotes from different Takaful operators and compare what they offer. Do not be afraid to ask lots of questions.
- **Decide from whom you want to buy** - If you decide to buy from a family Takaful agent, make sure that the agent is registered with a good reputation, and you are satisfied with their service.
- **Choose carefully** - List the things you need (i.e. what you want covered) to help you in picking the right plan. Work out how much money you need for your retirement. How much do you want to provide for your family?
- **Always ask what is and is not covered by your plan** - Before you sign, make sure you know what your plan covers and does not cover. Ask the agent/staff to explain to you until you are satisfied.
- **Check the costs** - you will contribute or pay a regular fee, known as Takaful contribution, for your cover.
- **Be honest with your Takaful operator** – Provide complete and true details because your 'duty of disclosure' means you must tell the truth when you apply. If you leave details out, any future claim may be

**Family Takaful is a long-term commitment.
DON'T RUSH INTO IT!
Make sure you are able to commit to it or else you could lose out.**

denied. Update your Takaful operator if there are any changes to your personal details.

- **Keep your documents in a safe place** - Let your family or a friend or lawyer know where your plan is kept. Ask them to notify your agent at once, in case anything happened. Notify the Takaful operator if your Takaful certificate is lost or destroyed.
- **Pay on time** - Make sure you pay your contributions in a timely manner to avoid your certificate being lapsed.

UNDERSTANDING BASIC TAKAFUL TERMS

Takaful	Definition
Certificate	The contract between the person participating and the Takaful operator.
Participant	The person who has participated in the Takaful plan.
Contribution	The amount of money you contribute for your Takaful plan.
Sum covered	The maximum amount of coverage that you can receive from your Takaful operator if there is a claim. This amount usually reflects the market value of the property you wish to cover.
Exclusion	The circumstances where your plan does not apply or cover.
Extension	The coverage that you can add-on to your plan to suit your needs. This is provided at an additional fee.
Excess	<p>The portion of a claim that a participant is required to pay first and anything above the excess will be paid by the Takaful operator.</p> <p>E.g. if the excess in a plan is BND 1,000 and the claim costs BND 3,000, then the participant will pay the first BND 1,000 and the remaining BND 2,000 will be paid by the Takaful operator.</p>

Getting to know your Takaful concepts

What is Takaful?

Takaful provides protection similar to insurance but is based on Syariah principles. This means that Takaful is free from Gharar (unknown or uncertain factors); Riba' (interest or usury); and Maysir (gambling).

How does Takaful work?

Takaful works on the basis of mutual help (ta'awun). When you enter into a contract (aqad) with a Takaful operator, you become a participant of a fund (Tabarru') and agree to help other participants when they face a loss and make a claim.

Takaful has been in existence in Brunei Darussalam since 1993 and has been widely adopted by both Muslims and non-Muslims ever since. However, despite already being aware of its existence, you may still be uncertain of its concepts, as well as the difference between Takaful and conventional insurance.

This section intends to provide a brief understanding of Takaful.

What are the main Takaful concepts?

1) Takaful

- Refers to the concept of mutual protection and shared responsibility.

2) Tabarru'

- Arabic term for donation or gift.
- When you agree to participate in a Takaful plan, you also agree that part of your contributions will be 'donated' to help other participants when they face a financial loss.

3) Mudharabah

- Refers to a profit sharing partnership between you as a participant (Sahib al-Mal) and the Takaful operator (Mudharib).
- This means that when the Takaful operator invests portions of your contribution, the profit gained from the investments will be shared between you and the Takaful operator at a pre-agreed ratio.

4) Wakalah

- Arabic term for agency.
- This is when the Takaful operator agrees to become an agent who manages the Takaful funds and receives a 'wakalah fee' from the participants.

What are the types of Takaful models used in Brunei Darussalam?

The operation of a Takaful operator can be based on several models depending on the class of business. These include:

(1) Mudharabah model

- The Takaful operator acts as the Mudarib who invests part of the participants' contributions and shares the profit of the investments at a pre-agreed ratio.

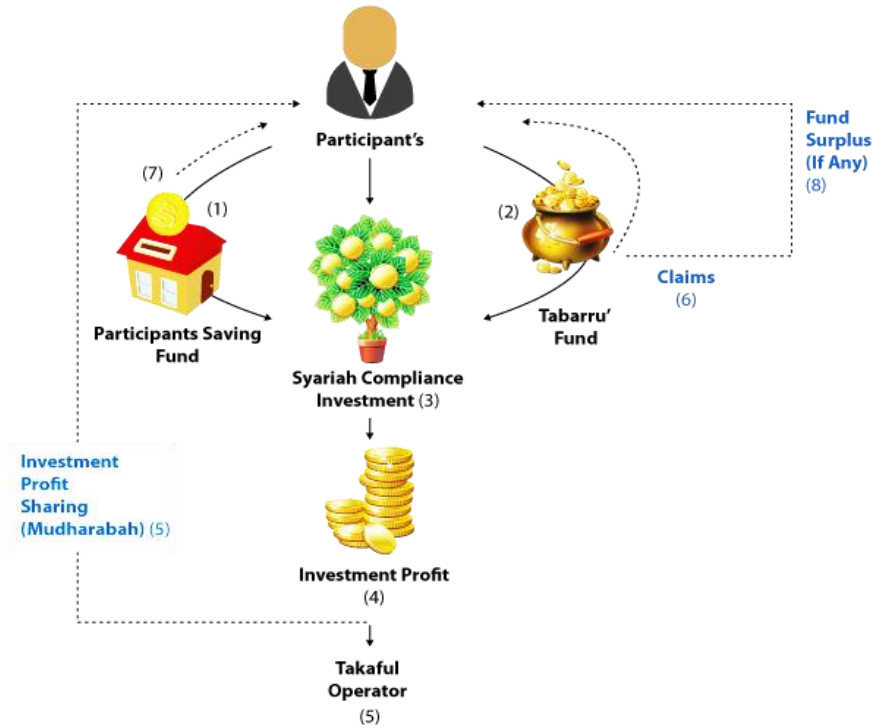
(2) Wakalah model

- The Takaful operator acts as an agent (wakil) of the participant to manage the Takaful fund.

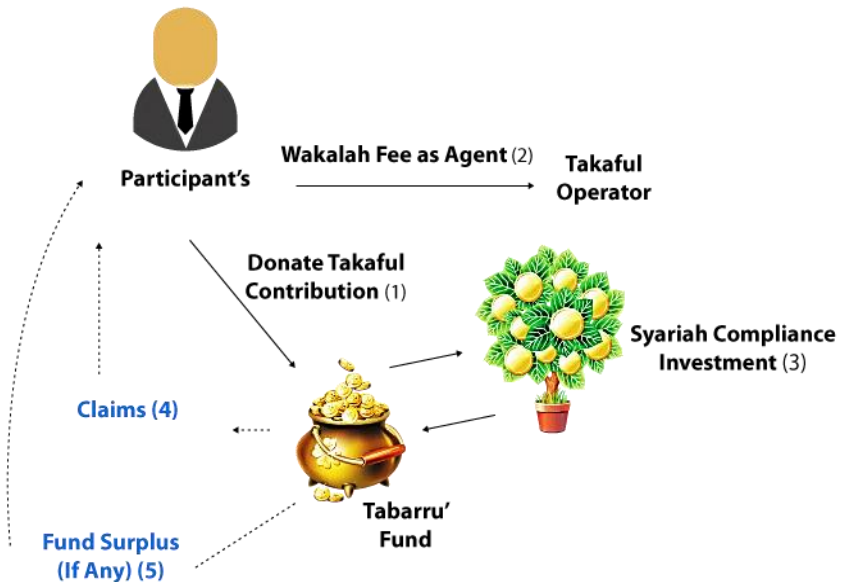
(3) Mudharabah & Wakalah model (Hybrid)

- The Takaful operator applies the Mudharabah on the investment activity only and charges the Wakalah fee for managing the Takaful business as a whole.

MUDHARABAH MODEL



WAKALAH MODEL



In Brunei Darussalam, who ensures that the Takaful plan offered is Syariah compliant?

Under the Takaful Order, 2008, Takaful operators are required to establish a syariah advisory board to advise them on syariah matters including approving or endorsing Takaful plans to be launched by the Takaful operator.

Once the syariah advisory board approves their Takaful plan, it must be submitted to the Syariah Financial Supervisory Board (SFSB) for approval. The SFSB acts as the national syariah board and gives the final approval for an Islamic financial product to be introduced in Brunei Darussalam.

Comparison between Takaful & Insurance

	TAKAFUL	INSURANCE
Contract	A combination of donation and agency or profit sharing contract.	An exchange contract (sale and purchase) between insurance company and policyholder.
Guarantee	Takaful operator is only the fund manager. The participant mutually guarantees each other.	The insurance company provides the guarantee.
Fund	The fund belongs to the participant and managed by the Takaful operator. This fund is separated from shareholder's fund.	The fund belongs to the insurance company but separates assets of insurance fund with shareholder's fund.
Indemnity	Provided by the Takaful fund.	Provided by the insurance company using the insurance fund.
Risks treatment	Risk is shared among the participants.	Risk is transferred from the policyholder to the insurance company.
Responsibility of Participants / Policyholders	Participants make contributions to the scheme. Participants	Policyholders pay premium to the insurance company.

	mutually guarantee each other under the scheme.	
Liability of the Takaful Operator / Insurance Company	Takaful operator acts as the administrator of the Takaful plan and pays the Takaful benefits from the Takaful funds.	Insurance company is liable to pay the insurance benefits as promised from its assets (insurance funds and shareholder's fund).
Investment of Fund	Assets of the Takaful funds are invested in Syariah compliant instruments.	There is no restriction apart from those imposed for prudential reasons.

The Basics of Family Takaful

What is family Takaful?

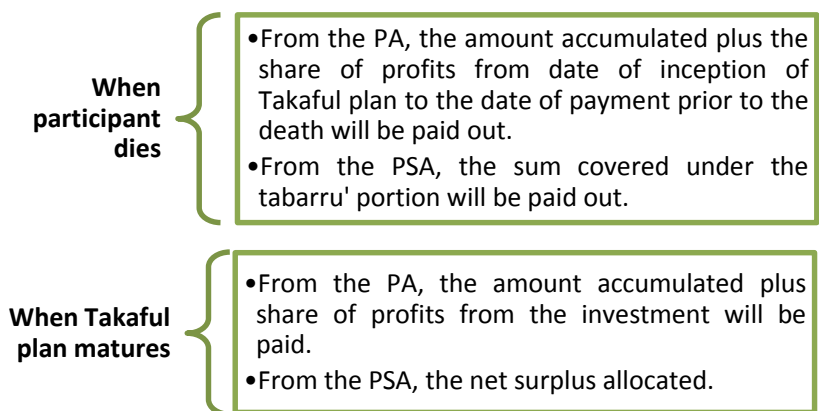
Family Takaful is a Syariah compliant plan that provides financial protection and long-term savings for your family if you or your loved ones fall ill or in the event of death or misfortune occurs.

How does family Takaful work?

In family Takaful, your contributions will be used for:

- 1) **Donation (Tabarru')** which is placed in a Participant's Special Account (PSA). This fund is used to help other participants who suffer a misfortune such as injuries, death or permanent disability.
- 2) **Savings and investments** which is placed in a Participant's Account (PA). The fund is invested by the Takaful operator and any profit arising from the investments will be shared between you and the Takaful operator at a pre-agreed ratio.

What are the benefits in a family Takaful plan?



Why do you need family Takaful?

Consider the possibilities of death, or an illness preventing you from work, for your family and yourself. Would you be able to survive financially? Can you pay the mortgage and bring up your kids?

Family Takaful can be used in several ways:

1. For protection or coverage against death and permanent disability.
2. For retirement planning, savings and investment.

What is not covered in a family Takaful plan?

A family Takaful may not cover death or disability arising from these events:

- Attempted suicide or self-inflicted injury whether sane or insane;
- Breaching the law;
- Provoking an assault;
- Under the influence of drugs or alcohol;
- Suffer from AIDS or HIV;
- Any other causes prohibited by Syariah law.

As Takaful is based on syariah principles, the exclusions in a family Takaful plan may be different from a life insurance. Please check with your Takaful operator on the details.

When should I participate in family Takaful?

You can participate in a family Takaful plan at any stage of your life. However, it is best to participate as early as possible in order to maximise the benefits.

What are the types of family Takaful plans available in Brunei Darussalam?

Type of plans	Description
1. Individual family Takaful	<ul style="list-style-type: none"> ➤ These plans provide financial protection against death and permanent disability as well as long-term savings and investment profits. ➤ These plans include education, retirement and riders.
2. Group family Takaful	<ul style="list-style-type: none"> ➤ These plans usually provide financial protection against death or permanent disability. ➤ Allows employees of an organization or members of a club, association or society to be protected under one plan. ➤ These plans include term life, medical and riders. ➤ There must be a minimum number of persons covered to qualify for these plans. ➤ The plans usually last for one year and can be renewed.
3. Mortgage & financing Takaful	<ul style="list-style-type: none"> ➤ Provides protection against financing received from a financial institution. Usually a one-off contribution made at the time the financing is taken out. ➤ It will cover the repayment of the outstanding financing to the financial institution if you are unable to do so because of death and permanent disability. ➤ The Takaful operator will pay the bank the outstanding amount and the bank releases the ownership of the property to the owner or his beneficiaries.
4. Rider	<ul style="list-style-type: none"> ➤ A rider is an add-on to your basic family Takaful plan for additional contributions ➤ It allows you to customise your family Takaful plan according to your needs e.g. cover against critical illness, personal accident and disability and medical.

The Basics of Education Takaful

What is education Takaful and its purposes?

A long term saving and investment for children

To finance children's future education

Provides financial protection for you and your family

Protection in the event of death or total permanent disablement

As children's education fund should you survive until maturity

Why do you need education Takaful plan for your children?

- ✓ To assist you in managing savings for your children's scholarship.
- ✓ As an education saving for your children, should untimely death occur, before certificate maturities.

When should I participate in education Takaful for my children?

You can participate in education Takaful at any time once you have child(ren). However, it is best to do so as early as possible to maximise the benefits.

What are the coverages under this plan?

- Basic Cover is death and Total Permanent Disablement due to accident and illness.
- Additional Covers may include personal accident, hospital benefit and family rider.

What is the period of cover under this plan?

Period of cover depends on the age of the child when the plan is participated so that the education fund will be ready by the time the child is at least of the age of ten (10), fifteen (15) or eighteen (18) years.

What is the payment method for this plan?

You may elect to pay your contribution by cash, cheque, standing instruction, credit card, debit card or online payment.

How much should I pay for this plan?

It depends on how much education expenses are needed. Minimum Takaful instalment is as low as BND 20.00 per month based on package chosen.

What are the general exclusions under this plan?

1. Pre-existing illness;
2. War, invasion, act of foreign enemies, hostilities or warlike operations (whether war be declared or not), civil war, mutiny, civil commotion assuming military uprising, insurrection, rebellion, military or usurped power or any act or any person action on behalf or in connection with any organisation actively directed towards the overthrow by force of any Government or to the influencing to it by terrorism or violence;
3. Injury caused by nuclear fission, nuclear fusion, nuclear weapons material or radioactive contamination;
4. Any breach of the law by the Person Covered inclusive of those which result in imprisonment or any assault provoked by him;
5. Any unlawful act(s) or such act(s) prohibited by law and/or Shariah Principles;
6. Any involvement and/or participation in terrorism and/or sabotage activity;
7. Participation in or training for any dangerous or hazardous sport or competition or riding or driving in any form of race or competition;

8. Involvement in any underwater activity necessitating the use of artificial breathing apparatus;
9. Under the influence of alcohol, misuse of drugs, hallucinogenic substances;
10. Directly or indirectly being infected by Acquired Immune Deficiency Syndromes (AIDS) or related conditions;
11. Suicide or self-inflicted injuries by person covered whilst sane or insane;
12. Treatment of emotional, mental or psychiatric illness or psychological disorders;
13. Pregnancy, miscarriage or child birth.

Can I participate in other family Takaful products for my children if they already have education Takaful plan?

Yes.

Do my children need to go for medical checkup for this plan?

No.

If my children are actively participating in any sports activities, does this plan cover if an accident, derived from the activity, has happened?

In the event of an accident and/or death of your children in this situation, the plan will have cover over it if the cover is extended.

I do not have any children, but would like to participate in this plan for my nephew. Would this be allowed?

Education Takaful Plan is a hibah (gift) benefit for biological and adopted children. A nephew can be referred to as a hibah (gift) recipient provided that he is adopted by you.

What would happen to the plan in the event of early death of the child?

Parents have the following options:

- Participant can name another child as the hibah (gift) recipient;
- They can change the plan to another savings plan; or
- They can surrender the plan and accumulated savings plus investment profit (if any) will be paid out to them.

Can the education Takaful certificate be transferred to any one of my other children?

Yes, by filling in a new hibah (gift) recipient form which will supersede the earlier form.

Other important points to note when buying education Takaful plan:

- 👉 Consider a plan that best suits your children education needs.
- 👉 Understand the scope of cover provided.
- 👉 Be aware of the circumstances should you need to switch plans.

The Basics of Savings Takaful

What is savings Takaful and its purposes?

To offer Takaful coverage and saving if you plan to accumulate funds systematically for future needs, for instance as retirement fund or as a will to next of kin.

Why do you need savings Takaful?

- To assist you in planning your savings systematically for future needs.
- To provide Takaful cover should untimely death and permanent total disability occurs.

When should I participate in savings Takaful?

You can participate in savings Takaful at any stage of your life. It is best to participate as early as possible to maximise the benefits.

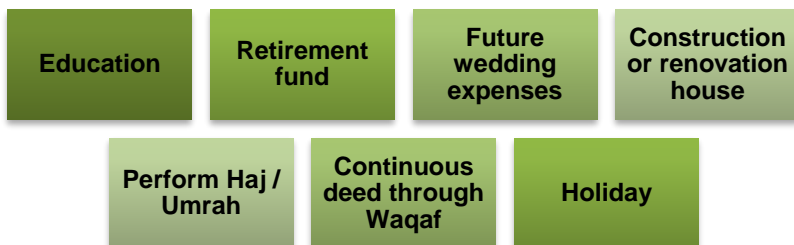
Is savings Takaful affordable?

Savings Takaful can be paid through instalments with the minimum of BND 20 per month.

How can I participate in this plan?

You can participate in this plan by completing the proposal and declaration form which you can obtain from any nearby Takaful operator's branch.

What are the types of savings Takaful available in Brunei?



What are the coverages under this plan?

- The basic cover is death and total permanent disablement due to illness and accident.
- The additional coverage may include personal accident, critical illness, hospitalisation benefit and family rider.

What is the period of cover under this plan?

The period of cover can be short, medium and long term with minimum cover of one (1) year and maximum cover of forty (40) years.

What is the payment method for this plan?

You may elect to pay your contribution by cash, cheque, standing instruction, credit card, debit card or online payment.

Do I need to go for medical checkup for this plan?

You would only need to go for various medical examinations if the total sum covered exceeds the certain limits.

What will happen to my savings Takaful certificate if I fail to pay my contribution on time?

Most savings Takaful have grace period before it automatically surrenders. However, different Takaful operators might consider it as lapsed.

How much will I receive if I surrender my savings Takaful plan?

It will depend on your savings and investment profit accumulated at the time of surrender, if any.

Can I make a withdrawal of my savings under this plan?

Yes, depending on what type of savings Takaful you participated in.

Other important points to note when buying savings Takaful plan:

- 👉 Consider a plan that best suits your life stage.
- 👉 Understand the scope of cover provided.
- 👉 Be aware of the circumstances should you need to switch plans.

Before You Participate...

It is my first time participating in family Takaful. What should I do?

Refer to page 5 for tips on participating in family Takaful.

Do I need to take a medical exam?

This depends on the underwriting plan of your Takaful operator and the type of Takaful plan you will participate in. If you are required to take a medical exam, the costs may be paid either by you or the Takaful operator.

If you have a pre-existing medical condition you must tell your Takaful operator, otherwise any future claims may be rejected.

Can I participate more than one family Takaful plan?

Yes. For example, if you feel that your endowment plan does not provide you with adequate protection, you are able to participate in a term life plan as well.

What is a free-look period?

Free-look allows you to review your plan within 14 days. If you decide that the plan is not suitable to your needs, you may exercise the free look provision and the Takaful operator will refund all your contributions less any medical and other expenses.

You will need to send the Takaful operator a written notice within 14 days from the date you receive your plan.

Can I backdate the commencement date of my family Takaful plan?

This is not allowed for a family Takaful plan.

What happens if I decide to cancel my Takaful plan?

An early termination usually involves high costs and the surrender value payable (if any) may be less than the total contribution paid.

Why do I need a beneficiary for my Takaful plan?

In the event of death of a participant, the proceeds from the Takaful operator will go to the beneficiary that the participant has intended.

If you do not nominate a beneficiary in your plan, your Takaful operator is not obligated to release the plan monies until a Grant of Probate or Letter of Administration or Distribution Order is obtained which may take quite some time.

When should I nominate my beneficiary?

This can be done when you apply for the Takaful plan or any other time, when necessary. You can either nominate your family member or other individuals to receive these plan moneys upon your death, provided that you are at least 18 years of age.

Making a claim

How do I make claim?

Contact your Takaful operator or authorised agent if you wish to make a claim. You or your nominee will be paid, subject to the terms and condition of your plan.

What documentation do I need to provide when filing a claim?

Depending on the type of claim you wish to make, the supporting documents to be submitted may include the following:

Maturity claim

- Original copy of Takaful certificate

Death claim - the nominee needs to provide the following:

- Complete claim form
- Certified copy of death certificate
- Original takaful certificate
- Identification documents of claimant
- If no beneficiary nominated, the dependents of the deceased should provide proof of dependency or letter of administration
- Other documents as requested

Total Permanent Disability or Accident and Hospitalisation Benefit:

- Complete claim form
- Medical report
- Original receipt of payment for medical expenses from any hospital or clinic

Good to Know...

Is family Takaful affordable?

There are many factors that are considered when calculating your Takaful contribution such as age, smoking habits, and overall health, how long you wish to be covered and so on.

Since these plans are usually long-term, it would be good to enter at a young age as the contributions would be spread over a longer term.

How can I make my contribution instalments?

Depending on the type of plan you take up, payments can be made monthly, quarterly, semi-annually or annually.

However, a single contribution plan means that you would need to make one-time payment at the start of the plan that would cover the entire term of your plan.

What happens to my plan if I cannot afford or miss the contribution payment?

Your Takaful operator will give you a grace period (usually 30 days) after the contribution due date, to pay your contribution to renew your plan.

During this period, your plan will continue to be in force. If no contribution is received after the grace period, the plan will lapse. Where a plan has cash value, the contribution due may be deducted from the cash value as a loan.

Can I reinstate my lapsed plan?

Yes. You may request to reinstate your plan by:

- ✓ Applying in writing within a required time from the termination date of the plan;
- ✓ Paying all overdue contributions with interest owing, with interest up to the reinstatement date; and
- ✓ Providing evidence of insurability.

Can I take a loan from my Takaful plan?

No.

Can I choose to end my family Takaful plan early and what happens to the contributions I have paid?

Yes, you can choose to end (terminate) your plan before the maturity date. If your plan has a cash value, you may be able to receive some monies (surrender value) depending on how long you have maintained your plan.

Can I transfer my plan to another person or organization?

Most family Takaful plans are transferable to another party by means of an assignment. The participant (assignor) who assigns his plan to another party (assignee) will no longer have any right to the plan after the assignment.

You may check with your Takaful operator if this arrangement is available.