

THE CHARTERED INSURANCE INSTITUTE

590

Advanced Diploma in Insurance

Unit 590 – Principles of Takaful

October 2013 examination

Instructions

- Three hours are allowed for this paper.
- **Do not begin writing until the invigilator instructs you to.**
- **Read the instructions on page 3 carefully before answering any questions.**
- Provide the information requested on the answer book and form B.
- You are allowed to write on the inside pages of this question paper, but you must **NOT** write your name, candidate number, PIN or any other identification anywhere on this question paper.
- The answer book and this question paper must **both be handed in personally by you** to the invigilator before you leave the examination room. **Failure to comply with this regulation will result in your paper not being marked and you may be prevented from entering this examination in the future.**

Unit 590 – Principles of Takaful

Instructions to candidates

Read the instructions below before answering any questions

- **Three hours** are allowed for this paper which carries a total of 200 marks as follows.

Part I	8 compulsory questions	48 marks
Part II	1 compulsory question	38 marks
Part III	3 questions selected from 5	114 marks

- You should answer **all** questions in Part I, the compulsory question in Part II and three out of the five questions in Part III. The number of marks allocated to each question part is given next to the question and you should spend your time in accordance with that allocation.
- You are advised to spend no more than 45 minutes on Part I.
- Read carefully all questions and information provided before starting to answer. Your answer will be marked strictly in accordance with the question set.
- You may find it helpful in some places to make rough notes in the answer booklet. If you do this, you should cross through these notes before you hand in the booklet.
- It is important to show all steps in a calculation, even if you have used a calculator.
- If you bring a calculator into the examination room, it must be a silent, battery or solar-powered non-programmable calculator. The use of electronic equipment capable of being programmed to hold alphabetic or numerical data and/or formulae is prohibited. You may use a financial or scientific calculator, provided it meets these requirements.
- Answer each question on a new page and leave six lines blank after each question part.

Part I

Answer ALL questions in Part I
Each question is worth six marks

Note form is acceptable where this conveys all the necessary information

1. Explain Deya as a form of insurance/Takaful coverage. (6)
2. Identify **two** major objections to a conventional (non-Islamic) Insurance contract. (6)
3. Explain how a deficit in a participants' fund is treated in Takaful. (6)
4. Describe **two** problems facing the investment portfolio of an Islamic insurance company. (6)
5. Outline the main features of the investment policy of a Takaful company and give **three** examples of available Halal investment channels. (6)
6. Describe **three** lessons learned from the Takaful experience in Sudan, the Gulf Cooperation Council (GCC) countries, Malaysia and the United Kingdom. (6)
7. Explain what is meant by the term 'Shariah'. (6)
8. Explain the difference between a pure risk and a speculative risk. (6)

Part II

Compulsory question
This question is worth 38 marks

9. The table below pertains to the financial performance/status of ABC Islamic Insurance Company for 2010, which was the first operating year of the Company.

Account	Amount (in BD)
Cash and cash equivalents	23,600,000
Zakah Payable	3,100,000
Earned Contributions	46,000,000
Outstanding claims	40,000,000
Investments	90,000,000
Net Paid Claims	37,000,000
Paid-up Capital	100,000,000
Acquisition Cost	6,500,000
Gross Investment Income for policyholders	2,000,000
Remuneration for managing insurance operations	23,000,000
Owners equity share for managing investment portfolio	200,000
Fixed Assets	8,500,000
Amortization of Development Cost	150,000
General and Administrative expenses	19,000,000
Investment Revenues for Shareholders	6,000,000
Beginning Balance of Surplus	0
Reinsurance Commission	20,000,000

Any surplus in the Participants' fund will be retained in the fund.

Using the information above, prepare the following statements:

- (a) Statement of Policyholders' Revenues and Expenses; (13)
- (b) Statement of Policyholders' Surplus (Deficit); (12)
- (c) Income Statement for ABC Islamic Insurance Company. (13)

Questions continue over the page

Part III

Answer THREE of the following FIVE questions
Each question is worth 38 marks

10. Explain the concept of Gharar and demonstrate how it exists in conventional insurance and why it is not available, or removed, in Takaful. (38)
11. Explain the innovative and supplementary roles of the Shariah Supervisory Board and identify the challenges it faces. (38)
12. Recommend solutions for enhancing consumer awareness of Takaful Products. (38)
13. Explain how the exploitative nature of profits in commercial insurance is considered as a non-permissible practice by Shariah Scholars. (38)
14. Compare the differences between Sharikat Al-Musahamah and Sharikat Al Mudaraba. (38)

