Book Review


The insurance industry has been around for more than two hundred years and operates in every corner of the world. It plays an important role for both Muslim and non-Muslim with its primary purpose to eliminate risks for the premium holder, spreads risks from the individual to the larger community and is an important source of long-term finance for the public and private sectors. Today, however, there is an Islamic alternative to conventional insurance with the development of takaful. The crucial difference between conventional and Islamic insurance is that the latter is Shari’ah compliant and based on the Islamic principles of trusteeship and co-operation. The Islamic or Takaful insurance industry is 35 years old compared with conventional (more than 270 years old) and hence, it is important more studies are conducted and research carried on this topic. There is a dearth of books published on takaful and thus does not make it easy for those who are keen on understanding the concept and operation of takaful. The book under review, Takaful: Realities and Challenges, is timely and a good source of a reference for those interested in learning more about takaful and what advantages it has over conventional insurance.

Takaful: Realities and Challenges is explains in detail the concept, operations and application of takaful. It is considered useful and beneficial to students, practitioners and academicians as the complex topic is explained with the aid of graphics. What is unique about this book is the fact the authors painstakingly explain various aspects of the takaful operation, something not dealt with by many books on Takaful.

The book is well-organised and written in a style that is clear and appealing. It begins with a description of the risks and takaful fundamentals in Part 1 (Chapter 1–9), Part 2 on family and health takaful (Chapter 10–13) and continues with Part 3 on general takaful principles (Chapter 14–17); it ends with a discussion of future challenges in takaful and retakaful (Part 4; Chapter 18–19). The authors succeed in keeping the readers on track all the time. All the topics are explained clearly in individual chapters.

We live in a world full of risks which mean we need to be constantly
vigilant of potential harm that may befall on us. It also requires us to have abilities and means to cope with them. The authors explain the basic concept and nature of risk in the very first chapter to show that risks are a part of our daily lives. Different types of risk and classifications of risk are discussed including the various factors affecting risks and methods of managing risk that include insurance and *takaful*. Terms such as losses, perils and hazards are used when discussing the concept of risk. The authors explain risk management techniques using the principles of *takaful* in Part 1 of this book in a very easy-to-understand manner. They address why conventional insurance is not *shariah* compliant. Hence, this book is a good reference for those who want to become an agent for *takaful* insurance as it discusses some of the issues that need to be clarified in *takaful* and for the reader to grasp the advantages of *takaful* over conventional insurance. Many interested parties and prospective clients desire to know more about *takaful* and how it works. Thus, it is crucial for the would-be agents to equip themselves with relevant knowledge and information. This book is a useful reference for them when explaining Takaful concepts and models to their clients especially the concept of *tabarru*.

The focus of this book is on family and general *takaful* principles which are dealt with in the second part. There is an extensive discussion by honing in on family and health *takaful* coverage (pp. 241-371). The third part focuses on general *takaful* principles (pp.372-496). The second part examines various types of family and health *takaful* products (Chapter 10) followed by a discussion on various contract provisions that are found in both family and health *takaful* products (Chapter 11). The subsequent chapter discusses family and medical health *takaful* operations by examining underwriting and claim function of family and health *takaful* products. Insurable interest, utmost good faith, indemnity, subrogation, contribution and proximate cause are the principles that inform underwriting and processing of family *takaful* policies. In family *takaful* underwriting, the main components comprise an agent’s report, preliminary processing, information gathering, underwriting factors, underwriting manuals and the numerical rating system. This chapter also explains in detail critical illnesses covered under family *takaful*. Under family *takaful*, claims can arise due to death, permanent disablement and critical illnesses. However, not all certificates can be claimed, because different types of *takaful* certificate will cover different types of claims. The last chapter in this section tackles actuarial basis of family *takaful*. The objective is to ensure readers understand the basic actuarial concepts, pricing process and reserve process (valuation) in family *takaful*. Examples of how the premium is calculated are also included in this chapter.

Chapter three begins with an explanation on the general *takaful* products
(Chapter 14), followed by a discussion on the various contract provisions that are found in general takaful contract (Chapter 15). The subsequent chapter focuses on two important aspects namely, underwriting and claim function of general takaful. The main task of the underwriter is to manage the general takaful fund as effectively and as profitably as possible. Under general takaful, the claims are divided into two: motor and non-motor claims. The final chapter in this part concentrates on the actuarial basis of general takaful. This chapter explains and discusses briefly on the three main tariffs namely, motor, fire and workmen’s compensation tariffs.

In the last part of this book (497-551), Alhabshi et al focus on retakaful (Chapter 18) and the takaful industry: past, present and future (Chapter 19). The final chapter of the book examines three phases of takaful development; the evolutionary phase in the past, the current phase and the future phase. It also traces the historical events that helped to shape today’s takaful industry, examine the operational, human capital and regulatory issues and challenges facing the takaful industry. The authors conclude by proposing an ideal takaful model that could be adopted which addresses some of the issues and challenges faced today.

The book draws its strength an in-depth description of the fundamentals of takaful, risks, family and health takaful and general takaful and as well as a thorough examination of future challenges in takaful and retakaful. The shortcoming of the book, if any, is a lack of critical explanation and discussion about awareness of takaful among Muslims in Malaysia. The concept of takaful is still ambiguous to many especially Muslims because they have not been educated or informed of its advantages. It is hoped in the next edition of this book, the authors will enhance chapter 3 (Takaful and its significance) particularly on the importance of takaful in our life. The authors should also propose, in the new edition, an innovative product as a reference for the takaful industry which is based on shariah principles to attract more customers, especially non-Muslims.

I strongly recommend this book to prospective takaful agents which will enable them to understand the concept and operation of takaful. In this modern era, customers prefer to deal with agents whom they feel they can trust and also able to explain the concept of takaful comprehensively. Thus, this book is very useful for practitioners in order to increase their knowledge on this product which offers a viable alternative to conventional insurance. The shariah principles should be a part of the code of practice for takaful agents. This book is also suitable for anyone who is keen to know more about the reality and challenges in takaful. As a student of the International Islamic University, I believe this is a useful reference to students and the faculty at large; a separate subject on takaful as part of the Islamic study rather than
subtopic of other subject should be recommended. I look forward to a more comprehensive second edition of the book with relevant case studies and examples of underwriting and the claim process.

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