UNIVERSITI KUALA LUMPUR BUSINESS SCHOOL

FINAL EXAMINATION
JANUARY 2016 SEMESTER

COURSE CODE : EBB 30203
COURSE NAME : TAKAFUL AND RETAKAFUL OPERATIONS AND PRODUCTS
PROGRAMME NAME : BACHELOR
DATE : 26th MAY 2016
TIME : 2.00 PM - 5.00 PM
DURATION : 3 HOURS

INSTRUCTIONS TO CANDIDATES

1. Please read the instructions given in the question paper CAREFULLY.

2. This question paper is printed on both sides of the paper.

3. This question paper consists of TWO (2) sections; Section A and Section B.

4. Answer ALL questions in Section A. For Section B, answer THREE (3) questions ONLY.

5. Please write your answers on the answer booklet provided.

6. All questions must be answered in English (any other language is not allowed).

7. This question paper must not be removed from the examination hall.

THERE ARE FIVE (5) PAGES OF QUESTIONS, EXCLUDING THIS PAGE.
SECTION A (Total: 40 marks)

INSTRUCTION: Answer ALL questions.
Please use the answer booklet provided.

Question 1
Identify the roles of *takaful* operator and *takaful* participants under the following contracts:

(a) *Wakalah.*  
(4 marks)

(b) *Mudarabah.*  
(4 marks)

(TOTAL: 8 MARKS)

Question 2
Briefly explain the following terms:

(a) Profit sharing ratio.  
(3 marks)

(b) Contribution.  
(3 marks)

(c) Underwriting surplus.  
(3 marks)

(d) *Takaful* operator.  
(3 marks)

(TOTAL: 12 MARKS)
Question 3
Describe the following *takaful*-able risks:

(a) Large number of similar objects.

(b) Accidental and unintentional loss.

(c) Determinable and measurable loss.

(d) Loss not subject to catastrophic hazard.

(e) Probability of loss must not be too high.

(Total: 20 marks)
SECTION B (Total: 60 marks)

INSTRUCTION: Answer THREE (3) questions ONLY.
Please use the answer booklet provided.

Question 4

(a) "Takaful participants are both insured and insurer under a takaful policy." Justify. (6 marks)

(b) "A takaful protection cannot be provided to a thief on the goods stolen by him." Provide your support to this statement. (8 marks)

(c) A participant has subscribed to a motor vehicle takaful for his car. The sum covered was RM 40,000. After 6 months, he was involved in an accident and the market value of the car was RM 38,000. The estimated losses was RM 15,000.

i. How much maximum benefit would he be entitled to under the policy? Justify. (3 marks)

ii. How much actual claim would be paid by the takaful operator? Justify. (3 marks)

(TOTAL: 20 MARKS)

Question 5

(a) Assess the suitability of using banka Takaful in distributing mortgage reducing term takaful (MRTT). (6 marks)

(b) "A participant of a health takaful policy has made a false declaration that he does not suffer from a terminal disease, when completing the application form." Appraise the validity of the warranty based on the relevant principles of takaful contract. (6 marks)

(d) "Medical and family health history may signify an above average mortality risk." Identify the consequences of such risk in family takaful underwriting. (8 marks)

(TOTAL: 20 MARKS)
Question 6

(a) Describe the application of *tabarru‘* and *ta’awun* in *takaful.* (4 marks)

(b) "Conventional insurance is based on an exchange contract." Justify. (8 marks)

(c) Compare between *takaful* and conventional insurance on the following aspects:
   
i. Ownership of premium. (4 marks)

   ii. Investment of premium. (4 marks)

[TOTAL: 20 MARKS]

Question 7

(a) Outline the distribution of profit and underwriting surplus under pure *mudarabah* and modified *mudarabah.* (4 marks)

(b) Explain the appropriate actions under the following situations:
   
i. Deficit in *takaful* fund. (2 marks)

   ii. Surplus in *takaful* fund (3 marks)
(c) Compare and contrast between mudarabah and wakalah operational models in terms of the relationship between takaful operator and takaful participants. 

(6 marks)

(d) Firemen remove undamaged stock from a burning building to protect it from fire. It is stacked in the open yard and subsequently damaged by rain few days after the fire. The takaful policy taken on the building is fire takaful policy.

Assess the proximate cause and validity of the participant’s claim for compensation. 

(5 marks)

[TOTAL: 20 MARKS]