

## Book Review

Takaful: Realities and Challenges by Syed Othman Alhabshi, Kamaruddin Sharif, Shaikh Hamzah Abdul Razak and Ezamshah Ismail, International Centre for Education in Islamic Finance (INCEIF), Petaling Jaya: Pearson, 2012, 578 pp.

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 about *takaful* and what advantages it has over conventional insurance.

*Takaful: Realities and Challenges* 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 s. 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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