

590

Advanced Diploma in Insurance

Unit 590 – Principles of Takaful

April 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 **three** fundamental factors of establishing an ethical proper framework for a Takaful system. (6)
2. Discuss the following statement: "The concept of insurance is not acceptable in Islam". (6)
3. State **six** types of risks that a Takaful insurance company cannot accept. (6)
4. Define 'Policyholders' equity'. (6)
5. Explain what a Wakala contract is. (6)
6. List **three** supervisory roles of the Shariah Supervisory board (SSB). (6)
7. Explain **three** main responsibilities of an Internal Shariah Reviewer/Shariah Compliance Officer in an Islamic financial institution. (6)
8. State **three** contracts commonly used in Takaful, and describe briefly their function. (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	21,000,000
Zakah Payable	2,000,000
Earned Contributions	49,000,000
Outstanding claims	7,000,000
Distribution of surplus to policyholders	4,000,000
Investments	100,000,000
Net Paid Claims	5,000,000
Paid up Capital	75,000,000
Acquisition Cost	14,000,000
Gross Investment Income for policyholders	3,000,000
Remuneration for managing insurance operations	68,000,000
Owners equity share for managing investment portfolio	300,000
Fixed Assets	7,000,000
Amortization of Development Cost	300,000
General and Administrative expenses	66,000,000
Investment Revenues for Shareholders	4,500,000
Beginning Balance of Surplus	0
Reinsurance Commission	57,000,000

Using the information on the table 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. Describe the features of Islamic contracts. **(38)**

11. Explain how the concept of insurance is acceptable from a Sharia point of view. **(38)**

12. Explain the 'Information-Asymmetry' problem that may arise in a Wakala contract and in a Mudaraba contract and identify how it can be resolved (or partially resolved) in each contract separately. **(38)**

13. Discuss how a surplus is treated and distributed in Takaful. **(38)**

14. Explain the difference between Wakala and Mudaraba contracts. **(38)**

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