

## 590

## Advanced Diploma in Insurance

### Unit 590 – Principles of Takaful

October 2014 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. Define the term 'Sharia' and list **three** sources of Sharia rules. (6)
2. Explain the main arguments for mutuality. (6)
3. Compare the **two** different methods of addressing a deficit in the participants funds. (6)
4. Explain briefly **three** fundamental factors to establish an ethical framework to a Takaful model. (6)
5. Identify the **three** drivers of change that have prompted rapid growth in insurance for both individuals and companies across Muslim-denominated countries. (6)
6. Identify **three** required disclosures in the financial statement of a Takaful firm in relation to Zakat and charity funds. (6)
7. Explain briefly **three** of the main responsibilities of the Sharia Supervisory Board under their supervisory role. (6)
8. Define Deya and differentiate briefly between Acqela and Qasama. (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 2011, which was the second operating year of the Company.

Account	Amount (in BD)
Cash and cash equivalents	19,000,000
Zakah Payable	1,200,000
Earned Contributions	29,400,000
Outstanding claims	4,000,000
Distribution of surplus to policyholders	2,400,000
Investments	60,000,000
Net Paid Claims	3,000,000
Paid up Capital	40,000,000
Acquisition Cost	8,400,000
Gross Investment Income for policyholders	1,800,000
Remuneration for managing insurance operations	40,800,000
Owners' equity share for managing investment portfolio	180,000
Fixed Assets	2,500,000
Amortisation of Development Cost	180,000
General and Administrative expenses	39,600,000
Investment Revenues for Shareholders	2,700,000
Beginning Balance of Surplus	1,000
Reinsurance Commission	34,200,000
Surplus for the period	13,020,000

Using the information in the table above, prepare the following statements:

- (a) Statement of Policyholders' Revenues and Expenses; (15)
- (b) Statement of Policyholders' Surplus (Deficit) and; (9)
- (c) Income Statement for ABC Islamic Insurance Company. (14)

**Questions continue over the page**

**Part III**

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

- 10.** Define Family Takaful and explain the benefits of a Family Takaful plan. **(38)**
- 11.** Explain how 'distribution channels' and 'Takaful landscapes and recent trends' are considered challenges to the future growth of the Takaful industry. **(38)**
- 12.** Compare the following operational models.
- (a)** Mudarabah. **(22)**
- (b)** Wakalah. **(16)**
- 13.** Explain the difference between Gharar and Ghabn and identify why they are considered as prohibited practices in Takaful. **(38)**
- 14.** Explain the Islamic evidence that supports the concept of insurance. **(38)**



