

# Principles of Takaful

## Purpose

To enable candidates to demonstrate knowledge and understanding of:

- how and why *Takaful* operates as an Islamic variant of insurance;
- the technical and operational aspects of *Takaful*;
- the role of *Takaful* in the global marketplace.

### Summary of learning outcomes

1. Understand the purpose and key concepts of insurance.
2. Understand key *Shariah* concepts relevant to financial practice.
3. Understand how and why *Takaful* differs from conventional insurance provision.
4. Understand how *Takaful* models operate.
5. Understand the role of *retakaful*.
6. Apply appropriate financial practices to a *Takaful* operation.
7. Discuss the operational and market challenges and opportunities for *Takaful*.

## Important notes

- Method of assessment: written examination (three hours).
- The October session will test the legal position as of 28th February of the same year.
- The April session will test the legal position as of 31st August of the preceding year.
- Candidates should refer to the CII website for the latest information on changes to law and practice and when they will be examined:
  1. Visit [www.cii.co.uk/qualifications](http://www.cii.co.uk/qualifications)
  2. Select the appropriate qualification
  3. Select your unit on the right hand side of the page

1. **Understand the purpose and key concepts of insurance**
  - 1.1 Explain the purpose of insurance.
  - 1.2 Explain key concepts in conventional insurance.
2. **Understand key *Shariah* concepts relevant to financial practice**
  - 2.1 Explain the role of *Shariah* within financial practice.
  - 2.2 Explain the principal *Shariah* prohibitions in financial contracts.
3. **Understand how and why *Takaful* differs from conventional insurance provision**
  - 3.1 Explain why conventional insurance is not compliant with *Shariah* perspectives.
  - 3.2 Explain the main elements of risk sharing in the context of Islamic contract law.
4. **Understand how *Takaful* models operate**
  - 4.1 Explain the core operational features of *Takaful* models.
  - 4.2 Explain the key features of governance within a *Takaful* operation.
  - 4.3 Explain how *Takaful* operators manage claims.
  - 4.4 Explain key regional differences in *Takaful* regulation and practices.
5. **Understand the role of *retakaful***
  - 5.1 Explain the importance of *retakaful* to *Takaful* operations.
6. **Apply appropriate financial practices to a *Takaful* operation**
  - 6.1 Explain the differences between conventional and AAOIFI accounting approaches.
  - 6.2 Apply AAOIFI accounting standards to *Takaful* accounts.
  - 6.3 Explain how *Shariah* principles apply to the treatment of deficits and surpluses.
  - 6.4 Explain how Islamic investment strategies are applied in *Takaful* operations.
7. **Discuss the operational and market challenges and opportunities for *Takaful***
  - 7.1 Discuss the key market challenges and opportunities for *Takaful*.
  - 7.2 Discuss the key operational challenges and opportunities for *Takaful*.

## Reading list

The following list provides details of various publications which may assist you with your studies.

**Note: The examination will test the syllabus alone.**

The reading list is provided for guidance only and is not in itself the subject of the examination.

The publications will help you keep up-to-date with developments and will provide a wider coverage of syllabus topics.

CII/PFS members can borrow most of the additional study materials below from Knowledge Services. CII study texts can be consulted from within the library.

New materials are added frequently - for information about new releases and lending service, please go to [www.cii.co.uk/knowledge](http://www.cii.co.uk/knowledge) or email [knowledge@cii.co.uk](mailto:knowledge@cii.co.uk).

## CII study texts

Principles of *Takaful*. London: CII. Study text 590.

## Ebooks

The following ebooks are available through Discovery via [www.cii.co.uk/discovery](http://www.cii.co.uk/discovery) (CII/PFS members only):

Accounting, auditing and governance for *Takaful* operations. Sheila Nu Nu Htay. Singapore: Wiley, 2013.

Good faith in insurance and *Takaful* contracts in Malaysia: a comparative perspective. Haemala Thanasegaran. Singapore: Springer, 2016.

'Pricing of *Takaful* policies and *Retakaful*'. Chapter 26 - Contracts and deals in Islamic finance: a user's guide to cash flows, balance sheets and capital structures. Hussein Kureshi, Moshin Hayat. Singapore: Wiley, 2015.

Shari'ah non-compliance risk management and legal documentations in Islamic finance. Ahsan Laḥasāsīnah. Singapore: Wiley, 2014.

'*Takaful*'. Chapter 25 - Contracts and deals in Islamic finance: a user's guide to cash flows, balance sheets and capital structures. Hussein Kureshi, Moshin Hayat. Singapore: Wiley, 2015.

*Takaful* and Islamic cooperative finance: challenges and opportunities. Syed Nazim Ali, Shariq Nisar. Cheltenham: Edward Elgar Publishing, 2016.

*Takaful* and mutual insurance: alternative approaches to managing risks. Serap Oguz Gonulal. Washington, D.C.: World Bank Publications, 2012.

*Takaful* Islamic insurance: concepts and regulatory issues. Volker Niehaus, et al. Singapore: Wiley, 2009.

## Journals and magazines

The Journal. London: CII. Six issues a year. Also available online via [www.cii.co.uk/knowledge](http://www.cii.co.uk/knowledge) (CII/PFS members only).

## Reference materials

Accounting, auditing and governance standards. Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). Bahrain: AAOIFI, 2015.

Concise encyclopedia of insurance terms. Laurence S. Silver, et al. New York: Routledge, 2010. Also available online through Discovery via [www.cii.co.uk/discovery](http://www.cii.co.uk/discovery) (CII/PFS members only).

## Examination guides

Guides are produced for each sitting of written answer examinations. These include the exam questions, examiners' comments on candidates' performance and key points for inclusion in answers.

You are strongly advised to study guides from the last two sittings. Please visit [www.cii.co.uk](http://www.cii.co.uk) to buy online or contact CII Customer Service for further information on +44 (0)20 8989 8464.

Older guides are available via [www.cii.co.uk/pastexamguides](http://www.cii.co.uk/pastexamguides) (CII/PFS members only).

## Exam technique/study skills

There are many modestly priced guides available in bookshops. You should choose one which suits your requirements.

The Insurance Institute of London holds a lecture on revision techniques for CII exams approximately three times a year. The slides from their most recent lectures can be found at [www.cii.co.uk/iilrevision](http://www.cii.co.uk/iilrevision) (CII/PFS members only).