



Chartered
Insurance
Institute

590

Advanced Diploma in Insurance

Unit 590 – Principles of Takaful

October 2018 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 briefly the difference(s) between fundamental risks and particular risks. (6)

2. Explain briefly **three** challenges associated with the basic co-operative model. (6)

3. Explain briefly the difference(s) between bilateral contracts and unilateral contracts. (6)

4. Explain briefly **three** criticism points for *Takaful* windows. (6)

5. Explain briefly the difference(s) between operational risk and liquidity risk in a *Takaful* operational model. (6)

6. Identify **three** main responsibilities of the *Shariah* Liaison Officer. (6)

7. Explain briefly the difference(s) in respect of the treatment of surplus or deficit in the proprietary and *Takaful* modes of insurance provision. (6)

8. Explain briefly how *Gharar* is mitigated by *Tabarru*. (6)

Part II and III questions continue on pages 6 – 7

Part II**Compulsory question**
This question is worth 38 marks

9. The Board of Directors of *ABC Takaful* firm has recently conducted a meeting in relation to the strategy and operations of the firm. As a member of the management team, you have received the following brief about the Board's requests in relation to the debate that took place during the meeting.

Strategy

While reviewing the strategy, the Board of Directors discussed the available expansion opportunities. Much of their debate related to the emerging markets. They have requested the management team to provide them with further details on the emerging market economies.

Operations

While reviewing the financial statements and the accounting policies of the firm, the Board noted several references to Financial Accounting Standard No. 12 (FAS 12) and Financial Accounting Standard No. 13 (FAS 13) of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) standards. The Board requested the management team to provide them with some details in relation to FAS 12 and FAS 13.

Prepare a report to the Board of Directors addressing their requests.

(38)

Part III

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

- 10.** Explain *Shariah* compliant mechanisms available to address a deficit in the participant risk fund(s). **(38)**

- 11.** Explain the formation of the *Takaful* fund from theoretical and practical perspectives. **(38)**

- 12.** Explain *Gharar* and *Maysir* and their prohibition in *Shariah*. **(38)**

- 13.** Explain the key features of a *Takaful* model of insurance provision. **(38)**

- 14.** Explain the objectives of Islamic finance. **(38)**

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