

Family takaful

Introduction

This is an introductory guide to help you understand how family takaful works. It gives you some basic information so that you can ask your takaful operator the right questions, understand the answers and make the right choice before you participate in any takaful plan.

What is family takaful?

Family takaful provides you with a protection and long-term savings. You or your beneficiary will be provided with financial benefits if you suffer a tragedy. At the same time, you will enjoy a long-term personal savings because part of your contribution will be deposited in an account for the purpose of savings. You will be able to enjoy investment returns from the savings portion based on a pre-agreed ratio.

If you participate in family takaful, you will be eligible for personal tax relief as in life insurance. The maximum amount of relief for an ordinary family takaful is RM6,000 per year less any contributions paid to retirement benefit schemes i.e. Employees Provident Fund. For medical and education plans, the tax relief is RM3,000 per year.

Takaful concept in family takaful

When you participate in family takaful, you will contribute a certain amount of money to a takaful fund. You will undertake a contract (aqad) for part of your contribution to be in the form of participative contribution (tabarru') and the other part for savings and investment.

Your contribution in the form of tabarru' will be placed in a fund (Participants' Special Account or PSA) that will be used to fulfil your obligation of mutual help, should any of the participants face a misfortune arising from death or permanent disability. If you survive until the date of maturity of the plan, you will be entitled to share the net surplus from the fund, if any.

The takaful operator will invest your savings and investment contribution (Participant's Account or PA) and the profit will be shared between you and the takaful operator according to a pre-agreed ratio.

Types of cover

Family takaful can be grouped as follows:

- Ordinary family
 - **Individual family takaful (individuals)** – The plans include education, mortgage, health and riders. You will receive financial benefits arising from death or permanent disability, as well as long-term savings (investment), and investment profits that are distributed upon claim, maturity or early surrender.
 - **Group family takaful (employers, clubs, associations and societies)** – The plans include group education, group medical, health and riders. A minimum number of participants are required to qualify under these plans. You will receive protection in the form of financial benefits arising from death or permanent disability.
- Annuity – a plan that provides regular income upon your retirement.
- Investment-linked – A portion of your contribution is used to buy investment units, such as units in equity or fixed income securities. The takaful protection covers death and permanent disability.

A family takaful rider is an extension of the basic family takaful. The rider provides coverage against personal accident and disability, medical and health.

Benefits covered under family takaful

Should you pass away before your takaful plan matures, the takaful operator will pay to your nominee (wasi) with the following benefits:

- From your PA
The amount accumulated in your PA plus your share of profits from the date of inception of the takaful plan to the due date of payment prior to death.
- From your PSA
The sum covered under the risk or tabarru' portion.
If you survive until the date of maturity, you will be entitled to the following benefits:
 - From your PA
The amount accumulated in your PA plus your share of profits from the investment.
 - From your PSA
The net surplus allocated to you, if any.

Key terms and conditions

It is important that you understand the terms used in family takaful. If you have any doubts about the meanings of these terms, you should ask your agent or the takaful operator. As the certificate is a legal contract, the meanings used in the certificate will apply when a claim is made.

Some of the important terms are:

- **Contribution** – This is the periodic sum of money that you pay to the takaful operator. You can choose either to pay on monthly, quarterly, semi-annually or annual basis.
- **Grace period** – You will be allowed 30 days' grace period from the due date to pay your takaful instalment. Should you pass away during the grace period, the unpaid takaful instalment will be deducted from your takaful benefits.
- **Maturity period** – You may choose any of the maturity periods that best meet your needs. The periods range from 10 years to 40 years.

Salient features of family takaful

- Open to all individuals aged of 18 to 55 years
- A choice of maturity periods
- No forfeiture in event of cancellation
- Facility for part-withdrawal
- Surplus sharing with takaful operator
- Provide long-term savings and investment

Exclusions

Family takaful will usually not cover the following:

- If you breached the law

- If you provoked an assault
- If you were under influence drugs or alcohol.
- If you were to suffer from AIDS or HIV
- Any other causes prohibited by Shariah law

Inform your nominee (wasi)

- Let your nominee know about your family takaful, any changes that you have made and where you keep the documents.
- Keep your documents in a safe place. Have the basic information i.e. the name of the takaful operator, type of plan, certificate number and the names of nominees in a separate place.
- Make sure you inform your takaful operator on the address of your nominee and changes, if any.

How do I make a claim?

The takaful operator will pay you or your nominees, subject to the terms and conditions of your certificate. In the event of a claim:

- Notify your takaful operator as soon as possible.
- For maturity claim, provide a copy of the family takaful certificate.
- For death claim, your nominee needs to provide the following documents:
 - A certified copy of the death certificate;
 - A photocopy of the deceased's identity card;
 - Original takaful certificate;
 - Proof of claimant's relationship with the deceased; and
 - Other documents as requested by the takaful operator

Do's and don'ts

When applying for takaful plan

Do	Don't
<ul style="list-style-type: none"> • Disclose all material facts on the risks to be covered. • Read the 'Important Notice' on the Proposal Form. • Answer all questions fully and accurately. • Complete and sign the Proposal Form yourself. 	<ul style="list-style-type: none"> • Leave any question in the Proposal Form unanswered. • Use ticks & dashes to answer the questions requiring full answers. • Withhold or misrepresent any material fact. Otherwise, the certificate issued will be void, meaning that the claim can be repudiated.

To ensure your takaful plan remains valid

Do	Don't
<ul style="list-style-type: none"> • Comply with all the terms, conditions and endorsements of the certificate 	<ul style="list-style-type: none"> • Forget to pay the contribution within the terms allowed by the takaful operator