

Micro-*takāful* scheme for the protection of houses belonging to low-income groups in Malaysia

House micro
protection
schemes

303

Puteri Nur Farah Naadia Mohd Fauzi
*Quantity Surveying/Construction Project Management (QSCPM),
School of Energy Geoscience Infrastructure and Society, Heriot-Watt University,
Putrajaya, Malaysia, and*
Mohamad Akram Laldin
*ISRA Research Management Centre, INCEIF University,
Kuala Lumpur, Malaysia*

Received 20 May 2021
Revised 21 June 2021
28 October 2021
1 June 2022
8 July 2022
17 August 2022
Accepted 23 August 2022

Abstract

Purpose – This study aims to assess the availability of micro-*takāful* (micro-Islamic insurance) schemes for the protection of houses belonging to low-income groups in Malaysia.

Design/methodology/approach – The study is conducted via desk research and interview discussions with representatives from *takāful* operators and key stakeholders.

Findings – Findings of the study confirm the importance of micro-*takāful* as a scheme for the protection of low-income groups. Micro-*takāful* schemes in Malaysia are, however, skewed towards the protection of health, life and family. The study finds little industry interest in the provision of micro-*takāful* schemes for the protection of houses for low-income groups. This represents another important area that *takāful* operators should take into consideration in their planning.

Research limitations/implications – The paper will help the Majlis Agama Islam Negeri-Negeri (MAINS), the regulator, *takāful* operators and government agencies such as Jabatan Wakaf, Zakat dan Haji (JAWHAR) to generate awareness and promote the offering of micro-*takāful* schemes for the protection of houses belonging to low-income groups in Malaysia.

Practical implications – In light of the limited availability of micro-*takāful* schemes for the protection of houses for low-income groups, this study argues that *takāful* operators should offer and promote them.

Social implications – The study is significant for fulfilling the need of low-income groups in Malaysia to protect their houses in the event of catastrophes so that they will not suffer significant losses. Rather, micro-*takāful* will assist them in improving their standard of living.

Originality/value – This study promotes the idea that it is essential to facilitate the low-income groups with appropriate coverage made available to them; micro-*takāful* schemes in protecting their houses and home contents, should any defined calamities occur. The outcomes are necessary for further development of micro-*takāful* models, specifically for the protection of properties. The developed model shall be proposed for application in the Malaysian *takāful* and housing industry to facilitate low-income groups to obtain protection for their household and home contents.

Keywords Insurance, Low-income groups, Micro-*takāful*, Properties, Protection

Paper type Research paper

© Puteri Nur Farah Naadia Mohd Fauzi and Mohamad Akram Laldin. Published in *ISRA International Journal of Islamic Finance*. Published by Emerald Publishing Limited. This article is published under the Creative Commons Attribution (CC BY 4.0) licence. Anyone may reproduce, distribute, translate and create derivative works of this article (for both commercial and non-commercial purposes), subject to full attribution to the original publication and authors. The full terms of this licence may be seen at <http://creativecommons.org/licenses/by/4.0/legalcode>

This research is funded by the Heriot-Watt University Malaysia (HWUM); EmPOWER Research Grant Scheme (EmRGS) 2021/2022; Project ref no. EGIS/EmRGS/2021/03 (Title: Development of a model for the protection of houses and home contents belonging to/occupied by the low-income groups via micro protection plans in Malaysia).



ISRA International Journal of
Islamic Finance
Vol. 14 No. 3, 2022
pp. 303-314
Emerald Publishing Limited
e-ISSN: 2289-4365
p-ISSN: 0128-1976
DOI 10.1108/IJIF-05-2021-0090

Introduction

Islam promotes the protection of properties against risks through Sharī'ah-compliant schemes such as *takāful* (Islamic insurance). In the practice of *takāful*, a group of people mutually agree to contribute to a fund in the form of a donation (*tabarru'*) to provide a joint guarantee to participants against specified losses. In the event of a loss, the money from the fund is used to compensate the participant. Nonetheless, the sum which is contributed in a standard *takāful* scheme is considered high and unaffordable to low-income groups suffering from financial constraints. Thus, most people from low-income groups live their lives without access to *takāful* and cannot afford to have their properties protected against risks. Without such insurance coverage, this income category is greatly affected in the event of calamities and would endure further loss, poverty and suffering.

In its Financial Sector Blueprint 2011–2020, Bank Negara Malaysia (BNM, 2011) articulated the value of financial inclusion and planning for it to bring about healthy and sustainable economic development. One of the proposals is to ensure that low-income communities have access to the same facilities as higher-income groups (IFSB and IAIS, 2015; BNM, 2016). It is argued that low-income groups are more vulnerable to major losses and therefore need to be secured against them.

Micro-*takāful* (micro-Islamic insurance) has been introduced as a scheme that provides affordable protection at a fair amount of contribution to meet the needs of low-income groups in the protection of lives and properties. BNM established a regulatory structure with industry participation to promote the growth of micro-*takāful* in Malaysia. This led to the introduction of the "Microinsurance and Micro*takāful*: Discussion Paper" (BNM, 2016) with the aim of enabling market growth and innovation while preserving the quality and sustainability of micro-insurance/micro-*takāful* provision in the country.

Current literature has mainly reported on the understanding and concepts of micro-*takāful* as a scheme to protect low-income groups from health and life deprivation (Churchill, 2006; Noor and Zuriah, 2012; IFSB and IAIS, 2015; Adekunle *et al.*, 2017). The regulatory framework published by BNM (2016) provided further discussions on micro-*takāful* as a means to provide financial protection, especially for low-income groups in Malaysia. Micro-*takāful* schemes are also offered for the protection of life and family (Hui Lin, 2017).

Critically, little is known about the availability of micro-*takāful* to protect houses belonging to low-income groups in Malaysia. Hence, this study endeavours to assess the availability of such micro-*takāful* schemes in Malaysia. The article is structured as follows: the next section reviews the definition of low-income groups, the difference between *takāful* and micro-*takāful* and the necessity of micro-*takāful* for the protection of properties of low-income groups. Next, a discussion on the types of micro-*takāful* schemes for the protection of houses belonging to low-income groups in Malaysia is provided. The research methodology adopted to achieve the purpose of the study is then explained. The results are discussed in the following section. Conclusions and recommendations for further study are provided in the last section.

Literature review

Definition and categorisation of low-income groups

BNM (2016) refers to low-income groups as the poor, vulnerable or lower-middle-income households. Islamic Financial Services Board (IFSB) and the International Association of Insurance Supervisors (IAIS) (2015) classify low-income groups as sections of the population that are typically not eligible to participate in a normal *takāful* scheme offered by *takāful* operators. This group is first of all ineligible because they are unable to meet the basic financial requirements due to their irregular incomes, hazardous occupations and other financial commitments. Other reasons for their ineligibility include the underwriting

requirements relating to medical history, insurable interest and other considerations related to risk management set forth by *takāful* regulations (IFSB and IAIS, 2015). In the context of this study, low-income groups are defined based on the study conducted by Khairuddin *et al.* (2016) and comprise the following:

- (1) Groups with income below the level of Poverty Line Income (PLI) set by Jabatan Kebajikan Masyarakat (JKM) and Kementerian Kesejahteraan Bandar, Perumahan and Kerajaan Tempatan (KPKT) and need assistance. PLI refers to the income level that is only enough to buy basic food needs to ensure sufficient nutrition requirements for households and other basic needs such as clothing and shoes, house rental, utilities, transportation, communication, medical and education expenses (Economic Planning Unit, 2016; Ministry of Urban Wellbeing, Housing and Local Development, 2017). Based on the new 2019 methodology, the national PLI mean for households in Malaysia was RM2,208 per month. In 2019, there were over 400,000 households with monthly incomes below the PLI of that time; these were considered “absolute poor households” (Department of Statistics Malaysia, 2020). In addition, there were more than 25,000 households with income less than half of PLI 2019 that were considered “hardcore poor households” (Department of Statistics Malaysia, 2020).
- (2) Specific groups of *asnāf* (eight categories of beneficiaries of zakat funds), particularly *asnāf* who are eligible for house assistance; i.e. *asnāf fakir* and *asnāf* poor. *Asnāf fakir* refers to groups that have neither material possessions nor means of livelihood and incomes or revenues to meet their basic needs and those of their dependants (Lembaga Zakat Selangor (LZS), 2016; Melaka Islamic Religion Council, 2022). Meanwhile, *asnāf* poor refers to groups that have insufficient income or revenues to meet their basic needs and those of their dependants (LZS, 2016; Melaka Islamic Religion Council, 2022). Zakat authorities determine the groups of *asnāf fakir* and *asnāf* poor based on the concept of *ḥadd al-kifāyah*—the minimum limit of sufficiency for the basic needs of an individual and his dependants, based on current living costs (Khairuddin *et al.*, 2015).
- (3) Waqf beneficiaries. Generally, the benefits of waqf can be enjoyed by all people and are not limited to the needy and poor. For this study, waqf beneficiaries include low-income B40 groups who require assistance – their range of income is less than RM4,350 per month and have additional commitments such as a high number of dependencies, poor health, and require special attention such as in the case of disability (Department of Statistics Malaysia, 2020).

Takāful vs. micro-takāful

Micro-*takāful* has been specifically introduced as a strategy to provide protection plans for low-income groups with financial constraints who are unable to procure regular protection plans. Micro-*takāful* schemes thus offer protection at a contribution rate that low-income groups can afford. IFSB and IAIS (2015, p. 4) define micro-*takāful* to be consistent with the definition of *takāful* as provided for in IFSB-8 (2009) as follows:

Micro-*takāful* is the Islamic counterpart of micro-insurance and exists in both family and general forms. It is a joint-guarantee initiative, whereby a group of participants agree amongst themselves to support one another jointly for the losses arising from specified risks, under the core principles of *Tabarru'* (donation), *Taa'wun* (mutual assistance) and Prohibition of *Ribā* (usury). Micro-*takāful* is generally offered to [the] low-income and under-privileged segment of the population (which is usually excluded from the general *Takāful* terms and conditions) by various entities which are regulated and supervised by regulatory and supervisory authorities of *Takāful*/insurance or any other competent regulatory and supervisory authority under the national laws of any jurisdiction.

Ahmed (2016, p. 228) defined micro-*takāful* as “a contract whereby the operator undertakes as an agent of the participants to pay the beneficiary a given sum of money or any other indemnity when the risk insured against occurs. The participant pays contributions to the operator on a donation basis”. For this study, micro-*takāful* for houses is defined as a Shari’ah-compliant scheme that offers affordable protection for houses at a reasonable amount of contribution specifically designated for low-income groups with financial constraints and incapability.

Micro-*takāful* differs from typical *takāful* schemes in terms of its targeted participants and operation; i.e. the severity of risks coverage and affordability as well as underwriting considerations. However, it is important to highlight that, conceptually, micro-*takāful* is a subset and does not differ from *takāful*. Table 1 provides a comparison between micro-*takāful* and *takāful* schemes.

The necessity for micro-takāful as a protection scheme for low-income groups

BNM (2011) has recommended micro-*takāful* to be developed commercially and used to ensure protection, especially for low-income groups, against specified risks. In the current economic climate, with the impact of the recent COVID-19 pandemic, procuring micro-*takāful* as a protection scheme, has become a necessity rather than an option, especially for the targeted participants; i.e. low-income groups. The pandemic has severely impacted people’s careers and lives and the financial standing of companies. The loss of income sources has caused many people to fall into the low-income groups, such that they are unable to support themselves and maintain their commitments. This scenario becomes worse in the event of calamities, exposing them to greater losses and further deterioration of their living conditions. The procurement of micro-*takāful* is deemed as one of the key solutions to provide necessary protection to low-income groups to save them from further losses and suffering as a result of calamities.

Besides micro-*takāful* for health and life protection, it is argued that micro-*takāful* for the protection of houses belonging to low-income groups in Malaysia is also important (Azneal, 2020). Without adequate protection, people face much distress in restoring and repairing their damaged houses in the case of a loss. This, in turn, aids and contributes to reducing poverty (Khairuddin *et al.*, 2016; Mohd Fauzi and Khairuddin, 2017; Mohd Fauzi *et al.*, 2020). In the absence of micro-*takāful* schemes, low-income groups have little recourse besides the charity

Table 1.
Comparison between
Micro-*Takāful* and
Takāful schemes

Micro- <i>Takāful</i>	<i>Takāful</i>
Participants are financially incapable and have related constraints	Participants are financial capable
Specific for low-income groups	Appropriate for medium to high-income households
Irregular administration and low amount of contributions	Regular administration and standard contribution rate
Customer segmentation relates to the informal economy, targeting those outside the normal social protection scheme	Customer segmentation relates to the formal economy, targeting those who are mostly employed or self-employed
A small sum is insured and a simple underwriting process is involved	A large sum is insured and a comprehensive underwriting process is involved
Risk from adverse selection and fraud, which are mitigated through community and affinity groups protection schemes	Easier to mitigate adverse selection and control exposure to fraud through personal protection schemes
Simple processes of claims handling with limitation of documentation	Comprehensive processes of claims handling with detailed documentation
Source(s): Authors’ own	

of individuals and financial assistance from the government and non-governmental organisations for the repair of their damaged houses (Thye, 2017; Kaur, 2021).

Properties *takāful* – house-owners/householders *takāful* schemes

Takāful schemes specifically for house protection that are presently available in Malaysia are of two basic types: “houseowner” and “householder” (also known as “home contents”). House-owner *takāful* is designed to protect residential property from loss or damage caused by dangers, whereas householder *takāful* is designed to cover loss or damage to the contents of residential property as well as fatal injury to the participant.

Ideally, every owner of properties, including houses, is responsible to ensure that his/her house and properties are covered in the event of risks. In case of a direct house purchase, the buyer, as the owner of the property, is expected to insure his/her house and the contents therein. However, for any purchase of residential property with financing assistance, the buyer is required to participate in a *takāful*/insurance house-owner scheme. In addition, to ensure financial security, the buyer is obliged to participate in an additional protection scheme – *takāful*/insurance mortgage. Mortgage *takāful* is a type of family *takāful* that provides immediate coverage on the funding in the event of the borrower’s death or permanent disability (Mohd Fadzli *et al.*, 2015; Mohd Fauzi and Khairuddin, 2017).

For instance, one of the *takāful* operators in Malaysia, Syarikat Takaful Malaysia, offers a combined scheme – “Takaful myHouseowners and -Householders” – a comprehensive scheme to protect house owners’ homes, belongings and assets. The scheme combines coverage for house structure, including walls, roof, fixtures and fittings, garages, gates and fences, as well as contents like household goods, personal effects and other moveable possessions (Syarikat Takaful Malaysia Sdn. Bhd., 2020a, 2020b). In addition, “Takaful myHome Content” has been made available specifically for house tenants. It is a complete scheme protecting household contents against any damage or loss caused by common perils such as fire, lightning, explosion, theft, Hurricane, earthquake, flood and bursting of water tanks/pipes (Syarikat Takaful Malaysia Sdn. Bhd., 2021).

Table 2 provides examples of the coverage and contribution rate under a house-owners and householders *Takāful* scheme.

House-owners/householders schemes for low-income groups

Importantly, low-income groups have called attention to a lack of protection schemes specifically for individuals with financial incapability (Khairuddin *et al.*, 2016; Mohd Fauzi and Khairuddin, 2017; Mohd Fauzi *et al.*, 2020; Azneal, 2020). The range and options of protection specifically for house belongings or houses occupied by low-income groups are limited. The amount of coverage is also inadequate.

Specifically, for *asnāf* and waqf beneficiaries in Malaysia, the management of house protection for the needy and poor is based on the authorities’ framework and manuals. For waqf properties, there is a provision of insurance that includes the process of acquiring and claim of insurance by the Jabatan Wakaf, Zakat dan Haji based on the “*Manual Pengurusan Tanah Waqf*” (JAWHAR, 2009). In the context of zakat management, certain eligible *asnāf* that receive zakat monies may utilise the fund to procure and contribute to a *takāful* scheme (Mohd Fauzi and Khairuddin, 2017).

However, the provision of zakat assistance to cover for *takāful* contributions has been made in general, not specifically for properties belonging to *asnāf*. According to the “*Manual Pengurusan Agihan Zakat*” published by JAWHAR (2007), the assistance of zakat funds for *takāful* contributions is available under clause 24. However, it is noted that *asnāf* encounter a number of inconveniences to claim such assistance. For instance, they have to go through a long bureaucratic process, such as preparing specific documents for submission, making applications to their respective Majlis Agama Islam Negeri-Negeri (MAINs), checking on

Table 2.
Coverage and
contribution rate under
house-owners and
householders *Takāful*
scheme covering both
buildings and contents
therein

Types of protection	Coverage	Contribution rate
House owners	<p><u><i>Buildings</i></u> <i>Takāful</i> covers loss or damage to the building by any of the specified perils:</p> <ol style="list-style-type: none">Fire, lightning, thunderbolt, subterranean, fire;Explosion;Aircraft damage;Impact damage by road vehicles or animals;Bursting or overflowing of water tanks, apparatus or pipes;Theft by forcible or violent entry or exit;Hurricane, cyclone, typhoon or windstorm;Flood <p>The cover may also be extended to the following perils, subject to an additional payment: subsidence or landslip, riot, strike or malicious damage, loss of rent. Extra benefits and increase in the sum covered for third party is also provided, with an additional contribution</p>	<p>Based on the sum covered selected. The rate depends on the type of construction class; i.e. class 1A and 1B Construction class 1A is for construction works with external walls and roof that are constructed entirely of brick and non-combustible materials respectively, while construction class 1B is for construction works with external walls and roof that are constructed partly of brick and non-combustible materials The contribution rate for landed property (Class 1A) and (Class 1B) are 0.106 and 0.266% respectively The contribution rate for flats and apartments (Class 1A) and (Class 1B) are 0.109 and 0.286% respectively <u><i>Example of Annual Contribution Rate:</i></u> Sum covered for a residential landed property (Class 1A): RM500,000 Approx. <i>tabarru'</i>: RM530</p>
Householders	<p><u><i>Contents</i></u> <i>Takāful</i> covers loss or damage caused by any of the perils stated in Section 1 to the household goods and personal effects of every description, belonging to the house-owner, family members, or domestic servants. This section also pays compensation for death in the event of fatal injury caused by thieves or fire</p>	<p>Only applicable for construction class 1A. The contribution rate is 0.398% of the sum covered <u><i>Example of Annual Contribution Rate:</i></u> Sum covered for a residential landed property (Class 1A): RM500,000 Approx. <i>tabarru'</i>: RM1,990</p>
Source(s): Syarikat Takaful Malaysia Sdn. Bhd. (2020a, b, 2021)		

eligibility, and waiting for approval, which might take a long time before being granted with zakat assistance for contribution to *takāful* schemes (LZS, 2017; Lembaga Zakat Pulau Pinang, 2022; MAIWP, 2020).

The manual on the management of waqf lands and distribution of zakat funds states that it is essential for properties funded by waqf and zakat authorities to be insured. In addition, it also shows the vitality in procuring protection for properties specifically belonging to the *aṣnāf*, needy and poor.

Critically, it appears that there is a lack of seriousness in ensuring that houses belonging to the *aṣnāf*, needy and poor are insured, as enforcement for such protection by waqf and zakat authorities is not strictly emphasised. In addition, it also appears that there is an absence of clear guidelines on the protection of houses as provided for in the manuals. Maintenance of land and houses owned by low-income groups, upon the completion of construction, is claimed to be the responsibility of the individuals, and this policy includes the protection of these properties against calamities.

Research methodology

This study conducts a review of the current micro-*takāful* schemes available for the protection of houses for low-income groups in Malaysia. The review is conducted based on documents accessible through web-based search. The documents used for the study are:

- (1) Product disclosure sheets published and made available by *takāful* operators and insurance companies on their official webpages; and
- (2) Guidelines on the protection of houses for low-income groups; i.e. *Manual Pengurusan Tanah Waqf* and *Manual Pengurusan Agihan Zakat* published by JAWHAR (2007).

Despite the recognised importance of micro-*takāful* for protecting houses belonging to low-income groups, an examination of the documents has revealed a dearth of such micro-*takāful* schemes.

These issues have been discussed in a series of interviews conducted with 30 respondents, including 12 representatives from *takāful* operators, nine representatives from waqf authorities and nine representatives from zakat authorities, notably MAINs from different states in Malaysia. The interviews aimed to obtain respondents' opinions on the availability of micro-*takāful* schemes for the protection of houses belonging to or occupied by low-income groups in Malaysia. The questions asked pertained to the following:

- Q1. Are micro-*takāful* schemes for the protection of houses and home contents available and accessible to participants and the public?
- Q2. How adequately is information made known to participants regarding micro-*takāful* schemes for the protection of houses and home contents, the coverage offered, the eligibility requirements, and the benefits?
- Q3. Is there any deficiency in terms of micro-*takāful* schemes offered for the protection of houses and home contents for low-income groups in Malaysia?
- Q4. Have *takāful* operators or zakat and waqf authorities in Malaysia undertaken any initiatives to ensure the protection of houses belonging to or occupied by low-income groups?

Results and discussions

Micro-takāful schemes in Malaysia

Takāful operators in Malaysia are increasingly paying more attention to including the protection of low-income groups via micro-*takāful* schemes. A number of initiatives have been undertaken in this respect.

In November 2017, BNM launched '*Perlindungan Tenang*' affordable insurance and *takāful* scheme targeted to meet the demand from the household segment, especially low-income groups who have yet to benefit from any insurance and *takāful* protection. The scheme was developed by insurers and *takāful* operators to enhance the financial inclusion of underserved segments in Malaysia, particularly the bottom 40% of households (B40) (Povera, 2017). It is aimed at enabling *takāful* operators to offer products that provide good value, are affordably priced, widely accessible, easy to understand and easy to purchase and claim (Hui Lin, 2017).

In 2020, the government provided RM50 assistance to the B40 income group in the form of a *Perlindungan Tenang* voucher and waiver of stamp duty for the procurement of *Perlindungan Tenang* schemes or policies. This support is important to empower the B40 groups in taking their first step in financial life planning and security (Bernama, 2020). The incentives were expected to benefit more than 12 million B40 households in Malaysia and fulfil the nation's aspiration to have more than 70% of the country's population financially protected (Bernama, 2020).

At the beginning of 2017, nine *takāful* operators offered 10 *Perlindungan Tenang* insurance and *takāful* schemes in the market. The nine *takāful* operators comprised six life *takāful* operators and three family *takāful* operators. As at 2021, the number of micro-*takāful*

schemes has increased to 15 under the *Perlindungan Tenang* category. All the *Perlindungan Tenang* schemes cover the following (Hui Lin, 2017; Malaysian Takaful Association (MTA), 2021):

- (1) Scheme coverage is for basic life and family *takāful* that focus only on death benefits.
- (2) Schemes are with simple disclosure and claims processes. In fact, one product allows e-submission of claim documents; i.e. through mobile applications such as WhatsApp.
- (3) Acceptance of substitution of proof. For example, one of the schemes; i.e. fire *takāful* allows proof such as confirmation by village head or district officer to be used in claim documents in the event of the inability of participants that stay in longhouses to provide customary documentation.
- (4) Acceptance of claim documents certified by the village head, school principal or police officer *in lieu* of in-person submission at the *takāful* operator’s branch via postage submission.
- (5) Simple and reasonable timeline. For instance, a funeral benefit scheme is available with a pay-out within 24 h. In addition, burial permits are acceptable as an alternative to death certificates.

Table 3 delineates the current availability and accessibility of micro-*takāful* schemes in Malaysia.

Availability and accessibility of micro-takāful schemes specifically for the protection of house and home contents in Malaysia

Critically, while monetary assistance, life, and family protection schemes are widely developed, introduced and encouraged for the deprived groups in Malaysia, insurance

Takāful operator		Family/ Health/Life	General property House owner	Householder; home contents
1	AIA Public Takaful Bhd	✓	X	X
2	AmMetLife Takaful Berhad	✓	X	X
3	Etifa Family Takaful Berhad	✓	X	X
4	Etifa General Takaful Berhad	X	X	X
5	FWD Takaful Berhad	✓	X	X
6	Great Eastern Takaful Berhad	✓	X	X
7	Hong Leong MSIG Takaful Berhad	✓	X	X
8	Prudential BSN Takaful Berhad	✓	X	X
9	Sun Life Malaysia Berhad	✓	X	X
10	Syarikat Takaful Malaysia Am Berhad	X	X	X
11	Syarikat Takaful Malaysia Keluarga Berhad	✓	X	X
12	Takaful Ikhlas Family Berhad	✓	X	X
13	Takaful Ikhlas General Berhad	X	X	X
14	Zurich General Takaful Malaysia Berhad	X	X	X
15	Zurich Takaful Malaysia Berhad	X	X	X
16	MySalam (managed by Great Eastern Takaful Berhad)	✓	X	X
17	Skim Takaful Asnaf (Federal Territories Islamic Religious Council, MAIWP)	✓	X	X
18	1Malaysia Micro Protection Plan (Life and Insurance and Takaful Association of Malaysia)	✓	X	X

Source(s): Malaysian Takaful Association (MTA) (2021) and Ghani *et al.* (2021)

Table 3.
Availability and
accessibility of micro-
takāful schemes in
Malaysia

protection schemes specifically for houses belonging to low-income groups are still in their infancy. Protection of houses and their contents are only available and offered under regular *takāful* schemes but are not offered under micro-*takāful*.

Under the *Perlindungan Tenang*, only one insurance plan – not a *takāful* scheme – is presently available. The insurance plan provides coverage for building and/or household contents against specified perils. Interestingly, two micro-*takāful* house owner and contents schemes were previously offered in the market by certain *takāful* operators; however, the schemes have been discontinued.

It is crucial to highlight that there is currently an absence of micro-*takāful* schemes specifically for the protection of house and home contents. Unlike family *takāful*, all *takāful* operators merely offer protection for house and home contents under the standard *takāful* scheme.

The issues on the absence of micro-*takāful* schemes for the protection of house and home contents and the data collected (as per Table 3) were further brought to the attention of the experts interviewed in this study for validation purposes. Based on the interviews conducted, all opinions and views by the respondents are considered appropriate and acceptable. Table 4 provides the results of the interviews conducted and the views and opinions of the interviewees are discussed thereafter.

Q1. Are micro-*takāful* schemes for the protection of houses and home contents available and accessible to participants and the public?

Ten respondents amongst the *takāful* operators and 15 respondents from the waqf and zakat authorities—representing 83% of the respondents—disagreed that micro-*takāful* schemes for the protection of house and home contents are available and accessible to participants and the public. They commented that there are relatively few products of micro-*takāful* currently being offered in the market. They also emphasised that, specifically for the protection of house and home contents, micro-*takāful* schemes available to participants are very limited. Although five respondents—representing 17% of the respondents—averred that micro-*takāful* schemes for the protection of house and home contents are available in the market, they commented that the risks insured and coverage are inadequate. They pointed out that the schemes are restricted for risks against fire, flood and windstorms. They also highlighted that the number of products is very limited and the amount of coverage is relatively small.

Q2. How adequately is information made known to participants regarding micro-*takāful* schemes for the protection of houses and home contents, the coverage offered, the eligibility requirements and the benefits?

All respondents agreed it is crucial that information pertaining to micro-*takāful* schemes for the protection of house and home contents be made known to participants. They commented that it is vital to ensure ample and appropriate information is provided to participants as this could boost their confidence and increase their awareness of the importance and significance of procuring protection for their houses and properties.

Questions	Frequency		Percentage	
	Agree	Disagree	Agree (%)	Disagree (%)
1	5	25	17	83
2	30	0	100	0
3	30	0	100	0
4	23	7	76	24

Table 4.
Results of the interview
discussions

In addition, respondents were also of the opinion that the information on such schemes should be made available to the targeted groups through proper channels and ways. Most low-income groups have limited access to the Internet; hence, other suitable avenues should be considered, such as door-to-door flyer distribution, briefings through the head of the village/longhouse to the community and advertisement and encouragement through television and radio.

Q3. Is there any deficiency in terms of micro-*takāful* schemes offered for the protection of houses and home contents for low-income groups in Malaysia?

All respondents agreed that there are deficiencies in the provision of such micro-*takāful* schemes. They commented that there is an absence of sufficient products being offered by operators that provide coverage for the house and its contents. They also pinpointed that current micro-*takāful* schemes are skewed towards providing protection for health, life, and family rather than for properties.

Q4. Have *takāful* operators or zakat and waqf authorities in Malaysia undertaken any initiatives to ensure the protection of houses belonging to or occupied by low-income groups?

It is noted that 76% of the respondents agreed that some initiatives are being undertaken by *takāful* operators and zakat and waqf authorities in this respect. The initiatives mainly consisted of awareness building and education programmes for informing low-income groups on the advantages of having coverage. However, no further initiatives in monetary form or payment of contributions made on behalf of low-income groups were noted.

Conclusion and recommendations

The outcomes of the study revealed that micro-*takāful* schemes offered by *takāful* operators for the protection of houses and their contents targeted towards low-income groups are very limited. Besides the protection of houses and their contents, respondents also informed that micro-*takāful* schemes are inadequate for the protection of other properties; i.e. land and assets belonging to low-income groups.

It is suggested that micro-*takāful* schemes for the protection of houses and home contents belonging to or occupied by low-income groups are essential to facilitate and provide this income category with appropriate coverage should any defined calamities occur. There is a need to engage all the stakeholders, including MAINs, the regulator, *takāful* operators, zakat and waqf organisations as well as government agencies such as JAWHAR to create awareness and offer adequate support for the development of such micro-*takāful* products to meet the need of property protection of low-income groups in Malaysia.

This study recommends further research to examine the potential for Islamic welfare bodies such as waqf and zakat authorities to collaborate with *takāful* operators in providing protection for the needy and the poor. The development of such collaboration between relevant stakeholders will extend the function of housing provision along with protection to low-income groups. Furthermore, micro-*takāful* models specifically for the protection of properties including house and home contents are also necessary and recommended to be developed in further research.

References

- Adekunle, S.M., Ahmad, M.A.J. and Ansary, R. (2017), "Utilization of zakah and waqf funds in micro-*takāful* in Malaysia: an exploratory study", *ISRA Research Paper No. 95/2017*, International Shari'ah Research Academy for Islamic Finance, Kuala Lumpur.

- Ahmed, M.H. (2016), "Micro *takāful* insurance as a tool to guarantee financing and protecting micro enterprises", *Journal of Business and Financial Affairs*, Vol. 5 No. 4, pp. 1-11.
- Azneal, I. (2020), "Dr M: the poor need to be productive, don't be envious of the wealthy", *Malaysiakini*, available at: <https://m.malaysiakini.com/news/506048> (accessed 19 March 2021).
- Bernama (2020), "Perlindungan Tenang to benefit 12.8 million B40, fulfill national inspiration", available at: https://www.bernama.com/en/business/news_budget.php?id=1898414 (accessed 14 June 2021).
- BNM (2011), *BNM Financial Sector Blueprint 2011-2020*, Bank Negara Malaysia, Kuala Lumpur.
- BNM (2016), *Microinsurance and microtakaful: Discussion Paper*, Bank Negara Malaysia, Kuala Lumpur.
- Churchill, C. (2006), "What is insurance for the poor?", in *Protecting the Poor: A Microinsurance Compendium International Labor Organisation*, pp. 12-22.
- Department of Statistics Malaysia (2020), "Sustainable development goals (SDG) indicators, Malaysia, 2019", available at: https://www.dosm.gov.my/v1/index.php?r=column/cthemByCat&cat=474&bul_id=OVpQNVJXMkxMbldxbTdLQXJKbXV5dz09&menu_id=WjJGK0Z5bTk1ZEIVT09yUW1tRG41Zz09 (accessed 10 December 2020).
- Economic Planning Unit (2016), "Nota Keterangan", available at: <http://www.epu.gov.my/> (accessed 10 November 2016).
- Ghani, N.A.R.N.A., Sabri, I.I.M. and Ahmad, A.A. (2021), "Issues and challenges in using zakat for the development of micro *takāful*", *International Journal of Academic Research in Business and Social Sciences*, Vol. 11 No. 4, pp. 217-229.
- Hui Lin, C. (2017), *Financial Stability and Payment Systems Report 2017*, Bank Negara Malaysia, Kuala Lumpur.
- IFSB (2009), *IFSB-8: Guiding Principles on Governance for Takāful (Islamic Insurance) Undertaking*, Islamic Financial Services Board, Kuala Lumpur.
- IFSB-IAIS (2015), "Issues in regulation and supervision of micro*takāful* (Islamic microinsurance)", Consultation paper, Islamic Financial Services Board (IFSB) and International Association of Insurance Supervisors (IAIS), Kuala Lumpur.
- JAWHAR (2007), *Manual Pengurusan Agihan Zakat*, Jabatan Wakaf, Zakat dan Haji, Putrajaya.
- JAWHAR (2009), *Manual Pengurusan Tanah Waqf*, Jabatan Wakaf, Zakat dan Haji, Putrajaya.
- Kaur, S. (2021), "Help lift poor people out of poverty and to own a home, says Berjaya Group founder", *New Straits Times*, 30 April, available at: <https://www.nst.com.my/property/2021/04/686820/help-lift-poor-people-out-poverty-and-own-home-says-berjaya-group-founder> (accessed 17 June 2021).
- Khairuddin, A.R., Hasan, S.F., Azila, A.S., Jamilah, O. and Srazali, A. (2015), "Preliminary discussion on the potential of zakat-waqf collaboration in the provision of housing for the needy Muslims", *Paper Presented at the National Conference on Zakat and Economic Development 2015*, 1 June 2015, Universiti Malaysia Pahang, Kuantan, Pahang.
- Khairuddin, A.R., Hasa, S.F., Puteri, N.F.N.M.F., Azila, A.S. and Srazali, A. (2016), "Development of an innovative model to empower wakaf authorities in the provision of affordable housing", The National Real Property Research Coordinator (NAPREC), Ministry of Finance.
- Lembaga Zakat Pulau Pinang (2022), "Bantuan perumahan", available at: <https://v2.zakatpenang.com/bantuan-binaan-rumah/> (accessed 8 July 2022).
- Lembaga Zakat Selangor (LZS) (2016), "Had kifayah", available at: <http://www.zakatselangor.com.my/info-agihan/had-kifayah/> (accessed 10 November 2016).
- Lembaga Zakat Selangor (LZS) (2017), "Laporan Pengurusan Zakat Selangor 2017", Shah Alam, Selangor.
- Majlis Agama Islam Wilayah Persekutuan (MAIWP) (2020), "Skim Bantuan Membaiki/Membina Rumah", available at: <https://www.maiwp.gov.my/i/index.php/en/skim-bantuan> (accessed 10 December 2020).

- Malaysian Takaful Association (MTA) (2021), "Perlindungan Tenang", available at: <https://www.malaysiantakaful.com.my/family-takaful/perlindungan-tenang> (accessed 14 June 2021).
- Melaka Islamic Religion Council (2022), "Malacca Zakat management: qualification", available at: <https://maim.gov.my/index.php/en/contacts/zakat-management-melaka> (accessed 8 July 2022).
- Ministry of Urban Wellbeing, Housing and Local Development (2017), "Official portal national housing department", available at: <http://ehome.kpkt.gov.my/> (accessed 19 March 2017).
- Mohd Fadzli, Y., Wan Zamri, W.I. and Abdul Khudus, M.N. (2015), *Takaful: Operations and Business Competence*, IBFIM, Kuala Lumpur.
- Mohd Fauzi, P.N.F.N. and Khairuddin, A.R. (2017), "Protection of wakaf-zakat properties for the needy and poor via takāful", *E-Proceedings of the 4th International Conference on Masjid, Zakat and Waqf Management 2017 (IMAF-2017)*, 4–5 December 2017, Bangi, Selangor, Malaysia, pp. 157-171.
- Mohd Fauzi, P.N.F.N., Khairuddin, A.R., Azila, A.S., Sharina, F.H. and Srazali, A. (2020), *Risk Management in the Provision of Wakaf-Zakat Housing*, Ministry of Higher Education (MoHE), Kuala Lumpur, Malaysia, pp. 40-42.
- Noor, A.M.R. and Zuriyah, A.R. (2012), "Financial protection for the poor in Malaysia: role of *zakah* and micro *takaful*", *JKAU: Islamic Econmic*, Vol. 25 No. 1, pp. 119-140.
- Povera, A. (2017), "Perlindungan Tenang to offer affordable insurance, takaful schemes", *New Straits Times*, 24 November, available at: <https://www.nst.com.my/news/nation/2017/11/307100/perlindungan-tenang-offer-affordable-insurance-takaful-schemes> (accessed 14 June 2021).
- Syarikat Takaful Malaysia Sdn. Bhd. (2020a), "Certificate for Houseowners/Householders *Takāful*", Syarikat Takaful Malaysia Sdn. Bhd., Kuala Lumpur.
- Syarikat Takaful Malaysia Sdn. Bhd. (2020b), "Product disclosure sheet: takaful myHouseowners and Householders", available at: <https://www.takaful-malaysia.com.my/products/general/Pages/myhouseowner.aspx> (accessed 17 June 2021).
- Syarikat Takaful Malaysia Sdn. Bhd. (2021), "Product disclosure sheet: Takaful myHome content", Syarikat Takaful Malaysia Sdn. Bhd., Kuala Lumpur.
- Thye, L. (2017), "Government should compel Islamic religious schools to register", *Astro Awani*, 14 September, available at: <http://english.astroawani.com/malaysia-news/government-should-compel-islamic-religious-schools-register-lam-thye-155239> (accessed 14 September 2017).

About the authors

Puteri Nur Farah Naadia Mohd Fauzi, PhD, is program director and assistant professor at the Quantity Surveying/Construction Project Management (QSCPM), School of Energy, Geoscience, Infrastructure and Society (EGIS), Heriot-Watt University Malaysia. Her expertise and research works are in quantity surveying, construction contract and procurement, project and risk management and Shari'ah compliance construction administration. She is a Chartered Surveyor, Royal Institution of Chartered Surveyors (RICS), Member, Royal Institution of Surveyors Malaysia (RISM), Professional Quantity Surveyor, Board of Quantity Surveyors Malaysia (BQSM), Graduate Technologists, Malaysian Board of Technologists (MBoT) and Associate Junior Member, Chartered Institute of Islamic Finance Professionals (CIIF). Puteri Nur Farah Naadia Mohd Fauzi is the corresponding author and can be contacted at: P.Mohd_Fauzi@hw.ac.uk

Mohamad Akram Laldin, PhD, is professor and currently the Executive Director of ISRA Research Management Centre, INCEIF University, Kuala Lumpur, Malaysia. His research interests are Islamic banking and finance, Islamic capital market, *takāful* and fundamentals of Islamic jurisprudence. He has authored and co-authored several books, publications and research works.

For instructions on how to order reprints of this article, please visit our website:

www.emeraldgroupublishing.com/licensing/reprints.htm

Or contact us for further details: permissions@emeraldinsight.com