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

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Abstract

Purpose – This study aims to assess the availability of micro-takaful (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 takaful operators and key stakeholders.

Findings – Findings of the study confirm the importance of micro-takaful as a scheme for the protection of low-income groups. Micro-takaful 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-takaful schemes for the protection of houses for low-income groups. This represents another important area that takaful operators should take into consideration in their planning.

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

Practical implications – In light of the limited availability of micro-takaful schemes for the protection of houses for low-income groups, this study argues that takaful 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-takaful 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-takaful schemes in protecting their houses and home contents, should any defined calamities occur. The outcomes are necessary for further development of micro-takaful models, specifically for the protection of properties. The developed model shall be proposed for application in the Malaysian takaful 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

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Introduction
Islam promotes the protection of properties against risks through Shari‘ah-compliant schemes such as takaful (Islamic insurance). In the practice of takaful, 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 takaful 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 takaful 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-takaful (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-takaful in Malaysia. This led to the introduction of the “Microinsurance and Microtakaful: Discussion Paper” (BNM, 2016) with the aim of enabling market growth and innovation while preserving the quality and sustainability of micro-insurance/micro-takaful provision in the country.

Current literature has mainly reported on the understanding and concepts of micro-takaful 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-takaful as a means to provide financial protection, especially for low-income groups in Malaysia. Micro-takaful schemes are also offered for the protection of life and family (Hui Lin, 2017).

Critically, little is known about the availability of micro-takaful to protect houses belonging to low-income groups in Malaysia. Hence, this study endeavours to assess the availability of such micro-takaful schemes in Malaysia. The article is structured as follows: the next section reviews the definition of low-income groups, the difference between takaful and micro-takaful and the necessity of micro-takaful for the protection of properties of low-income groups. Next, a discussion on the types of micro-takaful 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 takaful scheme offered by takaful 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 takāfūl 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).

**Takāfūl vs. micro-takāfūl**

Micro-takāfūl 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-takāfūl schemes thus offer protection at a contribution rate that low-income groups can afford. IFSB and IAIS (2015, p. 4) define micro-takāfūl to be consistent with the definition of takāfūl as provided for in IFSB-8 (2009) as follows:

Micro-takāfūl 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), Tia’iun (mutual assistance) and Prohibition of Ribā (usury). Micro-takāfūl is generally offered to [the] low-income and under-privileged segment of the population (which is usually excluded from the general Takāfūl terms and conditions) by various entities which are regulated and supervised by regulatory and supervisory authorities of Takāfūl/insurance or any other competent regulatory and supervisory authority under the national laws of any jurisdiction.
Ahmed (2016, p. 228) defined micro-takāfūl 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-takāfūl 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-takāfūl differs from typical takāfūl 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-takāfūl is a subset and does not differ from takāfūl. Table 1 provides a comparison between micro-takāfūl and takāfūl schemes.

The necessity for micro-takāfūl as a protection scheme for low-income groups
BNM (2011) has recommended micro-takāfūl 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-takāfūl 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-takāfūl 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-takāfūl for health and life protection, it is argued that micro-takāfūl 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-takāfūl schemes, low-income groups have little recourse besides the charity

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

Table 1. Comparison between Micro-Takāfūl and Takāfūl schemes

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 *takaful* – house-owners/householders *takaful* schemes

*Takaful* schemes specifically for house protection that are presently available in Malaysia are of two basic types: “houseowner” and “householder” (also known as “home contents”). Houseowner *takaful* is designed to protect residential property from loss or damage caused by dangers, whereas householder *takaful* 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 *takaful* insurance house-owner scheme. In addition, to ensure financial security, the buyer is obliged to participate in an additional protection scheme – *takaful* insurance mortgage. Mortgage *takaful* is a type of family *takaful* 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 *takaful* 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 *Takaful* 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 *takaful* scheme (Mohd Fauzi and Khairuddin, 2017).

However, the provision of zakat assistance to cover for *takaful* 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 *takaful* 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
eligibility, and waiting for approval, which might take a long time before being granted with zakat assistance for contribution to takāfūl 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 asnāf, needy and poor.

Critically, it appears that there is a lack of seriousness in ensuring that houses belonging to the asnāf, 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-takāfūl 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:

<table>
<thead>
<tr>
<th>Types of protection</th>
<th>Coverage</th>
<th>Contribution rate</th>
</tr>
</thead>
</table>
| House owners        | **Buildings** Takāfūl covers loss or damage to the building by any of the specified perils:  
  a. Fire, lightning, thunderbolt, subterranean, fire;  
  b. Explosion;  
  c. Aircraft damage;  
  d. Impact damage by road vehicles or animals;  
  e. Bursting or overflowing of water tanks, apparatus or pipes;  
  f. Theft by forcible or violent entry or exit;  
  g. Hurricane, cyclone, typhoon or windstorm;  
  h. Flood  
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 |
|                     | **Contents** Takāfūl 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 |
| Householders         | Only applicable for construction class 1A. The contribution rate is 0.398% of the sum covered  
  **Example of Annual Contribution Rate:** Sum covered for a residential landed property (Class 1A): RM500,000  
  Approx. tabarru': RM1,990 |

**Source(s):** Syarikat Takaful Malaysia Sdn. Bhd. (2020a, b, 2021)
Despite the recognised importance of micro-takāfūl for protecting houses belonging to low-income groups, an examination of the documents has revealed a dearth of such micro-takāfūl schemes.

These issues have been discussed in a series of interviews conducted with 30 respondents, including 12 representatives from takāfūl 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-takāfūl 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-takāfūl 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-takāfūl 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-takāfūl schemes offered for the protection of houses and home contents for low-income groups in Malaysia?

Q4. Have takāfūl 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-takāfūl schemes in Malaysia

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

In November 2017, BNM launched ‘Perlindungan Tenang’ affordable insurance and takāfūl scheme targeted to meet the demand from the household segment, especially low-income groups who have yet to benefit from any insurance and takāfūl protection. The scheme was developed by insurers and takāfūl 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 takāfūl 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 takāfūl operators offered 10 Perlindungan Tenang insurance and takāfūl schemes in the market. The nine takāfūl operators comprised six life takāfūl operators and three family takāfūl operators. As at 2021, the number of micro-takāfūl
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 *takaful* 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 takaful* 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 *takaful* 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-*takaful* schemes in Malaysia.

*Availability and accessibility of micro-takaful 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

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

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

<table>
<thead>
<tr>
<th>Questions</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Agree</td>
<td>Disagree</td>
</tr>
<tr>
<td>1</td>
<td>5</td>
<td>25</td>
</tr>
<tr>
<td>2</td>
<td>30</td>
<td>0</td>
</tr>
<tr>
<td>3</td>
<td>30</td>
<td>0</td>
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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


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