

590

Advanced Diploma in Insurance

Unit 590 – Principles of Takaful

October 2012 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. List **six** of the main values of Co-operative risk-sharing operations. (6)

2. (a) Define Riba. (4)
(b) Provide **two** examples of Riba in conventional insurance. (2)

3. Explain what is meant by the term Shariah. (6)

4. The Takaful industry will argue the existence of Maiseer in conventional insurance. Assess the strength of this argument. (6)

5. Explain how Qabul (Acceptance) is defined within the context of an Islamic contract. (6)

6. Describe the term 'Gharar'. (6)

7. 'Insurance is a promise'.
Explain the Shariah viewpoint on this conventional concept. (6)

8. Explain how the concept of 'Jahalah' is a prohibited practice in Shariah. (6)

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

9. Zamzam Islamic Insurance Company is based in Dubai. As per Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) financial accounting standards, Zamzam Islamic Insurance Company is due to prepare the company's set of financial statements for 2012.

As the Shariah Compliance Officer, you are required to conduct a presentation to your colleagues in the Finance and Accounts department. Your presentation should focus on the following requirements relevant to Islamic Insurance companies:

- (a) A basic and brief introduction of the Financial Accounting Standard No. 12. **(8)**
- (b) A Statement of Financial Position, which covers:
- Preliminary description of the statement.
 - Explanation and analysis of the assets.
 - List of items on the liability side, with a description of each. **(30)**

Questions continue over the page

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

- 10.** 'Ghabn, in general, is injustice'.
Discuss this statement, addressing classification and various dimension which include Shariah and insurance. **(38)**
- 11.** You are a visiting lecturer invited to conduct a presentation with the title 'Modes of Takaful: Family and General'.
Draft a presentation that includes the concept, broad aims, instalments, investments, participants and the agreement, maturity and the benefits of each Mode. **(38)**
- 12.** Outline the growth potential for Takaful Industry.
Your answer should include the following elements of Takaful:
- Nature and foundations.
 - Early development.
 - Expansion and geographical spread.
 - Sudan and Malaysia models. **(38)**
- 13.** As the Technical Manager in an insurance company, prepare a presentation to your colleagues on the differentiation between insurable risks and uninsurable risks. **(38)**
- 14.** Sharikat Al-Mudaraba is a contract used in Shariah Law that is relevant to Islamic Insurance.
Evaluate this relevance in detail, starting with a description of the contract and the type most suitable for insurance. **(38)**

