

Glossary of Takaful

Participant's Investment Account (PIA) An account to credit a portion of contributions from the participant for the purpose of investment/savings

Participant's Takaful Fund (PTF, Waqf Fund) An account to credit a portion of contributions from the participant for the purpose of tabarru'

Retakaful Operator's Deposit An amount deposited with or retained by a takaful operator by way of security for performance by the retakaful operator of its retakaful contracts.

Participant's Membership Document (PMD) An evidence of a contract between a participant and a takaful operator which sets out the terms and conditions of the particular certificate.

Surplus at Valuation Date Excess of the takaful fund carried forward over the actuarial liabilities of a takaful fund of family takaful business.

General Takaful Protection to participant for losses arising from perils such as accident, fire, flood, liability and burglary.

Individual Family Takaful A contract that provides takaful benefits payable to an individual upon death/total permanent disability or periodic income to participant upon retirement.

Group Family Takaful Family takaful (usually without medical examination) on a group of people under a master Certificate. It is typically issued to an employer for the benefit of employees, or to members of an association.

Tabarru A portion of participant's contribution for the purpose of mutual helps and used to pay claims Submitted by eligible claimants.

Wakala Agent-principal relationship, where a person nominates another to act on his behalf.

Qard al-Hasan Lending without interest or benevolent loan.

Riba Usury, Interest which is unlawful in Islam.

Wali Guardian

Shaariah Islamic laws

Mudharabah An agreement between the entrepreneur and the capital provider in a business venture to share profit based on an agreed profit-sharing ratio. Losses are borne by the capital provider.

Claim Notification to a takaful operator that payment of an amount is due under the terms of the certificate.

Net Contributions Gross contributions less all retakaful contributions payable.

Back Dating The practice of making a policy effective at an earlier date than the present.

Beneficiary Person to whom the proceeds of a life policy are payable when the insured dies.

Cash Value The equity amount or "savings" accumulation in a life takaful policy.

Concealment Failure of the insured to disclose to the company a fact material to the acceptance of the risk at the time application is made.

Critical Illness Contract Under this contract a policyholder is paid an agreed sum if he contracts any of a number of specified serious illnesses as stipulated in the contract. Illnesses typically covered include cancer, strokes, heart attacks, multiple sclerosis and kidney failure is made.

Evidence of Insurability Any statement or proof of a person's physical condition and occupation affecting acceptance of the applicant for insurance.

Exclusions Specified hazards listed in a policy for which benefits will not be paid.

Extended Term Insurance Option An option under which a policy may continue for its full face amount even after contribution payments are discontinued. The duration for which coverage is provided under this option depends on the available cash value of the policy.

Free Look Period An individual family takaful provision that grants the insured the right to rescind the takaful contract within a given period after the policy is actually delivered to the insured.

Grace Period Period of time after the due date of a contribution during which the policy remains in force.

Insurability All conditions pertaining to individuals that affect their health, susceptibility to injury and life expectancy; an individual's risk profile.

Insurable Interest A person has an insurable interest in another's life if he or she can reasonably expect to benefit from that person's continued life, and, conversely, if he or she would suffer financial loss on the person's death. This is a basic requirement of a life insurance contract without which the contract is not valid.

Lapse Termination of a policy upon the policy owner's failure to pay the contribution within the grace period.

Life Expectancy The average number of years of life remaining for a group of people of a given age and gender according to a particular mortality table.

Medical A document completed by a physician or another approved examiner and submitted to an insurer to supply medical evidence of insurability (or lack of insurability) or in relation to a claim.

Morbidity The relative incidence of disease within a given group.

Mortality The relative incidence of death within a given group.

Morbidity Tables These are statistical tables used by takaful operator showing the probability of disease of males and females at all ages.

Mortality Tables These are statistical table used by takaful operators showing the probability of death of males and females at all ages.

Non-Medical Takaful Issued on a regular basis without requiring a regular medical examination. In passing on the risk, the company relies on the applicant's answers to questions regarding his or her physical condition and on personal references or inspection reports.

Paid up A policy condition under which no further contributions are payable and the coverage continues, usually for reduced benefits. This may be an automatic policy condition invoked by the takaful operator if renewal contributions are not paid, or could be a voluntary selection by a participant.

Pension A regular annuity payment, generally after retirement, to a person that is intended to allow him to subsist without working.

Contribution The periodic payment required to keep and takaful policy in force.

Proposal Form The initial application form for takaful filled by a prospective participant. This form requires details such as name, address, occupation, financial worth, medical history etc and is the basis of an takaful contract.

Re-Takaful The arrangement under which a part of the risk is shared between the company originally issuing the policy (the takaful operator) to another Takaful company (Re-Takaful) known as the re-takaful.

Reinstatement Putting a lapsed policy back in force by producing satisfactory evidence of insurability and paying any past-due contributions required.

Rider Strictly speaking, a rider adds something to a policy. However, the term is used loosely to refer to any supplemental agreement attached to and made a part of the policy, whether the policy's conditions are expanded and additional coverage's added, or a coverage or condition is waived.

Standard Risk Person who, according to a company's underwriting standards, is entitled to takaful protection without extra rating or special restrictions.

Sub-Standard Risk Person who is considered an under-average or impaired risk because of physical condition, family or personal history of disease, occupation, residence in unhealthy climate or dangerous habits.

Sum Cover Commonly used to refer to the principal sum involved in the contract.

Term of Policy Period for which the policy runs.

Underwriting A process by which takaful operator select and classify individual risk based on factors such as age, sex, occupation, health etc.

Uninsurable Risk One not acceptable for policy by takaful operator due to excessive risk.

Insurance vs Assurance The specific uses of the terms "insurance" and "assurance" are sometimes confused. In general, in these jurisdictions "insurance" refers to providing cover for an event that might happen (fire, theft, flood, etc.), while "assurance" is the provision of cover for an event that is certain to happen eg death. "Insurance" is the generally accepted term, but people using this description are liable to be corrected. In the United States both forms of coverage are called "insurance", principally due to many companies offering both types of policy, and rather than refer to themselves using both insurance and assurance titles, they instead use just one.