

Getting To Know Takaful & Insurance

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This week's focus is on Autoriti Monetari Brunei Darussalam's (AMBD) role as the supervisor of the insurance and takaful industry. Based on unaudited consolidated figures compiled by AMBD, at the end of 2014, the total assets of the financial sector stood at B\$22.4 billion, of which 6% was attributed to Takaful and Insurance. Over the last 10 years, premiums have grown as per stated in the table below. Despite the growth, a survey carried out by AMBD in 2013 concluded that there was a need to promote the benefits and understanding of insurance or takaful among the general public as many did not see any visible benefits in having such a financial product.

Table 1: Premiums & Contributions

| | 2005 (B\$million) | 2014 (B\$million) | % change |
|-------------------------------|----------------------|----------------------|-------------|
| Total Gross premiums: | 150.74 | 307.47 | 104% |
| Total General | 82.56 | 193.72 | 135% |
| Total Life / Family | 68.18 | 113.74 | 67% |
| Takaful Contributions: | 48.47 | 159.97 | 230% |
| General contributions | 41.02 | 119.93 | 192% |
| Family contributions | 7.45 | 40.04 | 437% |
| Insurance Premiums: | 102.28 | 147.49 | 44% |
| General premiums | 41.54 | 73.79 | 78% |
| Life premiums | 60.73 | 73.70 | 21% |

Source: Insurance/Takaful Supervision, AMBD

Why Takaful & Insurance?

In life there are always risks that things can go wrong. And if they did, you need money to meet your costs and avoid chaos in your finances. Takaful and insurance can provide assistance in meeting your unexpected loss, either by compensation (e.g. reimbursing your medical bills) or reinstatement (e.g. restoring your burnt house to its original state before it caught fire). Takaful and insurance can also assist you when you travel abroad and you lose your luggage or fall seriously ill. Without takaful or insurance, you will be taking the risk of meeting those costs yourself.

Types of Takaful & Insurance

| General / Non-life | Family / Life |
|---|---|
| <ul style="list-style-type: none"> Covers your assets/properties e.g. House, Motor, Money, Liability, etc. | <ul style="list-style-type: none"> Covers your life e.g. Term Life, Endowment, Education, Mortgage, etc. |
| <ul style="list-style-type: none"> Personal Accident provides death & total disablement benefits. | <ul style="list-style-type: none"> Covers your medical expenses |

Differences between Takaful and Insurance

Takaful provides financial protection based on Syariah principles by sharing risks between participants while insurance works on the principle of transferring your risks to the insurance company. People who choose Takaful enters into a contract (Aqad) with a Takaful operator and the money paid by the participants are pooled into a fund. This pooled money will be used to pay

claims/benefits to participants. Meanwhile, in insurance, the moneys paid belong to the insurance company and claim/benefit is paid by the company.

So how can takaful or insurance benefit you and your family?

The main purpose of takaful/insurance is to protect against risks. This means that the benefits will usually show when a risk occurs. For example, in motor insurance/takaful, you will only get the benefits of the insurance/takaful if an accident occurs. However, in addition to protection, some family takaful and life insurance is also used for disciplined savings and investment which can provide the desired sum and income to the participant/policyowner.

Most people whom have taken a bank loan or financing facility would have also taken takaful/insurance for that loan or financing as this is required by the financial institution. This type of takaful/insurance is to manage the risk between the bank and the borrower in case of the untimely death of the borrower. This means that the borrower's family will not have to worry about paying off the loan as the takaful operator/insurance company will be responsible for it.

Registered takaful operators & insurance companies in Brunei Darussalam

| General takaful operators | Contact No. |
|--|--------------------|
| Insurans Islam TAIB General Takaful Sdn Bhd | 2222232 |
| Takaful Brunei Am Sdn Bhd | 2454969 |
| General insurance companies | |
| Audley Insurance Company Sdn Bhd | 2383621 |
| Etiqa Insurance Berhad | 2233474 |
| MBA Insurance Sdn Bhd | 2441535 |
| National Insurance Company Berhad | 2426888 |
| Standard Insurance Sdn Bhd | 2240401 |
| Tokio Marine Insurance Singapore Limited | 2236100 |
| Family Takaful operators | |
| Insurans Islam TAIB Family Takaful Sdn Bhd | 2222232 |
| Takaful Brunei Keluarga Sdn Bhd | 2231100 |
| Life insurance companies | |
| AIA Co. Ltd | 2239112 |
| The Great Eastern Life Assurance Company Ltd | 2233118 |
| Tokio Marine Life Insurance Singapore Ltd | 2423755 |

You can obtain takaful / insurance from the following ways:

1. Directly from the branches of takaful operators / insurance companies.
2. From authorised agents.
3. From banks that have a bancatakaful/bancassurance agreement with takaful operators/insurance companies.
4. From brokers that have been registered by AMBD.

Tips when looking for takaful protection or insurance

- ✓ **Shop around** - get quotes from different takaful operators / insurance companies and compare what they offer. Do not be afraid to ask lots of questions.
- ✓ **Choose the correct plan/policy** - write a list of the things you need (i.e. what do you want to be covered) and choose the insurance/takaful that meets your needs.
- ✓ **Renew your plan/policy** - do this when your old insurance/takaful is due to expire or as your circumstances change.
- ✓ **Work out how much you need** – make sure you cover the correct value of your property so that you do not find yourself paying more than you need to and risk of averaging if under-insured.
- ✓ **Check exclusions** - always ask what is and is not covered by your insurance / takaful.
- ✓ **Check the costs** – make sure you pay for the right insurance/takaful for the right price.
- ✓ **Cheapest does not mean the best.** Usually, lower prices means that you are covered less.
- ✓ **Be aware of excess** - Excess is the amount of self-insurance that you cannot claim from your insurer/takaful operator. So when you make a claim, the excess will be deducted from your payout.
- ✓ **Be honest with your takaful operator/insurance company** – always provide all relevant information to your takaful operator/insurer as this may affect your chance for the benefits.

If you would like to find out more, AMBD together with Brunei Insurance and Takaful Association (BITA) have produced a book entitled “My Takaful and Insurance Book” which is available for download at www.ambd.gov.bn or collect a complimentary copy at Level 7, Autoriti Monetari Brunei Darussalam, Ministry of Finance Building, Commonwealth Drive, BB3910.