

Interim Report for Takaful FSB Programme 2023

Prepared by : Malaysian Takaful Association



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Chairman's Foreword

In the blink of an eye, the first two months of 2024 have gone by, and very soon, we will reach the two-year milestone from when we first started the FSB journey in July 2022. The realist in me would say that this period has been against a backdrop of constant changes and challenges in the country and in other parts of the world.

Without a doubt, both the local and global challenges have impacted our businesses, our companies, our industry, and our people. However, speaking from the lens of MTA, as an industry association that has diligently been putting in place and promoting programmes aimed to strengthen the foundations and operations of the Takaful industry, I believe as a collective, we remain in a strong position to weather any challenges, in our goal to ensure sustainable growth and development of the Malaysian Takaful industry.

Central to the work of the MTA and the industry is the integration of ethical values for sustainable growth. This has been clearly articulated in the industry's Value-based Intermediation for Takaful (VBIT) Framework and Roadmap, and is seen in the implementation of the VBIT initiatives. The values are displayed at the very core of our operations, as we embrace the objectives of Shari'ah in our practices of good governance and best conduct, among others. VBIT is also features prominently in the industry's Financial Sector Blueprint (FSB) programme which supports Bank Negara's aspirations to make finance, including protection, inclusion, and literacy, available to all.

FSB has identified some desired outcomes including finance for transformation and sustainability.

I am happy to say that collectively, among Takaful Operators, we have showcased our industry's spirit of collaboration and common commitment to ethical conduct that goes beyond compliance. We have shown our industry's focus to create pathways towards a financial landscape where investments not only yield financial returns but bring meaningful contributions and impact to society and communities.

This interim report will look at the significant achievements of our Takaful Operators, against the key project milestones and intended outcomes of VBIT and FSB as they are illustrated under the VBIT Maturity Continuum. The mid-term assessment of the progress of the FSB allows us to see what we have done right, what we have done well, and where we can improve.

At this time when we review and assess our collective efforts and achievements, let us all take inspiration from the words in the Al-Qu'ran (13:11) which state that, "Indeed, God will not change the condition of a people until they change which is in themselves". Let us continue to take positive action and actively pursue the activities, outcomes and goals identified under the FSB and VBIT programmes. It is up to us to make it a success. It is up to us to achieve #TakafulForAll.

Elmie Aman Najas
Chairman

Message from the CEO

“

The key messages delivered in all our programmes have been designed to promote the desired outcomes of finance for all, finance for transformation and finance for sustainability.

”

I'd like to start by saying Alhamdulillah, to the Almighty for the blessings of health and ability for us to continue this journey of strengthening and solidifying the foundations and growth of the Malaysian Takaful industry. I wish to record my appreciation to the Association's Board of Directors, subcommittee members and all industry players for their contributions, directly or indirectly to our VBIT and FSB initiatives. Our programmes would also not have been possible without the support of Bank Negara Malaysia, especially the Islamic Finance Department, the Financial Education Network (FEN), our peer industry associations, strategic partners and sponsors. Our collective enthusiasm and fervour have allowed us to effectively deliver our agenda with great panache.

Following the establishment of MTA's Financial Sector Blueprint (FSB) Strategic Thrust Groups in 2022, we have introduced a range of new initiatives and enhanced many existing ones, predominantly derived from the Industry's own implementation of the VBIT roadmap. Our aim was for our programmes to touch as many lives and create an impact on as many communities as we could. MTA's initiatives and programmes touched various communities throughout Semenanjung and East Malaysia. We held financial education, awareness and literacy programmes and promoted a Takaful4All movement in towns and “kampung-kampung”, universities, schools, as well as initiatives for the general public via community and stakeholder engagements through various events and media platforms. Understanding the need to elevate the level of knowledge and competency for the industry, we established many working groups, professional networks and held formal and informal knowledge-sharing sessions – seminars, webinars, and meetings – with industry players and agents. Throughout all these engagements, our key messages focused on the purpose of our existence, increased access to protection, financial inclusion, health and wellness, diversity and sustainability.

The MTA's strategies and programmes are aligned with Bank Negara's efforts to meet the current and future needs of our industry players, agency and agent networks as well as the Takaful's industry's future human resource needs, by promoting digitalisation, innovation and human capital development to support the industry's sustainable development and growth.

My hope is that this interim report will show that by conscious intent, and as coherently presented in the industry's FSB and VBIT Roadmap, the key messages delivered in all our programmes have been designed to promote the desired outcomes of finance for all, finance for transformation and finance for sustainability.

Mohd Radzuan Mohamed

CEO



Executive Summary

A Comprehensive Approach to Progressing the Takaful Industry

The Malaysian Takaful Industry Financial Sector Blueprint ("FSB") Programme is a comprehensive initiative designed to align and achieve the target set by BNM in FSB 2022–2026. Takaful, an Islamic insurance concept based on the principles of cooperation and mutual assistance, has experienced significant growth in recent years, making it a vital component of the country's financial landscape. In light of this, the Takaful FSB Programme aims to ensure the sustainability, stability, and continued growth of the Takaful industry by enhancing the regulatory environment for the mutual benefit of all stakeholders

Key Success Factors of the Programme

The Takaful FSB Programme is built on five key pillars:

Good governance

The programme is overseen by a Malaysian Takaful Association (MTA) Board, FSB Steering Committee composed of representatives from the Malaysian Takaful Association and Takaful Operators. This ensures that the programme is aligned with the needs of the industry and the broader financial sector.

Working group members

The programme is implemented by a team of industry experts, from various Takaful Operators. This expertise is essential for developing and implementing effective regulatory and industry reforms.

Key project milestones

The programme is divided into a series of key project milestones, each of which focused essentially on the progress of the identified initiatives and its action items to achieve such initiatives.

Maqasid Al-Shariah and the Intended Outcomes

The programme seeks to strengthen the Takaful industry, which will help to protect the interests of participants and other stakeholders by aligning to a number of key intended outcomes of the initiative and with the values and principles of the industry.

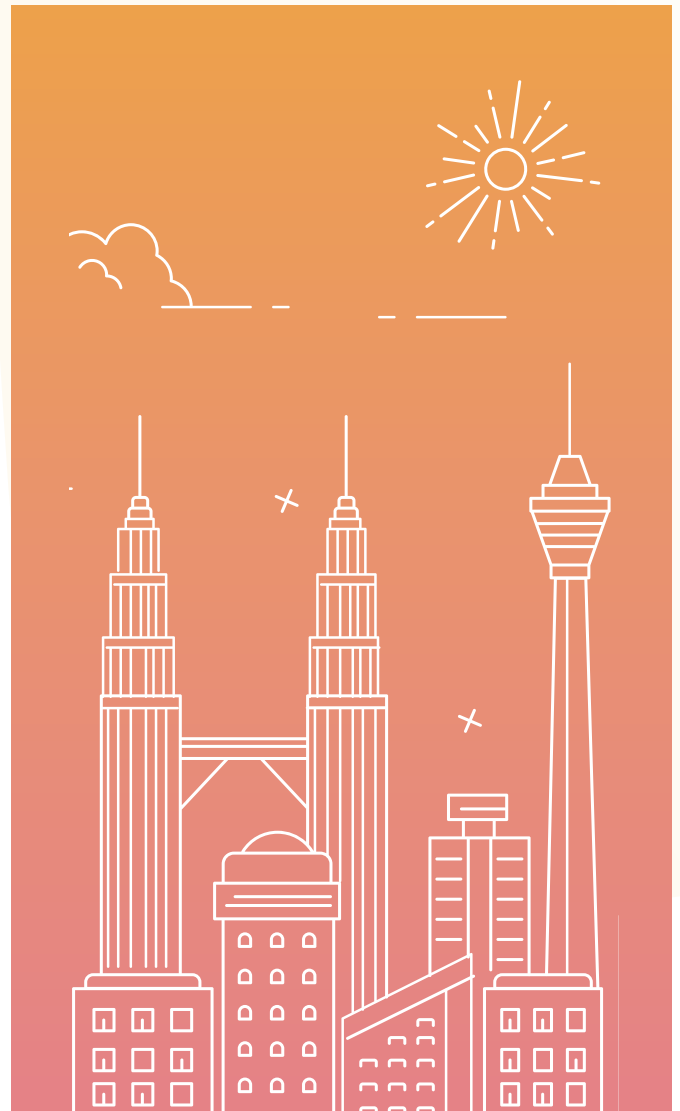
VBIT Maturity Continuum

The Takaful FSB Programme is guided by the VBIT Maturity Continuum, a framework that helps Takaful Operators assess their progress in implementing value-based intermediation (VBIT) principles. VBIT is a holistic approach to financial intermediation that focuses on creating shared value for all stakeholders.

The Future of the Takaful Industry

The Takaful FSB Programme is still in its early stages of implementation, but it has already made significant progress. Regular meetings to discuss new ideas and ways forward have been held, as well as to address roadblocks and overcome challenges. This collaborative approach has been well-received by Takaful Operators (TOs) and other stakeholders, who are committed to ensuring the success of the programme.

By enhancing the Takaful environment and promoting VBIT principles, the programme can help create a more sustainable, stable, and inclusive Takaful Industry. This will benefit all stakeholders, including TOs, participants, and the Malaysian economy as a whole.



Introduction

3

Foreword

In today's volatile and unpredictable global economy, industries in Malaysia - including the financial services industry - face constant challenges and obstacles. With 15 Malaysian Takaful Operators (family and general) and 4 Re-Takaful Operators, the Takaful industry is no exception to this reality. Major global developments, such as the COVID-19 pandemic, the Ukraine-Russia conflict, climate change and financial crises, continue to greatly impact our nation's financial resilience and well-being. Consequently, Takaful

Operators and their participants are affected by increases in Takaful claims and costs of doing business due to a reduction in contribution income, stringent governmental protection measures and a need to adopt more efficient technology, among other obstacles.

Aspirations of the industry following the evolving Takaful landscape in collectively protecting the stakeholders and the Takaful Operators:

Illustration 1: Takaful Industry Landscape Aspiration



Become a significant player in the Global Islamic Finance Industry



Provide innovative and competitive Takaful products and services that meet the needs of customers



Build a strong and sustainable Takaful industry that is resilient to shocks

In this report, we will provide a review of the harmonised Financial Sector Blueprint ("FSB") 2022 – 2026 and Value-Based Intermediation for Takaful ("VBIT") which objectives are prescribed by Bank Negara Malaysia. These two complementary frameworks synergise to forge a robust roadmap that not only complements regulatory compliance but elevates transparency and fuels innovation within the Takaful sector. This will include the essence of the Takaful FSB Programme with short-term and long-term goals for the industry, programme enablers and a comprehensive prelude to the Takaful industry initiatives.

With the Takaful industry supported by Bank Negara Malaysia ("BNM"), the two forces have had to play an even bigger role in supporting and guiding Takaful Operators to ensure that they remain financially sound and stable, while also protecting Takaful participants.

The fortitude of BNM's role in being crucial support for the Takaful industry is largely demonstrated through the introduction of FSB and VBIT; two frameworks that have emerged as a powerful force in keeping the Takaful industry aligned to its aspirations.

Financial Sector Blueprint 2022–2026

The strategic framework was developed by BNM, and it has three key objectives:

Illustration 2 : FSB Key Objective



To make finance available for all

The industry must ensure that all Malaysians have access to the financial services they need to achieve their financial goals, regardless of their income level, location, or background.



To support the transformation of the financial sector

The industry must enable the financial sector to be more efficient, resilient, and innovative, so that it can better support the country's economic growth.



To make the financial sector more sustainable

The industry must align to the financial sector's principles of environmental, social, and governance (ESG) considerations, so that it can contribute to a more sustainable future.

The Financial Sector Blueprint 2022–2026 identifies five strategic thrusts for the operators to achieve these aspirations which intend to benefit all stakeholders of the industry:

Illustration 3 : FSB 5 Strategic Thrusts



Fund Malaysia's economic transformation

Providing the financial resources and models that operators need to invest in and grow, to create jobs and boost economic growth.



Position the financial system to facilitate an orderly transition to a greener economy

Guiding businesses and households on how to finance their transition to a more sustainable future and raising more climate awareness in the industry.



Advance digitalisation of the financial sector

Utilising technology to make Takaful services more accessible, affordable, and convenient for Malaysians and those who are abroad.

01

02

03

04

05

Elevate the financial well-being of households and businesses

Assisting households and businesses in managing their finances more effectively through financial literacy and Takaful awareness, so that they can achieve their financial goals.



Advance value-based finance through Islamic finance leadership

Promoting Takaful as a sustainable and inclusive financial system that can contribute to the country's economic and social goals.



The FSB will be instrumental in advancing the Takaful industry and promoting its growth within the country. It is an integral part of Malaysia's financial landscape due to its alignment with Islamic principles and the increasing demand for Shariah-compliant Takaful products. By fostering a conducive

environment for Takaful Operators, the blueprint encourages innovation, product diversification, and improved customer experiences. Additionally, it facilitates the integration of technology and digital solutions, enabling greater efficiency, accessibility, and cost-effectiveness in Takaful operations.

Value-Based Intermediation for Takaful

The VBIT framework is designed to align the operations and practices of Takaful Operators, with the broader objectives of sustainable development and societal well-being. By adhering to the VBIT underpinning thrusts below, Takaful Operators integrate values such as fairness, transparency, and inclusivity into their business models. These foster trust and confidence among customers and stakeholders, enhancing the reputation of the Takaful industry.

The adoption of the VBIT in elevating Takaful not only ensures the industry's sustainable growth but also positions it as a responsible and impactful player in the global financial landscape. By adhering to the roadmap's principles and strategic initiatives, Malaysia aims to establish itself as a global leader in Takaful and Islamic finance, attracting increased investments and fostering sustainable economic development.

Illustration 4: The five underpinning thrusts of the VBIT

The five underpinning thrusts of the VBIT are:



Financial Resilience

Focusing on ensuring the long-term financial stability and resilience of Takaful Operators, it recognises the importance of sound financial management, risk mitigation, and prudent practices within the Takaful industry.



Community Engagement

Ensuring that the benefits of Takaful are accessible and equitable for all segments of society, including underserved communities. Operators are encouraged to design products and services that cater to diverse customer needs and promote financial inclusion.



Good Self-Governance

Emphasising the importance of strong governance, risk management, and ethical conduct within the Takaful industry. Takaful Operators are expected to maintain high standards of integrity, accountability, and transparency in their operations.



Best Conduct

Promoting ethical behaviour, customer-centricity, and fair treatment of all stakeholders within the Takaful industry. It emphasises the importance of responsible conduct and integrity in all aspects of Takaful operations.



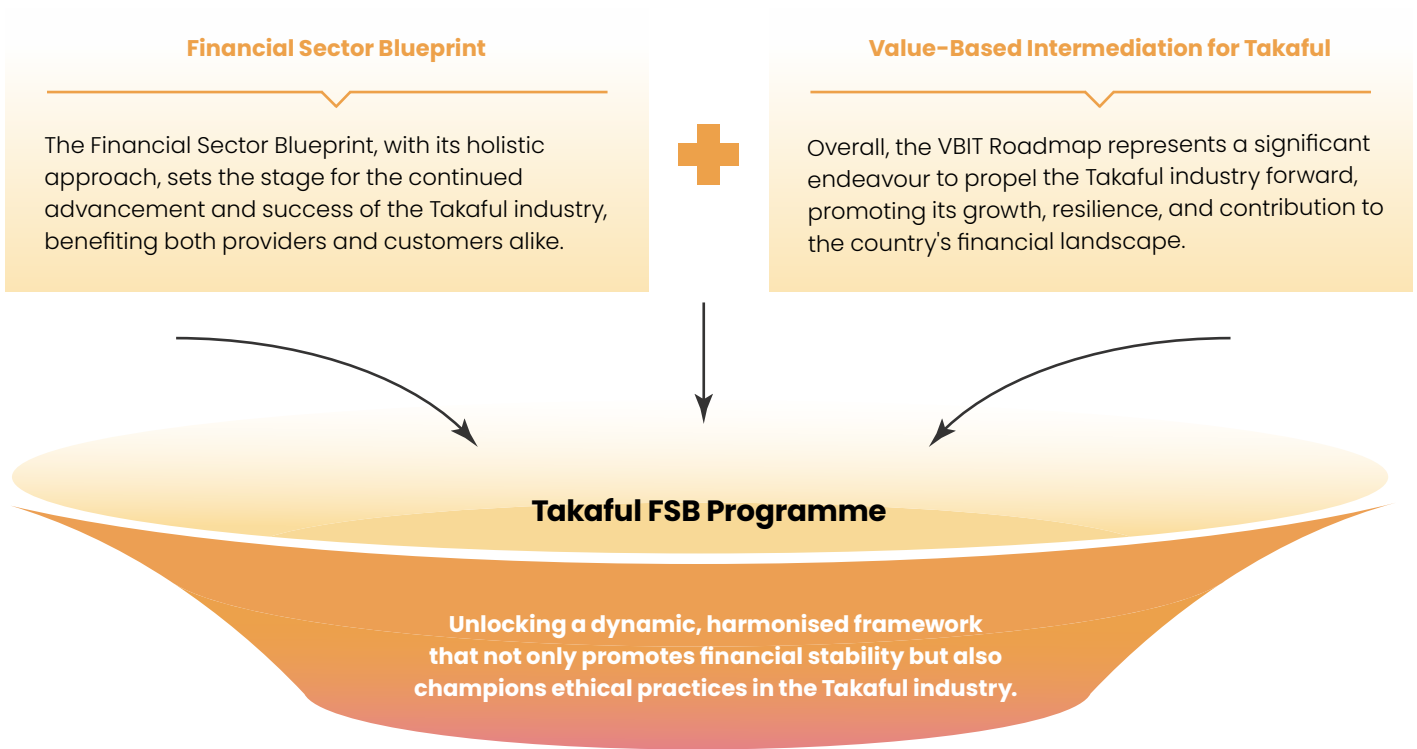
Capacity Building

Enhancing the capabilities and capacity of Takaful Operators to meet the evolving needs of the industry. This thrust recognises that a strong and capable Takaful sector is crucial for its sustainable growth and to fulfill the demands of customers effectively.

FSB – VBIT Programme

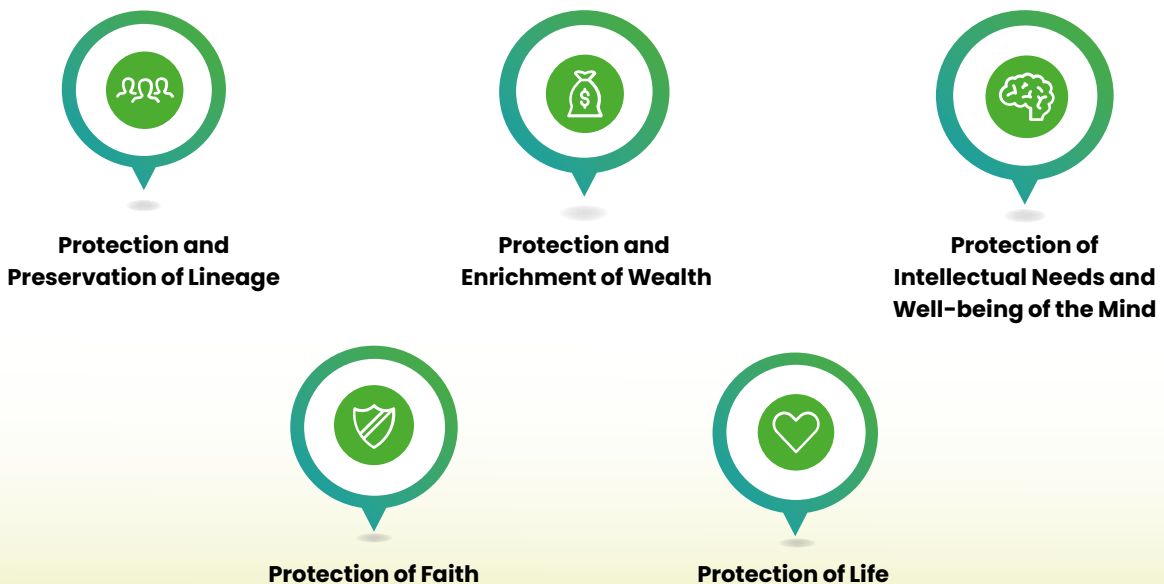
Harmonisation of the two frameworks

Illustration 5 : Harmonisation of the two frameworks



The harmonised framework intends to uphold primary elements that must be adhered to by any Takaful Operators which are:

Illustration 6: Five Essential Elements of Maqasid Al-Shariah



Governance of the programme | Key Elements

To ensure the programme's successful execution, the progress and implementation of its various initiatives will be closely monitored by MTA and the Takaful Operators with periodic updates to BNM. This monitoring process aims to assess the roadmap's effectiveness, identify any challenges or opportunities that may arise and make necessary

adjustments or recommendations to drive its continued success. The Takaful FSB Programme is a collective initiative that aims to strengthen the takaful sector in Malaysia and garners support from all 19 Takaful Operators including ReTakaful Operators .

Family Takaful Operators

Illustration 7: Family Takaful Operators

		
AIA PUBLIC Takaful Bhd.	AmMetLife Takaful Berhad	Etiqa Family Takaful Berhad
		
FWD Takaful Berhad	Great Eastern Takaful Berhad	Hong Leong MSIG Takaful Berhad
		
Prudential BSN Takaful Berhad	Sun Life Malaysia Takaful Berhad	Syarikat Takaful Malaysia Keluarga Berhad
		
Zurich Takaful Malaysia Berhad	Takaful IKHLAS Family Berhad	

General Takaful Operators

Illustration 8: General Takaful Operators



Etiqa General Takaful Berhad



Takaful IKHLAS General Berhad



Syarikat Takaful Malaysia Am Berhad



Zurich General Takaful Malaysia Berhad

Retakaful Operators

Illustration 9: Retakaful Operators



**Swiss Re Retakaful
(Swiss Re Asia Pte. Ltd)**



**Munich Re Retakaful
(Munchener
Ruckversicherungs-
Gesellschaft)**



Malaysian Re Retakaful



**Malaysian Life Reinsurance
Group Berhad**

Governance structure of the programme

Illustration 10: Governance Structure of the programme



The 11 working groups consist of the following:

Illustration 11: FSB Working Group



**Strategic Thrust 1 | Fund
Malaysia's economic
transformation**

Working Group 1



**Strategic Thrust 2 | Elevate
the financial well-being of
households and businesses**

Working Group 2
Working Group 2A
Working Group 2B
Working Group 2C (i)
Working Group 2C (ii)



**Strategic Thrust 3 |
Advance digitalisation
of the financial sector**

Working Group 3(i)
Working Group 3(ii)



**Strategic Thrust 4 |
Position the financial
system to facilitate an
orderly transition to a
greener economy**

Working Group 4

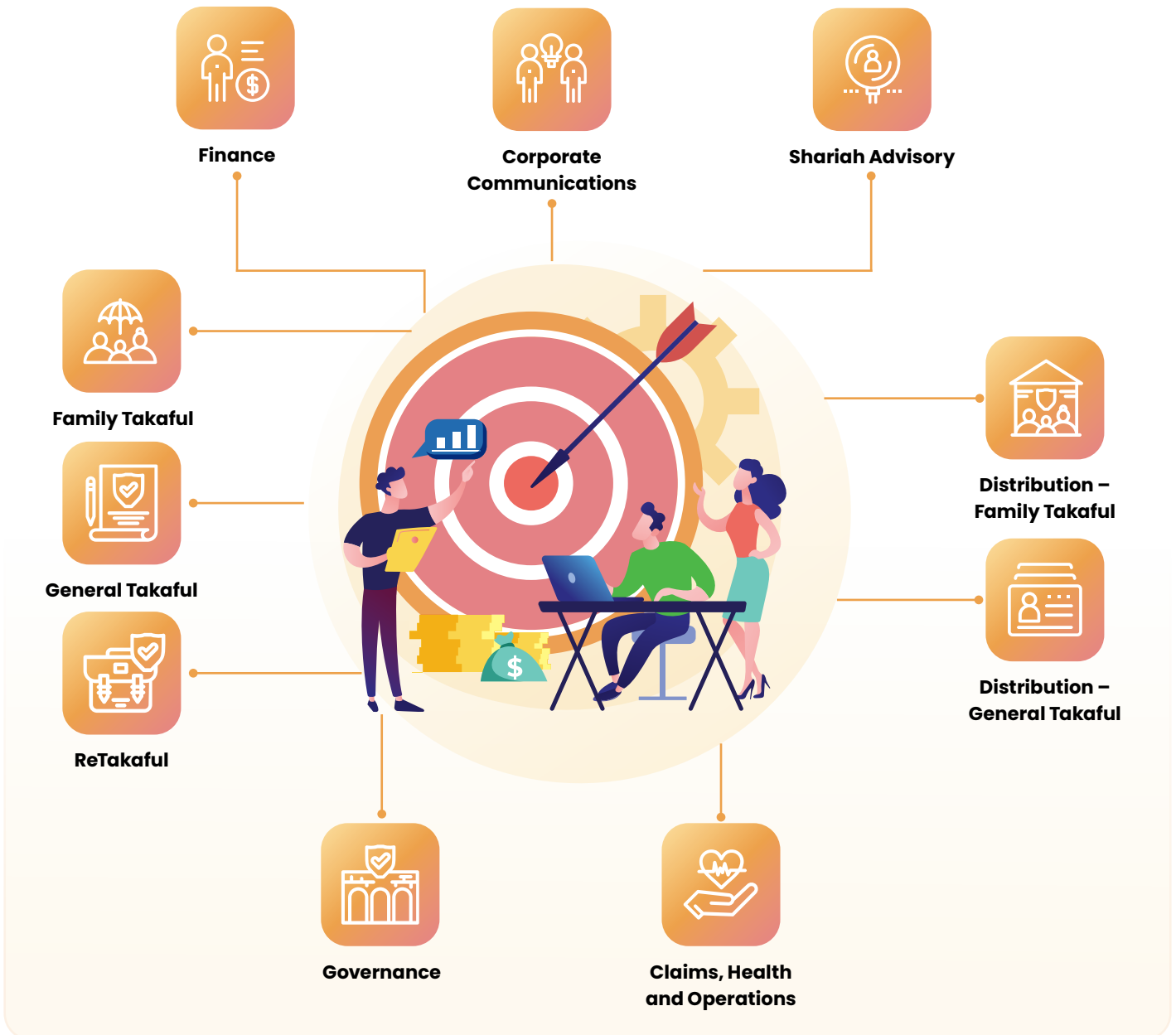


**Strategic Thrust 5 |
Advance value-based
finance through Islamic
finance leadership**

Working Group 5(i)
Working Group 5(ii)

Subcommittees of MTA

The subcommittees of the MTA serve as an invaluable tool for the Takaful industry.



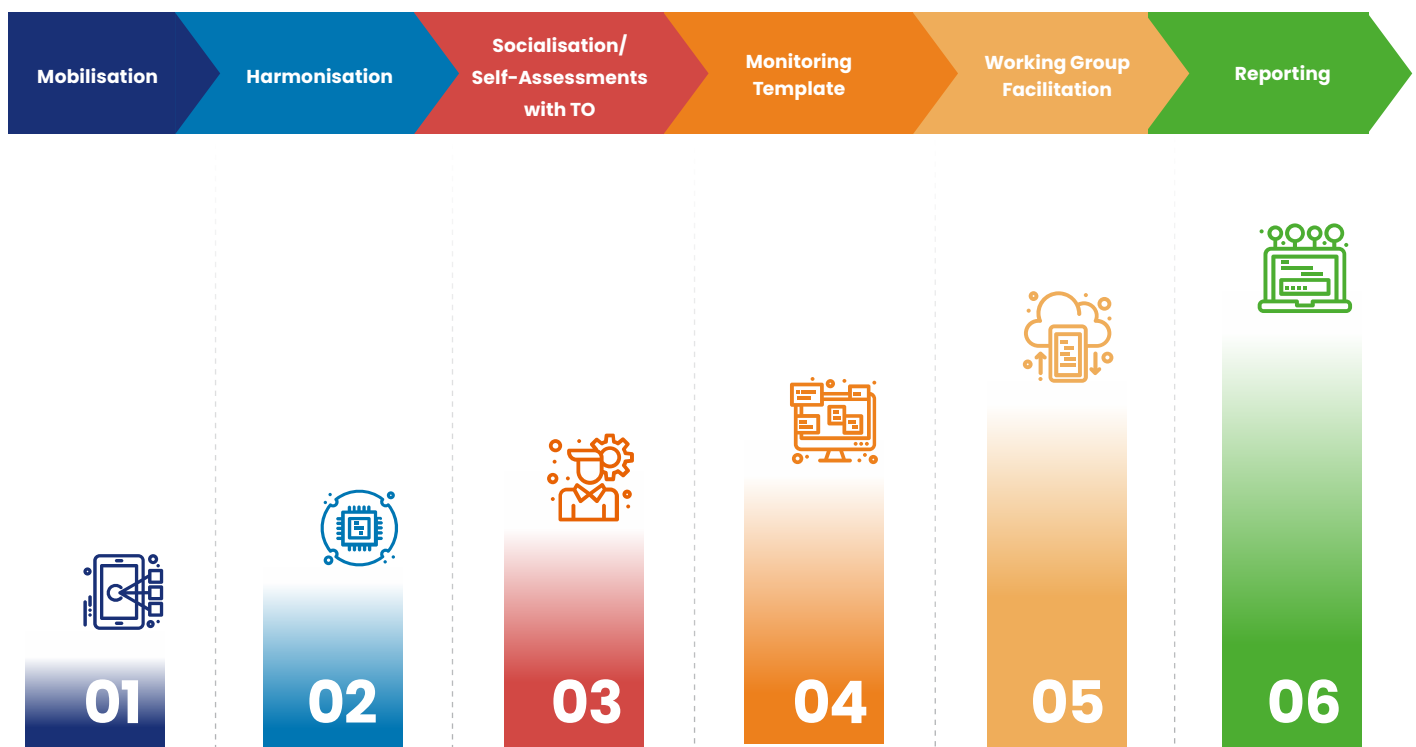
Comprised of representatives from Takaful Operators, these subcommittees bring together a diverse range of expertise and experience.

Programme Management Office | Key Project Milestones

To progress with the Takaful FSB Programme, on the 17th of June 2022, the VBIT Steering Committee had been dissolved and elevated to the FSB Steering Committee. Likewise, the VBIT Workstreams were disbanded and replaced by Working Groups of the Takaful FSB Steering Committee. The key project milestones below were crucial in the development of the Takaful FSB Programme for the Takaful Industry. They helped to ensure that the Programme was aligned with the needs of the Takaful industry and that it would be implemented

effectively. The stages that have been completed so far have been successful in ensuring that the Programme is aligned with the needs of the Takaful industry and that it is making progress towards its objectives. The interim report provides a valuable overview of the progress that has been made so far, since the kick-off of the Takaful FSB Programme on the 20th of October 2022 and it will serve as an essential guide for the Programme in coming years.

Illustration 12 : Stages of the Takaful FSB programme



01. The Mobilisation Stage

- Began in October 2022.
- Deloitte and the MTA collaborated to understand the intricacies and aspirations of the Takaful industry in identifying the key areas where the Programme could have the most impact to the industry.
- They also reviewed the existing VBIT initiatives list and the FSB to identify areas where the Programme could align with the broader strategic objectives of the Takaful industry.
- This stage was critical to ensure that the Programme was aligned with the needs of the Takaful industry and that it would be implemented effectively.
- The mobilisation stage also helped to build relationships between Deloitte, MTA and the Takaful industry, which would be essential for the successful implementation of the Programme.



02. The Harmonisation Stage

- This involved identifying and harmonising the multiple industry initiatives and Takaful operator level initiatives that could fit under the purview of the FSB and the VBIT.
- The list was then transformed into a “To-be” list that would later form the basis of the Working Group’s initiatives.
- Deloitte was able to streamline the initiatives from a total of 74 initiatives to 27 initiatives executed over 11 Working groups to have better focus and stay on track to achieving their goals when implementing the initiatives.
- Involved a detailed analysis of the different initiatives, as well as extensive discussions with stakeholders.
- The outcome was a clear and concise list of initiatives that would be used to develop the working group direction and to set the scope of work for each working group.



03. The Socialisation Stage

- This involved introducing the Programme to every Takaful operator individually.
- This was carried out by Deloitte in collaboration with MTA through presentation to the Industry Champions and some members.
- This gave the operators the opportunity to understand the Programme in more detail and to share their own ideas and suggestions.
- Current operator initiatives and preliminary self-assessment under the VBIT Maturity Continuum were carried out at this juncture.
- This stage was important to ensure that all stakeholders were on board with the Programme and that they were committed to its success.
- The feedback from the Takaful Operators was also used to refine the Programme and to ensure that it met the needs of the industry.



04. The Monitoring Stage

- Deloitte had prepared two types of monitoring templates to ensure complete monitoring of the Programme – the Outcome decks for each working group and the monitoring dashboard.
- The monitoring templates were a collaborative effort between the Deloitte, the MTA coordinators and PMO.
- Working Group outcome decks are presented at every working group meeting to serve as a guide to steer the discussion and the monitoring dashboard also serves as a guide for the weekly cadence meeting. These templates included information such as: the name of the initiative, Action items, the responsible party, the target date, and percentage of completion. They are also used to identify any potential issues that may arise.
- The use of monitoring templates helped to ensure that the Takaful FSB Programme was implemented effectively and provided a clear and concise way to track the progress of the initiatives.

Programme Management Office | Key Project Milestones

05. Working Group Facilitation Stage

- The objective of this stage was to begin engaging with the working groups and their members, and to steer discussions with the respective working groups to facilitate discussions on the “To-be” list, which would form the basis for the Takaful initiatives for the duration of the programme.
- The discussions steered by Deloitte centered around what the working groups could do to boost the industry.
- The working groups were asked to identify the key areas where they could make a difference and to develop action items to get the ball rolling.
- This also meant that the group had to offer key metrics that would form their key metrics for the action items.
- The PMO also had to ensure that the discussions were productive and that the working groups were making progress. This involved providing guidance and support, as well as resolving any conflicts that arose.

06. The Reporting Stage

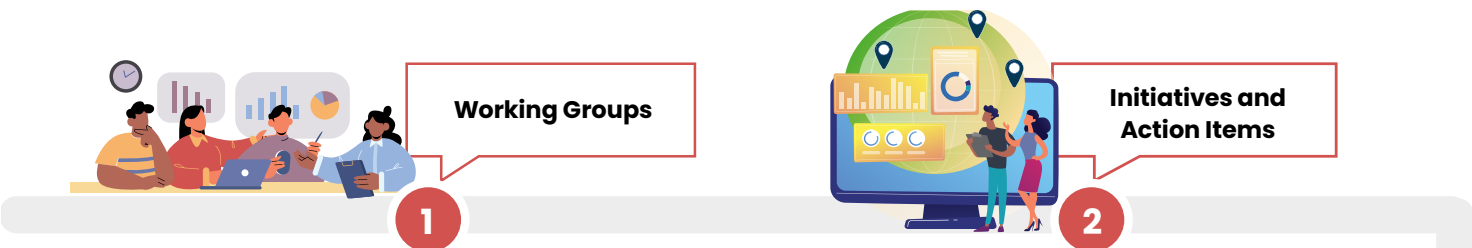
- The interim report for the Programme summarises the findings and progress of the initiative, after conducting a comprehensive 9-months on the progress of mobilisation work on the initiatives.
- The report provides an initial overview of the industry and identifies a number of opportunities for growth in which the working groups will continue to drive.
- The recommendations in the report will be essential for promoting the growth of Takaful in Malaysia in the coming years.

The future of the Takaful industry in Malaysia is bright, and the Takaful FSB Programme is playing a key role in its growth. The Programme has the potential to make a significant impact on the industry, and it is essential that it is implemented effectively. The interim report provides a valuable development update of the Takaful FSB Programme, and it will be essential for guiding the industry in the years to come.

Programme Reporting

Reporting Process

This monitoring process aims to assess the roadmap's effectiveness, identify any challenges or opportunities that may arise, and make necessary adjustments or recommendations to drive its continued success.



Each Strategic Thrust of the Takaful FSB Programme consists of 11 Working Groups that have specific focuses on their initiatives. Meetings are usually held once a month or when practicable, and they are attended by representatives from the Takaful industry, regulators, and other important stakeholders.

These initiatives were further broken down into action items to ensure that there was constant monitoring of the actual work that was being carried out to track the completion of the initiatives.



The status of the Programme is also reported to the Executive Committee members of the MTA on a weekly basis and to the MTA Board every quarter.

Every week, coordinators are to follow up with the progress of the working groups before their weekly cadence meetings every Monday. This ensures that the initiatives are on track and that any potential issues are identified and addressed early on.



Takaful FSB Programme Enablers

4

Takaful FSB Programme Enablers

The Takaful FSB Programme is supported by several programme enablers that play a big role in understanding and complementing the initiatives of this programme. The programme enablers play a vital role in ensuring that the programme is successful. They are designed to progress the

programme initiatives smoothly by helping Takaful Operators assess their own maturity, benchmark their performance against other operators and understand how other operators contribute to the industry following the initiatives.

Illustration 13: Stages of the Takaful FSB programme

These enablers are designed to provide crucial support and facilitation throughout the implementation of the program, allowing it to achieve its intended objectives effectively. By addressing various challenges and bottlenecks, the enablers work in harmony to streamline processes, enhance efficiency, and optimise resource allocation. They act as catalysts for progress, ensuring seamless coordination among stakeholders, including regulators, working groups, and other relevant parties.



Through the strategic deployment of the programme enablers, the Takaful FSB Programme can effectively foster growth and development within the Takaful industry. Their collaborative efforts instigate a positive domino effect,

propelling the Takaful industry towards sustained success, continuous innovation, and a brighter future for the entire Malaysian financial landscape.

VBIT Maturity Continuum

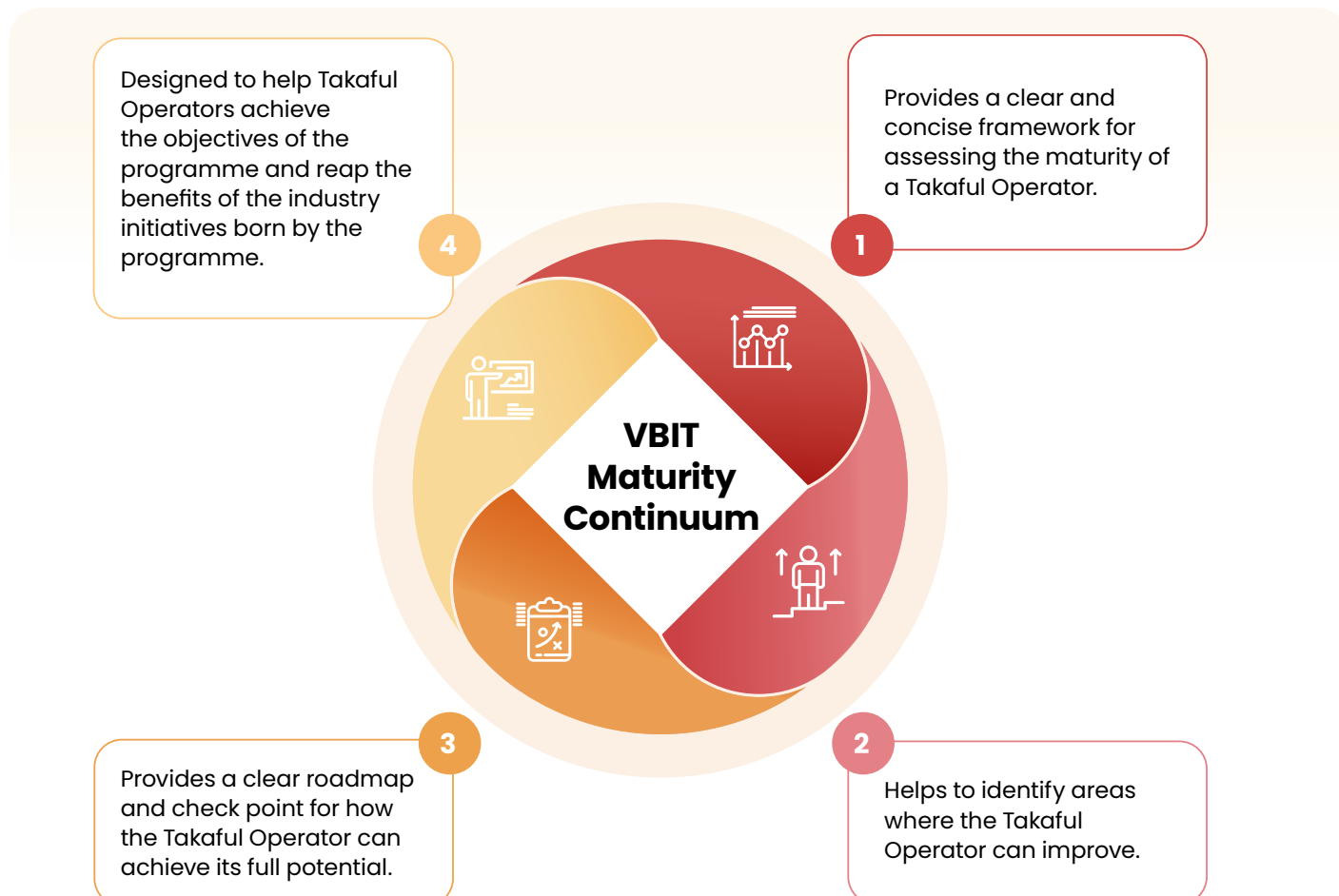
Example of the MTA VBIT Maturity Continuum Questionnaire

The VBIT Maturity Continuum is a self-assessment tool that allows Takaful Operators to assess their own maturity in five key pillars: financial resilience, community engagement, good self-governance, best conduct, and capacity building

VBIT Maturity Continuum (1/5)
VBIT Thrust 1.0 Financial Resilience
Financial resilience is the ability of an individual, business owner or family to bounce back from a financial shock

Choose your answer from the dropdown list in this column		
Questions	Answers	Score
1) How many of your company's products are affordable and suited to the B40 income bracket?	Majority products are affordable (within the B40 income bracket)	2
2) How many of your company's products are complex and difficult to understand?	Certain products are simple but difficult to understand	2
3) Are there any product comparisons available at your company?	Products comparison are available through different channels (e.g. website and mobile application) and hosted in own platform	2
4) Are there any products in your company suitable to serve the specific needs of underserved segments (e.g., B40, disabled, geographical segments)?	Some products are suitable to serve specific needs of underserved segments	2
5) What level of financial advisory support does your company provide to customers?	We provide comprehensive financial advisory support to customer	3
Result	:	2.20
Overall Stage	:	3

Illustration 14: VBIT Maturity Continuum Objectives



During this time, as all 15 Takaful Operator had provided their responses and feedback for the assessment, the feedback from the Takaful Operators was used to improve the Programme initiatives by placing emphasis on certain critical pillars. However, ReTakaful was excluded from the assessment due to the feedback received, which emphasised a customer-focused approach. Feedback from these operators has been positive, and they have found the continuum to be a valuable tool for self-assessment and to monitor their improvement or progress over time during the programme.

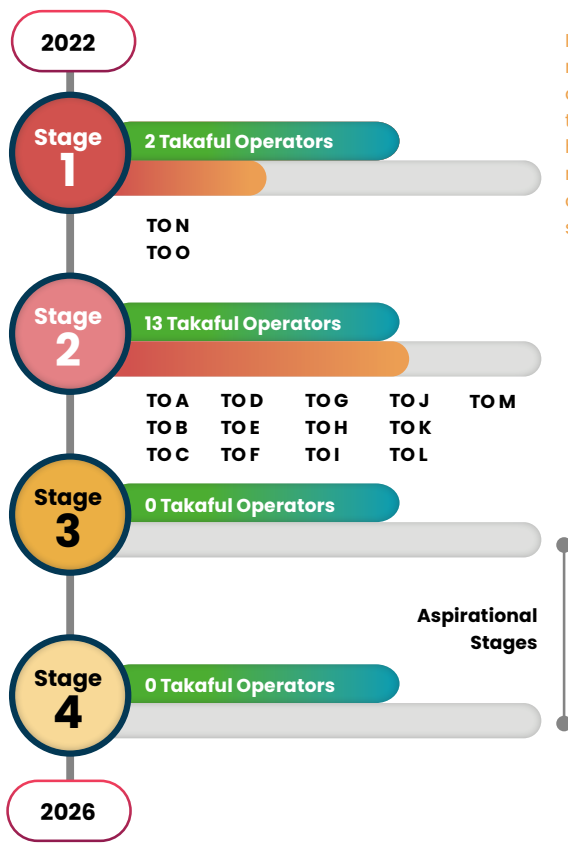
At a glance, it is evident that the Takaful Operator have developed ideas for their operator initiatives or have some understanding of their pillar ideas and are about to embark

on initiatives according to the pillars. The programme endeavours to increase the industry average and boost Takaful Operator scores from their current stage to the next stage as the programme initiatives continue to develop.

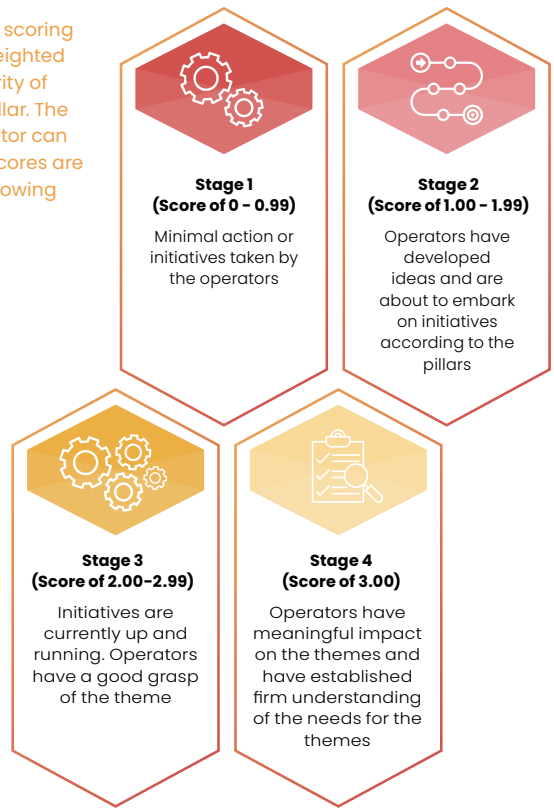
Once the Industry initiatives are underway, the Takaful Operators will undergo a self-assessment again, with a target timeframe of end-2023 and a final assessment targeted for end-2024. This is to ensure all Takaful Operator are fully absorbing the potential of the initiatives of the programme and ensure that the Takaful industry is growing and thriving.

The VBIT Maturity Continuum has proven to be a valuable assessment tool for Takaful Operators for several reasons:

2022 Preliminary VBIT Continuum Assessment Results – Scores by Stages



It is then weighted by a scoring method, with scores weighted according to the maturity of the operator in each pillar. The highest score an operator can receive is 3. Operator scores are associated with the following stages of maturity:



Source: VBIT Maturity Continuum Exercise 7 November – 13 November 2022

The 5 VBIT underpinning thrusts are designed to ensure that Takaful industry in Malaysia delivers on its full potential to provide financial protection and other benefits to customers, communities, and the economy. By aligning these thrusts to desired outcomes and targets, the Takaful industry in Malaysia can make significant progress towards achieving its goals.

The Takaful industry in Malaysia is committed to continuing this work and ensuring that Takaful industry delivers on its full potential to provide financial protection and other benefits to customers, communities, and the economy as a whole.

The desired outcomes and targets for the Takaful industry are as follows:



Financial Resilience

- For Takaful Operators to bounce back from a financial shock.
- The strength to withstand life events that impact one's income and/or assets. For example, financially stressful events such as unemployment, divorce, disability and health problems that affect people individually.



Community Empowerment

- Promoting noble charitable causes for the community.
- Equipping the community with better financial awareness and literacy.
- Encouraging self-care and health empowerment.



Good Self-Governance

- Embrace good self-governance proactively without dependence on regulatory intervention.
- Internalise personal compliance behaviour such as self-control and self-accountability in fulfilling the company's contractual obligations while safeguarding the rights of stakeholders.
- Incorporate VBIT within the institutional leadership and culture of TOs.



Best Conduct

- Takaful Operators to be guided by the principle of doing the right thing, in the right way, with the right people, which will then lead to the best results.
- Adopt VBIT to empower all stakeholders by making all important information available and easily understood.



Capacity Building

- Aims to improve customer's experience of and accessibility to Takaful offerings, i.e via digitalisation, e-payment/ e-wallet.
- Potential solutions:
 - Adopt modern technology and automation of manual processes to reduce carbon footprint and increase work efficiency.
 - Accessible facilities and robust network capacity to ensure uninterrupted service delivery to stakeholders.

Takaful Operators Initiatives

The Takaful industry in Malaysia is committed to digitalisation, sustainability, financial literacy, wealth creation, capacity building, and the introduction of new products for the consumers and its stakeholders. The industry is also aware of

the importance of sharing best practices and collaborating on initiatives. The most common categories of initiatives that operators embark on are the following:

Microtakaful

Takaful Operators offer a range of Microtakaful products to cater to the underprivileged bracket of Malaysia in a number of ways. Takaful products such as Microtakaful are often designed to be affordable and accessible to low-income households. They aspire to support economic development by providing financial protection to families, businesses, and entrepreneurs. Microtakaful products are typically very affordable and can provide a range of financial protection benefits, such as death benefits, medical benefits, and accident benefits.

Serving the B40 bracket and underserved for Takaful Operators contributes to the financial sector blueprint by helping to achieve financial literacy, inclusion, economic development, and social protection. These are all important goals that can help to improve the lives of Malaysians.

Strategic Thrust 2: Elevate the financial well-being of households and business

Category



Underprivileged/B40

Takaful Operator Initiatives

AIA PUBLIC Takaful Bhd.

- Offering of AIA i-Starter Plan, a Pelindungan Tenang product, and various online products that are simple and affordable.

Syarikat Takaful Malaysia Keluarga Berhad

- Government Education Financing Protection Program (STMKB) – Protection plan for depositors.

Zurich Takaful Malaysia Berhad

- Takaful Al Shams – Guaranteed Acceptance plan with an affordable contribution that provides protection from unpredictable events in life, including death, disability coverage as well as accidental death benefit.
- OKU Sentral – Support the empowerment of Persons with Disabilities (PwDs) through entrepreneurship development.
- MediAfya – Affordable medical product.

Takaful IKHLAS Family Berhad

- Waqaf collaboration with Majlis Agama Islam Negeri Sembilan (MAINS), Majlis Agama Islam dan Adat Melayu Perak (MAIPk) and Majlis Agama Islam Negeri Pulau Pinang.
- Ikhlas Barakah House (IBH) – Shariah compliant platform established to contribute to a positive and sustainable community through financial aid and community engagements.
- IKHLAS Rider – Provide an option for takaful participants to contribute to the IBH.
- Asnaf Entrepreneurship Program (AEP).
- Protégé Program.

FWD Takaful Berhad

- Complimentary COVID-19 Funds

Great Eastern Takaful Berhad

- Expansion of product benefits to meet the needs of micro-SME and gig-workers.
- Providing affordable solutions for short-term needs to the uninsured/under-insured segment.
- Enhance awareness and accessibility to takaful to increase penetration of the underserved B40 segment.
- Enhance accessibility to takaful, promoting inclusivity and covering the larger population in addition to the healthy pool of customers.

Etiqa General Takaful Berhad

- Homeowner/Householder cover for low-income households.

Etiqa Family Takaful Berhad

- Community engagement activities e.g. Clean Water facilities & Cancer screening for underprivileged women (CZR programs).

Prudential BSN Takaful Berhad

- Over 285K persons were covered under BSN Takaful Sakinah, a solution developed and offered to B40 communities under the Perlindungan Tenang Program.
- Community empowerment through collaboration with ICU, JPM for the Mirotakaful Jariyah and its subsequent link to the Ihsan Rider saw 30K hardcore poor families given protection. A further 268,000 lives were covered under the Skim Insurans Keluarga Malaysia (SIKM).
- Community empowerment through Mobility is Life, where PruBSN Prihatin provides free prosthetics legs to underprivileged amputees or disabled persons, allowing them the mobility to work and earn income for their families & live more productive lives.

Sun Life Malaysia Takaful Berhad

- GoTakaful Plan, Sun Wira-i, Sun Cover-i, Sun Mozi (Ensuring affordability and easy access. Affordable pay-as-you-go monthly contributions distributed by appointed distributor).

AmMetLife Takaful Berhad

- Strategic collaboration with MARA - Offering Takaful coverage to microfinancing recipients under the SPIM DanaNita and SPIM OKU schemes which will reinforce participants' financial security.

Takaful Ikhlas General Berhad

- BUDI Takaful IKHLAS - Provide sponsorship to 50 MRSM students from B40 families (MRSM Kuala Krai, Merbok, Terendak, Muar).
- Provide medical equipment (wheelchair, bed, pillow & emergency medical assistance) during World Cancer Day and World Kidney Day.
- Contribute 2 dialysis machines - Collaboration with Lembaga Zakat Selangor and other religious bodies.
- Collaboration with UKM - Implementation of Tube well and water treatment.
- Development of 6 Perlindungan Tenang products - 2 Fire Takaful and 4 Personal Accident Takaful products.
- BSN Green Micro Savings I
- Grant Research- Waqf Crop Micro Takaful Framework through Crowdfunding
- IWE Handover - Collaboration with YAPEIM provide to respiratory ward in terms of hospital equipment to Institut Perubatan Respiratory (IPR) Hospital Kuala Lumpur

Perlindungan Tenang

As part of the microtakaful solutions, Bank Negara Malaysia has produced a Perlindungan Tenang Policy Document on 5th July 2021, which is enforced to all Licensed Takaful Operators and Insurers. It aims to provide coverage or solutions for the unserved and underserved segments. The document outlines that the products offered should adhere to the five key principles under the Perlindungan Tenang Framework, which are:

- a. Affordable
- b. Easily accessible to the target segments
- c. Provide good protection value
- d. Easy to understand
- e. Easy to purchase, make nominations and make claims.

There are various Family Takaful solutions offered by the Takaful Operators for sums covered up to a maximum of RM80,000 for various options of coverage such as death benefits, disabilities, medical reimbursements due to accidental, hospitalisation, critical illness, funeral expenses or “khairat kematian” and “badal haji”. These offers were pledged with a minimum contribution as low as RM25 per annum. Names of the products offered are AIA:

- AIA i-Starter Plan
- POS Tenang
- FWD Kasih
- MikroSayang
- HLM Takaful Tenang
- HLM Takaful Tenang 75
- BSN Takaful Sakinah
- Lindungi

- IKHLAS Perlindungan Tenang Takaful
- TAKAFUL myTenang Care
- Z-Prihatin Takaful

Active campaigns to promote Perlindungan Tenang have shown an accumulative of 1.55 million certificates have been issued since 2018, with an average of 260,000 certificates per year. The numbers was significantly increased in 2021 and 2022 resulting from the introduction of the Perlindungan Tenang Voucher Programme by the Government.

The total amount covered provided by the Takaful Operators is approximately RM54.04 million with an average of RM9 million per annum. Nevertheless, the industry has processed 1024 claims which led to a settlement amount of RM10.9 million.

As for the General Takaful, Etiqa General Takaful Berhad offers maximum coverage of RM20,000 for loss or damage to the property (building and/or contents) due to fire, lightning and domestic explosion. It extends to also cover the death of their participant or one immediate family member due to fire, theft or robbery at the covered property for an amount of RM25,000. An emergency cash relief of RM1,500 will be disbursed in the event of fire, storm, tempest and/or flood to the covered property.

Meanwhile, Zurich General Takaful Malaysia Berhad focusses on coverages for accidental death and injuries for a maximum of RM40,000 including hospital income and funeral expenses.

Note: All numbers provided above is based on declaration by the Takaful Operators as at October 2023



Promotional Initiatives



Sustainability

Takaful Operators are increasingly incorporating ESG (environmental, social, and governance) factors into their business practices. They are also developing products and services that support sustainable development. Some Takaful Operators also introduce Sustainability and ESG initiatives within their companies to embed this practice into their corporate culture.

Takaful Operators are banding together in various ways to comprehensively address climate risk management and climate change mitigation. Steering the industry towards a greener economy within the Takaful companies contributes to the financial sector blueprint by helping to achieve sustainability, improve risk management, and promote innovation.

These are all important goals that can help to protect the environment, increase climate resiliency and support

economic growth. By uniting their efforts, Takaful Operators can assume a significant role in understanding and managing climate risk. Through this collaboration, they can safeguard their portfolios, ensuring the continuity of essential financial protection for their customers while making a positive contribution to the global fight against climate change.

The General Takaful Operators have now embarked on the offerings of Takaful solutions to cover “green energy” such as:-

- Motor Takaful for electric vehicles with competitive contribution charges
- Provide coverage for charging stations located at the owner’s premise
- Include auto services for e-vehicle claims
- Provide takaful coverage for solar panels including loss of income due to the damage of the panels from specific perils

Strategic Thrust 1: Fund Malaysia’s Economic Transformation

Category



Sustainability Investment

Takaful Operator Initiatives

Zurich Takaful Malaysia Berhad

- Zurich Malaysia’s Green Initiatives – Investment in greener industries or to be more attractive to customers and investors.

Syarikat Takaful Malaysia Keluarga Berhad and Syarikat Takaful Malaysia Am Berhad

- Green Investment – Higher allocation on investment in counters with additional social/ environmental benefits

Sun Life Malaysia Takaful Berhad

- Sun Life Malaysia Islamic Global Sustainable Fund (The first Shariah-compliant, investment-linked Takaful Environmental, Social and Governance (ESG) Fund for the Malaysian takaful market, as a continued effort to promote sustainability)
- Classification of investment assets based on BNM Climate Change and Principle-based Taxonomy (CCPT) classification
- RM400mn sustainable investment target by 2024
- Reduce exposure to coal-powered power plant
- Invest into a Green Sustainable and Responsible Investment Sukuk that is funding a 49MW large scale solar power plant project

Hong Leong MSIG Takaful Berhad

- Flood Donation Drive campaign – Raise funds to assist and support the affected employees and agents.
- Strengthening Takaful values with a facility to participate in Waqaf using Takaful benefits. This aims to enhance the functions of Takaful to support the society

Takaful Ikhlas General Berhad

- Revision of rates for inclusion of Special Perils and introduction Limited Special Perils extension for Motor Private Car with Comprehensive cover
- Enhance underwriting guidelines to incorporate incentives in terms of pricing and acceptable terms to support green technology and environment-friendly business

Strategic Thrust 4: Position the financial system to facilitate an orderly transition to a greener economy

Category



**Environmental,
Social, and
Governance (ESG)**

Takaful Operator Initiatives

AIA PUBLIC Takaful Bhd.

- Establishment of ESG Committee & Sustainability department to oversee the implementation of AIA's ESG/VBIT strategies across the entities in Malaysia including the Company.
- Strategic communication/engagement with the Board on their responsibility to promote sustainability through appropriate ESG/VBIT considerations in the Company's business strategy.
- ESG Strategy Pillars/VBIT embedded in the Company's business with specific targets identified.
- Continuing the carbon footprinting of the investment portfolio and developing emission reduction targets, with the goal of achieving 100% divestment in coal-related holdings.
- Developing Science Based Targets Initiatives for Net Zero Greenhouse gasses (GHG) emissions by 2050.
- Issued event guides to promote reduction of waste and pollution for company events such as meetings, trainings & conferences.

Syarikat Takaful Malaysia Keluarga Berhad and Syarikat Takaful Malaysia Am Berhad

- Product that caters to protection of Solar panel (STMAB)
- Introduction of "green products" for individuals and companies
- Upgrade ESG performance rating
- Integrate ESG into product development through collaborations

Zurich Takaful Malaysia Berhad

- Collaboration with Tropical Rainforest Conservation and Research Centre (TRCRC)

Great Eastern Takaful Berhad

- Establish Responsible Investment practices
- Integration of Environmental and Social considerations into Enterprise Risk Management processes
- Promote the transition to more environmental-friendly concepts to reduce carbon footprint and plastic pollution (e.g. workplace transformation)
- Encourage cost savings energy management within GETB
- Provide conducive working environment whilst optimising office space
- Raise awareness on waste reduction, recycling and the 5 R's (refuse, reduce, reuse, repurpose and recycle)

Swiss Re Retakaful

- Implementation of sustainability commitments - Share experience from Swiss Re's journey to its group-wide net-zero targets in Operations, Underwriting and Investments.

Etiqua General Takaful Berhad

- Coral seeding, maintenance and studying together with a local university in Pulau Tioman.
- Clean water project.
- Homeowner/Householder cover for low-income households.
- Installation of EV Chargers at strategic buildings.

Etiqa Family Takaful Berhad and Etiqa General Takaful Berhad

- Monitoring of Company's Carbon Footprint
- ESG Integration into Financial Analysis - using it to ensure our portfolio factors in ESG risks
- Expand our existing green clientele and provide more innovative green products and services

FWD Takaful Berhad

- Cover for Electric Vehicle chargers installed at home.
- Monitor company's carbon footprint.

Prudential BSN Takaful Berhad

- The Sustainability framework is driven by the company's purpose "Helping People Get The Most Out of Life"
- Sustainability 101 online training, inclusive of a commitment video by the CEO to drive the sustainability agenda.
- Training sessions for intermediaries and the Board of Directors, as well as the development of a sustainability page on the website.
- Ongoing efforts to explore greener investment options include the launch of an ESG fund in 2023

Sun Life Malaysia Takaful Berhad

- Takaful Mulia - Double indemnity upon accidental death/total permanent disability upon performing prayers at the mosque, payment benefits - Waqaf, Zakat, Fidyah, Hajj/umrah - pays sum of monies when Muslims perform their hajj and umrah.
- Sun Legacy-IPays 2.5% of the total account value less the deferred wakalah fee (if any) to zakat body on behalf of the person covered
- Sun Infinity-IPays waqf/donation (equivalent to 5% of the total takaful contributions paid) upon death of the person covered
- #PlantTreePlantHope programme aims at promoting a greener and more sustainable environment and help fight climate change. Collaboration with Yayasan Hijau to plant 1,000 trees in 3 years.
- Adopt ESG internal scoring in all new credit assessments

Hong Leong MSIG Takaful Berhad

- ESG requirements in investment policy and metrics to rate the investment portfolio based on their alignment with CCPT.
- E-Waste Campaign - compilation of used electronic equipment for refurbish and donation to the parties who are in need.
- Use ecologically-sound LED lighting - to help reduce energy consumption and shift to items with longer replacement lifespan.

AmMetLife Takaful Berhad

- MetLife Extraordinary Litter Pickup (#MELP) - to raise public awareness of environmental issues. 'Don't litter' is essentially the first lesson most of us need to learn when it comes to protecting the environment.

Takaful Ikhlas General Berhad

- Contribute fertigation tools - Provide fertigation tools i.e basic plant practices and science subjects for learning purpose to 25 schools
- Collaboration with UKM - Implementation of Tube well and water treatment

Digitalisation

Takaful Operators are investing in digitalisation to improve their efficiency and reach new customers. They are also using InsurTech to provide financial literacy and education to the public. Takaful Operators are increasingly leveraging digitalisation and insurtech to their advantage, particularly in streamlining and enhancing the claims management, contract execution, underwriting process and many more.

Overall, digitalisation is an essential factor for the Takaful industry to achieve its full potential. By embracing digitalisation, Takaful Operators can improve their efficiency, customer experience, and risk management. They can also reduce costs, increase transparency, and improve compliance. These are all important factors that can contribute to the FSB mandates and help to make Takaful a more accessible and affordable option for Malaysians.

Strategic Thrust 3: Advance digitalisation of the financial sector

Category



Digitalisation

Takaful Operator Initiatives

AIA PUBLIC Takaful Bhd.

- Increase digitalisation and automation in our Learn, Buy, Service & Claim transactions to reduce paper such as iCari, e-Brochure, e-Certificate, e-Receipt and e-Submission.
- Empowering customers with digital self serve services requests such as personal details edits, updates and changes, change payment method and frequency, update direct credit instructions and reinstatement lapsed within 90 days.

Syarikat Takaful Malaysia Am Berhad

- Motor Liberalisation (STMAB) - Digitalising processes in the event of an accident and claim process
- Digitalising platform for customers (STMKB & STMAB) - Shifting to digital advancement for easy access and better reach to customers (products eg: myMedicare & Travel products)

Great Eastern Takaful Berhad

- Digitisation of services (e.g. online facilities, paperless e-documents)

Etiqa General Takaful Berhad

- Agent-on-the-Go - Provide a digital tool for agents, as well as an easily accessible and usable tool for Malaysians to learn to and sell takaful products and generate a second income

Prudential BSN Takaful Berhad

- Continuous efforts to reduce energy consumption, digitalisation and paperless operations to manage carbon emissions and promote circular economy. In 2022, a 5R awareness campaign for responsible waste management for both staff and customers was launched. Efforts are being made to implement Responsible Sourcing in 2023.

Sun Life Malaysia Takaful Berhad

- SunAccess E-Hibah (Improves TAT, empowers clients and allows SLMT's clients to perform Conditional Hibah digitally via the client app, SunAccess)
- New Business (NB) e-Applications
- Enhancing Client Digital Adoption via Self-Service Portal - Claims submission

Hong Leong MSIG Takaful Berhad

- Digitalization of operations process to reduce carbon footprint e.g. eSubmission (iMS), eClaims, eDoc, eCertificates.
- Financial Literacy activities via social media platforms e.g. Facebook, Instagram, Influencers.

AmMetLife Takaful Berhad

- Brochures through Digital QR Codes - This streamlined approach empowers customers to effortlessly explore and obtain detailed product information, enabling them to make well-informed decisions.
- "Welcome to My Portal" - Provides a user-friendly interface where customers can access their certificate details, coverage information, and other related documents.

Takaful Ikhlas General Berhad

- Establishment of Go Digital Ecosystem projects using Robotic Process Automation (RPA) : Go Direct, Financial, Go Partner, Go Serve
- Fast track process for non motor flood claims (individual) not exceeding RM10,000.00
- Go Connect - Platform for digital partners' collaborations to penetrate niche market and inculcate digital adoption

Financial Literacy and Inclusivity

Takaful Operators in Malaysia are working to improve financial literacy and inclusivity in Malaysia. They are providing financial education programs to the public and are developing products and services that are accessible to all segments of society and to ultimately increase the take up rate of Takaful.

By increasing financial literacy, the government of Malaysia is helping to create a more inclusive, resilient, and prosperous financial system. This is essential for achieving the goals of the Financial Sector Blueprint and for improving the lives of all Malaysians and the adoption rate of Takaful.

For example, the industry is assisting a portion of the consumers in lending financial support to postgraduate students for them to be able to study syariah finance and Takaful.

Strategic Thrust 2: Elevate the financial well-being of households and business**Category**

**Financial Literacy
and Inclusivity**

Takaful Operator Initiatives**FWD Takaful Berhad**

- Komuniti Kita game - Promote financial literacy and increase awareness on Takaful among the community especially kids and young adults using game application as the medium.
- Fun(d) for Life - Provide financial education and sound financial management including educating Malaysians on the concept and benefits of takaful protection for students, educators, parents and societies at large.
- Collaboration with NGOHub - Increase financial literacy and spread awareness about the importance of saving and getting takaful protection in low-income community using simulation on daily life choices.

Prudential BSN Takaful Berhad

- Continuous engagement and outreach campaigns are conducted through social media accounts and the Pulse app. A financial literacy program was developed and launched in 2022, benefiting 432 participants from the Gen Z and B40 segments.

Sun Life Malaysia Takaful Berhad

- Featured/On air under segment Gema YADIM @ Melaka FM
- Collaboration with Fakulti Ekonomi dan Pengurusan, UKM for takaful product and wakaf funds
- National Takaful to cover for pandemic-related claims (Universiti Malaya)
- Aplikasi Prinsip Syariah Dalam Industri Takaful di Malaysia (Universiti Malaya)

Strategic Thrust 5: Advance Value Based Finance Through Islamic Finance Leadership

Category



Education & training

Takaful Operator Initiatives

Sun Life Malaysia Takaful Berhad

- Continuous education to Banca FSC on sustainable investing as well as highlighting Sun Life Malaysia ESG fund.
- Edumericals and financial program sponsorship (Astro Awani & BFM)
- Training programme provided by Shariah Department for Principal Agency, Elite agency, Bank Pertama and CIMB
- Training programme for new joiners and existing staff.
- Awareness and info sharing to internal staff via email blast.
- Tailor-made training for Product team
- Sun SAT (Shariah Aspect Training) - Understand the objectives of Shariah, Basic Islamic Jurisprudence, Basic Islamic school of Jurisprudence & Basic Islamic Commercial contracts.
- SST (Shariah Structured Training) – Basic of Shariah and fundamentals of takaful (conducted by SLMT Shariah team)
- Brighter Wellness Programme - An awareness and engagement programme focusing on improving the well-being of Malaysians to live healthier lives - financially, physically and mentally.
- Established VBIT Working Group consisting of the CEO, Shariah, Risk Management and Compliance
- 20% - 30% employees (middle management and above) and intermediaries are pursuing professional certifications. To have a sustainable career, increase employability and increase level of professionalism

AIA PUBLIC Takaful Bhd.

- Embedding persistency management in the agency training modules to create awareness on the importance of sustainability and higher income in the future.
- Compulsory completion of Code of Conduct annual re-certification for employees.
- Continuous effort to enroll staff in a professional certification programme.
- Publication of monthly ESG highlights by AIA Group and periodical awareness programmes.

Hong Leong MSIG Takaful Berhad

- Participated in 2023 Takaful Rendezvous as speaker. Shared and promoted Malaysian Takaful industry & VBIT principles to delegates.
- Contributed as one of the speakers to promote talent and capacity-building culture at Shariah Officers Conference organized by ASAS at AICB
- Hosting a briefing to Al-Huda Delegates –to promote the roles played by HLMT in providing financial protection to Malaysian society.
- Provide VBIT awareness to HLMT Exco Members and staff during Townhall and monthly bulletin.
- Held VBIT booth at Agency Takaful Convention and sharing session on VBIT with agency leaders and agency force.
- Promotion of VBIT to universities through collaborations e.g. UniSZA and USIM.
- Establishment of internal committees to oversee planning and activities to reinforce the company's sustainability and VBIT.

AmMetLife Takaful Berhad

- AmMetLife Takaful, Takaful Education Series: The Takaful Education Series marketing initiative.

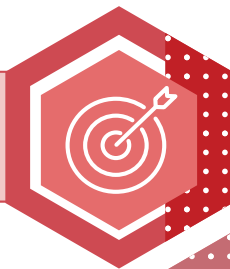
Maqasid Al-Shariah

Objective

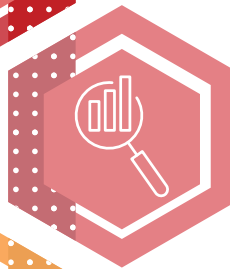
- The Maqasid Al-Shariah framework is a tool that can be used by Takaful Operators to measure their performance against the five Maqasid (objectives) of Shariah.
- The scorecard is based on a set of Shariah indices that measure the extent to which a Takaful Operators products and services are aligned with the Maqasid.

Overall, the Maqasid Al-Shariah framework is a valuable tool that can be used by Takaful Operators to measure their performance and understand how Takaful operators contribute quantifiably to the achievement of the Takaful FSB programme.

Provides a clear roadmap and check point for how the Takaful Operators can achieve its full potential.



A precise measurement tool to validate the Takaful Operators compliance to VBIT network.



Distinction between conventional insurance and Takaful in terms of value proposition and impact.



High Stakeholder's confidence and satisfaction in the Takaful value proposition and products.



Growth in the customer base and financial returns.



Alignment with the sustainability agenda of the local and international markets.



Showcasing Malaysia as a Global Leader in operationalising Maqasid Al-Shariah in Takaful products and offerings.



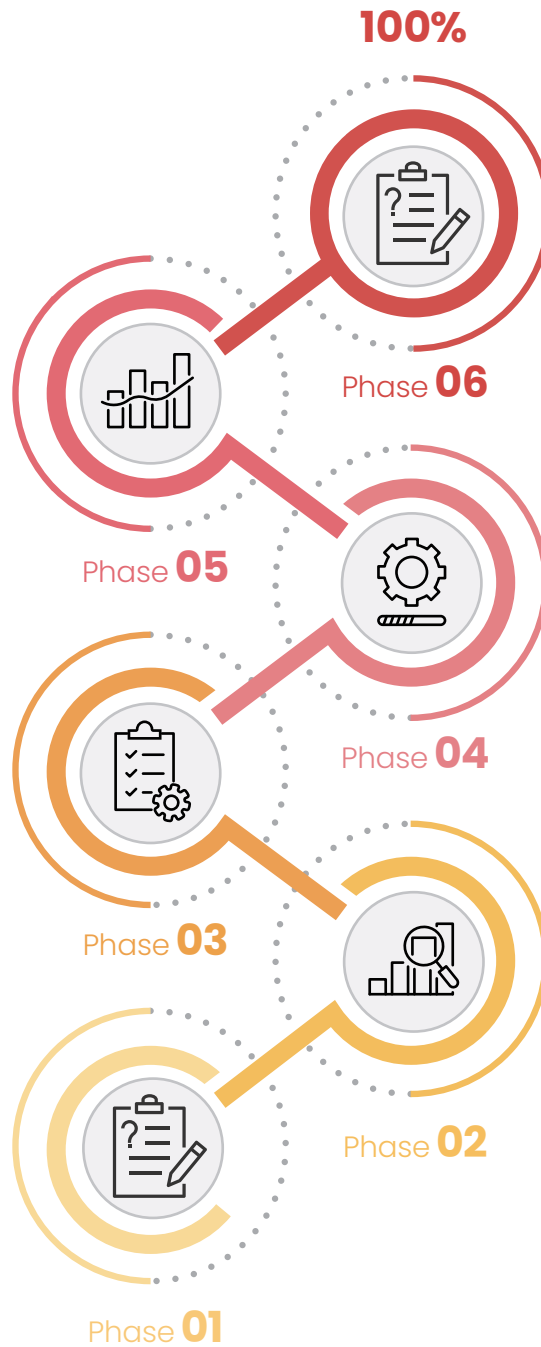
Phases of the Maqasid Al-Shariah

Illustration 15 : Phased of Maqasid Al-Shariah

Step 5
The validated VBIT indicators will be measured in Phase Two

Step 3
This Lab session will be followed by Shariah Lab and Pilot test on the validated VBIT indicators

Step 1
The lab participants will be presented with a set of proposed VBIT indicators, questions and answers.



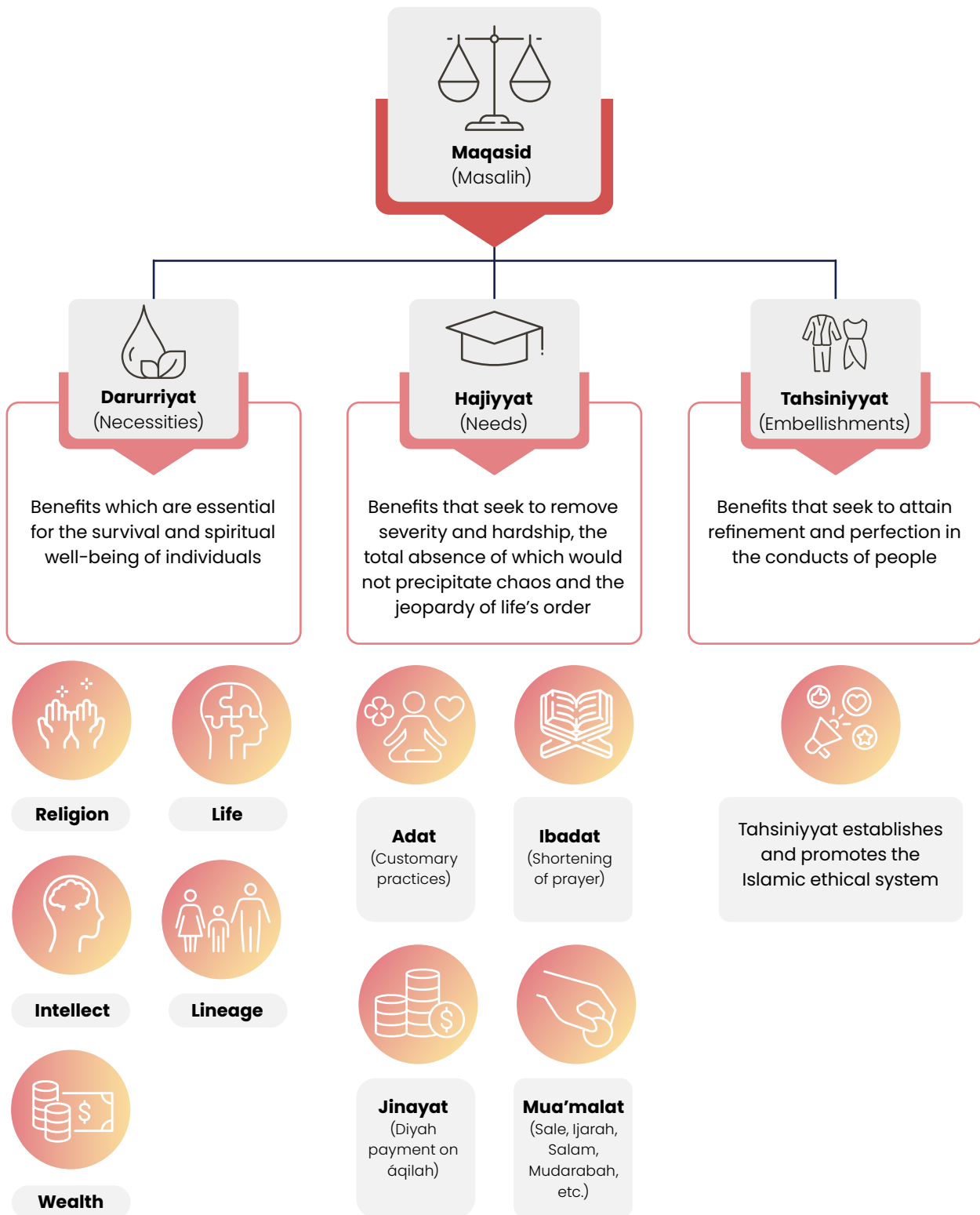
Step 6
A Phase Two Lab Session will be carried out in Q1 2024 to validate the measurement of the validated VBIT indicators

Step 4
Pilot test on the validated VBIT indicators

Step 2
The lab participants are required to:

- Analyse the applicability of the proposed indicators, questions and answers
- Validate the applicability of the proposed indicators, questions and answers
- Suggest any refinements to the proposed indicators, questions and answers

Fundamentals of the Maqasid Al-Shariah



Takaful FSB Programme Progress of all Strategic Thrusts

The Takaful FSB Programme has made significant strides in all of its strategic thrusts.

The programme has successfully embarked on its mission to collectively enhance the Takaful industry and address longstanding challenges within the sector.



Takaful FSB Programme Progress of all Strategic Thrusts

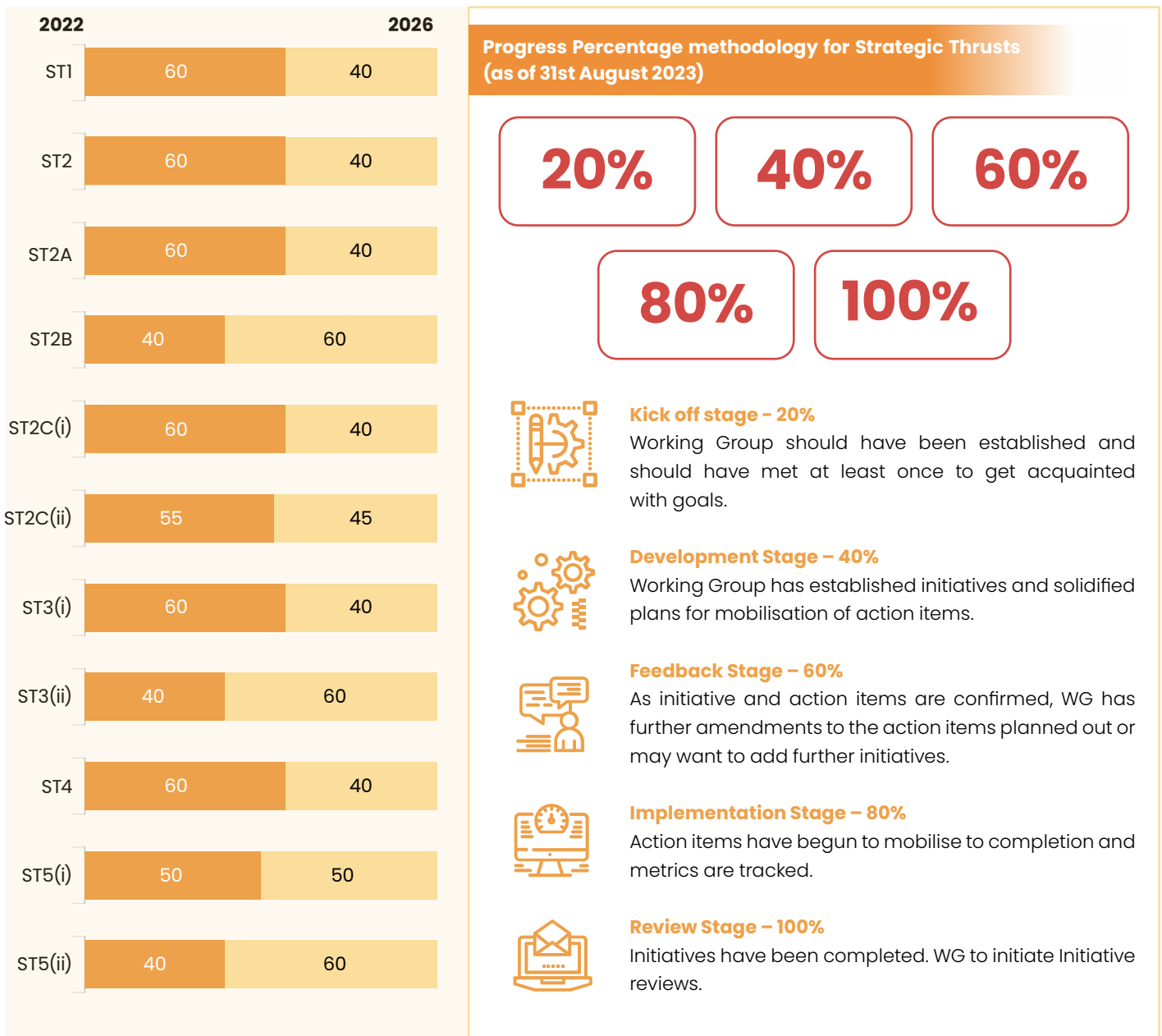
These efforts are conducted through eleven (11) working groups that oversee various aspects of financial inclusion, economic resilience, digitalisation, sustainability and climate resilience, and Islamic finance leadership. The programme has fostered a collaborative environment where stakeholders share ideas and leverage the programme's enablers to advance the five strategic thrusts.

With strong collaboration across the Takaful industry and the enthusiastic participation of stakeholders, it is evident that this progress will continue. The Takaful FSB Programme

is well-positioned to sustain its momentum and drive further advancements in the years to come. This chapter delves into the comprehensive approach of each strategic thrust, exploring the objectives, key targets, and metrics that propel the programme forward. By addressing each thrust with a clear focus, the programme ensures a holistic approach to enhancing the Takaful industry and advancing its goals.

Below is a clear representation of industry collaboration in advancing the Programme as of mid 2023.

Illustration 16: Working group initiatives progress



Current Status of the programme



The Implementation Stage

Overall, the working groups are making good progress and are on track to meet their objectives. The project is expected to have a significant impact on the Takaful industry and all its stakeholders across the world.



As of 31st August 2023

- The working groups have been established and are working on their respective initiatives.
- Action items have been identified and are progressively being implemented.
- Some initiatives are still under development, but the overall project is moving towards its targeted outcomes for the industry.
- The working groups have made significant progress in recent months with their kickoffs, introducing the intended outcomes and what they want to achieve for the strategic thrust.
- The action items are focused on a wide range of areas, including sustainability efforts, financial literacy, capacity building and other areas.

Reporting and Monitoring

- The progress of the working groups is being closely monitored by the PMO where the team provides support and guidance to the working groups, as needed.
- Through scheduling of meeting and being intermediaries between the regulators and the working groups.
- The MTA and Deloitte PMO team together with the MTA coordinators are also responsible for ensuring that the project is on track to meet its weekly and overall objectives.

Moving forward

- Emphasising the principles of transparency, fairness, and social responsibility, the programme seeks to enhance the value proposition of Takaful products and services, ultimately increasing their attractiveness to customers and investors alike.
- As for the expected finish date, the programme is currently projected to be completed by 2025.
- Each working group has a targeted timeframe within which the outlined objectives and action plans are anticipated to be accomplished.
- Takaful FSB Programme is a complex and challenge and challenging project. However, the working groups are making good progress and are on track to meet their objectives.

Strategic Thrust 1 | Fund Malaysia's Economic Transformation

BNM's Strategic Thrust 1 aims to fund Malaysia's economic transformation by making financial services more accessible, affordable, and inclusive. If the industry implements the thrust successfully, Takaful Operators will benefit from increased focus on financial inclusion which will create new opportunities for Takaful Operators to reach out to niche segments of the markets. This will enable Takaful companies to grow and to contribute to Malaysia's economic transformation.

With the leadership and collaboration of Working Group 1, the team aims to promote a sustainable recovery and support dynamic economic growth in the post-pandemic period. The group collaborates to identify ways to enhance Takaful capacity in underwriting, catering to the specific needs of the Takaful industry.

Working Group 1

Strategic Thrust 1 | Fund Malaysia's economic transformation

Objective/ End Goal for Thrust:

The immediate focus will be for the financial sector to provide continued support in the path to a sustainable recovery. Alongside this, the landscape must evolve to support a dynamic model of economic growth – one that is innovation-led, with highly productive and internationally competitive firms.

ON TRACK	ON TRACK	NOT COMMENCED
<p>Initiative 1 To establish an enhanced Takaful capacity facilities.</p> <ul style="list-style-type: none"> The group seeks to identify opportunities for collaboration, develop innovative solutions, and establish effective partnerships that will strengthen the capacity of Takaful Operators and meet the requirements of these industries effectively. <p>Complete % 60%</p> <p>Update:</p> <ul style="list-style-type: none"> Working Group members have identified to focus on Fire, AR, PL, D&O, Marine Cargo, Engineering Proposed solutions: <ul style="list-style-type: none"> Co-Takaful Placement. Pool in form of Facultative Obligatory. 	<p>Initiative 2 To advocate the inclusion of Takaful for Shariah-compliant companies for green counters.</p> <ul style="list-style-type: none"> The group aims to position the Takaful industry to cover and support key industries within the Bursa Malaysia and Securities Commissions purview. <p>Complete % 20%</p> <p>Update:</p> <ul style="list-style-type: none"> Discussion with Securities Commission held in July 2023. 	<p>Initiative 3 A review on the suitability of alternative Takaful models such as Kafalah or Mudarabah for certain lines of business eg; Marine Hull/Aviation.</p> <ul style="list-style-type: none"> The group explores alternative underwriting models for certain industries like aviation, focusing on operator challenges, capacity, and feasibility. <p>Complete % 0%</p> <p>Update:</p> <ul style="list-style-type: none"> Target to commence by January 2024.

Strategic Thrust 2 | Elevate the Financial Well-being of Households and Businesses

BNM Strategic Thrust 2 seeks to elevate the financial well-being of households and businesses by making financial products and services more accessible, affordable, and appropriate according to their needs. It is BNM’s expectation that Takaful Operators play a significant role in helping to elevate the financial well-being of households and businesses, possibly by developing new products and services, collaborating with other financial institutions, and investing in research and development.

Takaful Operators will strive to achieve the increased focus on financial literacy which will create new opportunities for Takaful Operators to provide financial education and awareness

initiatives. In addition, operators will delve into the provision of access to affordable financial products and services. This will create new opportunities for Takaful companies to reach out to low-income earners and the underserved. Lastly, the industry is expected to also strengthen the regulatory framework that should provide Takaful Operators with a more stable and predictable operating environment.

To advance expectation from BNM, the programme employs five working groups to provide and drive initiatives that will include reducing inclusion gaps and placing a strong emphasis on agents, small and medium-sized enterprises (SMEs) and more accessible products.

Working Group 2

The focus of this group is to enhance the financial accessibility of businesses. The group recognises the significance of Takaful coverage for businesses and is committed to ensuring that the landscape is robust enough to provide comprehensive takaful coverage for SMEs and businesses of all sizes. The

working group collaborates closely with stakeholders from the Takaful industry, regulatory bodies, and business communities to develop innovative and accessible regulatory landscapes tailored to the needs of SMEs and businesses.

Strategic Thrust 2 | Elevate the financial well-being of households and business (1/5)

Objective/ End Goal for Thrust:

The desired outcome is for individuals and businesses to meaningfully benefit from their participation in the financial system by equipping households and businesses with suitable and affordable solutions, as well as empowering them with the financial capability to make sound financial judgments. Alongside these, it is also important to ensure financial consumers continue to be treated fairly to inspire positive user experiences and consumer outcomes.

ON TRACK

Initiative 1
Conduct a study to gauge the feasibility of incorporating Takaful in Industry financing.

- The group aims to position Takaful industry as the preferred or mandatory choice for SME business for financing. Considerable progress has been made in the exploration of this possibility through close collaboration with regulators.

Complete %
80%

Update:

- Desk top review on insurance or Takaful requirements under Securities Commission, Bursa, Cagamas, SME including Sukuk and financing for SME.
- Meeting with Cagamas on 20/7/2023.

ON TRACK

Initiative 2
Develop a product/model that enables lower capital requirement, stamp duty exemptions, SST exemptions, acceptance of Zakat, simplified regulation (especially RBCT), and appropriate MFRS recognition.

- The group’s efforts are rooted in recognising the unique needs and challenges faced by SMEs, and the potential benefits Takaful can offer in addressing those needs.

Complete %
50%

Update:

- To mobilize with ST 1, 2A and 2B initiatives.

Working Group 2A

This working group is dedicated to several important initiatives, including community financial literacy, the development of accessible products for the B40 segment and underserved communities, and the formulation of Microtakaful products. Collaborative efforts with MTA and the working group are currently underway to expedite the confirmation of action items and closely monitor the progress of these initiatives.

However, external factors, such as the government’s direction regarding entry-level Takaful products such as Takaful Rahmah, are yet to be decided on. Despite these uncertainties, the group is focusing on increasing financial literacy among the public and individuals who have not yet adopted Takaful products.

Strategic Thrust 2A | Elevate the financial well-being of households and business (2/5)

Objective/ End Goal for Thrust:

Moving forward, our strategies in enhancing financial inclusion will target initiatives to advance the following:

- Equip consumers with improved financial capabilities; and
- Address remaining inclusion gaps, focusing on take-up and meaningful usage of financial services, especially for the unserved and underserved segments

ON TRACK

Initiative 1
To strengthen Financial Literacy and Inclusivity as an industry agenda and Expand mikrotakaful (Perlindungan Tenang) Guidelines.

- The group advocates for greater industry participation in financial education programs to raise awareness and encourage adoption of Takaful products. Their goal is to enhance financial literacy levels and increased understanding and adoption of Takaful products.

Complete %
86%

Update:

- The financial literacy event such as Takaful Masuk Kampung, Karnival Kewangan received well participation from Takaful Operators.
- Nominate a person to start draft the financial literacy module.

ON TRACK

Initiative 2
To make products more accessible and attractive for the industry by easing regulations and foster an environment for better subsidies for the underserved and B40 and their products.

- The group is dedicated to the development of accessible products for the B40 segment and underserved communities, and the formulation of Microtakaful products.

Complete %
50%

Update:

- Leverage the Microtakaful product to Perlindungan Tenang product.
- Consider to rebrand to "Takaful Rahmah".

Working Group 2B

This dedicated working group has a specific focus on conducting feasibility and affordability studies for underserved segments within the Takaful industry. Their objective is to establish a taskforce dedicated to examining the affordability of Medical and Health Takaful (MHIT) products and working with the cost containment MTA subcommittee to come up with a viable solution on MHIT.

The working group is determined to make MHIT products more adoptable, cheaper, or at least on par with the pricing of Perlindungan Tenang (peaceful protection) products. In doing so, the group aims to address concerns related to coverage during illness or sickness. They are actively exploring ways to reduce medical costs and proposing the inclusion of medical cards in MHIT offerings.

Strategic Thrust 2B | Elevate the financial well-being of households and business (3/5)

Objective/ End Goal for Thrust:

- Expand market capacity to meet household and business protection needs against future risks in the MHIT, Perlindungan Tenang and Microtakaful sphere; and
- Strengthen efforts to address pre-conditions for a sustainable protection landscape for key risks

ON TRACK

Initiative 1
To facilitate a Study on the development of products that are needed by these segments. Obtain data from SOCSO, Zakat, Penjana for statistics and pricing purposes.

- Identify needs of underserved segments (low-income, B40, elderly). This is important because these segments are often underserved by traditional financial system and may have unique needs not met by existing takaful products.

Complete %	67%
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Update:

- The Milliman Study was conducted and completed in 2021 between MTA/LIAM and Milliman Group to identify BM40 market segment.
- Understudy option of optimising Zakat Wakalah fee for a concerted effort by Takaful Industry.

ON TRACK

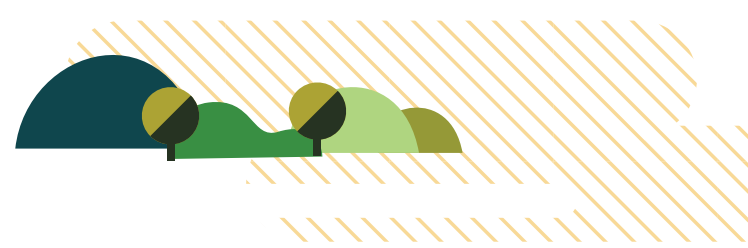
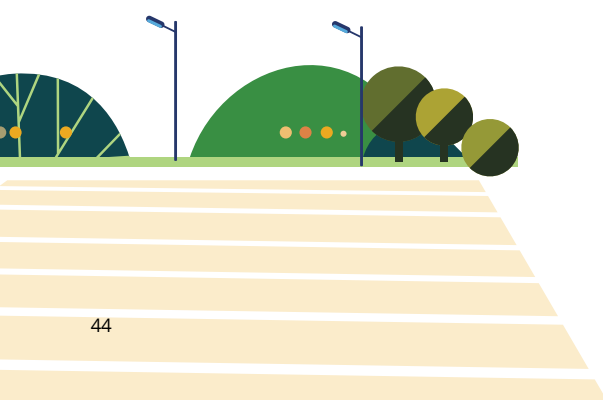
Initiative 2
To establish joint industry committee to address long-term sustainability and affordability of private MHIT and as well as to drive best practices amongst industries.

- The group is exploring establishing a dedicated taskforce examining the affordability of Medical and Health Takaful (MHIT) products and working with the cost containment MTA subcommittee to come up with a viable solution on MHIT.

Complete %	56%
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Update:

- The CHO subcommittee has started the work progress on MHIT, and further discussion has been made to buy in from all Takaful Operators to participate in PRISM.
- To leverage the initiative to the subcommittee group level.



Working Group 2C(i)

The working group on upholding agency best practices is a critical initiative within the Malaysian Takaful industry, aimed at addressing industry concerns surrounding mass migration and agent poaching while promoting professionalism among agents. Comprised of representatives from Takaful Operators, Bank Negara Malaysia (BNM), and the Takaful industry association, this collaborative effort seeks to elevate the standards of agent professionalism.

By promoting professionalism among agents in the Takaful industry, the consumers stand to benefit from enhanced customer experience, improved market integrity, and increased confidence in the financial system. The working group further endeavours to ensure cultivation of a professional and ethical agent workforce enhances trust, confidence, and the overall functioning of the financial system, benefiting both industry participants and customers alike.

Strategic Thrust 2C(i) | Elevate the financial well-being of households and business (4/5)

Objective/ End Goal for Thrust:

To this end, we will seek to advance the following:

- Strengthen **professional standards**, incentive frameworks and disclosure practices;
- Promote an enabling conduct environment for **innovation and efficiency**; and
- Pursue regulatory reforms to strengthen the oversight of non-bank consumer credit providers and promote consistent consumer protection.

ON TRACK

Initiative 1
Monitoring Agents' Compliance to PITA.

- BNM's 2023 insurance and takaful agent policy document sets essential requirements for education, training, conduct, and standards. The group seeks to gather insights and perspectives from stakeholders in implementing the policy document's expectations.

Complete %
92%

Update:

- The joint taskforce between industry Associations and ISM agreed to establish Agent Centralize Database system for this purpose.

ON TRACK

Initiative 2
Establishing Agent's Movement Monitoring Guideline.

- The group is to address the negative consequences of poaching and mass migration by providing a clear set of rules and expectations for Takaful operators.

Complete %
67%

Update:

- The industry strongly suggested for the establishment of Agents' Movement Monitoring Guideline and further discussion with the regulator on this matter.

ON TRACK

Initiative 3
To establish an Agent Best Practices and Conduct – Best Practices Document.

- The group is to help ensure that agents are acting in the best interests of their customers and that they are meeting the highest ethical standards. This can help to build trust and confidence in the industry and encourage more people to consider takaful products.

Complete %
70%

Update:

- MTA to check with LIAM the best person to develop the maturity continuum for best practices document e.g., consultant, retired industry player.



Working Group 2C(ii)

This working group is focused on enhancing agency infrastructure, with a specific aim of developing an Agency Portal and a Policy Portal for agents. Although currently in the development stage, the working group recognises the need for follow-up discussions and meetings to expedite progress and finalise action items.

Currently, the working group has disseminated a questionnaire to all Takaful Operators to obtain feedback on the proposed Agency Portal. The portal will provide customers with access to agents' track records, enabling them to evaluate the credibility and expertise of the agent or financial planner they choose to engage with. This initiative promotes customer confidence and fosters a trusted relationship between agents and customers.

Strategic Thrust 2C(ii) | Elevate the financial well-being of households and business (5/5)

Objective/ End Goal for Thrust:

To this end, we will seek to advance the following:

- Strengthen professional standards, incentive frameworks and disclosure practices;
- Promote an enabling conduct environment for innovation and efficiency; and
- Pursue regulatory reforms to strengthen the oversight of non-bank consumer credit providers and promote consistent consumer protection.

ON TRACK

Initiative 1
Agency Infrastructure including Portal, Termination services, Database.

- This initiative will give customers access to agents' track records, so they can evaluate the agent's credibility and expertise. This will promote customer confidence and build trust between agents and customers.

Complete % **45%**

Update:

- Foster collaboration with industry associations and stakeholders to leverage the initiative at the joint taskforce industry associations group level.
- Develop a comprehensive presentation and proposal that aligns the initiative with the joint taskforce's mission and showcases its benefits, objectives, and potential outcomes.

ON TRACK

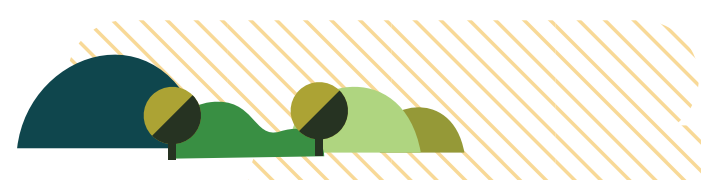
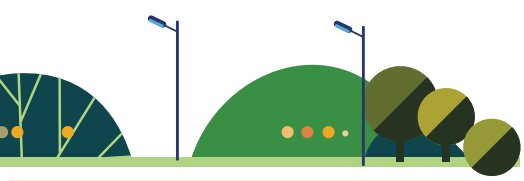
Initiative 2
Development of a Policy Portal - to establish a robust platform that facilitates the seamless sharing of relevant information among members for the purpose of policy and certificate replacement.

- The initiative aims to build robust platform that facilitates the seamless sharing of relevant policy and certificate information among takaful members.

Complete % **40%**

Update:

- 3rd WG Meeting, August: MTA shared their national-level initiative experiences, and the WG expressed support for the ongoing initiative.
- Discussed on the execution plan in alignment with the project timeline and the initiation of Initiative 2.



Strategic Thrust 3 | Advance Digitalisation of the Financial Sector

Strategic Thrust 3, "Advance Digitalisation of the Financial Sector," focuses on driving the digital transformation within the financial industry, including the Takaful industry. This strategic thrust recognises the growing importance of technology and digital solutions in shaping the future of financial services. It aims to leverage digitalisation to enhance efficiency, improve customer experiences, and foster innovation within the Takaful industry.

Under this strategic thrust, BNM expects the Takaful industry to embrace digitalisation and actively pursue initiatives that leverage technology to transform operations and enhance

service delivery. BNM encourages Takaful Operators to adopt digital solutions that streamline processes, optimise resource utilisation, and improve cost efficiency.

In general, it is important that the Takaful industry adopts digitalisation in ensuring the industry's relevance, competitiveness, and long-term sustainability. By embracing digital transformation, Takaful Operators can look to enhancing their capabilities, deliver innovative solutions, and provide seamless customer experiences, thus contributing to the advancement of the financial sector as a whole.

Working Group 3(i)

Within this thrust, the group plays a critical role by dedicating its efforts to identifying various processes to be digitalised within the Takaful industry, including product aggregators, digital general ledger (GL), and fraud detection systems.

The working group recognises the need to identify and address paper-heavy and manual operations that have yet

to undergo digital transformation. Their primary focus is on exploring methods to digitise traditional processes, leveraging technology to streamline operations, reduce paperwork, and enhance productivity. By embracing digitalisation, the group aims to modernise the Takaful industry and bring about operational advancements that benefit both providers and customers.

Strategic Thrust 3(i) | Advance digitalisation of the financial sector (1/2)

Objective/ End Goal for Thrust:

The key will be for Malaysia's financial industry to take advantage of the upsides of digitalisation, while managing the associated risks – especially those that may threaten system-wide stability, consumer outcomes, and confidence in the financial sector.

ON TRACK

Initiative 1

Reporting of all Takaful Operators's reduction in paper usage following digitalisation.

- The group explores methods to digitise traditional processes, leveraging technology to streamline operations, reduce paperwork, and enhance productivity.
- They also aim to modernise the Takaful industry and bring about operational advancements that benefit both providers and customers.

Complete %

50%

Update:

- The paper usage survey has sent out to all Takaful Operators.

ON TRACK

Initiative 2

Digitalisation of self-services and non-self-service capabilities.

- i. Implementation of Digital GL (eGL).
- ii. Product Aggregator for Family Takaful Business – info on family products available.
- iii. Fraud detection/prevention repository – (industry redflag).

- Working group explores product aggregators, which have potential for customers and the industry. This paves the way for innovative distribution channels, increased product accessibility, and improved customer engagement.
- The group also monitors and aligns digital GL systems and fraud detection mechanisms.

Complete %

82%

Update:

- The implementation of Digital GL, FIS has been leveraged to the subcommittee level.
- Marketplace (MTA to update).

Working Group 3(ii)

This working group seeks to understand the viability of implementing an Online Coverage Checking mechanism, which endeavours to provide individuals with a convenient way to verify their Takaful coverage status, whether they are deceased or alive.

The Online Coverage Checking project is poised to make a significant contribution to Takaful and insurance industry. By providing individuals with a user-friendly platform to verify their coverage, the project enhances transparency and fosters trust between participants and Takaful Operators. This contributes to the blueprint's objective of promoting consumer protection and improving the overall integrity of the financial sector.

Strategic Thrust 3(ii) | Advance digitalisation of the financial sector (2/2)

Objective/ End Goal for Thrust:

The key will be for Malaysia's financial industry to take advantage of the upsides of digitalisation, while managing the associated risks – especially those that may threaten system-wide stability, consumer outcomes, and confidence in the financial sector.

ON TRACK	ON TRACK	NOT STARTED
<p>Initiative 1 Online Coverage Checking.</p> <ul style="list-style-type: none"> By providing individuals with a user-friendly platform to verify their coverage, the project enhances transparency and fosters trust between participants and Takaful Operators. <p>Complete % 88%</p> <p>Update:</p> <ul style="list-style-type: none"> PMO in the midst to getting feedback from all Head of Operation Takaful Operators on the system. 	<p>Initiative 2 Strengthen the role of ISM for Family Takaful data – as a gatekeeper for industry.</p> <ul style="list-style-type: none"> The group is to explore the role of Family Takaful data is a central repository for family takaful data in order to : 1. Improve the efficiency and effectiveness of data sharing among Takaful Operators, 2. reduce the risk of fraud and other financial crimes and 3. enhance the protection of personal data. <p>Complete % 30%</p> <p>Update:</p> <ul style="list-style-type: none"> Engagement and Champion of WG have to buy in and convince Takaful Operators to participate in CUE. 	<p>Initiative 3 Encourage Cross Border Participation by accentuating Takaful Services in Malaysia and ease of government regulations.</p> <ul style="list-style-type: none"> This initiative is to make it easier for foreign Takaful Operators to enter the Malaysian market and to encourage Malaysian Takaful Operators to expand their operations overseas. This will benefit both customers and the industry. <p>Complete % 0%</p> <p>Update:</p> <ul style="list-style-type: none"> To mobilise the initiative.



Strategic Thrust 4 | Position the Financial System to Facilitate an Orderly Transition to a Greener Economy

The Strategic Thrust 4 of BNM’s FSB, “Position the Financial System to Facilitate an Orderly Transition to a Greener Economy,” holds great relevance and expectations for the Takaful industry. This strategic thrust is focused on promoting sustainability efforts and facilitating a seamless shift towards a more environmentally friendly economy.

One of the key initiatives within this thrust is the establishment of a Takaful Sustainability Network (TSN). This network aims to foster collaboration and knowledge-sharing among industry players, allowing them to stay updated on sustainability and climate risk developments within the Takaful industry. By sharing best practices and insights, Takaful Operators can collectively address sustainability challenges and drive the adoption of sustainable practices.

Working Group 4

Currently, the working group is also exploring the implementation of a Maqasid Al-Shariah based sustainability framework for the industry. This framework aims to identify the pain points and challenges related to sustainability, enabling the industry to develop targeted strategies for improvement. By aligning sustainability efforts with the principles of maqasid al-shariah, the working group aims to enhance the Takaful industry’s contribution to sustainable development and environmental preservation.

Furthermore, industry-wide programs, including webinars and a Sustainability Takaful Conference, are being organised to raise awareness and foster engagement on sustainability matters. These platforms provide opportunities for industry players to exchange ideas, share insights, and collaborate on initiatives that promote sustainable practices within the Takaful industry. The conferences serve as catalysts for discussions on integrating sustainability principles into business strategies, product development, and risk management.

Strategic Thrust 4 | Position the financial system to facilitate an orderly transition to a greener economy

Objective/ End Goal for Thrust:

Our primary focus will be to promote financial system resilience by continuing our efforts to improve climate-related and environmental risk management in the financial sector. We will also seek to foster a conducive market environment for green financing and investment.

ON TRACK	ON TRACK	ON TRACK	ON TRACK
<p>Initiative 1</p> <p>To encourage all Takaful Operator’s to collaborate to publish an Annual Takaful ESG, Sustainability and Climate Resilience Roundup.</p> <ul style="list-style-type: none"> The initiative aims to raise awareness of the takaful industry’s commitment to ESG, sustainability, and climate resilience, showcase the industry’s progress in these areas, identify opportunities for further improvement, encourage collaboration and innovation within the industry. <p>Complete % 67%</p> <p>Update</p> <ul style="list-style-type: none"> The skeleton has been drafted. To seek further input from the WG. 	<p>Initiative 2</p> <p>To establish a JC3/ Sustainability Taskforce – utilize the WG4 as a platform for knowledge sharing.</p> <ul style="list-style-type: none"> This initiative is to rovide a platform for knowledge sharing and collaboration among takaful operators, regulators, and other stakeholders on issues related to sustainability and climate resilience. The group is to also share information using this platform. <p>Complete % 55%</p> <p>Update</p> <ul style="list-style-type: none"> Ongoing update from champion and Industry representatives in JC3 Committee and subcommittees. 	<p>Initiative 3</p> <p>To establish a Takaful industry wide Sustainability Program.</p> <ul style="list-style-type: none"> Promote the adoption of sustainable practices by takaful operators. Encourage takaful operators to invest in sustainable products and services. Raise awareness of sustainability issues among takaful customers and stakeholders. Position the takaful industry as a leader in sustainability. <p>Complete % 53%</p> <p>Update</p> <ul style="list-style-type: none"> A series of webinars and a conference on Climate Risks Management and Scenario Analysis held in Nov 2023. 	<p>Initiative 4</p> <p>Feasibility discussion and mobilisation towards E-certificates for the customers.</p> <ul style="list-style-type: none"> The purpose of the initiative is to explore the feasibility of e-certificates for takaful customers. E-certificates are digital versions of traditional paper certificates. This is to also explore the feasibility of cutting down paper usage in the industry. <p>Complete % 4%</p> <p>Update</p> <ul style="list-style-type: none"> Ongoing update from Strategic Thrust 3(i) initiatives.

Strategic Thrust 5 | Advance Value-Based Finance through Islamic Finance Leadership

The Advance Value-Based Finance through Islamic Finance Leadership strategic thrust holds significant relevance and expectations for the Takaful industry. It focuses on promoting Islamic finance leadership through the adoption of Value-Based Intermediation (VBI) principles. It also aims to showcase the strength and expertise of the Takaful industry to other countries that express interest.

Under this strategic thrust, the working groups play a crucial role in actively promoting Islamic finance and VBI through partnerships and collaborations. The working group recognises the importance of enhancing awareness and understanding of VBI principles among all stakeholders in the Takaful industry and the uniqueness of our Takaful models.

The achievement of Islamic finance leadership through proposed initiatives aims to contribute to the Financial Sector Blueprint and the Takaful industry in several ways. Firstly, by embracing VBI principles, the Takaful industry aligns itself with ethical and socially responsible financial practices, which are integral to the blueprint's objectives. This aims to

promote the industry's reputation and credibility, attracting customers who seek financial solutions that align with their values. Secondly, by showcasing the strength and success of Takaful models to other countries, the industry can expand its market reach, foster international collaborations, and contribute to the growth of the Islamic finance ecosystem globally.

In summary, BNM FSB's Strategic Thrust 5 emphasises the importance of advancing Islamic finance leadership through VBI principles and showcasing the Takaful industry's strengths internationally and leadership within Malaysia. By promoting VBI training and upskilling industry professionals, the Takaful industry can deliver value-based financial services and support sustainable development. Additionally, by building eminence and attracting global interest, the industry can expand its influence, contribute to the Financial Sector Blueprint, and position itself as a leading player in the Islamic finance arena.

Working Group 5 (i)

This working group is dedicated to VBIT leadership places a strong emphasis on integrating Value-Based Intermediation (VBI) principles into the culture and operations of Takaful Operators. Recognising the importance of leadership in driving meaningful change, the group is currently focused on developing a comprehensive VBI training module. This initiative aims to equip professionals within the Takaful sector with the requisite knowledge and expertise needed to effectively implement VBI principles in their daily operations.

The development of the VBIT training module is a proactive step toward upskilling talent within the Takaful industry.

By providing professionals and wider stakeholders with a deep understanding of VBI, they will be empowered to align their practices with ethical and socially responsible principles. This alignment is crucial in strengthening the value proposition of the Takaful industry and fostering trust among customers and stakeholders. With a robust understanding of VBI, professionals can deliver financial solutions that prioritise ethical considerations, contribute to sustainable development, and promote the well-being of individuals and communities.

Strategic Thrust 5(i) | Advance value-based finance through Islamic finance leadership (1/2)

Objective/ End Goal for Thrust:

The aim is to realise a vision of economic growth that is balanced, progressive, sustainable and inclusive by leveraging Malaysia's well-developed Islamic finance ecosystem, particularly to:

- Sharpen Malaysia's proposition as an international gateway for Islamic finance;
- Strengthen policy enablers of value-based finance for greater impact; and
- Mainstream social finance.

ON TRACK

Initiative 1
Availability of information on VBIT as part of efforts to strengthen Malaysia's position as Center of Islamic Finance Excellence.

- The group is currently focused on developing a comprehensive VBI training module.
- This initiative aims to equip professionals within the Takaful sector with the requisite knowledge and expertise needed to effectively implement VBI principles in their daily operations.

Complete %	78%
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Update:

- To continue promoting the VBIT module developed by INCEIF in capacity building by Takaful Operators.

ON TRACK

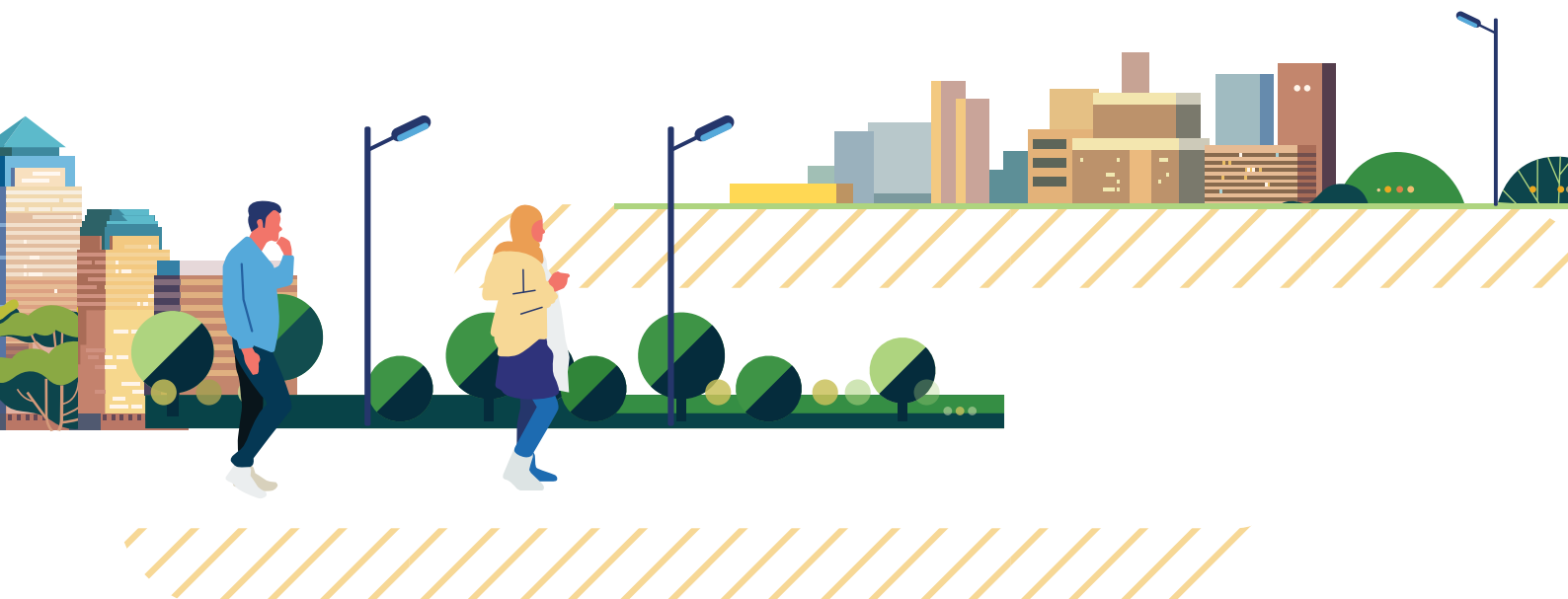
Initiative 2
Active Promotion of VBIT locally/Globally via various platforms.

- The initiative is to increase awareness of the Takaful industry's value proposition, specifically the benefits of VBIT intended outcomes.
- It also increases the industry's value proposition, generate leads for Takaful operators and enhance the brand reputation of the industry.

Complete %	43%
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Update:

- Working group have agreed to leverage VBIT page in MTA website as a platform to promote VBIT.



Working Group 5(ii)

This working group focuses on building eminence for Takaful models and promoting the industry’s strengths to interested countries worldwide. This strategic initiative acknowledges the growing interest from other nations in understanding the Malaysian Takaful industry and its intricacies.

The working group recognises the importance of showcasing the unique features, benefits, and accomplishments of Takaful models to international audiences. By doing so, the Takaful industry aims to gain global recognition and position itself as a leader in Islamic finance on a broader scale. This recognition goes beyond expanding business opportunities for Takaful Operators; it also solidifies the industry’s status and influence within the wider Islamic finance landscape.

Strategic Thrust 5(ii) | Advance value-based finance through Islamic finance leadership (1/2)

Objective/ End Goal for Thrust:

The aim is to realise a vision of economic growth that is balanced, progressive, sustainable and inclusive by leveraging Malaysia’s well-developed Islamic finance ecosystem, particularly to:

- Sharpen Malaysia’s proposition as an international gateway for Islamic finance;
- Strengthen policy enablers of value-based finance for greater impact; and
- Mainstream social finance.

ON TRACK

Initiative 1
Foster thought leadership for boosting the Takaful Industry regionally and internationally.

- The initiative is to support the Takaful industry position itself as a leader in Islamic finance on a broader scale.
- Beyond expanding business opportunities for Takaful Operators; it also solidifies the industry’s status and influence within the wider Islamic finance landscape.

Complete % **50%**

Update:

- Engage with MTA on Takaful Rendezvous progress and incorporate VBIF as the theme.
- Introduce Takaful Leadership Program.
- Exploring to participate in ASEAN Insurance Council (AIC).

NOT STARTED

Initiative 2
To establish MTA as a neutral marketplace entity.

- This initiative is to provide a platform for takaful operators to collaborate and offer their products to customers.
- This can help to improve the efficiency and transparency of the takaful market and make it easier for customers to find the right product for their needs.

Complete % **0%**

Update:

- Initiative shall start once the development of market place infrastructure completed by Strategic Thrust 3(i).

Key Metrics By Strategic Thrust

6

Strategic Thrust 1

Establishing the Takaful capacity support for focused line of business



Fire



Liabilities



Marine Hull



Aviation



Engineering

- Takaful market share as at Q3, 2023 is 19.8%. In increasing this market share of Takaful products, the operators will strengthen their underwriting acceptance capability in the following segments:
 - Fire and Industrial All Risks – current Takaful market share is 16.6%
 - Liability – current Takaful market share is 8.3%
 - Marine Hull – current Takaful market share is 8.2%
 - Engineering – current Takaful market share is 16.3%
- For this purpose, a Takaful facility will be created to allow the Takaful Operators have a bigger capacity to support the selected risks.

Collaboration with Bursa Malaysia for Shariah Compliant companies to adopt Takaful coverage



- As at November 2023, there are a total number of 808 shariah compliant securities out of 991 securities which shows that 82% are shariah compliant. With the development of the proposed facility, the targeted segment is set to penetrate Shariah compliant companies listed in Bursa Malaysia.

Review of Takaful models used by Takaful Operators worldwide



- Various Takaful model or shariah contracts used by Takaful Operators globally, including the following which are to be reviewed:
 - Al-Mudharabah Model
 - Wakalah Model
 - Kafalah Model

Strategic Thrust 2

To make the industry environment more attractive for TO's i.e. giving more incentives when choosing takaful over the conventional with BNM or when looking into more innovative Takaful products



- Number of regulatory policies or guidelines by Lembaga Hasil Dalam Negeri (LHDN) or Minister of Finance (MOF) to widen the tax exemptions for takaful coverage
- To identify the impact of partnerships with Cagamas and MIFC on promoting Takaful for Industry Financing

Persuade regulators to prioritise Takaful as the preferred form of insurance for industry financing



- No. of engagements with regulatory bodies i.e., Securities Commission, Bursa Malaysia, SME Corporation and Halal Development Corporation (HDC).
- To develop a position paper for the Security Commission and other relevant regulators to prioritise the take-up of Takaful coverage for the purposes of Shariah-compliant listing/halal status

Strategic Thrust 2A

Doubling the year-on-year subscription to Micro Takaful or Perlindungan Tenang



- Number of Microtakaful products including Perlindungan Tenang issued by Takaful Operators.
- Doubling the number of individuals subscribed to microtakaful products from 2021 to 2026
- Number of financial literacy or awareness campaigns to promote Microtakaful including Perlindungan Tenang products from 2022 to 2026

Evaluation of awareness campaign for Perlindungan Tenang



- Continue providing various Financial Literacy programmes which include Takaful Masuk Kampung, Takaful In Campus, Ekspo Institusi Pendidikan TVET and participation in 'Karnival Celik Kewangan' organised by BNM.
- MTA Awareness Program has successfully attained:
 - Ground Events: 61
 - No. of people attended: 171,000
 - Media ASR rate: 5,400,000
 - Social Media Reach: 2,450,000

Strategic Thrust 2B

To facilitate a Study on the development of products that are needed by these segments. Obtain data from SOCSO, Zakat, Penjana for statistics and pricing purposes



- A Microinsurance/Microtakaful Demand Study conducted by Milliman revealed that the primary concerns across various segments are accidents, health issues, and income loss. Notably, 61% of respondents with higher incomes expressed a willingness to allocate a minimum of RM1,200 annually for takaful contributions/insurance premiums, in contrast to 39% of BM40 respondents
- Takaful Operators to use Zakat contribution for new innovative initiatives for B40 focusing on protection

To establish a joint industry committee to address long-term sustainability and affordability of private MHIT as well as to drive best practices among industries



- Number of households covered by affordable health products including Perlindungan Tenang SME/ SMI products

Strategic Thrust 2C

Policy Document on Raising Professionalism of Agency (due diligence for new agents, RFP Modules)



- Number and % agents obtaining Shariah Registered Financial Planner (SRFP) Module 2

Raising standards of Takaful agents in line with Balance Score Card



- Number and % of takaful agents achieving 100% or more Balance Score Card's scores

To establish an Agent Best Practices and Conduct – Best Practices Document



- Number of Family Takaful Operators adopting Best Practice Document

Strategic Thrust 3

Strategic Thrust 3 (i)

Reporting of all TO's reduction in paper usage following digitalisation



- Percentage of digitalised process vs manual process

The digitalisation of self-services and non-self-service capabilities: A1) Implementation of Digital GL across the Industry (PRISM)



- Survey questionnaires have been developed for this purpose to collect responses from the Takaful Operators

The digitalisation of self-services and non-self-service capabilities: A2) Product Aggregator for Family Takaful Business – info on family products available



- Currently, there are numerous Product Aggregators provided by takaful and insurance agents but most of them are comparing General Takaful and Insurance products and solutions such as Policy Street, iBanding and Mudah.my. The working group targeted MTA to provide the platform for product aggregators for both Family and General Takaful products.

The digitalisation of self-services and non-self-service capabilities: A3) Fraud detection/prevention repository – industry red flag



- Leverage on cross industry initiative spearhead by ISM

Strategic Thrust 3 (ii)

Online Coverage Checking – To establish a one-stop platform/search engine enabling the checking of Takaful coverage for the deceased and in the future, those who are alive



- Number of visitors who have used the platform
- Number of death claims arising from the online coverage checking
- Number of enquiries on the platform

Strengthen the role of ISM for Family Takaful data – as a gatekeeper for industry



- Number of Takaful Operators participating in the Claims, Underwriting Exchange which is an integrated platform that serves as a central database for the insurance and takaful industry.

Strategic Thrust 4

To encourage all TO's to collaborate to publish an Annual Takaful ESG, Sustainability and Climate Resilience



- The draft content of the report has been circulated for members' comments. MTA plans to publish the first report in Q1/24.

To establish a JC3/ Sustainability Taskforce – utilise the WG4 as a platform for knowledge sharing



- Collaborating closely with other associations, several working groups have been set up to provide members guidance on sustainability related regulations (e.g. CRMSA). collaborating closely with other associations. A best practices note has already been published on Climate Governance in December 2023.

To establish a Takaful industry-wide Sustainability Program



- Several sustainability activities have been conducted in 2023 such as CRMSA webinar series, a conference, a masterclass, tree planting and there are plans to continue with such activities in 2024.

Strategic Thrust 5

Strategic Thrust 5(i)

Active promotion of Takaful and VBIT globally via various partnerships and collaborations



- Continuous monitoring of Maturity Continuum & enhancement of TOs' capability to assess it.
- Availability of training programme(s) on VBIT by TOs.
- Continuous awareness on VBIT by TOs, e.g. through display of logo & sharing the link to MTA's VBIT webpage

Availability of educational module for VBIT, Takaful etc. for the Centre of Islamic Finance Excellence



- Availability of at least 1 VBIT training module for education.
- Availability of 1 PIC (VBIT Champion) for each TO.
- Availability of at least 2 SMEs/ partners to support VBIT training(s)

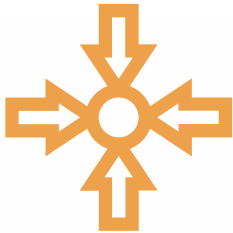
To establish a Takaful industry-wide Sustainability Programme



- Several sustainability activities have been conducted in 2023 such as CRMSA webinar series, a conference, a masterclass, tree planting and there are plans to continue with such activities in 2024.

Strategic Thrust 5(ii)

To strongly position MTA as a focal point of the Takaful Industry



- Number of Takaful industry's interest representation in meetings and discussions in advocating for industry-wide standards, regulations, and policies.
 - Representative in JC3 and Future skills framework taskforce
- Number of Consumer Education and Awareness programmes in promoting takaful products and services.
 - MTA organised awareness programme such as Takaful Masuk Kampung (TMK), Takaful in Campus (TIC) and participated in Financial Education Network (FEN), BNM Financial Literacy month programmes
- Number of research and innovation studies and engagement with academic institutions and industry in development of new ideas and solutions.
 - Study on Underperforming agents on BM40
- Number of Professional Development Programme initiatives within the takaful industry which aimed to enhance the skills and knowledge of industry professionals.

Foster thought leadership for boosting the Takaful industry regionally and internationally



- Collaboration and Networking with international affiliate and membership body - MTA being accepted as ASEAN Insurance Council (AIC) affiliate member in December 2024
- Number of Thought Leadership Platforms locally and internationally to showcase Takaful industry
 - Organising Takaful Rendezvous with collaborating partner Asian Insurance Review (AIR)
- Number of participation in international conferences and events related to Islamic finance and takaful.
 - MTA CEO as a guest speaker at Iran, Singapore and Indonesia Conference

Key Highlights and Next Steps

7

Key Highlights, Challenges and Next Steps

The Takaful FSB programme has been making many preliminary strides in the Takaful industry. This collaborative approach has stimulated the Takaful industry with visions and perspectives, which will help to drive the industry forward.

Takaful FSB Programme



Initiative Highlights | VBIT Webinar Series & Activities

Webinar | Capacity Building

05/01/2023

Takaful Hi5 Series
Top Leaders:
En Nazri from AIA
- 1400 reached



19/01/2023

Takaful Hi5 Series
Top Leaders: Siti
Hajar from GETB
- 822 reached



02/02/2023

Takaful Hi5 Series
Takaful
Engagement on
Social Media
- 476 reached



Community Empowerment

11/02/2023

Takaful Masuk
Kampung Taman Tasik
Kamunting, Perak
- 1850 attendees



04/02/2023

Launching of Race for
Cover 3.0 Flag Off at
KLGCC, Selangor
- 102 riders and attendees



21/02/2023

The Malaysian DITO
Conference 2023 - In
collaboration with
Deloitte and MDEC
- 205 attendees



17/01/2023

Sustainability in Takaful &
Insurance - Climate, Net-
Zero and the 1.5 Degree
Future - In collaboration
with Marsh (Broker)
- 443 attendees



Financial Resilience

23/02/2023

Takaful Hi5 Series
Critical Illness and
Medical Inflation
- 826 reached



Initiative Highlights | Sustainability Webinar Series & Conference

27/06/2023

CRMSA: Climate Risk Governance
- 253 attendees



14/08/2023

CRMSA: Climate Change
- Risk Management
- 285 attendees



23/11/2023

Theme: "Climate Crunch Navigating Risks and Opportunities in Takaful and Insurance Sector"
- 190 attendees



03/10/2023

CRMSA: Disclosure Requirement & Scenario Analysis
- 210 attendees



27/06/2023

CRMSA: Understanding Risk Appetite in CRMSA
- 215 attendees



23/11/2023

Mastering CRMSA Reporting: Unlocking Insights For Success
- 70 attendees



Challenges to the programme

The Takaful industry is still relatively small, with a market share of around 13.5% of the Malaysian market. This means that it may be difficult to raise the capital and the adequate human capital that is needed to implement the various initiatives under the FSB. The Takaful industry is also facing increasing competition from the traditional financial system.

Aside from the external factors, other challenges that have arisen during the course of the Programme include scheduling difficulties, changing working group members and lack of diversity in Working Groups, a lack of contribution of the Working Group Discussions and as well as difficulties of dependencies on further action which considers external

parties, such as the legal advisors and government-led changes taking time and uncertainty on certain decisions. These challenges may impact and hamper progress of the programme.

Despite these challenges, the FSB and VBIT frameworks together, have the potential to transform the Takaful industry and make it a more vibrant and sustainable sector of the Malaysian economy. The frameworks combined, will be a roadmap for the future of the Takaful industry, and it provides a clear vision for how the industry can achieve its full potential hence, it is essential that the industry supports the Programme and works to implement its initiatives.

The Takaful FSB programme will continue to be instrumental in driving the Takaful industry forward and will continue to do so. By acknowledging these key metrics, the Takaful industry can identify areas where it is making progress and areas where improvement is needed. The key metrics can also be used to communicate the successes of the Takaful industry to stakeholders and to the public in the hopes that these initiatives will greatly contribute to improvement and boosting of the industry. The Takaful FSB programme serves

as a beacon of hope and inspiration for the Takaful industry and shows what can be achieved through collaboration and cooperation.

To further enhance the impact of the programme, it is recommended to explore new opportunities to develop initiatives in all five strategic thrust pillars. By doing so, we can boost the Takaful Operators' VBIT maturity continuum scores and drive the industry forward.

Illustration 16: Recommendation



Conclusion

8

Conclusion

The Takaful industry in Malaysia is facing challenges due to the global economy's volatility, including the COVID-19 pandemic and financial crises. To ensure its long-term sustainability and stability, the industry is supported by the Financial Sector Blueprint 2022-2026 and the Value-Based Intermediation for Takaful frameworks. The Takaful FSB Programme aims to strengthen the industry and make it a more vibrant and sustainable sector of the Malaysian economy. The industry must support the Programme and

work collaboratively to implement its initiatives to achieve its full potential. The Takaful FSB Programme is currently in the implementation phase, and the working groups are making significant progress. With the building blocks of the Takaful FSB Programme, the industry has made small but significant progress in all strategic thrusts through the eleven working groups that oversee various aspects of financial inclusion, economic resilience, digitalisation, sustainability and climate resilience, and Islamic finance leadership



In conclusion, the programme has the potential to significantly improve the industry and make it more competitive and resilient. We are confident that the programme will continue to make progress and achieve its goals. Despite challenges and increasing competition from the traditional financial system, with strong collaboration across the Takaful industry

and the enthusiastic participation of stakeholders, the Takaful FSB Programme is well-positioned to sustain its momentum and drive further advancements in the years to come. This programme serves as a valuable tool for the industry to address longstanding challenges and enhance its overall growth and development.

Contributors

The establishment of FSB Interim Report was guided and assisted by relevant stakeholders especially in terms of the initiatives for Strategic Thrust. Discussions and challenge sessions were held to ensure FSB Interim Report is a complete document that will showcase the industry effort to achieve FSB ultimate goal. Below is a non-exhaustive list of individuals, organizations and institutions that have contributed directly and indirectly towards the publication of the FSB Interim Report.

- **Bank Negara Malaysia** – for providing the guidance and aspiration of FSB
- **FSB Steering Committee** – for providing guidance and positive criticism to ensure the working group are aligned with the overall objectives of FSB.

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Disclaimer: Interim Report for Takaful FSB Programme 2023**

This Interim Report serves as a notification and guidance document for the industry, Takaful Operators, and Re-takaful Operators. The Project Management Office (PMO) emphasizes the following points:

1. ****Guidance and Information:**** The content of this Interim Report is provided for guidance and informational purposes.
2. ****Source Reliability:**** The information and opinions presented in this Report are sourced from reliable channels. However, opinions and information are subject to change without prior notice.
3. ****Illustrations:**** The illustrations included in this Report are carefully chosen to best represent the objectives of the respective sections during the consideration and deliberation of the programme.
4. ****Report Status:**** The Interim Report for Takaful FSB Programme 2023 reflects the status as of August 2023. Any amendments and revisions will be addressed by the Strategic Thrusts Working Group and MTA PMO.
5. ****No Liability:**** The Strategic Thrusts Working Group and MTA PMO do not accept responsibility or liability for decisions made based on the information provided in this Interim Report.

This Report is subject to updates, and stakeholders are encouraged to verify the latest version. Decisions based on this information are at the discretion of the stakeholders, acknowledging the dynamic nature of the industry and regulatory landscape.



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