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## MEDICAL TAKAFUL (INSURANCE) REFORM: MODELS AND STRUCTURES

<sup>i</sup>Mohd Ma'Sum Billah

<sup>i</sup>(Corresponding Author) Professor of finance and insurance, Islamic Economics  
Institute, King Abdul Aziz University, Kingdom of Saudi Arabia  
profdrmasumbillah@yahoo.com  
mbmohamad@kau.edu.my

### ABSTRACT

*Living with healthy life is among the prime natural concern of everyone regardless of one's status or background. A proper health-care requires money and today, it is one of the most expensive components of expenditure, which is not affordable to everyone thus, medical takaful (insurance) may be a solution. In view of creating a healthy society, several developing countries make the medical insurance compulsory. In the Kingdom of Saudi Arabia on the other hand, the health insurance has not been made mandatory yet on everyone living in the Kingdom, the native or the expatriate. The law of the Kingdom in general, is a Shari'ah (Islamic law) while its recognized insurance model is based on the cooperative (ta'awuni) principles (Al-Qur'an (5:2). In creating a healthier society by encouraging everyone to care about health, the medical takaful may be an effective step to be taken in to consideration thus, its reform is an emergence factor by allowing choices in package within the supreme law of the Kingdom. An attempt is thus made in this paper to analyze possible reformed models and structures of medical insurance appropriate for the Kingdom's environment. In establishing the idea, some experiences will be analyzed as a reference from the existing practices of the Kingdom of Saudi Arabia and also the Malaysian practices of medical takaful as the pioneer of the scheme.*

**Keywords:** shari'ah, medical, healthcare, insurance

## FACTS AND PHENOMENA

Health-care is among the prime concern of life. Everyone is equal as to one's physical pain and suffering in no issue of one's socio-economic, legal or religious status or origin. A proper health-care requires money as at today. The rich may afford to care about health subject to own available resources, but not the poor, except as depending on own limited resources or common facility or cooperation from others in some exceptional cases. Medical insurance scheme may be a prompt solution to health-care for everyone. Medical insurance is made compulsory in many developing countries to ensure a healthy life for each citizen besides one's education and economic wellbeing.

In the Kingdom of Saudi Arabia, the health insurance has not been taken as a mandatory level yet. Several insurance companies offer the health insurance product and services in the kingdom, but out of total 32,515,171 population in Saudi Arabia (Worldmeters, 2017) only 3.11 million<sup>i</sup> (15 %) of the total 20,915,171 native Saudis<sup>ii</sup>, while 7.85 million (67%) of the total 11,600,000<sup>iii</sup> expatriates have coverage<sup>iv</sup>.

Based on the above data it is understood that, there are about 85% of the native Saudis uncovered by medical insurance, which might be due the following reasons:

- Medical coverage for every employee along with one's dependents are undertaken by the respective employer of the Kingdom as a part of employment benefit.
- The employee serves the elite corporate group of the Kingdom are along with one's dependents are covered with lavish medical benefits undertaken by the respective employer as the employment package.
- The Kingdom provides free medical facilities for the rural people through the establishment of the polyclinic scheme.
- Many elite groups of Saudi exercise their option to be treated in overseas hospitals using one's own financing capacity or any arrangement at choice.
- Saudi students study in abroad are covered by the respective education package with standard medical facilities in the hospitals abroad.

- In the Kingdom, there are many individuals or families influenced by the *Fatwa* and *Shari'ah* views against insurance thus, contributes to the declination of participation in the Medical insurance scheme.

Moreover, there are about 33% of expatriates living in the Kingdom are still uncovered by the medical insurance perhaps due to the following reasons:

- Medical coverage is a part of employment package undertaken by the respective employer.
- Diplomats along with their dependents are covered with required medical facilities by the respective employer government as a part of the employment package.
- Foreign business owners or investors living in the Kingdom by holding the business visa, do exercise their choices in their health-care plan at own cost, either to be treated locally or aboard with insurance package or otherwise arrangement are totally on the individual's selection.
- Expatriate children study in the kingdom are either covered by the respective guardian's health-care arrangement or by the students' health-care scheme provided by the institution concern.
- Residents living in the kingdom with the refugee status are covered by the special public health-care scheme of the Kingdom or with any arrangement by NGOs or private initiative.
- There are number of Illegal Immigrants (with no *Iqamah*) living in the Kingdom whose health-care is arranged on their own respective initiative.

The non-coverage of health-care by the medical insurance scheme may result in numerous risks as follows:

#### Individual and Family Risks:

- Physical risk due to unattended health-care.
- Financial burden in bearing the medical cost on own.
- Emotional damage resulting from unhealthy life.

#### Socio-Cultural Risks:

- Unhealthiness due to unattended diseases.
- Unhealthy life is a social liability.
- Poor physical condition may result in less creativity.

#### National Risks:

- In the absence of the medical insurance scheme may result in excessive final burden for the public health undertaken by the government.
- Less appreciation of the medical insurance scheme may place the government with humanitarian liability for unable to attend everyone living in the kingdom with reasonable public health-care.
- Poor health-care may result in less productivity and thus effect the socio-economic growth.

Therefore, to encourage a significant participation in the health-care scheme, the importance, policies, perception, products and services of health insurance may be required to be designed with more attractive existence by an appropriate reform in models with structures. Such reform may encourage everyone to participate in creating a healthier society by undertaking and appreciating medical insurance policy as part of day to day life. It is importantly noted here that, in the Kingdom of Saudi Arabia, the law of its land is a *Shari'ah* (Islamic law) while its present recognized insurance model is based on the *Shari'ah* justified cooperative principles (*ta'awuny*) (Al-Qur'an (5:2)). By complying the spirit of law and culture of the Kingdom several alternative models with structures within the *Maqasi al-Shari'ah* are suggested in this paper aiming at encouraging everyone to participate in and benefit from the reformed medical insurance policy by exercising an option as to packages. In view of justifying the objective of the research, as a pioneer with *Shari'ah* compliant of medical insurance scheme the Malaysian experience will be analyzed besides the current practices of the Kingdom of Saudi Arabia.

### **Shari'ah Justification**

It is a fundamental spirit of Islam that any occurrence happens in any manner in day to day's life has been predetermined (*qada'* and *qadar*) by almighty *Allah (swt)*. However, the concept of *qada'* and *qadar* to be understood, so to avoid in being confused by misconception. Though under the spirit of Islam it is a belief that, anything good or bad in one's life is predestined by *Allah (swt)*, but *Allah (swt)* blessed all creatures with *al 'aql* (thinking power) to use it in selecting good or otherwise. *Allah (swt)* enshrines in the *Qur'an*:

*"...Verily never will God change the condition of people until they change it themselves (with their own souls)..." (Al-Qur'an (13:11))*

Therefore, as far as insurance is concerned, it may be one of the efforts that may be taken in to account for a protection with positive goal. The idea of Islamic insurance is an alternative to conventional insurance governed under the broad principles of *Shari'ah*. The development of Islamic insurance has been established based on the doctrine of *al-Aqilah*. It was implemented even before the rise of Islam, in relation to the tradition of blood money under the Arab tribal customs. Therefore, Islamic insurance is the form of insurance acceptable to Islam since it is based on mutual cooperation (Cooperative Health Insurance, 2010). Hence, the establishment of Islamic insurance is on the principle of *takaful*, which simply means 'joint guarantee' is justified by the *Qur'anic* ruling of mutual cooperation (Al-Qur'an (5:2)).

The essence of insurance practices can be derived based on several *ayat* in *al-Qur'an* and *hadith* from the Prophet (saw). The meaning of insurance itself is derived from the Arabic word "*Kafala*" means to take care of one's needs (mutual guarantee). Thus, insurance refers to mutual cooperation. Therefore, the existing of Health insurance can ensure the concept of mutual cooperation between the participants and the operator by implementing *al-Mudharabah* practice, as justified by *Qur'anic* principle of cooperation:

*"...cooperate you one another in righteousness and piety, but do not cooperate one another in sin and rancor..."* (Cooperative Health Insurance, 2010)

A health-care policy is a mere effort, but the actual protection has to be believed and putting in the trust (*tawakkul*) of almighty *Allah (swt)*, the *Qur'anic* ruling to the effect:

*"...And for those who fear God, He (ever) prepares a way out. And He provides for him from sources he never could imagine. And if anyone puts his trust in God, sufficient is (God) for him, for God will surely accomplish His purpose verily, for all things has God appointed a due proportion. (Al-Qur'an (65:2-3).*

The above verse indicates that *Allah (swt)* will show the way and solution for those who are in difficulties. In the practical application for Health insurance, we can assume that Allah gives us the way, in order to reduce the risk against the critical illness by making a contribution into Health insurance.

Furthermore, Health insurance is one of the efforts that we could do in preventing ourselves suffering from critical illness in the future. Although it cannot be denied that, as a Muslim we should put our trust on Allah (*tawakkul*), but we are asked to strive to the best of one's ability in performing a particular act or job before putting one's trust on Allah for a positive result (Billah, M.M., 2003). This can be seen through the *hadith* from Prophet SAW, where he gave a paradigm of '*Tawakkul*', in the following tradition:

Anas Ibn Malik (r.a.) narrated that:

*"Rasullah (saw) has told a Bedouin Arab who left his camel untied, trusting to the will of Allah (swt), tie the camel first then leave it to the will of Allah (swt)..."* (Sunan al-Tirmidhi: Sifatul Qiyamah: 2517)

*Allah (swt)* says further to the effect:

"...verily never will God change the condition of a people until they change it themselves (with their own souls)..." (Al-Qur'an (13:11))

It is thus submitted that, based on the above divine justifications, the practices of health insurance is not contrary to the noble teachings of *Shari'ah* rather it ensures benefit for all as to one's health-care.

### **Shari'ah Compliant Medical insurance Scheme: An Experience**

Based on a conceptual survey it has been discovered that, in the contemporary socio-economic environment, a *Shari'ah* compliant medical insurance was introduced by Takaful Malaysia sometimes in 90s as among the pioneers.<sup>v</sup> The scheme provides coverage for thirty-six types of critical illness. Through this plan, the policyholder will obtain the sufficient amount of money to cover the required cost for the medical treatment. This plan also provide the opportunity to the policyholder to choose any kind of treatment that one may intend to get.

As per practices in Malaysia, A health insurance plan is open for participation by any individual between the ages of 18 to 55 years old and free from those 36 critical illnesses. Thus, the duration of participation depends on the package chosen. They are three packages, 10 years, 15 years and 20 years.

There are numerous products of Islamic insurance including health-care scheme offered in the market. Some of them are not available in the conventional insurance providers. Generally, Islamic insurance is categorized into two, namely: life insurance and General insurance. However, this paper attempts to provide possible practical model of Islamic health-care insurance product justified under the *Shari'ah* principles of cooperation. Islamic life insurance<sup>vi</sup> plan generally is a long-term based on *al-Mudharabah* (profit and loss sharing) contract. Basically, Islamic life insurance plan is designed to serve and provide coverage for both individual and corporate sector. It also provides mutual aid or financial assistance among its participants from the Islamic life insurance Fund should any of its members

be inflicted by a tragedy. Among the products under Islamic life insurance plan include:

- Islamic life insurance Plan
- Islamic life insurance Plan for Education
- Employees insurance Plan
- *Ma'asyi* insurance Plan
- Health insurance Plan (Health-care insurance).<sup>vii</sup>

Thus, the Health-Care insurance plan enables the individual to take preventive action from the critical illness. Under Islamic life insurance plan, the contribution paid by the participant is credited into two separate accounts namely; the Participant's Accounts (PA) and the Participant's Special Accounts (PSA). The purposes of these two types of accounts are, a proportion of the contribution will be credited into the PA only for savings and investment. While the balance of installment is credited into the PSA account and is considered as *tabarru* (donation) for the risk management, which is not necessarily to be fixed, but flexible with mutual arrangement. (Yusof, M. F.,(1999). A health-care insurance plan is a sub-product of life insurance, which may provide two packages with option. Package one where the account is treated on a dual benefits with two accounts namely risk coverage account while the other is a saving account with investment return based on the principle of *al-Mudarabah*. The other option is on single tier basis to provide only the health-care coverage by having no investment return available<sup>viii</sup>.

### **Scope of Coverage**

As per the practices of Bupa Arabia in the Kingdom of Saudi Arabia (KSA), a health-care insurance plan in the covers among those of followings:

- *Variable overall cover with limitation*
- *Fully paid In-patient and out-patient, including cover for General Practitioner and Specialist consultation.*
- *Extensive network of hospitals and clinics coverage*



- *Single room to Standard suite accommodation for in-patients*
- *Maternity cover with benefits including neonatal care, maternity complications and treatment of premature babies*
- *Dental cover*
- *Optical cover*
- *Cover for cancer*
- *Cover for diabetes*
- *Cover for heart ailments*
- *Life-threatening emergency treatment out of network in KSA*
- *Emergency evacuation through International SOS Assistance when outside of KSA*
- *Emergency treatment outside of KSA*
- *Elective treatment outside of network inside or outside of KSA.*<sup>ix</sup>

Whereas in Malaysia, the health-care takaful covers among the followings:

- *Critical illness diagnosis*
- *Death*
- *Accidents*
- *Funeral expenses*
- *Hospitalization (Day allowances)*
- *Cash withdrawal*
- *Permanent Disablement.*

### **Benefits in the Existing Health insurance Plan**

In the Kingdom of Saudi Arabia, the benefit under a health-care insurance plan is ruled out under article 18 of the *Kingdom of Saudi Arabia Cooperative Health Insurance Council Secretariat General* as follows:

1. Diagnosis and treatment by service providers, provided that the beneficiary pays the agreed upon deductible, if any.
2. The cost of necessary and emergency medical treatment paid directly by the beneficiary, provided that the insurance company fails to urgently provide such service to the beneficiary or

unjustifiably refuses to provide the service. The person bearing the expenses shall be indemnified in accordance with the limits provided for in the policy and the limits paid by the company to a service provider of a similar level<sup>x</sup>.

Policyholder in Malaysian practices, may have an option to choose either of the following two packages of benefits:<sup>xi</sup>

- Package A (coverage with saving)
- Package B (coverage without saving)

### **Package A**

This package provides saving besides protecting participants from thirty-six critical illness. Furthermore, the participant also is entitled to obtain profit sharing from the *al-Mudharabah* principles. However, it also depends to their age, gender, duration and level of healthiness.

For instance, let takes 20 years old participant and 40 years old participant.

#### *20 Years old participant*

- The risk is low
- Therefore, the proportion to PSA is low and proportion for PA is high
- Let say 80% in PA and 20% in PSA

#### *40 Years old participant*

- The risk is high
- Therefore, the proportion for PSA is high and proportion for PA is high
- Let say 60% in PSA and 40% in PA.

### **Package B**

This package offers protection only against thirty-six types of critical illness with a low rate of contribution apart from profit sharing based on *al-Mudharabah* principle. Normally, this package is depending on the participant's age and based on the duration of coverage. Most of participant who choose this

package will contribute more proportion to the ASP account. For instance 80% of the contribution will go into ASP and the balance 20% will go into AP<sup>xii</sup>.

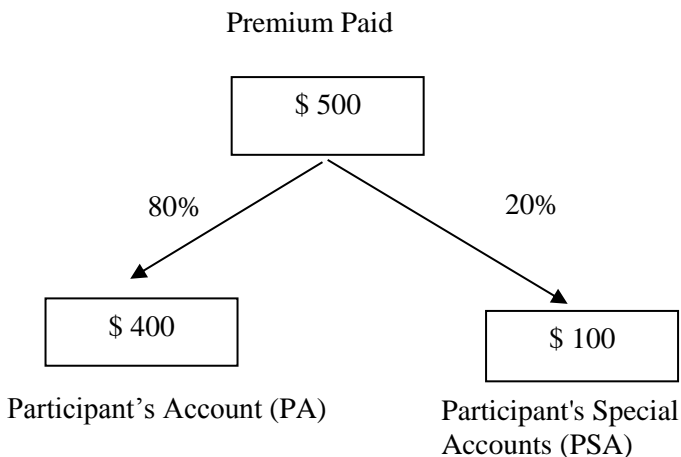
### **Types of critical illness covered by Health-Care takaful: A Malaysian experience<sup>xiii</sup>**

|  |   |
|--|---|
| 1. Heart attack                              | 19. Motor Neuron Disease                                    |
| 2. Stroke                                    | 20. AIDS Due to Blood Transfusion                           |
| 3. Coronary Artery Disease Requiring Surgery | 21. Parkinson's Disease                                     |
| 4. Cancer                                    | 22. Chronic Liver Disease                                   |
| 5. Kidney failure                            | 23. Chronic Lung Disease                                    |
| 6. Fulminant Hepatitis                       | 24. Head Injury Due to Accident Cause of Major Head Trauma. |
| 7. Major Organ Transplantation               | 25. Aplastic Anemia   |
| 8. Paralysis                                 | 26. Muscular Dystrophy                                      |
| 9. Multiple Sclerosis                        | 27. Benign Brain Tumor                                      |
| 10. Pulmonary Arterial Hypertension          | 28. Encephalitis  |
| 11. Blindness                                | 29. Poliomyelitis   |
| 12. Heart Valve Surgery                      | 30. Brain Surgery   |
| 13. Deafness                                 | 31. Bacterial Meningitis                                    |
| 14. Surgery to the Aorta                     | 32. Others Serious Coronary Artery Disease                  |
| 15. Loss of Speech                           | 33. Apalic Syndrome   |
| 16. Major burns                              | 34. AIDS Due from occupation                                |
| 17. Alzheimer's Disease                      | 35. Full Blown AIDS   |
| 18. Coma                                     | 36. Terminal illness  |

### Examples of Shari'ah Compliant Medical Scheme

As practices among the *takaful* operators, the premium paid by the participants is credited into two separate accounts namely; Participant's Accounts (PA) and the Participant's Special Accounts (PSA). An agreed portion of the contribution is credited into the PA for saving and duly investment while the balance is credited into the PSA account and be considered as *tabarru'* (*donation*) for the risk coverage. The ratio of the account treatment is subjective depending on the actuarial policy and the choice of the participant as to the nature of coverage. Thus, some hypothetical experiences (examples) are shared as

#### Example 1:



The distribution of contribution between Participant's Account (PA) and Participant's Special Accounts (PSA) is made by applying several criteria as follows.<sup>xiv</sup>

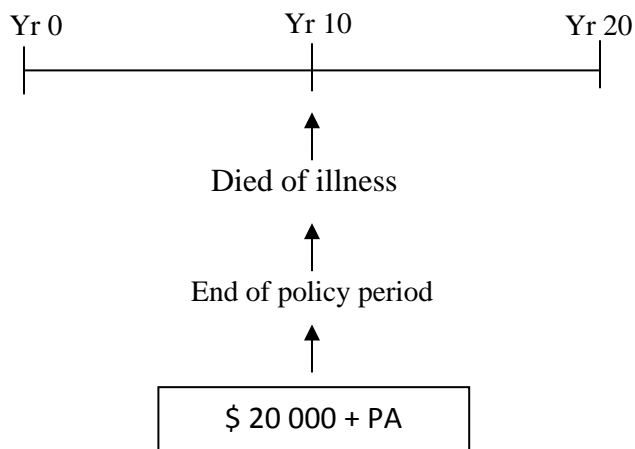
- Age - Age is regarded as an important criterion. This is because the older a person is the higher is the risk of being diagnosed with an illness. The higher risk result in more proportion of the installment placed under PSA compared to a younger person with lesser risk.

- **Gender-** According to studies done previously, life expectation of female is longer than male. This means the risk is lower for female. So female participants will be eligible for more proportion of installment to be placed in PA compared to male.
- **Duration-** When a young person signs up for Health insurance, then the coverage period is longer compared to older person. The longer coverage period or duration results in more proportion placed under PA.
- **Health-** Health condition of the participants is also considered in placing the installments. If the participant is diagnosed with illness the risk is higher which means higher proportion placed under PSA.

### Package A

Health insurance provides two packages for its customers. The first one is Package A, which provides saving for the participant in addition to the coverage for the listed illness.<sup>xv</sup> The participant can enjoy with the share of profits over the saving account (PA) according to the principles of *al-Mudharabah*. Several coverage is provided under packages.

### Example 2

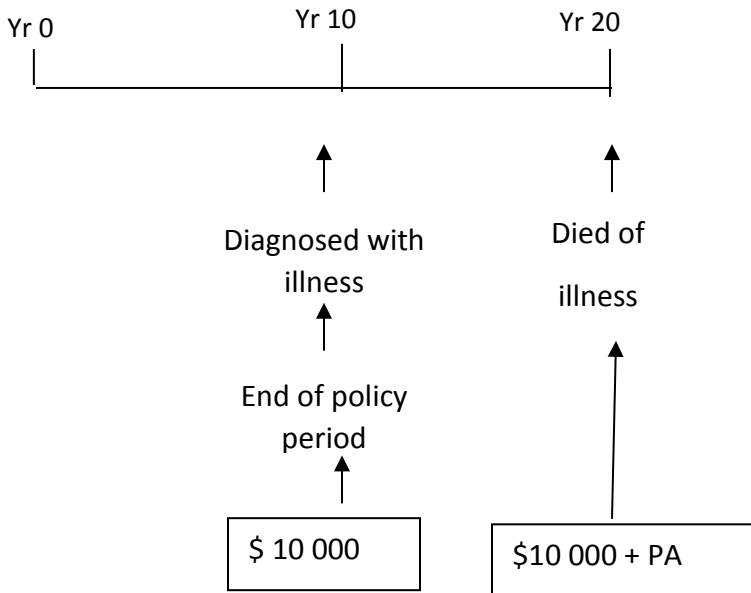


Example 2 shows the case of a person who died of illness during the period of coverage. The person takes the insurance Plan for 20 years and died during year

10 due to an illness covered in the package. The family members are eligible to get \$ 20 000 plus the balance in his Participant's Account.

### Example 3

Diagnosis of Critical illness



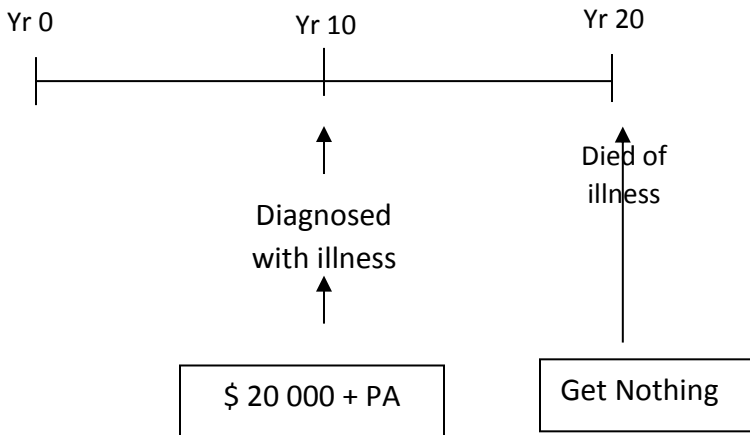
Example 3 shows a case of a person who bought insurance policy of 20 years. He is diagnosed with an illness during year 10 which enable him to receive \$10 000 for medication purpose. He died of the illness in the remaining period, which entitles the family members to receive the balance \$10 000, plus the balance of his Participant's Account.



Package B is planned more toward charity. The installment is divided according to age groups. The premium gets higher as the age increases<sup>xvi</sup>. All other plans are same with Package A except

**Example 5** is a plan which is different.

Diagnosis of critical illness



Example 5 shows that in Package B, when the participant is diagnosed with an illness, the total amount which is \$ 20 000 plus AP is given. As we can see this is contrast to Package A.

### Medical Takaful (Insurance) : The Reformed Models with Structures

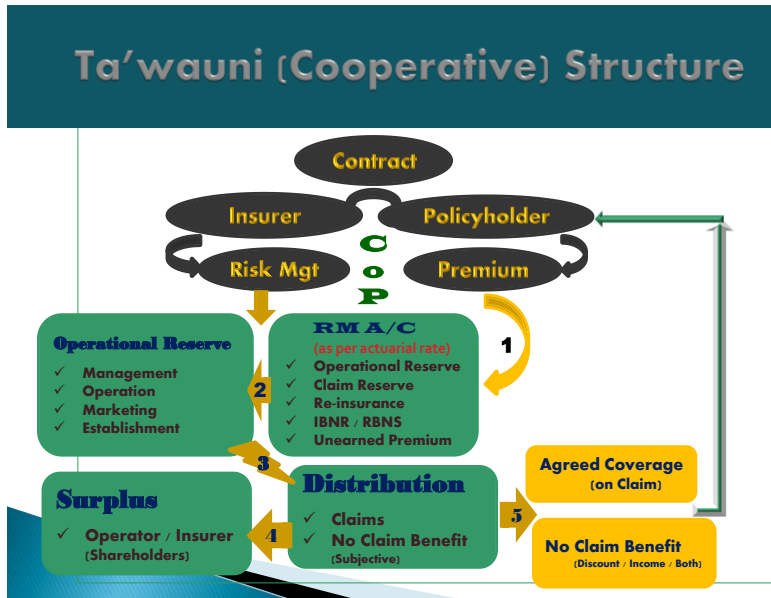
There are eight different medical *takaful* models within the *Maqasid al-Shari'ah* namely:

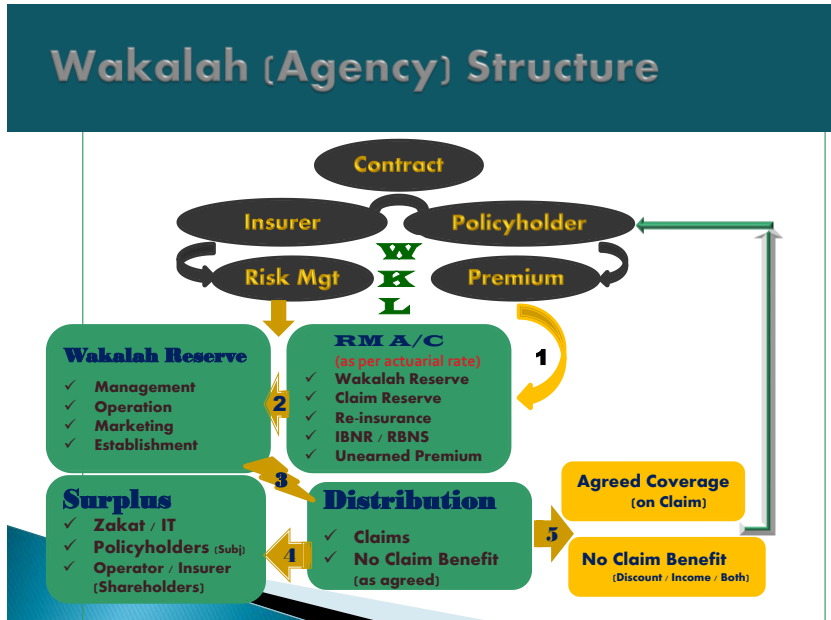
1. *Ta'awuni* (Cooperative) Model
2. *Wakalah* (Agency) Model
3. *Waqf* (Endowment) Model
4. *Tabarru'* (Philanthropy) Model
5. *Hibah* (Gift) Model

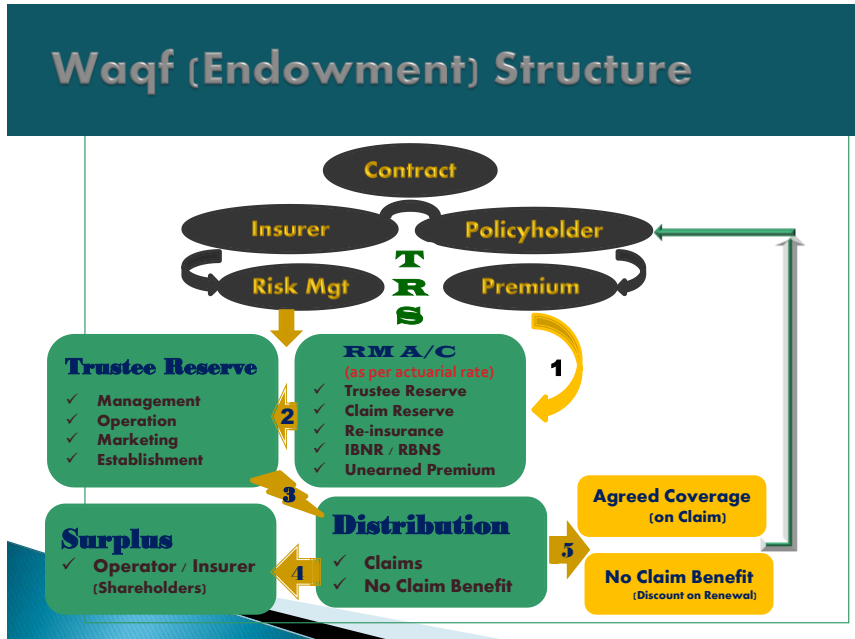


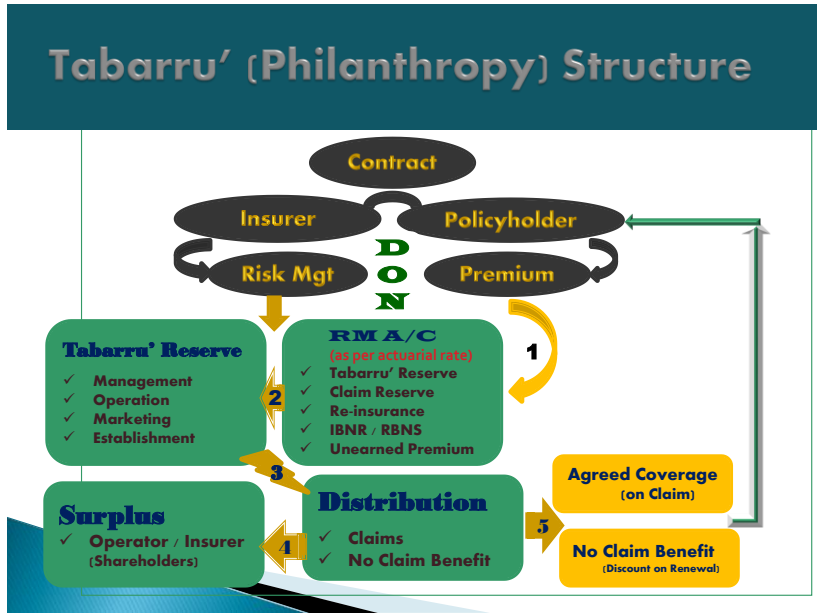
6. Composite (*Tabarru' & Mudharabah*) Model
7. Humanitarian Health-care through Zakat Model
8. Health-care through i-Crowd Funding Model

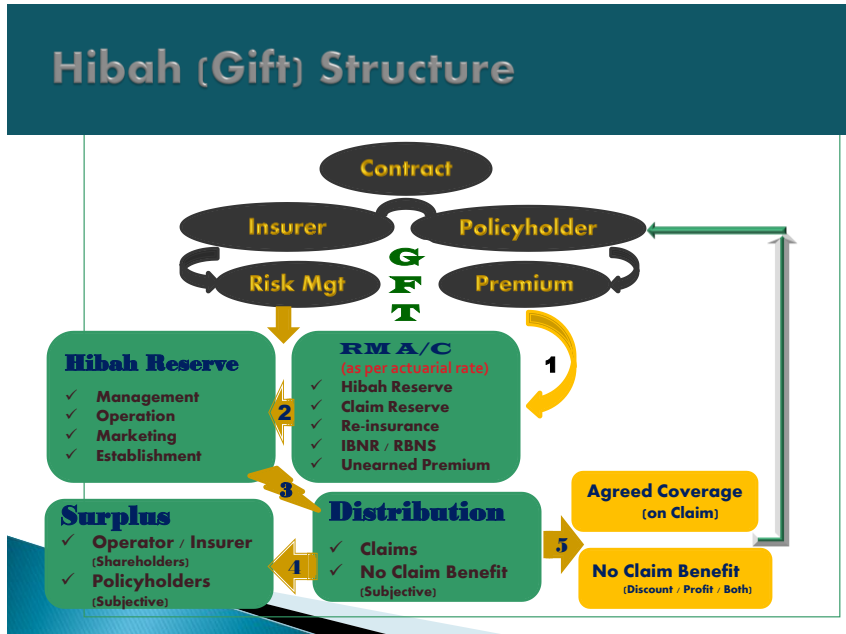
The Structure in Nutshell are as follows:



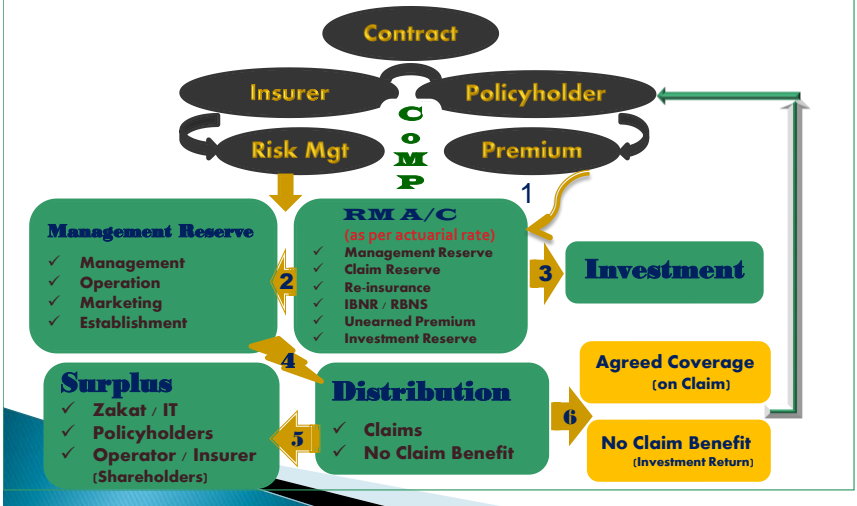




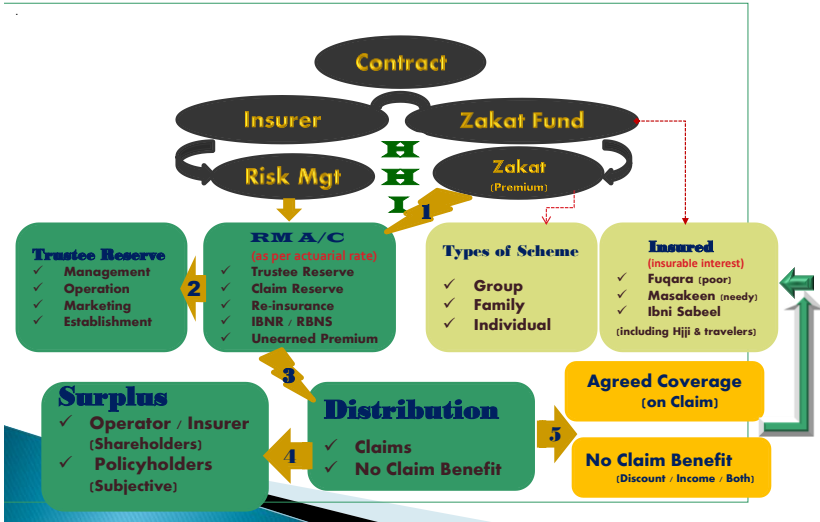


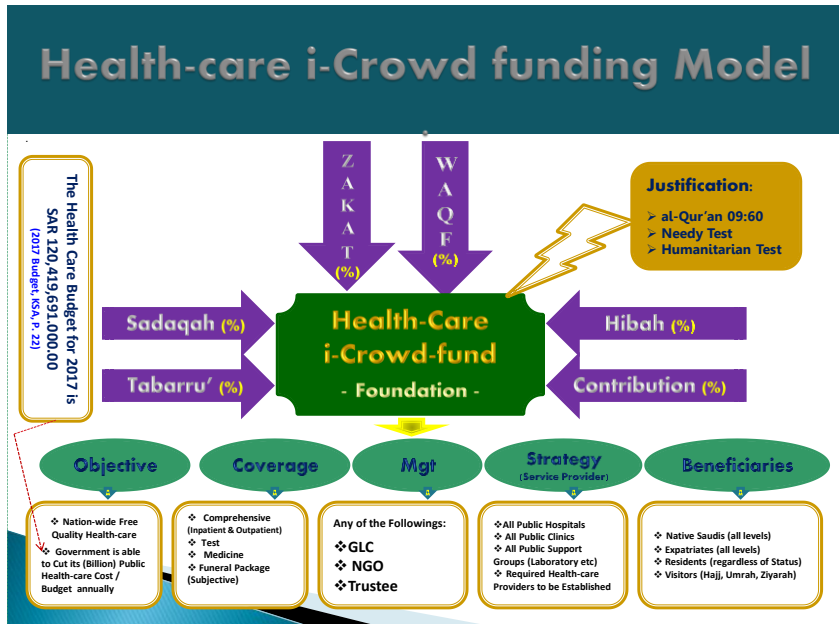


## Composite Structure (Tabarru' & Mudharabah)



## Humanitarian Health-care through Zakat





### Advantages in Medical Takaful (Health-Care Insurance)

Part 4 of the *Kingdom of Saudi Arabia Cooperative Health Insurance Council Secretariat General*,<sup>xvii</sup> which rules out on the protection of numerous health-care benefits both for local and expats. Thus, Saudis and public sector expats are eligible for a comprehensive package of health-care benefits including, public health, preventive, diagnostic, and curative services and pharmaceuticals with few exclusions with no cost required. Most services including state of the art cardio-vascular procedures, organ transplants, and cancer treatments (including bone marrow transplants) are covered. Sponsors or employers are responsible for paying for an extensive package of services for private sector expatriates. The health sector during the past two decades, like all other sectors shared a great deal of support and attention to



improve their level worker's performance in its facilities on the basis of quality assurance. In 1983, before the application of primary health care, health services were in the form of "e-medical" services in hospitals and clinics. Prevention programs also involved through limited health care centers offices and Maternal and Child Health (MCH) centers.<sup>xviii</sup>

Health insurance provides several benefits to its participants. According to an insurance operator in Malaysia, Health *takaful* is one of the many plans favored by customers, because of the benefit that they get in terms of monetary as well as the coverage. Some of the advantages are highlighted below.<sup>xix</sup>

Health insurance under *Shari'ah* provides two kinds of plans for the customers. They are Package A (with savings) and Package B (without savings). This gives the customers freedom of choice. They can evaluate and choose whichever package is more suitable for them. Besides, the premium is charged according to the financial ability and age criteria. This enables customers from all level of society to have insurance policy. Funeral expenses are also provided by insurance Malaysia for the participants<sup>xx</sup>.

Takaful Malaysia unlike other operator does not appoint agents to promote its product. They eliminate intermediaries by recruiting marketing executives who are directly connected to the company. Through this they are able to save cost and increase revenue for the customers and *takaful* itself. The cost of contracting agents is much higher compared to having own executives. The reduction in cost will result in more proportion of the premium being deposited in the participants account. Besides, elimination of agents decreases risk of false play. This is because agents are usually connected to more than one firm which may lead to dishonesty. Employees who directly related to the well being of the firm will be more loyal.

Takaful Malaysia for example, is among the providers of Islamic insurance (Takaful) as licensed under the *Takaful Act 1984* and now it is governed under the *Islamic financial Services Act*

(Malaysia) 2013.<sup>xxi</sup> Thus, it invests in *Shari'ah* based counters. There is no prohibited element like *riba* (usury), *maysir* (gambling) or *gharar* (uncertainty) involve in any of its activities. Customers are assured that their premiums are in the save hands with *Shari'ah* compliant. *Shari'ah* Advisory Body (SAB) is given the responsibility to make sure that, the takaful operators follow the rules of *Shari'ah* in managing their activities.

In monetary point of view, participants are able to withdraw their investment from the saving account of the policy before the maturity date. For example, participants can withdraw 50% of the total amount paid in two years and 70% of the total amount paid in five years. This somehow attracts the participants because they can withdraw the money in term of emergency.

Furthermore, an insurance company with *Shari'ah* compliant health-care provider in Malaysia for instance, does not charge extra money for late payment of premium as other insurance operator usually does. The premium is deducted from the participant's salary in 30 days. For the personal payment method only 15 days is given for the late payments. This gives the customers a chance to make the payment later than the date scheduled in case monetary difficulties. Moreover, it gives tax-free advantages. This is because insurance expenses are deducted from the total income before the tax payable is calculated. This will reduce the taxable income, which will lead to lesser tax. In the Kingdom of Saudi Arabia, the tax issue may not be relevant.

### **Effective Steps towards the Goal**

In view of a result oriented reform of medical *takaful* scheme for the common benefit the following steps are recommended:

*Public Awareness through:*

- Media
- Talks / Forums
- Training

- Q & A on:
  - Importance
  - Emergence
  - Significance
  - Impact (Negative & Positive)

*Regulatory Reform:*

- Legislative Reform.
- Existing Phenomena in the Kingdom of Saudi Arabia:  
Basic Policies Provided Under Some Regulatory Frameworks,  
Among them Are:  
Cooperative Health Insurance Law Issued by Royal Decree no. M/10 dated 01/05/1420 H, The Council of Minister's resolution no. 71 dated 27/04/1420 H, The Council of Cooperative Health Insurance (CCHI), Saudi Arabia: The Cooperative Health Insurance Law (No. 71), Implementing Regulations of the Cooperative Health Insurance Law in the Kingdom of Saudi Arabia (Amended) As Approved in Session No. (73) dated 08/05/1430H and adopted pursuant to Ministerial Decision No. DH/1/30/6131 dated 08/06/1430H, Implementing Regulation of the Cooperative Health Insurance Law Approved in Session (93) Dated 11/3/1435H Approved by Ministerial Order (9/35/1/DH) Dated 13/4/1435H.

*Thus, Need a Comprehensiveness as to:*

- Law & Procedures
- Policies & Guidelines
- Shari'ah Juristic Opinion (*Fatwa*) on Issues
- Standards

*Formalities:*

- Definition of Risks
- Underwriting Standard
- Documentations (Forms & Procedures)
- Insurable Interest

- Uberrimae Fidei (physical & moral hazards, relation & location history)
- Formalities
- Rating Standard
- Premium Standard
- Manuals (Operation & Products)
- Accounting Standard
- Fund Management Policy
- Claims & Benefits Standard
- Payment & Distribution
- Audit Standard
- Re-insurance
- Solvency Margin Standard
- Miscellaneous

*Upgrading the Online Services:*

- Formalities
- Renewals
- Registration
- Cash-less Card
- Updates
- Claims
- Payments

*Sectorial Initiatives:*

- Public Initiative (Government / Semi-Government)
- Private Initiative (Corporate / NGO)
- Socio-Initiative
- Family Initiative
- Individual Initiative

*Comprehensive Health-care Insurance:*

Outpatient Coverage:

- Defined Risks
- Defined Coverage
- Excess Provision

#### Inpatient Coverage:

- Defined Risks
- Agreed Coverage
- No Claim Benefits:
- Discount on Renewal
- Investment Return (Subjective)

### **Challenges**

In a Medical takaful provider under *Shari'ah* and cooperative principles, the micro-challenges may be encountered mainly from participants (participants). Some participants have been observed of not understanding the importance, terms and conditions of the policy. They claim for the non-covered fatalities even though it is commonly made clear in the agreement. For example the participant claim for an illness that is not short-listed in the types of illness covered. Another case as mentioned by the insurance operator is that, a participant may claim for more than one illness despite one might have been cleared from the beginning that the coverage is for one illness even if they are diagnosed with more than one illness subsequently.

Late payment of premium is also another challenge faced by the operator. This is because, it is time consuming and difficult for the executives to detect and handle the late payers. Customers also tend to give false information regarding their health condition. They don't reveal that they are diagnosed with certain illness in the time of registration. This contradicts the condition that a person should not be diagnosed with any of the listed illness in the agreement before getting the policy.

### **Recommendations**

Medical takaful is undoubtedly an essential component of day to day life to care about own health within the ability and afford. Thus, the following recommendation is made in view of treating health-care insurance as a life routine.

9. Public awareness has to be made on the importance and ideas of health-care insurance.

10. Health insurance operators are to increase their market share. There are numerous insurance operators in any jurisdiction of the world and no exception in the Kingdom of Saudi Arabia. Thus, in order to strengthen the operators' competitive position, they should conduct aggressive promotional activities. Health insurance is already a growing phenomenon among the people of different levels, because of its offered benefits. This promotion is needed in order for the information to reach out for people from all walks of life.

11. The government and the industry with a joint-effort, may take an effective initiative to reduce the misconception regarding the image of the scheme. This can be done by reducing the problems of misunderstanding of the coverage provided. This has become a big issue especially when the participants complain through the media. The executives should carefully monitor the registration process so that, the participants understand the terms and conditions.

12. The term (duration) of policy may be increased. The participation period in Malaysia for example is; only limited to 10, 15 and 20 years. The period should be increased to 25 or 30 years. This is because, if a participant gets a Health insurance plan when he or she is 20 years old then the coverage is only until the person reaches the age of 40. Usually the risk of getting illness is lesser for those bellow 40 years old.

## Conclusion

Human being exists in this world in a state of uncertainty as we are lack of the knowledge of the future happening. There would be no risk if we know what will happen in the future. Without risk there will be no need for protection. In reality, we can only anticipate the future based on our past experience. From the economic point of view, uncertainty relates to the fear of having to face the possibility of huge losses. Insurance emerges as a protection from this kind of mischief. Medical takaful thus, is a monetary coverage against any critical illness. It is thus, submitted that, health-care insurance is one of the strategic plans that the operators have designed to help one monetarily who unexpectedly ought to have been diagnosed with illness thus, no contradiction with the *Shari'ah* or cooperative principles *per se*.

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<sup>i</sup> As per report of *the Council of Cooperative Health Insurance (CCHI)*, ARAB NEWS (Saturday 19 December 2015)

<sup>ii</sup> *Worldmeters*, 2017, UN estimates as at February 11, 2017.

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- iii *Saudi Gazette*, November 28, 2016
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- v Takaful my Health Protector Simply A Better Choice for Your Health, *Takaful Malaysia*, at P.1
- vi As practiced in some ASEAN countries (Malaysia, Brunei and Indonesia) in particular.
- vii Brochure, *Health-Care Takaful Plan*, Takaful Malaysia
- viii As practiced by most of the Islamic Insurance providers in Malaysia.
- ix International health plan, *Bupa Arabia (KSA)*.
- x Article 18, *Kingdom of Saudi Arabia Cooperative Health Insurance Council Secretariat General*, Implementing Regulation of the Cooperative Health Insurance Law Approved in Session (93) Dated 11/3/1435H Approved by Ministerial Order (9/35/1/DH) Dated 13/4/1435H
- xi See *Takaful myHealth Protector*, Takaful Malaysia.
- xii This Plan does not cover pre-existing illness and pre existing symptom and all illness which commence with a period of 30 days from certificate effective date.
- xiii See *Takaful myHealth Protector*, Takaful Malaysia.
- xiv Takaful Malaysia, *Health-Care Insurance Plan*, Appendix (Package A)
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<sup>xx</sup> Refer to Appendix – *Brochure Insurance Health-Care*, Takaful Malaysia

<sup>xxi</sup> See, the *Takaful Act (Malaysia) 1984* (repealed) by the *Islamic financial Services Act (Malaysia) 2013*.