

Wakalah Recovery Model for Parent's of Learning Disabled Children Benefit

*Nurul Zawani Binti Baharazi, Puspa Liza Ghazali, Fauzilah Salleh, NurArifah Amran,
Saffiah Aini Ismail, Ahmad Syukri Yazid and Sadad Mahmud*

Faculty of Economics & Management Sciences, Universiti Sultan Zainal Abidin, Kuala Terengganu, Malaysia

Abstract: The average rate of Malaysian adult population literacy rate age above 15-24 years old is estimated 98.5%. At the same time, that almost 1.5% of Malaysian youths are illiterate. Also include in this illiteracy youth group is children with learning disabilities. Lack of knowledge and awareness cause them to not getting better education. This study is proposing a recovery model of family takaful education plan towards parents of children with learning disability benefit. As in our concern, the most influenced person towards the learning disability is the parents of the learning disabled children, so that they can have a small consolation through the takaful plan.

Key words: Recovery Model • Family Takaful • Education Plan • Learning Disabled Children • Malaysia

INTRODUCTION

The history of takaful industry in Malaysia started in 1984 with the establishment of first Malaysia takaful operator, Syarikat Takaful Malaysia Berhad [1] as the extension to fulfill Bank Islam Malaysia Berhad operation that serve the needs of Muslims towards a syar'ie alternative of financial management [2]. Literal meaning of takaful comes from the root word of 'kafala' meaning guarantee [3]. Different definition have been advanced for the takaful term with some of it explained as 'the group of individuals that guarantees each other against potential loss or damage faced by anyone of them' [4] by using the system tabarru' (donation) and ta'awun (mutual cooperation) in the takaful fund.

Based on Islamic principle, only takaful operating system is accepted to be applies and implemented by muslims. Scholars of Islamic economics have rulings conventional insurance as illegal (haram) [3]. The reason was due to the existence of interest (riba), uncertainty (gharar) and gambling (maysir) in the transaction, saving and investment [5]. Following the fact, with the awareness of obligation muslims, parents of child should participate in family takaful education plan instead of participate in conventional insurance. In Malaysia, since 1988,

takafuloperator are regulated and supervised by Bank Negara Malaysia (BNM) with BNM Governor is the appointment as the Director-General of takaful (Bank [6].

Problem Statement: World is a challenging games to the people living on it. Environments were subjected to a barrage of scientific and technical, economic and demographic, political and cultural changes that shook everything in sight [7]. In order to keep up with the stance upon new born generation, modern parents put high priority towards their children education due to the literally thinking that people with higher education has high possibility to be successful in life [7].

However, it consequences to a far high rate of price for higher education that set a formidable pressure in community as the cost nowadays are far too expensive to be hold by parents [8]. Great Eastern Takaful [9] stated that in general, the basic fees for tertiary education for three years reaching almost RM100, 000 per child including inflation. Parents would do their heroic best to cope with these, but their tools of planning and management proved grossly inadequate in the new situation. Therefore, the parents must target a new kind of planning for tertiary education. The best way of this problem is start a smart move by building the children education fund [10].

In Malaysia, there are education plan which are provide under takaful operators and insurance companies. However, by following Islamic principle, only takaful operating system is accepted to be applies and implemented by Muslims. Education plan is a division of family takaful. It will provide participant with protection and long-term savings to finance higher education expenses of participant child [11]. The child will be provided with financial benefits covered under the plan if anything happens in based on regulation.

Above all, existing education system and takaful education plan focuses only on normal children. How about the learning disable children which the number is increasing every year? This group of children also needs special attention and protection in the national education system because they also have their specialties. Learning disabilities was a neurodevelopmental disorder. It comes from neurological differences in brain structure and function and affects a person's ability to receive, store, process, retrieve or communicate information [12]. The numbers of learning disabled children are increased each year. Based on statistic by UNICEF Malaysia [13], from 2011, there are 134, 659 numbers of them and increased to 165, 281 number on 2012 [13]. Learning disable children that can be train to accept education up to be normal or sometimes more than just a normal student [14].

In Malaysia, children with learning disabled are categorized under specialschoool. Student under this categorized is receiving monthly allowance from government worth RM150 per month for twelve month with semi-annual payment purposed incur expenses of the child. However, parents usually did not spend the money on the special child care but use the money for home expenses of their entire family. These treatments are not right for them. By the reason, this study will be conducted in order to make a good financial education plan especially for these children and generally for their family.

Furthermore, takaful operator in Malaysia categorized learning disabled children as a rider in their product offered. In instance, Takaful Ikhlas; IKHLASlink Child Secure Takaful proximate offering a rider that close with learning disable condition which is secure the children against illness resulting from a compromised body immunization system especially during their growing up phase [15]. On the other hand, Malaysian is still in

competent about learning disabled subject field. This proposed product will create parents awareness among the participant on learning disable and how to detect at early stage so that the society can be more fairly minded about the subject field.

MATERIALS AND METHODS

This paper proposed a new takaful plan that include completes riders for participant (parents of learning disabled children) based on integration model by Ghazali *et al.* [16]. It is made suitable for all level of income earner as considering the groups of parents are not able to participate in takaful education plan due to financial constrain. In takaful what make it differ than insurance is based on the concept define in Malaysia Takaful Act 1984 of 'scheme on the brotherhood, solidarity and mutual assistance to the participant in case of needy' [17]. For that purpose, the client's proposal in this recovery model needs to add more riders as shown in Table 1.

Client's proposal needs many riders such as death coverage, loss of ability to work or 40 critical illness, hospital bills, khairat and death benefit [18].

Wakalah Recovery Model of Education Plan:

Practically, there are three types of takaful model used in Malaysia, Mudharabah Model, Wakalah Model and Mixed Model. However, most takaful operator used Wakalah Model because of the agent system which the operators do not pay salary to the agents [19]. Wakalah recovery model of education plan used the proposed element below in constructing the premium life table.

Monthly Payment	= RM 80 (1 unit)
Term	= 21 years
Interest Rate	= 5% per year (i)
Wakalah Fee	= 12.5% (first 10 years) = 7.5 % (after 10 years)
Tabarru' Account	= RM 10
Personal Account	= RM 60 (first 10 years) = RM 64 (after 10 years)

Follow by the general table quotation for recovery model of wakalah model shown by Table 2. K_{15} is nil because death benefits depends on the participant in paying the monthly premium.

Table 1: The client Proposal of Recovery Model

Number	Items	Values
1	Interest Rate	r per year
2	Period Term	n year
3	Monthly Contribution	RM z
4	Personal Account	RM P
5	Tabarru Account	RM Q
6	Wakalah Fee	RM W
7	Yearly Profit	RM y
8	Monthly Profit	RM m
9	Surrender Values	RM V
10	Death Coverage	RM 10x
11	Loss an effort to work/ 40 critical illness	RM 10x
12	Hospital Bills	RM 5x
13	Khairat	RM 2x
14	Death Benefit	RM 10x
15	Parents Benefits	RM 3x

Table 2: General Client Quotation

K ₁	K ₂	K ₃	K ₄	K ₅	K ₆	K ₇	K ₈	K ₉	K ₁₀	K ₁₁	K ₁₂	K ₁₃	K ₁₄	K ₁₅
n	L _n	12nY	P _n	Q	W	y _n	m _n	V _n = y _n + m _n	10x	10x	10x	2x	3x	

where:

- K₁ is year
- K₂ is age
- K₃ is layout contribution
- K₄ is personal account
- K₅ is tabarru' account
- K₆ is wakalah fees
- K₇ is yearly profit
- K₈ is monthly profit
- K₉ is surrender value
- K₁₀ is death coverage
- K₁₁ is loss an effort to work/40 critical illness
- K₁₂ is hospital bills
- K₁₃ is khairat
- K₁₄ is parent's benefits
- K₁₅ is death benefit

RESULT

Recovery Model of education plan distribute the monthly premium of RM 80 into three portion; personal investment account, partition for riders (tabarru' account) and wakalah fee, refer Table 3. PruBSNSmartLink. [8] stressed that knowing the partition of ratio is very important for the participant in understanding the correct distribution of premiums paid by the participant ratio.

The main in this recovery model is the complete riders offered to the participant of parents of learning disabled children. Below in Table 4 shows the partition of riders in tabarru' account in recovery model.

where;

$$Partition = \frac{RM10}{45x} \tag{1}$$

$$x = 0.222$$

There are 45 portions which RM10 of the monthly contribution will be divided. The ratio calculate that x in each riders is represent RM 0.222 from RM 10 of the monthly contribution money.

Premium & Benefit Wakalah Recovery Model: Below show the completed table of wakalah recovery model of education plan. This plan takes places until participant child aged 21 years old for its maturity with two stage of wakalah fee.

By applying the model by Ghazali [16]; therefore an equation for calculate V_n has been simplified as:

$$V_n = P_n \left(\frac{5}{100} \right) + \left(\frac{P(i)}{100} \right) \left(\frac{66 + V_{n-1}}{12} \right) \tag{2}$$

where P_n is personal account and n=1, 2, 3...

Follow in Table 6 and Table 7 are the calculation for K₇, K₈ and K₉ based on applied formula:

DISCUSSION

The outcome from the research is recovery model of family takaful education plan extended from Integration Model by Ghazali [16]. This study will give

Table 3: Partition of Monthly Premium Payment in Wakalah Recovery Model

Overall total of monthly premium payment	n years	Personal Investment Account	Partition for Riders (Tabarru' Account)	Wakalah Fee
RM 80	First 10 years	RM 60	RM 10	RM 12
	After 10 years	RM 64	RM 10	RM 6

Table 4: Partition of rider of the tabarru' account in recovery model

Tabarru' Account	Death Coverage (10x)	Loss effort to work / 40 critical illness (10x)	Hospital Bills (5x)	Khairat (2x)	Parents Benefit (3x)	Death Benefit (10x)
Partition Ratio of Tabarru' Account (45x)	10x = 1 person	10x = 1 person	10x = 1 person	2x = 1 person	3x = 1 person	10x = 1 person
Partition of the Contribution (RM 10)	0.222 x 10 = RM 2.22	0.222 x 10 = RM 2.22	0.222 x 10 = RM 2.22	0.222 x 2 = RM 0.44	0.222 x 3 = RM 0.66	0.222 x 10 = RM 2.22

Table 5: Client Quotation Premium of Recovery Model Takaful Education Plan

K ₁	K ₂	K ₃	K ₄	K ₅	K ₆	K ₇	K ₈	K ₉	K ₁₀	K ₁₁	K ₁₂	K ₁₃	K ₁₄	K ₁₅
1	1	960	720	120	144	36	17	773	10000	10000	10000	2000	3000	
2	2	1920	1440	240	288	72	210	1722	10000	10000	10000	2000	3000	
3	3	2880	2160	360	432	108	447	2715	10000	10000	10000	2000	3000	
4	4	3840	2880	480	576	144	695	3719	10000	10000	10000	2000	3000	
5	5	4800	3600	600	720	180	946	4726	10000	10000	10000	2000	3000	
6	6	5760	4320	720	864	216	1198	5734	10000	10000	10000	2000	3000	
7	7	6720	5040	840	1008	252	1450	6742	10000	10000	10000	2000	3000	
8	8	7680	5760	960	1152	288	1702	7750	10000	10000	10000	2000	3000	
9	9	8640	6480	1080	1296	324	1954	8758	10000	10000	10000	2000	3000	
10	10	9600	7200	1200	1440	360	2206	9766	10000	10000	10000	2000	3000	
11	11	10560	8448	1320	1584	396	2458	10774	10000	10000	10000	2000	3000	
12	12	11520	9216	1440	1728	432	2710	11782	10000	10000	10000	2000	3000	
13	13	12480	9984	1560	1872	468	2962	12790	10000	10000	10000	2000	3000	
14	14	13440	10752	1680	2016	504	3214	13798	10000	10000	10000	2000	3000	
15	15	14400	11520	1800	2160	540	3466	14806	10000	10000	10000	2000	3000	
16	16	15360	12288	1920	2304	576	3718	15814	10000	10000	10000	2000	3000	
17	17	16320	13056	2040	2448	612	3970	16822	10000	10000	10000	2000	3000	
18	18	17280	13824	2160	2592	648	4222	17830	10000	10000	10000	2000	3000	
19	19	18240	14592	2280	2736	684	4474	18838	10000	10000	10000	2000	3000	
20	20	19200	15360	2400	2880	720	4726	19846	10000	10000	10000	2000	3000	
21	21	20160	16128	2520	3024	756	4978	20854	10000	10000	10000	2000	3000	

Table 6: Calculation of Surrender Value (K₉) for first 10 years

Year	Calculation of applied formula on K ₄ , K ₇ and K ₈ (first 10 years)	Surrender Value V _n
1	$720 + (720 \times 5 / 100) + (60 \times 5 / 100) \times (66 + 0) / 12 = 969 + 36 + 17$	773
2	$1440 + (1440 \times 5 / 100) + (60 \times 5 / 100) \times (66 + 773) / 12 = 1440 + 72 + 210$	1,722
3	$2160 + (2160 \times 5 / 100) + (60 \times 5 / 100) \times (66 + 1722) / 12 = 2160 + 108 + 447$	2,715
4	$2880 + (2880 \times 5 / 100) + (60 \times 5 / 100) \times (66 + 2715) / 12 = 2880 + 144 + 695$	3,719
n	$V_n = P_n (5 / 100) + (P_n i / 100 \times (66 + T_{n-1}) / 12)$	

Table 7: Calculation of Surrender Value (K₉) after 10 years

Year (n)	Calculation of applied formula on K ₄ , K ₇ and K ₈ (after 10 years)	Surrender Value V _n
11	$8448 + (8448 \times 5 / 100) + (64 \times 5 / 100) \times (66 + 0) / 12 = 8448 + 422 + 2622$	11,492
12	$9216 + (9216 \times 5 / 100) + (64 \times 5 / 100) \times (66 + 11,492) / 12 = 9216 + 461 + 3082$	12,759
13	$9984 + (9984 \times 5 / 100) + (64 \times 5 / 100) \times (66 + 12,759) / 12 = 9984 + 499 + 3420$	13,903
14	$10752 + (10752 \times 5 / 100) + (64 \times 5 / 100) \times (66 + 13903) / 12 = 10752 + 538 + 3725$	15,015
n	$V_n = P_n (5 / 100) + (P_n i / 100 \times (66 + T_{n-1}) / 12)$	

huge contribution to the development and lead to vigorous new aspect of takaful studies as it it made suited for all level of income earners with complete riders for participant as the parents of learning disabled children.

The montly premium of RM 80 could cover enough for the benefits of participant and takaful operator itself. The calculation shows that there are two different partitions on wakalah fee. 12.5% from premium is charged for

wakalah fee in first 10 years (RM10) and then after 10 years wakalah fee charged will be reduce to 7.5% of premium making partition of wakalah fee left RM 7 monthly.

In the other hand, the partition on tabarru' account for riders get a stationary amount through the years of using the plan; RM 10. It will not be influence by years using the plan unlike wakalah fee and personal account. Six riders offered in the plan, recover from Ghazali [16], pension is removed from the original integration model and replaced by parents consolation especially for education plan of learning disabled children.

Full calculation was calculated in Table 5 for expected 21 years of subscribe the education plan till it reached maturity. The formula used to calculate surrender value (V_n) as in Equation 2 and the applied formula calculated shown in table 6, for both first 10 years and next.

RM 3000 is assumed to be the consolation money for the parents of learning disabled children as calculated in the product of parents benefit's rider (K_{1d}). It is means to support the parents of learning disable children in order to persuade them to properly planning their learning disables children future through this product plan.

CONCLUSION

The new recovery model of takaful education plan will give a better outcome to both takaful operator and takaful participant. The plan offers unusual riders in education plans which uniquely equipped an education plans for learning disabled children. Anticipate the outcome that this new wakalah model takaful education plans may help on reduce the burden of parents of learning disabled children by providing parents consolation partition on riders such as rewards for parents of learning disabled children.

REFERENCES

1. Ghazali, P.L., I. Mohd, W.M.A.W. Ahmad and M. Mamat, 2012a. Comparison of premium life tables between existing model and integration model in family takaful. *Journal of Applied Sciences Research*, 8(7): 3754-3762.
2. Sadad, M. and A.K. Radiah, 2012. Perkembangan Takaful di Malaysia: SatuKajian Undang-undangKewangan Islam, *MakalahPerkembangan Takaful*, cs5.indd, 241-261.
3. Maryam, D. and Y.A. Othman, 2014. An Analysis of Issues in Takaful (Islamic Insurance), *European Journal of Business and Management*, 6(15).
4. Juliana. A., A.Y. Syukri and M.H. Rasid, 2014. Demand of Family Takaful in Malaysia: Critical Determinant Factors Examined. *International Review of Management and Business Research*, 8(2).
5. Kamil, M.N. and M.N. Nor, 2014. Factors Influence the Choice of Takaful Over Conventional Insurance: The Case of Malaysia, *Journal of Islamic Finance*, 13(2).
6. Bank Negara Malaysia, 2013. Guidelines on Takaful Operational Framework, Islamic Banking and Takaful Department. Kuala Lumpur; Bank Negara Malaysia.
7. Philip H. Coombs, 1970. What is education planning? UNESCO; International Institute for Education Planning, United Nation Educational Scientific and Cultural Planning, Paris.
8. PruBSNSmartLink., 2014. Building Your Child's Education Fund Through A Takaful Plan, *Parent's Article#7*, Prudential BSN Takaful Berhad, Malaysia.
9. Great Eastern Takaful, 2014. Brochure of Takaful Education Plan, Kuala Lumpur; Bank Muamalat Malaysia Berhad.
10. HSBC Amanah Takaful, 2014. Brochure of *Takaful Education Plan*, Kuala Lumpur; HSBC Bank Malaysia Berhad.
11. Insurance Info, *Child Education Plan*, (2007). Retrieved from http://www.insuranceinfo.com.my/choose_your_cover/secure_your_future/child_education_plan.php?intPrefLangID=1 on 25 January 2016.
12. Cortiella, Candace and S.H. Horowitz, 2014. *The State of Learning Disability: Facts, Trends and Emerging Issues Third Edition*. National Center for Learning Disability, New York.
13. UNICEF Malaysia, 2014. *Children with disabilities [Brochure]*. Kuala Lumpur: United Nations Children's Emergency Fund Malaysia.
14. American Psychiatric Association, 2013. *Diagnostic and Statistical Manual of Mental Disorders Fifth Edition*, Arlington, V A, America.
15. Takaful Malaysia, 2014. Brochure of Takaful my Graduan, Kuala Lumpur; Syarikat Takaful Malaysia Berhad.
16. Ghazali P.L., I. Mohd, M. Mamat and W.M.A.W. Ahmad, 2012b. Integration model in premium life table of family takaful. *Journal of Applied Sciences Research*, 8(7): 763-3776.

17. Juliana, A., A.Y. Syukri and S. Zunaidah, 2013. Conceptual Model of Literature Review for Family Takaful (Islamic Life Insurance) Demand in Malaysia, *International Business Research*, Canadian Center of Science and Education, 6(3).
18. Ghazali, P.L., I. Mohd, M. Mamat and W.M.A. Ahmad, 2011. Mathematical modelling in family takaful. *Journal of Applied Sciences*, 11: 3381-3388.
19. Mansor, K.A., R.M. Masduki and M. Mohamad, 2015. A Study on Factors Influencing Muslim's Consumers Preferences towards Takaful Products in Malaysia, *Romanian Statistical Review*, nr. 2.