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

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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 plans which are competent about learning disabled subject field. However, by following Islamic principle, only takaful operating system is accepted to be applied 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 disabled 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 special school. Student under this categorized is receiving monthly allowance from government worth RM150 per month for twelve month with semi-annual payment purpose incurred 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 need to provide takaful operators and insurance companies. 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_{10} is nil because death benefits depends on the participant in paying the monthly premium.
Table 1: The client Proposal of Recovery Model

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

Table 2: General Client Quotation

| n     | 12nY | P_n | Q    | W   | y_n | m_n | V_n = y_n + m_n | 10x  | 10x  | 10x  | 2x  | 3x  |

where:
- $K_1$ is year
- $K_2$ is age
- $K_3$ is layout contribution
- $K_4$ is personal account
- $K_5$ is tabarru’ account
- $K_6$ is wakalah fees
- $K_7$ is yearly profit
- $K_8$ is monthly profit
- $K_9$ is surrender value
- $K_{10}$ is death coverage
- $K_{11}$ is loss an effort to work/40 critical illness
- $K_{12}$ is hospital bills
- $K_{13}$ is khairat
- $K_{14}$ is parent’s benefits
- $K_{15}$ is death benefit

$$\text{Partition} = \frac{RM 10}{45x}$$  \hspace{1cm} (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:

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

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

Follow in Table 6 and Table 7 are the calculation for $K_{15}$, $K_4$ and $K_3$ 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

<table>
<thead>
<tr>
<th>Overall total of monthly premium payment</th>
<th>n years</th>
<th>Personal Investment Account</th>
<th>Partition for Riders (Tabarru’ Account)</th>
<th>Wakalah Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>RM 80</td>
<td>First 10 years</td>
<td>RM 60</td>
<td>RM 10</td>
<td>RM 12</td>
</tr>
<tr>
<td>After 10 years</td>
<td>RM 64</td>
<td>RM 10</td>
<td>RM 10</td>
<td>RM 6</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Tabarru’ Account</th>
<th>Loss effort to work / Tabarru’ Account</th>
<th>Death Coverage (10x)</th>
<th>40 critical illness (10x)</th>
<th>Hospital Bills (5x)</th>
<th>Khairat (2x)</th>
<th>Parents Benefit (3x)</th>
<th>Death Benefit (10x)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Partition Ratio of 10x = 1 person</td>
<td>10x = 1 person</td>
<td>10x = 1 person</td>
<td>2x = 1 person</td>
<td>3x = 1 person</td>
<td>10x = 1 person</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Partition of the 45x</td>
<td>0.222 x 10</td>
<td>0.222 x 10</td>
<td>0.222 x 10</td>
<td>0.222 x 2</td>
<td>0.222 x 3</td>
<td>0.222 x 10</td>
</tr>
<tr>
<td></td>
<td>Contribution (RM 10)</td>
<td>RM 2.22</td>
<td>RM 2.22</td>
<td>RM 2.22</td>
<td>RM 0.44</td>
<td>RM 0.66</td>
<td>RM 2.22</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>K1</th>
<th>K2</th>
<th>K3</th>
<th>K4</th>
<th>K5</th>
<th>K6</th>
<th>K7</th>
<th>K8</th>
<th>K9</th>
<th>K10</th>
<th>K11</th>
<th>K12</th>
<th>K13</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>8</td>
<td>9</td>
<td>10</td>
<td>11</td>
<td>12</td>
<td>13</td>
</tr>
<tr>
<td>11</td>
<td>12</td>
<td>13</td>
<td>14</td>
<td>15</td>
<td>16</td>
<td>17</td>
<td>18</td>
<td>19</td>
<td>20</td>
<td>21</td>
<td>22</td>
<td>23</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Calculation of applied formula on K1, K2 and K3 (first 10 years)</th>
<th>Surrender Value $V_s$</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>720 + (720 x 5 / 100) + (50 x 5 / 100) x (66 + 0) / 12 = 969 + 36 + 17</td>
<td>773</td>
</tr>
<tr>
<td>2</td>
<td>1440 + (1440 x 5 / 100) + (60 x 5 / 100) x (66 + 73) / 12 = 1440 + 72 + 210</td>
<td>1,722</td>
</tr>
<tr>
<td>3</td>
<td>2160 + (2160 x 5 / 100) + (60 x 5 / 100) x (66 + 1722) / 12 = 2160 + 108 + 447</td>
<td>2,715</td>
</tr>
<tr>
<td>4</td>
<td>2880 + (2880 x 5 / 100) + (60 x 5 / 100) x (66 + 2715) / 12 = 2880 + 144 + 695</td>
<td>3,719</td>
</tr>
<tr>
<td>n</td>
<td>$V_s = P_i (5 / 100) + (P_i / 100 x (66 + T_{i-1}) / 12)$</td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Year (n)</th>
<th>Calculation of applied formula on K1, K2 and K3 (after 10 years)</th>
<th>Surrender Value $V_s$</th>
</tr>
</thead>
<tbody>
<tr>
<td>11</td>
<td>8448 + (8448 x 5 / 100) + (64 x 5 / 100) x (66 + 0) / 12 = 8448 + 422 + 2622</td>
<td>11,492</td>
</tr>
<tr>
<td>12</td>
<td>9216 + (9216 x 5 / 100) + (64 x 5 / 100) x (66 + 11,492) / 12 = 9216 + 461 + 3082</td>
<td>12,759</td>
</tr>
<tr>
<td>13</td>
<td>9984 + (9984 x 5 / 100) + (64 x 5 / 100) x (66 + 12,759) / 12 = 9984 + 499 + 3420</td>
<td>13,903</td>
</tr>
<tr>
<td>14</td>
<td>10752 + (10752 x 5 / 100) + (64 x 5 / 100) x (66 + 13,903) / 12 = 10752 + 538 + 3725</td>
<td>15,015</td>
</tr>
<tr>
<td>n</td>
<td>$V_s = P_i (5 / 100) + (P_i / 100 x (66 + T_{i-1}) / 12)$</td>
<td></td>
</tr>
</tbody>
</table>

huge contribution to the development and lead to vigorous new aspect of takaful studies as it made suited for all level of income earners with complete riders for participant as the parents of learning disabled children. The monthly 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 ($K_{1,4}$). It is means to
support the parents of learning disable children in order
to persuade them to properly planning their learning
disabled 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.

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