

**TAKAFUL COVERAGE FOR COVID-19: AN
OBSERVATION TOWARDS MALAYSIAN'S FAMILY
AND GENERAL TAKAFUL OPERATORS**

BY

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**A dissertation submitted in fulfillment of the requirement for
the degree of Master of Science (Finance)**

**Kulliyyah of Economics and Management Sciences
International Islamic University Malaysia**

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ABSTRACT

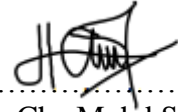
COVID-19 has been declared as a pandemic by World Health Organization since the year 2020 and has become a global issue in health and the economy sectors. The pandemic has affected millions of people worldwide by reducing health rates and financial well-being. This has also lead to mental health problems. This research aims to observe and compare the COVID-19 coverages offered by family and general *takaful* operators in Malaysia. This research adopts qualitative approach where data is collected via *takaful* operators' website. Overall, six operators have involved in this research comprises of three (3) general and three (3) family operators. Documentation and comparative analysis is conducted to observe COVID-19 coverages offered by the operators. The analysis found that various coverage of COVID-19 has been offered by both family *takaful* operators and general *takaful* operators. The family *takaful* operator that has provided the highest number of COVID-19 coverage was Prudential BSN Takaful Berhad (7 coverages), followed by Sun Life Malaysia Takaful Berhad (6 coverages). Meanwhile, the general *takaful* operator that have offered more initiatives to help COVID-19 victim was Etiqa General Takaful Berhad in TripCare 360 Takaful (6 coverages), followed by Zurich General Takaful Malaysia Berhad in Z-CoVac Protect Takaful (2 coverages). The coverages varied from COVID-19 diagnosis test, hospitalization until COVID-19 vaccination side effects. Overall, findings from this research reveal that each operator have offered around the same coverage of COVID-19 and they have put effort into giving the best COVID-19 coverage for their customers. The coverages are varied depending on the amount of funds allocated by the operators. Findings from this research is significance to the academic literature as well as industry players on their effort to provide the best coverage or protection against the pandemic for future sustainability.

مُلخّص البحث

أعلنت منظمة الصحة العالمية أن (كوفيد ١٩) جائحة منذ العام ٢٠٢٠، وأدى هذا إلى مشكلة عالمية في الصحة والاقتصاد، فقد أثرت الجائحة في ملايين الناس في جميع أنحاء العالم، وانخفضت معدلات الصحة والرفاهية المالية، وزادت مشاكل الصحة النفسية، وقبل ظهور هذه المشكلة؛ كان مجال التكافل في ماليزيا يوفر الحماية لمساعدة المشاركين في الضمان المعيشي وحاملي الشهادات ضد المصائب المفاجئة؛ لذا يهدف هذا البحث إلى مراجعة تغطيات (كوفيد ١٩) ومقارنتها بين مشغلي التكافل الأسري والعام في ماليزيا، ويحلل التغطية التكافلية التي تقدمها عينة من ثلاث شركات تكافل أسري، وثلاث شركات تكافل عام، في حين تُجمع البيانات الثانوية من المواقع الإلكترونية لشركات التكافل، وتُحلل باستخدام التوثيق والمقارنة، وقد أثبت التحليل أن شركات التكافل الأسري والعام قدّمت تغطيات مختلفة لـ(كوفيد ١٩)، وجاءت في مقدمة شركات التكافل الأسري شركة Prudential BSN Takaful Berhad بسبع تغطيات، ثم شركة Sun Life Malaysia Takaful Berhad بستّ تغطيات، وكذا جاءت في مقدمة شركات التكافل العامة شركة Etiqa General Takaful Berhad في TripCare 360 Takaful بستّ تغطيات، ثم شركة Zurich General Takaful Malaysia Berhad في Z-CoVac Protect Takaful بتغطيتين، وتتراوح التغطيات ما بين اختبار تشخيص (كوفيد ١٩)، والاستشفاء، والآثار الجانبية للقاح، وأيضًا تختلف التغطيات من حيث المزايا المقدمة، وعليه يقدم هذا البحث إسهامًا أكاديميًا في مجال التكافل، ومن شأن المقارنة المقدمة كذلك أن تساعد أهل المجال على مقارنة المنتجات التي يقدمها منافسهم في المستقبل.

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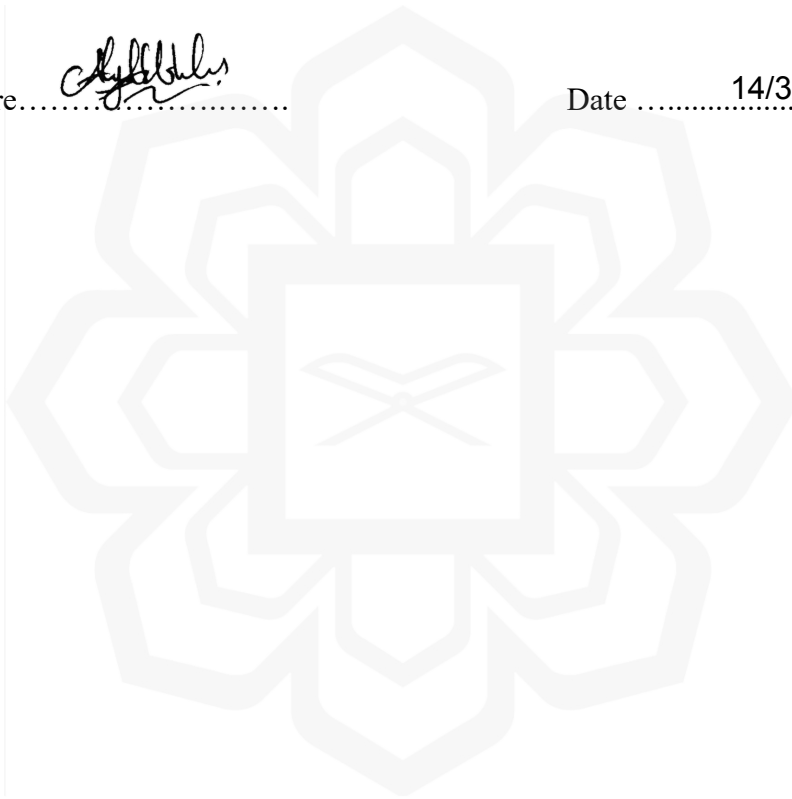
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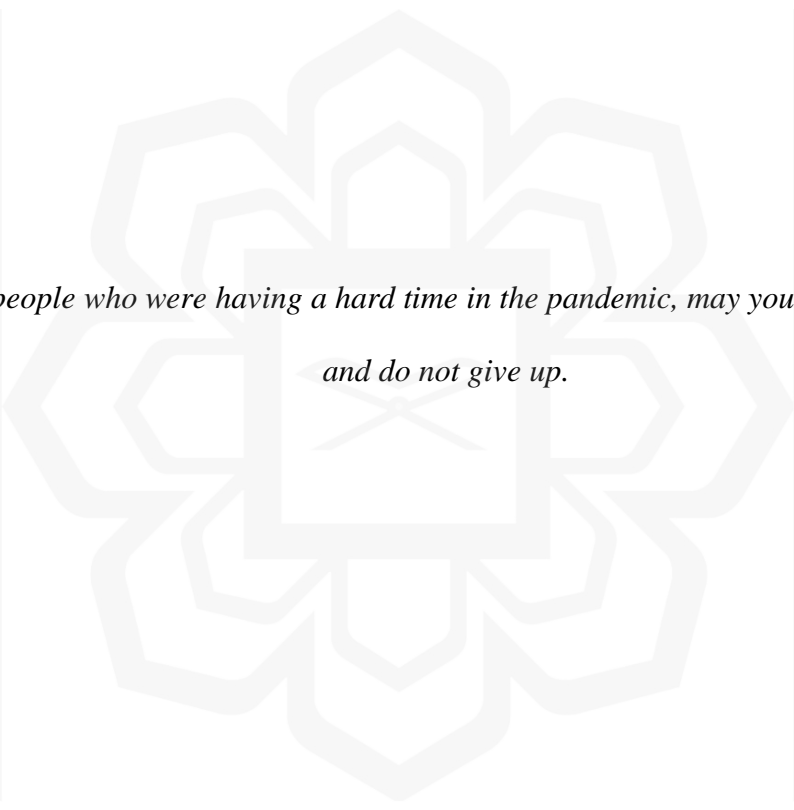
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*To all people who were having a hard time in the pandemic, may you find your light
and do not give up.*

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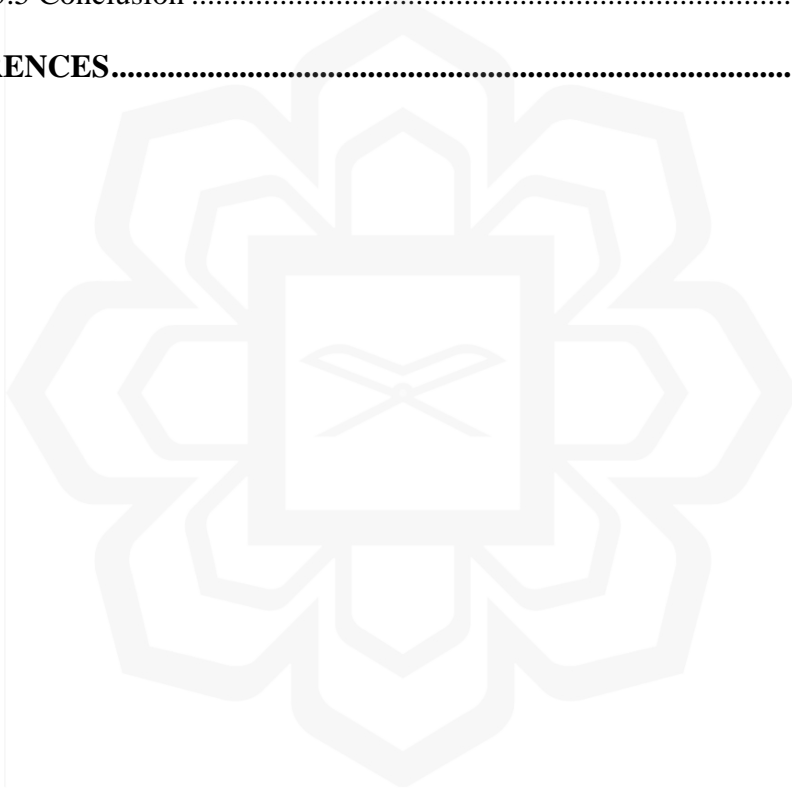
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LIST OF ABBREVIATIONS

SOP	Standard operating procedure
MCO	Movement Control Order
ICU	Intensive care units
PICK	Program Imunisasi COVID-19 Kebangsaan
BNM	Bank Negara Malaysia
WHO	World Health Organization
LIAM	Life Insurance Association of Malaysia
PIAM	Persatuan Insurans Am Malaysia
MTA	Malaysian Takaful Association
IFSA	2013 Islamic Financial Service Act 2013
FSMP	Financial Sector Master Plan
GDP	Gross domestic product
RBCT	Risk-based Capital for Takaful
SARS-CoV-2	Severe Acute Respiratory Syndrome Coronavirus 2
ACE2	Angiotensin Converting Enzyme 2
CDC	Centers for Diseases Control and Prevention
ECDC	European Center for Disease Prevention and Control
MENA	Middle East and North Africa
RNA	Ribonucleic Acid
mRNA	Messenger RNA
UNWTO	United Nations World Tourism Organization
MOH	Malaysian Ministry of Health
CMCO	Conditional Movement Control Order
RMCO	Recovery Movement Control Order
TEMCO	Targeted Enhanced Movement Control Order
EMCO	Enhanced Movement Control Order
SMEs	Small and Medium-Sized Enterprises
PSA	Participants Special Account
CTF	COVID-19 Test Fund
MHIT	Medical and Health Insurance/Takaful
AEFI	Adverse Event Following Immunisation
MHIT	Medical and Health Insurance/Takaful
PUI	Person Under Investigation
RT-PCR	Reverse Transcriptase-Polymerase Chain Reaction
RTK-Hg	Rapid Test Antigen
ARDS	Acute Respiratory Distress Syndrome
PruBSN	Prudential BSN Takaful Berhad
STMKB	Syarikat Takaful Malaysia Keluarga Berhad
STMAB	Syarikat Takaful Malaysia Am Berhad
EGIB	Etiqa General Insurance Berhad
ELIB	Etiqa Life Insurance Berhad
EGTB	Etiqa General Takaful Berhad
EFTB	Etiqa Family Takaful Berhad
GTF	General Takaful Fund
GRIA	General Risk Investment Account



CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF RESEARCH

COVID-19 has changed the lives of people around the world from early 2020 until now. The new norm has become a new practice in daily life to prevent the virus from spreading too far. Social distancing, personal hygiene, and mask-wearing in public are needed to maintain the infection level low. News on COVID-19 has continually been updated every day on social media, television, and radio to make sure people keep updated and alert on the danger of the virus. As this pandemic affects around the globe, COVID-19 is also affecting Malaysia in various ways.

COVID-19 in Malaysia was first detected around January 24, 2020, by three Chinese citizens who had close contact with an infected person in Singapore (Reuters, 2020). Since then, the Malaysian government has had initiatives to keep the people away from the virus with various outline and standard operating procedures (SOP). The number of cases of COVID-19 infections in the country was small at first and within the government's control. However, the case keeps increasing daily and forces the government to instruct the first Movement Control Order (MCO) on March 18, 2020. Since then, Malaysians have been in tied condition with decreased health performance due to COVID-19, increased mental health problems, and financial difficulties due to restricted rules during MCO that affect their income. Nathan (2020) reported that COVID-19 has contributed to a disturbing trend of mental health disorders among Malaysians with 29.2 percent, increasing in the double with 4.2 million people diagnosed between 1996 and 2015.

When writing, COVID-19 cases in Malaysia continued to soar higher, with the massive amount of death and infected people with various stages. On July 9, 2021, Kaos Jr (2021) reported in *The Sun* that the COVID-19 cases in Malaysia achieved 9180 cases, a new record daily cases with total cumulative cases 817 838 in the country and total death of 5980 since this virus invaded Malaysia from the year 2020. A total of 959 patients are being placed at intensive care units (ICU), with 465 patients requiring ventilator support used (Kaos Jr, 2021). Malaysia also has surpassed India's case per capita basis. Hunt (2021) wrote that during a recent outbreak of COVID-19, Malaysia's daily COVID-19 infections per million people surpassed India on a seven-day rolling basis. Although Malaysia's population of 32 million people is far lower than India's 1.4 billion, statistics reveal that Malaysia had 205.1 cases per million people on a weekly rolling average, compared to 150.4 cases in India (Hunt, 2021). These rapid rises in COVID-19 cases drive the government into a vaccination program in order to build a herd community against the virus. Malaysia's National COVID-19 Immunisation Programme or Program Imunisasi COVID-19 Kebangsaan (PICK) began on Feb 24, 2021, which has been executed in three phases. As of the recent statistic recorded by the global data site on June 3, 2021, Malaysia placed the first among ASEAN countries in terms of the percentage of persons who have gotten at least a first dose of the COVID-19 vaccine, with at least 6.2 percent of the target met (Writers, 2021).

The implementation of MCO and SOP has had an impact on the economy in Malaysia. According to Bank Negara Malaysia (BNM), the adoption of MCO has an impact on national income, with Malaysia's predicted economic growth in 2020 being between -2 and 0.5 percent (Ismail, Vikniswari Vija Kumaran, & Siti Nurul Munawwarah, 2021). The strict rules on the procedure in business activities affect purchasing power as it is not easy for people to go out to shop. The profit raise becomes

low for the seller, which results in many business premises and factories closing from lack of business activity. Some sectors such as tourism, airways, and entertainment have also been closed temporarily because these sectors are involved heavily in social interactions, which are currently being banned due to COVID-19. This issue has created another negative impact on workers being laid off, and some took temporary leave, which made them unemployed and lacked income. Ismail et al. (2021) found that a small number of workers were impacted during the COVID-19, with some of them losing their jobs, receiving half-pay, being forced to take annual leave, and losing their businesses. This situation made people suffer more as the health rate deteriorated and was burdened by financial constrain. Gopinath (2020) mentioned that COVID-19 is dubbed as the “Great Lockdown” recession, and it appears to be worse than the “Global Recession” in terms of income shocks and likely job losses.

1.1.2 *Takaful* Response on COVID-19 in Malaysia

Takaful is known as an alternative to conventional insurance in offering protection and coverage to people against disaster, ailment, and death. Family *takaful*, an alternative to life insurance products, and general *takaful*, an alternative to general insurance goods, are *takaful's* main products (Kazaure, 2019). COVID-19 pandemic has become one of the world's disasters that affect people’s health and financial well-being. COVID-19 brought illness and death that is worth being listed under *takaful* protection and coverage. In *takaful*, impacts from the pandemic are mostly covered under family *takaful* and some a few of it under general *takaful*.

In response to the pandemic catastrophe, BNM has directed the insurance and *takaful* businesses to begin providing necessary support to policyholders or certificate holders (Mahadi & Ismail, 2021). This support is important as *takaful* needed to comply

with their objective of providing protection in line with *maqasid al-Shari'ah*, which is the protection of soul and the protection of wealth. According to Mahadi and Ismail (2021), the insurance and *takaful* industries need to respond appropriately to policyholders or certificate holders during epidemics and determine the best course of action following *maqasid al-Shari'ah*. In this regard, BNM (2021) reported that *takaful* and life insurance industries have announced preventive measures or procurement controls to ease the burden on life insurance policyholders and family *takaful* plan participants.

1.2 PROBLEM STATEMENT

COVID-19 pandemic has had many impacts on many people. It affected both health and economic activities around the world. The epidemic originated from Wuhan City, China, has conquered the world since December 2019 (Elengoe, 2020) and has become a heavy crisis with various levels of strength in a short period of time (Meyer et al., 2020). By March 12, 2020, the World Health Organization (WHO) stated that COVID-19 had become a pandemic with millions of deaths and infections around the world (Code Blue, 2020). The rapid spread of the virus led the government to initiate lockdown to reduce the infection among people. This initiative has created a bigger problem, which is the economy. The pandemic that started from a health emergency has turned into a global financial crisis (Mahadi & Ismail, 2021).

COVID-19 also has an impact on psychosocial by creating mass chaos, financial damage, and economic strain (Khairi, Laili, & Kamarubahrin, 2020). Various sectors have been closed temporarily or permanently. It resulted in unemployment and temporary leave among workers. Stavrunova and Yerokhin (2008) stated that unexpected job loss is a significant life event that affects personal wealth and generates

financial hardship. Other than that, the health rate is also decreasing, and the death amount from COVID-19 keeps increasing every day. The impact on the economy and health has affected people's financial wellbeing. Many people have been admitted to the hospital and have been burdened by the hospital fee due to loss of income since they are unable to work because of COVID-19. People with low income struggle to survive in the pandemic and have also been obliged to pay bills. Moreover, disruption in financial well-being can lead to mental health problems. Rothert, VanDerwerken, & White (2019) mentioned that less income drives people's minds to a worse state, and losing a job causes feelings of instability and uncertainty, which can wreak havoc on one's mental health in depression and anxiety (Khairi et al., 2020).

In order to reduce the burden of people's financial strain and health costs, the *takaful* industry in Malaysia steps up to offer protection and coverage due to COVID-19 to help people and ease their financial wellbeing. As *takaful* is one of the mechanisms to mitigate hardship and poverty (Patel, 2004; Fisher, 2000), they should ensure policyholders' lives and assets against any unforeseen misfortune, disaster, or catastrophe (Mahadi & Ismail, 2021). In cooperation with the insurance bodies and companies such as The Life Insurance Association of Malaysia (LIAM), Persatuan Insurans Am Malaysia (PIAM), and the Malaysian Takaful Association (MTA), a special relief fund has been released (LIAM, PIAM, & MTA, n.d.). All *takaful* operators in Malaysia also responded to the call by offering various benefits and products of coverage against COVID-19. However, the operators have limited capacity to offer benefits for COVID-19 victims as it will involve high costs due to increased COVID-19 cases recently. Due to this, this research explores and compares *takaful* products offered to cater for COVID-19 cases in the Malaysian *takaful* industry.

1.3 RESEARCH OBJECTIVE

The objective of this research is as follow:

1. To observe the COVID-19 coverage products among family and general *takaful* operators in Malaysia.
2. To compare the COVID-19 coverage products among family and general *takaful* operators in Malaysia.

1.4 RESEARCH QUESTIONS

Research questions that need to be answered in the findings are:

1. Are there any COVID-19 coverage products offered by the family and general *takaful* operators in Malaysia for COVID-19?
2. How differ the COVID-19 coverages offered by the family and general *takaful* operators in Malaysia?

1.5 SIGNIFICANCE OF RESEARCH

This study aims to provide some contributions to the public and the academic literature in the context of *takaful*. The public would know which product to choose and which operator to approach to suit their needs and ability. This study also gives input to *takaful* operators on their effort to provide protection and coverage against the pandemic to help people in their financial wellbeing and health. The comparison provided would help the industry practitioners to compare the products offered by their competitors for the future.

1.6 ORGANIZATION OF RESEARCH

This study comprised of five chapters, namely introduction, literature review, research methodology, findings, and discussion, and conclusion and recommendation. Each chapter will elaborate on the different elements in this study to give more understanding of the subject discussed.

Chapter One: This chapter discusses the background of the study, which is a brief introduction or overview of COVID-19 impact and *takaful* response to the pandemic in Malaysia. This chapter elaborates the problem or issue related to the pandemic and the way of *takaful* steps in on its role to provide protection to people. Chapter one provides the reason for this study being conducted. This chapter also explains on research objective, research questions, and significance of the research.

Chapter Two: Chapter two includes on literature review on the subject discussed in this study. This chapter examines the previous study related to COVID-19 and *takaful* in Malaysia. It explains more on the contents and topic discussed from the view of other authors and the relation with this study.

Chapter Three: Chapter three discussed the way this study was being conducted. The design for this study is based on a qualitative study on the method of observation. The source and data collection are deliberated in this chapter, and the procedure of analysis is conducted in chapter four.

Chapter Four: This chapter is a chapter of full elaboration on findings and analysis on the subject discussed in this study: *Takaful* Coverage for COVID-19 in Malaysia. This chapter will show the analysis of details and comparison between the coverage offered by family and general *takaful* operators. Chapter four also explains the significance behind the analysis and findings of this study.

Chapter Five: Chapter five is the last chapter in this research that concludes and summarizes the overall findings. The important findings are concluded in this chapter, along with the limitation of this study and recommendations for future research.

1.7 SUMMARY OF CHAPTER ONE

This chapter explains COVID-19 situations in Malaysia and their impact on the economy. The negative impact on the economy affects Malaysian in financial difficulties due to movement restrictions and unemployment. Household income becomes lesser each day, and health rates plummet as infected people keep increasing. People also become a burden to meet the deadline of the loan payment, bills, hospital fees, and other obligations. These difficulties experienced by people led *takaful* to step in to offer protection against COVID-19 impact on people's health and financial well-being. As *takaful's* main objective is to offer protection to people against calamity, disaster, illness, and death, *takaful* operators in Malaysia offered coverage and products to cover financial and health impacts from COVID-19. The upcoming chapters in this research will elaborate more on the theoretical background on COVID-19 and Takaful in Malaysia, research methodology, findings analysis, and conclusion.