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**Abstract:** *Takaful is a mechanism in which people contribute to a common fund and the fund compensates the contributing member if any defined loss occurs. This study describes the process of death claims of a family takaful plan from the client and company's perspective while using in-depth narrative analysis of the qualitative data collected from a client and takaful company manager along with supporting documents. It informs us about the problems which a client faces when the breadwinner of a family dies and how the proceeds of a takaful death claim can solve those problems. This study follows the case study method and data is collected through narrative interviews. It narrates the steps a client needs to take for timely submission of documents and formally lodging a death claim. This paper also advises us on how to develop and take an appropriate takaful plan addressing the future needs of the family if the income-generating person of the family dies.*

**Introduction**

Takaful is an Arabic word, derived from the word Kafalah which means helping someone needy. Technically, Takaful is a mechanism in which people contributes in to a common fund and the fund compensates the contributing member if any defined loss occurs. The loss can be death of a covered member, theft or accident of a covered vehicle, machinery damage with fire or an illness of a person. In all such cases, the common fund provides compensation according to the agreement (Malik & Ullah, 2019). First, takaful company was established in 1979 in Sudan (Alhabshi & Razak, 2009). Presently more than 330 takaful companies are operating in around 47 countries. In 2021, the global Takaful premium was around 73 Billion US\$ (Refinitiv, 2022). Takaful is considered to be a Shariah compliant alternative of conventional insurance. Islamic scholars' objects insurance due to presence of Riba, Uncertainty and gambling (Karim & Jamal, 2012).

Takaful companies are using different models while operating in different parts of the world. In Middle East, Wakala model is followed, in Malaysia, Mudarbah model is used while in Pakistan Wakala waqf model is practiced (Wahab, Lewis & Hassan, 2007). Presently, Malaysia is leading the family (Life) Takaful globally while Middle east is leading the General (Non-Life) Takaful market (Arifin, Yazid & Sulong, 2013). In Pakistan, first takaful company was established in 2006 and presently 5 dedicated

takaful companies including two family and three general companies are operating. While around 20 insurance companies are providing takaful services through window operations (SBP, 2021).

### **Family (Life) Takaful Coverage**

In takaful, life coverage is referred as Family takaful and it provides financial compensation if the covered client passes away. In family takaful coverage, the covered client appoints a person as beneficiary or nominee who will receive the death claim amount if the covered client dies (Billa, 2019).

Normally covered client appoints some one among spouse, children and parents. The beneficiary must be someone who would suffer a loss if the participant died. Usually, this is established by the relationship. For example, a wife has an interest in the life of her husband, and a son and daughter have an interest in the life of their father. If the beneficiary is a child, the participant also appoints a guardian (Malik & Ullah, 2019).

### **Takaful Industry at Present**

Globally, takaful market size is around 30.5 Billion US\$ and is expected to grow around 55 Billion US\$ upto 2028 (Imarc, 2023). History of modern insurance can be traced back to 17<sup>th</sup> century when it started from issuing coverages of goods transported from one place to another (Westall, 2006). Takaful is considered to be an Islamic alternative of conventional insurance. Since Islamic scholars object conventional insurance due to presence of interest, uncertainty and gambling, therefore, efforts were made to develop a mechanism which may provide coverages against losses without involving prohibited elements. First, takaful company was established in Sudan in 1979 (Hameed & Asiri, 2014).

Globally insurance and takaful companies are governed by a regulator. Like wise, in Pakistan, Securities Exchange Commission of Pakistan (SECP) regulates insurance and takaful companies. Presently, insurance/*Takaful* sector of the country is comprised of around 30 general (Non - Life) insurance and 03 general Takaful (Islamic insurance) companies while life insurance companies are 07 and family (Life) takaful companies are 02 (Insurance Association of Pakistan, 2020). Securities Exchange Commission of Pakistan regulates Insurance and takaful industry. In year 2018, insurance and takaful companies of Pakistan received Rs. 308 billion which is around 0.89% of GDP (IAP, 2019; Malik, Khan, & Samiullah, 2020).

### **Methodology**

This is a qualitative study in which case study method is adopted. It is an effort to describe how a death claim is processed in Takaful company from clients as well as company perspective. For this purpose, data is collected through narrative interviews from the claimant (widow of the deceased client) and manager of the takaful company. In qualitative studies, one can opt any strategy among narrative, phenomenology, ethnography, case study and grounded theory depending on its nature (Creswell, 2014, p.254). The strategy adopted in this study is case study which is suitable for addressing contemporary phenomenon and “how” type questions (Yin 2003). In case study, there is always a unit of analysis which is death claim process in this study and units of observation which are the claimant and manager of takaful company.

Combining case study method and narrative interviews is not new and several researchers have adopted it earlier too (Whedee, 2009; Ferrari, 2016). Narrative interviews are conducted when it is important not to influence the participants by asking questions but to allow them to describe the whole process which is death claim process in this study and then ask any probing questions needed at the end. Moreover, primary data of interviews is triangulated with relevant documents for supporting the description.

In the present study, the researcher had no control over the behaviour of the participants and they

were addressing the contemporary issue of death claim process in a takaful company; therefore, the case study approach seemed to be the most suitable strategy for conducting the research. Data is collected through interviews when the researcher cannot observe the phenomenon directly. Three narrative interviews were conducted in this study. One from the claimant Zakia Bibi and other interviews from the staff of death claim department of takaful company. The respondents were asked questions about the death claim process when the covered client passes away and claimant lodged a claim with takaful company. Real names of the deceased and respondents are replaced for keeping their confidentiality. The collected interviews are transcribed into text and analyzed manually and is displayed in narrative (story) form for effectively describing the death claim process.

### **Analysis and Findings**

Three interviews were recorded, transcribed and manually analysed. One of the interview was of the widow of the deceased client Mr Ahmed and two others are the staff members of takaful company who processed widow's death claim. Following is the analysis and findings of the interviews:

#### **Death Claim Process**

Mrs Zakia, the claimant and the widow of the deceased narrated the following in her interview:

"I am 45 years and my Husband, Mr. Ahmed was 53 years old when he died. We were living a happy life with our four school going children. He was serving as a Principle of a government owned Engineering college and was well respected in the society. He was highly qualified and had a rich foreign exposure. Based on his profile, he was provided decent facilities along with monthly salary including, foreign visits, pension, official vehicle and residence within college premises. They were leading a privileged and peaceful life. They had a little agriculture land at village with a very meager output. One morning, Mr Ahmed suddenly felt severe chest pain and was rushed to Hospital but he couldn't survive and passed away before reaching to hospital. It was a sudden and shocking news for all but became a life changing event for his immediate family. In addition to the psychological loss, his dependents were in big financial trouble. The family members assured their complete support to Zakia Bibi family but she knew that all her family members were in the middle financial class and couldn't provide sufficient support to her."

During interview, Zakia Bibi said

*"When I saw my husband dead, the next moment, I realized that me and my kids are now in big financial and emotional trouble"*

This situation was pressing her hard that how she would ensure quality education and brought up of her children without her husband.

#### **Family Takaful Coverage in this paper**

Zakia Bibi was a house wife but was sufficiently educated. She knew that her late husband was an employee of education department of provincial government and all government manager stood covered with an insurance/takaful company. She also knew that insurance/takaful company always needed a death certificate of deceased. Therefore she inquired about the process of making a death certificate.

About death claim procedure and documentation, she said in her interview as under:

*"I contacted one my friend's son who was working in another insurance company and I asked him the death claim procedure and required documentation. So, he guided me and informed me in detail"*

She found that local union council process death certificate requests. She also found that a son, widow or any other blood relative of the deceased can apply for an official death certificate through filling a

prescribed form which can be collected from the secretary of the concerned union council. Following information is needed in the form:

- Deceased Person Name
- Cause of death
- Dying date
- Place of death
- Burial Ground Name

#### Required documents for Death Certificate

- Attach one copy of son or wife relative
- Copy of deceased C.N.I.C.
- Cause of Death Natural or Unnatural
- Graveyard Name

Prescribed Application will be submitted with worth RS.100 to the Secretary of the concerned district Union Council.

([https://kp.gov.pk/page/death\\_certificate\\_procedure\\_flow\\_chart/page\\_type/citizen](https://kp.gov.pk/page/death_certificate_procedure_flow_chart/page_type/citizen))

Therefore she submitted a request to union council along with the above detail and the office provided the certificate after a formal process. She also opened her bank account.

#### Lodging Death Claim

After receiving death certificate, widow informed the education department through a letter about the death of her husband. She also attached the death certificate with her letter. She also requested the department to lodge death claim with the takaful company. She said in her interview *“When I got death certificate of her deceased husband, I went to the Education Department office and delivered them my written intimation of my husband’s death along with a copy of death certificate. I also asked them about the payable amount”*

Department also conveyed to her that departmental takaful coverage is around Rs. 1 million. Moreover, she also found some takaful documents (Participant Membership Document, Contribution payment receipts) at her home and informed takaful company about it. She also provided the said documents to takaful company in order to check the details of the coverage.

Takaful company checked its record through using those documents and found that Late Mr. Ahmed took an individual family takaful plan with following details:

<b>Face Value</b>	<b>Rs. 2 Million</b>
Duration (Term)	20 years
Commencement date (Starting date of coverage)	02 <sup>nd</sup> March, 2008
Riders (Supplementary contracts taken for enhancing the basic coverage)	(FIB - Family Income Benefit Rider): 20% of face value per annum for remaining term if the participant dies
Yearly Contribution	Rs. 80,000/-
Last annual contribution paid on	02 <sup>nd</sup> March 2010
Date of Death	10 <sup>th</sup> March, 2010

Mr Usman, Manager Death Claim Department of takaful company checked the computer record and found that three yearly contribution were paid and coverage was active at the time of death, therefore, death claim proceeds along with FIB for around 18 years was payable. During interview Mr Usman said *"It gives me immense pleasure when I see that deceased has paid all due premiums and now we will be able to pay maximum amount to the deceased family as death claim"*

He also found that deceased nominated his wife Bibi Zakia in the coverage which meant that all death claim proceeds were payable to her. He asked Bibi Zakia, claimant to provide following documents:

1. Participant Membership Document (PMD)
2. Copy of death certificate of deceased
3. Copy of CNIC of deceased and widow
4. Written intimation of death by the widow addressed to claims department of takaful company requesting to pay her death claim proceeds

#### **Intimation of death claim to Takaful Company**

After receiving death claim intimation of both claims as under:

1. Group life death claim from Education Department, Government of Khyber Pkhtunkhwa
2. Individual life death claim from the widow

Takaful companies normally maintain different departments for the process of group death claim and individual death claim. Therefore, death claim process started at both departments, simultaneously.

#### **Group life death claim**

Education department lodged group death claim of late Mr. Ahmed to takaful company and provided following documents:

1. Copy of death Certificate and CNIC of Late Mr. Ahmed
2. Copy of CNIC and bank details of claimant Zakia Bibi
3. Copy of last salary sheet of deceased showing deduction of monthly group life takaful contribution

Claims Department of group takaful processed the claim and prepared cheque for Rs. 01 Million in favor of Zakia Bibi and was sent to Education Department for onward delivery to her. Education department received the cheque and was delivered to Zakia Bibi.

#### **Life death Claim process**

When individual death claim department receives intimation, it is processed through different steps. Manager Death Claim Department of takaful commented about the death claim process as under:

*"When we receive death claim intimation, we first check whether client has paid all due premiums. We then records the claim in our books of accounts following the prudence concept of accounting which requires recording of reported liabilities in order to display true picture of financial health of the company at any point of time. While receivables are recorded once they are confirmed"*

He also explained the different steps of the process which are narrated as under:

#### **STEP 1**

##### **Acknowledgement and checking of coverage status**

Death Claim department first note the date of receipt. Then check the status of coverage whether contributions are paid or unpaid. CNIC of the deceased and claimant is checked. If they match with the record, it ensures that client of the company and deceased are the same persons and chances of fraud are less. If contributions are paid then an acknowledgment letter is sent to the claimant at her address which is the widow Bibi Zakia in this paper. Along with the acknowledgment letter, a set of claim forms are also sent which are to be filled by the widow as claimant, attending doctor of the deceased.

**Step 2:****The Claim Is Recorded.**

It is important for takaful operators to record claims in their books when they are received. This ensures that the operator's accounts reflect the operator's true financial position, with up-to-date details of its liabilities. The principle of prudence also requires that liabilities are recorded immediately, while receivables are recorded once they have been confirmed.

**Step 3:****Claim Forms are issued**

After receiving a claim intimation, the takaful operator issues claim forms in order to collect the information needed and find out about the circumstances leading up to the covered event. The information is collected in order to determine the following.

**Cause of Loss**

The takaful operator checks whether the cause of loss is covered. For example, if the cover is limited to a participant's accidental death, their natural death is not covered. In such a paper, claim forms are not usually issued at all. However, if death due to any cause is covered and the participant also has Accidental Death Benefit cover, it is important to find out the exact cause of death in order to decide on the claim for accidental death as well.

**Step 4:****The Claim is investigated**

If necessary, Takaful companies have the right to investigate a claim to find out if it is genuine in relation to factors such as the cause of death and the extent of the loss. In the proposal form, there is always a declaration signed by the participant allowing the company to investigate their claim by checking the relevant records and so on. When a large sum is assured in family takaful, natural deaths occurring within two years of the cover commencing are usually investigated by the takaful operator's claims department in order to avoid the operator paying fraudulent claims.

In this claim, the coverage was active for more than two years old, therefore, there was no need of investigations and following three claim forms were sent at Bibi Zakia home address.

a. Claimant's Statement

This form is to be filled by the claimant, a person who is nominated by the participant (client). In this claim, Bibi Zakia is the claimant as she was nominated by her late husband to receive death claim payments if he died. Mr. Usman helped her in filling the forms.

b. Employer's Statement

Employer of the deceased fills this form and confirms the identification, date of death and cause of death of the deceased. This form is required only if the deceased was employed. Usman took the form to education department being deceased employer, filled, signed and stamps were affixed on it.

c. Physician's Statement

Attending medical doctor of the deceased fills this form and confirms the cause of death. If the doctor has treated the deceased in the past then it also discloses the past treatments. Usman took the form to the medical doctor of the deceased family and filled it accordingly.

**Step5:****Submission of Claim forms to Takaful company**

After completion, Bibi Zakia sent the claim forms to Takaful company for onward process. Meanwhile, Takaful company calculated the amount payable to the claimant. Details are as under:

Basic Coverage Face value = Rs. 2 Million

Family income benefit (FIB) is payable for the unexpired term of the coverage = Date of Maturity minus Date of death = 01<sup>st</sup> March 2029 Minus 10<sup>th</sup> March, 2010 =

	01.03.2029
-	10.03.2010
	21.11.18

FIB is payable for 18 years, 11 months and 21 days. 15 or more than 15 days are rounded off for one month. Therefore FIB is payable for 19 years @ 20% of Rs. 2000,000 per annum = 200,000 X 19 = 3800,000

**Total Payable claim to claimant (Nominee) Bibi Zakia**

Face Value	Rs. 2000,000
Profit	Rs. 50,000
FIB	Rs. 3800,000 (200,000 annuly for 19 years)
Total	Rs. 5850,000/-
First payment	Rs. 2000,000 + 50,000 + 200,000 = 2250,000 Rs. 200,000 FIB will be paid annually for next 18 years

**Step 6:****Payment of death claim**

After thorough checking of claim forms and calculations of payable amount, takaful company informed Zakia Bibi about approval of death claim and payment details. It also issued a death claim discharge voucher which mentions the death claim payable amount along with a statement that it the payment of the said amount would be the full and final settlement of the claim and no future claim will be entertainale. If claimant agrees to it then he or she would be asked to sign it and mention bank name and account number. Since Zakia bibi agreed to the payable amount therefore, she signed the discharge voucher, mentioned the bank name and her account number and sent it to the claims department.

Upon receipt of duly filled and signed discharge voucher, Takaful company processed the payment and sent the cheque of Rs. 2250,000/- was sent to Zakia Bibi. Rs. 200,000 FIB would be paid annually for next 18 years.

**Total Death Claim amount including Group and individual life**

Group death Claim amount = Rs. 1000,000

Total Individual life claim amount = Rs. 5850,000

Total = Rs. 6850,000

Rs. 2250,000 + 1000,000 = 3250,000 was pain in lum sum while Rs. 3600,000 was to be paid @ Rs. 200,000 per year for 18 years.

Monthly pension of Late Mr. Ahmed from his employer side started around 08 months after his death. During this period, Zakia bibi was asked to vacate the official accommodation as new Principal took the charge and he wanted to shift to that house along with his family. Therefore, Zakia bibi, with the death



claim proceeds, arranged a rented house, paid 06 months advance rent and equivalent amount of security and paid their monthly expenses including kids school fee. Since monthly pension started after 08 months of Mr. Ahmed death, therefore, during this period, all expenses were paid from death claim proceeds which was a big relief for the family. Taking life takaful by Late Mr. Ahmed proved to be a wise decision as it relieved family from immediate financial burdens.

### Conclusion

This study tried to explain the death claim process from claimant and company perspective. It has also tried to describe the trauma through family members pass when their dear one die and financial troubles they face. This study effectively explains how immediate financial problems of the deceased family can be solved through taking appropriate takaful coverage.

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