

# TAKAFUL INDUSTRY IN MALAYSIA: OVERVIEW OF KEY STRATEGIES AND REGULATORY FRAMEWORK

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**Abstract:** *This paper outlines the history of Takaful industry in Malaysia and how this industry evolves through time. The growth of Islamic financial system has directed Takaful industry to experience a rapid progress and expansion as this industry enhance the application of Shariah compliant laws in terms of protecting the consumer towards risk and vulnerability arising from untoward events. The reasons why Malaysia has become the central movement in Takaful within ASEAN region and second biggest market in the world is due to the support given by the Malaysian government where there are efforts in creating beneficial environment, regulation enhancement and strengthening. Thus, this paper discussed on the key strategies and regulatory framework imposed within Takaful industries and suggest recommendations to multiply the expansion and increase market awareness towards Takaful industry.*

**Keywords:** *Takaful, regulatory framework, key strategies, market growth*

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## Introduction

Takaful is formerly derivative from Arabic words *kafala* which defines to guarantee and this word represents the agreement by one party to indemnify another for any liability that has been agreed earlier (Syimee Sharifuddin, Azlinda Kasmoe, Habibahanin Mat Taha, Shaiza Mir Ahmad Talaat, & Zuraina Mir Ahmad Talaat, 2016). According to Fauzi et al. (2016) Takaful is defined as a promise between members of group where the members agree to establish a mutual fund and donate money into the fund and to deliver a joint guarantee or protection from any misfortune. If the members experience from any loss or damages the member would obtain compensation in the forms of cash or assistances drawn from the mutual fund. According to Bank Negara Malaysia, Takaful acts as Shariah-compliance risk management where the member contributes money into a common fund which will be utilized later as to mutually assist the respective person against a defined loss or damage. Takaful operator is assigned to manage the trust and runs the operation commercially for the purpose of business venture for profit. Types of Takaful is divided into two types of product which is Family Takaful and General Takaful (Md Razak, Idris, Md Yusof, & Jaapar, 2013). Family Takaful is a type of long term policy that aims for a long term needs for example pension and compensation for

the occurrence of death and disability, children's education and other purpose (Abdullah, 2011) while general Takaful normally is a short-term policy where the participants pay contributions and operators undertake to manage the risk. Takaful development in Malaysia can be classified into several phases and these phases exhibit different types of establishment and enhancement done within the Takaful industry. Table 1.1 simplifies the growth of Takaful industry in Malaysia.

Table 1: Takaful Industry Timeline in Malaysia

<b>Phase 1 (1982-1992)</b>	
<b>1982</b>	Establishment of Special Task Force to identify the practicability of insurance company
<b>1984</b>	The development of Takaful Act 1984 and incorporation of Syarikat Takaful Malaysia Bhd.
<b>1988</b>	Bank Negara Malaysia begins its supervision of the Takaful and insurance industry
<b>Phase 2 (1993-2000)</b>	
<b>1993</b>	The beginning of MNI-Takaful Sdn Bhd
<b>1995</b>	Establishment of ASEAN Takaful Group
<b>1997</b>	The incorporation of ASEAN Retakaful International (L) Ltd. located at International Offshore Financial Centre, Labuan
<b>1998</b>	Changes in MNIOTakaful to Takaful Nasional Sdn. Bhd.
<b>2000</b>	Development of code of ethics by STMB and Takaful Nasional (known as Etiqa Takaful)
<b>Phase 3 (2001-2010)</b>	
<b>2001</b>	Incorporation of IBFIM BNM introduced Financial Sector Masterplan
<b>2002</b>	Maybank Takaful Bhd commenced its business, formation of Malaysian Takaful Association and establishment of Islamic Financial Services Board (IFSB) initiated.
<b>2003</b>	Takaful Ikhlas Bhd begun operations
<b>2004</b>	Commerce Asset Holdings Bhd. receive grant to conduct Takaful business
<b>2005-2007</b>	The commencement of several Takaful principal such as Hong Leong MSIG Takaful, Prudential BSN Takaful, MAA Takaful, HSBC Amanah Takaful, Sun Life Malaysia Takaful Incorporation of Malaysian International Financial Centre
<b>2008-2010</b>	Development of four Retakaful Operators namely: ACR Retakaful Bhd, MNRB Retakaful Bhd, Munich Re Retakaful Bhd, Swiss Re Retakaful Bhd. Inter-Takaful Operator Agreement (ITA) was officially employed.
<b>2009</b>	IFSB-8 deliberated on Takaful governance and IFSB-10 discussed on Shariah governance principles
<b>2010</b>	IFSP-8 stated about solvency for Takaful, establishment of four new takaful licenses, and incorporation of Great Eastern Takaful Bhd.

#### Phase 4 (2011-2020)

<b>2011</b>	BNM introduced Financial Sector Blueprint 2011-2020 and Perbadanan Insurans Deposit Malaysia Act 2011 was enacted. AIA AFG Takaful, ING Public Takaful Ehsan and AmMetLife Takaful start its operation
<b>2012</b>	Revision of Shariah Governance Framework and enactment of Takaful Operational
<b>2013</b>	Islamic Financial Services Act 2013 was coming into force and the merge of AIA Takaful Bhd and INC PUBLIC Takaful Ehsan Bhd
<b>2014</b>	Introduction of Risk Based Capital for Takaful
<b>2015</b>	Internal Capital Adequacy Assessment Process (ICAA) for Takaful Operators were introduced and implementation of Actuary and Goods * Services Tax (GST).
<b>2016</b>	Introduction of Financial Reports & Operationalisation of Financial Ombudsman Scheme
<b>2017</b>	Introduction of LIFE Framework & Phased Liberalization of Motor and Fire Traiffs
<b>2018</b>	Conversion of Takaful Business to Single Takaful Business

Globally, in 2019 global Takaful market attained a worth of US\$ 23.7 Billion (IMARC Group, 2020) and in 2018, referring to Islamic Finance Development Report Takaful and re-Takaful market value of US\$ 46 Billion which presenting 324 Takaful operators from 47 countries (Global Takaful Forum, 2019). However, this amount only exhibits 2% of total Islamic finance industry but Takaful industry has revealed a positive trend since great number of populations is unexploited yet. In global market, there are three top principal that is actively involve with Takaful business which is Kuwait Finance House, Dubai Islamic Bank and Malayan Banking Berhad. According to IMARC Group (2020), there are several factors that drive Takaful market in its achievement, which includes;

- a. Takaful market momentum particularly in Gulf Cooperation Council (GCC) region and Asia Pacific region which owing a large number of Muslim populations.
- b. Majority of the Muslim population is young with 60% from the whole population is less than 25 years which means this industry has the opportunity to grow if it is captured early.
- c. Penetration of conventional insurance is low in GCC as Takaful acts as key instrument to increase awareness in these countries.
- d. Other catalyst factors such as strong growth prospect, ethical investment policy and price attractiveness exhibits a strong business stability

The growth of Islamic financial system has directed Takaful industry to experience a rapid progress and expansion as this industry enhance the application of Sharia-ah compliant laws in terms of protecting the consumer towards risk and vulnerability arising from untoward events (Sherif & Azlina Shaairi, 2013). The reasons why Malaysia has become the central movement in Takaful within ASEAN region and second biggest market in the world is due to the support given by the Malaysian government where there are efforts in creating beneficial environment, regulation enhancement and strengthening as well as the tax deduction for the Takaful participation (Ernst & Young & Malaysian Takaful Association, 2015; Gustina & Abdullah, 2012; Md Husin & Ab Rahman, 2013). Thus, this paper discussed on the key strategies and regulatory framework imposed within Takaful industries.

## Literature Review

Takaful industry in Malaysia is governed by Bank Negara Malaysia and the main role as supervisor is to enhance the strong governance standards in the organization and administration of Takaful operators, direct communication towards consumer on decision making, integration in supervision across sectors and boundaries, instil public confidence in Takaful industry and uphold the stability of Takaful industry in Malaysia (Islamic Banking and Finance Institute of Malaysia, 2018). In 1984, Takaful Act was being introduced to regulate this industry. However, in 2013 Islamic Financial Service Act (IFSA) 2013 was being passed by Parliament as to replace the Islamic Banking Act 1983 and Takaful Act 1984. The purpose of IFSA 2013 is to encourage financial stability, reinforce the Shariah compliance and strengthen the Islamic financial institution as whole. The contents of this act include much higher limit for penalties and imprisonment imposed on persons found guilty as to discourage any non-compliance and to state that any misbehaviour will be taken seriously.

Apart from that, there are also other acts that have been enacted as to protect Takaful consumers and transparency of Takaful industry, for example, Malaysia Deposit Insurance Corporation Act 2011, Personal Data Protection Act (PDPA) 2010 and Anti-Money Laundering Anti-Terrorism Financing and Proceeds of Unlawful Activities Act (AMLA TFPUAA) 2001). Malaysia Deposit Insurance Corporation Act 2005 has established a statutory body to manage the insurance depositors and protect them in commercial or Islamic finance. This statutory body named Perbadanan Insurans Deposit Malaysia (PIDM) is responsible to carry on several mandates which includes uphold the stability of financial system, implement sound risk management within financial system, protect depositors with Takaful and insurance benefits for which insurer member is liable and administer the deposit insurance system as whole (Perbadanan Insurans Deposit Malaysia, 2018). For protecting consumer's personal info, Takaful industry employed Personal Data Protection Act 2013 and this act applies to any person who processes or authorizes the processing of any personal data in respect of commercial activities in Malaysia and the utilization of any equipment to process the personal data. The aims of enforcing PDPA 2013 in Takaful industry are for the prevention of personal data misused, protect consumer rights and ease the international trade. As for Anti-Money Laundering Anti-Terrorism Financing and Proceeds of Unlawful Activities Act (AMLA TFPUAA) 2001), this regulation highlights the collaboration and multi-agency approach by laid out the powers and functions of investigations on offences activities against AMLATFPUAA, assist in the implementation of AMLATFPUAA by supervisory and regulatory bodies and oversee the performance of obligations by reporting institutions as to adhere the AMLATFPUAA rules and helps in co-operation between foreign financial intelligence units (Islamic Banking and Finance Institute of Malaysia, 2018).

### I. Regulatory Framework

There are several frameworks that have been initiated by Bank Negara Malaysia as to cope with specific matter in Takaful industry such as corporate governance, operational activities, Takaful segments (General, Life, Family, Sukuk etc). These frameworks are being implemented accordingly to the needs of Islamic financial institution where better supervision and administration are needed to encourage the growth of Takaful industry itself. In 2010, BNM introduced Shariah Governance Framework (SGF) and this framework consist of effective and responsible board of Shariah Committee management which is supported by Shariah research, Shariah review, Shariah audit and Shariah Risk Management (Islamic Banking and Finance Institute of Malaysia, 2018).

The reasons why are to outline the strong structure of roles, functions and reporting relations as well as to cater Shariah issues on effectively and timely manner. Basically, there are three major objectives of the establishment of SGF which is (1) to outline the expectation on Islamic Financial Institution's Shariah Governance structures, operations and measures are consistently adherence towards the business activities that are consistent and parallel towards Shariah principle, (2) gives a comprehensive guides to the board, committee and management of Islamic financial institutions in performing its responsibilities pertaining to Shariah and (3) to make sure proper implementation of Shariah regulation through Shariah view and audit (BNM, 2019b, 2019a).

Adding to this, as at 1<sup>st</sup> January 2012, BNM introduced another framework namely Takaful Operational Framework (TOF) in which the aims is for managing the growth of Takaful industry in orderly manner (Islamic Banking and Finance Institute of Malaysia, 2018). This framework provides parameters in Takaful operator's and gives better regulations without restraining Takaful operator business activities. Several points are seen to be important on the establishment of this framework that includes uniformity in Takaful business operations, secure the interest of Takaful participants, safeguard a sustainable Takaful funds and promotes efficiency in Takaful operations (BNM, 2009) . TOF also touch on the specific management requirements for the Takaful operation that is usually pertaining to the operating cost, funds, income, assets, liabilities and surplus and rectification of deficiency of funds (BNM, 2018, 2019c)

In supporting life and family Takaful industry, BNM incorporated Life Insurance and Family Takaful Framework on 23<sup>rd</sup> November 2015 where the purpose is to support the long-term planning on this type of insurance and the major aims are for the promotion of innovative and competitive Takaful market, promotes professionalism and encourage transparency and integrity in products and services (BNM, 2015; Islamic Banking and Finance Institute of Malaysia, 2018). Further steps were taken in December 2017 where Balance Score Card (BSC) Framework was introduced to provide fair treatment to consumers in Malaysia the implementation of BSC is come into force for a licensed person and Key Performance Index is used to design the BSC that comprise of CPD hours, number of complaints, persistency rate, completion rate for Customer Fact Find (CFF) and number of certificates marketed or annualised in first year contribution. BSC shall measure the percentage of commission payable to an intermediary against the KPIs of the BSC Framework (BNM, 2015).

## II. Complaints and Disputes Resolution

For complaints and disputes, consumers are able to forward their matters towards Takaful operators or directly to Persatuan Insurans Am Malaysia or Life Insurance Association of Malaysia. However, unresolved cases will be brought forward to Ombudsman of Financial Services (OFS) or Bank Negara Malaysia LINK. OFS was imitated its operations on 20<sup>th</sup> January 2005 and this organization is the operator for Financial Ombudsman Scheme (FOS). FOS is a non-profit organization and operates as an alternative for dispute resolution specifically for the financial consumers, financial service providers (FSPs) and licensed or approved FSP by BNM (Islamic Banking and Finance Institute of Malaysia, 2018). Complainant for OFS may come from individual, small and medium enterprises, insured person under group insurance or Takaful, claims made by third party for property damage involving motor

insurance/takaful, guarantor of a credit facility and nominee or/and beneficiary under insurance or Takaful policy. The aims of the incorporation of OFS is to engage with financial members in resolving complaints and disputes, to resolve matters in fair manner, to provide an effective medium for dispute resolutions with “free of charge” basis and to create awareness among financial consumers and members on matters of common interest (Ombudsman of Financial Service, 2017; Ombudsman of Financial Services, 2018). BNM also include effort to connect directly with general public by using Bank Negara Malaysia LINK (BNMLINK). Consumers may proceed their complaints towards the BNMLINK as well and this facility provides face-to-face customer service walk in for both on general inquiries or public complaints pursuant to insurance, Takaful, SMEs and other areas under the view of BNM. The purpose of this dispute’s resolution is to communicate the information and provide the education of financial scheme in Malaysia (BNM, n.d.; Islamic Banking and Finance Institute of Malaysia, 2018).

### III. Council and Committee

May 1997 was the commencement date for Shariah Advisory Council (SAC) and its authority includes the ascertainment of Shariah law towards the Islamic financial business in Malaysia. SAC is required to advise BNM on any Shariah matters, businesses and activities (Islamic Banking and Finance Institute of Malaysia, 2018). Pursuant to that Shariah Committee was required to be established by each of the Takaful operator in Malaysia. This requirement is in line with Section 30 of IFSA 2013 that states

*30 (1) A licensed person shall establish a Shariah committee for purposes of advising the licensed person within a financial group, one of the licensed persons within a financial group, one of the licensed in ensuring its business, affairs and activities comply with Shariah.*

*(2) For the purposes of subsection (1), where there is more than one licensed person within a financial group may apply to bank for the establishment of a single Shariah committee within the financial group and the bank may approve the application in writing if the Bank is satisfied that the Shariah Committee so established is capable of ensuring compliance with Shariah by all licensed persons within the financial group.*

*(3) The bank may require an approved person or operator of a designated payment system to establish a Shariah committee for purposes of advising the approved person or operator of a designated payment system in ensuring their business, affairs and activities comply with Shariah.*

Roles, duties and responsibilities for Shariah Committee is laid out by Shariah Governance Framework. For standard setting bodies, Islamic Financial Services Board (IFSB) was commenced its operation on 10<sup>th</sup> March 2003 that includes the stability and soundness of the Islamic financial stabilities which includes Takaful industry under its responsibilities (Islamic Financial Services Board, 2020).

#### IV. Industry Association

It is compulsory for Takaful operators to join and subscribe with the industry association before they can begin business activities. The reason why a is to collaborate and mediate the relationship between the authority and industry. Currently, there are four types of industry association namely Malaysia Takaful Association (MTA), Life Insurance Association of Malaysia (LIAM), Persatuan Insurans Am Malaysia (PIAM) and Malaysian Insurance and Takaful Brokers Association (MITBA).

The incorporation Malaysia Takaful Association (MTA) for the purpose of establishing constant supervision of Takaful industry. MTA provide four long term strategy that includes branding, usefulness of technology, awareness and communication, investment opportunities and relations with regulators (Malaysian Takaful Association, 2015). In enhancing a stronger market practice and harmonizing the Takaful and insurance industry, Inter-takaful Operator Agreement (ITA) was developed in 22nd May 2008 by MTA. This ITA is essential for implementing common standards for Takaful operators and due to that ITA control and regulate the pre-contract examination for agents, agency registration, code of ethics, tariff and others (Islamic Banking and Finance Institute of Malaysia, 2018).

As to regulate life insurance industry in Malaysia, Life Insurance Association of Malaysia was established in 1974 pursuant to the Societies Act 1966. According to current membership, there are 16 members of life insurance operators for which 2 of the total membership are life reinsurance companies and 14 life insurance companies (Life Insurance of Association Malaysia, 2020). The roles of this association are for strengthening the professionalism and image of the industry, aid in regulatory of authorities, increase public understanding and appreciation for life insurance in Malaysia. Matters that is conversant to the public is on the annuities for retirement planning, the importance of nomination or beneficiary of a policy, protection against fraud, medical and health insurance and investment-linked insurance. Besides that, this association also provide a platform for complaints and disputes (Life Insurance of Association Malaysia, 2020). While to address general insurance, Persatuan Insurans Am Malaysia was established May 1979 pursuant to Section (2) of Insurance Act 1963 in which superseded by Section 22 of the Insurance Act 1996 (Islamic Banking and Finance Institute of Malaysia, 2018). Membership of this association have 26 insurance companies that includes 21 direct general insurance and 5 reinsurance companies. The core values comprise of professionalism, industry-focused, accountability and make a difference.

Under the provision Registration of Society Act, Malaysian Insurance and Takaful Brokers Association (MITBA) was associated on 3rd December 1974 consist more than 30 members and employs more than 1400 professional individuals whose trained for insurance and Takaful industry (Islamic Banking and Finance Institute of Malaysia, 2018; Malaysian Insurance and Takaful Brokers Association, 2014). The existence of broker in Takaful and insurance filed is to provide a mutual benefit for both Takaful and insurance operators and consumers. Roles of brokers can be seen through (1) protection of interest against Takaful/insurance operator and consumers, (2) broker is a partner whose advise, negotiate and compare what's the best for customers, (3) competently to fully understand clients need, (4) explain and elaborate on the type of

cover available, (5) help clients to decide on which policy is suitable and (6) acts as advocate in pursuing claims or settlement (Malaysian Insurance and Takaful Brokers Association, 2014). The function of MITBA basically is helping the consumer make the right choice by having professional advice and wider market knowledge.

#### **V. Learning**

Other than industrial development platforms, there are also other efforts that have been established to produce professionals' personnel and provide education-based programs for Takaful and insurance practitioner in Malaysia. These institutions assist Takaful and insurance industry in terms of providing extensive range of quality education, assurance on the professionalism of Takaful and insurance practitioner, encouragement for technical proficiency and training offerings. Currently, there are two institutions that provides learning platforms which is Islamic Banking and Finance Institute of Malaysia (IBFIM) and Malaysia Insurance Institute (MII). IBFIM prepare individuals with specific knowledge that require them to attain certificate and qualification accordingly. For example, Takaful practitioner or agent is required to sit for Takaful basic examination as to proceed with their career as Takaful agents while for banking filed, there is another exam which called Fundamental Certificate in Islamic Banking and it can be said that Takaful practitioners are being equipped with extensive knowledge. This helps in maintaining the industry competencies in dealing with rapid growth of Takaful industry. While MII provides education platforms for conventional insurance practitioner.

#### **VI. Other Supporting Associations**

There are associations that have been developed to support this industry in terms of soundness of decision making, sustainable of professionalism, transparency in delivering services and efficiency in solving conflicts. The establishment of Association of Malaysian Loss Adjusters in 1981 is aiming to promote a sound loss adjusting management in terms of its cooperation and consultation, to represent its members in issues impacting their interest within insurance industry, adhere and refer to professional bodies within insurance industry and last but not least, is to regulate supervise its members to liaise with rules and laws of Malaysia specifically IFSB 2012 and FSA 2013 ("Anti-Money Laundering Anti-Terrorism," 2015). The role of Association of Malaysian Loss Adjusters also can be simply described as the person who carries out investigating business to find the cause and circumstances of loss and ascertain the quantum of the loss pertaining to Takaful or insurance claims. Association of Malaysian Loss Adjusters is responsible to resolve any matters for both motor and non-motor related claims (Anti-Money Laundering Anti-Terrorism, 2015). Due to this, the claims made by consumers will be fair treated and receive equitable compensation from any loss and unfortunate events.

Next is Motor Insurance Bureau (MIB) that had begun its incorporation on 24<sup>th</sup> October 1967 as a company limited by guarantee under the provision of Companies Act 1965 (Islamic Banking and Finance Institute of Malaysia, 2018). The establishment of MIB is ensuring the subject matters Part IV of Road Transport Act 1987 are being carried to the fullest, collaborate with government to handle insolvent insurers, to manage and deliver compensation or benefits to the person injured or dependents of killed persons and to notify or impose levies as to enable bureau performs its obligations. This organization does support motor vehicles owners to obtain and protect their rights

especially in the provisions against third party risks arising out of the use of motor vehicles.

### **Recommendation on Takaful Industry**

Takaful industry has developed successfully and the penetration of Takaful products are collectively growing. Giving to statistical data recorded by Ernst & Young (2015), Takaful hold 1% of total global insurance market, however the world population for Muslim are 20%. This shows that there is a huge gap for Takaful industry as to compare to the Muslim world population. Another study shows there is small fraction of total insurance market within Muslim population despite of the progress in recent years (Jaffer, Ismail, Noor, & Unwin, 2010). It is undeniable that Takaful firms in Malaysia are behind from conventional insurance despite of its growth and expansion. The challenges are due to lack of awareness among consumers, scarcity of human resource in Takaful industry, shortage of Syariah scholars and other factors that contributes towards the key issues of Takaful industry in Malaysia (Ismail et al., 2017). The ability of Takaful industry to conquer Malaysia market is only at 13% compare to the conventional insurance which is 87% (Hassan, Jusoh, & Hamid, 2014). According to the recent report by Milliman (2017) it states that there is only 7% of family Takaful market occupied by Malaysia market as compared to 55% conventional life insurance.

According to Subbish (2019), Takaful sector only presents 17% only within that combines the total premiums and contribution. Thus, a comprehensive effort should be done to cater this kind of issues and for which, to sustain and grow the Takaful subscription, consumers need to be aware of the importance of having risk management plan in their life. This will benefit both parties on consumer and Takaful companies. Apart from strengthening the industry regulatory and framework, its growth also play a major aspect in its development. IMARC Group (2020) also add majority of the Muslim population is young with 60% from the whole population is less than 25 years which means this industry has the opportunity to expand if it is captured early. From this, it can be said that Takaful industry should notify youth on its existence whether through campaign, awareness program or any other medium that can reach this group. There are several factors that lead to the consumer's intention to subscribe Takaful products such as economic and financial determinants (income, inflation rate, real interest rate and financial banking sector development) and personal and demographic determinant (religion, education, average life expectancy and dependency ratio) (Gustina & Abdullah, 2012; Syimee Sharifuddin et al., 2016; Zakaria, Marina, Fakrul, & Nik, 2016).

Adding to this, Bank Negara Malaysia has introduced two types of program namely "Perlindungan Tenang" and mySalam. Perlindungan Tenang was being established in November 2017 and the cost for each plan is between RM5 to RM13 a month that represent RM15,000 to RM33,000.00 sum insured. There were more than 29,500 policies and certificates had been sold that belongs to 28,900 life and family takaful policies and 6000 for fire and flood certificates (Laporan Pembangunan Sektor Kewangan, 2018). The certificate holders are also being exempted from stamp duty in which this will encourage more subscription from public. This type of approach is crucially needed for youth where they can subscribe affordable price of risk management plan and the coverage can be varied accordingly to someone's need. MySalam provide protection for eligible individuals and these programs target almost 8 million participant all over Malaysia (Ministry of Finance, 2020). Another suggestion is on the imposed premium and contribution should be revised regularly and in line with current economic stability. Not only that, the price also needs to be competitive enough with existing

conventional insurance. Currently, 50% of total citizens in Malaysia earn less than RM6450.00 and 25% earn less than RM3650.00 (Salaryexplorer, 2020). From this, Takaful premium and contribution should raise its concern to suit pricing accordingly to income earned by the citizen as well. To increase market penetration, this paper proposed consumer awareness and pricing as to expand the Takaful industry as whole.

While touching behalf of the Takaful industry, it is very important to keep the transparency and integrity of the business and increase its concern over consumers complaints and disputes as to install public confidence towards this industry. According to Mohd-Ali et al., (2016) ethics is very important in every part of human life irrespective of religion, race, place and time. Human being is looking for an ethical and just business environment where they can participate, finance and invest their capital with confidence where they are not being involved with prohibited elements and activities. By referring to Ombudsman of Financial Service (2017) statistical data demonstrate that Takaful or insurance industry received a lot of complaints and inquiries on its business transaction as well as the transparency of the dealings. In 2015, there were 10,323 complaints & inquiries, followed by 2016, 8,386 numbers of complaints and inquiries and in 2017, 8,797 complaints received in that year. However, 2018, shows growth of complaints received which is 10,178. Despite on the increased demand for the Takaful industry and a great return to the national economy, there are also several cases reported regards on unethical behaviour of agents (Aziza, Aziz, Haji, Ghani, & Shaari, 2016).

For example, in 2013 by Suruhanjaya Pencegah Rasuah Malaysia where a former director and his partner were being charged for bribing, false document and cheating involving more than RM80,000.00. There is an increasing number of complaints regards on the repudiation of liability and conduct of agents (Bank Negara Malaysia, 2001). Unethical code of conduct give negative impacts on several aspects that may hurts the profitability of company, organization reputation, survival risk and many more to be mentioned (Aziza et al., 2016). Haron, Ismail, & Abdul razak (2011) stated that supervisory influence, role ambiguity and sale target are the intentions to perform immoral behaviour and unethical sales will affect the customer satisfaction and trust and this will cause loss on customer loyalty (Lin & Wu, 2012).. It is highly suggested that Takaful industry need to preserve its transparency and integrity as whole where the image and performance have become the indicator of the successfulness of the industry and as the central point for buyers to purchase Takaful products The ethical performance of this industry enhances the public trust and confident to subscribe and remain loyal towards this industry. Arifin, Yazid, & Hussin (2014) mentioned reputation and image, products and serviced and marketing and advertising are the factors that influence customer's demand towards family Takaful products while Hassan, Jusoh, & Hamid (2014) added the determinant of customer loyalty is depending on customer satisfaction and customer relationship management.

### **Conclusion**

Malaysia has become the lead in Takaful industry within ASEAN region (Ernst & Young & Malaysian Takaful Association, 2015) and with the fully support from government and BNM, it is possible enough for Malaysia to achieve another accomplishment. Further research should be done to assess the loop holes within this industry whether in terms of services and products, public awareness, penetration rate or other related matter that bring benefits to the Takaful business. Even though Malaysia already has a comprehensive strategies and regulatory bodies, still yet this industry should utilize and exercise its potential and capability completely.

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