



IMPACTFUL AND COLLECTIVE MICROTAKAFUL IN ADDRESSING THE IMPACT OF COVID-19 PANDEMIC

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Abstract

Present economic condition during the COVID-19 pandemic affects an uncertain environment to every level of community which leads to a nerve-racking financial concern. The low-income group or popular known as 'B40' group seems to be unswervingly affected by recent instability in the nation's economy that results to situations having multiple uncertain outcomes requiring them to manage their unique risks and seek protection thereof. Vulnerable in their financial position, COVID-19 poses more threat to the health of the low income-earners group more than others especially when the environment they mostly live in is not adequate for hygiene standard level. Previously, there was a concerted effort taken up by a group of Takaful Operators to provide a micro-Takaful protection to the 'BR1M' ('Bantuan Rakyat 1-Malaysia'/1-Malaysia People's Aid) recipients. It was intended to provide Takaful coverage to the breadwinner of a B40 family with an aim to minimize the adverse effect of a possible financial catastrophic if the sole breadwinner of the family died. Micro-Takaful is a way to jointly attend, cater and mitigate the financial risks, which is in line with the Islamic principle of Harm Prevention. The concept of helping and assisting particularly the unfortunate ones to mitigate risk and reduce losses and sufferings due to misfortune constitute the very aspiration of the micro-takaful principles. This study aspires to examine the extent of effectiveness of the previous collective Micro-Takaful projects on BR1M recipients that were proven to benefit 7.2 million recipients as of in 2018 nationwide. Takaful operators who persistently aiming to become the value-based intermediary (VBI) inspired by the Regulator in order to achieve the Sustainable Development Goals by providing Micro-Takaful to the needy people. The data is mainly from the participating Takaful operators in the previous Micro-Takaful and BR1M project in order to evaluate the present and future direction of micro-Takaful initiative in the present 'BSH' ('Bantuan Sara Hidup'/Living Aid).

Keywords: micro-takaful, BR1M, Takaful, microfinance, B40, Islamic insurance

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1. Introduction

In response to COVID-19 pandemic, the one-off payment initiative under the programme 'Pakej Rangsangan Ekonomi Prihatin Rakyat' (PRIHATIN) or The Public Economics Stimulus Package during the Restrictive Movement Control Order (RMCO) and the 'Pelan Semula Ekonomi Negara (PENJANA) or the Short-Term Economic Recovery Plan have been introduced as among initiatives to recover the economy and reduce the impact of economic disaster of the pandemic. Both PENJANA and PRIHATIN are part of the emergency initiatives for the sudden pandemic disaster brought by the COVID-19 where the B40 are especially affected by it.

This study aspires to examine the extent of effectiveness of the collective Micro-Takaful projects to support the above Government aspirations. Previous case study of microtakaful on BR1M and BSHR recipients that were proven to benefit 7.2 millions recipients as of in 2018 nationwide shall become the main motivation of this study. The data is mainly from the participating Takaful operators in the previous Micro-Takaful and BR1M and BSHR¹ projects in order to suggest the present and future direction of micro-Takaful initiative.

¹ Conceptualized in 2011, BR1M ("Bantuan Rakyat 1 Malaysia") or 1Malaysia People's Aid program was first disbursed in 2012 in order to cushion high cost of living in Malaysia. The one-off cash handout scheme devised the then Prime Minister Dato' Seri Najib Tun Razak as part of the Government effort to ease burden of the lower income group in a form

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2.0 Microtakaful

BNM (2016) defined Microtakaful as a “takaful product that is designed to respond to the financial protection needs of low-income households²”. The objective Microtakaful is to allow the Low-income households to afford and access Takaful products to cater their financial protection needs. Haslifah (2014) stated that the purpose of the Microtakaful is “...to uphold the principles of brotherhood and solidarity, which provides mutual financial aid and assistance to its participants in the event of mishap and difficulties”. Saying that, the author mentioned that profit is not the prime goal of this initiative rather, the Takaful Operators (TO) should consider this initiative as their Corporate Social Responsibilities (CSR).

The targets of Microtakaful as mentioned by BNM (2016) will be the low-income households of bottom 40% (B40) of populations and moderate-income earners (M40). IFSB & IAIS (2015) described the participants to have less exposure to financial products due to the absence of basic infrastructures, leading to less access to financial services. Also, due to working in the informal sector, they have an irregular income stream which leads to their current socio-economic conditions. (Haslifah H. M., 2014) also mentioned that the intended participants are dependent on loans and government handouts to make ends meet from day to day (Zainal, 2013)- and inability to meet basic health criteria, which lead to non-eligible to Takaful protections. They also have limited access to healthcare, proper sewage and clean water, thus can be susceptible to poor health, leading to questions on insurability.

As a measure to reduce poverty, the Microtakaful plans should be “simple and cheap” (Zainal, 2013) on which BNM (2016) described “simple” as simplicity in design and simple to monitor and accessed. The products should be easily understood by participant, straightforward benefits, term and restrictions also, language used relevant to level of financial literacy. Protections should be meaningful and relevant to the target efficient time to claims pay-out. BNM (2015) report suggest that Malaysia has the environment for Microtakaful growth as majority of the population are active users of financial services and connected to both physical and digital financial services³. Thus, unlike the normal Takaful operations, Microtakaful could be channeled through the use mobile phones⁴, grocery store or pawnshop, local mosques, religious groups, trade unions, NGOs (IFSB, IAIS, 2015) and “Zakat institutions, (Patel, 2004; Haryadi, 2007; Tan, 2008)” (Htay, Sadzali, & Amin, 2015).

3.0 COVID-19 and Movement Control Order (MCO)

Towards the end of 2019, the world was shocked by the existence of novel coronavirus 2 or scientifically called as “severe acute respiratory syndrome coronavirus 2 (SARS-Cov-2)” the news of the virus presence was announced by Wuhan Municipal Health Commission which initially reported a case of pneumonia in Wuhan on 31st December 2019. World Health Organization (WHO) started setting up an Incident Management Support Team (IMST) for this pandemic response management worldwide (WHO, 2020). Malaysia was given no exception for this catastrophe as it received the first COVID-19 epidemic case on January 25th, 2020. The cases were brought in by a man from China and followed by eight others from the mainland (Malaysian Immigration Department, 2020). It is only on February 4th, 2020 that Malaysia recorded its local case which sharply increases to 29 cases on March 1st, 2020 (Tang, 2020). The Ministry of Health Malaysia (MOH, 2020) then reported an increase of COVID-19 cases on March 14th, 2020. Bernama (2020) relates the increase in the reported cases with the religious rallies which took place on February 27th, 2020 to March 1st, 2020. The rally was attended by 16, 000 people of which 1500 are from all over Southeast Asia. The gathering masses 65% of the 673 COVID-19 cases by March 17, 2020 (MOH, 2020) and two deaths on the same day (See et. al., 2020). The death toll then increased steadily although it is still under the 100 cases until

of RM 500 to households with monthly income less than RM3,000. Due to regime shift BR1M initiative has been changed into to Bantuan Sara Hidup Rakyat (BSHR) or Household Living Aid in 2018 and is expected to continue in 2020.

² In this respect:

(a) “Financial Protection” means being able to access timely and adequate financial resources to:

(i) cope with major expenses; or

(ii) provide temporary or partial relief from financial difficulties arising from unexpected adverse events; and

(b) “Low-income Households” refers to poor, vulnerable or lower middle-income households, particularly groups that have been previously excluded from access to insurance/takaful.

³ 92% Malaysian have an active deposit account, at least 70% of Malaysians live within 5km of a petrol station, clinic or hospital, chain provision store, post office or bank branch and Malaysia has broadband penetration rates of 91.7 per 100 inhabitants and mobile phone ownership of 144.8 per 100 inhabitants. (BNM, 2015).

⁴ Credit top-up deductions method

April 29, 2020. The skyrocketing cases reported which are more than 100 cases daily starting 26th of March 2020 with 235 cases reported (Bernama, 2020) has burdened the capacity of the Malaysian health system (Salim et. al., 2020).

To prevent the widespread of the virus, Malaysia government has taken a swift step by declaring a Movement Control Order (MCO) (Malaysian Immigration Department, 2020; Prime Minister's Office, 2020 & MOH, 2020) starting 18 March 2020 (Minhat & Sahhar, 2020). The federal government announced the MCO on March 16, 2020 (Bunyan, 2020) which was scheduled only for 14 days (Sukumaran, 2020; Daryono, 2020; Artida, 2020 & ABC News, 2020) but was extended until 14 April 2020 according to the announcement on 25th March (Bernama, 2020 & Tee, 2020). The order was applied to domestic travel restrictions, overseas travel restrictions, 14-days quarantine for those returning to Malaysia and closure of several public sectors and private industries in the country. This restriction however excludes some prudential sectors such as energy and electricity, telecommunications, water, shipping, oil and gas, fuel, finance and banking, health, uniforms, food, transportation and logistics. From March 27, 2020 Enhanced Movement Control Order (EMCO) were subjected to certain area on which large cluster were detected (Saiful, 2020). The EMCO signify its control order on which it was forbidden to either receive any visitor or having the residents to exit the area, all business were to shut down, all roads are blocked and medical and food supplies will be distributed through military means (Saiful, 2020). Conditional Movement Control Order (CMCO) were announced on May 1st, 2020 (Bernama, 2020) where the restriction order was slightly relaxed to allow economic movement (Bernama, 2020). Prime Minister then announced the Recovery Movement Control Order (RMCO) announced on June 7th, 2020 (Loo, 2020) for 10th June 2020 to 31st August 2020 timeframe (Bernama, 2020) which was then extended until 31st December 2020 as announced on August 28th (Yusof, 2020).

4.0 Needs for Microtakaful

World Health Organization (WHO), (2008) reported that increasing healthcare cost drag more than 100 million people below poverty line each year. Nyanjom (2006) and Das et al. (2008) mentioned that the inability of the poor to access quality healthcare services will resort to low quality healthcare and deteriorate their health even more. Zenklusen & McCor (2009) mentions that hospitalization costs are the main concern of lower income, followed by death (as cited by Htay et al. 2015). (Noor & Zauriah, 2014), cited multiple studies by Cohen & Sebstad, Patel, Llianto, Brown Nyanjom and Das et al, which discuss on the vulnerability of the poor when it comes to healthcare.

This is a big concern as Llianto et al. (2006) discussed the poor working environment by the urban and rural workers with lack of facilities, unsanitary and cluttered surroundings, sudden changes in season or climate, calamities, pest infestations, chemical poisoning, and environmental risks. Cohen & Sebstad (2006), Patel (2002) mentioned that the poor lacked the capacity to cope with the consequences of a shock, largely due to non-existence of significant assets and other risk mitigation mechanisms. As a result, many of these poor will resort to savings withdrawals (if any), assets sales, and worse, taking out children from schools to work in low productivity activities in order to cope with their lives.

BNM's Bank's Financial Capability and Inclusion Demand Side (FCI) Survey (2015) found that 76% of their respondent would have difficulty raising RM1,000 to meet emergency needs and only 6% are confidence in meeting financial obligations 6 months after income loss. Citing the BNM report for the year 2020 in COVID-19 response, Ong (2020) wrote that the B40 household have nine times more debts that assets which was caused by house loan "encouraged by the recent Home Ownership Campaign" (Ong, 2020). With almost 47% of self-employed workers lost their job (DOSM, 2020 as cited by Muslimin, 2020), with no savings (Muslimin, 2020) this finding is described by BNM (2016) as "ill-prepared". This is worrying as Chia (2010) mentioned medical treatment for outpatient at clinics are still affordable ranging from RM1 to RM50 for hospitalization-warding is only due to subsidy from government. Malaysian government has provided a subsidy around 98% to the health services through the Ministry of Health for primary care services (Yu, Whynes, & Sach, 2008), even so, it will probably not be viable for the next ten years (Chia, 2010).

Htay et al. (2015) argues that sometimes, the poor has no options than obtaining the pocket robbing private healthcare services due to urgency and time constraint. Federation of Malaysian Consumers Association (FOMCA) reported that in 2010 alone, it has been receiving average 50 complaints each month about the high price of private hospitals for normal procedures. Fauzilah et al. (2018) reported that Malaysian Health Care Expenditure increases on the average of 12%-13% per annum and outpatient attendances in 141 government hospitals is 86,237,051 compared to 5,083,596 in 214 private hospitals. The study done by the author, shows

that majority of participants can afford packages from rm5-rm20 a month for hospital benefit ranging from RM500-RM22500.

As aging population increases, the medical cost increases for a family, considering Malaysia still practicing family values in their lifestyle (Fauzilah, Puspa i, Ahmad , Wan Norhayate , & Roslida , 2018). Ahmed (2016) listed 4 important concern of the poor which are Death concern, Medical concern, Agriculture concern and Assets and Property concern which suggests the benefit of Microtakaful should covers the credit risk, death benefit, medical coverage and agriculture. "The objective of Shariah is to promote the welfare of the people, which lies in safeguarding their faith (din), their life (nafs), their intellect ('aql), their posterity (nasl) and their wealth (mal). Whatever ensures the safeguarding of these five serves public interest and is desirable" Al-Ghazali (1414 AH). Maqasid Shariah which mentioned by Al-Ghazali need the ultimate urgency in its protection and Microtakaful will be one of the ways to achieve the goal.

4.1 Microtakaful initiatives in Malaysia

Malaysia is still new in Microtakaful even though it has the highest performing Takaful industry. It is only April 2007 Takaful Ikhlas signed an agreement with the Selangor Zakat Centre to launch a Microtakaful scheme in conjunction with the Farmers Welfare Federation of Malaysia funded by the government covering 100,000 members, to provide immediate death expenses for RM500 for a premium of RM1.80. The coverage for personal accident, death and disability scheme provides capital protection of RM10,000. Takaful Ikhlas has representing agencies such as the Malaysian Post and the Malaysian Commercial Bank that collect zakat fund, makes a deduction from monthly payments to the poor and benefits include death, disability, critical illness, funeral, and hospitalization (Brugnoni, 2013). Later in 2009 Etiqa Takaful and Angkatan Koperasi Kebangsaan Malaysia (ANGKASA) launched the "Skim Tabarru' Koperasi" to provide protection for its members. Under this scheme, the cooperative members RM5 to RM25 per year to get death benefits as high as RM 19,000 (Htay, Sadzali, & Amin, 2015).

On 15 April 2011, 1Malaysia Micro Protection Plan (1MMPP) which was developed by both insurance and Takaful operators with support from Bank Negara Malaysia to ensure Malaysians are protected through buying insurance and joining takaful at affordable prices. This plan provides four options, which are life insurance, general insurance, family Takaful and general Takaful. It targeted small businesses and individuals seeking affordable protection in managing contingencies such as death, illnesses, accidents, fire and loss of property. Both the conventional and takaful products share common features, coverage, terms and conditions, and premiums/ contributions. In accordance to this initiative, RHB bancassurance offers 1Malaysia micro protection plan and Takaful Murni-provides financial benefits in case of accidents, ING insurance, offers 1Malaysia micro protection, Bank Rakyat collaborated with Etiqa Takaful to offer 3 Takaful products, namely Takaful Murni-provides financial benefits in case of accidents, Takaful Didik-protects children's education in the future- and Takaful Amanah-provides family protection. These products are affordable plans as the contributions are as low as RM50 per month and cover both protection and savings. (Htay, Sadzali, & Amin, 2015)

One of the latest known Microtakaful products offered in Malaysia is called Perlindungan Tenang which was launched in November 24th 2017. The initiative is true to the BNM2016 guidelines parameters for the product features on which the products offered by the plan were, affordable pricing⁵, provides good value⁶, widely accessible⁷, easy to understand⁸ and easy to purchase and claim (Lin, Expanding Insurance and Takaful Solutions for the Underserved Segment, 2018). Among participating Companies are AIA Bhd.-AIA Smarter Plan, Allianz Life-Allianz Kasih Hayat, Great Eastern-Easy Care Plus, Hong Leong Assurance-Life Protector, Sun Life Malaysia with collaboration of UMobile-GOLIFE, Tokio Marine Life- Tokio Marine- Starter Pack, (LIAM, 2017), Prudential with collaboration of Bank Simpanan Nasional- Lindungi and Takaful Ikhlas- AGRO Mabrur-i. (AMT, 2018).

⁵Premiums not exceeding RM15 per month and yearly renewable plans (LIAM, 2017)

⁶ The coverage is for most concerned matter of the B40-death and healthcare and operating in lowest cost possible manner which make use of technology. (Lin, Expanding Insurance and Takaful Solutions for the Underserved Segment, 2018)

⁷Distribution Channel should be convenient to the B40 such as public hospitals, urban and rural transformation centers (UTC/RTC), and smaller retail outlets also, the use of technology-WhatsApp. (Lin, Expanding Insurance and Takaful Solutions for the Underserved Segment, 2018)

⁸The products design is self-explanatory and not ambiguous in terms of operations and benefit. (Lin, Expanding Insurance and Takaful Solutions for the Underserved Segment, 2018)

4.2 “BR1M” and “BSHR”: a reflection from 2011 till 2020

During the first year of “BR1M” in 2011, RM2.6 billion was distributed to approximately 80% of Malaysian households or 4.2 million households. In 2012, BR1M 2.0 a continued BR1M aid was continued to disburse the RM500 aid to eligible household. A sum of 2.5 billion were distributed to a total of 5.7 million household in Malaysia. Those who were the first BR1M recipient previously were still entitled to the aid automatically without having to make a fresh application.

In addition, single individuals were eligible to receive RM250 aid for Malaysians whose household income was lower than RM 4000. They could be senior citizens or single person (divorced, bachelor, single parent) with dependents, or single parents (father or mother), or married (including married couple who were still staying with their parents). By end of 2017, the government had spent about RM26.2 billion on BR1M to cater the cost of living which increases due to economic conditions.

Malaysia Budget 2018 had lowered the household income to below RM3,000 to be entitled to full BR1M. Perhaps the reduction was due to the additional cost that the Government allocated for “Khairat Kematian” Scheme (*Death Benefit Scheme*) and Family Bereavement Scheme.

Table 1: BR1M amount according to Year (2012-2017)

| Recipient | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|--------------------------------|-------|-------|-------|-------|---------|---------|
| Households, below RM3,000 | RM500 | RM500 | RM650 | RM950 | RM1,000 | RM1,200 |
| Households, RM3,001-RM4,000 | - | - | RM450 | RM750 | RM800 | RM900 |
| Single aged 21+, below RM2,000 | - | RM250 | RM300 | RM350 | RM400 | RM450 |

Source: (Surendra, 2017)

In 2018, BR1M was rebranded as BSH (‘Bantuan Sara Hidup’) or *Household Living Aid*. Similar to BR1M, BSH is an aid from the Government intended for certain categories of receivers mainly the B40. The aid is **given in cash** to the receivers who are qualified according to a set of criteria that has been announced by the Government. In addition, those who are entitled to receive the BSH would automatically join a ‘Skim Khairat Kematian’ (*Death Benefit Scheme*).

Table 2: BSH amount according to Year (2018-2020)

| Recipient | 2018 | 2019 | 2020 |
|------------------------------------|----------|----------|---------|
| Households, below RM2,000 | included | RM1,000 | RM1,000 |
| Households, below RM3,000 | RM1,200 | RM750 | RM750 |
| Households, RM3,001-RM4,000 | RM900 | RM500 | RM500 |
| Single aged 21+, below RM2,000 | RM450 | RM450 | - |
| Single aged 40+, below RM2,000 | included | included | RM300 |
| Disabled & aged 18+, below RM2,000 | - | - | RM300 |

Source: (MYsumber, 2019) (PMO, 2019)

In the recent announcement of Budget 2020, BSH quantum remains unchanged but is said to include disabled people aged 18 and above; while the single adult aged 40 and above who earn less than RM2,000 a month has rather limited the scope as compared to that of 21 years old and above in the previous years (MYsumber, 2019).⁹ The aid to disabled people is not new because in the previous years, the Government has

⁹ Additional BSH incentive is for up to four children aged under 18. No age limit for disabled children.

been contributing RM50-RM100 to all disabled people of all segments. In the present Budget2020, such aid is confined to B40 group and their dependants with additional amounts.¹⁰

4.3 Micro-Takaful Initiatives for “BR1M” and “BSH”

The Tenth Malaysia Plan (2011) stating that a fair and socially just society is where all people, with no exception, have the rights, freedom, and capacity to access services and resources to enhance their well-being, and where the most disadvantaged are given extra support to ensure such success. Low income and poor who represent the rural and urban poverty groups are the most neglected people in insurance mainstream and are unprotected (Lin, Expanding Insurance and Takaful Solutions for the Underserved Segment, 2018). In September 2010, Bank Negara Malaysia has urged Takaful operators to design micro-takaful policies, medical and retirement products, to penetrate the untapped population; the low-income market. This is one of the four principles to support Malaysia’s growth objectives is a needs-based principle; to alleviate the livelihoods of bottom 40% households and disadvantaged groups. (BNM, Co-Takaful Agreement , 2010)

The earliest known attempt of micro-Takaful scheme was Group Takaful Rakyat 1Malaysia (i-BR1M) in 2014 which was collectively underwritten by 10 Takaful companies under the administration of the Lead Co-Takaful Operator, Takaful Ikhlas Sdn. Bhd. The Co-Takaful initiatives were participated by the following: (MTA, 2014)

1. Takaful AmFamily Takaful Berhad (www.amtakaful.com.my)
2. Prudential BSN Takaful Berhad (www.prubsn.com.my)
3. Etiqa Takaful Berhad (www.etiqa.com.my)
4. Sun Life Malaysia Takaful Berhad (www.sunlifemalaysia.com)
5. Great Eastern Takaful Bhd (www.i-great.com)
6. Syarikat Takaful Malaysia Berhad (www.takaful-malaysia.com)
7. Takaful Ikhlas Sdn Bhd (www.takaful-ikhlas.com.my)
8. Hong Leong MSIG Takaful Berhad (www.hlmsigtakaful.com.my)
9. HSBC Amanah Takaful (Malaysia) Sdn Bhd (www.takaful.hsbcamanah.com.my)
10. MAA Takaful Berhad (www.maatakaful.com.my)

In respect to the amount and payment of Co-Takaful benefits, the Lead Takaful operator shall recover from the above Co-Takaful Operators their respective share of 10% each for the claims payable under the Scheme. The claim recoveries will be deducted from the float account held by the Lead Takaful Operator.¹¹ In pursuant to a Co-Takaful agreement with Takaful Ikhlas Sdn Bhd as the Lead Takaful Operator, the Government pumped in RM4.6 billion to implement 2014 BR1M package, which means the Government contributed RM50 to the Group Takaful Rakyat 1Malaysia (i-BR1M) for all BR1M recipients.

The initiative had provided protection of up to RM30,000 in the event of death or permanent disability. In other word, all BR1M recipients, with a household monthly income of not more than RM3,000, will enjoy financial assistance of RM700 and recipients of the RM450 will also enjoy the RM50 contribution to i-BR1M, bringing the total BR1M assistance they receive to RM500. The tenure of i-BR1M protection was from 1st January 2014 till 31st December 2014. This package had benefitted about 7.9 million recipients. million recipients. (Star, 2013)

From the perspective of Takaful industry, i-BR1M had indirectly increased the net contributions to Takaful funds which have grown 9% annually since 2010 and its market share from 1% in 1990s to around 15% in 2018 and expected to reach 16% in 2020 with consistent support by the Government (BNM, 2018). Participation in a mega Government project like i-BR1M is particularly vital to the industry as a whole because the data proved that Takaful is still far below its full potential and is nowhere near where it should be.

This vast project which benefitted millions of customers had given significant exposure to Takaful industry players in respect to strengthening their corporate branding especially the local Operators, boosting their publicity in form of promoting Takaful products and also increasing the level of public awareness towards Takaful products and services. Furthermore, individual takaful operators have not reached optimal size. Takaful operators are dwarfed by their conventional counterparts. Without sufficient scale, takaful operators are hampered in making meaningful inroads against their larger competitors. This fact is evidenced by 51% of respondents to an MTA survey cited these very reasons on why they have little

¹⁰ In Budget2018, the aid for disabled was increased to RM100 from only RM50 before

¹¹ Section 2 of Co-Takaful Agreement 2014 between Takaful Ikhlas Berhad as the Lead Takaful Operator and The Co-Takaful Operators listed in the contract.

knowledge or interest in takaful products. The issue of misperception also remains, with many non-Muslims deeming takaful as being only for Muslims. (BNM, 2018)

Other than the above, this paper is on the view that i-BR1M was the first initiative of its kind that had successfully brought almost all Takaful operators together to work on one project for the public at large in achieving the same goal and objective. Indeed, this reflected a spirit of mutual help and assistance (ta'awun) in the spirit of brotherhood that are the core and foundation of Takaful concept. Unfortunately, i-BR1M was somehow discontinued during the subsequent years and replaced by 'Skim Khairat Kematian' (*Death Benefit Scheme*) or Family Bereavement Scheme. The scheme can be considered as a form of micro-Takaful too in which it distributes RM1,000 and balance of BR1M to the deceased's nominated beneficiaries (BR1M, 2019).

Micro-Takaful scheme is then taken up by Great Eastern Takaful in 2019 on which all BSH recipients are automatically subscribed to MySalam Takaful protection scheme. Su-Lyn (2019) reported that "Great Eastern Holdings Limited, gave the Malaysian government RM2 billion in exchange for not having to divest 30 per cent of their shareholdings to local investors." The RM 2 billion contribution is then used by the government as contribution for MySalam to the Great Eastern Takaful for five years imbursement timeframe¹². The government then is expected to enlarge the scale of the coverage with other Takaful Operators beyond five years horizon in the future.

All BSH recipients aged 18 to 55 are automatically subscribed to MySalam Takaful protection for free. MySalam (2019) reported that the spouse of the recipient is also included in the 3.8 million of Malaysia B40 target with the effective date of 1st January 2019, and the claim for disbursement began in 1st March 2019. As of 2020, due to COVID-19, the recipient of Bantuan Prihatin Nasional (BPN) of National Attentive Aid are also included in the scheme. Interestingly, even after the pandemic has caused a lot of people to drop under the poverty line¹³, but the Deputy Finance Minister, Abdul Rahim Bakri announced that the coverage still stands at 3.8 million recipients for the MySalam coverage. Great Eastern Takaful¹⁴ chose the participants based on the database of those who are registered under the BSR scheme by utilizing the technology advancement.). The claim disbursement application was also put in the automated and simplest¹⁵ form on which the submission can be done on the official website of MySalam¹⁶. The estimated process of claiming is estimated to be 2 weeks upon completion of submission (BNM, 2019). The claim will be directly be credited into the recipient's account as registered with the BSH Scheme.

MySalam provides benefits in the form of RM8,000 cash payment and daily hospital allowance of RM50 per day (maximum 14 days) payable to BSH recipient who is diagnosed with a critical illness. Beginning 1st January 2020, the scope of protection will cover up to 45 types of critical illness and included COVID-19 infection in the critical illness as of April 2020. The RM 8, 000 payout for the critical illnesses is only once for entire life. Unexpectedly, Budget2020 includes individual with gross annual income up to RM100,000 (not BSH recipient as they are the middle-income earner (M40)) to be entitled to MySalam. Such individual will receive the critical illness benefits amounting to RM4,000 and RM50 daily hospital allowance for a maximum of 14 days. Under the PRIHATIN initiative, those who are entitled to MySalam can claim for income replacement for RM50 per day for maximum of 14 days. It is applied to those whom are hospitalized, including those who are infected, and the B40 whom are in the quarantined or person under investigation (PUI)

¹²As part of the arrangement with GEH (Great Eastern Holdings), in the event that the takaful claims over the five-year period amount to less than the total contributions paid for the takaful, the excess will be reimbursed back to the mySalam Trust Fund," BNM (2019) as reported by Su-Lyn (2019)

¹³Jason Loh Seong Wei reported in the News Straits Times (2020) that "on March 24 2020 the Malaysian Institute of Economic Research (MIER) reached the following projections:

1. Malaysia's real GDP may shrink about 6.9 percent, relative to the 2020 baseline. This translates into a 2.9 percent real GDP growth for 2020, relative to 2019.
2. The number of job losses (presumably non salaried jobs) could be in the region of 2.4 million, 67 percent of which are unskilled workers.
3. Household income is projected to fall by 12 percent relative to the baseline, which amounts to RM95 billion.
4. Such a fall is manifested in a sharp decline in consumer spending by 11 percent, despite the drop in general consumer price level by 4.4 percent."

¹⁴The Singapore based company will have access to the Bantuan Sara Hidup Rakyat scheme database, but the data is still protected under the Personal Data Protection Act (PDPA) (Su-Lyn, 2019) to avoid data theft and manipulation.

¹⁵Requirement are; Copy of Identity Document, Doctor's Statement form for 36 Illness claim or Discharge Note for the Hospitalisation claim.

¹⁶www.mysalam.com.my

This study is of the view that the amount of coverage awarded to BSH recipients, their spouses and the one having a high annual gross income (possibly categorized as M40) are to some extent unrealistic for a long-term benefit. The underwritten amount and potential claims seem not accurately assessed which would affect the Takaful Operator's future capacity to underwrite a similar protection scheme for the longest possible term to be enjoyed by every segment of needy society member. It is proven when the coverage for the M40 has been suspended and announced in the MySalam website¹⁷ for an undefined timeframe due to COVID-19. According to Finance Minister, Datuk Seri Tengku Zafrul Tengku Abdul Aziz, My Salam which is now under PRIHATIN initiative disbursed for about 2124 claims with amount of RM1, 263,100 for COVID-19 coverage as of Julai 5th 2020. This may have put a burden on Great Eastern as a sole provider of MySalam Takaful coverage which proven the unrealistic coverage.

5.0 Conclusion

The study discusses the successful collective micro-Takaful initiatives by participating TOs in addressing particular National Agenda, despite the fact that BRIM and BSH have received its fair share of praises and criticisms, mainly due its inconsistency in certain aspects of the scheme by the then and current government. The Microtakaful might have just been treated merely as populist policy rather than a serious policy in catering the need of the people on which the future direction is unclear. Deputy Minister of Finance, Datuk Abdul Rahim Bakri mentioned on how the recipients in rural area are still unaware of MySalam scheme (Bernama, 2020). However, the fact remains that a collective micro-Takaful arrangement has been proven impactful than that of a single operator. This paper is in full support to any initiative towards joint participation and cooperations of all Takaful Operators in achieving wide scope of benefits coverage to low income earners of B40.

The case study iBRIM or any similar micro-Takaful initiatives which provide benefit to both the people and the participating Takaful Operators is of the most impactful way to address the public needs during post RMCO 1, 2 and its aftermath. Yet the programme is not without its hiccups which may be due to it is the first of its kind. Initially, some complained that the incentive was not enough and there were cases of fraud where recipients received multiple handouts. There are also certain quarters who believe that rather than handouts, poor households should be given better employment opportunities instead.

Although MySalam seems to provide better benefits, it may not be able to survive due to its extremely high cost on one particular company while the present economy is struggling to be on the right track and direction. The COVID-19 has spank it back to the recessions and calamity due to health deterioration has increases the concern on the sustainability of the initiatives. Furthermore, having only one operator in the long run may lead to an unfair level of playing field since it deprives especially the local Takaful Operators from not only participating in such significant national project but also hindering their business and branding expansion to the grassroots¹⁸.

All in all, this paper suggests the following items:

- (a) To review the micro-Takaful coverage in order to make it particularly relevant only to B40 group. Group M40 and T20 is entitled to tax exemption for takaful subscription.
- (b) To structure a similar product like i-BRIM that can attract many Takaful Operators to jointly participate in the same scheme for the National Agenda
- (c) We believe that rather than free aids, poor households should be given better employment opportunities, training and skill courses for them to continuously survive without having to depend on the Government aids instead.

Indeed, a co-Takaful arrangement in a micro-takaful project does by any mean reflect the practical structure of Value-based Intermediation (VBI)¹⁹ which is the very foundation of a Takaful scheme. Such a joint arrangement in a group of Operators with different level of capacity, complementing each other for the same National objective justly reflect the true spirit of Takaful towards achieving an impactful Social Development Goal in Islamic finance landscape.

¹⁷<https://www.mysalam.com.my/b40/info/>

¹⁸During the present Parliamentary debate on Budget2020, the issue of monopoly by Great Eastern as a foreign company was raised due to concern to high investment profits from the unclaimed benefits which should have been returned to the MySalam trust fund. (Malaysian Parliament, 2019)

¹⁹ "VBI is defined as an intermediation function that aims to deliver the intended outcomes of Shariah through practices, conduct and offerings that generate positive and sustainable impact to the economy, community and environment, without compromising the financial returns to shareholders. It has the objective of Strengthening the Roles and Impact of Islamic Finance in Malaysia" (COMCEC, 2017)

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