FAQ on Guidelines on Valuation Basis for Liabilities of General Takaful Business

Item	Page	Paragraph	Views/Enquiries	Response/Action
1	5	6.7	What does the phrase 'certificates are collectively treated as an asset' means?	The phrase refers to negative provision that may result from the valuation of liabilities. Paragraph 6.7 stipulates the manner for takaful operators to address negative provision i.e. to zeroise the negative provision for each group of risks determined as per paragraphs 8.1 and 8.2.
2	8	6.17	For products where the acquisition expenses are charged to the Participants' Risk Fund (PRF), should the expenses be included in the valuation of the PRF?	The provisions set up for the respective funds should include provision relating to expenses charged to that particular fund. Hence, where the acquisition expenses are charged to the PRF, the Signing Actuary should include the expenses in the valuation of PRF.
3	15	9.12	Should the expense assumptions in valuation of expense liability of the shareholders' fund (SHF) be limited to product-related expenses only?	The valuation of expense liability should consider all expected future expenses payable from the SHF in managing the takaful funds for the full contractual obligation of the takaful certificate. This includes product-related expenses and expenses related to the operating costs of the takaful operations, e.g. salary, rent, etc.
4	15	9.13	Should expense overruns be taken into account in the expense assumptions used for the purpose of the valuation of liabilities?	Paragraph 9.13(b) states that expense assumptions should be based on recent expense analysis taking into consideration likely improvement/deterioration in future. Hence, if expense overruns are expected to persist, this should be reflected in the expense assumption of the valuation. In the case of a newly set up takaful operator with minimal experience, the Signing Actuary can rely on industry data in coming up with the expense assumptions as clarified in paragraph 7.3. Adjustments may need to be made to the industry data to better reflect the expected experience of the takaful operator.
5	18	12.1	Are there any valuation requirements for co-takaful business?	Where takaful risks are underwritten on a co-takaful basis, takaful operators should value the liabilities of those risks placed under them appropriately, in line with the requirements under the Guidelines.

Item	Page	Paragraph	Views/Enquiries	Response/Action
6	23	17.4(c)	Does the valuation of liabilities placed under retakaful coverage in paragraph 17.4(c) refer to the valuation conducted by takaful operators or that conducted by retakaful operators?	The condition is applicable to takaful operators and is independent of the valuation performed by the retakaful operator. Takaful operators are allowed to take credit for retakaful cessions if the valuation of liabilities ceded is made in accordance to the Guidelines.
7	24	17.6	If conditions specified in paragraphs 17.4 and 17.7 are not met, can a deduction for retakaful cessions be made to the extent of the amount of deposit held?	Paragraph 17.6 concerns the amount of retakaful deduction allowed for cessions made to retakaful operators other than those registered under the Takaful Act 1984 or a qualifying retakaful operator, and should be met together with paragraphs 17.4 and 17.7.