

Child Education Takaful Plan

Introduction

This is an introductory guide to help you to understand how the Child Education Takaful Plan (CETP) works. The information here provides a basic overview, as the product can vary from one takaful operator to another. However, it will give you information that will enable you to ask the takaful operator the right questions, understand the answers and make the right choice before you participate in any CETP.

What is Child Education Takaful Plan?

CETP is a plan, which provides you with protection and long-term savings to finance higher education expenses of your child. Your child will be provided with financial benefits in the event you suffer a set back covered under the plan. At the same time, your child will enjoy long-term savings (or education fund).

If you participate in a CETP, you will be eligible for personal tax relief of up to a maximum of RM3,000 per year for the combination of both medical and education plans.

Takaful concept in Child Education Takaful Plan

There are generally two main concepts that are used under CETP. The first concept is where you make a contribution (on behalf of your child) into two separate takaful funds. Under this concept, you undertake a contract (*aqad*) for part of your contribution to be invested by the takaful operator and placed in a fund called Participants Account (PA), while the other part of the contribution to be in the form of participative contribution (*tabarru'*). The *tabarru'* will be placed in a fund called Participants' Special Account (PSA) that will be used to fulfil your obligation of mutual help, should any of the participants face a misfortune arising from death or permanent disability. The profit from PA will be shared between your child and the takaful operator according to a pre-agreed ratio.

The second concept is where you will make a contribution (on behalf of your child) into a single fund. Unlike the first concept, all of your contribution will be invested by the takaful operator and placed in the Participants' Special Accounts (PSA). If your children survive until the maturity date of the plan, they will be entitled to the sum covered under the plan (given under the Shariah concept of *hibah*) plus the share of net surplus from the fund, if any.

Types of cover

CETP can be grouped as follows:

- Ordinary Child Education Takaful:

You and your child will receive financial benefits arising from death or permanent disability, as well as long-term savings (education fund), and investment profits that are distributed upon claim, maturity or early surrender.

- Investment-linked Child Education Takaful:

A portion of your contribution is used to buy investment units, such as units in equity or fixed income securities. In addition to the ordinary takaful protection, which covers death and permanent disability, the investment units will be sold upon claim, maturity or early surrender.

A family takaful rider or an extension of basic coverage for both you and your child is also available. The rider provides coverage against personal accident and disability, hospitalisation benefits, funeral expenses and critical illnesses.

Basic benefits covered under Child Education Takaful Plan

These benefits from a CETP are paid to you as follows: -

- Upon maturity and if your child survive, the benefit payable for all CETP products would be the agreed sum covered under the plan (given under the Shariah concept of *hibah*) plus the accumulated surplus sharing. However, if your CETP comes with an investment-linked feature, your child will be receiving the value of the investment units in addition to the agreed sum covered under the plan.
- Should you pass away before the CETP matures, the contribution of the plan will be paid by the takaful operator on your behalf until the maturity date of the plan. On the maturity date, your child will be entitled to receive the amount accumulated in the PA, surplus from the PSA and share of profits from investment (if applicable). However, if all the contribution goes into PSA, depending on the takaful scheme participated, the above treatment applies or the sum covered will be payable directly to an account under the child's name and managed by an appointed trustee. The sum payable is the benefit (on the basis of *hibah*) together with the accumulated surplus sharing (if any) upon maturity.
- Should your child (as the participant of the plan) pass away, depending on the takaful scheme participated, you, as the certificate holder, will receive the sum covered under the plan (given under the Shariah concept of *hibah*) plus the accumulated surplus sharing or you may have to

surrender the certificate for a surrender value or you may nominate your other children as the participant.

Key terms and conditions

It is important that you understand the terms used in a CETP. If you have any doubts about the meanings of these terms, you should ask your agent or the takaful operator. As the certificate is a legal contract, the meanings used in the certificate will apply when a claim is made.

Some of the important terms are:

Contribution - This is the periodic sum of money that you pay to the takaful operator. You can choose either to pay on monthly, quarterly, semi-annually or annual basis.

Grace period - You will be allowed 30 days grace period from the due date to pay your takaful contribution. Should you pass away during the grace period, the unpaid takaful instalment will be deducted from your takaful benefits.

Maturity period - Usually, the CETP matures when your child reaches the age 18 years to 22 years.

Salient features of Child Education Takaful Plan

Some of the salient features of a CETP are:

- Open to all individuals aged 18 to 55 years and children aged between 15 days to 17 years.
- Limited choice of maturity periods.
- No forfeiture in the event of cancellation .
- Facility for part-withdrawal .
- Surplus sharing with takaful operator .
- Provide long-term savings and investment .

Exclusions

Usually, a CETP will not cover the following:

- Attempted suicide or self-inflicted injury, whether you are sane or insane.
- If you breached the law.
- If you provoked an assault.
- If you were under the influence of drugs or alcohol.
- If you were to suffer from AIDS or HIV.
- Any other causes prohibited by Shariah.

Inform your nominee (*wasi*)

- Let your nominee(s) know about your CETP, any changes that you have made and where you keep the documents .
- Keep your documents in a safe place. Have the basic information, i.e. the name of the takaful operator, type of plan, certificate number and the names of nominee(s) in a separate place .
- Make sure you inform your takaful operator the address of your nominee(s) and changes, if any .

How do I make a claim?

The takaful operator will pay you, your child or your nominee(s), subject to the terms and conditions of your certificate. In the event of a claim:

- Notify your takaful operator as soon as possible.
- For a maturity claim, provide a copy of the child education takaful certificate.
- For a death claim, your nominee(s) needs to provide the following documents :
 - A certified copy of the death certificate ;
 - A photocopy of the deceased's identity card ;
 - Original child education takaful certificate ;
 - Proof of claimant's relationship with the deceased; and
 - Other documents as requested by the takaful operator .

How do I lodge a complaint?

In the event that you do not accept the rejection of your claim by the takaful operator or with the settlement offer, you should first make a complaint with the takaful operator.

If you are still not satisfied with the decision, you can appeal to the Financial Mediation Bureau (FMB) or Bank Negara Malaysia .

You must make your appeal to the FMB within 6 months from the date of the takaful operator's decision. The FMB can only handle claims for an amount of up to RM100,000 per claim for CETP. For cases not within the purview of FMB, you may refer them to Bank Negara Malaysia .

Alternatively, you could take your case straight to the court.

Detailed information on how to lodge a complaint is available in the booklet entitled "Fundamentals of Insurance and Takaful" or from our website at www.insuranceinfo.com.my

Do's and Dont's

When applying for a CETP:

DO	DON'T
<ul style="list-style-type: none">• Disclose all material facts on the risks to be covered.• Read the "Important Notice" on the Proposal Form.• Answer all questions fully and accurately.• Complete and sign the Proposal Form yourself.	<ul style="list-style-type: none">• Leave any question in the Proposal Form unanswered.• Use ticks & dashes to answer the questions requiring full answers.• Withhold or misrepresent any material facts. Otherwise, the certificate issued may be void, meaning that the claim can be repudiated.

To ensure your CETP remains valid:

DO	DON'T
<ul style="list-style-type: none">• Comply with all the terms, conditions and endorsements of the certificate.	<ul style="list-style-type: none">• Forget to pay the contribution within the terms allowed by the takaful operator.