

SURPLUS SHARING PRACTICES IN TAKAFUL: LESSONS FROM MALAYSIA

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Abstract

Takaful, the Islamic alternative to insurance, generates surplus when contributions exceed claims, reserves, and expenses. Since participants own the fund while operators act as managers, surplus distribution plays a key role in ensuring fairness, transparency, and sustainability. This paper examines the surplus sharing practices of Takaful operators in Malaysia, focusing on the mechanisms, principles, and Shariah contracts guiding distribution. The study employs a qualitative approach using content analysis. Data sources include published reports, regulatory guidelines, and industry disclosures concerning surplus allocation and sharing. The results reveal variations in surplus distribution across operators in terms of frequency, modes of allocation, and reliance on Shariah contracts. Despite positive efforts, gaps remain in disclosure and transparency, raising concerns about consistency and accountability. Strengthening disclosure practices, standardizing mechanisms, and enhancing Shariah governance are crucial to reinforce participants' trust and support the sustainable growth of Malaysia's Takaful industry.

Keywords: *Takaful, surplus sharing, transparency, disclosure .*

INTRODUCTION

Islamic insurance, also known as takaful, is a Shariah-compliant mutual risk arrangement founded on the principles of taawun' (mutual protection) and shared accountability. In a takaful arrangement, a group of participants mutually agree to jointly guarantee each other against a defined risk or catastrophe affecting one's life, property, or any other valued asset. The participants agree to make a tabarru' (gift) to a pool of funds in order to perform their obligation of mutual support and joint guarantee in the event that any of the participants suffers a specified loss.

The preceding core principles of takaful demonstrate that the status IFS takaful participants in a takaful arrangement differs fundamentally from that of policyholders in traditional insurance. In a commercially run takaful arrangement, members carry the risks, while the takaful operator manages the fund to pool risks and contributions (Saaty & Ansari, 2008). In contrast, in a normal insurance arrangement, the insurance company assumes the risks insured for the

policyholders. The members' common and mutual ownership of the takaful fund is a distinguishing element of takaful, and it is maintained throughout the operation. Another distinguishing element of takaful products is the distribution of the takaful fund surplus back to the participants, which is built on this unique foundation.

Issues around the surplus in takaful activities have frequently been raised in various venues. The problems concern its ownership, overall management of surplus in the takaful fund, distribution to participants and/or takaful operators, and conformity with the contracts employed in the takaful operator's model (Fisher & Taylor, 2000; Khairat, 2010; Middle East Insurance Review, 2014). This study examines the current practice of surplus management and distribution by Malaysian takaful operators, and identifies areas within the practices that can be improved to further enhance the surplus feature of takaful. For clarity, the term "surplus" in this study refers to underwriting excess in the tabarru' fund after completing its responsibilities due within a specified period, as well as the revenue created from investments of members' contributions pooled in the takaful fund.

The remainder of the paper is structured as follows. The next section presents the literature review, followed by the research methodology. The subsequent section discusses the findings, and the final section concludes the study.

LITERATURE REVIEW

Takaful: An Overview

Takaful is derived from the Arabic word "kafala" which means a mutual guarantee. Takaful is a Shariah-compliant alternative to conventional insurance. The IFSA 2013, page 24, provides the following takaful definition:

..... as an arrangement based on mutual assistance under which takaful participants agree to contribute to a common fund providing for mutual financial benefits payable to the takaful participants or their beneficiaries on the occurrence of pre-agreed events (Bank Negara Malaysia, 2013).

AAOIFI (2023) Shariah Standard No. 26, Para 2 defines takaful as a process of agreement among a group of persons to handle the injuries resulting from specific risks to which all of them are vulnerable. A process, thus initiated, involves payment of contributions as donations, and leads to the establishment of an insurance fund that enjoys the status of a legal entity and has independent financial liability. The resources of this fund are used to indemnify any participant who encounters injury, subject to a specific set of rules and a given process of documentation. The fund is managed by either a selected group of policyholders, or a joint stock company manages the operations and invests the assets of the fund, against a specific fee.

Takaful's contractual character includes two Islamic concepts: tabarru', which implies voluntary donation or contribution (Abdul Wahab, Lewis & Hasan, 2007),

and waqf, which refers to the endowment and retention of property or money for a specific purpose (Dahnoun & Alqudwa, 2018). Contracts are also commonly divided into family (life) and general (property/casualty or non-life) Takaful (ISRA, 2023).

Takaful is based on two principles: (i) tabarru' (gift) and (ii) ta'awun (mutual cooperation). Takaful participants donate to the mutual fund, whereas ta'awun is used to pay members in need, as stated in the verse:

'...and co-operate you one another in righteousness and piety...'. (Quran, Al-Maida: 2).

Takaful began among ancient Arab tribes. For decades, Ansur of Medina and Muhajirin of Mecca have recognised and employed the concept, which stems from the Prophet Muhammad's (May peace be upon him) Hijra around 1400 years ago (Ayub, 2003). Takaful practices derives from the notions of al-aqilah in which a member of a tribe is assisted in fulfilling the liability that resulted in the unexpected, such as recompense for a person murder (Manjoo, 2007; Bakar, 2009; Nazarov & Dhiraj, 2019; ISRA, 2023).

The Islamic Financial Services Board (IFSB) (2009) acknowledged the sense of unity and mutual collaboration among participants in a takaful pool. In IFSB-8: Guiding Principles on Governance for Takaful (Islamic Insurance) Undertakings, the IFSB underlined the fundamental structure that underpins takaful's mutuality: A participant makes a financial as tabarru' commitment to support members in the event of a specific loss or damage (IFSB, 2009: 27).

Based on the principles of mutual assistance (ta'awun) and risk-sharing, Takaful operates under the Islamic jurisprudence, which prohibits uncertainty (gharar), gambling (mysir) and interest (riba) in financial transactions. Participants contribute to a pooled fund to compensate those who incur a loss. Unlike conventional insurance, where premiums are paid to generate profit for shareholders, Takaful fosters communal welfare by emphasizing shared responsibility and accountability. The concept gained traction in the late 20th century, particularly in countries with significant Muslim populations, such as Malaysia and the Gulf Cooperation Council (GCC) states. Scholars like Billah (2019) argue that Takaful represents a practical manifestation of the Islamic principle of collective care.

Modern Takaful emerged in response to growing Muslim awareness of the need for alternatives to conventional insurance, particularly as economic development in Islamic nations (Madi & Ben Jedidia, 2025). In a takaful arrangement, a group of participants mutually agree to jointly guarantee each other against a defined risk or catastrophe affecting one's life, property, or any other valued asset. The participants agree to make a tabarru' (gift) to a pool of funds in order to perform their obligation of mutual support and joint guarantee in the event that any of the participants suffers a specified loss. As of today, the Takaful industry

has varieties, offering various products, including family, health, and general Takaful, catering to different segments of society.

The global Takaful market is expected to grow significantly due to increased awareness and supportive regulatory frameworks. Malaysia remains a global leader in Takaful, accounting for a substantial market share, followed by the GCC countries. Recent innovations, including digitalization and customized products, have helped the sector's growth (Abdusattarovich, 2024; Madi & Ben Jedidia, 2025).

Overview of Surplus

Surplus in Takaful is known as the excess amount that remains in the Participants' Risk Fund (PRF) or Tabarru' Fund at the time of reporting. This balance is achieved after subtracting claims, re-takaful expenses, administrative costs, and other liabilities from the total contributions received, and the income earned from investments. The surplus is an important factor in promoting the financial, levered, and perpetual capacity of the takaful fund.

Depending on the context and relevant benchmarks, examples of what constitutes surplus in the insurance industry may slightly differ as follows:

- i. IFSB (2010) describes surplus is the financial result of the PRF when claims and other costs are covered, and investment returns are received, mentioning as a general case the underwriting surplus or deficit caused by the risk-based operations of the Fund.
- ii. While AAOIFI (2010), surplus is defined as The excess of the total contributions paid by policyholders during a financial period over the total indemnities paid in respect of claims incurred during the period, net of reinsurance and after deducting expenses and charges in technical provisions.

These definitions also indicate variability concerning, the components which include income from investing activities, specific provisions, mandatory reserves, etc, which are not the same in every country or the type of business. The surplus acts as a measure of solvency and financial soundness of Takaful operations which can promote sustainable development and equity of participants (ISRA, 2023; Hasan & Rahman, 2023).

Usually, the definition of surplus for takaful operators is in line with international practices and guidelines. For instance, Takaful Ikhlas Berhad (2025) calculated the amount of surplus available for distribution by adding on the surplus administration charges, taxes, and reserves. The distribution process, however, is governed by some predetermined terms and conditions and the participants are rewarded in that they can enjoy excess distribution in addition to claims assistance. This not only motivates participation but also strengthens the mutual trust that is key to the workings of takaful (Rahman et al., 2024).

Type of Surplus

In Takaful, the surplus can be divided into two major types: underwriting surplus and investment surplus, each reflecting distinct sources of financial excess within the PRF or Tabarru' Fund.

a. Underwriting surplus

It arises when the contributions collected from participants are more than the claims paid out together with related operational expenses. Its components include the contributions pooled for contingencies, claims paid to settle covered losses, and operational expenses like claims processing and re-takaful expenses (Hidayat, 2012).

For example, if the contributions come to RM 1,000,000 in a financial year and the claims and expenses amount to RM 800,000, the underwriting surplus will be RM 200,000. This surplus is a reflection of the efficiency of the fund in managing risks and, therefore, its solvency and efficiency in operations.

b. Investment surplus

It is derived from the net returns generated on PRF funds invested in Shariah-compliant instruments, including Sukuk, equities, and any other permissible financial instruments (Muhammad Zuki, Ishak, & Roja, 2024). Profit-sharing arrangements, such as mudarabah or wakalah, therefore, generate the surplus, less the deduction of investment management fees.

For example, if investments yield RM 50,000 in net returns, this becomes part of the investment surplus. This kind of surplus is very important for strengthening the financial viability of the fund as a protection against future claims or sudden losses.

The total surplus in a Takaful fund combines both underwriting and investment surpluses, less any liabilities or reserves, to act as a measure of the overall financial health of the fund. It ensures the sustenance of solvency and the ability to meet its future obligations. In some jurisdictions, such as Malaysia, surplus distribution policies are targeted to equilibrate the two types of surpluses within the framework of Shariah. This will enhance equity and transparency among the participants, strengthening the mutual benefit and confidence so central to Takaful operations. With proper understanding and management, these types of surpluses will ensure stability and equity for the long term in Takaful systems.

Surplus Sharing in Takaful

Surplus sharing is a unique feature of Takaful, that makes it different from conventional insurance. At the end of the financial period, any excess in the Takaful

pool, net of claims, administration expenses, and reserves will be refunded to participants or carried forward for future use, according to the variant of the Takaful model. This concept shows the mutuality of Takaful, in which the participants are not just policyholders but also the owners of the funds made. According to Rahman Abdullah, Osmani, and Aziz (2024), surplus sharing operates on the principle of justice and equity, ensuring that participants benefit directly from the fund's performance.

Surplus sharing in takaful refers to the process of distributing excess funds from the Participants' Risk Fund among participants or retaining them for future contingencies. This is unique in Takaful and differentiates it from conventional insurance, where surplus or profit normally accrues to shareholders (PruBSN Takaful, 2025). The main Shariah guiding principles of surplus sharing in Takaful are ownership, transparency, and mutual benefit (Rahman, Abdullah, Ab Ghani, & Lambak, 2024).

The surplus belongs to the participants collectively, and the method of its distribution is to be clearly specified in the Takaful certificate. This process enhances mutual cooperation, strengthens participants' trust, and reinforces the ethical grounds on which Takaful operations are based.

Surplus-sharing practices are not uniform across jurisdictions. For example, in Malaysia, surplus sharing is allowed between operators and participants. This is usually done to incentivize the performance of operators. In Middle Eastern countries, surplus is usually distributed solely to participants in line with AAOIFI standards, which highlight that underwriting surplus belongs totally to participants and may not be shared with operators. Shariah principles emphasize fairness and mutual benefit in surplus sharing. Grounded in the concept of *nahd* (mutual contribution), participants and operators transparently agree on surplus-sharing ratios (Soualhi, 2016). However, challenges arise in balancing participant benefits with operator incentives. For instance, higher surplus-sharing ratios for operators may encourage better fund management but could create perceptions of inequity among participants.

The mechanism for surplus sharing has many varieties of Takaful models such as *Mudharabah*, *Wakalah*, and a hybrid of both. In the *Mudharabah* model, the surplus is distributed between the participants and the Takaful operator as per a pre-agreed profit-sharing ratio. In contrast, the *Wakalah* model typically allows participants to retain the surplus entirely, with the operator earning a fixed fee for managing the fund. The hybrid model combines elements of both, providing flexibility depending on operational requirements and regulatory mandates. This practice aligns with Islamic finance ethics and promotes transparency and accountability (Younes Soualhi, 2016; ISRA, 2023).

In Malaysia, surplus sharing must align with Shariah compliance, ensuring financial sustainability while maintaining equity among participants (Bank Negara

Malaysia, 2019; Yahdi, 2019). Operators like Prudential BSN Takaful share surplus based on pre-agreed ratios, reinforcing transparency and ethical governance. To ensure fairness, surplus distribution accounts for variations in participants' contributions and claims experience, fostering a balanced and sustainable system.

Surplus sharing ultimately serves as a mechanism to reward participants, incentivize operator performance, and promote long-term trust and cooperation within the Takaful framework (BNM, 2013; AAOIFI, 2010).

Despite its benefits, surplus sharing also faces operational challenges. These challenges include managing the participants' expectations and maintaining fund solvency considering fluctuating claims and expenses. Standard-setting bodies, such as the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), advocate for greater harmonization to ensure global fairness and efficiency in surplus-sharing mechanisms (Naim, Isa Rahim, 2023). Good continuous innovation and application of Shariah compliance will help to improve this takaful surplus-sharing mechanism.

Regulatory Framework Associated with Surplus Sharing

The regulatory framework governing Takaful, including surplus sharing, plays a crucial role in ensuring its alignment with Sharia principles and market stability. Most regulations require transparency in the way surplus is distributed, such as to disclose the calculation methods to the participants. In a country like Malaysia, where Takaful is well regulated, the policies outline is clear for surplus allocation, reserve management, and participant rights. The Central Bank of Malaysia, under the Islamic Financial Services Act (IFSA) 2013, provides comprehensive oversight to ensure equitable surplus-sharing practices while safeguarding the solvency of Takaful funds (Ahmad, 2022).

Specifically, Takaful Operational Framework (2019) outline the surplus management in Section 18.6 as follows:

Pursuant to 18.2(d), surplus may be distributed to takaful participants in a manner that may include, but not limited to the following:

- (a) retain the distributable surplus in PRF, where the amount shall be made available and to be paid upon claim, maturity or surrender;
- (b) accumulate the distributable surplus in PIF Investment or Savings of the individual takaful participants and payable upon claims, maturity or surrender;
- (c) pay the distributable surplus directly to the bank account of each individual takaful participant; or
- (d) donate to charitable organisation, in the case where takaful participants agree to forgo their rights to the distributable surplus.

However, there is a lack of global unity on the need for a standardized framework. Harmonizing policies could enhance cross-border Takaful operations

and boost investor confidence in the sector (Rahman et al., 2024). The rising trends in regulatory oversight also have an impact on risk management and technological integration. Regulators have also encouraged the usage of digital platforms to ensure transparency in surplus-sharing and allow for real-time tracking of surplus distributions. Other than that, this framework has also faced challenges such as anti-money laundering compliance and the integration of environmental, social, and governance considerations into Takaful practices. These developments can lead to continuous innovation while maintaining the ethics in the Takaful regulatory framework.

Comparison with Participating Policies of Conventional Insurance

Distribution of part of the balance or surplus of a fund is not an entirely new concept in the insurance world and is shared between takaful and conventional insurance participating policies, although their principles of operation will differ. The conventional participating insurance will have full ownership of the fund by the insurance company, while the policyholders enjoy limited rights to the profits realized from the investment of the fund. This is normally distributed as bonus or cash dividend.

The main difference between takaful and conventional participating policies is that the ownership and treatment of the contributions are different. In takaful, the contributions are regarded as *tabarru'* (donations), and the funds are owned collectively by the participants. Any surplus distribution is regarded as a takaful benefit, which must be clearly stated in the takaful contract and mutually agreed upon by all the participants. On the other hand, conventional insurance premiums form the asset of the insurer, with a surplus often retained upon receipt, part of the underwriting profit of the insurer, with no obligatory sharing to policyholders. According to Sanusi & Hasan (2025), takaful operates under strict Shariah governance, which is set to ensure compliance with Islamic principles and to avoid elements such as *riba* (interest), *gharar* (uncertainty), and *maysir* (gambling). Conventional insurance follows secular financial regulations that basically revolve around profitability rather than religious or ethical considerations.

METHODOLOGY

This study adopts a qualitative approach to examine surplus-sharing practices among Malaysian Takaful operators. This approach allows a deeper understanding of both the technical process and the stakeholder perspectives that shape surplus distribution (Sikander, 2024). The content analysis relies on secondary sources, including policy documents issued by Bank Negara Malaysia (2019), AAOIFI Shariah and accounting standards on Takaful (AAOIFI, 2010, 2015), as well as websites, annual and integrated reports from leading Takaful operators. These materials provide insights into the mechanisms used in surplus sharing. Data were

selected to reflect variation across operators and products specifically on the allocation between participants and operators.

RESULTS AND DISCUSSION

The surplus-sharing practices among Takaful operators in Malaysia are shaped by the underlying Takaful models they adopt. According to Sham et al. (2012), Takaful basically have two models used which is *mudarabah* (profit-sharing), and *wakalah* (agency). Nonetheless, there are some practitioners typically refer to the various versions of both models termed as either “hybrid” or “modified” models. In some findings, there are addition model which is *waqf* model (*wakalah* based).

Based on Table 1, the analysis of surplus-sharing practices among Malaysian takaful operators shows that the majority of companies adopt a 50:50 distribution model, whereby surplus is equally shared between participants and operators. This arrangement is usually structured under the *Ju‘alah* contract, which treats the operator’s portion as a performance fee for efficiently managing the fund. Takaful operators such as AIA Public Takaful, Etiqa Takaful, FWD Takaful, Great Eastern Takaful, Hong Leong MISG Takaful, Prudential BSN Takaful, and Sun Life Malaysia follow this approach, reflecting a general industry convergence towards standardized sharing. The absence of surplus distribution in the *Wakalah* model has led many takaful operators to adopt a modified *Wakalah* model. In this model, the operator earns a pre-agreed fee and a portion of the surplus, known as a performance fee (Hassan, 2014).

Despite this commonality, several takaful operators apply alternative surplus-sharing mechanisms. Takaful Ikhlas Family and Takaful Ikhlas General distribute the entire net surplus (100%) to participants after deducting a Surplus Administration Charge (SAC). Syarikat Takaful Malaysia uses a mixed model, applying *Ju‘alah* for a portion of the risk fund surplus and *Hibah* (gift) for participant “cashback.” Similarly, Zurich Takaful incorporates *Hibah* either alongside *Ju‘alah* (Zurich Family) or exclusively (Zurich General). These variations illustrate the contractual flexibility within Shariah principles that allows operators to adopt different models while maintaining compliance.

The general industry convergence around the 50:50 surplus-sharing model, reflecting both regulatory guidance from Bank Negara Malaysia and alignment with international standards such as AAOIFI’s Takaful guidelines (AAOIFI, 2024). However, the presence of alternative practices, such as 100% participant allocation (Takaful Ikhlas) or *Hibah*-based sharing (Zurich Takaful), demonstrates flexibility in contractual arrangements permitted under Shariah principles.

Another notable finding is the integration of charitable allocations in some operators’ policies. AIA Public Takaful, Etiqa, and Takaful Ikhlas, for example, provide participants with the option to donate their surplus to charity, while small amounts below a threshold are also channeled into charitable funds with Shariah

Committee approval. This feature underscores the social and ethical dimension of Takaful, aligning with its underlying principle of mutual assistance and enhance public perception of social responsibility in Islamic financial institutions (Rahman et al., 2024).

Finally, the findings confirm that Shariah governance plays a central role in surplus distribution. All operators require Shariah Committee endorsement of surplus-sharing policies, and in some cases, additional approval from the Board of Directors. This ensures that the surplus allocation process is not only contractually valid but also consistent with broader governance and accountability standards.

In sum, while the Malaysian Takaful industry has institutionalized surplus-sharing, greater standardization of disclosure and governance is needed to ensure accountability, comparability, and sustainability, consistent with the call for enhanced Shariah governance in Islamic finance (Naz & Abadullah, 2025; Iqbal & Audi, 2025).

Table 1: Surplus-sharing practices by takaful operators in Malaysia.

No.	Takaful Operator	Surplus-Sharing Practices	Source
1.	AIA Public Takaful Bhd	AIA PUBLIC will be entitled to earn up to 50% of the Surplus arising from the PRF as performance fee (Ju'alah) for managing the fund efficiently which result in the surplus. The remaining portion of the Surplus will be distributed to eligible Participants and will then be credited into the Participant's Accounts Fund. Participants who want to help those in need will now have the option to donate surplus received to charity if they choose to do so.	Product Brochure- A-Life Idaman (AIA Public Takaful Bhd, 2025)
2.	AmMetLife Takaful Berhad	Any surplus from the PRF was allocated and distributed between participants and the Company/shareholders' fund in accordance with the guidelines issued by BNM.	AmMetLife Takaful Berhad Audited Financial Statements (AmMetLife Takaful Berhad, 2025).
3.	Etiqa General and Family Takaful Berhad	At the end of each financial year, any distributable surplus in the Fund, less repayment of historic deficits and makes allowance for a contingency provision, and is subject to the surplus policy approved by Our Shariah Committee, is shared 50% among the Participants whose certificates have not terminated and who have not made any claims within the financial year, and 50% to Us for operating and managing the Fund, based on the contract of Ju'alah. Ju'alah is a reward contract that specifies the share of the distribution of surplus on this basis. If the surplus is less than RM10.00, it will be credited into charitable fund which will be utilized as 'amal jariah' on behalf of the Participants. The charitable fund will be distributed to eligible recipients as approved by Our Shariah Committee for charitable purposes.	Product Disclosure Sheet - Equipment All Risks Takaful (Etiqa Takaful, 2025)
4.	FWD Takaful Berhad	The Takaful Operator will be rewarded (Jua'lah) with a 50% share of the distributable surplus from the participants' risk fund and the remaining 50% will be distributed to eligible participants.	Product Disclosure Sheet-FWD i-Lindung Critical Illness Plan (FWD Takaful Berhad, 2025).

No.	Takaful Operator	Surplus-Sharing Practices	Source
5.	Great Eastern Takaful Berhad	Underwriting surplus (if any) from the Tabarru' Fund after a suitable amount is held back for contingency purposes will be shared among the Participants and TO in the ratio of 50:50. Participant's share of the surplus will be credited into your Participant's Individual Account.	Product Brochure - i-Great Nova (Great Eastern Takaful Berhad, 2025)
6.	Hong Leong MISG Takaful Berhad	Any arising surplus from the PRF will be distributed in a ratio of 50:50 between the eligible participants and Takaful Operator based on Ju'alah9 principle. Participant's share of surplus will be credited into the PA.	Product Brochure - HLM Takaful i-Tulus (Hong Leong MISG Takaful Berhad, 2025)
7.	Prudential BSN Takaful Berhad	Policyholders are entitled to receive any distributable surplus from the Tabarru' Fund inclusive of investment profit (if any). Together with other participants, you are entitled to 50% of the surplus and PruBSN will receive the balance of 50% as performance fee for managing the Tabarru' Fund. Policyholder's portion of the distributable surplus will be placed back into account. The exact amount of distributable surplus will be determined annually and is subject to approval by both the Shariah Committee and the Board of Directors of PruBSN.	Product Brochure - PruBSN AnugerahMax (Prudential BSN Takaful Berhad, 2025)
8.	Sun Life Malaysia Takaful Berhad	At the end of the financial year, any distributable surplus declared from the PTF after repayment of Qard (interest-free loan provided by Sun Life Malaysia in the event of a deficit in the PTF, if any) will be distributed at ratio of 50% to Sun Life Malaysia as an incentive and 50% among all eligible participants into their universal account.	Product Brochure - Sun Apex-I (Sun Life Malaysia Takaful Berhad, 2025).
9.	Syarikat Takaful Malaysia Keluarga Berhad	Under Jua'lah, the participant allows Takaful Malaysia to receive fifteen percent (15%) of investment profit arising from the Participant Account and fifty percent (50%) of the distributable surplus arising from the Risk Fund, if any, as a performance incentive for Takaful Malaysia's achievement in managing the Participant Account and Risk Fund respectively which results in the profit and surplus.	Product Disclosure Sheet - Takaful Malaysia Budi (Syarikat Takaful Malaysia, 2025a).

No.	Takaful Operator	Surplus-Sharing Practices	Source
10.	Syarikat Takaful Malaysia Am Berhad	<ul style="list-style-type: none"> A portion of the distributable surplus which is credited into the GTF will be distributed to eligible participants in the form of cash back based on Hibah. The participant allows TO to receive a portion of the distributable surplus arising from the fund as a performance incentive for TO's achievement in managing the fund which results in the surplus. 	Product Disclosure Sheet - Takaful myMotor - Private Car (Comprehensive Cover) (Syarikat Takaful Malaysia, 2025b)
11.	Takaful Ikhlas Family Berhad	The Company will charge a Surplus Administration Charge (SAC) of 50% of the gross distributable surplus declared at the end of each Financial Year. The net distributable surplus (after deducting SAC) from the Risk Fund will be allocated in full (100%) to the Takaful Participant.	Product Disclosure Sheet - IKHLAS Savings Prime Takaful (Takaful Ikhlas Family Berhad, 2025a).
12.	Takaful Ikhlas General Berhad	Any net distributable surplus arising (after deducting the SAC) from the Risk Fund will be allocated in full (100%) to the Takaful Participant. Upon Takaful Certificate expiry, if the amount due to Takaful Participants is less than RM10, the amount shall either be retained in the Risk Fund or donated to charity on behalf of the Takaful participants as an act of good deed. The threshold, method and time of settlement of the surplus distribution shall be defined in the Surplus Management Policy.	Product Disclosure Sheet - IKHLAS Private Car Comprehensive Plus Takaful (Takaful Ikhlas Family Berhad, 2025b).
13.	Zurich Family Takaful Malaysia Berhad	If there is a Surplus Sharing declared at the end of each financial year, the surplus will be shared 50:50 between the eligible Participant and Takaful Operator based on the contract of Hibah (gift) and Ju'alalah (performance fee), respectively.	Product Brochure - Takaful ProAspire (Zurich Malaysia, 2025a).
14.	Zurich General Takaful Malaysia Berhad	If a surplus arising from GTF is declared, 50% of the surplus will be shared with eligible participants based on the Hibah (gift) contract.	Product Disclosure Sheet - Z-Driver Takaful Enhanced Private Car Certificate (Zurich Malaysia, 2025b).

CONCLUSION

This study examined the surplus-sharing practices of Malaysian Takaful operators and highlighted the variations in models, contractual arrangements, and distribution mechanisms. The findings reveal that while most operators adopt a 50:50 distribution ratio between participants and operators—typically based on *Ju'alah*—there remains notable diversity in implementation. Some operators, such as Takaful Ikhlas, allocate the entire net surplus to participants, while others, like Zurich and Syarikat Takaful Malaysia, utilize *Hibah*-based or hybrid approaches. Additionally, the integration of charitable allocations, either through participant options or threshold-based donations, reflects the ethical and social dimension embedded within the Takaful system. These practices underscore both regulatory compliance and Shariah flexibility in surplus management, balancing commercial sustainability with participants' interests and communal welfare.

Importantly, the study reaffirms the central role of Shariah governance and regulatory oversight in ensuring fairness, transparency, and accountability in surplus-sharing practices. As outlined by Bank Negara Malaysia (2013) in its guidance (para. 18.6), surplus may be distributed in several permissible ways: retained in the risk fund for claims, accumulated in participant accounts, directly credited to participants, or donated to charity upon participant consent. The evidence from operators illustrates that these modes of distribution are actively applied in the Malaysian Takaful landscape.

The practical implication of these findings is that regulators may need to encourage greater standardization in disclosure and reporting to reduce ambiguity and enhance comparability across operators. For Takaful operators, ensuring that surplus-sharing policies are clearly explained and communicated can strengthen participants' trust, while integrating charitable options can enhance their role as socially responsible institutions. For participants, greater transparency in surplus management improves their confidence in the fairness and sustainability of Takaful.

This study is limited by its reliance on purposively selected documents, which were analyzed to capture variation across operators and products. The coding process focused on key themes: eligibility and timing of distribution, allocation between participants and operators, contractual basis, and level of transparency. While this design is appropriate for understanding how regulatory expectations and Shariah governance are operationalized in practice (BNM, 2024; AAOIFI, 2024), it may not capture the full range of internal operational policies or unpublished surplus practices. Future research could therefore incorporate interviews with regulators, Shariah committee members, and participants to enrich insights on fairness perceptions and practical challenges in surplus sharing.

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