

Commissioner Notification

Re: Rules for Approval of Form and Wording Concerning Payment of Benefits under Takaful Contract and Rates of Regular Takaful Contribution

B.E. 2557 (2014)

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By virtue of section 29 and section 30 of the Life Insurance Act, B.E. 2535 (1992), the Commissioner issues the following notification.

Clause 1 This notification is called the "Commissioner Notification Re: Rules for Approval of Form and Wording Concerning Payment of Benefits under Takaful Contract and Rates of Regular Takaful Contribution, B.E. 2557 (2014)."

Clause 2 This notification shall come into force on and from the date of issuance of the notification.

Clause 3 In this notification,

"Regular contribution takaful contract" means any type of takaful contract with a contract term of over one year under for which takaful contributions are regularly paid in an equal amount consecutively for more than one year;

"Whole life type" means a type of policy that provides coverage if the insured lives to or dies at 90 or over 90 within the takaful contract term and this shall include increase in benefits in the case of death and/or increase or decrease in benefits if the insured is alive (pure endowment), but excluding annuity benefits;

"Endowment type" means a type of policy that covers survival or death within the term of the takaful contract, and shall include increase in benefits in the case of death and/or increase or decrease in benefits in the case of survival (pure endowment), but excluding annuity benefits;

"Term type" means a type of policy that covers death within the term of the takaful contract, and the amount of takaful sum assured is fixed during the term thereof.

Clause 4 If the company files an application for approval of the form and wording of payment of benefits and rates of regular contribution under the takaful contract in the endowment, whole life, or term type, and if it contains the elements and content of the form and wording concerning payment of benefits and contribution rates which are in accordance with the rules attached hereto, it shall be deemed as having been approved by the Commissioner from the date on which the Office of Insurance Commission affixed the seal to accept the application for approval and the fee was paid.

(Translation)

Page 19

Book 131 Special Chapter 38 Ngor

Government Gazette

25 February 2014

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Clause 5 If the company wishes to use the form and wording concerning payment of benefits and rates of regular contribution under the takaful contract that are different from those prescribed in clause 4, the company shall apply for approval to the Commissioner. After approval has been granted by the Commissioner, the company may then use the approved documents.

The provision in paragraph one shall not be applied to the form and wording concerning payment of benefits and rates of regular contribution under the takaful contract for which the company had been granted approval by the Commissioner prior to the date on which this notification is in effect.

Clause 6 The company shall adjust the contribution rate booklet under the takaful contract to be in alignment with the wording in the takaful contract under this notification.

This notification shall come into force from now onwards ~~Effective henceforth.~~

Notified on 30 January 2014.

Prawet Ong-aatsitthikul

Secretary-General

Insurance Commission

Commissioner

(Translation)

**Annex to the Commissioner Notification**

**Re: Rules for Approval of Form and Wording Concerning Payment of Benefits under Takaful Contract and Rates of Regular Takaful Contribution**

**B.E. 2557 (2014)**

The rules for approval of the form and wording concerning payment of benefits under the takaful contract and rates of takaful contribution, B.E. 2557 (2014), attached to the Commissioner notification, consist of:

part 1: terms on payment of benefits under the takaful contract;

part 2: elements for specification of the takaful contribution rates;

part 3: takaful contribution rate booklet;

part 4: form and wording of the brief summary and terms on payment of benefits under the takaful contract; and

part 5: filing of application for approval of the form and wording concerning payment of benefits under the takaful contract and rates of takaful contribution.

**Part 1**

**Terms on Payment of Benefits under the Takaful Contract**

Clause 1 Terms on payment of benefits under the takaful contract

(1) Specification of benefits in the case of death

(a) The company shall pay a benefit of no less than the amount of takaful sum assured stated the schedule of the takaful contract (face amount) during the takaful contract term.

(b) In the case of a minor, the full benefit in the amount of takaful sum assured or the benefit of no less than as prescribed below, may be paid:

1) no less than 20 percent of the takaful sum assured in case of a minor of less than one full year of age;

2) no less than 40 percent of the takaful sum assured in case of a minor of one full year, but less than two full years of age;

3) no less than 60 percent of the takaful sum assured in case of a minor of two full years, but less than three full years of age;

4) no less than 80 percent of the takaful sum assured in case of a minor of three full years, but less than four full years of age;

5) 100 percent of the takaful sum assured in case of a minor of four full years of age, and up.

(c) In the case of a senior takaful member insured from the age of 60 and up, the full benefit in the amount of takaful sum assured or the benefit of no less than as prescribed below, may be paid:

(Translation)

1) no less than 20 percent of the takaful sum assured in the first year of the takaful contract;

2) no less than 50 percent of the takaful sum assured in the second year of the takaful contract;

3) no less than 70 percent of the takaful sum assured in the third year of the takaful contract;

4) no less than 100 percent of the takaful sum assured in the fourth year of the takaful contract, and henceforth.

(d) The company shall make payment for the surrender values of takaful contract, or of the takaful security deposit, whichever is higher.

(2) The benefits in the case of survival (pure endowment) may not be determined alone without determining the benefits in the case of death.

## Section 2

### Elements for Specification of the Takaful Contribution Rates

Clause 2 The specification of the takaful contribution rates applicable for ordinary takaful and industrial takaful for a single life, for which regular contribution is paid, consists of the following elements.

(1) 100 percent of Thai mortality table 2008 with respect to the ordinary type or industrial type, categorized by gender, shall be applied.

(2) The management fee rate no less than 2 percent per annum shall be applied in the calculation of the contribution rate on the assumption of payment on the expiration date of the takaful contract.

(3) The following expenses shall be applied:

(a) Whole life and endowment takaful contracts

Takaful term	Expense per annual takaful contribution		Expense per Baht 1,000 of takaful security deposit	
	1st year expense	Following year expense	1st year expense	Following year expense
Not exceeding 10 years	Not exceeding 60 percent	Not exceeding 8 percent	Not exceeding Baht 14	Not exceeding Baht 4
11-15 years	Not exceeding 80 percent	Not exceeding 10 percent	Not exceeding Baht 14	Not exceeding Baht 4
Exceeding 15 years	Not exceeding 90 percent	Not exceeding 10 percent	Not exceeding Baht 14	Not exceeding Baht 4

(Translation)

(b) Term takaful contract

Takaful term	Expense per annual takaful contribution		Expense per Baht 1,000 of takaful security deposit	
	1st year expense	Following year expense	1st year expense	Following year expense
Not exceeding 10 years	Not exceeding 60 percent	Not exceeding 30 percent	Not exceeding Baht 3.50	Not exceeding Baht 1
11-15 years	Not exceeding 80 percent	Not exceeding 30 percent	Not exceeding Baht 3.50	Not exceeding Baht 1
Exceeding 15 years	Not exceeding 90 percent	Not exceeding 30 percent	Not exceeding Baht 3.50	Not exceeding Baht 1

(c) The company may omit the application of the 1st year expense and the following year expense in accordance with the rules specified in (a) and (b), provided that the takaful contribution rates determined by the company must not exceed the takaful contribution rates prescribed in (a) and (b).

(4) The takaful contribution rates may be increased by no more than 5 percent of the annual takaful contribution rates.

(5) With respect to takaful contribution rates for substandard risk due to health, the expense of no more than 20 percent of the net annual extra takaful contribution rates shall be applied.

(6) Regular takaful contribution rates less than one year shall be determined as follows:

(a) monthly takaful contribution rates of no more than 9 percent of the annual takaful contribution rates;

(b) quarterly takaful contribution rates of no more than 27 percent of the annual takaful contribution rates;

(c) semi-annual takaful contribution rates of no more than 52 percent of the annual takaful contribution rates.

### Section 3

#### Takaful Contribution Rate Booklet

Clause 4 The takaful contribution rate booklet consists of:

- (1) the front cover of the takaful contribution rate booklet;
- (2) the actuary's certificate of the calculation of takaful contribution rates and cash value rates;
- (3) the details of the takaful contribution rate booklet shall be in accordance with the following form and wording.

(Translation)

(1) Front cover of the takaful contribution rate booklet:

Company.....

Product Name.....

Ordinary / Industrial Takaful Contract

Takaful Contract Term of ..... Years

Takaful Contribution Payment Period of ..... Years

(Tax-deductible/Non-tax deductible)

Person certifying the report of the calculation of takaful contribution rates and cash value rates under takaful contract

Name and surname.....

Actuary

Automatic/Normal

(Translation)

(2) Actuary's certificate of the calculation of takaful contribution rates and cash value rates under takaful contract

I, \_\_\_\_\_, actuary of \_\_\_\_\_ Company,  
and the person entitled to certify the liability calculation report under the takaful contract pursuant to the provision in section 83/6 of the Life Insurance Act, B.E 2535 (1992), amended by the Life Insurance Act (No. 2), B.E. 2551 (2008), under License No. \_\_\_\_\_, from \_\_\_\_\_  
\_\_\_\_\_ to \_\_\_\_\_, hereby certify that \_\_\_\_\_ pages of takaful contribution rates,  
and \_\_\_\_\_ pages of cash value rates under takaful contract, together with \_\_\_\_\_  
compact disc (CD), of \_\_\_\_\_, have been correctly calculated in  
accordance with the calculation formula prescribed in this takaful contribution rate booklet, and that  
calculation formula is prescribed correctly in accordance with the actuarial principles and in  
alignment with the terms on payment of benefits under the takaful contract.

Signed \_\_\_\_\_

( \_\_\_\_\_ )

(Translation)

(3) Details of takaful contribution rate booklet

Company.....

Product Name.....

1. Terms of payment of benefits under the takaful contract during the term in which the takaful contract remains effective.

1.1 In the case of death

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1.2 In the case of survival (if any)

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1.3 Dividend under the takaful contract (if any, in which case it must not be included in the takaful contribution rate formula)

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2. Terms of calculation of the takaful contribution rate

2.1 Thai mortality table 2008, type....., gender.....

2.2 Management fee rate at ..... percent per annum

2.3 Expenses

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2.4 Eligible age: .....years

3. The calculation of the takaful contribution rate per the takaful sum assured of Baht 1,000

3.1 Formula of net annual takaful contribution, together with explanation on symbols in the formula

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(Translation)

3.2 Formula of gross annual takaful contribution, together with explanation on symbols in the formula

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3.3 Formula of annual extra takaful contribution for substandard risk due to health: k.....  
.....percent (if any)

3.4 Factors for the calculation of the regular takaful contribution for the term less than one year (if any)

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3.5 Takaful contribution discount (if any), provided that the criteria for giving discount must be clearly specified.

4. Calculation of payment for the surrender of takaful contract (if any) per the takaful sum assured of Baht 1,000

4.1 Calculation of payment for the surrender of takaful contract (if any)

4.1.1 Formula of year-end reserves, together with explanation on symbols in the formula

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4.1.2 Formula of payment for the surrender of takaful contract in percentage of the year-end takaful reserves, together with explanation on symbols in the formula

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4.2 Calculation of paid-up value (if any)

4.2.1 Terms of payment of benefits based on the paid-up value

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4.2.2 Formula of paid-up value, together with explanation on symbols in the formula

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4.3 Calculation of extended term value (if any)

4.3.1 Terms of payment of benefits based on the extended term value

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(Translation)

4.3.2 Mortality table used in the calculation of the extended term value

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4.3.3 Formula of extended term value, together with explanation on symbols in the formula

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5. Table showing the net takaful contribution rate and total takaful contribution rate categorized by gender, and period (if any) per the takaful sum assured of Baht 1,000
6. Table showing the annual extra takaful contribution rates for substandard risk due to health, categorized by gender (if any) per the takaful sum assured of Baht 1,000
7. Table showing cash value rates under takaful contract, categorized by gender, per the takaful sum assured of Baht 1,000 (if any)

(Translation)

**Table showing the cash value rates under takaful contract (if any) per the takaful sum assured of Baht 1,000**

**Product Name** .....

**Age**.....**years** **Gender**.....

Takaful contract year ending	Takaful surrender values	Paid-up takaful contract (if any)		Extended term takaful contract (if any)			
		Immediate sum returned	Paid-up value	Extended term		Immediate sum returned	Pure Endowment
				Year	Day		
1							
2							
3							
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.							
.							

- Remarks:**
1. The above takaful contract surrender payment is before deduction of any debt.
  2. The takaful contract surrender payment shown in the table is after deduction of the sum returned (if any).

(Translation)

**Part 4**

**Form and Wording of the Brief Summary and Terms on Payment of Benefits under the Takaful Contract**

Clause 5 The essence shall be summarized in brief in accordance with the form and wording as follows:

**Name of the company**

**Address**

**Brief summary**

1. Benefits

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2. Key conditions

(1) When there is surrender value in any takaful contract year (if any), a takaful member can exercise the right to surrender the takaful contract, change it to a paid-up takaful contract (if any) or extended term takaful contract (if any), or take out a loan under the conditions of the takaful contract (if any).

(2) Grace period for payment of the takaful contribution of.....days.

(3) In the case of death of the takaful member, the beneficiary must give the company notice within 14 days from the date of death.

(4) The cases for which the company will not provide coverage:

(a) In the case of nondisclosure of facts or false statement, the company will avoid the contract within one year from the date of execution of the contract, the date of the last renewal, or the date of reinstatement.

(b) In the case of suicide within one year, or being killed by the beneficiary.

**The details of each clause are shown in the terms of benefit payment and general conditions of the takaful contract.**

**Remark:** In the case of reinstatement, if the company does not wish to exercise the right to avoid the contract, the company is not required to specify so.

(Translation)

Clause 6 The terms of benefit payment shall be in accordance with the form and wording as follows:

**Terms of Benefit Payment under Takaful Contract**

**Product Name** .....

**Ordinary/Industrial**

**Term of Takaful Contract**.....**years**

**Payment of Takaful Contribution for**.....**years**

Terms of payment of benefits under the takaful contract during the term in which the takaful contract remains effective.

1 In the case of death

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2. In the case of survival (if any)

(1) Coupons payable under the takaful contract

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(2) Maturity benefit under the takaful contract

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3. Dividend under the takaful contract (if any)

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4. In the case of change to the paid-up takaful contract, please specify if there are changes to payment (if any).

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**Remark:** The terms of benefit payment shall be typed in accordance with those under each type.

(Translation)

**Part 5**

**Filing of Application for Approval of the Form and Wording Concerning Payment of Benefits under Takaful Contract and Rates of Takaful Contribution**

Clause 7 In filing an application for approval of the form and wording concerning payment of benefits under the takaful contract and rates of the regular takaful contribution, the following documents shall be required.

- (1) Two takaful contribution rate booklets as prescribed in Part 3.
- (2) Form and wording of the brief summary, and terms of benefit payment under the takaful contract, totaling three documents, as prescribed in Part 4.
- (3) A copy of the receipt for the fee for the form and wording concerning payment of benefits under the takaful contract, and a copy of the receipt for the takaful contribution fee.
- (4) Explicit certificate of operation (with clear explanation about the details related to the operation in accordance with Islamic principles) and investment, that is certified by the Shariah Committee as being correct in accordance with the Islamic principles.

The documents in (1) and (2) shall be signed and certified by the actuary.