

Transparency in the Assessment of *Takaful* Claims for Construction Works Loss & Damage

Puteri Nur Farah Naadia Mohd Fauzi (Corresponding author)
Department of Quantity Surveying, Kulliyyah of Architecture & Environmental Design,
International Islamic University Malaysia (IIUM), 53100 Kuala Lumpur, Malaysia
Tel: 03-61966204/+6014-9311639 E-mail: puteri@iium.edu.my

Khairuddin Abdul Rashid
Department of Quantity Surveying, Kulliyyah of Architecture & Environmental Design,
International Islamic University Malaysia (IIUM), 53100 Kuala Lumpur, Malaysia
Tel: +603-61965221 E-mail: khairuddin@iium.edu.my

Abstract

In the context of the construction industry, an alternative to the conventional insurance for works contracts is the Shariah compliant insurance otherwise known as *takaful*. Among the most frequently used *takaful* for construction works contracts is the Contractor's All Risks (CAR) *Takaful*. However, the future of CAR *Takaful* may be affected should issues such as marketing and clarification on how it works including how claims are processed, valued and compensation made are not made known to Contractors and Clients. In fact, previous studies have identified that issues on transparency in CAR *Takaful* products is among the major concerns expressed by the Contractors and Clients. Consequently, a study was conducted, the key objectives being to establish understanding on the concept of transparency in CAR *Takaful* claims and assess, from the perspectives of the Contractors and Clients, on whether the dealings in CAR *Takaful* claims are considered transparent or otherwise. The study was conducted principally via desk research and interviews with representative from *takaful* operators, Contractors and Clients organizations. Key results from the study suggest that transparency in CAR *Takaful* dealings is a concern especially those related to compliance with the Shariah and manner in which claims are valued and compensation decided. Such lack of transparency, if not addressed soonest possible, may not augur well for the future of

the CAR *Takaful* industry.

Keywords: construction, claims, compensation, transparency, *takaful*

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