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| Supplements | Title IX and X of CL 2024-13 and CL 2016-65 |

CIRCULAR LETTER

TO: : ALL REGULATED ENTITIES WITH TAKAFUL WINDOW OPERATIONS

SUBJECT : FINANCIAL REPORTING FRAMEWORK (FRF) FOR TAKAFUL WINDOW OPERATIONS

WHEREAS, Section 189 of Republic Act (RA) No. 10607 or the Amended Insurance Code provides that all companies or entities regulated by the Commission, unless otherwise required by law, shall comply with the financial reporting frameworks adopted by the Insurance Commission (IC) for purposes of creating the statutory financial reports and the annual statements to be submitted to the Commission;

WHEREAS, Circular Letter (CL) No. 2016-65 summarizes the Financial Reporting Framework (FRF) applicable to all life and non-life insurance and professional reinsurance companies doing business in the Philippines;

WHEREAS, CL No. 2022-24 sets out the new FRF for mutual benefit associations (MBAs) authorized to transact business in the Philippines;

WHEREAS, CL No. 2024-13, which amended CL No. 2022-04, provides consolidated guidelines for Takaful Window Operations in the Philippines;

WHEREAS, Title IX of CL No. 2024-13 mandates Takaful operators to comply with both local requirements and internationally recognized financial reporting standards recognized by the Philippine Financial and Sustainability Reporting Standards Council. It also requires the complete segregation of the Takaful Operator's Shareholders' Fund from the Participants' Risk Fund to prevent the misuse or commingling of participants' contributions with the general assets of the company;

WHEREAS, Title XIII of CL No. 2024-13, provides that Takaful operators shall make adequate and timely disclosure of material and relevant financial and non-financial information on the products and investment accounts they manage, providing this information to both Takaful participants and the public;

WHEREAS, the formulated financial reporting framework aims to ensure uniform reporting among IC-regulated entities with Takaful Window Operations in their statutory quarterly and annual reports.

WHEREAS, Section 437 of the Amended Insurance Code empowers the Insurance Commissioner to issue such rulings, instructions, circulars, orders, and decisions as may be deemed necessary to secure the enforcement of the provisions of this Code, to ensure the efficient regulation of the insurance industry in accordance with global best practices, and to protect the insuring public;

NOW, THEREFORE, in view of all the foregoing and in accordance with the Insurance Commissioner's power under Section 437 of the Amended Insurance Code, the following guidelines are hereby promulgated:

SECTION I. GENERAL GUIDELINES FOR REPORTING TAKAFUL WINDOW OPERATIONS

The provisions of existing regulations, as well as other issuances by the IC for conventional insurance and MBAs, shall also apply to all IC-regulated entities with Takaful Window Operations, unless otherwise expressly specified.

SECTION II. SEGREGATION OF FUNDS, BOOKS, AND RECORDS

The capital/fund of the Participants' Fund shall be completely segregated from Takaful Window Operators' shareholders. Further, the capital/fund of the Participants' Fund shall not be invested in/or commingled with other funds held by conventional insurance and MBAs. The books and records of a Takaful Window shall contain full information relative to its Takaful and financing transactions and activities, and shall be kept separate and distinct from the books and records of transactions performed by other departments/units of the conventional insurance and MBAs. Likewise, adequate internal controls and systems must be implemented and maintained to ensure compliance with the required segregation.

Furthermore, the regulated entity shall implement a transparent, fair, and Shari'ah-compliant methodology to allocate shared expenses between the Takaful Operator and the conventional insurance business, using measurable drivers. This allocation shall be subject to review by the Shari'ah Committee and approval by management.

SECTION III. ANNUAL STATEMENT (AS) SUBMISSIONS

Insurers and MBAs undertaking Takaful Window Operations shall prepare a separate AS specifically for their respective Takaful Operations using the prescribed template and submit it to the Commission in accordance with provisions of Sections 229 and 412 of the Amended Insurance Code.

The number of required AS submissions shall be contingent upon the scope of a regulated entity's authorized operations, including but not limited to the following:

1. IC-regulated entities authorized to issue both life insurance policies and family Takaful products shall be required to submit two (2) separate AS.
2. Composite insurance companies authorized to issue general and family Takaful products in addition to conventional insurance shall be required to submit four (4) separate AS.

Failure to submit the above report shall warrant the non-acceptance of the Annual Statement in its entirety or stricter regulatory action as prescribed by applicable laws and regulations.

SECTION IV. SHARI'AH COMPLIANCE STATEMENT/REPORT

All AS and supporting schedules for Takaful Window Operations must be accompanied by a Shari'ah Compliance Statement/Report issued by the Shari'ah Committee attesting to their compliance with relevant Shari'ah principles and rulings.

At a minimum, the Shari'ah Compliance Statement/Report shall include:

1. A declaration that the Takaful Window Operations were conducted in accordance with approved Shari'ah principles, rulings, and internal Shari'ah governance policies;
2. The scope of the Shari'ah review conducted, including the period covered and the areas examined (e.g., underwriting, claims, investments, surplus distribution, Qard Hasan, expense allocations, and related party or interrelated transactions);
3. Confirmation of the Takaful model(s) applied (e.g., Wakalah, Mudarabah, Hybrid), including a statement that the model, fees, and profit-sharing arrangements are in accordance with approved Shari'ah rulings;
4. A statement on the allocation of shared expenses between the Takaful Window Operations and the conventional business, including confirmation that the allocation methodology is fair, reasonable, and Shari'ah-compliant;
5. Disclosure of Qard Hasan transactions during the period, including:
 - a. Amounts extended to the Participants' Fund;
 - b. Amounts repaid or recovered;
 - c. Amounts written off, if any; and
 - d. Confirmation that such transactions comply with Shari'ah principles and approved policies.
6. A statement on interrelated or related-party transactions involving the Takaful Window Operations, including confirmation that such transactions were conducted on terms consistent with Shari'ah principles and approved by the Shari'ah Committee, where required;
7. Confirmation that the income and investments of the Participants' Funds were managed in accordance with approved Shari'ah-compliant instruments;
8. A statement on the proper segregation and management of the Participants' Risk Fund, Participants' Investment Fund, and Shareholders' Fund, where applicable;
9. Confirmation of compliance or disclosure of any Shari'ah non-compliance events, if any, including:
 - a. The nature and cause of the non-compliance;

- b. The financial impact; and
 - c. Corrective and purification measures undertaken.
10. The opinion of the Shari'ah Committee on the overall level of Shari'ah compliance of the Takaful Window Operations for the reporting period; and
11. The names, signatures, and dates of the Shari'ah Committee members issuing the report.

Failure to submit the above report shall warrant the non-acceptance of the Annual Statement in its entirety or stricter regulatory action as prescribed by applicable laws and regulations.

SECTION V. PRESENTATION OF THE TAKAFUL WINDOW OPERATIONS IN THE AS

1. PRESENTATION OF THE TAKAFUL WINDOW OPERATIONS IN THE OPERATORS' BOOKS (CONVENTIONAL OPERATIONS)

Regulated entities authorized to operate Takaful Windows shall present the financial position and performance of the Takaful Window, as follows:

- a. The following additional accounts shall be incorporated into the AS of the regulated entity to reflect Takaful Window Operations:¹

Statement of Financial Position:

Separate accounts shall include:

- **Due from Participants' Fund** – This refers to the amounts contractually due and receivable by the Operator's Fund from the Participants' Fund, arising from recognized but unsettled operator entitlements as of the reporting date. These entitlements include earned Wakalah fees under a Wakalah model and the Operator's share of investment profits under a Mudarabah model, as well as both components under a Hybrid (Wakalah–Mudarabah) model. Amounts recognized under this account result solely from timing differences between income recognition and actual settlement between funds, and are applicable only to Takaful Operations in accordance with the governing Takaful contract.
- **Qard Hasan Receivable from Participants' Fund** – This refers to the non-interest-bearing advance extended by the Operator to the Participants' Risk Fund to cover any deficit arising from Takaful Operations and/or to provide initial operational support. It shall not

¹ The single-line presentation of the Takaful Window in the Operator's AS is required by regulation to ensure clear separation between the Participants' Risk Fund and the Shareholders' Fund. This format may differ from the consolidation requirements in Philippine Financial Reporting Standard (PFRS) 10. For Audited Financial Statements submitted to the Securities and Exchange Commission (SEC) and the IC, the Operator shall follow the applicable PFRS consolidation standards.

earn interest, profit, or any form of return, and repayment is contingent on the sufficiency of future surpluses.

- **Total Assets of Takaful Window Operations** – This refers to the aggregate value of all assets held within the Takaful Window Operations that are specifically allocated to or owned by the participants of the Takaful products. These assets are segregated from the conventional insurance assets and are managed in accordance with Shari'ah principles.
- **Unearned Wakalah Fee** – This account is the portion of Wakalah fees allocated from participants' contributions but not yet earned by the Operator as of the reporting date. This represents the obligation to provide ongoing management and operational services over the remaining coverage period, recognized as a liability in the Operator's Fund and amortized to income over the period when services are rendered, applicable only to Wakalah and Hybrid (Wakalah–Mudarabah) models.
- **Total Liabilities of Takaful Window Operations** – This account encompasses all financial obligations and commitments of the Takaful Window Operations associated with the Participants' Fund. It includes all outstanding claims, unearned contributions, and other liabilities that relate specifically to the interests of the Takaful participants.
- **Total Participants' Fund** – This account represents the net position or residual value of the Takaful Window Operations after accounting for Participants' assets and liabilities.

Statement of Income:

Additional accounts include:

- **Takaful Operator Service and Profit Share** – This refers to the income earned by the Takaful operator from managing and administering the Participants' Takaful Fund, including service fees and profit shares, recognized in accordance with applicable Takaful models, Shari'ah principles, and regulatory requirements, with the following sub-accounts:
 - **Wakalah Fee** – Income earned from underwriting, management, and administrative services rendered to the Participants' Fund, applicable to Wakalah and Hybrid (Wakalah–Mudarabah) models.
 - **Mudarabah Share** – The operator's share of surplus or investment profits from the Participants' Fund under a Mudarabah arrangement, recognized based on the pre-agreed profit-sharing ratio.

- **Surplus/Deficit Before Zakat and Tax–Participants’ Fund** – This refers to the result of the Participants’ Fund, including underwriting surplus or deficit, investment income, and any other technical or non-technical gains or losses attributable to the Takaful participants, before the deduction of any Shari’ah obligations or applicable taxes.
- **Zakat** – This account reflects the Shari’ah-mandated wealth contribution, if applicable, which is charged against the Participants’ Fund. It is not an expense of the Operator but a deduction from the participants’ net surplus in accordance with Shari’ah principles.
- **Tax–Participants’ Fund** – This refers to any income or other taxes attributable to the Participants’ Fund, charged against its surplus, and not borne by the Operator.
- **Net Surplus/Deficit After Zakat and Tax–Participants’ Fund⁵** – This refers to the surplus or deficit of the Participants’ Fund after deducting Zakat, only where the obligation to pay Zakat has been affirmatively determined by the Shari’ah Committee, and after deducting any applicable taxes. The resulting balance reflects the amount available for distribution to participants or for retention in the Participants’ Fund, in accordance with the approved Takaful model.

b. Integration of Takaful Window Operations in the Composite Companies’ Operator’s Books

Composite companies authorized to offer Takaful products shall present the Takaful Window Operations within the same unit as its corresponding conventional insurance operation in the Annual Statement, as follows:⁶

1. Composite entities engaging in Family Takaful Operations shall incorporate the Family Takaful accounts, as prescribed under Section III of this CL, in the Annual Statement of life insurance operations.
2. Composite entities engaging in General Takaful Operations shall incorporate the General Takaful accounts, as prescribed under Section III of this CL, in the Annual Statement of non-life insurance operations.

⁵ Presenting the Participants’ Fund result as Profit/Loss Before Tax with separate disclosure of Zakat and tax obligations ensures that the Operator’s books accurately reflect only the revenues and obligations attributable to the Participants’ Fund, without conflating them with the Operator’s own income or expenses. This approach maintains transparency, facilitates regulatory oversight, and aligns with standard Takaful accounting practice, allowing users to distinguish pre-obligation results from net surplus available for participants.

⁶ This integrated presentation approach ensures that regulators and stakeholders can easily compare and analyse the performance of takaful and conventional operations within the same business line.

c. Interrelated Transactions Between the Operator and the Takaful Window Operations⁷

Except for Shari'ah-approved arrangements, such as Wakalah fees, Qard Hasan, or agreed profit-sharing, interrelated receivables between the Operator and the Takaful Window shall be allowed to be presented in net if in accordance with the following:

- There is a legally enforceable right to set-off; and
- There is an intention to settle on a net basis or simultaneously.

If these criteria are not met, the receivables shall be presented in gross.

2. PRESENTATION OF THE TAKAFUL WINDOW OPERATIONS IN THE PARTICIPANTS' FUND (SEPARATE TAKAFUL WINDOW OPERATIONS) AS

The presentation of financial information in the separate Takaful Window Operations AS shall be in accordance with the standard chart of accounts in the Annexes.

The standard chart of accounts provided in Annexes shall serve as the mandatory framework for the preparation and presentation of the separate Takaful Window Operations AS.

a. Participants' Risk Fund and Participants' Investment Fund

The Takaful Window Operations shall strictly maintain segregated and independently identifiable records, accounts, and fund balances for the Participants' Risk Fund and the Participants' Investment Fund at all times. Assets, liabilities, income, expenses, and surplus or deficit attributable to each fund shall be recorded, monitored, and reported separately, and shall not be commingled, used interchangeably, or applied for purposes outside their approved mandate.

Any transactions between the Participants' Risk Fund, Participants' Investment Fund, and the Operator shall be limited to Shari'ah-approved arrangements, properly documented, subject to internal controls, and approved by the Shari'ah Committee, to ensure transparency, accountability, and full regulatory compliance.

SECTION VI. PRESENTATION AND REPORTING OF QARD HASAN

The Qard Hasan extended by the Takaful Operator to the Participants' Fund shall be recognized and presented in a manner that ensures proper Shari'ah governance, transparency, and clear segregation of assets and liabilities between the Operators' Books (conventional operations) and the Takaful Window Operations in the Participants' Fund.

⁷ For example, receivables from the conventional insurance operations and mutual benefit associations such as internal allocations, reimbursements, temporary advances, etc.

Any Qard Ḥasan granted by the Operator to the Participants' Fund shall be recognized at the amount disbursed, without interest, fees, or accretion, in accordance with the Shari'ah principle of benevolent lending. All such arrangements shall be supported by formal documentation, reviewed and endorsed by the Shari'ah Committee, and duly approved by the Board of Directors.

The Shari'ah Committee shall determine the Shari'ah permissibility and the conditions for applying future surpluses of the Participants' Fund toward the settlement of Qard Ḥasan, subject to the principle that repayment shall be sourced solely from such surpluses.

Under no circumstances shall Wakalah fees or Mudarabah entitlements be offset against, reclassified as, or converted into Qard Ḥasan.

1. PRESENTATION IN THE OPERATOR'S BOOKS (CONVENTIONAL OPERATIONS)

The Operator shall recognize Qard Ḥasan as an asset in its conventional accounting records, representing the Operator's receivable from the Participants' Fund. This asset shall be presented separately from operational receivables or other interrelated balances, ensuring a clear distinction between Qard Ḥasan and ordinary related-party or intercompany transactions.

The Operator shall not recognize any income, profit, fee, or financial benefit arising from the extension or settlement of Qard Ḥasan, consistent with its nature as a benevolent loan under Shari'ah principles. The Operator shall maintain appropriate internal controls and documentation to track the outstanding balance of Qard Ḥasan.

If the recovery of Qard Ḥasan is deemed doubtful, the Operator shall write down the asset to its recoverable amount. Any amount written down shall be excluded from the calculation of eligible capital, ensuring that both the financial statements and regulatory capital metrics reflect only the portion of Qard Ḥasan that is realistically recoverable. The write-down shall be recorded using a contra-asset or impairment account, without recognition of income, profit, or financial benefit, in line with Shari'ah principles. Appropriate documentation shall be maintained to support the write-down.

2. PRESENTATION IN THE PARTICIPANTS' FUND (TAKAFUL WINDOW OPERATIONS)

Qard Ḥasan shall be recognized exclusively as a liability of the Participants' Fund. This liability shall be presented as a separate and clearly identifiable line item within the liabilities section of the Participants' Fund to reflect the obligation of the Participants' Fund to repay the amount from future surpluses, in accordance with Shari'ah principles.

No portion of Qard Ḥasan shall be recognized within the Participants' Risk Fund, surplus accounts, or any equity-like category of the Participants' Fund. The

outstanding balance of Qard Hasan shall be disclosed as part of the Participants' Fund's liabilities until fully settled through approved surplus allocations.

SECTION VII. RISK-BASED CAPITAL FRAMEWORK

The following assets recognized in the Operator's books (conventional operations) shall be subject to the corresponding risk charges, consistent with the principle that only assets bearing risk to the Operator shall be included in the Risk-Based Capital computation:

| Account Title | Transitory Risk Charge |
|--|------------------------|
| Due from Participants Fund | |
| For less than 6 months | 0% |
| For more than 6 but less than 12 months | 8.80% |
| For more than 12 months | 19.80% |
| Qard Hasan Receivable from Participant Fund⁸ | 0%* |
| Total Assets of Takaful Window Operation⁹ | 0% |

* Qard Hasan for insurance is recognized as Tier 2 capital. To avoid overstating Tier 1 capital, the amount of Qard Hasan recognized as Tier 2 is deducted from retained earnings.¹⁰

SECTION VIII. ACTUARIAL VALUATION REPORT

All regulated entities with Takaful Window Operations shall submit an Actuarial Valuation Report in accordance with applicable actuarial standards and IC's issuances.

In compliance with Section II of this CL, the Actuarial Valuation Report for the Takaful Window Operations shall be prepared separately and shall be clearly segregated from the actuarial valuation of the entity's conventional insurance or MBA operations.

The report shall adequately reflect the actuarial valuation of the Participants' Fund, including technical provisions, reserves, and surplus or deficit, and, where applicable, the Operator's entitlements under the approved Takaful model, consistent with Shari'ah principles.

Non-compliance with the foregoing shall constitute a violation of this CL and shall be subject to applicable regulatory actions.

⁸ Serves as a loss-absorbing support to the Participants' Fund. Repayment is conditional and subordinated to participants' claims. The risk charge reflects its conditional recoverability and subordinated nature.

⁹ The assets of the Takaful Window Operation are owned by, and attributable to, the participants. The Operator does not bear the market, credit, underwriting, or operational risk associated with these assets; therefore, no risk charge shall be applied.

¹⁰ Although recorded as a receivable in the accounting books, it functions as support to the Participants' Fund under stress, consistent with regulatory treatment that prioritizes economic substance over legal form. Tier 2 recognition explicitly accommodates instruments that are subordinated, repayable only under certain conditions, and capable of absorbing losses before senior claims.

SECTION IX. SEPARABILITY CLAUSE

If any portion, provision, or section of this Framework or the application thereof to any person or circumstance is held invalid by the courts, the other portions, provisions, or sections thereof or their application to other persons or circumstances shall not be affected and thereby remain valid.

SECTION X. REPEALING CLAUSE

Any prior circulars, memoranda, rules, or provisions inconsistent herewith are hereby deemed amended or superseded, to the extent of such inconsistency, for purposes of the said reporting period and for all periods thereafter.

SECTION XI. TRANSITORY CLAUSE

For the initial implementation covering the reporting period ending 31 December 2025, all regulated entities with Takaful Window Operations shall comply with the requirements of this CL.

SECTION XII. EFFECTIVITY CLAUSE

This Circular shall take effect immediately.


REYNALDO A. REGALADO
Insurance Commissioner



ANNEX A
STANDARD CHART OF ACCOUNTS
FOR FAMILY TAKAFUL WINDOW OPERATION

I. SEGREGATION OF PARTICIPANTS' RISK FUND (PRF) AND PARTICIPANTS' INVESTMENT FUND (PIF)

The Takaful Window Operation shall maintain separate records and accounts for each participants' funds, namely the Participants' Risk Fund (PRF) and the Participants' Investment Fund (PIF), ensuring that the assets, liabilities, and surplus/deficit of each fund are internally monitored and properly segregated for accurate reporting and compliance.

The PRF comprises of the accounts and fund balance for risk pooling of participants primarily funded by tabarru' contributions for mutual protection. The PIF shall mean the savings/investment accounts managed to generate returns for the participants. The PRF and PIF shall be operated under Shari'ah-compliant takaful models incorporating Wakalah and/or Mudarabah arrangements as approved by the Shari'ah Committee.

II. STATEMENT OF FINANCIAL POSITION ACCOUNTS

ASSET ACCOUNTS

1. CASH ON HAND

This refers to physical cash held attributable to the participants' funds, for immediate and incidental takaful-related disbursements. Such cash shall not be commingled with Operator / Shareholders' Fund monies and shall be used solely for purposes consistent with the nature and objectives of the respective participants' fund.

1.1. Petty Cash Fund - This refers to a controlled cash float maintained for minor, immediate disbursements directly related to takaful operations, such as small benefit payments or participant-related administrative costs.

1.2. Other Funds - This refers to other physical cash balances held temporarily by participants, pending deposit to bank or settlement of Takaful-related obligations.

2. CASH IN BANKS

This refers to non-interest bearing account balances maintained in various Shari'ah-compliant banks. It includes cash held in current and savings accounts, in both Philippine Peso and foreign currencies, including any Shari'ah-compliant profit earned.

2.1. Cash in Banks - Current - This refers to checking account balances in Shari'ah-compliant banks.

2.1.1. Cash in Banks - Current – Peso

2.1.2. Cash in Banks - Current - Foreign

2.2. Cash in Banks - Savings - This refers to savings deposit account balances in Shari'ah-compliant banks. Any returns on these accounts must be in accordance with Shari'ah principles.

2.2.1. Cash in Banks - Savings – Peso

2.2.2. Cash in Banks - Savings - Foreign

3. TIME DEPOSITS

This refers to Shari'ah-compliant time deposit accounts held with Islamic banks or Islamic banking units. These deposits are placed for specific periods and are compliant with Shari'ah principles.

3.1. Peso Currency - This refers to Shari'ah-compliant fixed-term deposits held in Philippine Pesos, earning profit over the deposit period.

3.2. Foreign Currency - This refers to Shari'ah-compliant fixed-term deposits held in foreign currencies, earning profit over the deposit period.

4. TAKAFUL CONTRIBUTION RECEIVABLE

This refers to amounts due from participants or other takaful operators arising from unpaid takaful contributions, net of allowance for impairment loss.

4.1. Due from Takaful Participants - This refers to the outstanding contributions or payments owed by takaful participants for their coverage.

4.2. Due from Co-Takaful - This refers to amounts receivable from other takaful operators, usually arising from co-takaful arrangements where risks and contributions are shared among multiple takaful operators. These receivables may include recoveries, settlements, or contributions due between takaful operators cooperating under mutual takaful contracts.

4.3. Allowance for Impairment Losses - This refers to the estimated reduction in value of receivables to account for potential non-payment or default.

5. RETAKAFUL RECEIVABLES

This refers to amounts recoverable from retakaful operators arising from risk-sharing arrangements in respect of claims and related liabilities, net of any allowance for impairment loss to cover potential non-payment or default.

5.1. Due from Ceding Takaful Operators - This refers to the receivable from other Takaful Operators arising from inward retakaful arrangements, representing retakaful contributions (tabarru') for risks accepted by the Participants' Fund.

5.2. Funds Held by Ceding Takaful Operator - This refers to ceded but recoverable share of contributions held by the retakaful operator in

accordance with treaty and facultative agreements and/or laws, rules and regulations.

- 5.3. **Retakaful Recoverable on Paid Claims** - This refers to amounts already paid to participants for claims, for which recovery is due from retakaful operators under Shari'ah-compliant retakaful arrangements.
- 5.4. **Retakaful Recoverable on Outstanding Claims** - This refers to the amounts expected to be recovered from retakaful operators for claims that have been reported but not yet settled. This receivable represents the retakaful operator's share of the outstanding claims liabilities recognized under retakaful agreements.
- 5.5. **Other Retakaful Receivables** - This refers to the amounts due from retakaful operators that do not fall under specific categories.
- 5.6. **Allowance for Impairment Losses** - This refers to the estimated reduction in value of retakaful receivables to account for potential non-payment or default by retakaful operators.

6. INVESTMENT AND FINANCIAL ASSETS

This refers to the fund's Shari'ah-compliant investments, including amounts placed in financial instruments or arrangements intended to generate returns for the participants' fund.

- 6.1. **Sukuk (Islamic Bonds)** - This refers to certificates of equal value representing undivided investment, interest in or rights to the underlying assets, usufructs, and services or projects undertaken in accordance with Shari'ah principles. Sukuk are generally named after the Shari'ah principle by which they are structured.
- 6.2. **Equities** - This refers to investments in Shari'ah-compliant equity instruments, where returns are derived from ownership interests in permissible business activities and are shared between the investor and the enterprise in accordance with Shari'ah principles.
- 6.3. **Profit-Sharing Investment Account (PSIA)** - This refers to funds placed or invested under Shari'ah-compliant profit and loss sharing arrangements, where returns are determined by the actual performance of the underlying investments and are not guaranteed. Profits are distributed in accordance with pre-agreed ratios, while financial losses are allocated based on the applicable Shari'ah contract, subject to the terms of the arrangement and excluding losses arising from negligence, misconduct, or breach of contract.
 - 6.3.1 **Mudharabah Investment Account** - This refers to funds invested under a profit-sharing arrangement where the Takaful Window provides the capital and the Takaful Operator acts as the manager. Profits are shared according to a pre-agreed ratio, while financial

losses, if any, are borne solely by the Takaful Window, except in cases of operator negligence or misconduct.

6.3.2 Musharakah Investment Account - This refers to funds invested in a joint partnership where both the Takaful Window and the Takaful Operator contribute capital and share profits and losses according to agreed ratios. Losses are shared in proportion to the capital contribution.

6.3.3 Other PSIA Accounts - This refers to any other Shari'ah-compliant investment arrangements not classified under Mudharabah or Musharakah, including hybrid or innovative structures approved by the Shari'ah committee. This may include non-asset-backed profit-sharing arrangements.

6.4. Funds - This refers to investments held through Mutual Funds, Unit Investment Trust Funds (UITFs), Real Estate Investment Trust Funds (REITs), Investment Management Accounts (IMAs), and other similar investment vehicles. These investments are generally redeemable at the option of the holder and are measured at values determined based on the applicable net asset value (NAV) per share or unit, as reported on a regular basis, for purposes of the Takaful Window Financial Reporting Framework.

6.5. Hedging and Risk Mitigation Instruments - These refer to Shari'ah-compliant financial instruments or arrangements for risk mitigation purposes, which are not otherwise classified under specific investment categories such as Sukuk, equities, Islamic investment funds, or other investments. These instruments must be structured in accordance with Shari'ah principles, approved by the Shari'ah Committee, and recognized and measured in accordance with the applicable financial reporting framework.

6.6. Other Shari'ah-Compliant Investment - This refers to Shari'ah-compliant investments held that do not fall under specific categories, and are recognized and measured in accordance with the applicable financial reporting framework.

6.7. Allowance for Impairment Losses - This refers to the estimated reduction in the value of investment assets to reflect potential losses from default or non-payment. It is a provision set aside to cover the risk of recoverability and ensure the investment is carried at a realistic value.

7. INVESTMENT INCOME DUE AND ACCRUED

This refers to income earned from the funds' investments that has been allocated or accrued but not yet received. It includes all Shari'ah-compliant returns on the investments.

7.1. Accrued Income – Cash in Banks - This refers to income earned on cash balances maintained with banks that have accrued as of the reporting date but have not yet been credited or received.

- 7.2. **Accrued Income – Time Deposits** - This refers to income earned on time deposits or Islamic deposit placements that have accrued up to the reporting date but have not yet been received or credited.
- 7.3. **Accrued Income – Sukuk** - This refers to the income earned but not yet received from sukuk or Shari'ah-compliant bonds held by the fund.
- 7.4. **Accrued Income – Equities** - This refers to dividends, distributions, or profit earned from Shari'ah-compliant equities or investment funds that have been allocated to the fund but not yet received.
- 7.5. **Accrued Income – PSIA and Other Investments** - This refers to the participant's share of profit earned from Investment Accounts or PSIA, which has been allocated but not yet collected.
- 7.6. **Accrued Income – Funds** - This refers to the portion of returns earned from Shari'ah-compliant investment funds, such as Mutual Funds, UITFs, REITs, or IMAs, that have been allocated to the fund but not yet received, including dividends, profit distributions, or other entitlements arising from the fund's underlying Shari'ah-compliant investments.
- 7.7. **Accrued Income – Hedging and Risk Mitigation Instruments** - This refers to gains or profits earned from Shari'ah-compliant derivative instruments that have been accrued but not yet realized or collected.
- 7.8. **Accrued Income – Other Shari'ah-Compliant Investment** - This refers to income accrued from other Shari'ah-compliant investments, encompassing all Shari'ah-compliant returns that do not fall under specific categories.
- 7.9. **Allowance for Impairment Losses** - This refers to the estimated reduction in the value of accrued income from investment and financial assets to reflect potential losses from default or non-payment. It is a provision set aside to cover the risk of recoverability and ensure the accrued income is carried at a realistic value.

8. OTHER RECEIVABLES

This refers to amounts due to the participants' fund that are not classified under contributions, retakaful recoverables, or accrued investment income. It may include advances, reimbursements, miscellaneous receivables, or other non-operational amounts expected to be collected.

- 8.1. **Ijarah Receivables – Operating** - This refers to amounts due to the participants' funds arising from Shari'ah-compliant Ijarah arrangements in which the lease asset is owned by the participants' fund. It includes lease rentals earned but not yet paid as of the reporting date and is measured at gross amounts due, before any allowance for impairment losses.

8.2. Other Receivables - This refers to amounts receivable from third parties that do not fall under specific receivable categories, such as deposits, refunds, recoverable expenses, or miscellaneous non-contribution-related receivables.

8.3. Allowance for Impairment Losses - This refers to the estimated reduction in value of receivables to account for potential non-payment or default.

9. DUE FROM OTHER FUNDS

This refers to amounts receivable from other funds within the Takaful structure, arising from inter-fund transactions, allocations, or settlements.

9.1. Receivable from PRF – This refers to amounts due from the PRF.

9.2. Receivable from PIF – This refers to amounts due from the PIF.

9.3. Receivable from Takaful Operator - This refers to amounts due from the Takaful Operator, including reimbursements, settlements, or adjustments. This receivable is a related-party balance and excludes Qard Hasan balances.

9.4. Others – This refers to amounts due from any other internal funds or accounts that do not fall under specific categories.

10. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

This refers to Shari'ah-compliant equity stakes held in external entities by the Participants' Funds to generate long-term returns. All such investments must undergo rigorous Shari'ah screening to ensure the underlying business activities and financial structures remain permissible and segregated from the conventional parent's operations.

10.1. Investment in Subsidiaries – This refers to Shari'ah-compliant equity stake typically exceeding 50% ownership held the participants' funds.

10.2. Investment in Associates – This refers to Shari'ah-compliant equity stake typically between 20% and 50% that grants the participants' funds significant influence over an entity's financial and operating policies without full control.

10.3. Investment in Joint Venture – This refers to Shari'ah-compliant strategic arrangement where the participants' funds pool resources with one or more partners jointly control an economic activity. These ventures are typically structured as a Musharakah (partnership), ensuring that all underlying operations remain strictly segregated from the conventional parent's interest-based activities

10.4. Allowance for Impairment Losses - This refers to the total amount set up to provide for losses that may arise from impairment of above investments.

11. PROPERTY AND EQUIPMENT

This refers to tangible non-current assets whose acquisition, use, and financing structures are strictly Shari'ah-compliant and duly approved by the Shari'ah Committee.

- 11.1. Land** - This refers to the historical acquisition cost, including the directly attributable costs necessary to bring the land to its intended use and the cumulative increase/decrease in the carrying amount arising from revaluation to fair value, recognized in accordance with the applicable accounting standards.
- 11.2. Building and Building Improvements** - This refers to the historical acquisition or construction cost of the building, subsequent capitalized improvements, including costs directly attributable to bringing the asset to its operational condition, and the cumulative increase/decrease in the carrying amount arising from revaluation to fair value, recognized in accordance with the applicable accounting standards.
- 11.3. Accumulated Depreciation – Building and Building Improvements** - This refers to the cumulative depreciation recognized on buildings and building improvements over their estimated useful lives.
- 11.4. Ijarah Improvements** - This refers to the cost of improvements made to Ijarah (Shari'ah-compliant leased) premises, which are capitalized and amortized over the shorter of the Ijarah term or the useful life of the improvements.
- 11.5. Accumulated Depreciation – Ijarah Improvements** - This refers to the cumulative depreciation recognized since their capitalization.
- 11.6. IT Equipment** - This refers to the acquisition cost of information technology equipment, including hardware and related peripherals, owned by the takaful funds and used in operations.
- 11.7. Accumulated Depreciation – IT Equipment** - This refers to the cumulative depreciation recognized on IT equipment over its estimated useful life.
- 11.8. Transportation Equipment** - This refers to the acquisition cost of vehicles and other transportation assets.
- 11.9. Accumulated Depreciation – Transportation Equipment** - This refers to the cumulative depreciation recognized on transportation equipment over its estimated useful life.
- 11.10. Office Furniture, Fixtures and Equipment** - This refers to the acquisition cost of office furniture, fixtures, and equipment used in administrative and operational activities.

11.11. Accumulated Depreciation – Office Furniture, Fixtures and Equipment

- This refers to the cumulative depreciation recognized on office furniture, fixtures, and equipment over their estimated useful lives.

11.12. Construction-in-Progress - This refers to costs incurred for property and equipment that are under construction or not yet ready for their intended use as of the reporting date, including directly attributable costs, and which are not depreciated until the assets are completed and put into use.

12. INVESTMENT PROPERTY

This refers to tangible non-current assets held for the purpose of generating returns or earnings for the funds, where the acquisition, use, and financing structures are strictly Shari'ah-compliant and duly approved by Shari'ah Committee.

13. RIGHT-OF-USE ASSET (IJARAH)

This refers to assets recognized for the contractual right to use identified underlying assets under Shari'ah-compliant lease arrangements for a specified lease term, measured in accordance with the applicable financial reporting standards and approved Shari'ah governance requirements.

14. NON-CURRENT ASSET HELD FOR SALE

This refers to non-current assets that are classified as held for sale when their carrying amounts are expected to be recovered principally through sale rather than continued use, and the sale is highly probable, in accordance with the applicable financial reporting standards.

15. DEFERRED WAKALAH FEE

This refers to the portion of Wakalah fees paid but not yet incurred as of the reporting date. Deferred Wakalah fees are recognized in accordance with applicable financial reporting standards and when accounting treatment applies.

16. OTHER ASSETS

This refers to all remaining assets or resources of the fund that are not captured in other specific account classifications.

LIABILITY ACCOUNTS

17. FAMILY TAKAFUL RESERVE

This refers to the reserve established within the PRF to meet future claims and benefit obligations arising from family (life) takaful certificates. It covers all in-force family certificates and reflects actuarial assumptions on mortality, longevity, lapses, and other risk factors.

18. ACCIDENT AND HEALTH TAKAFUL RESERVE

This refers to the reserve established within the PRF to meet future claims and benefit obligations arising from accident and health takaful certificates. It is calculated based on expected claims, coverage in force, and risk assumptions specific to accident and health risks.

19. SUPPLEMENTARY TAKAFUL RESERVE

This refers to the reserve within the PRF for additional or supplementary benefits attached to family, health, or accident certificates that do not involve life contingencies. Examples include riders for disability, hospitalization, or critical illness, and the reserve reflects expected obligations under these supplementary benefits.

20. CLAIMS PAYABLE

This refers to the liability of the PRF arising from claims under takaful certificates. It represents amounts due to participants or beneficiaries that the fund is obliged to settle.

20.1. Claims Due and Unpaid - This refers to claims that have been reported and validated, but not yet paid to the beneficiaries.

20.2. In Course of Settlement - This refers to claims that are being processed, including those under investigation or awaiting documentation, but for which payment is probable.

20.3. Claims Resisted - This refers to claims that are disputed, contested, or partially challenged, where the PRF may ultimately pay a portion or none, depending on resolution.

20.4. Claims Incurred But Not yet Reported - This refers to claims that have occurred but have not yet been reported to the Takaful Operator, estimated based on historical experience and actuarial assumptions.

21. MATURITIES AND SURRENDERS PAYABLE

This refers to amounts payable by the PRF to participants upon maturity of the takaful certificate or upon voluntary surrender, representing accumulated contributions, less applicable fees, and claims.

22. RETAKAFUL PAYABLES

These refer to obligations to retakaful operators arising from ceded contributions, claims, or related fees.

22.1. Due to Retakaful - This refers to amounts due to retakaful operators for contributions ceded under retakaful agreements.

22.2. Funds Held for Retakaful - This refers to a portion of the retakaful contributions ceded to retakaful operators, which was withheld by the Takaful Window in accordance with treaty and facultative agreements and/or laws, rules, and regulations.

22.3. Other Retakaful Payable - This refers to the amounts due to retakaful operators that do not fall under specific categories.

23. PARTICIPANT CONTRIBUTION REFUND

This refers to the amount to be refunded to a Takaful participant due to endorsements or cancellation of the policies.

24. COMMISSIONS PAYABLE

This refers to amounts payable to agents, brokers, or distribution channels for services rendered in facilitating the issuance, renewal, or administration of takaful certificates, where such payments are approved under Shari'ah principles.

25. TAXES PAYABLE

This refers to taxes and regulatory levies directly attributable to the operations of the participants' funds, recognized as liabilities until paid.

26. DUE TO OTHER FUNDS

These are amounts owed between the participants' funds and Operator Fund, for transfers or shared expenses.

26.1. Payable to PRF - These are amounts due to the PRF.

26.2. Payable to PIF - These are amounts due to the PIF.

26.3. Payable to Takaful Operator - These are amounts due to the Takaful Operator, including reimbursements, settlements, or adjustments. This payable is a related-party balance and excludes Qard Hasan balances.

26.4. Others - This refers to the amounts due to any other internal funds or accounts that do not fall under specific categories

27. QARD HASAN PAYABLE

This refers to funds received as a benevolent, interest-free loan granted under Islamic finance principles. It reflects the outstanding principal obligation to the lender, repayable without any profit, interest, or additional charge, consistent with its charitable intent.

28. SURPLUS DISTRIBUTION PAYABLE

This refers to amounts approved and declared for distribution to takaful participants from the participants' fund but not yet paid as of the reporting date, representing a present obligation of the takaful fund.

29. ZAKAT PAYABLE

This refers to the amount of zakat (Islamic charity tax) that the takaful fund is obligated to pay based on its Shari'ah-compliant assets and/or surplus.

30. IJARAH LIABILITY

This refers to the obligation to make future lease payments under a Shari'ah-compliant lease arrangement for assets used in the fund's operations or investments.

31. OTHER LIABILITIES

These are miscellaneous obligations of the fund not classified under claims, certificates, or commissions, such as refunds or operational payables.

31.1. Deferred Income - This refers to contributions, fees, or other receipts received but not yet earned, to be recognized over time as the service is provided.

31.2. Notes payable - This refers to formal obligations to pay specified amounts to creditors under promissory notes or similar instruments.

31.3. Deferred Tax Liability - This refers to tax obligations arising from temporary differences between accounting and tax bases of assets and liabilities.

31.4. Accrued Expenses – This refers to expenses incurred for the period and shall be accrued.

31.5. Others - This refers to the obligations that do not fall under specific categories

PARTICIPANTS' FUNDS

32. SURPLUS / DEFICIT – PARTICIPANTS' FUND

This refers to the net result of the participants' fund, reflecting performance after accounting for contributions, claims, expenses, and investment returns.

32.1. Surplus/Deficit in PRF - This refers to the excess or shortfall arising from the risk pool after accounting for tabarru' contributions, claims, retakaful

costs, and other expenses of the PRF. It reflects the collective performance of the fund that covers participants' risks.

32.2. Surplus/Deficit in PIF - This refers to the gain or loss generated from the investment and savings portion of participants' contributions after deducting related charges. It reflects the individual participants' investment performance within the Takaful structure.

33. INVESTMENTS FAIR VALUE RESERVE AND OTHER RESERVES

This refers to unrealized gains or losses arising from changes in the fair value of investments. It also includes other reserves set aside for specific purposes as required by Shari'ah or regulatory guidance, which are not attributable to participants' claims but may support fund stability, surplus management, or future obligations.

34. CONTINGENCY AND STATUTORY RESERVE

This reserve is set aside to cover unexpected claims, adverse experience, or regulatory requirements, acting as a buffer to protect participants' funds. It ensures solvency and financial stability under unforeseen circumstances.

III. STATEMENT OF COMPREHENSIVE INCOME ACCOUNTS

PARTICIPANTS' RISK FUND (PRF)

TAKAFUL CONTRIBUTIONS AND RETAKAFUL

This refers to the amount of contributions remaining in the Participants' Risk Fund (PRF) after deducting the operator's Wakalah Fee and retakaful contributions ceded, and adding any retakaful contributions received. It represents the net funds available to cover participants' risks, pay claims, and meet other PRF obligations.

1. GROSS TAKAFUL CONTRIBUTIONS - PRF

This refers to the total gross amount of contributions received or receivable by the PRF representing the tabarru' (risk donation) portion, from participants under family takaful certificates, before deduction of retakaful and wakalah fees. This should be determined on a gross basis before any deductions, especially *Wakalah Fee Expense*, regardless of whether such deductions have already been remitted to or recognized by the operator.

1.1. Takaful Contributions – First Year - This refers to gross risk (tabarru') contributions received or receivable from participants during the first year of coverage under newly issued takaful certificates.

1.2. Takaful Contributions – Renewal - This refers to contributions received or receivable from participants after the first year of coverage, under ongoing or renewed takaful certificates.

1.3. Takaful Contributions – Group - This refers to contributions received or receivable from participants under the first year of group takaful certificates.

1.4. Paid-up Takaful Contributions - This refers to contributions previously received in respect of takaful certificates that have attained paid-up status, where no further contributions are required, and coverage continues in accordance with the terms of the certificate.

2. WAKALAH FEE EXPENSE

This refers to the pre-agreed service fee payable to the operator for managing the PRF, calculated as a portion of gross contributions. This represents the operator's service remuneration for administering and managing the PRF, including underwriting, claims administration, and other risk management services performed by the operator on behalf of participants.

3. RETAKAFUL SHARE OF CONTRIBUTIONS

This refers to the portion of participants' contributions allocated to the PRF that is ceded to a retakaful operator under an approved retakaful arrangement. These amounts are deducted from gross PRF contributions and are not retained. The

purpose of the retakaful share is to transfer or share underwriting risk, in accordance with the approved rules and regulatory requirements.

- 3.1. **Retakaful Contributions Received – First Year** - This refers to the portion of retakaful contributions received by the PRF from the retakaful operator, relating to the first-year coverage of participants' certificates. It represents amounts reimbursed or recoverable from retakaful for risk coverage provided by the PRF.
- 3.2. **Retakaful Contributions Received – Renewal** - This refers to the portion of retakaful contributions received by the PRF from the retakaful operator, relating to renewal coverage of participants' certificates. It represents amounts reimbursed or recoverable for ongoing risk coverage.
- 3.3. **Retakaful Contributions Ceded – Individual – First Year/Renewal** - This refers to the portion of PRF contributions for individual participants' first-year/renewal certificates ceded to retakaful operators, representing the PRF's risk transfer for individual coverage.
- 3.4. **Retakaful Contributions Ceded – Group – First Year/Renewal** - This refers to the portion of PRF contributions for group participants' first-year/renewal certificates ceded to retakaful operators, representing the PRF's risk transfer for group coverage.

CLAIMS, UNDERWRITING COSTS, AND RESERVE MOVEMENTS

These refer to the aggregate of all costs and charges related to risk-bearing activities. These collectively reflect the net cost of providing risk coverage and managing technical liabilities, excluding operator fund operating expenses.

4. CLAIMS EXPENSE

This refers to payments made to participants for valid claims or certificate benefits. It reduces the PRF's surplus for the period.

- 4.1. **Death Claims** - This refers to expenses paid or payable by the PRF for approved death claims arising under family takaful certificates, in accordance with the certificate terms and conditions.
- 4.2. **Accidental Death Benefit** - This refers to additional expenses paid or payable by the PRF for approved claims arising from a participant's accidental death, over and above the basic death benefit, as provided under the family takaful certificate.
- 4.3. **Disability Claims** - This refers to expenses paid or payable by the PRF for approved claims arising from permanent or partial disability of a participant, as covered under the takaful certificate.

- 4.4. **Health Takaful Benefit** - This refers to expenses paid or payable by the PRF for approved health-related claims, including hospitalization or specified illness benefits, as defined under the takaful certificate.
- 4.5. **Medical Takaful Benefit** - This refers to expenses paid or payable by the PRF for covered medical costs incurred by participants, in accordance with the provisions of the takaful certificate.

5. ENDOWMENT MATURITIES/ANTICIPATED ENDOWMENT MATURITIES

This refers to the amounts payable from the PRF to participants upon the maturity of endowment-type takaful certificates, including any anticipated maturities accrued during the reporting period.

6. CASH SURRENDER VALUE

This refers to the amounts payable from the PRF to participants who voluntarily surrender their certificates before maturity, representing the fund value attributable to the participant at the surrender date.

7. INCREASE/DECREASE IN AGGREGATE CERTIFICATE RESERVES

- 7.1. **Due to Change in In-force File** - This refers to the change in aggregate certificate reserves of the PRF arising from movements in the portfolio of certificates in force during the reporting period.
- 7.2. **Due to Change in Assumptions other than Discount Rate** - This refers to the change in aggregate certificate reserves of the PRF resulting from updates to actuarial assumptions, other than the discount rate, used in measuring PRF liabilities.

8. COMMISSION EXPENSE

This refers to amounts payable by the PRF to intermediaries for services rendered in facilitating the issuance, renewal, or administration of PRF takaful certificates. These expenses are directly attributable to PRF contributions and are recognized in accordance with the wakalah fee arrangement.

- 8.1. **Commission First Year – Individual** - This refers to commissions payable for new individual takaful certificates issued during the reporting period.
- 8.2. **Commission First Year – Group** - This refers to commissions payable for new group takaful certificates issued during the reporting period.
- 8.3. **Renewal Commissions** - This refers to commissions payable on the renewal of existing takaful certificates, both individual and group, reflecting the ongoing service of the distribution channel.
- 8.4. **Overriding Commissions** - This refers to commissions payable to higher-level agents, managers, or supervising brokers, calculated based

on the performance or volume of certificates sold or renewed. It is part of PRF expenses if funded from PRF contributions.

9. RETAKAFUL SHARE OF CLAIMS

This refers to the portion of claims incurred by the PRF that is recoverable from retakaful operators under the PRF's retakaful arrangements. It represents PRF's risk-sharing benefit, reducing the net claims expense borne by the fund.

10. OTHER UNDERWRITING EXPENSES

This is comprised of the following:

- 10.1. Retrocession Commission** - This refers to commissions paid to the retakaful on their acceptance of the retakaful business.
- 10.2. Membership Enrolment and Marketing Expense** - This refers to costs borne by the PRF for participant acquisition and marketing activities, specifically related to attracting or enrolling participants under PRF-covered certificates.
- 10.3. Collection Fees** - This refers to fees charged by third parties or intermediaries for collecting contributions on behalf of the PRF, including bank charges or service fees related to contribution processing.
- 10.4. Research & Development Expense** - This refers to PRF-related costs for product research, actuarial studies, or development of new family takaful offerings, directly attributable to the PRF's operations.
- 10.5. Medical Fee** - This refers to fees paid by the PRF for medical assessments, underwriting, or claim verification purposes, directly related to participants' risk evaluation, and claim settlement.
- 10.6. Inspection Report Fee** - This refers to costs incurred by the PRF for inspection or assessment reports required for underwriting or claims purposes, ensuring proper evaluation of risk.
- 10.7. Other Underwriting Expense** - This refers to miscellaneous expenses directly associated with underwriting activities for PRF certificates that are not separately classified above.

OTHER INCOME AND EXPENSES

11. INVESTMENT INCOME – PRF

This refers to the returns earned from investments duly approved by the Shari'ah Committee held within the PRF.

12. OTHER INCOME – PRF

This refers to income that arises directly from the operations of the PRF but is not classified as contributions, retakaful, or investment income.

13. DEPRECIATION AND AMORTIZATION

This refers to the systematic allocation of the cost of property and other eligible assets held within the PRF over their estimated useful lives.

14. PROVISION FOR IMPAIRMENT LOSSES

This refers to the recognition of impairment losses on assets held within PRF, where the carrying amount exceeds the recoverable amount.

15. ASSOCIATION DUES

This refers to membership fees and subscription costs paid by the PRF to professional, actuarial, regulatory, or takaful-related associations that are directly necessary for the administration, compliance, or governance of PRF operations.

16. OTHER EXPENSES - PRF

This refers to minor and incidental expenses incurred and are directly related to PRF operations and do not fall under specific categories.

NET SURPLUS/DEFICIT BEFORE ZAKAT AND TAX – PRF

This refers to the PRF surplus or deficit calculated after accounting for contributions, claims, expenses, and investment income, but before zakat and tax.

PARTICIPANTS' INVESTMENT FUND (PIF)

17. PARTICIPANTS' INVESTMENT FUND (PIF) CONTRIBUTIONS

This refers to the portion of participants' contributions allocated to the investment fund, where amounts are invested in Shari'ah-compliant assets to generate returns for participants. The contributions and investment returns in the PIF are separate from the PRF and are used solely for participants' investment accounts.

18. INVESTMENT INCOME – PIF

This refers to the returns earned from investments duly approved by the Shari'ah Committee held within the PIF.

19. REALIZED/UNREALIZED GAINS

This refers to gains or losses from the sale of investments (realized) and changes in fair value of investments still held (unrealized).

20. FUND MANAGEMENT EXPENSES

This refers to all expenses directly attributable to the management of the PIF and its Shari'ah-compliant assets.

21. MUDARABAH SHARE – OPERATOR

This refers to the Takaful Operator's share of profits arising from the management of PIF, in accordance with the terms of the Shari'ah-compliant pre-agreed model takaful certificates. It excludes any surplus or profits from the PRF, which belong entirely to the participants.

NET SURPLUS/DEFICIT BEFORE ZAKAT AND TAX – PIF

This refers to the PIF surplus or deficit calculated after accounting for investment income and expenses, gains or losses, but before zakat and tax.

22. ZAKAT

This refers to the Shari'ah-mandated wealth contribution, if applicable, which is charged against the participants' funds.

23. TAX – PARTICIPANTS' FUNDS

This refers to taxes imposed under applicable laws on income or transactions of the participants' funds, including but not limited to withholding or final taxes on Shari'ah-compliant assets, where applicable.

NET SURPLUS/DEFICIT AFTER ZAKAT AND TAX – PARTICIPANTS' FUNDS

This refers to the surplus or deficit of the participants' fund after deducting Zakat and after deducting any applicable taxes.

ANNEX B
STANDARD CHART OF ACCOUNTS
FOR GENERAL TAKAFUL WINDOW OPERATION

I. SEGREGATION OF PARTICIPANTS' RISK FUND (PRF) AND PARTICIPANTS' INVESTMENT FUND (PIF)

The Takaful Window Operation shall maintain separate records and accounts for each participants' funds, namely the Participants' Risk Fund (PRF) and the Participants' Investment Fund (PIF), ensuring that the assets, liabilities, and surplus/deficit of each fund are internally monitored and properly segregated for accurate reporting and compliance.

The PRF comprises of the accounts and fund balance for risk pooling of participants primarily funded by tabarru' contributions for mutual protection. The PIF shall mean the savings/investment accounts managed to generate returns for the participants. The PRF and PIF shall be operated under Shari'ah-compliant takaful models incorporating Wakalah and/or Mudarabah arrangements as approved by the Shari'ah Committee.

II. STATEMENT OF FINANCIAL POSITION ACCOUNTS

ASSET ACCOUNTS

1. CASH ON HAND

This refers to physical cash held attributable to the participants' funds, for immediate and incidental takaful-related disbursements. Such cash shall not be commingled with Operator / Shareholders' Fund monies and shall be used solely for purposes consistent with the nature and objectives of the respective participants' fund.

1.1. *Petty Cash Fund* - This refers to a controlled cash float maintained for minor, immediate disbursements directly related to takaful operations, such as small benefit payments or participant-related administrative costs.

1.2. *Other Funds* - This refers to other physical cash balances held temporarily by participants, pending deposit with a bank or settlement of Takaful-related obligations.

2. CASH IN BANKS

This refers to non-interest-bearing account balances maintained in various Shari'ah-compliant banks. It includes cash held in current and savings accounts, in both Philippine Peso and foreign currencies, including any Shari'ah-compliant profit earned.

2.1. *Cash in Banks – Current* - This refers to checking account balances in Shari'ah-compliant banks.

2.1.1. Cash in Banks - Current – Peso

2.1.2. Cash in Banks - Current - Foreign

2.2. Cash in Banks – Savings - This refers to savings deposit account balances in Shari'ah-compliant banks. Any returns on these accounts must be in accordance with Shari'ah principles.

2.2.1. Cash in Banks - Savings – Peso

2.2.2. Cash in Banks - Savings - Foreign

3. TIME DEPOSITS

This refers to Shari'ah-compliant time deposit accounts held with Islamic banks or Islamic banking units. These deposits are placed for specific periods and are compliant with Shari'ah principles.

3.1. Peso Currency - This refers to Shari'ah-compliant fixed-term deposits held in Philippine Pesos, earning profit over the deposit period.

3.2. Foreign Currency - This refers to Shari'ah-compliant fixed-term deposits held in foreign currencies, earning profit over the deposit period.

4. TAKAFUL CONTRIBUTION RECEIVABLE

This refers to amounts due from participants, brokers, or other Takaful operators arising from unpaid takaful contributions, net of allowance for impairment loss.

4.1. Due from Takaful Participants - This refers to the outstanding contributions or payments owed by takaful participants for their coverage.

4.2. Due from Co-Takaful - This refers to amounts receivable from other takaful operators, usually arising from co-takaful arrangements where risks and contributions are shared among multiple takaful operators. These receivables may include recoveries, settlements, or contributions due between takaful operators cooperating under mutual takaful contracts.

4.3. Due from Brokers - This refers to amounts receivable from brokers who facilitate the sale of takaful contracts, often representing contributions or commissions collected but not yet remitted to the takaful operator.

4.4. Allowance for Impairment Loss - This refers to the estimated reduction in value of receivables to account for potential non-payment or default.

5. RETAKAFUL RECEIVABLES

This refers to amounts recoverable from retakaful operators arising from risk-sharing arrangements in respect of claims and related liabilities, net of any allowance for impairment loss to cover potential non-payment or default.

- 5.1. ***Due from Ceding Takaful Operators*** - This refers to the receivable from other Takaful Operators arising from inward retakaful arrangements, representing retakaful contributions (tabarru') for risks accepted by the Participants' Fund.
- 5.2. ***Funds Held by Ceding Takaful Operators*** - This refers to the portion of retakaful contributions or loss reserves that is legally owned but physically retained by the ceding company as collateral.
- 5.3. ***Loss Reserve Withheld by Ceding Takaful Operators*** - This refers to the portion of claims reserves (outstanding and IBNR) that a Takaful Window, acting as a reinsurer, has earned but which remains physically held by the primary Takaful company as collateral to ensure the Window's ability to meet its future claim obligations.
- 5.4. ***Retakaful Recoverable on Paid Claims*** - This refers to amounts already paid to participants for claims, for which recovery is due from retakaful operators under retakaful arrangements. Conceptually, it mirrors reinsurance recoverable on paid losses in conventional insurance, but it arises within a risk-sharing (takaful) and Shari'ah-compliant framework.
- 5.5. ***Retakaful Recoverable on Outstanding Claims*** - This refers to the amounts expected to be recovered from retakaful operators for claims that have been reported but not yet settled. This receivable represents the retakaful operator's share of the outstanding claims liabilities recognized under retakaful agreements.
- 5.6. ***Other Retakaful Receivables*** - This refers to the amounts due from retakaful operators that do not fall under specific categories.
- 5.7. ***Allowance for Impairment Loss*** - This refers to the estimated reduction in value of retakaful receivables to account for potential non-payment or default by retakaful operators.

6. **SURETY LOSS RECOVERABLE**

This refers to the estimated recoveries from losses on surety policies issued.

- 6.1. ***Surety Losses Recoverable*** - This refers to the expected reimbursements that the Takaful unit is entitled to receive after paying out a claim on a surety bond.
- 6.2. ***Allowance for Impairment Losses*** - This refers to a provision recognized to reflect the estimated portion of "Surety Losses Recoverable" that is now considered uncollectible.

7. **INVESTMENTS AND FINANCIAL ASSETS**

This refers to the fund's Shari'ah-compliant investments, including amounts placed in financial instruments or arrangements intended to generate returns for the participants' fund.

- 7.1. Sukuk (Islamic Bonds)** - This refers to certificates of equal value representing undivided investment, interest in or rights to the underlying assets, usufructs, and services or projects undertaken in accordance with Shari'ah principles. Sukuk are generally named after the Shari'ah principle by which they are structured.
- 7.2. Equities** - This refers to investments in Shari'ah-compliant equity instruments, where returns are derived from ownership interests in permissible business activities and are shared between the investor and the enterprise in accordance with Shari'ah principles.
- 7.3. Profit-sharing Investment Accounts (PSIA)** - This refers to funds placed or invested under Shari'ah-compliant profit and loss sharing arrangements, where returns are determined by the actual performance of the underlying investments and are not guaranteed. Profits are distributed in accordance with pre-agreed ratios, while financial losses are allocated based on the applicable Shari'ah contract, subject to the terms of the arrangement and excluding losses arising from negligence, misconduct, or breach of contract.
- a. Mudharabah Investment Account** - This refers to funds invested under a profit-sharing arrangement where the Takaful Window provides the capital and the Takaful operator acts as the manager. Profits are shared according to a pre-agreed ratio, while financial losses, if any, are borne solely by the Takaful Window, except in cases of operator negligence or misconduct.
 - b. Musharakah Investment Account** - This refers to funds invested in a joint partnership where both the Takaful Window and the Takaful Operator contribute capital and share profits and losses according to agreed ratios. Losses are shared in proportion to the capital contribution.
 - c. Other PSIA Accounts** - This refers to any other Shari'ah-compliant investment arrangements not classified under Mudharabah or Musharakah, including hybrid or innovative structures approved by the Shari'ah committee. This may include non-asset-backed profit-sharing arrangements.
- 7.4. Funds** - This refers to investments held through Mutual Funds, Unit Investment Trust Funds (UITFs), Real Estate Investment Trust Funds (REITs), Investment Management Accounts (IMAs), and other similar investment vehicles. These investments are generally redeemable at the option of the holder and are measured at values determined based on the applicable net asset value (NAV) per share or unit, as reported on a regular basis, for purposes of the Takaful Window Financial Reporting Framework.
- 7.5. Hedging and Risk Mitigation Instruments** - These refer to Shari'ah-compliant financial instruments or arrangements for risk mitigation purposes, which are not otherwise classified under specific investment

categories such as Sukuk, equities, Islamic investment funds, or other investments. These instruments must be structured in accordance with Shari'ah principles, approved by the Shari'ah Committee, and recognized and measured in accordance with the applicable financial reporting framework.

7.6. Other Shari'ah-Compliant Investments - This refers to Shari'ah-compliant investments held that do not fall under specific categories, and are recognized and measured in accordance with the applicable financial reporting framework.

7.7. Allowance for Impairment Losses - This refers to the estimated reduction in the value of investment assets, to reflect potential losses from default or non-payment. It is a provision set aside to cover the risk of recoverability and ensure the investment is carried at a realistic value.

8. INVESTMENT INCOME DUE AND ACCRUED

This refers to income earned from the funds' investments that have been allocated or accrued but have not yet been received. It includes all Shari'ah-compliant returns on the investments.

8.1. Accrued Income – Cash in Banks - This refers to income earned on cash balances maintained with banks that have accrued as of the reporting date but have not yet been credited or received.

8.2. Accrued Income – Time Deposits - This refers to income earned on time deposits or Islamic deposit placements that have accrued up to the reporting date but have not yet been received or credited.

8.3. Accrued Income – Sukuk - This refers to the income earned but not yet received from sukuk or Shari'ah-compliant bonds held by the fund.

8.4. Accrued Income – Equities - This refers to dividends, distributions, or profit earned from Shari'ah-compliant equities or investment funds that have been allocated to the fund but not yet received.

8.5. Accrued Income – PSIA - This refers to the participants' share of profit earned from Investment Accounts or PSIA, which has been allocated but not yet collected.

8.6. Accrued Income – Funds - This refers to the portion of returns earned from Shari'ah-compliant investment funds, such as Mutual Funds, UITFs, REITs, or IMAs, that have been allocated to the fund but not yet received, including dividends, profit distributions, or other entitlements arising from the fund's underlying Shari'ah-compliant investments.

8.7. Accrued Income – Hedging and Risk Mitigation Instruments - This refers to gains or profits earned from Shari'ah-compliant derivative instruments that have been accrued but not yet realized or collected.

8.8. *Accrued Income – Other Shari’ah-Compliant Investments* - This refers to income accrued from Other Shari’ah-Compliant Investments, encompassing all Shari’ah-compliant returns that do not fall under specific categories.

8.9. *Allowance for Impairment Losses* - This refers to the estimated reduction in the value of accrued income from investment and financial assets to reflect potential losses from default or non-payment. It is a provision set aside to cover the risk of recoverability and ensure the accrued income is carried at a realistic value.

9. OTHER RECEIVABLES

This refers to amounts due to the participants’ fund that are not classified under contributions, retakaful recoverable, or accrued investment income. It may include advances, reimbursements, miscellaneous receivables, or other non-operational amounts expected to be collected.

9.1. *Ijarah Receivables – Operating* - This refers to amounts due to the participants’ funds arising from Shari’ah-compliant Ijarah arrangements in which the lease asset is owned by the participants’ fund. It includes lease rentals earned but not yet paid as of the reporting date and is measured at gross amounts due, before any allowance for impairment losses.

9.2. *Other Receivables* - This refers to amounts receivable from third parties that do not fall under specific receivable categories, such as deposits, refunds, recoverable expenses, or miscellaneous non-contribution-related receivables.

9.3. *Allowance for Impairment Losses* - This refers to the estimated reduction in value of receivables to account for potential non-payment or default.

10. DUE FROM OTHER FUNDS

This refers to amounts legally or contractually owed to it by another fund within the same Takaful Window operation.

10.1. *Receivable from PRF* - This refers to amounts due from the PRF.

10.2. *Receivable from PIF* - This refers to amounts due from the PIF.

10.3. *Receivable from Takaful Operator* - This refers to amounts due from the Takaful Operator, including reimbursements, settlements, or adjustments. This receivable is a related-party balance and excludes Qard Hasan balances.

10.4. *Others* - This refers to amounts due from any other internal funds or accounts that do not fall under specific categories.

11. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

These investments represent Shari'ah-compliant equity stakes held in external entities by the participants' funds to generate long-term returns. All such investments must undergo rigorous Shari'ah screening to ensure the underlying business activities and financial structures remain permissible and segregated from the conventional parent's operations.

11.1. *Investment in Subsidiaries* - Shari'ah-compliant equity stake typically exceeding 50% ownership held by the Participants' Funds in an entity controlled by the Takaful unit.

11.2. *Investment in Associates* - Shari'ah-compliant equity stake typically between 20% and 50% that grants the Takaful unit significant influence over an entity's financial and operating policies without full control.

11.3. *Investment in Joint Venture* - Shari'ah-compliant strategic arrangement where the participants' funds pool resources with one or more partners to jointly control an economic activity. These ventures are typically structured as a Musharakah (partnership), ensuring that all underlying operations remain strictly segregated from the conventional parent's interest-based activities.

11.4. *Allowance for Impairment Losses* - This refers to the total amount set up to provide for losses that may arise from impairment of above investments.

12. PROPERTY AND EQUIPMENT

This refers to tangible non-current assets whose acquisition, use, and financing structures are strictly Shari'ah-compliant and duly approved by the Shari'ah Committee.

12.1. *Land* - This refers to the historical acquisition cost, including the directly attributable costs necessary to bring the land to its intended use and the cumulative increase/decrease in the carrying amount arising from revaluation to fair value, recognized in accordance with the applicable accounting standards.

12.2. *Building and Building Improvements* - This refers to the historical acquisition or construction cost of the building, subsequent capitalized improvements, including costs directly attributable to bringing the asset to its operational condition, and the cumulative increase/decrease in the carrying amount arising from revaluation to fair value, recognized in accordance with the applicable accounting standards.

12.3. *Accumulated Depreciation – Building and Building Improvements* - This refers to the cumulative depreciation recognized on buildings and building improvements over their estimated useful lives.

12.4. Ijarah Improvements - This refers to the cost of improvements made to Ijarah (Shari'ah-compliant leased) premises, which are capitalized and amortized over the shorter of the Ijarah term or the useful life of the improvements.

12.5. Accumulated Depreciation – Ijarah Improvements - This refers to the cumulative depreciation recognized since their capitalization.

12.6. IT Equipment - This refers to the acquisition cost of information technology equipment, including hardware and related peripherals, owned by the takaful funds and used in operations.

12.7. Accumulated Depreciation – IT Equipment - This refers to the cumulative depreciation recognized on IT equipment over its estimated useful life.

12.8. Transportation Equipment - This refers to the acquisition cost of vehicles and other transportation assets.

12.9. Accumulated Depreciation – Transportation Equipment - This refers to the cumulative depreciation recognized on transportation equipment over its estimated useful life.

12.10. Office Furniture, Fixtures and Equipment - This refers to the acquisition cost of office furniture, fixtures, and equipment used in administrative and operational activities.

12.11. Accumulated Depreciation – Office Furniture, Fixtures and Equipment - This refers to the cumulative depreciation recognized on office furniture, fixtures, and equipment over their estimated useful lives.

13. INVESTMENT PROPERTY

This refers to tangible non-current assets held for the purpose of generating returns or earnings for the funds, where the acquisition, use, and financing structures are strictly Shari'ah-compliant and duly approved by the Shari'ah Committee.

14. RIGHT-OF-USE ASSET (IJARAH)

This refers to assets recognized for the contractual right to use identified underlying assets under Shari'ah-compliant lease arrangements for a specified lease term, measured in accordance with the applicable financial reporting standards and approved Shari'ah governance requirements.

15. NON-CURRENT ASSET HELD FOR SALE

This refers to non-current assets that are classified as held for sale when their carrying amounts are expected to be recovered principally through sale rather than continued use, and the sale is highly probable, in accordance with the applicable financial reporting standards.

16. DEFERRED WAKALAH FEE

This refers to the portion of Wakalah fees paid but not yet incurred as of the reporting date. Deferred Wakalah fees are recognized in accordance with applicable financial reporting standards and when accounting treatment applies.

17. DEFERRED ACQUISITION COST

This refers to the unexpired portion of commission expense incurred by acquiring takaful contracts and recoverable through Shari'ah-approved remuneration arrangements.

18. DEFERRED RETAKAFUL CONTRIBUTIONS

This refers to the unearned portion of contributions ceded to retakaful operators arising from takaful certificates in force as at the reporting date, corresponding to the unexpired period of risk coverage.

19. DEFERRED TAX ASSETS

This refers to an amount of future tax savings resulting from the expectation that deductible temporary differences (often due to claims provisioning or accrued expenses) or tax losses will offset taxable profits in future periods.

20. OTHER ASSETS

This refers to all remaining assets or resources of the fund that are not captured in other specific account classifications.

LIABILITY ACCOUNTS

21. CLAIMS PAYABLE

Estimated liability for Shari'ah-compliant benefits that includes both reported claims currently in the process of adjustment and an actuarial reserve for "Incurred but Not Reported" (IBNR) claims, ensuring that the fund's surplus is accurately calculated after accounting for all potential mutual assistance obligations.

21.1. *Outstanding Claims Reserves* – This refers to provision set aside within the segregated PRF to cover the estimated costs of claims that have been reported but not yet settled. It serves as a fiduciary liability, ensuring that sufficient Tabarru' (donations) are preserved to fulfill the mutual guarantee obligations owed to participants for losses already incurred.

21.2. *IBNR Reserves* – This refers to provisions set aside within the PRF to cover claims for events that have already occurred but have not yet been officially reported to the Takaful Operator. These reserves ensure that the Takaful Window accurately reflects its total potential liabilities, preventing an overstatement of the fund's surplus and maintaining Shari'ah

compliance by protecting the Tabarru' (donations) from future, unrecorded financial shocks.

22. CONTRIBUTIONS PAYABLE

This refers to all future claim payments and related expenses for policy maintenance and claims settlement, to be made after the valuation date, arising from future events for which the company is liable under its takaful contracts, and is computed as the higher of the Unearned Contribution Reserve (UCR) and Unexpired Risk Reserve (URR) at a designated level of confidence, on a gross retakaful basis.

23. RETAKAFUL PAYABLES

This refers to the outstanding financial obligations of a Takaful Window to a retakaful operator for the participants' share of contributions due in exchange for risk-sharing coverage.

23.1. *Due to Retakaful* - This refers to amounts due to retakaful operators for contributions ceded under retakaful agreements.

23.2. *Funds Held for Retakaful* - This refers to a portion of the retakaful contributions ceded to retakaful operators which was withheld by the takaful window in accordance with treaty and facultative agreements and/or laws, rules and regulations.

23.3. *Other Retakaful Payable* - This refers to other amounts due to retakaful operators not included in contributions, claims, or commissions, such as adjustments, fees, or ancillary settlements.

24. PARTICIPANT CONTRIBUTION REFUND

This refers to the amount returned to a Takaful participant representing contributions previously paid, arising from policy cancellation, surrender, overpayment, or other contractual circumstances, net of any applicable charges or adjustments.

25. COMMISSIONS PAYABLE

This refers to amounts payable to agents, brokers, or distribution channels for services rendered in facilitating the issuance or renewal where such payments are approved under Shari'ah principles.

26. DEFERRED RETAKAFUL COMMISSIONS

This refers to the unearned portion of commission income from retakaful contributions ceded as at report date.

27. TAXES PAYABLE

This refers to taxes and regulatory levies directly attributable to the operations of the Takaful Window, recognized as liabilities until paid.

28. DUE TO OTHER FUNDS

This refers to amounts owed between the participants' funds and Operator Fund, for transfers or shared expenses.

28.1. *Payable to PRF* - This refers to amounts due to the PRF.

28.2. *Payable to PIF* - This refers to amounts due to the PIF.

28.3. *Payable to Takaful Operator* - This refers to amounts due to the Takaful Operator, including reimbursements, settlements, or adjustments. This receivable is a related-party balance and excludes Qard Hasan balances.

28.4. *Others* - This refers to amounts due to any other internal funds or accounts not separately classified.

29. QARD HASAN PAYABLE

This refers to funds received as a benevolent, interest-free loan granted under Islamic finance principles. It reflects the outstanding principal obligation to the lender, repayable without any profit, interest, or additional charge, consistent with its charitable intent.

30. SURPLUS DISTRIBUTION PAYABLE

This refers to amounts approved and declared for distribution to takaful participants from the Takaful Window but not yet paid as of the reporting date, representing a present obligation of the takaful fund.

31. ZAKAT PAYABLE

This refers to the amount of zakat (Islamic charity tax) that the Takaful Window is obligated to pay based on its Shari'ah-compliant assets and/or surplus.

32. IJARAH LIABILITY

This refers to the present value of future lease payments under Shari'ah-compliant ijarah arrangements recognized by the operator as lessee.

33. OTHER LIABILITIES

These are miscellaneous obligations of the fund not classified under claims, certificates, or commissions, such as refunds or operational payables.

33.1. *Ijarah Liability – Operating* - This refers to the obligation of the Takaful Window to make future ijarah payments under a Shari’ah-compliant lease arrangement for assets used in the fund’s operations or investments.

33.2. *Deferred Income* - This refers to contributions, fees, or other receipts received but not yet earned, to be recognized over time as the service is provided.

33.3. *Notes Payable* - This refers to formal obligations to pay specified amounts to creditors under promissory notes or similar instruments.

33.4. *Deferred Tax Liability* - This refers to tax obligations arising from temporary differences between accounting and tax bases of assets and liabilities.

33.5. *Accrued Expenses* - This refers to expenses incurred for the period and shall be accrued.

33.6. *Others* - This refers to obligations that do not fall under specific categories.

PARTICIPANTS’ FUND

34. SURPLUS / DEFICIT – PARTICIPANTS’ FUND

This refers to the net result of the participants’ fund, reflecting performance after accounting for contributions, claims, expenses, and investment returns.

34.1. *Surplus/Deficit in PRF*- This refers to the excess or shortfall arising from the risk pool after accounting for tabarru’ contributions, claims, retakaful costs, and other expenses of the PRF. It reflects the fund’s collective performance and covers participants’ risks.

34.2. *Surplus/Deficit in PIF* - This refers to the gain or loss generated from the investment and savings portion of participants’ contributions after deducting related charges. It reflects the individual participants’ investment performance within the Takaful structure.

35. INVESTMENTS FAIR VALUE RESERVE AND OTHER RESERVES

This refers to unrealized gains or losses arising from changes in the fair value of investments. It also includes other reserves set aside for specific purposes as required by Shari’ah or regulatory guidance, which are not attributable to participants’ claims but may support fund stability, surplus management, or future obligations.

36. CONTINGENCY AND STATUTORY RESERVE

This reserve is set aside to cover unexpected claims, adverse experience, or regulatory requirements, acting as a buffer to protect participants’ funds. It ensures solvency and financial stability under unforeseen circumstances.

III. STATEMENT OF COMPREHENSIVE INCOME ACCOUNTS

PARTICIPANTS' RISK FUND (PRF)

TAKAFUL CONTRIBUTIONS AND RETAKAFUL

This refers to the amount of contributions remaining in the Participants' Risk Fund (PRF) adding any retakaful contributions received, and after deducting the retakaful contributions ceded and the Takaful Operator's Wakalah Fee. It represents the net funds available to cover participants' risks, pay claims, and meet other PRF obligations.

37. GROSS TAKAFUL CONTRIBUTIONS – PRF

This refers to the total gross amount of contributions received, or receivable by the PRF representing the tabarru' (risk donation) portion for a specific period, before deduction of retakaful, wakalah fees, or other expenses. This should be determined on a gross basis before any deductions, especially *Wakalah Fee Expense*, regardless of whether such deductions have already been remitted to or recognized by the operator.

37.1. *Takaful Contributions – Direct* - This refers to the total amount of contributions due from participants for risk coverage originated directly by the Takaful window without the involvement of other primary insurance or Takaful operators as intermediaries.

37.2. *Retakaful Assumed Contributions* - This refers to the total amount of contributions earned by the General Takaful Unit when it acts as a "retakaful" provider by accepting and underwriting risks ceded to it from other Takaful operators (Inward Retakaful).

37.3. *Returns and Cancellations* - This refers to the contra-revenue account used to record the reversal of previously recognized contributions due to policy terminations, risk reductions, or errors, effectively reducing the Gross Written Contributions of the General Takaful Fund.

38. RETAKAFUL SHARE OF CONTRIBUTIONS

This refers to amounts transferred to or received from retakaful operators by the PRF for sharing or transferring the risk of participants' certificates.

38.1. *Retakaful Ceded* - This refers to the portion of gross written contributions that are allocated and paid to a Retakaful operator in exchange for their participation in the risk pool, effectively reducing the fund's total exposure and net income.

38.2. *Additional Retakaful Contributions* - This refers to the portion of the additional contribution paid to retakaful operators to restore the full limit of a treaty or facultative cover after it has been depleted by a claim, ensuring the General Takaful Fund maintains continuous protection for the remainder of the period.

39. INCREASE/DECREASE IN UNEARNED CONTRIBUTIONS

This refers to the accounting adjustment that defers the portion of written contributions related to risk coverage to future periods, ensuring that only the "earned" portion is recognized as revenue in the current period.

40. WAKALAH FEE EXPENSE

This refers to the pre-agreed remuneration payable to the operator for managing the PRF, calculated as a portion of gross contributions. This represents the operator's service remuneration for administering and managing the PRF, including underwriting, claims administration, and other risk management services performed by the operator on behalf of participants.

CLAIMS, UNDERWRITING COSTS, AND RESERVE MOVEMENTS

This refers to the aggregate of all costs and charges related to risk-bearing activities. These collectively reflect the net cost of providing risk coverage and managing technical liabilities, excluding operator fund operating expenses.

41. CLAIMS EXPENSE

This refers to payments made to participants for valid claims or certificate benefits. It reduces the PRF's surplus for the period.

41.1. Losses – Direct - This refers to the total value of valid compensation amounts recognized by the fund for losses incurred by participants under their Takaful certificates.

41.2. Losses – Retakaful - This refers to the portion of claims recoverable from retakaful operators in respect of valid losses incurred by participants under their takaful certificates. These amounts are recognized by the Takaful Fund in accordance with the terms of the retakaful arrangements and applicable financial reporting framework.

41.3. Salvage Recoveries / Loss Recoveries - This refers to the account used to reduce the total underwriting cost of the General Takaful Fund by recording the proceeds gained from the sale of damaged assets (salvage) or the amounts recovered from third parties at fault (subrogation), thereby returning those values to the participants' pool.

41.4. Loss Adjustment Expenses – Direct - This refers to the specific, third-party costs such as loss adjuster fees, legal expenses, and surveyor charges that are directly attributable to the investigation and settlement of a particular claim within the General Takaful Fund.

41.5. Loss Adjustment Expenses - Retakaful - This refers to the portion of costs incurred to investigate, assess, and settle claims (such as surveyor or legal fees) that is shared with and recoverable from the Retakaful operator under the terms of the treaty or facultative agreement.

42. RETAKAFUL SHARE OF CLAIMS

This refers to the portion of claims incurred by the PRF that is recoverable from retakaful operators under the PRF's retakaful arrangements. It represents PRF's risk-sharing benefit, reducing the net claims expense borne by the fund.

43. INCREASE/DECREASE IN UNPAID LOSSES

This refers to the net change in the fund's estimated liabilities for claims that have occurred but have not yet been settled, including both reported and unreported (IBNR) cases, which must be adjusted against the current period's underwriting results.

44. OTHER UNDERWRITING EXPENSES

This is comprised of the following:

42.1. *Retrocession Commission* - This refers to commissions paid to the retakaful on their acceptance of the retakaful business.

42.2. *Commission Expense – Direct* - This refers to the remuneration paid to intermediaries (such as agents or brokers) for the acquisition of new Takaful business directly from participants.

42.3. *Commission Expense on Assumed Retakaful* - This refers to the fee paid by the unit to a ceding Takaful operator as compensation for acquiring and managing the original risks that the unit has agreed to cover.

42.4. *Other Tax Expense* - This refers to the non-income-related levies and duties such as fire service taxes, stamp duties, or regulatory surcharges incurred specifically through underwriting activities and charged to the General Takaful Fund.

42.5. *Other Underwriting Expenses* - This refers to miscellaneous income, expenses, and benefit-related movements arising from underwriting and certificate administration activities of the PRF that are not separately presented as claims, retakaful, or operator management fees.

OTHER INCOME AND EXPENSES - PRF

45. INVESTMENT INCOME - PRF

This refers to the returns earned from investments duly approved by the Shari'ah Committee held within the PRF.

46. OTHER INCOME - PRF

This refers to income that arises directly from the operations of the PRF but is not classified as contributions, retakaful, or investment income.

47. DEPRECIATION AND AMORTIZATION

This refers to the systematic allocation of the cost of property and other eligible assets held within the PRF over their estimated useful lives.

48. PROVISION FOR IMPAIRMENT LOSSES

This refers to the recognition of impairment losses on assets held within PRF, where the carrying amount exceeds the recoverable amount.

49. ASSOCIATION DUES

This refers to membership fees and subscription costs paid by the PRF to professional, actuarial, regulatory, or takaful-related associations that are directly necessary for the administration, compliance, or governance of PRF operations.

50. OTHER EXPENSES - PRF

This refers to minor and incidental expenses incurred and are directly related to PRF operations and do not fall under specific categories.

NET SURPLUS/DEFICIT BEFORE ZAKAT AND TAX - PRF

This refers to the PRF surplus or deficit calculated after accounting for contributions, claims, expenses, investment income, and movements in liabilities, but before any zakat or tax.

PARTICIPANTS' INVESTMENT FUND (PIF)

51. PIF CONTRIBUTIONS

This refers to the portion of participants' contributions allocated to the investment fund, where amounts are invested in Shari'ah-compliant assets to generate returns for participants. The contributions and investment returns in the PIF are separate from the PRF and are used solely for participants' investment accounts.

52. INVESTMENT INCOME – PIF

This refers to the returns earned on investments duly approved by the Shari'ah Committee held within the PIF.

53. REALIZED/UNREALIZED GAINS

This refers to gains or losses from the sale of investments (realized) and changes in fair value of investments still held (unrealized).

54. FUND MANAGEMENT EXPENSES

This refers to expenses incurred in managing the investment fund. It includes fees paid to managers, custodians, and other operational costs.

55. MUDARABAH SHARE – OPERATOR

This refers to the Takaful Operator's share of profits arising from the management of PIF, in accordance with the terms of the Shari'ah-compliant pre-agreed model takaful certificates. It excludes any surplus or profits from the PRF, which belong entirely to the participants.

NET SURPLUS/DEFICIT BEFORE ZAKAT AND TAX – PIF

This refers to the PIF surplus or deficit calculated after accounting for investment income and expense, gains or losses, but before zakat and tax.

56. ZAKAT

This refers to the Shari'ah-mandated wealth contribution, if applicable, which is charged against the participants' funds.

57. TAX – PARTICIPANTS' FUNDS

This refers to taxes imposed under applicable laws on income or transactions of the participants' funds on Shari'ah-compliant assets, where applicable.

NET SURPLUS/DEFICIT AFTER ZAKAT AND TAX – PARTICIPANTS' FUNDS

This refers to the surplus or deficit of the participants' fund after deducting Zakat and after deducting any applicable taxes.

ANNEX C
STANDARD CHART OF ACCOUNTS
FOR FAMILY TAKAFUL WINDOW OPERATION
MUTUAL BENEFIT ASSOCIATION

**I. SEGREGATION OF PARTICIPANTS' RISK FUND (PRF) AND
PARTICIPANTS' INVESTMENT FUND (PIF)**

The Takaful Window Operation shall maintain separate records and accounts for each participants' funds, namely the Participants' Risk Fund (PRF) and the Participants' Investment Fund (PIF), ensuring that the assets, liabilities, and surplus/deficit of each fund are internally monitored and properly segregated for accurate reporting and compliance.

The PRF comprises of the accounts and fund balance for risk pooling of participants primarily funded by tabarru' contributions for mutual protection. The PIF shall mean the savings/investment accounts managed to generate returns for the participants. The PRF and PIF shall be operated under Shari'ah-compliant takaful models incorporating Wakalah and/or Mudarabah arrangements as approved by the Shari'ah Committee.

II. STATEMENT OF FINANCIAL POSITIONS

ASSET ACCOUNTS

1. CASH ON HAND

This refers to physical cash held attributable to the participants' funds, for immediate and incidental takaful-related disbursements. Such cash shall not be commingled with Operator / Shareholders' Fund monies and shall be used solely for purposes consistent with the nature and objectives of the respective participants' funds.

1.1. Petty Cash Fund - This refers to a controlled cash float maintained for minor, immediate disbursements directly related to takaful operations, such as small benefit payments or participant-related administrative costs.

1.2. Other Funds - This refers to other physical cash balances held temporarily by participants, pending deposit with a bank or settlement of Takaful-related obligations.

2. CASH IN BANKS

This refers to non-interest-bearing account balances maintained in various Shari'ah-compliant banks. It includes cash held in current and savings accounts, in both Philippine Peso and foreign currencies, including any Shari'ah-compliant profit earned.

2.1. Cash in Banks - Current - This refers to checking account balances in Shari'ah-compliant banks.

2.1.1. Cash in Banks – Current – Peso

2.1.2. Cash in Banks – Current – Foreign

2.2. Cash in Banks - Savings - This refers to savings deposit account balances in Shari'ah-compliant banks. Any returns on these accounts must be in accordance with Shari'ah principles.

2.2.1. Cash in Banks – Savings – Peso

2.2.2. Cash in Banks – Savings – Foreign

3. TIME DEPOSITS

This refers to Shari'ah-compliant time deposit accounts held with Islamic banks or Islamic banking units. These deposits are placed for specific periods and are compliant with Shari'ah principles.

3.1. Peso Currency - This refers to Shari'ah-compliant fixed-term deposits held in Philippine Pesos, earning profit over the deposit period.

3.2. Foreign Currency - This refers to Shari'ah-compliant fixed-term deposits held in foreign currencies, earning profit over the deposit period.

4. TAKAFUL CONTRIBUTIONS RECEIVABLE

This refers to amounts due from participants or other takaful operators arising from unpaid takaful contributions, net of allowance for impairment loss.

4.1. Due from Takaful Participants - This refers to the outstanding contributions or payments owed by takaful participants for their coverage.

4.2. Due from Co-Takaful - This refers to amounts receivable from other takaful operators, usually arising from co-takaful arrangements where risks and contributions are shared among multiple takaful operators. These receivables may include recoveries, settlements, or contributions due between takaful operators cooperating under mutual takaful contracts.

4.3. Allowance for Impairment Losses - This refers to the estimated reduction in value of receivables to account for potential non-payment or default.

5. UNREMITTED TAKAFUL CONTRIBUTIONS

This refers to contributions collected by partner banks, financial institutions, or other collecting agents on behalf of the fund that have not yet been transferred or credited to the takaful window, net of any estimated allowance for impairment loss to cover potential non-payment or default.

5.1. Unremitted Takaful Contributions - This refers to contributions collected by partner banks, financial institutions, or other collection agents on behalf of the fund that have not yet been transferred or credited.

5.2. Allowance for Impairment Losses - This refers to the estimated reduction in value of receivables to account for potential non-payment or default.

6. RETAKAFUL RECEIVABLES

This refers to amounts recoverable from retakaful operators arising from risk-sharing arrangements in respect of claims and related liabilities, net of any allowance for impairment loss to cover potential non-payment or default.

6.1. Due from Ceding Takaful Operators - This refers to the receivable from other Takaful Operators arising from inward retakaful arrangements, representing retakaful contributions (tabarru') for risks accepted by the Participants' Fund.

6.2. Funds Held by Ceding Takaful Operators - This refers to the portion of retakaful contributions or loss reserves that is legally owned but physically retained by the ceding company as collateral.

6.3. Retakaful Recoverable on Paid Claims - This refers to amounts already paid to participants for claims, for which recovery is due from retakaful operators under Shari'ah-compliant retakaful arrangements. Conceptually, it mirrors reinsurance recoverable on paid losses in conventional insurance, but it arises within a risk-sharing (takaful) and Shari'ah-compliant framework.

6.4. Retakaful Recoverable on Outstanding Claims - This refers to the amounts expected to be recovered from retakaful operators for claims that have been reported but not yet settled. This receivable represents the retakaful operator's share of the outstanding claims liabilities recognized under retakaful agreements.

6.5. Deferred Retakaful Contributions - This refers to the unearned portion of contributions ceded to retakaful operators arising from takaful certificates in force as at the reporting date, corresponding to the unexpired period of risk coverage.

6.6. Other Retakaful Receivables - This refers to the amounts due from retakaful operators that do not fall under specific categories.

6.7. Allowance for Impairment Losses - This refers to the estimated reduction in value of retakaful receivables to account for potential non-payment or default by retakaful operators.

7. INVESTMENT AND FINANCIAL ASSETS

This refers to the fund's Shari'ah-compliant investments, including amounts placed in financial instruments or arrangements intended to generate returns for the participants' funds.

7.1. Sukuk (Islamic Bonds) - This refers to certificates of equal value representing undivided investment, interest in or rights to the underlying assets, usufructs, and services or projects undertaken in accordance with Shari'ah principles. Sukuk are generally named after the Shari'ah principle by which they are structured.

7.2. Equities - This refers to investments in Shari'ah-compliant equity instruments, where returns are derived from ownership interests in permissible business activities and are shared between the investor and the enterprise in accordance with Shari'ah principles.

7.3. Profit-Sharing Investment Account (PSIA) - This refers to funds placed or invested under Shari'ah-compliant profit and loss sharing arrangements, where returns are determined by the actual performance of the underlying investments and are not guaranteed. Profits are distributed in accordance with pre-agreed ratios, while financial losses are allocated based on the applicable Shari'ah contract, subject to the terms of the arrangement and excluding losses arising from negligence, misconduct, or breach of contract.

7.3.1. Mudharabah Investment Account - This refers to funds invested under a profit-sharing arrangement where the Takaful Window provides the capital and the Takaful Operator acts as the manager. Profits are shared according to a pre-agreed ratio, while financial losses, if any, are borne solely by the Takaful Window, except in cases of operator negligence or misconduct.

7.3.2. Musharakah Investment Account - This refers to funds invested in a joint partnership where both the Takaful Window and the Takaful Operator contribute capital and share profits and losses according to agreed ratios. Losses are shared in proportion to the capital contribution.

7.3.3. Other PSIA Accounts - This refers to any other Shari'ah-compliant investment arrangements not classified under Mudharabah or Musharakah, including hybrid or innovative structures approved by the Shari'ah committee. This may include non-asset-backed profit-sharing arrangements.

7.4. Funds - This refers to investments held through Mutual Funds, Unit Investment Trust Funds (UITFs), Real Estate Investment Trust Funds (REITs), Investment Management Accounts (IMAs), and other similar investment vehicles. These investments are generally redeemable at the option of the holder and are measured at values determined based on the

applicable net asset value (NAV) per share or unit, as reported on a regular basis, for purposes of the Takaful Window Financial Reporting Framework.

- 7.5. Hedging and Risk Mitigation Instruments** - These refer to Shari'ah-compliant financial instruments or arrangements for risk mitigation purposes, which are not otherwise classified under specific investment categories such as Sukuk, equities, Islamic investment funds, or other investments. These instruments must be structured in accordance with Shari'ah principles, approved by the Shari'ah Committee, and recognized and measured in accordance with the applicable financial reporting framework.
- 7.6. Other Shari'ah-Compliant Investment** - This refers to Shari'ah-compliant investments held that do not fall under specific categories, and are recognized and measured in accordance with the applicable financial reporting framework.
- 7.7. Allowance for Impairment Losses** - This refers to the estimated reduction in the value of investment assets to reflect potential losses from default or non-payment. It is a provision set aside to cover the risk of recoverability and ensure the investment is carried at a realistic value.

8. INVESTMENT INCOME DUE AND ACCRUED

This refers to income earned from the fund's investments that has been allocated or accrued but not yet received. It includes all Shari'ah-compliant returns on investments.

- 8.1. Accrued Income – Cash in Bank** - This refers to income earned on cash balances maintained with banks that have accrued as of the reporting date but have not yet been credited or received.
- 8.2. Accrued Income – Time Deposits** - This refers to income earned on time deposits or Islamic deposit placements that have accrued up to the reporting date but have not yet been received or credited.
- 8.3. Accrued Income – Sukuk** - This refers to income earned but not yet received from sukuk or Shari'ah-compliant bonds held by the fund.
- 8.4. Accrued Income – Equities** - This refers to dividends, distributions, or profit earned from Shari'ah-compliant equities or investment funds that have been allocated to the fund but not yet received.
- 8.5. Accrued Income – PSIA and Other Investments** - This refers to the participants' share of profit earned from Investment Accounts or PSIA, which has been allocated but not yet collected.
- 8.6. Accrued Income – Funds** - This refers to the portion of returns earned from Shari'ah-compliant investment funds, such as Mutual Funds, UITFs, REITs, or IMAs, that have been allocated to the fund but not yet received,

including dividends, profit distributions, or other entitlements arising from the fund's underlying Shari'ah-compliant investments.

- 8.7. Accrued Income – Hedging and Risk Mitigation Instruments** - This refers to gains or profits earned from Shari'ah-compliant derivative instruments that have been accrued but not yet realized or collected.
- 8.8. Accrued Income – Other Shari'ah-Compliant Investment** - This refers to income accrued from other Shari'ah-compliant investments, encompassing all Shari'ah-compliant returns that do not fall under specific categories.
- 8.9. Allowance for Impairment Losses** - This refers to the estimated reduction in the value of accrued income from investment and financial assets to reflect potential losses from default or non-payment. It is a provision set aside to cover the risk of recoverability and ensure the accrued income is carried at a realistic value.

9. OTHER RECEIVABLES

This refers to amounts due to the participants' funds that are not classified under contributions, retakaful recoverables, or accrued investment income. It may include advances, reimbursements, miscellaneous receivables, or other non-operational amounts expected to be collected.

- 9.1. Ijarah Receivables – Operating** - This refers to amounts due to participants' funds arising from Shari'ah-compliant ijarah arrangements in which the lease asset is owned by the participants' funds. It includes lease rentals earned but not yet paid as of the reporting date and is measured at gross amounts due, before any allowance for impairment losses.
- 9.2. Other Receivable** - This refers to amounts receivable from third parties that do not fall under specific receivable categories, such as deposits, refunds, recoverable expenses, or miscellaneous non-contribution-related receivables.
- 9.3. Allowance for Impairment Losses** - This refers to the estimated reduction in value of receivables to account for potential non-payment or default.

10. DUE FROM OTHER FUNDS

This refers to amounts receivable from other funds within the Takaful structure, arising from inter-fund transactions, allocations, or settlements.

- 10.1. Receivable from PRF** - This refers to amounts due from the PRF.
- 10.2. Receivable from PIF** - This refers to amounts due from the PIF.
- 10.3. Others** – This refers to amounts due from any other internal funds or accounts that do not fall under specific categories.

11. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES, AND JOINT VENTURES

This refers to Shari'ah-compliant equity stakes held in external entities by the participants' funds to generate long-term returns. All such investments must undergo rigorous Shari'ah screening to ensure the underlying business activities and financial structures remain permissible and segregated from the conventional parent's operations.

- 11.1. **Investment in Subsidiaries** - Shari'ah-compliant equity stake typically exceeding 50% ownership held by the participants' funds.
- 11.2. **Investment in Associates** - Shari'ah-compliant equity stake typically between 20% and 50% that grants the participants' funds significant influence over an entity's financial and operating policies without full control.
- 11.3. **Investment in Joint Venture** - Shari'ah-compliant strategic arrangement where the participants' funds pool resources with one or more partners jointly control an economic activity.
- 11.4. **Allowance for Impairment Losses** - This refers to the total amount set up to provide for losses that may arise from impairment of above investments.

12. PROPERTY AND EQUIPMENT

This refers to tangible non-current assets whose acquisition, use, and financing structures are strictly Shari'ah-compliant and duly approved by the Shari'ah Committee.

- 12.1. **Land** - This refers to the historical acquisition cost, including the directly attributable costs necessary to bring the land to its intended use and the cumulative increase/decrease in the carrying amount arising from revaluation to fair value, recognized in accordance with the applicable accounting standards.
- 12.2. **Building and Building Improvements** - This refers to the historical acquisition or construction cost of the building, subsequent capitalized improvements, including costs directly attributable to bringing the asset to its operational condition, and the cumulative increase/decrease in the carrying amount arising from revaluation to fair value, recognized in accordance with the applicable accounting standards.
- 12.3. **Accumulated Depreciation – Building and Building Improvements** - This refers to the cumulative depreciation recognized on buildings and building improvements over their estimated useful lives.
- 12.4. **Ijarah Improvements** - This refers to the cost of improvements made to Ijarah (Shari'ah-compliant leased) premises, which are capitalized and amortized over the shorter of the Ijarah term or the useful life of the improvements.

- 12.5. Accumulated Depreciation – Ijarah Improvements** - This refers to the cumulative depreciation recognized since their capitalization.
- 12.6. IT Equipment** - This refers to the acquisition cost of information technology equipment, including hardware and related peripherals.
- 12.7. Accumulated Depreciation – IT Equipment** - This refers to the cumulative depreciation recognized on IT equipment over its estimated useful life.
- 12.8. Transportation Equipment** - This refers to the acquisition cost of vehicles and other transportation assets.
- 12.9. Accumulated Depreciation – Transportation Equipment** - This refers to the cumulative depreciation recognized on transportation equipment over its estimated useful life.
- 12.10. Office Furniture, Fixtures and Equipment** - This refers to the acquisition cost of office furniture, fixtures, and equipment used in administrative and operational activities.
- 12.11. Accumulated Depreciation – Office Furniture, Fixtures and Equipment** - This refers to the cumulative depreciation recognized on office furniture, fixtures, and equipment over their estimated useful lives.
- 12.12. Construction-in-Progress** - This refers to costs incurred for property and equipment that are under construction or not yet ready for their intended use as of the reporting date, including directly attributable costs, and which are not depreciated until the assets are completed and put into use.

13. INVESTMENT PROPERTY

This refers to tangible non-current assets held for the purpose of generating returns or earnings for the funds, where the acquisition, use, and financing structures are strictly Shari'ah-compliant and duly approved by Shari'ah Committee.

14. RIGHT-OF-USE ASSETS (IJARAH)

This refers to assets recognized for the contractual right to use identified underlying assets under Shari'ah-compliant lease arrangements for a specified lease term, measured in accordance with the applicable financial reporting standards and approved Shari'ah governance requirements.

15. NON-CURRENT ASSETS HELD FOR SALE

This refers to non-current assets that are classified as held for sale when their carrying amounts are expected to be recovered principally through sale rather than continued use, and the sale is highly probable, in accordance with the applicable financial reporting standards.

16. DEFERRED WAKALAH FEE

This refers to the portion of Wakalah fees paid but not yet incurred as of the reporting date. Deferred Wakalah fees are recognized in accordance with applicable financial reporting standards and when accounting treatment applies.

17. OTHER ASSETS

This refers to all remaining assets or resources of the fund that are not captured in other specific account classifications.

LIABILITY ACCOUNTS

18. LIABILITY ON INDIVIDUAL EQUITY VALUE

This refers to the total amount of obligations set up by the association pertaining to the equity value, as required under the Section 409 of the Amended Insurance Code, and any incremental amount required. This account shall only apply to participants with outstanding membership certificates.

19. BASIC FAMILY TAKAFUL RESERVE

This refers to the reserve maintained for the basic benefits under family takaful certificates that are in force as at the end of the reporting period. It reflects the accumulated participants' contributions allocated to cover the basic risk protection portion of the certificates and is held within the PRF to meet future claims or benefits arising from the core coverage.

20. OPTIONAL FAMILY TAKAFUL RESERVE

This refers to the reserve maintained for the optional benefits under family takaful certificates that are in force as at the end of the reporting period. It reflects amounts allocated from participants' contributions for optional benefits, held within the PRF, and is available to meet future claims or benefits arising from these optional arrangements.

20.1. Optional Family Takaful Reserve – Regular

20.2. Optional Family Takaful Reserve – Micro

21. CLAIMS PAYABLE ON BASIC FAMILY TAKAFUL BENEFIT

This refers to the liability of the PRF arising from claims under basic family takaful certificates for regular and micro takaful. It represents amounts due to participants or beneficiaries that the fund is obliged to settle.

21.1. Claims Due and Unpaid - This refers to claims that have been reported and validated but not yet paid to the beneficiaries.

- 21.2. In Course of Settlement** - This refers to claims on which the Takaful Operator has already received notice of claims but on which, for one reason or another, financial action has not been taken either approving the claims for payment in full or rejecting it in part or full.
- 21.3. Claims Resisted** - This refers to claims that are disputed, contested, or partially challenged, where the PRF may ultimately pay a portion or none, depending on resolution.
- 21.4. Claims Incurred But Not yet Reported** - This refers to claims that have occurred but have not yet been reported to the Takaful Operator, estimated based on historical experience and actuarial assumptions.

22. CLAIMS PAYABLE ON OPTIONAL FAMILY TAKAFUL BENEFIT

This refers to liabilities of the PRF arising from optional or rider benefits attached to family takaful certificates.

- 22.1. Claims Payable on Optional Family Takaful Benefits – Regular**
 - 22.1.1. Claims Due and Unpaid**
 - 22.1.2. In Course of Settlement**
 - 22.1.3. Claims Resisted**
 - 22.1.4. Claims Incurred But Not yet Reported**
- 22.2. Claims Payable on Optional Family Takaful Benefits – Micro**
 - 22.2.1. Claims Due and Unpaid**
 - 22.2.2. In Course of Settlement**
 - 22.2.3. Claims Resisted**
 - 22.2.4. Claims Incurred But Not yet Reported**

23. MATURITIES AND SURRENDERS PAYABLE ON BASIC FAMILY TAKAFUL BENEFIT

This refers to amounts payable by the PRF to participants upon maturity of the basic family takaful certificate (regular and micro) or upon voluntary surrender, representing accumulated contributions, less applicable fees and claims.

24. MATURITIES AND SURRENDERS PAYABLE ON OPTIONAL FAMILY TAKAFUL BENEFIT

This refers to amounts payable to participants upon maturity of the optional family takaful certificate or upon voluntary surrender that have become due and payable as of the reporting date.

- 24.1. Maturities and Surrenders Payable on Optional Family Takaful Benefit – Regular**
- 24.2. Maturities and Surrenders Payable on Optional Family Takaful Benefit – Micro**

25. RETAKAFUL PAYABLES

These are obligations to retakaful operators arising from ceded contributions, claims, or related fees.

25.1. Retakaful Contributions Payable - This refers to amounts due to retakaful operators for contributions ceded under retakaful agreements.

25.2. Funds Held for Retakaful - This refers to a portion of the retakaful contributions ceded to retakaful operators, which was withheld by the participant's fund in accordance with treaty and facultative agreements and/or laws, rules, and regulations.

25.3. Other Retakaful Payable - This refers to other amounts due to retakaful operators that do not fall under specific categories.

26. COMMISSIONS PAYABLE

This refers to amounts payable to agents, financial institutions, or distribution channels for services rendered in facilitating the issuance or renewal where such payments are approved under Shari'ah principles.

27. DUE TO OTHER FUNDS

These are amounts owed between the participants' funds and Operator fund, for transfers or shared expenses.

27.1. Payable to PRF - These are amounts due to the PRF.

27.2. Payable to PIF - These are amounts due to the PIF.

27.3. Payable to Takaful Operator - These are amounts due to the Takaful Operator, including reimbursements, settlements, or adjustments. This payable is a related-party balance and excludes Qard Hasan balances.

27.4. Others - These are amounts due to any other internal funds or accounts that do not fall under specific categories.

28. QARD HASAN PAYABLE

This refers to funds received as a benevolent, interest-free loan granted under Islamic finance principles. It reflects the outstanding principal obligation to the lender, repayable without any profit, interest, or additional charge, consistent with its charitable intent.

29. SURPLUS DISTRIBUTION PAYABLE

This refers to amounts approved and declared for distribution to takaful participants from the participants' funds but not yet paid as of the reporting date, representing a present obligation of the takaful fund.

30. ZAKAT PAYABLE

This refers to the amount of zakat (Islamic charity tax) that the takaful fund is obligated to pay based on its Shari'ah-compliant assets and/or surplus.

31. IJARAH LIABILITY

This refers to the obligation to make future lease payments under a Shari'ah-compliant lease arrangement for assets used in the fund's operations or investments.

32. OTHER LIABILITIES

These are miscellaneous obligations of the fund not classified under claims, certificates, or commissions, such as refunds or operational payables.

32.1. Ijarah Liability – Operating - This refers to the obligation of the participants' funds to make future lease payments under a Shari'ah-compliant lease arrangement for assets used in the fund's operations or investments.

32.2. Withholding Taxes Payable - This refers to amounts withheld at source on income earned by the participants' funds, such as investment income, dividends, or other taxable receipts, which are payable to the relevant tax authority. It represents a current obligation of the fund and reduces the net return to participants until settled.

32.3. Deferred Income - This refers to contributions, fees, or other receipts received but not yet earned, to be recognized over time as the service is provided.

32.4. Notes payable - This refers to formal obligations to pay specified amounts to creditors under promissory notes or similar instruments.

32.5. Deferred Tax Liability - This refers to tax obligations arising from temporary differences between accounting and tax bases of assets and liabilities.

32.6. Accrued Expenses - This refers to expenses incurred for the period and shall be accrued.

32.7. Others - This refers to obligations that do not fall under specific categories.

PARTICIPANTS' FUNDS

33. SURPLUS / DEFICIT – PARTICIPANTS' FUNDS

This refers to the net result of the participants' funds, reflecting performance after accounting for contributions, claims, expenses, and investment returns.

33.1. Surplus/Deficit in PRF - This refers to the excess or shortfall arising from the risk pool after accounting for tabarru' contributions, claims, retakaful costs, and other expenses of the PRF. It reflects the collective performance of the fund that covers participants' risks.

33.2. Surplus/Deficit in PIF - This refers to the gain or loss generated from the investment and savings portion of participants' contributions after deducting related charges. It reflects the individual participants' investment performance within the Takaful structure.

34. INVESTMENTS FAIR VALUE RESERVE AND OTHER RESERVES

This refers to unrealized gains or losses arising from changes in the fair value of investments. It also includes other reserves set aside for specific purposes as required by Shari'ah or regulatory guidance, which are not attributable to participants' claims but may support fund stability, surplus management, or future obligations.

35. CONTINGENCY AND STATUTORY RESERVE

This reserve is set aside to cover unexpected claims, adverse experience, or regulatory requirements, acting as a buffer to protect participants' funds. It ensures solvency and financial stability under unforeseen circumstances.

III. STATEMENT OF COMPREHENSIVE INCOME ACCOUNTS

PARTICIPANTS' RISK FUND (PRF)

TAKAFUL CONTRIBUTIONS AND RETAKAFUL

This refers to the amount of contributions remaining in the Participants' Risk Fund (PRF) after deducting the operator's Wakalah Fee and retakaful contributions ceded, and adding any retakaful contributions received. It represents the net funds available to cover participants' risks, pay claims, and meet other PRF obligations.

1. GROSS TAKAFUL CONTRIBUTIONS – PRF

This refers to the total gross amount of contributions received, or receivable by the PRF, representing the tabarru' (risk donation) portion, from participants under family (basic and optional) takaful certificates, including credit or financing-related takaful arrangements, before deduction of retakaful and wakalah fees. This should be determined on a gross basis before any deductions, especially *Wakalah Fee Expense*, regardless of whether such deductions have already been remitted to or recognized by the operator.

This account shall exclude any portion allocated to PIF, including any equity value, investment portion, or retirement/savings fund.

1.1. Takaful Contributions – Basic - This refers to the gross amount of contributions under the basic family takaful certificate intended for the PRF, before deductions.

1.2. Takaful Contributions – Optional - This refers to the gross amount of contributions for optional or supplementary family takaful benefits intended for the PRF, before deductions.

2. WAKALAH FEE EXPENSE

This refers to the pre-agreed service fee payable to the operator for managing the PRF, calculated as a portion of gross contributions. This refers to the operator's service remuneration for administering and managing the PRF, including underwriting, claims administration, and other risk management services performed by the operator on behalf of participants.

3. RETAKAFUL SHARE OF CONTRIBUTIONS

3.1. Retakaful Contributions Received - This refers to contributions arising from risks accepted from other takaful operators (inward retakaful), where the Takaful window operation is duly authorized under applicable regulatory and Shari'ah approvals.

3.2. Retakaful Contributions Ceded - This refers to contributions ceded to retakaful operators under authorized retakaful arrangements.

CLAIMS, UNDERWRITING, AND RESERVE MOVEMENTS

This refers to the aggregate of all costs and changes related to the takaful window's risk-bearing activities. These collectively reflect the net cost of providing risk coverage and managing technical liabilities, excluding operator fund operating expenses.

4. CLAIMS EXPENSE

This refers to payments made to participants for valid claims or certificate benefits. It reduces the PRF's surplus for the period.

- 4.1. Death Claims** - This refers to expenses paid or payable by the PRF for approved death claims arising under family takaful certificates, in accordance with the certificate terms and conditions.
- 4.2. Accidental Death Benefit** - This refers to additional expenses paid or payable by the PRF for approved claims arising from a participant's accidental death, over and above the basic death benefit, as provided under the takaful certificate.
- 4.3. Disability Claims** - This refers to expenses paid or payable by the PRF for approved claims arising from permanent or partial disability of a participant, as covered under the takaful certificate.
- 4.4. Health Takaful Benefit** - This refers to expenses paid or payable by the PRF for approved health-related claims, including hospitalization or specified illness benefits, as defined under the family takaful certificate.
- 4.5. Medical Takaful Benefit** - This refers to expenses paid or payable by the PRF for covered medical costs incurred by participants, in accordance with the provisions of the takaful certificate.

5. ENDOWMENT MATURITIES/ANTICIPATED ENDOWMENT MATURITIES

This refers to the amounts payable from the PRF to participants upon the maturity of endowment-type takaful certificates, including any anticipated maturities accrued during the reporting period.

6. CASH SURRENDER VALUE

This refers to the amounts payable from the PRF to participants who voluntarily surrender their certificates before maturity, representing the fund value attributable to the participant at the surrender date.

7. INCREASE/DECREASE IN RESERVES FOR BASIC FAMILY TAKAFUL RESERVE

This refers to the change in the reserve established within the PRF to meet future claims and benefit obligations under basic family takaful certificates. The movement reflects actuarial valuation updates, changes in coverage in force, and experience adjustments during the period.

8. INCREASE/DECREASE IN RESERVES FOR OPTIONAL FAMILY TAKAFUL RESERVE

This refers to the change in the reserve established within the PRF to meet future claims and benefit obligations under optional family takaful certificates. It captures actuarial re-measurement and changes in risk exposure affecting optional benefits during the reporting period.

9. RETAKAFUL SHARE OF CLAIMS

This refers to the portion of claims incurred by the PRF that is recoverable from retakaful operators under authorized retakaful arrangements. It represents PRF's risk-sharing benefit, reducing the net claims expense borne by the fund.

10. UNDERWRITING EXPENSES

This refers to all costs and expenses directly incurred in the assessment, acceptance, and management of participants' risks under the Takaful window. It includes expenses related to participant enrolment, risk evaluation, medical or inspection reports, collection of contributions, retrocession arrangements, and other costs directly associated with underwriting activities.

10.1. Retrocession Commission - This refers to commissions paid to the retakaful on their acceptance of the retakaful business.

10.2. Membership Enrolment and Marketing Expense - This refers to costs borne by the PRF for participant acquisition and marketing activities, specifically related to attracting or enrolling participants under PRF-covered certificates.

10.3. Collection Fees - This refers to fees charged by third parties or intermediaries for collecting contributions on behalf of the PRF, including bank charges or service fees related to contribution processing.

10.4. Research & Development Expense - This refers to PRF-related costs for product research, actuarial studies, or development of new family takaful offerings, directly attributable to the PRF's operations.

10.5. Medical Fee - This refers to fees paid by the PRF for medical assessments, underwriting, or claim verification purposes, directly related to participants' risk evaluation, and claim settlement.

10.6. Inspection Report Fee - This refers to costs incurred by the PRF for inspection or assessment reports required for underwriting or claims purposes, ensuring proper evaluation of risk.

10.7. Other Underwriting expense - This refers to miscellaneous expenses directly associated with underwriting activities for PRF certificates that are not separately classified above.

OTHER INCOME AND EXPENSES

11. INVESTMENT INCOME – PRF

This refers to the returns earned on investments duly approved by the Shari'ah Committee held within the PRF.

12. OTHER INCOME – PRF

This refers to income that arises directly from the operations of the PRF but is not classified as contributions, retakaful, or investment income.

13. DEPRECIATION AND AMORTIZATION

This refers to the systematic allocation of the cost of property, and other eligible assets held within the PRF over their estimated useful lives.

14. PROVISION FOR IMPAIRMENT LOSSES

This refers to the recognition of impairment losses on assets held within PRF, where the carrying amount exceeds the recoverable amount.

15. ASSOCIATION DUES

This refers to membership fees and subscription costs paid by the PRF to professional, actuarial, regulatory, or takaful-related associations that are directly necessary for the administration, compliance, or governance of PRF operations.

16. OTHER EXPENSES – PRF

This refers to minor and incidental expenses incurred and are directly related to PRF operations and do not fall under specific categories.

NET SURPLUS/DEFICIT BEFORE ZAKAT AND TAX – PRF

This refers to the PRF surplus or deficit calculated after accounting for contributions, claims, expenses, and investment income, but before zakat and tax.

PARTICIPANTS' INVESTMENT FUND (PIF)

17. PIF CONTRIBUTIONS

This refers to the portion of participants' contributions allocated to the investment fund where amounts are invested in Shari'ah-compliant assets to generate returns for participants. The contributions and investment returns in the PIF are separate from the PRF and are used solely for participants' investment accounts.

The equity value portion of the contributions, in accordance with Section 409 of the Amended Insurance Code, shall be considered under PIF contributions and

shall be eventually recorded to the liability account – *Liability on Individual Equity Value*.

18. ALLOCATION FOR LIABILITY ON INDIVIDUAL EQUITY VALUE

This refers to the allocation of the equity value portion, in accordance with Section 409 of the Amended Insurance Code, to the liability account – *Liability on Individual Equity Value*.

19. INVESTMENT INCOME – PIF

This refers to the returns earned on investments duly approved by the Shari'ah Committee held within the PIF.

20. REALIZED/UNREALIZED GAINS

This refers to gains or losses from the sale of investments (realized) and changes in fair value of investments still held (unrealized).

21. FUND MANAGEMENT EXPENSES

This refers to all expenses directly attributable to the management of the PIF and its Shari'ah-compliant assets.

22. MUDARABAH SHARE – OPERATOR

This refers to the Takaful Operator's share of profits arising from the management of PIF, in accordance with the terms of the Shari'ah-compliant pre-agreed model takaful certificates. It excludes any surplus or profits from the PRF, which belong entirely to the participants.

NET SURPLUS/DEFICIT BEFORE ZAKAT AND TAX – PIF

This refers to the PIF surplus or deficit calculated after accounting for investment income and expense, gains or losses, but before zakat and tax.

23. ZAKAT

This refers to the Shari'ah-mandated wealth contribution, if applicable, which is charged against the participants' funds.

24. TAX – PARTICIPANTS' FUNDS

This refers to taxes imposed under applicable laws on income or transactions of the participants' funds, including but not limited to withholding or final taxes on Shari'ah-compliant assets, where applicable.

NET SURPLUS/DEFICIT AFTER ZAKAT AND TAX – PARTICIPANTS' FUNDS

This refers to the surplus or deficit of the participants' fund after deducting Zakat and after deducting any applicable taxes.