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## EVALUATING INSURANCE CLAIM OF A STOLEN GENERATOR SET: IS FIRST TAKAFUL LIABLE?

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This case was written by Lim Chee Chee and Rodziah Ahmad, UUM College of Business. It is intended to be used as the basis for class discussion rather than to illustrate either effective or ineffective handling of a management situation.

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## Introduction

On 15 March 2012, the claim manager of First Takaful Berhad, En Dollah, was sitting in his office in Kuala Lumpur going through an investigation report on an all-risks insurance claim prepared by its loss adjuster, Agilent Adjuster Sdn Bhd. The investigation report was the output of an assessment by the loss adjuster on a stolen generator set belonged to a policyholder of an all-risks insurance policy, Quality Machinery Sdn Bhd. The insurance claim arose when the generator set owned by the policyholder that had been leased to its customer being a telecommunication company, AAA TelCom Sdn Bhd, was being stolen.

After a close scrutiny of the investigation report provided by the loss adjuster, En Dollah had to make the following decisions:

- (a) Whether the loss experienced by the policyholder was a legitimate loss covered by its all-risks insurance policy;
- (b) Whether the loss was a genuine loss that had not violated any of the terms, conditions and warranties specified in the policyholder's all-risks insurance policy;
- (c) Whether a liability had arisen for his insurance company to pay for the loss experienced by the policyholder; and
- (d) In the case when the payment of claim was warranted, the amount of claim payable by his insurance company taking into account the following conditions:
  - (i) Whether the policyholder had other insurance policies for the same loss coverage with other insurance companies;
  - (ii) Whether the policyholder had bought sufficient amount of insurance coverage to insure its equipment;
  - (iii) Whether the insurance policy was subject to any deductible; and
  - (iv) Whether there was an element of negligence at the part of lessee during its use of the generator set under the lease inked between the lessor (supplier) and the lessee (hirer) that had caused the loss of the generator set.

## Background of Companies

### First Takaful Berhad (First Takaful)

First Takaful operated within the insurance sector. The principal activities of First Takaful consisted of family and general takaful business, whilst the principal activities of its subsidiaries were family and general retakaful business and investment holding. The business operations of First Takaful conformed to syariah laws, which were according to the Islamic principles of al-takaful and al-mudharabah.

First Takaful was incorporated in 1984 and was subsequently transformed into a public limited company listed on the main board (now known as 'main market') in 1996. At the end of 2003, as a result of a restructuring exercise, First Takaful's capital had been further enhanced. The current authorised capital of First Takaful was RM500 million and its paid-up capital was RM162.817 million.

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