



Perbadanan Insurans Deposit Malaysia
Protecting Your Insurance And Deposits In Malaysia

**CONSULTATION PAPER ON REQUIREMENTS TO
FACILITATE PAYMENT OF PROTECTED BENEFITS
FOR GENERAL TAKAFUL AND GENERAL INSURANCE**

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PART A: BACKGROUND AND PURPOSE

1.0 MANDATE AND POWERS

- 1.1 Perbadanan Insurans Deposit Malaysia (“PIDM”) is mandated under subsection 4(1) of the Malaysia Deposit Insurance Corporation Act 2011 (“PIDM Act”), to, amongst others, administer a takaful and insurance benefits protection system (“TIPS”) and provide protection against the loss of part or all of takaful or insurance benefits for which an insurer member (“IM”) is liable. As stated in the preamble of the PIDM Act, PIDM is to carry out its mandated functions with speed and efficiency.
- 1.2 In line with its legislative mandate, PIDM protects owners of takaful certificates and insurance policies from the loss of their eligible takaful or insurance benefits in the event that an IM fails and is unable to pay the takaful or insurance benefits.
- 1.3 PIDM has significant intervention and failure resolution powers under the PIDM Act, including the power to present a petition to the High Court for the winding-up of an IM.¹ In the event a winding-up order has been made against the IM, the PIDM Act provides, with respect to general takaful and general insurance, that:
- (a) the general takaful certificate/general policy shall cease to be in force as of the date of the winding-up order, and that the certificate owner/policy owner shall be eligible to claim as a debt due to him a sum equal to the pro-rated portion of his contribution/premium attributable to the period beginning with the date of the winding-up order and ending on the date that his general takaful certificate/general policy would have expired by its own terms²; and
 - (b) PIDM shall make an obligatory payment in respect of the protected benefits of the general takaful certificate or general policy.³
- 1.4 Apart from the obligatory payment, PIDM may, with the prior written approval of the Minister, make discretionary payments in respect of a protected benefit where, amongst others, a petition for winding-up against an IM has been presented to the court.⁴ With respect to general takaful and general insurance, PIDM is empowered to

¹ Section 99(1)(e) of the PIDM Act.

² Section 83 of the PIDM Act.

³ Section 80(1)(a) of the PIDM Act.

⁴ Section 81 of the PIDM Act.

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terminate general takaful certificates/general policies that provide for takaful or insurance benefits of a type that is protected under TIPS by providing not less than thirty days (30) prior notice to the certificate or policy owners following the filing of a winding-up petition against an IM that carries on the business of general takaful or general insurance.⁵

2.0 PROTECTED BENEFITS FOR GENERAL TAKAFUL AND GENERAL INSURANCE

- 2.1 Any payment by PIDM in respect of protected benefits of the takaful certificate or insurance policy is subject to the conditions and limits as set out in the **Malaysia Deposit Insurance Corporation (Protected Benefits) Regulations 2011** (“Protected Benefits Regulations”) and the **Malaysia Deposit Insurance Corporation (Protected Benefits Limit) Order 2011** (“Protected Benefits Limit Order”).
- 2.2 The protected takaful benefits or protected insurance benefits payable by PIDM for general takaful and general insurance, their respective limits and conditions as provided in the Protected Benefits Regulations and the Protected Benefits Limit Order are summarised in the table below:

Protected Takaful Benefits or Protected Insurance Benefits	Limit	Reference in Regulation 4 of the MDIC (Protected Benefits) Regulations	Eligibility conditions specified in the Protected Benefits Regulations
Loss of or damage to immovable property	RM500,000 per property	Sub regulations (2) and (3)	<ul style="list-style-type: none"> The immovable property must be located in Malaysia.
Loss of or damage to movable property (save and except a motor vehicle, waterborne vessel or aircraft)	RM500,000 per property	Sub regulations (2) and (4)	<ul style="list-style-type: none"> The certificate/policy owner must be a “qualified person” or a Malaysian citizen. For certificate/policy owner who is not a “qualified person” or a Malaysian citizen, such as a non-resident foreigner, the risk event must have occurred in Malaysia.
Loss of or damage to a property of a third party indemnifiable pursuant to a public liability or product liability certificate or policy	RM500,000 per property	Sub regulations (2) and (5)	<ul style="list-style-type: none"> The policy owner must be a “qualified person” or a Malaysian citizen and the risk event must have occurred in Malaysia.

⁵ Section 85(1) of the PIDM Act.



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Protected Takaful Benefits or Protected Insurance Benefits	Limit	Reference in Regulation 4 of the MDIC (Protected Benefits) Regulations	Eligibility conditions specified in the Protected Benefits Regulations
Loss of or damage to a motor vehicle	RM500,000 per property	Sub regulations (2) and (6)	<ul style="list-style-type: none"> The motor vehicle must be registered in Malaysia under Part II of the Road Transport Act 1967. If the motor vehicle is not registered in Malaysia, then the risk event must have occurred in Malaysia.
Loss of or damage to a property of a third party indemnifiable pursuant to a motor vehicle certificate or policy	RM500,000 per property	Sub regulations (2) and (6)	<ul style="list-style-type: none"> The motor vehicle must be registered in Malaysia under Part II of the Road Transport Act 1967. If the motor vehicle is not registered in Malaysia, then the risk event must have occurred in Malaysia.
Loss of or damage to a waterborne vessel or aircraft	RM500,000 per property	Sub regulation (2) and paragraph (7)(g)	<ul style="list-style-type: none"> The policy owner must be a "qualified person" or a Malaysian citizen.
Loss of or damage to a property of a third party indemnifiable pursuant to a waterborne vessel or aircraft certificate or policy	RM500,000 per property	Sub regulation (2) and paragraph (7)(m)	<ul style="list-style-type: none"> The certificate/policy owner must be a "qualified person" or a Malaysian citizen.
Death and related benefits	RM500,000	Sub regulation (2) and paragraph (7)(a)	<ul style="list-style-type: none"> The certificate/policy owner must be a "qualified person" or a Malaysian citizen.
Permanent disability	RM500,000	Sub regulation (2) and paragraph (7)(b)	
Critical illness	RM500,000	Sub regulation (2) and paragraph (7)(c)	
Disability income	RM10,000 per month	Sub regulation (2) and paragraph (7)(d)	
Medical expenses	100% of expenses incurred	Sub regulation (2) and paragraph (7)(e)	
Refundable prepaid contribution or premiums	100% of amount prepaid	Sub regulation (2) and paragraph (7)(f)	
Death of a third party	RM500,000	Sub regulations (2) and (8) and paragraph (7)(h)	
Permanent disability of a third party	RM500,000	Sub regulations (2) and (8) and paragraph (7)(i)	
Illness or bodily injury of a third party	RM500,000	Sub regulations (2) and (8) and paragraph (7)(j)	



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Protected Takaful Benefits or Protected Insurance Benefits	Limit	Reference in Regulation 4 of the MDIC (Protected Benefits) Regulations	Eligibility conditions specified in the Protected Benefits Regulations
Disability income of a third party	RM10,000 per month	Sub regulations (2) and (8) and paragraph (7)(k)	In respect of other than a motor vehicle certificate/policy: <ul style="list-style-type: none">○ The certificate/policy owner must be a “qualified person” or a Malaysian citizen.
Medical expenses of a third party	100% of expenses incurred	Sub regulations (2) and (8) and paragraph (7)(l)	

Note 1:

Qualified Person refers to:

- such individual as defined under section 7 of the Income Tax Act 1967;
- a body, incorporated, established, constituted, formed, registered with or approved by any authority under the laws of Malaysia;⁶
- the Government or any State Government;
- a local authority; or
- embassy, consulate, high commission, supranational or international organisation in Malaysia.

Sub regulation (2) of Regulation 4 provides that a certificate or policy owner may claim protection in respect of any of the specified takaful or insurance benefits if at the time of the issuance of the certificate or policy:

- the certificate or policy is issued in Malaysia by an IM; and
- the certificate or policy is denominated in Ringgit.

2.3 The protected benefits under TIPS will be aggregated if they relate to the same IM, the same risk event in respect of the same participating life/life insured or the same property covered/insured property and same certificate owner/policy owner. In these cases, the benefits are grouped together and paid up to the maximum limit corresponding to the benefit.

3.0 INFORMATION TECHNOLOGY (“IT”) SYSTEMS TO COMPUTE PROTECTED BENEFITS PAYABLE BY PIDM

3.1 With respect to general takaful and general insurance, the reimbursement of protected benefits pursuant to the Protected Benefits Regulations and Protected Benefits Limit Order can typically be categorised in either of the following forms:

⁶ Includes corporations, sole proprietor, partnership, societies, charitable organisations and co-operatives.

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(a) Immediate refund of prepaid contribution or premiums

This includes payment of:

- (i) the portion of the contribution/premium paid in respect of the unexpired period for in-force general takaful certificates and general policies;
- (ii) Advance payments made by certificate owners and policy owners to the IM; and
- (iii) Other refunds due to the certificate owners and policy owners.

to certificate owners and policy owners in accordance to the Protected Benefits Regulations.

(b) Payment of protected benefits upon determination of the IMs' liability in respect of each claim

This involves payment of protected benefits to certificate owners, policy owners and third party claimants upon determination of the IMs' liability in respect of each claim and may take the following forms:

- (i) One-off payment (e.g. for property damage claim based on sum insured);
- (ii) Multiple payments (e.g. where the takaful certificate/insurance policy incorporates a clause to allow the takaful beneficiary/insured to be paid partially pending the final determination of liability); or
- (iii) Continuous payment (e.g. disability income which is paid over a long period of time).

3.2 In order to facilitate an efficient handling and management of payments of protected benefits under TIPS, PIDM is exploring the development an IT system which will, amongst others, allow PIDM to:

- (a) Ascertain the quantum payable by PIDM with respect to payment of protected benefits under TIPS in accordance with the limits and conditions set out in the Protected Benefits Limits Order and the Protected Benefits Regulations upon determination of the IMs' liability in respect of each claim;
- (b) Effect payments and print statements to certificate owners/policy owners and claimants via a payment agent(s) or other modes and monitor status of clearance of those payments; and



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- (c) Handle call-in enquiries from certificate owners/policy owners and claimants during a liquidation by providing PIDM's call center agents relevant up-to-date information relating to PIDM's payment of protected benefits so that accurate information can be communicated to the certificate owners/policy owners and claimants. The call agent will also be able to log in requests for further investigation in the event there are any disputes.
- 3.3 The following are the key reasons that support the case for PIDM to develop its own IT system for purposes of reimbursement of protected benefits as opposed to requiring IMs to develop their own capabilities:
- (a) Cost savings for the IMs as PIDM will bear the cost of developing the IT system;⁷
- (b) Facilitate effective claims file monitoring, payment tracking, call center handling and internal reporting; and
- (c) Any changes in regulatory requirements relating to PIDM's protected benefits (e.g. coverage limits) would typically require enhancements in PIDM's IT system only.
- 3.4 PIDM recognises that it is not feasible to migrate all the data from the IMs' system to PIDM's IT system upon the presentation of the winding-up petition against an IM as there may be risks of erroneous transfer of data leading to erroneous payments of protected benefits by PIDM. PIDM, therefore, adopts an approach where only relevant data from the IMs' system will be extracted, with suitable controls in place to ensure completeness and accuracy of the data extracted, to facilitate payment of protected benefits and monitoring of claims.
- 3.5 With respect to claims management upon the presentation of a winding-up petition on an IM, it is envisaged that the primary claims management process will continue to be managed by the claims team of the IM⁸ via the IM's system with details in PIDM's IT system being updated at regular intervals.⁹ PIDM's IT system for claims

⁷ IM's are only required to bear the cost of extracting the data in a standardised file format from their certificate /policy information management system and claims system for submission to PIDM

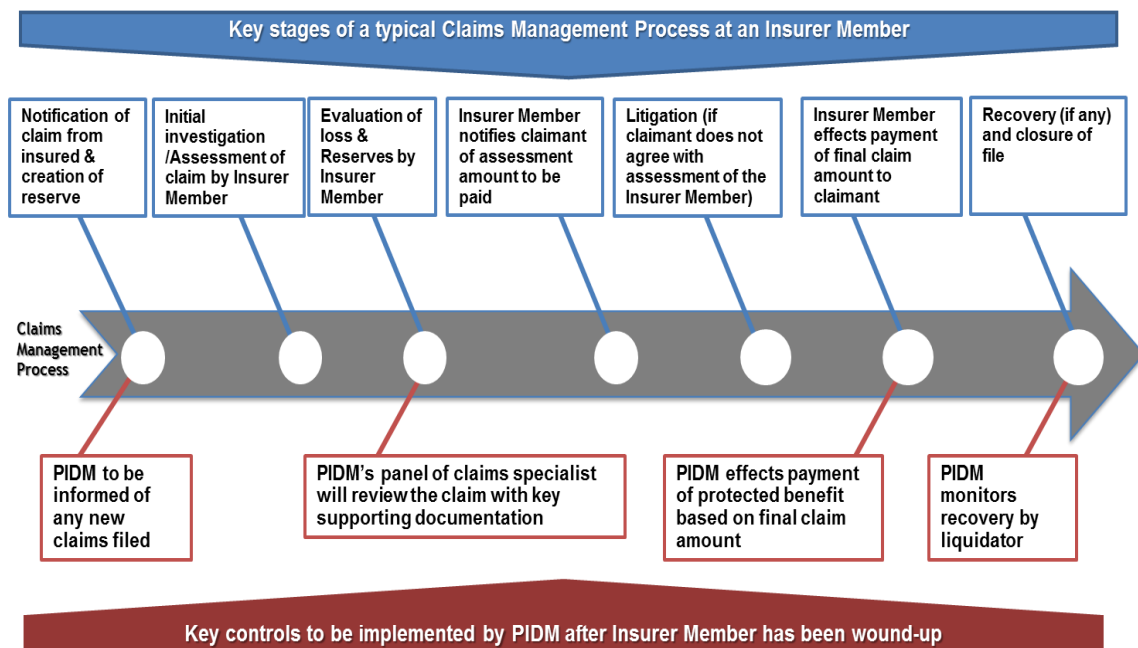
⁸ Under the supervision of the liquidator.

⁹ The frequency of updates will be determined during the liquidation taking into account factors such as the number of claims payment outstanding and the level of activity with respect the outstanding claims portfolio.

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management will serve to monitor key aspects of the claims process and apply PIDM's protected benefits limits and conditions to determine the amount of protected benefits payable by PIDM once the claims liability has been determined by the liquidator via the IM's system.

3.6 The diagram below summarises the key controls to be implemented by PIDM at the various stages of a typical claims management process of an IM that carries on the business of general takaful or general insurance.



Narrative explanation of the diagram:

Each claim will be assessed and processed by the IM under the purview of the liquidator, and PIDM will be informed at the various stages of the claims process, for example, when the claim is first reported by the claimant, when there is progress in the status of the claim or when the claim is approved/rejected.

Following an evaluation of the claim by the IM under the purview of the liquidator, PIDM will be informed by the liquidator of the IM of the total claim amount payable based on the categories of protected benefits. Depending on the nature and size of the claim, PIDM may appoint independent claims specialists to review the reasonableness of the recommendation made by the IM. Once a claim is reviewed and agreed by the independent claims specialists appointed by PIDM, a discharge note and an offer letter will be sent by the IM to the claimant who will be required to agree to the amount offered before the payment in respect of the protected benefits can be



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made by PIDM.¹⁰ PIDM will then monitor any recoveries (e.g. salvage value, reinsurance claim etc.) by the liquidator until the closure of the claim file.

4.0 OBJECTIVE

4.1 The objectives of this consultation paper are to:

- (a) seek views and comments in relation to the following with respect to an IM that carries on the business of general takaful or general insurance:
 - (i) proposed data submission requirements; and
 - (ii) minimum requirements for takaful certificates/insurance policies and claims management systems
- (b) obtain feedback on existing practices of IMs which may affect the ability of PIDM to effectively conduct the reimbursement of protected takaful and insurance benefits, when required to do so.

5.0 CONSULTATION PROCESS

5.1 PIDM invites written comments from interested parties on the proposals raised in this consultation paper.

5.2 Written comments should be submitted no later than **20 April 2015** to:

General Manager
Intervention and Failure Resolution Division
Perbadanan Insurans Deposit Malaysia
Level 12, Axiata Tower (Formerly known as Quill 7)
No. 9, Jalan Stesen Sentral 5
Kuala Lumpur Sentral
50470 Kuala Lumpur

Please mark "**CP on MINRQ**" on the top left corner of the envelope.

¹⁰ As the IM has been wound-up, the final claim would not be paid by the IM although the claimant has accepted the discharge note.



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Enquiries : (03) 2173 7483 (Mr Shrithar Nagalingam)
: (03) 2173 7578 (Mr Devaraj Nadarajan)

Email : minrqtips@pidm.gov.my

5.3 Your comments may be made public by PIDM. If you do not wish any of your comments to be made public, please indicate accordingly in your response.



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PART B: PROPOSED REQUIREMENTS TO FACILITATE PAYMENT OF PROTECTED BENEFITS FOR GENERAL TAKAFUL AND GENERAL INSURANCE

6.0 FUNDAMENTAL TENET

- 6.1 The development of the proposed minimum requirements to facilitate payment of protected benefits for general takaful and general insurance is founded on the fundamental tenet that PIDM and the IMs must develop the appropriate level of readiness to facilitate a prompt and efficient reimbursement of protected benefits.
- 6.2 Adherence by IMs carrying on the business of general takaful or general insurance to these minimum requirements will provide assurance that PIDM is able to undertake a reimbursement of the protected benefits to certificate owners, policy owners and third party claimants in a timely and accurate manner in the event of a failure of an IM. It will also enable PIDM and the IMs to identify impediments and overcome them at an early stage.

7.0 PROPOSED DATA SUBMISSION REQUIREMENTS

- 7.1 The ability of PIDM to access accurate and reliable information for purposes of payment of protected benefits to certificate owners/policy owners is essential to allow PIDM to be able to perform its mandate with speed and efficiency. In addition, periodic submission of takaful certificate/insurance policy details and claims information will facilitate PIDM's testing of the accuracy and reliability of data submissions from IMs on an on-going basis. This will increase the operational readiness of PIDM to undertake a reimbursement of protected benefits in the event required to do so.

In this regard, **PIDM proposes that IMs must develop appropriate capabilities to be able to submit relevant information to PIDM in a standardised file format as and when requested by PIDM or, at the minimum, annually on a pre-determined date.** IMs are required to submit two (2) files as follows:

- (a) **Submission to facilitate the refund of prepaid contribution/premium:** This file will include details of all in-force general takaful certificates and general policies together with details of advance contributions/premiums and other



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contribution/premium refunds due to¹¹ certificate owners/policy owners. A sample of the information required with respect each takaful certificate/general policy is set out in Appendix A.

- (b) Submission to monitor claims process and determine protected benefits payable: This file will include relevant details of each outstanding claims in the claims system. As information in the IMs claims system is dynamic and will change periodically, PIDM will extract this file periodically from the IM's claims system which will be used to update the records in PIDM's IT System for purposes of monitoring the claims process once a winding-up petition has been filed on an IM. A sample of the information required is set out in Appendix B.

7.2 IMs must be capable of making an accurate and reliable submission of the specified information to PIDM in a standardised file format promptly upon request on any given day.

7.3 In line with its statutory obligation to maintain secrecy, PIDM recognises the need to maintain highest standard of confidentiality of the certificate owner/policy owner/claimants' information submitted to PIDM. To achieve this, IMs will be required to mask all confidential information of the certificate owner/policy owner/claimants (e.g. names, registration numbers, identity cards' numbers, telephone numbers and addresses) for purposes of test and annual submissions to PIDM.

Feedback Required No. 1

PIDM welcomes your feedback in relation to:

- (a) the proposal for IMs to make submissions of relevant information to PIDM in a standardised text file format as set out in Appendix A and B;
- (b) the availability of information set out in Appendices A and B in the IMs and potential challenges in being able to report the details required to PIDM in a standardised text file format;

¹¹ For example, where the general takaful certificate/general policy has been cancelled by the certificate owner/policy owner but the refund has not been made by the IM yet as at the cut-off date for reporting.



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- (c) the estimated cost to develop the capabilities to extract the relevant information as set out in Appendices A and B from the IMS' systems and to present the same in a standardised file format, say as at 31st December of each year to be submitted by say, 31st March of the following year; and
- (d) the estimated additional development cost to be able to submit the relevant information as set out in Appendices A and B within twenty four (24) hours upon request by PIDM on any given day.



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8.0 PROPOSED MINIMUM REQUIREMENTS FOR TAKAFUL CERTIFICATES/INSURANCE POLICIES AND CLAIMS MANAGEMENT SYSTEMS

Identification of general takaful certificates or general policies that provide for takaful benefits or insurance benefits of a type that is protected under TIPS

- 8.1 The PIDM Act provides that if a petition for the winding-up of an IM is presented to the Court, PIDM may, by not less than thirty (30) days prior notice, terminate general takaful certificates or general policies that provide for takaful benefits or insurance benefits of a type that is protected under TIPS.¹²
- 8.2 This is to facilitate certificate owners and policy owners to obtain a replacement takaful certificate or insurance policy prior to the effective termination date of the existing takaful certificate or insurance policy. In line with PIDM's objective to protect takaful certificate owners and policy owners, PIDM will make payment of the refundable prepaid contribution or premiums together with the termination notice.
- 8.3 It is therefore imperative that PIDM is able to distinguish takaful certificates and insurance policies that provide for takaful benefits or insurance benefits of a type that is protected under TIPS, within a very short period of time. In order to facilitate a prompt determination, **PIDM proposes a minimum requirement that, with respect to all in-force takaful certificates and insurance policies, IMs' takaful certificates and insurance policies information management system must be able to identify and tag takaful certificates and insurance policies that provide for takaful benefits or insurance benefits of a type that is protected under TIPS.**¹³

Feedback Required No. 2

PIDM welcomes your feedback in relation to:

- (a) the proposal for IMs' takaful certificates and insurance policies information management systems to be able to identify and tag takaful certificates and insurance policies that provide for takaful benefits or insurance benefits of a type that is protected under TIPS;

¹² Section 85(1) of the PIDM Act.

¹³ Tagging in the IM's system(s) must be congruent with the IM's annual submissions to PIDM of non-qualified certificates or policies pursuant to the Guidelines on Takaful and Insurance Benefits Protection System: Submission of Returns on Calculation of Premiums for Takaful and Insurance Businesses.



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- (b) the estimated costs to enhance the IMs' takaful certificates and insurance policies information management system(s) to be able to tag takaful certificates and insurance policies that provide for takaful benefits or insurance benefits of a type that is protected under TIPS; and
- (c) alternative methods that could be employed by IMs to accurately identify takaful certificates and insurance policies that provide for takaful benefits or insurance benefits of a type that is protected under TIPS without having to effect significant enhancements to their existing takaful certificates and insurance policies information management system(s).

Maintenance of up-to-date register of contributions or premiums received and receivable with respect to in-force certificates/policies

- 8.4 As mentioned above, PIDM will refund prepaid contribution or premiums to certificate owners and policy owners together with the termination notice.
- 8.5 As details of the amounts paid by a certificate owner/policy owner is important to PIDM to be able to make an accurate and timely refund, **PIDM proposes a minimum requirement that IMs shall have appropriate systems and procedures to ensure that contribution/premium receivables and payable records are kept accurate, current and reconciled with the certificates/policies register at all times.**

Feedback Required No. 3

PIDM welcomes your feedback in relation to the proposal that IMs shall have appropriate systems and procedures to ensure that contribution/premium receivables and payables records are kept accurate, current and reconciled with the certificates/policies register at all times.

Ability of the IMs' system to compute the portion of the contribution/premium paid in respect of the unexpired period at any pre-determined date

- 8.6 As takaful certificate and insurance policy records are maintained in the IM's information management systems, the primary responsibility to compute the amount



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to be reimbursed by PIDM upon termination of the certificates and insurance policies shall rest with the IMs.

- 8.7 **PIDM proposes a minimum requirement that IMs' takaful certificates and insurance policies information management systems must be capable of terminating in-force takaful certificates/insurance policies that provide for takaful benefits or insurance benefits of a type that is protected under TIPS on a date specified by PIDM¹⁴ and facilitate the determination of the unexpired portion of the contribution/premium paid by certificate owners and policy owners upon termination of their general takaful certificate or general policy by PIDM pursuant to the powers under section 85(1) of the PIDM Act.**

Feedback Required No. 4

PIDM welcomes your feedback in relation to :

- (a) the proposal that IMs' takaful certificates and insurance policies information management systems must be capable of terminating in-force takaful certificates/insurance policies that provide for takaful benefits or insurance benefits of a type that is protected under TIPS on a date specified by PIDM and facilitate the determination of the unexpired portion of the contribution/premium paid by certificate owners and policy owners upon termination of their general takaful certificate or general policy by PIDM pursuant to the powers under section 85(1) of the PIDM Act.
- (b) the estimated costs to enhance the IMs' takaful certificate and insurance policies information management system(s) to be able to incorporate this feature.

¹⁴ This is to facilitate termination on a future date as PIDM is required to provide at least thirty (30) days' notice for termination of certificates/insurance policies upon the filing of a winding-up petition. Payment of the refundable prepaid contribution/premiums will however be made together with the termination notice.



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Maintaining unique Customer Information File (“CIF”) number for each certificate owner/policy owner

- 8.9 The PIDM Act¹⁵ provides that where a certificate owner/policy owner is entitled to protected benefits under two or more general takaful certificates or general policies with the same IM, the aggregate of the takaful or insurance benefits under those takaful general certificates or general policies shall be protected:
- (a) in respect of protected benefits under general takaful relating to the same risk event in respect of the same participating life or the same property covered, up to such amount as prescribed in the Protected Benefits Limits Order; and
 - (b) in respect of protected benefits under general policies relating to the same risk event in respect of the same life insured or the same insured property, up to such amount as prescribed in the Protected Benefits Limits Order.
- 8.10 Due to the need to aggregate protected benefits payable under TIPS, **PIDM proposes a minimum requirement that each IM maintains a unique CIF number for each certificate owner/policy owner to facilitate aggregation of claims by PIDM’s IT system if the risk event and participating life/life insured or property covered/insured property is the same.**

Feedback Required No. 5

PIDM welcomes your feedback in relation to:

- (a) the proposal for IMs to maintain a unique CIF number for each certificate owner/policy owner to facilitate aggregation of claims. In particular, please let us know if you foresee any challenges in implementing a unique CIF number for each certificate owner/policy owner to facilitate aggregation of claims and possible actions/costs to address those challenges; and
- (b) alternative approaches that can be adopted to be able to aggregate claims if the risk event and participating life/life insured or property covered/insured property is the same.

¹⁵ Section 69(4)(c) of the PIDM Act.



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Documentation of IMs' procedures and system(s) involved in the generation of the relevant information in standardised file format

- 8.11 The main source of information for PIDM to determine the amount of protected benefits payable will be the specified information submitted as per the proposed data submission requirements above. Given that the procedures for generation of the specified information to PIDM in a standardised file format on a random date is unique to each IM and is dependent on the design of its certificate and insurance policy information management systems, **PIDM proposes that each IM maintains a comprehensive set of documentation of the relevant information management system(s) and processes involved in the extraction of the specified information on any given day.** Such documentation may include details of how information from various IT systems are mapped to produce the specified information in the standardised file format, the process of extraction, key personnel who are responsible, etc. and must be updated by the IM at least annually and submitted to PIDM for validation.

Feedback Required No. 6

PIDM welcomes feedback with regard to the proposal that each IM maintains and submits to PIDM annually a comprehensive set of documentation of the entire process for generation of the relevant information in a standardised file format.



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PART C: SURVEY OF EXISTING INFRASTRUCTURE AND PRACTICES OF INSURER MEMBERS

9.0 SURVEY OF EXISTING INFRASTRUCTURE AND PRACTICES OF IM TO SUPPORT PIDM IN MAKING PAYMENTS OF PROTECTED BENEFITS FOR GENERAL TAKAFUL AND GENERAL INSURANCE

9.1 In addition to the proposed data requirements and proposed minimum requirements for takaful certificates/insurance policies and claims management systems of IM as set out in Part B above, PIDM would also like to seek your feedback with regards to the following survey questions in relation to existing infrastructure and practices of IMs to support PIDM in making payments of protected benefits for general takaful and general insurance.

Location of takaful certificate/insurance policy and claims information

Feedback Required No. 7

Access to current details of all in-force takaful certificate/insurance policy and outstanding claims is critical to enable PIDM to provide protection to takaful certificate owners/policy owners and claimants in the event of the failure of an IM.

PIDM would like to know if your organisation outsources the management of any part of its IT systems and/or processes relating to the maintenance of takaful certificate/insurance policy register or claims management to a third party¹⁶ organisation. If yes, please let us know:

- (a) the name of the third party organisation;
- (b) its relationship with the IM (e.g.: group IT management company, service provider, parent, etc.);
- (c) the jurisdiction governing the operations of the third party organisation;
- (d) details of the IT systems and/or processes that are outsourced;
- (e) a brief description of the key arrangements currently in place between your organisation and the third party organisation (e.g. tenure of outsourcing arrangement, key obligations of each party, etc.); and

¹⁶ Includes members within same group and external service providers.



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- (f) the status of the outsourcing arrangement upon the occurrence of an insolvency event, in particular upon the filing of a winding-up petition on the IM.

With respect to takaful certificate/insurance policies information management

Feedback Required No. 8

PIDM would like to know, in the event of a termination or cancellation of a general takaful certificate/general policy:

- (a) if the amount to be refunded is determined by your takaful certificates /insurance policies information management system or if it is manually computed;
- (b) please describe your key steps involved in determining the contribution/premium to be refunded to the certificate owner/policy owner and the average time frame involved for each key step;
- (c) The basis for determination of the amount to be refunded for the various types of certificates/policies (e.g. straight line method based on number of days, based on number of months in force etc.)

Feedback Required No. 9

In line with regulation 4 (7) of the Protected Benefits Regulations which stipulates that the certificate or policy owner shall be a citizen of Malaysia or a qualified person¹⁷ at the time of issuance of the certificate or policy to claim protection in respect of the following takaful or insurance benefits specified, PIDM would like to know:

- (a) If your takaful certificates/insurance policies information management system presently captures the following information relating to the certificate owner/policy owner, at the time of issuance of the takaful certificate

¹⁷ Pursuant to regulation 2 of the Protected Benefits Regulations, a “qualified person” means (a) such individual as defined under section 7 of the Income Tax Act 1967 [Act 53]; (b) a body, incorporated, established, constituted, formed, registered with or approved by any authority under the laws of Malaysia; (c) the Government or any State Government; (d) a local authority; or (e) embassy, consulate, high commissions, supranational or international organization in Malaysia.



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or insurance policy, which will allow PIDM to determine the eligibility status of the certificate owner/policy owner to receive protected benefits:

- (i) Citizenship status
 - (ii) Resident status of an individual under section 7 of the Income Tax Act 1967
 - (iii) Whether a body, incorporated, established, constituted, formed, registered with or approved by any authority under the laws of Malaysia
 - (iv) Whether Government or any State Government
 - (v) Whether a local authority
 - (vi) Whether embassy, consulate, high commissions, supranational or international organization in Malaysia
- (b) If only partial information is captured, please let us know the information that is **not** captured by your takaful certificates/insurance policies information management system.
- (c) If the information that is not captured by your takaful certificates/insurance policies information management system (as stated in (b) above) is available to your organisation in manual records (e.g. forms filled in by the certificate owner/policy owner) or in other information systems (e.g. with your agents).

With respect to claims management

Feedback Required No. 10

PIDM would like to know:

- (a) The number of outstanding claims as at 31 December 2014 for general classes segregated by class¹⁸ as per the table below:

General Takaful / General Insurance Class	No. of claims
(1) Fire	
(2) Aviation	
(3) Cargo	
(4) Marine Hull	
(5) Off-shore – Oil related	
(6) Motor Act	
....	

¹⁸ As per 14 classes used for reporting purposes to Bank Negara Malaysia



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- (a) The average time (please provide an estimate if no empirical data is available) to settle a claim under each class (i.e. from notification date to payment date) segregated between litigated claims and non-litigated claims - please provide an estimate if no empirical data is available; and
- (b) Whether, as a matter of practice, claimants are required to execute a discharge voucher prior to making a settlement of a claim. In particular, please let us know if there are any types of claims where this is not practiced (e.g. due to types of claims or claim thresholds) together with a brief description of the rationale.

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**APPENDIX A : SUBMISSION TO FACILITATE THE REIMBURSEMENT OF REFUNDABLE
PREPAID CONTRIBUTION OR PREMIUMS**

(1) Certificate/Policy Details

- (a) Takaful certificate/insurance policy number
- (b) Tagging of whether takaful certificate/insurance policy that provide for takaful benefits or insurance benefits of a type that is protected under TIPS
- (c) Takaful certificate/insurance product code
- (d) Takaful certificate/insurance policy coverage period (e.g.: policy inception and expiry date)
- (e) Name and identification number (e.g. national registration card number, passport number, company/business registration number, etc.) of certificate owner/ policy owner and assignee
- (f) Address and contact details (e.g. phone number, email etc.) of certificate owner/ policy owner and assignee.
- (g) Class and sub-class of insurance (e.g. motor - motor, motorcycle, commercial vehicle, etc. /non-motor - fire, burglary, engineering, etc.)
- (h) Branch name and branch code
- (i) Distribution channel (e.g. direct client, agents, co-insurers/takaful operators, brokers, bancassurance, financial advisors, etc.) and details of intermediaries (e.g. code, name, address and contact details (e.g. phone number, email etc.)

(2) Details of payments of contribution/premium

- (a) Status of contribution/premium payment (outstanding/partially paid/fully paid)
- (b) Gross and net contribution/premium payable for each category of risk where separate contribution/premium is payable¹⁹
- (c) Premium warranty period (i.e. start date and end date)
- (d) Details of instalment plan agreed (if applicable)
- (e) Details of each payment made with respect to each takaful certificate/insurance policy
 - (i) date of payment
 - (ii) receipt reference
 - (iii) party whom payment received from (insurance agent, certificate owner /policy owner, other intermediary)
 - (iv) mode of payment (e.g. over the counter, credit card, etc.)

¹⁹ For example, additional contribution/premiums paid for windscreen damage protection or flood damage protection.



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- (f) Total amount paid to-date in respect of each takaful certificate/insurance policy
- (g) Amount outstanding in respect of each takaful certificate/insurance policy
- (h) Advance payment made by certificate owner/policy owner
- (i) Other contribution/premium refunds due to the certificate owner/policy owner



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APPENDIX B : SUBMISSION TO DETERMINE PROTECTED BENEFITS PAYABLE FOR CLAIMS

(1) Details of claimant

- (a) Claim number
- (b) Name and identification number (e.g. national registration card number, passport number, company/business registration number, etc.) of claimant
- (c) Address and contact details (e.g. phone number, email, etc.) of claimant
- (d) First party claim/third party claim

(2) Details of certificate owner/policy owner

- (a) Name and identification number (e.g. national registration card number, passport number, company/business registration number, etc.) of certificate owner/policy owner and assignee
- (b) Address and contact details (e.g. phone number, email etc.) of policy owner/certificate owner and assignee

(3) Takaful certificate/Insurance Policy Details

- (a) Takaful certificate/ insurance policy number
- (b) Takaful certificate/insurance policy coverage period (i.e. inception and expiry dates)
- (c) Name of insurance company/takaful operator issuing the policy²⁰
- (d) Class and sub-class of insurance/takaful (e.g. motor - motor, motorcycle, commercial vehicle, etc. /non-motor - fire, burglary, engineering etc.)
- (e) Certificate/policy coverage details (e.g. details provided in the certificate or policy schedule including sum insured and sub-limits for additional cover)
- (f) Excess/deductible amounts
- (g) Branch code of insurance company/takaful operator
- (h) Distribution channel (e.g. direct client, agents, co-insurers/takaful operators, brokers, Bancassurance, financial advisors, etc.) and details of intermediaries (e.g. code, name, address and contact details (e.g. phone number, email etc.)
- (i) Status of policy (in-force/cancelled)
- (j) Reference to reinsurance arrangement (e.g. Name of reinsurer, Type of reinsurance (Proportional, non-proportional, Facultative, treaty, etc.), reinsurance agreement date)

²⁰ This is to facilitate the computation of amount in respect of protected benefits payable under certificates or policies where there has been a transfer carried out pursuant to section 70(1) of the PIDM Act i.e. transfer of certificates or policies among insurer members.



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(4) Details of claim

- (a) Date of loss
- (b) Date claim notified
- (c) Date claim registered
- (d) Type of loss (e.g. property damage, bodily injury, etc.)
- (e) Cause/circumstance of loss (e.g. theft, flood, fire etc.)
- (f) Location of loss
- (g) Location of risk
- (h) Involvement of third party (yes/no)
- (i) Any recovery aspect²¹ (yes/no)
- (j) Adjustor name and code
- (k) Name of claims officer

For motor claims, to include:

- (a) Vehicle number (insured and third party/parties)
- (b) Details of vehicle (e.g. make and model, engine number, chassis number)
- (c) Policy/certificate type (third party/comprehensive)

(5) Liability

- (a) Claim reserve broken-down by:
 - (i) Gross and net property damage reserve (segregated between own and third party)
 - (ii) Gross and net bodily injury reserve (segregated between own and third party)
 - (iii) Adjuster fee reserve
 - (iv) Lawyers fee reserve
 - (v) Reserve for recovery/salvage
- (b) Liability on insured (yes/no)
- (c) Approved amount and date

(6) Payment and receivable details relating to claims

- (a) Details of payments made by IM (e.g. date of payment/payee/amount paid/mode of payment/ payment reference etc.)
- (b) Details of payments receivable/received from reinsurance/retakaful (if any) (e.g. date of payment/payee/amount paid/mode of payment/payment reference etc.)

²¹ Excluding reinsurance and salvage.