



Perbadanan Insurans Deposit Malaysia
Protecting Your Insurance And Deposits In Malaysia

**GUIDELINES ON
TAKAFUL AND INSURANCE BENEFITS
PROTECTION SYSTEM:
SUBMISSION OF RETURNS ON
CALCULATION OF LEVIES FOR
TAKAFUL AND INSURANCE BUSINESSES**

ISSUE DATE : 30 MARCH 2020



Perbadanan Insurans Deposit Malaysia
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Ref No	TIPS/GL9-A4/2020(TPP)	Issued on	30 March 2020
TITLE	Guidelines on Takaful and Insurance Benefits Protection System: Submission of Returns on Calculation of Levies for Takaful and Insurance Businesses		

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PART A: INTRODUCTION

1.0 BACKGROUND AND PURPOSE

- 1.1 Perbadanan Insurans Deposit Malaysia (“PIDM”) is an independent statutory body having authority under the Malaysia Deposit Insurance Corporation Act 2011 (“the Act”). PIDM’s mandated objects are to:
- (a) administer a deposit insurance system and a takaful and insurance benefits protection system under the Act;
 - (b) provide insurance against the loss of part or all of deposits for which a deposit-taking member is liable and provide protection against the loss of part or all of takaful or insurance benefits for which an insurer member¹ is liable;
 - (c) provide incentives for sound risk management in the financial system; and
 - (d) promote or contribute to the stability of the financial system.
- 1.2 The takaful and insurance benefits protection system (“TIPS”) is an explicit and limited protection system which covers takaful and insurance benefits.
- 1.3 PIDM’s functions, among others, are to assess and collect levies from insurance companies and takaful operators for the assessment year in which they become member institutions under subsection 36(2) of the Act (“first levy”), and levies for each assessment year following the assessment year in which they become member institutions (“annual levy”).
- 1.4 The first and annual levy are calculated as follows:
- (a) in the case of family takaful or life insurance business, based on the actuarial valuation liabilities (“AVL”) in respect of family takaful or life insurance businesses; and

¹ Insurer member refers to the member institution that is an insurance company or a takaful operator.



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- (b) in the case of general takaful or general insurance business, based on the total net contributions or total net premiums received for general takaful or general insurance businesses.

The rates for the first levy and annual levy are prescribed under the **Malaysia Deposit Insurance Corporation (First Premium and Annual Premium in Respect of Insurer Members) Order 2016** (“MDIC Premium Order 2016”).

1.5 In exercise of the powers conferred by paragraph 209(1)(b) of the Act, PIDM makes the **Guidelines on Takaful and Insurance Benefits Protection System: Submission of Returns on Calculation of Levies for Takaful and Insurance Businesses** (“Guidelines”).

1.6 The primary objectives of these Guidelines are as follows:

- (a) to provide guidance on the calculation of first levy and annual levies;
- (b) to provide salient information about TIPS including its scope of coverage and limits;
- (c) to assist insurer members so as to ensure comprehensiveness in the completion of returns; and
- (d) to assist PIDM in assessing the accuracy on the calculation of levies payable by insurer members.

1.7 These Guidelines shall supersede the **Guidelines on Takaful and Insurance Benefits Protection System: Submission of Returns on Calculation of Levies for Takaful and Insurance Businesses** issued on 31 January 2019.

1.8 These Guidelines are effective from the assessment year 2020.

1.9 Unless expressly stated otherwise, any information or document required to be submitted to PIDM under these Guidelines, including any letter, report, form, returns and action plan, shall be submitted online through PIDM’s portal. The original hard copy shall be kept by the insurer member.

1.10 A reference to a statute or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them.



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1.11 In these Guidelines—

- (a) “qualified certificates or policies” means policies or certificates of life insurance or family takaful and general insurance or general takaful issued by an insurer member that contain part or all of those benefits protected under TIPS;
- (b) “non-qualified certificates or policies” means policies or certificates of life insurance or family takaful and general insurance or general takaful issued by an insurer member other than qualified certificates or policies;

1.12 PIDM may specify such other periods or dates for compliance with any of the provisions in these Guidelines, or for any act to be done, in such form and subject to such terms and conditions as PIDM thinks fit.

1.13 Enquiries on the Guidelines are to be directed to:

General Lines: 03 2173 7436/03 2265 6565

Fax: 03 2173 7494

E-mail: tips@pidm.gov.my

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PART B: TAKAFUL AND INSURANCE BENEFITS PROTECTION SYSTEM

2.0 MEMBERSHIP

2.1 Membership of PIDM is compulsory for:

- (a) takaful operators that carry on takaful business and licensed under the Islamic Financial Services Act 2013, except for takaful operators licensed to carry on solely retakaful business and international takaful operators; and
- (b) insurance companies that are licensed to carry on insurance business under the Financial Services Act 2013, except for insurance companies licensed to carry on solely reinsurance business and Danajamin Nasional Berhad.

2.2 For the avoidance of doubt, the following companies or organisations or business units are not member institutions of PIDM:

- (a) Captive insurers;
- (b) Offshore insurance companies;
- (c) International currency business units;
- (d) Trade credit insurance; and
- (e) Insurance intermediaries, such as insurance brokers, insurance adjusters, insurance agents and financial advisers.

3.0 TAKAFUL AND INSURANCE BENEFITS PROTECTION SYSTEM (“TIPS”) FUNDS

3.1 Under subsection 28(1) of the Act, separate funds are maintained and administered for the deposit insurance and TIPS.

3.2 Four separate funds are established for TIPS, segregating different business types, namely:

- (a) Family takaful protection fund;
- (b) General takaful protection fund;
- (c) Life insurance protection fund; and
- (d) General insurance protection fund.

There are no commingling of incomes or expenses between any of the TIPS funds or with the deposit insurance funds.



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4.0 PROTECTED BENEFITS FOR FAMILY TAKAFUL AND LIFE INSURANCE

- 4.1 All individuals and organisations that purchase insurance plans or participate in takaful plans for their own lives or for the lives of any other persons with an insurer member, have protection under TIPS, subject to the scope of coverage, limits and conditions as prescribed in the **Malaysia Deposit Insurance Corporation (Protected Benefits) Regulations 2011** (“MDIC Benefits Regulations 2011”) and the **Malaysia Deposit Insurance Corporation (Protected Benefits Limits) Order 2011** (“MDIC Limits Order 2011”).
- 4.2 Under TIPS, a certificate or policy owner may claim protection in respect of the protected benefits specified in the **MDIC Benefits Regulations 2011** subject to limitations specified in the **MDIC Limits Order 2011**, if:
- (a) the certificate or policy is issued in Malaysia by an insurer member;
 - (b) the address of the certificate or policy owner is or was an address in Malaysia; and
 - (c) the certificate or policy is denominated in Ringgit.

Table 1 describes the types and limits in respect of protected benefits under family takaful certificates and life insurance policies under TIPS on the following page.

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Table 1

Types of Takaful or Insurance Benefits	Limits
Death and related benefits	RM500,000
Permanent disability	RM500,000
Critical illness	RM500,000
Maturity values (excluding the unit portion of investment-linked certificates or policies)	RM500,000
Surrender value	RM500,000
Accumulated cash dividend	RM100,000
Disability income	RM10,000 per month
Annuity Income	RM10,000 per month
Medical expenses	100% of expenses incurred
Refundable prepaid contributions or premiums	100% of amount prepaid

4.3 The investment portion of an investment-linked family takaful certificate or life insurance policy is excluded from TIPS.

5.0 PROTECTED BENEFITS FOR GENERAL TAKAFUL AND GENERAL INSURANCE

5.1 For general takaful or general insurance, a certificate or policy owner may claim protection in respect of the protected benefits specified in the **MDIC Benefits Regulations 2011** subject to limitations specified in **MDIC Limits Order 2011** if:

- (a) the certificate or policy is issued in Malaysia by an insurer member; and
- (b) the certificate or policy is denominated in Ringgit.

5.2 In addition to the above, the **MDIC Benefits Regulations 2011** also prescribe specific conditions for the types of general takaful and general insurance benefits protected by PIDM. Examples of these are in Appendix A.

5.3 Table 2 describes the types and limits in respect of protected benefits under general takaful certificates and general insurance policies under TIPS on the following page.

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Table 2

Types of Takaful or Insurance Benefits	Limits
Loss of or damage to immovable property	RM500,000 per property
Loss of or damage to movable property (except motor vehicle, waterborne vessel or aircraft)	RM500,000 per property
Loss of or damage to a property or a third party indemnifiable pursuant to a public liability or product liability certificate or policy	RM500,000 per property
Loss of or damage to a motor vehicle	RM500,000 per property
Loss of or damage to a property of a third party indemnifiable pursuant to a motor vehicle certificate or policy	RM500,000 per property
Loss of or damage to a waterborne vessel and aircraft	RM500,000 per property
Loss of or damage to a property of a third party indemnifiable pursuant to a waterborne vessel and aircraft certificate or policy	RM500,000 per property
Death and related benefits	RM500,000
Permanent disability	RM500,000
Critical illness	RM500,000
Disability income	RM10,000 per month
Medical expenses	100% of expenses incurred
Refundable prepaid contributions or premiums	100% of amount prepaid
Death of a third party	RM500,000
Permanent disability of a third party	RM500,000
Illness or bodily injury of a third party	RM500,000
Disability income of a third party	RM10,000 per month
Medical expenses of a third party	100% of expenses incurred

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PART C: FIRST LEVY AND ANNUAL LEVY OF INSURER MEMBERS

6.0 FIRST LEVY OF INSURER MEMBERS

6.1 Pursuant to subsection 71(1) of the Act, an insurer member will pay the first levy for the assessment year in which it becomes a member institution. The first levy payable is the higher of:

- (a) two hundred and fifty thousand ringgit (RM250,000); or
- (b) the rate prescribed in the **MDIC Premium Order 2016**.

6.2 Pursuant to subsection 71(4) of the Act, the first levy shall be paid by an insurer member to PIDM **within thirty (30) days** from the date it becomes a member institution, or such other period as may be specified by the Corporation.

7.0 ANNUAL LEVY OF INSURER MEMBERS

7.1 Subsection 72(1) of the Act provides that every insurer member shall pay annual levy for each assessment year following the assessment year in which it becomes a member institution.

7.2 The annual levy rates are prescribed in the **MDIC Premium Order 2016**.

7.3 Pursuant to subsection 72(3) of the Act, the amount of annual levy payable shall not be lower than the minimum amount as prescribed in the **MDIC Premium Order 2016**.

8.0 CALCULATION OF FIRST LEVY AND ANNUAL LEVY OF INSURER MEMBERS

8.1 The calculation of first levy payable will be based on the following:

- (a) for family takaful or life insurance business, the total AVL of qualified certificates or policies² as at the last day of the month the insurer member becomes a member;

² Refer to paragraph 1.10 of these Guidelines

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- (b) for general takaful or general insurance business, the total net contributions or total net premiums of qualified certificates or policies³ received in the month the insurer member becomes a member;
- (c) the applicable levy rates of the respective types of business of the insurer members as prescribed in the **MDIC Premium Order 2016**; and
- (d) the first levy is subject to the minimum amount of RM250,000 as prescribed in subsection 71(1) of the Act.

8.2 The calculation of annual levies payable will be based on the following:

- (a) for family takaful or life insurance business, the total AVL of qualified certificates or policies⁴ as at 31 December of the preceding assessment year;
- (b) for general takaful or general insurance business, the total net contributions or net premiums of qualified certificates or policies⁵ received during the preceding assessment year;
- (c) the applicable levy rates of the respective types of business of the insurer members as prescribed in the **MDIC Premium Order 2016**; and
- (d) the annual levies are subject to the applicable minimum annual levy amount as prescribed by the **MDIC Premium Order 2016**.

8.3 The annual levy payable to PIDM is derived as follows:

- (a) For family takaful or life insurance business

Total AVL of total qualified certificates or policies as at 31 Dec of the preceding assessment year	x	Prescribed rate	=	Levy payable to PIDM
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Note: For family takaful business, the actuarial valuation liabilities are the total AVL of the participants' risk funds and the participants' investment funds for the total qualified certificates.

³ Refer to paragraph 1.10 of these Guidelines

⁴ Refer to paragraph 1.10 of these Guidelines

⁵ Refer to paragraph 1.10 of these Guidelines



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(b) For general takaful or general insurance business

$$\begin{array}{|c|} \hline \text{Total net contributions or Total net} \\ \text{premiums of total qualified} \\ \text{certificates or policies received} \\ \text{during the preceding assessment} \\ \text{year} \\ \hline \end{array} \times \begin{array}{|c|} \hline \text{Prescribed} \\ \text{rate} \\ \hline \end{array} = \begin{array}{|c|} \hline \text{Levy payable to} \\ \text{PIDM} \\ \hline \end{array}$$



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PART D: PROHIBITION AGAINST THE TRANSFER OF LEVIES PAYABLE TO PIDM

9.0 DIRECTIVES ON PROHIBITION AGAINST THE TRANSFER OF LEVIES PAYABLE TO PIDM

- 9.1 This part specifies the details of the compliance requirements following the **Directive on the Prohibition Against the Transfer of Premiums Payable to PIDM by Insurance Companies to Policy Owners** (Ref. No.: TIPS/DIR1/2014) and **Directive on the Prohibition Against the Transfer of Premiums Payable to PIDM by Takaful Operators to Certificate Owners** (Ref. No.: TIPS/DIR2/2014) issued on and effective from 29 December 2014 (collectively referred to as “the Directives”).
- 9.2 The levies⁶ payable by the insurer members to PIDM shall be paid solely from the shareholders’ funds of the insurer members. Insurer members are prohibited from charging or transferring the levies payable to PIDM to policy or certificate owners in any manner, directly or indirectly.
- 9.3 For the avoidance of doubt, insurer members are prohibited from charging or transferring the cost of the levies payable through, amongst others, pricing of insurance or takaful products, management expenses, wakalah fees, premium liabilities, expense liabilities,⁷ and AVL.
- 9.4 The levy rates reflect the risk profile of the insurer members for the preceding assessment year. Consequently, levies payable are an annual charge for that respective assessment year.
- 9.5 Insurer members shall maintain proper documentation on the treatment of levies paid and payable to PIDM, as well as documentation on the process and controls put in place to ensure that the requirements are being adhered to. These documents must be made available for validation upon request.

⁶ Levies refer to first and annual levies.

⁷ Expense liabilities refer to the valuation of expense liabilities of the shareholders’ fund of Takaful operators as required under the Risk-Based Capital Framework for Takaful Operators and Guidelines on Valuation Basis for Liabilities of Family and General Takaful Business issued by Bank Negara Malaysia.



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PART E: TOTAL QUALIFIED CERTIFICATES OR POLICIES FOR LEVY CALCULATION

10.0 TOTAL QUALIFIED CERTIFICATES OR POLICIES

- 10.1 The calculation of first and annual levies shall be based on the AVL and the net contributions or net premiums of total qualified certificates or policies.
- 10.2 The total qualified certificates or policies are to be grouped separately under the following categories:
- (a) Family takaful;
 - (b) General takaful;
 - (c) Life insurance; and
 - (d) General insurance.
- 10.3 Insurer members must have in place adequate processes, controls and documentation to determine whether a certificate or policy shall be classified as qualified certificates or policies, or non-qualified certificates or policies, for the purpose of levy calculation. For example, the determination of qualified certificates or policies shall be carried out at product design and development stage.

11.0 TOTAL QUALIFIED CERTIFICATES OR POLICIES FOR FAMILY TAKAFUL AND LIFE INSURANCE

- 11.1 Qualified certificates or policies of family takaful or life insurance business will comprise all qualified individual and group certificates or policies for all family takaful or life insurance and annuity products, as well as the takaful or insurance protection portion of investment-linked certificates or policies (which is the non-unit portion of investment-linked certificates or policies).
- 11.2 The figures to be reported are the AVL in respect of the qualified certificates or policies as at 31 December of the preceding assessment year. These figures are to be reported in Reporting Form F-1 (for family takaful business) and Reporting Form L-1 (for life insurance business) of TIPS: Returns on Calculation of Levies (pre-formatted, made available on PIDM website).

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11.3 Insurer members must provide the details of non-qualified certificates or policies with their corresponding actuarial valuation liabilities amount as an attachment to the returns to be submitted to PIDM.

12.0 TOTAL QUALIFIED CERTIFICATES OR POLICIES FOR GENERAL TAKAFUL AND GENERAL INSURANCE

12.1 Insurer members carrying on general takaful or general insurance business are to report the net contributions or net premiums⁸ in respect of the qualified certificates or policies received during the preceding assessment year.

12.2 The calculation for total qualified certificates or policies for general takaful or general insurance business is illustrated below:

	Total net contributions or total net premiums for all certificates or policies
Less	(Total net contributions or total net premiums of non-qualified certificates or policies) ⁹
	Total net contributions or total net premiums of total qualified certificates or policies
Equals	

The figures to be reported are the net premiums or net contributions in respect of the qualified certificates or policies received during the preceding assessment year. These figures are to be reported in Reporting Form G-1 of TIPS: Returns on Calculation of Levies (pre-formatted, made available on PIDM website).

12.3 Insurer members must provide the details of non-qualified certificates or policies with their corresponding net contributions or net premiums amount as an attachment to the returns to be submitted to PIDM.

⁸ Net contributions or net premiums are derived by taking the gross contributions/premiums less retakaful/reinsurance ceded, as per Bank Negara Malaysia Guidance Notes for Completion of Returns.

⁹ Examples of plans or policies that may not cover benefits as described in the TIPS scope of coverage are hole-in-one, fidelity guarantee insurance, performance bonds, tender bonds, professional indemnity, directors' and officers' liability, etc.



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13.0 INFORMATION SYSTEM INFRASTRUCTURE

- 13.1 All insurer members shall have the necessary information system infrastructure to identify all individual and group takaful certificates or insurance policies being held or owned by certificate or policy owners to enable the insurer members to calculate the required amount of AVL and/or net contributions or net premiums in respect of the calculation of total qualified certificates or policies to derive the amount of levy payable to PIDM under TIPS.



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PART F: COMPLETION OF RETURNS ON CALCULATION OF LEVIES

14.0 RETURNS ON CALCULATION OF LEVIES

14.1 Every insurer member is required to complete the returns on calculation of levies ("RCL") separately for family and general takaful certificates or life and general insurance policies for the purpose of submission to PIDM. The RCLs are the basis for PIDM to assess the amount of total qualified certificates or policies and the amount of levies payable to PIDM.

14.2 In completing the RCL, an insurer member shall observe the following:

- (a) the AVL are based on qualified certificates or policies held as at 31 December of the preceding assessment year (for family takaful or life insurance business) and the total net contributions or total net premiums received in respect of qualified certificates or policies during the preceding assessment year (for general takaful or general insurance business);
- (b) Bank Negara Malaysia's Takaful Operators Statistical System ("TOSS"), Insurance Companies Statistical System ("ICSS"), Risk-Based Capital Framework for Insurers ("RBC") and Risk-Based Capital Framework for Takaful Operators ("RBCT") reporting are the sources of information in completing the RCL;
- (c) the levies payable to PIDM shall be calculated separately for family takaful or life insurance business and general takaful or general insurance business; and
- (d) application of the prescribed levy rates.

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PART G: COMPLIANCE REQUIREMENTS

15.0 COMPLIANCE REQUIREMENTS

- 15.1 All insurer members are required to submit the RCL (in pre-formatted template) on or before the date of remittance of the levy, which is by **31 May (or the immediate preceding working day if 31 May falls on a weekend or a public holiday in Kuala Lumpur) of each assessment year.**
- 15.2 The Chief Executive Officer, and the Chief Financial Officer or Head of Finance or Appointed Actuary, must certify that the information provided in the RCL is accurate and reflective of the financial information of the insurer member as at 31 December of the preceding assessment year and that it has complied with the Directives. All reports that require certification/signatories shall be scanned and the scanned copy must be submitted to PIDM online through PIDM's portal.
- 15.3 Pursuant to Section 193 of the Act, any person who prepares, signs, approves, or concurs in any account, statement, return, report or other document, required for submission to PIDM that he or she knows or has reason to believe is false or contains false or misleading information, commits an offence punishable by fine and/or imprisonment.
- 15.4 The payment of the levies shall be remitted to PIDM by way of executing a payment instruction via RENTAS latest by **31 May** (or the immediate preceding working day if 31 May falls on a weekend or a public holiday in Kuala Lumpur) of each assessment year to the respective PIDM's Operational Account with Bank Negara Malaysia as follows:

Table 3: PIDM's operational account number and transaction code

PIDM's Operational Account	Account Number	Transaction Code
Family Solidarity Takaful	1554200113	PIF01
Life Insurance	1554190906	PIL01
General Takaful	1554200104	PIT01
General Insurance	1554190894	PIA01

Insurer members are to ensure that the levies payable are rounded up or down to the nearest Ringgit value without any decimal point.



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- 15.5 In the event that an insurer member fails to submit the returns and fails to make payment by **31 May** (or the immediate preceding working day if 31 May falls on a weekend or a public holiday in Kuala Lumpur) in each assessment year, pursuant to Section 75 of the Act, PIDM may impose a levy surcharge.
- 15.6 The amount of levy payable to PIDM is confidential and shall not be disclosed to the public. A levy surcharge may be imposed on an insurer member that does not comply with the prohibition against such public disclosure.
- 15.7 Pursuant to Section 76 of the Act, should an insurer member fail to observe the due date for payment of levy or levy surcharge, there will be an overdue charge by a sum over the unpaid levy or levy surcharge as prescribed under the **Malaysia Deposit Insurance Corporation (Overdue Charges) Regulations 2012**.
- 15.8 In addition, pursuant to Section 195 of the Act, any insurer member who fails to comply with any requirements in these Guidelines or in the Directives, commits an offence under the Act.

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Types of Takaful or Insurance Protected Benefits for General Takaful and Insurance	Overriding conditions: The certificate or policy must be issued in Malaysia by an insurer member and denominated in Ringgit.	
	Certificate or policy owner who may make a claim	Location of property or person protected at the time of occurrence of the risk event
Loss of or damage to immovable property	A Malaysian citizen, a qualified person ¹⁰ ; or Any other person who is NOT a citizen or a qualified person	Property must be located in Malaysia
Loss of or damage to movable property (except motor vehicle, waterborne vessel or aircraft)	A Malaysian citizen or a qualified person	Property may be located in Malaysia or in countries covered under the certificate or policy
	A person who is not a citizen or a qualified person	Property must be located 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	A Malaysian citizen or a qualified person	Third party property must be located in Malaysia
Loss of or damage to a motor vehicle	For motor vehicle registered in Malaysia: A Malaysian citizen, a qualified person; or Any other person who is NOT a citizen or a qualified person	Motor vehicle may be located in Malaysia or in countries covered under the certificate or policy
	For a motor vehicle NOT registered in Malaysia: A Malaysian citizen, a qualified person; OR Any other person who is NOT a citizen or a qualified person	Motor vehicle must be located in Malaysia
Loss of or damage to a property of a third party indemnifiable pursuant to a motor vehicle certificate or policy	For motor vehicle registered in Malaysia: A Malaysian citizen, a qualified person; or Any other person who is NOT a citizen or a qualified person	Third party property may be located in Malaysia or in countries covered under the certificate or policy
	For a motor vehicle NOT registered in Malaysia: A Malaysian citizen, a qualified person; OR Any other person who is NOT a citizen or a qualified person	Third party property must be located in Malaysia

¹⁰ Definition of qualified person refers to Section 2 of **MDIC Benefits Regulations 2011**.