Perbadanan Insurans Deposit Malaysia

Protecting Your Insurance And Deposits In Malaysia

RESPONSE TO THE CONSULTATION PAPER ON DIFFERENTIAL LEVY SYSTEM FRAMEWORK FOR TAKAFUL AND INSURANCE BENEFITS PROTECTION SYSTEM

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TABLE OF CONTENTS

EXECUTIVE SUMMARY

BACKGROUND

PIDM issued a consultation paper on the Differential Levy System ("DLS") Framework for Takaful and Insurance Benefits Protection System for public consultation on 27 April 2012. Comments were received from member institutions, Bank Negara Malaysia ("BNM"), Securities Commission Malaysia, Rating Agency Malaysia and industry associations during the consultation period which ended on 8 June 2012. As part of the consultation process, PIDM is publicly disclosing its response to the comments received.

OVERVIEW OF COMMENTS RECEIVED

The respondents support and view positively the proposed implementation of the DLS Framework in differentiating risk profile for levy assessment purpose. PIDM received views and suggestions to further improve the DLS Framework and we have considered these views in the finalisation of the DLS Framework.

CHANGES MADE TO THE DLS FRAMEWORK ARISING FROM FEEDBACK RECEIVED

After assessing the views and suggestions received, PIDM has incorporated the following changes into the proposed DLS Framework:

(a) to apply a 3-year weighted average in calculating the gross premium growth rate and new business growth rate and to adjust the respective score ranges;

(b) to revise the formula used for the calculation of the combined ratio where we will adopt the common ratio used by the industry. Based on the new ratio, the impact of reinsurance will be taken into account as well as the use of "earned premiums" income instead of "gross premiums" as the denominator;

(c) to apply the net premiums composition basis in determining the applicability of quantitative criteria in the calculation of the composite insurer member's operational and sustainability measures;

(d) to exclude insurance receivables of less than 60 days in the receivable ratio, to be in line with the industry practice of providing a premium warranty period for non-motor insurance business;

(e) to revise the score ranges for conservation ratio; and

(f) to revise the scoring methodology for investment yield by incorporating the Malaysian Government Securities ("MGS") 5-year Spot Rate as the benchmark rate for the score ranges.

PIDM has taken note of the suggestion to incorporate other indicators into the DLS Framework. In view of the limitation of data availability, such indicators can only be considered for future revisions of the DLS Framework.

Set out below is the summary of comments received on the consultation paper, together with our responses separated into five (5) parts, namely:

A. Comments on the Overall DLS Framework;
B. Comments on the Capital Measure i.e. Free Capital Index;
C. Comments on the Quantitative Criteria for General Insurance Business;
D. Comments on the Quantitative Criteria for Life Insurance Business; and
E. Comments on other aspects of the DLS Framework.

A. Comments on the Overall DLS Framework

1. Treatment of Takaful Operators

(a) Generally, the respondents agreed with the proposed deferment of a DLS Framework for Takaful Operators. However, several respondents preferred a more timely implementation of a DLS Framework for takaful operators to ensure a level playing field between takaful operators and conventional insurer members as well as to ensure the equitability of levy charges.

(b) PIDM did not receive any alternative suggestions for capital indicators. Some respondents suggested that the proposed risk-based capital framework for takaful operators issued by BNM is the most appropriate basis for determining the capital strength of takaful operators.

<u>PIDM's Response</u>
PIDM will develop an interim DLS Framework for Takaful Operators pending the full operationalisation of BNM's risk-based capital framework for takaful operators. In doing so, PIDM will conduct regular consultation with the takaful members throughout the development stage. PIDM targets to implement the interim framework in the assessment year 2014.

2. DLS Framework Methodology

The respondents largely concurred with the proposed combination of the quantitative and qualitative criteria. The respondents were also satisfied with the matrix approach proposed as part of the assessment approach. Comments on the overall framework are as follows:

(a) Several respondents commented on the proposed weightage for the quantitative and qualitative criteria i.e. the weightage of 60%:40%. They suggested assigning a lower weightage to the qualitative criteria, specifically the supervisory rating, given its subjective nature as compared to the objective nature of the quantitative criteria.

<u>PIDM's Response</u>
PIDM is of the view that the proposed weightage for both quantitative and qualitative criteria is appropriate to ensure that the DLS Framework is objective, transparent and forward-looking.

For the supervisory rating, a greater weightage is assigned to reflect the importance of the continuous assessment by BNM through its direct supervisory relationship with the members, and the forward-looking elements the supervisory rating provides to the DLS Framework.

(b) Some respondents requested for the individual weightage assigned to each indicator within the quantitative criteria to be refined to reflect the importance of each indicator in measuring the performance of each insurer member.

PIDM's Response

The weightage assigned for each indicator is based on the significance of the indicator in determining the insurer member's operational performance and its business sustainability. Despite the different weightages, PIDM is of the view that all the indicators are crucial to measure the operational performance and business sustainability of members. As such, PIDM will maintain the weightage for each indicator as proposed in the consultation paper.

(c) A few respondents commented that there might be double-counting in the certain areas within the quantitative criteria which are also considered by BNM in arriving at the supervisory rating for the qualitative criteria.

PIDM's Response

The proposed quantitative criteria cover specific areas of focus, and provide transparency as they enable members to identify the areas they may require improvement in. On the other hand, supervisory assessment takes into consideration various factors that capture forward-looking elements that are not reflected by the quantitative criteria assessment.

(d) In respect of the supervisory rating for the qualitative criteria, there was a suggestion that the direction of risk of the insurer member's Composite Risk Rating by BNM be made part of the DLS scoring.

PIDM's Response

PIDM takes note of the recommendation. However, PIDM is of the view that the supervisory rating on its own is sufficient to differentiate among insurer members. The supervisory rating encapsulates firsthand information about the members as assessed by BNM which supervises and monitors members' risk profiles, operational management and risk management control functions.

B. Comments on Capital Measure

1. Free Capital Index

(a) Some respondents commented that the capital strength measure would lead to an inefficient use of capital as members would require additional capital buffer to achieve a better score, and this is above the capital required for members to meet their internal target capital level ("ITCL"). Several respondents also mentioned that the score ranges proposed may be too stringent considering the current regulatory capital requirement. One (1) respondent was of the view that members with a high level of ITCL would be disadvantaged as they would require more capital to achieve the best score.

PIDM's Response

In determining the score ranges for the Free Capital Index ("FCI"), PIDM has taken into consideration the data available since the introduction of the RBC in 2009, and is of the view that the current score ranges proposed are appropriate. In addition, PIDM envisages that having an adequate buffer is critical to ensure members remain solvent as it represents the last line of defence against any expected and unexpected losses.

ITCL is considered to be an appropriate base as it reflects the capital level that is commensurate with the member's risk profile. PIDM leverages on BNM's assessment in determining the appropriate ITCL for insurer members.

(b) One (1) respondent highlighted that the availability of a robust capital management plan would be more critical in ensuring the member's ability to maintain its capital adequacy ratio ("CAR") at an appropriate level.

PIDM's Response

Regarding the capital management plan, PIDM understands that it is among the factors considered by BNM in determining the ITCL. The robustness of such a plan is also assessed and reflected in the supervisory rating by BNM, and this forms part of the qualitative criteria of the DLS Framework.

(c) Another respondent suggested that the member's CAR should be based on CAR of all funds (instead of following the RBC requirement to use the lower of CAR of all funds and CAR funds excluding Participating ("PAR") Fund) to ensure that the strength of the PAR fund is considered at all times in determining the FCI.

PIDM's Response

PIDM proposed the use of CAR as reported under the RBC Framework in order to be consistent with BNM's requirement. Furthermore, PIDM's studies revealed that there was only a marginal difference between results that use CAR for all funds and CAR of all funds excluding the PAR Fund.

(d) The majority of respondents agreed with the proposal to use the average of four (4) quarters to derive the score.

(e) One (1) respondent suggested a variation to the proposed FCI formula, i.e. the excess of operating CAR over the supervisory capital of 130%, divided by the excess of ITCL over the supervisory capital of 130%, as opposed to the current proposed formula of operating CAR divided by ITCL.

PIDM's Response

Although the concept and objective is similar, PIDM is of the view that the current proposed formula better reflects the members' capital strength. ITCL is the capital level that members are expected to maintain at all times, and is commensurate with the members' risk profiles and the quality of their risk management. Conversely, the supervisory capital of 130% is the minimum capital level that is applicable to all members and it makes no differentiation among the members based on their risk profiles.

Given the above, the members' capital strength is determined based on the buffer above the capital level that reflects the members' risk profiles, i.e. the ITCL.

C. Comments on Quantitative Criteria for General Insurance Business

The majority of the respondents accepted the proposed indicators while some respondents suggested improvements to the score ranges as well as calculation of the proposed indicators. Detailed comments on the individual indicators together with PIDM responses are as follows:

1. Gross Premium Growth Rate

(a) The majority of the respondents agree with the proposed 3-year weighted average approach for calculating the growth rate.

(b) However, several respondents commented that the score ranges proposed might be too high. They argued that setting category 1 at above 13% might be too high for most members, and were of the view that setting such a high rate would encourage aggressive risk-taking by the members. Some respondents suggested using economic growth as the reference for setting the appropriate growth rate.

PIDM's Response
Given the responses, PIDM will adopt the 3-year weighted average approach for the calculation of gross premium growth rate so as to emphasise on the sustainability of growth over a period. In setting the score ranges, PIDM had considered factors such as fairness to all members, the average industry performance and peer positioning among the members.

Nevertheless, the score ranges will be continuously reviewed to ensure they remain appropriate and reasonable taking into consideration the changing industry landscape.

(c) One (1) respondent suggested that the score ranges ought to be determined based on the size of members, where realistically, it would be easier for smaller members to record higher growth rates as compared to bigger members.

PIDM's Response
The guiding principle of the DLS Framework states that all members are to be treated equally regardless of their size and complexity. Our analysis revealed that the gross premium growth rate is in fact proportionate to member size.

Therefore, the members are generally not being discriminated due to their size.

(d) One (1) respondent raised a query regarding the possibility of excluding the Malaysian Motor Insurance Pool ("MMIP")'s gross premium data from the calculation. It was argued that the acceptance of MMIP business is compulsory and is hence not within the member's control.

PIDM's Response

Regarding the request to exclude MMIP data, as all general insurer members are exposed to MMIP, PIDM is of the view that this as an industry-wide practice and hence, the adjustment is not necessary at this juncture. Further, in order to consider excluding MMIP data, apart from the data in respect of premiums, additional data is required to make the necessary adjustments to the calculation. However, such data is not readily available.

2. Business Diversification Ratio

(a) Generally, respondents accept the proposed ratio, with the exception of a few who commented that the RBC data is subjective in nature. One (1) respondent suggested making the comparison between motor and non-motor insurance business instead of the current proposal as, generally, the risks in motor insurance business differ significantly from the risks in non-motor insurance business.

(b) Two (2) respondents highlighted that this ratio discriminates against the "specialist" insurer that concentrates on certain lines of business even though such specialisation means that there is comparatively more focused risk management by the specialist insurer.

PIDM's Response

The availability of data is one of the key considerations when determining which indicators to use. However, PIDM takes note of the subjectivity involved in making actuarial judgments and will continuously explore other alternatives that may better assess the diversification factor.

Moreover, the formulation of this indicator aims to promote overall diversification rather than discriminating against certain lines of business. As for the specialist insurer, given the ability of the member to focus its resources, the benefits of such specialisation would be reflected in other indicators, such as the profitability indicator. Therefore, the specialist insurer would still be able to achieve a good score in spite of the business diversification ratio.

3. Receivable Ratio

(a) The majority of the respondents suggested that the receivable ratio be adjusted for the premium warranty period, i.e. a market practice of allowing a 60-day credit period for the payment of premiums. Some other respondents highlighted that different practices in the determination of impairment may influence the outcome of the ratio and hence suggested the use of gross receivable instead of net receivable.

PIDM's Response

In view of the respondents' comments, PIDM agrees with the comments with regard to the market practice i.e. allowing a 60-day premium warranty period. The indicator will be revised to include only outstanding insurance balances of more than 60 days. In addition, PIDM also accepted the view that the receivable should be on gross of impairment. With these changes, the score ranges will be revised accordingly.

4. Combined Ratio

(a) The majority of the respondents proposed that the ratio took into account the impact arising from the insurer member's efforts in managing its risk exposure through reinsurance. Considering that this is the measure for profitability, the respondents also suggested that the earned premiums income be used as the denominator and for the commission to be based on net commission (after taking into account the commission from reinsurers), rather than the gross commission as proposed.

PIDM's Response

PIDM agrees with the respondents' suggestions, and the combined ratio will be changed accordingly to reflect the overall profitability of the member's underwriting activities. The revised combined ratio will be as follows:

$$\frac{\text{Net Claims Incurred} + \text{Management Expenses} + \text{Net Commission}}{\text{Earned Premium Income}} \times 100\%$$

With these changes, the score ranges will be revised accordingly.

5. Operating Margin Ratio

(a) Some respondents enquired regarding the basis of determining the operating profit and the changes to "available for sale" ("AFS") reserve. Another respondent enquired regarding the possibility of excluding the impact of MMIP from the operating margin ratio.

PIDM's Response

For members with financial year ending 31 December, the operating profit is the amount transferred from the revenue account to the income statement whereas for those with financial year ending other than 31 December, the operating profit is the balance of revenue account, as specified in BNM's Insurance Companies Statistical Submission ("ICSS").

The changes in AFS reserve is the difference between the AFS reserves as at 31 December of the preceding assessment year and the AFS reserves as at 31 December of the second year preceding assessment year.

PIDM will issue guidance notes to address the details of the calculation in the guidelines.

As for the proposed exclusion of MMIP, please refer to our response to a similar enquiry in item C.1.d of this paper.

D. Comments on Quantitative Criteria for Life Insurance Business

The majority of the respondents agreed with the proposed indicators. The main comments received relate to the score ranges and calculation methods. Some comments highlighted the impact of certain indicators on members of different sizes while others highlighted some limitations of the selected indicators. Details of the comments are as follow:

1. New Business Growth Rate

(a) A respondent suggested that, instead of directly adding 10% for single premium to the overall total premium, the regular premium should be separated from the single premium in accordance with the trending strategy in new business premium.

(b) Moreover, a respondent highlighted that, by adjusting the single premium at 10%, companies can still generate a high growth rate by selling short pay (2 pay or 3 pay) products which are not sustainable. This means that companies may sell products that generate negative value to boost the new business growth rate.

PIDM's Response

In the calculation of the new business growth rate, the annual premium equivalent ("APE") approach is adopted as it is a commonly used approach. PIDM is of the view that this measure would allow comparison of the amount of new business gained by the insurer members over a period of time and would provide an indication of their business sustainability. For clarity, the new business premium figures will be based on the new business premiums as reported to BNM.

(c) Several respondents commented that the score ranges should be in accordance with the size of the insurer members. Having a one-size-fits-all set of ranges would expose the more established companies to a competitive disadvantage. The majority of the respondents highlighted that the target rates are too high and this may lead to non-prudent risk-taking to boost new business growth.

(d) Several respondents agreed to the usage of the proposed 3-year weighted average, with the growth rate requirements being gradually reduced to be more in line with the GDP growth. One (1) respondent suggested reviewing the score ranges of the new business growth rate annually.

PIDM's Response

Based on the guiding principles, the indicators and scores are set to ensure equitable treatment of members regardless of their size and complexity. The thresholds and score ranges were set based on extensive analysis using data available over a period of time. As stated in the consultation paper, in setting the thresholds, PIDM has taken into consideration the alignment to the current regulatory and supervisory policies, fairness to all insurer members, the average industry performance and peer positioning among the insurer members.

In reviewing the new business growth rate, we have incorporated the use of the 3-year weighted average to better reflect the growth trend over time and the score ranges will be revised accordingly.

With regard to the suggestion of reviewing the score ranges annually, PIDM will continue to conduct studies on the indicators used in the DLS Framework as well as the overall framework to ensure the reasonableness of the indicators and also to ensure consistency with market developments.

2. Business Concentration Ratio

(a) Some of the respondents suggested using an alternative indicator that associates business concentration with the different types of risks posed by products, rather than with the type of payment. Another respondent suggested using a measure that gives an indication of the diversification of risks that are underwritten in new businesses such as mortality and morbidity risks, investment guarantee, lapse risks etc. Conversely, other respondents agreed with the inclusion of this ratio as an operational and sustainability measure of the DLS Framework.

PIDM's Response

This measure aims to promote a balanced portfolio that ensures an appropriate composition of single and regular premium products for a continuous future stream of income. Single premium products vary in their exposure to capital needs and other inherent risk factors. While not all single premium products necessarily pose higher inherent risks in comparison to regular premium products, a well-balanced portfolio will ensure the insurer member's business sustainability. Regular premium products will provide a stable stream of income to cover future liabilities and expenses compared to single premium products. Nonetheless, PIDM takes note of the suggestions made and will continue to explore alternative measures in future reviews.

3. Business Conservation Ratio

(a) Generally, the respondents agreed with the rationale of this ratio. Some respondents suggested using the lapse ratio instead of the business conservation ratio. One (1) respondent suggested calculating the ratio based on the renewal premiums for surrendered or lapsed policies during the current year divided by renewal premiums plus new business premiums for the previous year.

PIDM's Response

PIDM is of the view that the continuous generation of premiums, especially from renewal premiums, would provide a sufficient stream of income to ensure the business sustainability of a member. This is based on the same concept as the business concentration ratio in respect of the growth of regular premiums.

We note that the inclusion of certain intrinsic characteristics of life insurance business, such as policy maturity, expiry and paid-ups, may distort the result of this ratio. However, our analysis revealed that the maturity or expiry of policies has not resulted in volatility to the ratio. As such, PIDM is of the view that the business conservation ratio is appropriate in measuring the members' business sustainability.

Nevertheless, subject to data availability and reliability, we will continue to explore alternative measures to ensure that our objective is addressed in assessing the operational soundness and business sustainability of members.

(b) Another concern highlighted by two (2) respondents was the use of only investment-linked operating funds in the calculation of the ratio. The respondents proposed that total investment-linked funds be included, as that would capture the total premiums paid rather than only capturing the mortality and administrative charges.

PIDM's Response

The ratio measures continuous income to cover future expenses. For investment-linked business, the operating fund is included in this ratio as it is earmarked to cover future expenses that include mortality and administrative charges. On top of that, our analysis showed that the inclusion of total investment-linked premiums had caused an irregular trend and resulted in a distortion to the indicator especially in respect of setting the score ranges.

(c) Two (2) respondents stated that the score ranges seemed high and that might not reflect the true experience of the industry. One (1) respondent commented that the range of results at 90% and 95% is quite close to each other, and that both are considered very high. This respondent requested for the lower level score to be reduced by 20%.

PIDM's Response

PIDM has revisited the score range arising from the above comments and has made the appropriate changes. In coming up with the score ranges, we performed extensive data analysis. The score ranges were developed based on industry performance over a period of time and derived from actual industry performance. Nonetheless, we will continue to review and update the score range to ensure it remains relevant and appropriate.

4. Investment Yield

(a) A number of respondents expressed a preference for a 3-year average or a weighted average to the indicator, mainly to minimise fluctuations due to market volatility. A suggestion was also put forward by one (1) respondent to compare the investment return to the average discount rate used by the insurer to value their liabilities.

PIDM's Response

PIDM takes note of the suggestion of a 3-year weighted average in order to minimise impact of market volatility. However, our analysis revealed that the individual insurer's investment yield performance and the general industry performance showed a stable trend over a period of time. Hence, we will use the member's performance over one (1) year as the investment yield indicator.

Nonetheless, to ensure that the score range reflects the market condition regardless of its volatility, we are changing the basis for the determination of the score range to be based on the selected benchmark risk-free rate. For this purpose, the MGS 5-year Spot Rate is selected as the benchmark risk-free rate.

The MGS 5-year Spot Rate is adopted given that the investment assets for life insurer members are largely allocated in bonds with consideration for a medium-term investment horizon. Arising from these changes, the score ranges will be revised accordingly.

(b) The majority of the respondents cited that the score ranges may not reflect the risk perspective as higher risk ventures are normally associated with higher investment returns. In addition, some respondents commented that insurers with different liability characteristics, i.e. between participating and non-participating businesses, may have different investment portfolio and yield targets, and the score ranges may not reflect these differences.

PIDM's Response

Studies were conducted on the different types of life insurance business offered by individual members and the industry as a whole. Despite the natural differences between participating and non-participating businesses, the trends of both yield performances vary only marginally. Thus, a consolidated figure of investment performance indicator which is deemed as a proxy for profitability was chosen as an indicator.

5. Return on Required Capital

(a) One (1) respondent enquired as to the appropriateness of the indicator as the total capital available at ITCL since it includes the 50% future bonus which is not part of the real capital available.

PIDM's Response

The required capital refers to the capital which the member is required to maintain at all times under the regulatory capital requirements. As such, the total capital available at ITCL is used to serve as the proxy for this required capital. Therefore, the 50% future bonus that forms part of the total capital available would have no bearing on this measure.

(b) Another respondent sought clarification as to whether the return on required capital is based on all funds or all funds excluding PAR fund.

PIDM's Response

Our studies revealed only a marginal difference between the results of CAR from all funds and all funds excluding PAR fund. Therefore, to be consistent with BNM's assessment, the total capital required of the reported CAR (to BNM) is used.

(c) Further request for clarification was received from a respondent as to whether "profit before tax" is the amount before or after paying reinsurance costs.

PIDM's Response

"Profit before tax" is the profit or loss reported in the member's income statement before any tax deduction.

(d) Some respondents suggested for surplus arising to be used as the basis to measure the returns for life insurance business in place of "profit before tax".

PIDM's Response

"Profit before tax" denotes a comprehensive indication of profitability for a particular company. From the accounting perspective, "profit before tax" is the end result from the key statutory profitability measure that encompasses all assumptions built into all key business activities (i.e., premium and claim liabilities valuation, actuarial valuation, investment management etc.). It should reflect the company's strategy. In a nutshell, "profit before tax" is a commonly used measure which enables industry comparison and analysis. PIDM had considered surplus arising for this measure. However, we had decided against this measure as it is highly volatile due to the subjectivity associated with its determination.

E. Comments on other aspects of the DLS Framework

1. Treatment of Composite Insurer Members

(a) The number of respondents in favour of both approaches, i.e. setting a materiality threshold approach and the net premium proportion approach, was almost equal. Some respondents indicated that both approaches were acceptable.

PIDM's Response

Taking these views into consideration, in determining the applicability of general or life quantitative criteria, we decided that the composite insurer member's operational and sustainability measure would be based on a net premiums composition basis.

2. Treatment of New Member and Amalgamation

(a) Two (2) respondents commented on the treatment of amalgamated members formed after 31 December and one (1) of the respondents suggested using the combined members' financial information.

PIDM's Response

Using the combined members' financial information may not be appropriate and may not reflect the most recent performance of the amalgamated member. The above suggestion may also necessitate further validation to ensure the reliability of the financial information.

(b) Another respondent recommended that in the event that supervisory rating is not available, particularly for amalgamated members formed before 31 December, the supervisory rating of the acquirer should be used.

PIDM's Response

As for the supervisory rating, PIDM works closely with BNM. Such collaboration ensures that the supervisory rating is assigned to the amalgamated members in a timely manner. However, in the event of the unavailability of such rating, the rating of the acquirer will apply.

(c) One (1) respondent enquired regarding the treatment of amalgamated members where data from the four (4) quarters of the amalgamated entity may not be available during its first year of amalgamation.

PIDM's Response

PIDM will use the average CAR of available quarters of the amalgamated members. For example, where the amalgamation is completed after 30 June but before 30 September, for the purpose of FCI calculation, the average of CAR for two (2) quarters i.e. the quarters as at 30 September and 31 December, are used.

3. Transition Period and Process

(a) The majority of the respondents agreed with the proposed one (1) year transition period.

4. Reporting Reference Date

(a) The majority of the respondents agreed with the proposed reporting reference date.

5. Submission Date

(a) The majority of the respondents agreed with the proposed submission date of 30 April for the quantitative information as well as the requirements relating to joint certification by the chief executive officer ("CEO") with the chief financial officer ("CFO") or the appointed actuary ("AA"), and the treatment for those who fail to submit quantitative information by 30 April of the assessment year.

6. Information Integrity

(a) All respondents indicated that the existing control process in place is adequate to ensure the integrity of the data to be submitted. Furthermore, they are of the view that the sign-off by the CEO together with the CFO or AA is sufficient to reflect the accountability of the management in ensuring data integrity.

(b) Most of the respondents stated that the engagement of an external auditor would incur additional costs. Six (6) respondents highlighted that most of the data is part of the statistical submission to BNM and hence validation by an external auditor is not necessary.

PIDM's Response
PIDM is of the view that validation by an external auditor is still necessary to ensure the reliability of data with specific focus on data that was not derived from the statistical submission to BNM or from its financial year information. PIDM will consult the industry again once the proposal for external auditor validation is completed.

7. Insufficient Quantitative Information

(a) One (1) respondent suggested using the median as it is fairer than the current proposal of using the lower ratio.

PIDM's Response
We are maintaining the current approach for simplicity and ease of calculation for the member.

8. Filing Resubmission

(a) The respondents agreed with the proposal.

9. Appeal Process

(a) The respondents agreed with the proposal.

MOVING FORWARD

F. Draft regulations will be submitted to the Minister of Finance for approval and will be gazetted. The regulations will be published on PIDM's website once they come into force.

G. We will also issue guidelines on the DLS Framework to assist members with computation and submission of the required quantitative information.

Perbadanan Insurans Deposit Malaysia
30 July 2012