

# Section II



## Takaful and Insurance Benefits Protection System

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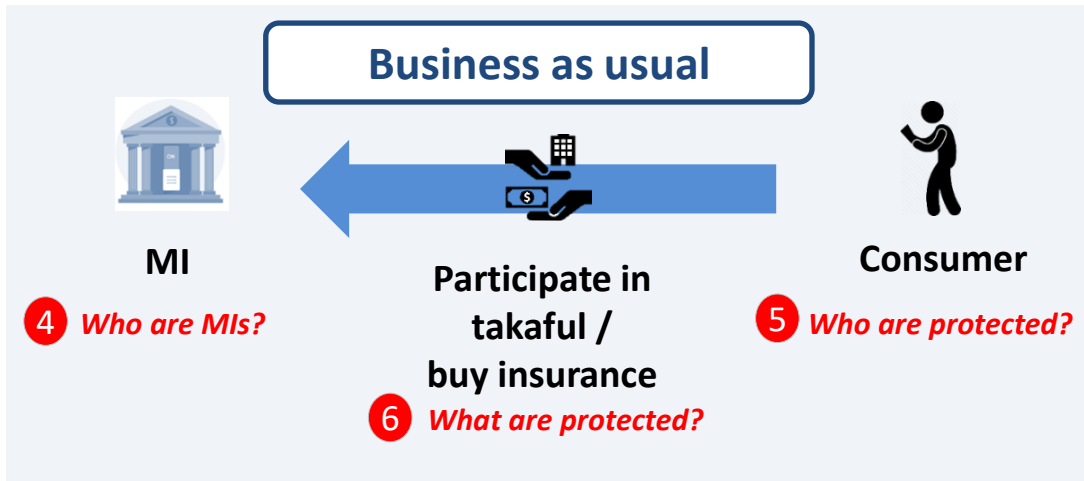
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# PIDM protects certificate or policy owners in the event of an MI failure: How does it work?



#### 4 Who are member institutions?

PIDM membership is mandatory for financial institutions licensed under the Financial Services Act 2013 and Islamic Financial Services Act 2013

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MIs

(as at 24 October 2024)

## 44

**MEMBER BANKS\***

**24** Commercial Banks

**17** Islamic Banks

**3** Digital Banks

## 48

**INSURER MEMBERS**

**33** Insurance Companies

**15** Takaful Operators

\*Also known as Deposit-Taking Members (DTMs)



**How do you know if a financial institution is a member of PIDM?**

**1**

**Display of membership representation**

*Printed copy*



Premises

*Electronic-copy*



Advertisement, website, social networking site, mobile application<sup>1</sup> & online marketplace<sup>2</sup>

**2**

Refer to the list of MIs on [www.pidm.gov.my](http://www.pidm.gov.my)

<sup>1</sup> Mandatory for selected DTMs only, and insurer members

<sup>2</sup> Mandatory for insurer members only

## Who are NOT insurer member (“IM”) of PIDM?



### Non-IMs

- ✘ Reinsurance companies and retakaful operators<sup>1</sup>
- ✘ International takaful operators
- ✘ Financial and credit guarantee insurers, including Danajamin Nasional Berhad
- ✘ Labuan insurance companies and takaful operators<sup>2</sup>
- ✘ Captive insurers
- ✘ Approved and registered intermediaries e.g. insurance and takaful brokers, adjusters, financial advisers<sup>1</sup>
- ✘ Insurance and takaful agents

<sup>1</sup> Refer to the list on Bank Negara Malaysia’s website.

<sup>2</sup> Refer to Labuan International Business and Financial Centre (Labuan IBFC)’s website.

5 Who are protected?

6 What are protected – scope and limits?

# TIPS scope and limits of protection

[Refer to subsequent slides for details]

**1 Takaful and Insurance Benefits Protection System (TIPS)**

- Life insurance
- General insurance
- Family takaful
- General takaful



**2 Eligibility conditions for protection**

The certificate or policy must be:


- issued in Malaysia by a PIDM insurer member
- denominated in Ringgit Malaysia 
- reported to BNM as a Malaysian takaful certificate / Malaysian policy

*BNM: Bank Negara Malaysia*





**3 Benefits protected under the eligible certificate or policy\***

Benefits in non investment-linked certificates or policies



100% protected

Benefits in investment-linked certificates or policies



Non unit-portion is protected

Maturity, surrender and income benefits payable from the unit-portion are not protected.

Certificates or policies must be denominated in Ringgit Malaysia and are issued in Malaysia by a PIDM insurer member.



**4 Limits of protection\***



100%

Healthcare; refund of prepaid premium for healthcare & compulsory insurance

*(Required under the Road Transport Act 1987 & Workmen's Compensation Act 1952)*

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RM 500,000

Other protected benefits

(Subject to aggregation rule)

\* Refer to the Schedule in the [Malaysia Deposit Insurance Corporation \(Protected Benefits\) Regulations 2020](#) and [Malaysia Deposit Insurance Corporation \(Protected Benefits Limit\) Order 2020](#) for details.

\* Any claims by certificate or policy owners will subject to the conditions and limits specified in their takaful or policy contract.

5 Who are protected?

PIDM protects all owners of eligible takaful certificates or insurance policies in the event of an IM failure.

Eligibility conditions for protection:

- 1 The takaful certificate or insurance policy is **issued in Malaysia by an insurer member;**
- 2 The takaful certificate or insurance policy is **denominated in Ringgit Malaysia; AND**
- 3 The takaful certificate or insurance policy is **reported** by an IM to Bank Negara Malaysia (“BNM”) **as a Malaysian takaful certificate or Malaysian policy.**

Takaful certificates or insurance policies meeting all the three (3) eligibility conditions are referred to as “eligible takaful certificates or insurance policies”

**Separate protection for eligible takaful certificates and insurance policies:**



 **The protection is automatic**

 **No application or payment is required**

6 What are protected – scope and limits?

Most of the takaful and insurance benefits covered under eligible takaful certificates or insurance policies are protected by PIDM



**Benefits protected under the eligible takaful certificates or insurance policies**

**Non-investment linked plans**

**All benefits** under eligible takaful certificates or insurance policies **are protected up to the limit**

**Investment-linked plans**

**All benefits** under eligible takaful certificates or insurance policies are protected up to the limit **EXCEPT maturity, surrender and income benefits that are payable from the unit portion**



**Benefits not protected**

Benefits under takaful certificates and insurance policies denominated in foreign currencies

Benefits under takaful certificates and insurance policies issued out of Malaysia

Maturity, surrender and income benefits payable from the unit portion of investment-linked takaful certificates or insurance policies



## Limits of protection: The limit of RM500,000 protects at least 96% of certificate and policy owners in full

Protected Benefits	Limits of Protection
1. Death and related benefits arising from death*	RM500,000
2. Disability and related benefits arising from disability*	RM500,000
3. Illness and related benefits arising from illness*	RM500,000
4. Maturity and related benefits arising from maturity	RM500,000
5. Surrender and related benefits arising from surrender	RM500,000
6. Income	RM500,000
7. Healthcare*	100% of amount payable
8. Pecuniary loss*	RM500,000
9. Value of that family takaful certificate or value of that life policy	RM500,000 for one or more family takaful certificates or life policies
10. Refundable prepaid contribution or premium <ul style="list-style-type: none"> <li>• For medical and health takaful certificates or insurance policies</li> <li>• For takaful certificates or insurance policies which are required under the Road Transport Act 1987 and Workmen’s Compensation Act 1952</li> <li>• For other takaful certificates or insurance policies</li> </ul>	100% of amount prepaid  100% of amount prepaid  RM500,000 per takaful certificate or insurance policy
11. Loss of or damage to property and consequential loss*	RM500,000 for each property
12. Injury of any third party and related benefits arising from injury	RM500,000

\* Similar protection is also provided for third party claims with separate limit of protection, where applicable

\*\* Please refer to [Malaysia Deposit Insurance Corporation \(Protected Benefits\) Regulations 2020](#) and [Malaysia Deposit Insurance Corporation \(Protected Benefits Limit\) Order 2020](#).

## Example of benefits under an endowment plan that are protected under TIPS [life insurance policy]

### Eligibility conditions:

- ✓ Policy is issued in Malaysia by an IM
- ✓ Policy is denominated in Ringgit Malaysia
- ✓ Policy is reported by an IM to BNM as a Malaysian policy

### Example of benefits under endowment plan:

Example of benefits	Protected benefits category and limit under TIPS
Death	Protected under “Death and related benefits arising from death” up to RM500k
Funeral expenses	
Total permanent disability	Protected under “Disability and related benefits arising from disability” up to RM500k
Surrender value	Protected under “Surrender and related benefits arising from surrender” up to RM500k
Guaranteed cash payments	Protected under “Income” up to RM500k
Maturity benefit	Protected under “Maturity and related benefits arising from maturity” up to RM500k
Hospital and surgical (under medical rider)	Protected under “Healthcare” up to 100% amount payable

- Any claims by policy owners will be subject to the conditions and limits specified in their policy contracts.
- For more examples on different products / plans, please visit PIDM’s website ([general takaful / insurance](#) and [family takaful / life insurance](#))

## Example of benefits under an investment-linked plan that are protected under TIPS [family takaful certificate]

### Eligibility conditions:

- ✓ Certificate is issued in Malaysia by an IM
- ✓ Certificate is denominated in Ringgit Malaysia
- ✓ Certificate is reported by an IM to BNM as a Malaysian takaful certificate

### Example of benefits under investment-linked plan:

Example of benefits	Protected benefits category and limit under TIPS
Death	Protected under “Death and related benefits arising from death” up to RM500k
Funeral expenses	
Total permanent disability	Protected under “Disability and related benefits arising from disability” up to RM500k
Surrender value payable from unit portion	NOT protected
Partial withdrawal payable from unit portion	NOT protected
Maturity benefit payable from unit portion	NOT protected
Maturity benefit payable from non-unit portion	Protected under “Maturity and related benefits arising from maturity” up to RM500k

- Any claims by certificate owners will be subject to the conditions and limits specified in their takaful contracts.
- For more examples on different products / plans, please visit PIDM’s website ([general takaful / insurance](#) and [family takaful / life insurance](#))

## Example of benefits under a motor takaful plan that are protected under TIPS [general takaful certificate]

### Eligibility conditions:

- Certificate is issued in Malaysia by an IM
- Certificate is denominated in Ringgit Malaysia
- Certificate is reported by an IM to BNM as a Malaysian takaful certificate

### Example of benefits under motor takaful plan:

Example of benefits	Protected benefits category and limit under TIPS
Accident or breakdown of own vehicle	Protected under “Loss of or damage to property and consequential loss” up to RM500k for each property
Accident that cause damage to third party property (e.g. vehicle, house)	Protected under “Loss of or damage to property of any third party and consequential loss” up to RM500k
Death of third party	Protected under “Death of any third party and related benefits arising from death” up to RM500k
Special damage payable to third party under Court Order	Protected under “Pecuniary loss of any third party” up to RM500k.
Litigation cost of the certificate owner	Protected under “Pecuniary loss” up to RM500k

- Any claims by certificate owners will be subject to the conditions and limits specified in their takaful contracts.
- For more examples on different products / plans, please visit PIDM’s website ([general takaful / insurance](#) and [family takaful / life insurance](#))

## Example of benefits under a medical plan that are protected under TIPS

### Eligibility conditions:

- Certificate / policy is issued in Malaysia by an IM
- Certificate / policy is denominated in Ringgit Malaysia
- Certificate / policy is reported by an IM to BNM as a Malaysian takaful certificate or Malaysian policy

### Example of benefits under medical plan:

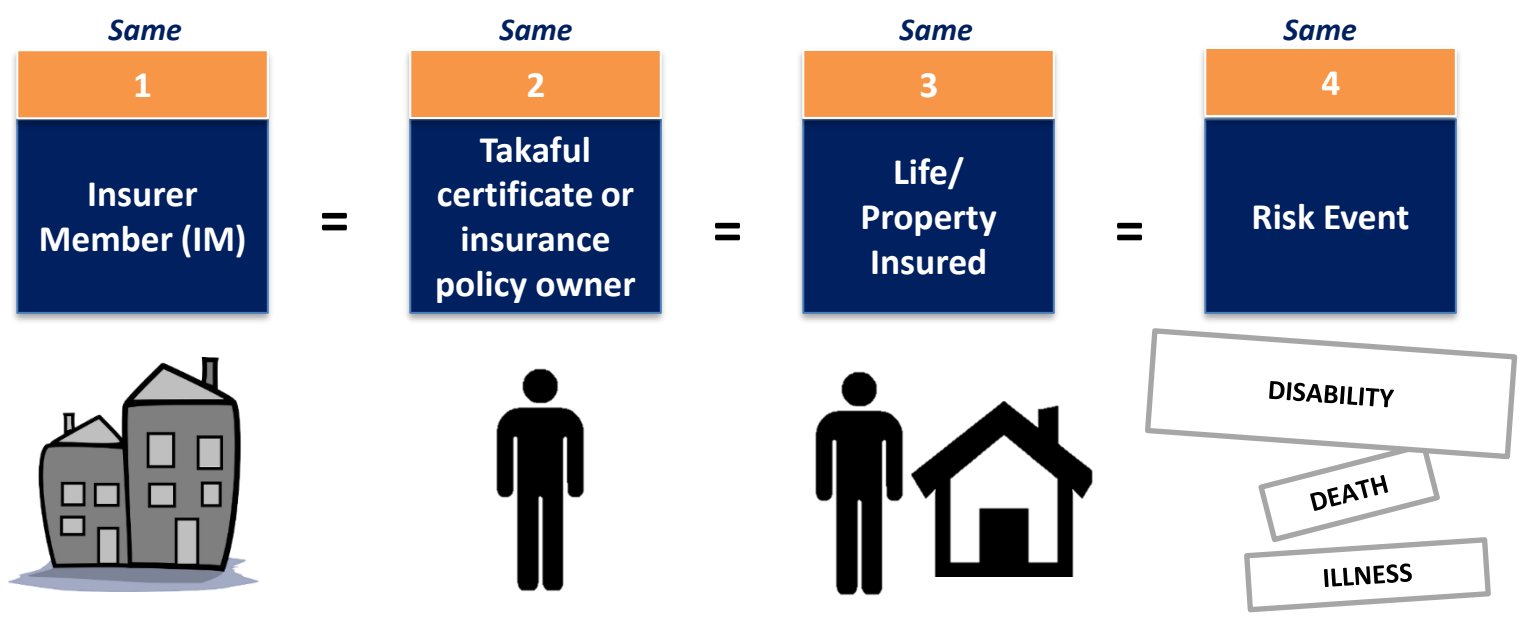
Example of benefits	Protected benefits category and limit under TIPS
Death	Protected under “Death and related benefits arising from death” up to RM500k
Funeral expenses	
Repatriation of mortal remains	
Critical illness	Protected under “Illness and related benefits arising from illness” up to RM500k
Room & board, hospital supplies, day surgery, hospital income, international medical evacuation or repatriation, compassionate care allowance, implant transfer, dialysis	Protected under “Healthcare” up to 100% of amount payable
No claim bonus	Protected under “Income” up to RM500k
Health screening	Protected under “Pecuniary loss” up to RM500k

- Any claims by certificate owners will be subject to the conditions and limits specified in their takaful contracts.
- For more examples on different products / plans, please visit PIDM’s website ([general takaful / insurance](#) and [family takaful / life insurance](#))

# The protected benefits and limits are subject to aggregation rule

If a certificate or policy owner is entitled to claim protected benefits under two (2) or more takaful certificates or insurance policies with the same insurer member, the protected benefits under TIPS will be aggregated and protected up to the protection limit if the criteria below are the same.

## Aggregation Rule



**Additional insurance is not available over and above that provided by PIDM.**

## Illustration for family takaful and life insurance - how is PIDM's protection aggregated and calculated?

### Example 1:

Mr Lim is employed with Troton Bhd and is insured under his employer's Group Term policy for RM200,000. He also has a Whole Life policy and an Endowment policy for himself (sum insured of RM300,000 under each policy). All the policies were bought from XYZ Insurance Bhd. In January 2021, he died in an accident.

In the event of failure of XYZ Insurance Bhd, the application of the aggregation rule and the payment of protected benefit (i.e. death and related benefits arising from death) that will be made to Mr Lim's beneficiary are as follows:

	Group Term Life	Whole Life	Endowment
<b>Insurer member</b>	XYZ Insurance Bhd	XYZ Insurance Bhd	XYZ Insurance Bhd
<b>Insurance policy owner</b>	Troton Bhd	Mr Lim	Mr Lim
<b>Life insured</b>	Mr Lim	Mr Lim	Mr Lim
<b>Risk event</b>	Death	Death	Death
<b>Aggregation rule applies?</b>	NO (Not aggregated because the insurance policy owner is different)	YES (Will be aggregated based on "same IM, same insurance policy owner, same life insured and same risk event")	
<b>Amount claimed</b>	RM200,000	RM300,000	RM300,000
<b>Amount protected under TIPS</b>	RM200,000	Capped at RM500,000	

## Illustration for general takaful and insurance - how is PIDM’s protection aggregated and calculated?

### Example 2:

Ms. Liza signed-up for motor takaful for both of her cars (ABC 666 & IJK 888), with XYZ General Takaful Bhd. She filed the following claims with the takaful operator and both claims had not been settled yet.

Date	Event Description	Details of Claim
2 January 2021	Ms. Liza’s car (ABC 666) was damaged in an accident	Claim 1 – Property damage for RM600,000
15 January 2021	Ms. Liza’s car (IJK 888) was damaged in an accident	Claim 2 – Property damage for RM350,000

In the event of failure of XYZ General Takaful Bhd., the application of the aggregation rule and the payment of protected benefit (i.e. loss of or damage to property and consequential loss) that will be made to Ms. Liza are as follows:

	Claim 1	Claim 2
<b>Insurer member</b>	XYZ General Takaful Bhd.	XYZ General Takaful Bhd.
<b>Takaful certificate owner</b>	Ms. Liza	Ms. Liza
<b>Property insured</b>	Car - ABC 666	Car - IJK 888
<b>Risk event</b>	Accident on 2 January 2021	Accident on 15 January 2021
<b>Aggregation rule applies?</b>	No (not aggregated because the risk event & property insured are different)	No (not aggregated because the risk event & property insured are different)
<b>Amount claimed</b>	RM600,000	RM350,000
<b>Amount protected under TIPS</b>	RM500,000	RM350,000



5 Who are protected?

6 What are protected – scope and limits?

## TIPS scope and limits of protection


1 **Takaful and Insurance Benefits Protection System (TIPS)**

- Life insurance
- General insurance
- Family takaful
- General takaful




2 **Eligibility conditions for protection**



The certificate or policy must be:

- issued in Malaysia by a PIDM insurer member
- denominated in Ringgit Malaysia 
- reported to BNM as a Malaysian takaful certificate / Malaysian policy

*BNM: Bank Negara Malaysia*



4 **Limits of protection\***

-  Healthcare; refund of prepaid premium for healthcare & compulsory insurance  
*(Required under the Road Transport Act 1987 & Workmen's Compensation Act 1952)*
-  Other protected benefits  
(Subject to aggregation rule)



3 **Benefits protected under the eligible certificate or policy\***

**Benefits in non investment-linked certificates or policies**

100% protected

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\* Any claims by certificate or policy owners will subject to the conditions and limits specified in their takaful or policy contract.