



Perbadanan Insurans Deposit Malaysia
Protecting Your Insurance And Deposits In Malaysia

**GUIDELINES FOR THE RETURNS ON
CALCULATION OF LEVIES FOR
TAKAFUL AND INSURANCE BUSINESSES**

ISSUE DATE : 20 DECEMBER 2021



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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 a 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 of 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”)².

- 1.5 In exercise of the powers conferred by paragraphs 73(1)(c), 73(1)(e) and 209(1)(b) of the Act, PIDM issues these **Guidelines For the 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; and
- (b) to assist insurer members to ensure completeness in the submission of returns.
- 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 30 March 2020.
- 1.8 These Guidelines are effective from the assessment year 2022.
- 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.

² As amended by the Malaysia Deposit Insurance Corporation (First Premium and Annual Premium In Respect of Insurer Members) (Amendment) Order 2020, to set out the applicable levy rates and minimum levy amount for the assessment years 2020 and 2021.



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1.11 In these Guidelines,

- (a) “investment-linked policy”, “investment-linked takaful certificate”, “Malaysian policy” and “Malaysian takaful certificate” have the respective same meanings as defined in the Financial Services Act 2013 or Islamic Financial Services Act 2013; and
- (b) “Business within Malaysia” has the same meaning as defined in Bank Negara Malaysia’s Guidance Notes on Insurance Companies Statistical System (ICSS) and Takaful Operators Statistical System (TOSS).

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: rcl@pidm.gov.my

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 are not member institutions of PIDM:

- (a) Captive insurers;
- (b) Labuan or offshore insurance companies or takaful operators; and
- (c) Insurance intermediaries, such as insurance brokers, insurance adjusters, insurance agents and financial advisers.

3.0 PROTECTED BENEFITS FOR TAKAFUL AND INSURANCE

3.1 All individuals and organisations that purchase insurance plans or participate in takaful plans with an insurer member, are eligible for protection under TIPS, subject to the eligibility conditions as well as the scope and limits of coverage as prescribed in the **Malaysia Deposit Insurance Corporation (Protected Benefits) Regulations 2020** ("MDIC Benefits Regulations 2020") and the **Malaysia Deposit Insurance Corporation (Protected Benefits Limits) Order 2020** ("MDIC Limits Order 2020").

3.2 Under TIPS, a certificate or policy owner may claim protection in respect of the protected benefits specified in the **MDIC Benefits Regulations 2020** subject to the limitations specified in the **MDIC Limits Order 2020**, if the following conditions are met:

- (a) the certificate or policy is issued in Malaysia by an insurer member;



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(b) the certificate or policy is reported by the insurer member to Bank Negara Malaysia (“BNM”) as a Malaysian takaful certificate or Malaysian policy; and

(c) the certificate or policy is denominated in Ringgit.

3.3 Specifically, the benefits payable from the unit portion of an investment-linked takaful certificate or investment-linked policy as follows are excluded from the protection under TIPS:

(a) maturity and related benefits arising from maturity;

(b) surrender and related benefits arising from surrender; and

(c) income.

PART C: FIRST LEVY AND ANNUAL LEVY OF INSURER MEMBERS

4.0 FIRST LEVY OF INSURER MEMBERS

4.1 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**.

4.2 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 PIDM.

5.0 ANNUAL LEVY OF INSURER MEMBERS

5.1 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.

5.2 The annual levy rates and the minimum amount of annual levy payable are prescribed in the **MDIC Premium Order 2016**.

6.0 CALCULATION OF FIRST LEVY AND ANNUAL LEVY OF INSURER MEMBERS

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

- (a) for family takaful or life insurance business, the total AVL of certificates or policies reported as Business within Malaysia, as at the last day of the month the insurer member becomes a member, excluding the unit portion of investment-linked takaful certificates or investment-linked policies;
- (b) for general takaful or general insurance business, the total net contributions or total net premiums of certificates or policies reported as Business within Malaysia, received in the month the insurer member becomes a member;

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- (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.

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

- (a) for family takaful or life insurance business, the total AVL of certificates or policies reported as Business within Malaysia, as at 31 December of the preceding assessment year, excluding the unit portion of investment-linked takaful certificates or investment-linked policies;
- (b) for general takaful or general insurance business, the total net contributions or total net premiums of certificates or policies reported as Business within Malaysia, 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 in the **MDIC Premium Order 2016**.

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

- (a) For family takaful or life insurance business

Total AVL of certificates or policies reported as Business within Malaysia as stated in paragraph 6.2(a)	x	Prescribed rate	=	Levy payable to PIDM
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Note: For family takaful business, the actuarial valuation liabilities are the net AVL of the participants' risk funds and the value of participants' investment funds for such certificates.

The figures to be reported above covers the total AVL of (i) ordinary life, (ii) annuity, and (iii) investment-linked (non-unit) certificates or policies as at 31 December of the preceding assessment year. These figures are to be reported in Form F-1 (for family takaful business) and Form L-1 (for life insurance business) in the Returns on Calculation of Levies-Reporting Form available on PIDM's website.



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(b) For general takaful or general insurance business

$$\begin{array}{|c|} \hline \text{Total net contributions or total net} \\ \text{premiums of certificates or policies} \\ \text{reported as Business within Malaysia} \\ \text{as stated in paragraph 6.2(b)} \\ \hline \end{array} \times \begin{array}{|c|} \hline \text{Prescribed} \\ \text{rate} \\ \hline \end{array} = \begin{array}{|c|} \hline \text{Levy payable to} \\ \text{PIDM} \\ \hline \end{array}$$

These figures are to be reported in Form G-1 in the Returns on Calculation of Levies-Reporting Form available on PIDM's website.

6.4 The sources of information in completing the returns on calculation of levies ("RCL") are Bank Negara Malaysia's Guidance Notes on Takaful Operators Statistical System (TOSS) and Insurance Companies Statistical System (ICSS), and Bank Negara Malaysia's Risk-Based Capital Framework for Insurers (RBC) and Risk-Based Capital Framework for Takaful Operators (RBCT) reporting.



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

7.0 PROHIBITION AGAINST THE TRANSFER OF LEVIES PAYABLE TO PIDM

- 7.1 Pursuant to Regulation 22A of the **Malaysia Deposit Insurance Corporation (Terms and Conditions of Membership) Regulations 2008** (“MDIC Membership Regulations 2008”)³, an insurer member is prohibited from charging or transferring levies payable to PIDM to policy owners or certificate owners in any manner, directly or indirectly.⁴
- 7.2 For the avoidance of doubt, levies payable by an insurer member to PIDM shall be borne by the insurer member and shall be paid solely from the shareholders’ fund of the insurer member.
- 7.3 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.

³ As amended by the Malaysia Deposit Insurance Corporation (Terms and Conditions of Membership) (Amendment) Regulations 2017.

⁴ This prohibition is also pursuant to the Directive on the Prohibition Against the Transfer of Premiums Payable to PIDM by Insurance Companies to Policy Owners and Directive on the Prohibition Against the Transfer of Premiums Payable to PIDM by Takaful Operators to Certificate Owners issued on 29 December 2014.



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PART E: INFORMATION SYSTEM INFRASTRUCTURE

8.0 INFORMATION SYSTEM INFRASTRUCTURE

- 8.1 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, net contributions or net premiums in respect of the calculation of levy payable to PIDM under TIPS.

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PART F: COMPLIANCE REQUIREMENTS

9.0 COMPLIANCE REQUIREMENTS

- 9.1 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.**
- 9.2 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 Regulation 22A of the MDIC Membership Regulations 2008. All reports that require certification/signatories shall be scanned and the scanned copy must be submitted online through PIDM's portal.
- 9.3 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.
- 9.4 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 BNM 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	PILO1
General Takaful	1554200104	PIT01
General Insurance	1554190894	PIA01



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

- 9.5 In the event that an insurer member fails to submit the RCL or 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.
- 9.6 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.
- 9.7 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**.
- 9.8 In addition, pursuant to Section 195 of the Act, any insurer member who fails to comply with any requirements in these Guidelines or Regulation 22A of the MDIC Membership Regulations 2008, commits an offence under the Act.

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