

Frequently Asked Questions

- (a) Malaysia Deposit Insurance Corporation (Protected Benefits) Regulations 2020 (“Protected Benefits Regulations 2020”); and
- (b) Malaysia Deposit Insurance Corporation (Protected Benefits Limit) Order 2020 (“Limit Order 2020”).

Last updated: 21 January 2021

Introduction and Objectives

1. What are the Protected Benefits Regulations 2020 about?

The Protected Benefits Regulations 2020 set out the eligibility conditions and type of takaful or insurance benefits under the takaful certificates or insurance policies that are protected (“Protected Benefits”) under the Takaful and Insurance Benefits Protection System (“TIPS”).

The Protected Benefits Regulations 2020 are to be read together with the Limit Order 2020. An infographic on the scope and limits of protection is set out in Appendix 1.

2. What is the Limit Oder 2020 about?

The Limit Order 2020 sets out the maximum limit of protection for each Protected Benefit.

The Limit Order 2020 is to be read together with the Protected Benefits Regulations 2020. An infographic on the scope and limits of protection is set out in Appendix 1.

3. What is the effective date for the Protected Benefits Regulations 2020 and Limit Order 2020?

The Protected Benefits Regulations 2020 come into operation on **1 January 2021**, and supersede the Malaysia Deposit Insurance Corporation (Protected Benefits) Regulations 2011 (“Protected Benefits Regulations 2011”).

The Limit Oder 2020 comes into operation on **1 January 2021**, and supersedes the Malaysia Deposit Insurance Corporation (Protected Benefits Limit) Order 2011 (“Limit Order 2011”).

Enhancements in the Protected Benefits Regulations 2020 and Limit Order 2020

4. What are the objectives of the enhancements?

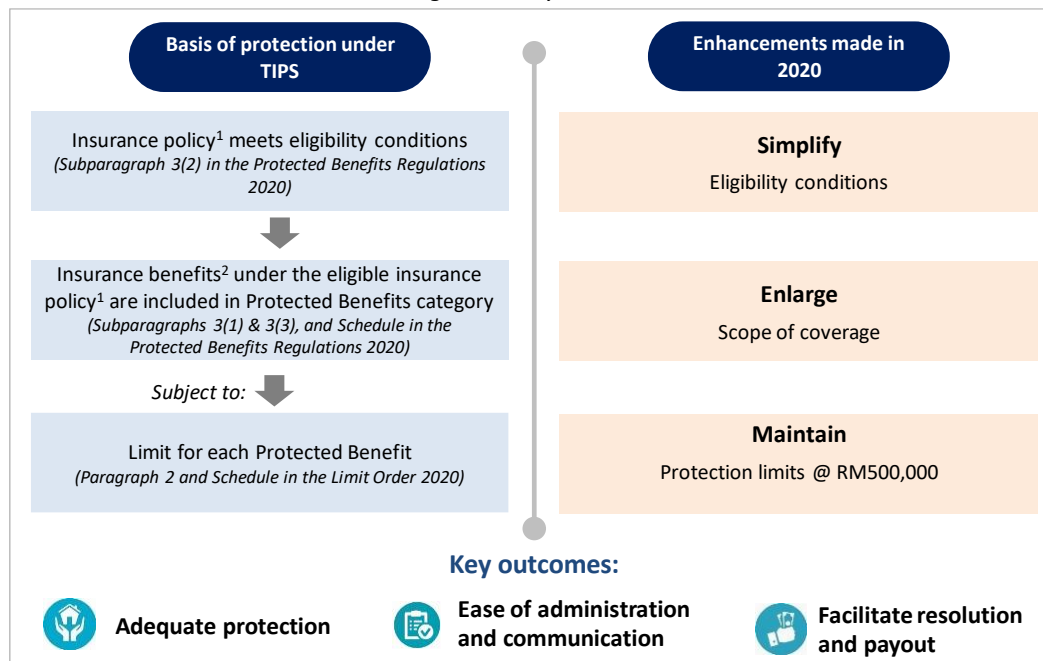
The objectives are to:

- (a) ensure that the scope and limits of protection remain current and provide sufficient level of protection to certificate or policy owners, given the continuous innovation in product offerings; and
- (b) facilitate understanding by the consumers about TIPS protection and limits as well as by insurer members (“IMs”) of PIDM’s requirements relating to the scope and limits of protection through simpler and less granular coverage rules. Better understanding by IMs will facilitate implementation of the new disclosure requirements on Protected Benefits.¹

5. What are the key enhancements made in the Protected Benefits Regulations 2020 and Limit Order 2020?

The key enhancements are set out in Diagram 1.

Diagram 1: Key enhancements



1) Insurance policy includes takaful certificate

2) Insurance benefits include takaful benefits

Details are explained in subsequent paragraphs.

¹ More details on the new disclosure requirements will be communicated once they are issued.

GENERAL TAKAFUL AND GENERAL INSURANCE BUSINESS

Eligibility conditions

6. What are the eligibility conditions for protection under TIPS [Subparagraph 3(2) in the Protected Benefits Regulations 2020]?

Ringgit Malaysia (RM) denominated takaful certificate and insurance policy (“certificate and policy) issued in Malaysia by the IMs and reported to Bank Negara Malaysia as “Malaysian takaful certificate” or “Malaysian policy”, are eligible for protection under TIPS.

The enhancement aims to streamline with reporting by the IMs to Bank Negara Malaysia. The streamlining of the eligibility conditions with the definitions of “Malaysian takaful certificate” or “Malaysian policy” under the Islamic Financial Services Act 2013 or Financial Services Act 2013, aims to minimise administrative burden on the IMs, and facilitate communication to the public on TIPS protection.

7. What are the enhancements made to the eligibility conditions in the Protected Benefits Regulations 2020?

A comparison of eligibility conditions specified in the Protected Benefits Regulations 2020 and the repealed Protected Benefits Regulations 2011 is set out in Table 1 below.

Table 1: Eligibility conditions for general takaful and general insurance business

	Protected Benefits Regulations 2011	Protected Benefits Regulations 2020
1.	The certificate or policy is issued in Malaysia by an IM;	Retain
2.	The certificate or policy is denominated in Ringgit Malaysia; and	Retain
3.	Other eligibility conditions as specified in subparagraphs 4(3) to 4(8) of the Protected Benefits Regulations 2011.	[ENHANCED] The certificate or policy is reported by the IM to Bank Negara Malaysia as a Malaysian takaful certificate or Malaysian policy.

Protected benefits

8. What types of takaful or insurance benefits that are protected under TIPS (Subparagraphs 3(1) & 3(3), and Schedule in the Protected Benefits Regulations 2020)?

For general takaful and general insurance business, almost all takaful and insurance benefits under a certificate and policy are protected. The only remaining benefits not protected are:

- (a) benefits under certificate or policy denominated in foreign currency; and
- (b) benefits under certificate or policy issued out of Malaysia.

The enhancements aim to provide greater clarity and certainty about takaful or insurance benefits protected by PIDM.

9. What are the enhancements made to the Protected Benefits category in the Protected Benefits Regulations 2020?

A comparison of Protected Benefits category specified in the Protected Benefits Regulations 2020 and the repealed Protected Benefits Regulations 2011 is set out in Table 2 below.

Table 2: Protected Benefits category for general takaful and general insurance business

Protected Benefits Regulations 2011	Protected Benefits Regulations 2020
Own damage	
Loss of or damage to: 1. Immovable property [RM500,000 per property] 2. Movable property (save and except a motor vehicle, waterborne vessel or aircraft) [RM500,000 per property] 3. Motor vehicle [RM500,000 per property] 4. Waterborne vessel or aircraft [RM500,000 per property]	1. Loss of or damage to property and consequential loss [RM500,000 for each property]
5. Death and related benefits [RM500,000]	2. Death and related benefits arising from death [RM500,000]
6. Permanent disability [RM500,000]	3. Disability and related benefits arising from disability [RM500,000]
7. Disability income [RM10,000 per month]	
8. Critical illness [RM500,000]	4. Illness and related benefits arising from illness [RM500,000]

Protected Benefits Regulations 2011	Protected Benefits Regulations 2020
9. Medical expenses <i>[100% of expenses incurred]</i>	5. Healthcare <i>[100% of amount payable]</i>
10. Refundable prepaid contribution or premium <i>[100% of amount prepaid]</i>	6. Refundable prepaid contribution or premium <ul style="list-style-type: none"> <i>[100% of amount prepaid for medical and health certificates or policies, and certificates or policies which are required under the Road Transport Act 1987 and Workmen's Compensation Act 1952; and</i> <i>RM500,000 per certificate or policy for other certificates/policies.]</i>
-	7. Income <i>[RM500,000]</i>
-	8. Pecuniary loss <i>[RM500,000]</i>
Third party	
Loss of or damage to a property of a third party under: <ul style="list-style-type: none"> 11. Public or product liability policy <i>[RM500,000 per property]</i> 12. Motor vehicle policy <i>[RM500,000 per property]</i> 13. Waterborne vessel or aircraft policy <i>[RM500,000 per property]</i> 	9. Loss of or damage to property of any third party and consequential loss <i>[RM500,000 for each property]</i>
14. Death of a third party <i>[RM500,000]</i>	10. Death of any third party and related benefits arising from death <i>[RM500,000]</i>
15. Permanent disability of a third party <i>[RM500,000]</i>	11. Disability of any third party and related benefits arising from disability <i>[RM500,000]</i>
16. Disability income of a third party <i>[RM10,000 per month]</i>	
17. Illness or bodily injury of a third party <i>[RM500,000]</i>	12. Illness of any third party and related benefits arising from illness <i>[RM500,000]</i>
-	13. Injury of any third party and related benefits arising from injury <i>[RM500,000]</i>
18. Medical expenses of a third party <i>[100% of expenses incurred]</i>	14. Healthcare of any third party <i>[100% of amount payable]</i>
-	15. Pecuniary loss of any third party <i>[RM500,000 per third party]</i>

10. What are examples of takaful or insurance benefits protected under each Protected Benefit category?

The list of examples is set out in Appendix 2.

PIDM wishes to highlight that:

- (a) the examples provided in the list are not exhaustive, and meant to provide illustration on the takaful or insurance benefits for each Protected Benefit category; and
- (b) the Protected Benefits under TIPS are subject to the terms and conditions of the certificate or policy contract issued by the IMs. The benefits would therefore not be protected under TIPS if it falls under an exclusion in the certificates or policies issued by the IMs.

The list will be updated from time-to-time. We welcome feedback from the IMs on the examples provided in the list.

11. With the expansion of scope of protection, what are the examples of takaful or insurance benefits that are now protected under TIPS?

Benefits that are protected under TIPS with effect from 1 January 2021 include:

- (a) loss in relation to intellectual property;
- (b) damage to unique property, such as tree, livestock, crop; and
- (c) consequential loss due to damage to property, such as loss of gross profit or increased cost of working arising from loss of or damage to a property.

12. With the enhancements, are there any takaful or insurance benefits that are not protected under TIPS?

Yes. As stated in question 8 above, benefits that are not protected include:

- (a) benefits under certificate or policy denominated in foreign currency; and
- (b) benefits under certificate or policy issued out of Malaysia.

Limits of protection

13. What are the limits of protection under TIPS [Paragraph 2 and Schedule in the Limit Order 2020]?

The limits of protection are summarised in Table 3 below:

Table 3: Protection limits for general takaful and general insurance business

	Protection limit	Protected Benefits (referred to Table 2 in Question 9)
(a)	100% of amount payable / prepaid	<ul style="list-style-type: none">• Healthcare;• Healthcare of any third party; and• Refundable prepaid contribution or premium for:<ul style="list-style-type: none">• medical and health certificates or policies, and• certificates or policies which are required under the Road Transport Act 1987 and Workmen's Compensation Act 1952.
(b)	RM500,000	<ul style="list-style-type: none">• All other Protected Benefits. The limit of RM500,000 is maintained as it covers at least 98% of individual policy owners in full.

Please refer to Table 2 in Question 9 for further details.

14. What are the enhancements made in the Limit Order 2020?

Please refer to Table 2 in n Question 9 for further details.

FAMILY TAKAFUL AND LIFE INSURANCE BUSINESS

Eligibility conditions

15. What are the eligibility conditions for protection under TIPS [Subparagraph 3(2) in the Protected Benefits Regulations 2020]?

Ringgit Malaysia (RM) denominated certificate and policy issued in Malaysia by the IMs and reported to Bank Negara Malaysia as “Malaysian takaful certificate” or “Malaysian policy”, are eligible for protection under TIPS.

The enhancement aims to streamline with reporting by the IMs to Bank Negara Malaysia. The streamlining of the eligibility conditions with the definitions of “Malaysian takaful certificate” or “Malaysian policy” under the Islamic Financial Services Act 2013 or Financial Services Act 2013, aims to minimise administrative burden on the IMs, and facilitate communication to the public on TIPS protection.

16. What are the enhancements made to the eligibility conditions in the Protected Benefits Regulations 2020?

A comparison of eligibility conditions specified in the Protected Benefits Regulations 2020 and the repealed Protected Benefits Regulations 2011 is set out in Table 4 below.

Table 4: Eligibility conditions for family takaful and life insurance business

	Protected Benefits Regulations 2011	Protected Benefits Regulations 2020
1.	The certificate or policy is issued in Malaysia by an IM;	Retain
2.	The address of the certificate or policy owner is or was an address in Malaysia; and	[ENHANCED] The certificate or policy is reported by the IM to BNM as a Malaysian takaful certificate or Malaysian policy. ²
3.	The certificate or policy is denominated in Ringgit Malaysia.	Retain

² The enhancement would not change the underlying criteria in determining whether a family certificate or life policy meets the eligibility condition. It is merely a change in the description of the eligibility condition, to maintain consistency of eligibility conditions for family or life insurance benefits with general takaful or insurance benefits.

Protected benefits

17. What types of takaful or insurance benefits that are protected under TIPS (Subparagraphs 3(1) & 3(3), and Schedule in the Protected Benefits Regulations 2020)?

- For **family takaful and life insurance business**, all takaful and insurance benefits under an eligible certificate and policy are protected, except in the case of an investment-linked certificate or policy as explained below.
- For **investment-linked certificate or policy**, misfortune benefits (for example, death and disability benefits) continue to be protected whether the benefits are payable from the unit or non-unit (risk) portion of the certificate or policy. However, maturity benefits, surrender benefits and income benefits that are payable from the unit portion of investment-linked certificate or policy continue to be excluded from the coverage.

18. What are the enhancements made to the Protected Benefits category in the Protected Benefits Regulations 2020?

A comparison of Protected Benefits category specified in the Protected Benefits Regulations 2020 and the repealed Protected Benefits Regulations 2011 is set out in Table 5 below.

Table 5: Protected Benefits category for family takaful and life insurance business

Protected Benefits Regulations 2011	Protected Benefits Regulations 2020
1. Death and related benefits [RM500,000]	1. Death and related benefits arising from death [RM500,000]
2. Permanent disability [RM500,000]	2. Disability and related benefits arising from disability [RM500,000]
3. Disability income [RM10,000 per month]	
4. Critical illness [RM500,000]	3. Illness and related benefits arising from illness [RM500,000]
5. Maturity value (excluding the unit portion of investment-linked certificates or policies) [RM500,000]	4. Maturity and related benefits arising from maturity [RM500,000]
6. Surrender value [RM500,000]	5. Surrender and related benefits arising from surrender [RM500,000]
7. Refundable prepaid contribution or premium [100% of expenses incurred]	

Protected Benefits Regulations 2011	Protected Benefits Regulations 2020
8. Accumulated cash dividend <i>[RM100,000]</i>	6. Income <i>[RM500,000]</i>
9. Annuity income <i>[RM10,000 per month]</i>	
10. Medical expenses <i>[100% of expenses incurred]</i>	7. Healthcare <i>[100% of amount payable]</i>
-	8. Pecuniary loss <i>[RM500,000]</i>
-	9. Value of that family takaful certificate or value of that life policy ³ <i>[RM500,000 for one or more family takaful certificates or insurance policies]</i>

19. What are examples of takaful or insurance benefits protected under each Protected Benefit category?

The list of examples is set out in Appendix 3.

PIDM wishes to highlight that:

- (a) the examples provided in the list are not exhaustive, and meant to provide illustration on the takaful or insurance benefits for each Protected Benefit category; and
- (b) the Protected Benefits are subject to the terms and conditions of the certificate or policy contract issued by the IMs. The benefits would therefore not be protected under TIPS if it falls under an exclusion in the certificates or policies issued by the IMs.

The list will be updated from time-to-time. We welcome feedback from the IMs on the examples provided in the list.

³ Under subsection 80(5) of the Malaysia Deposit Insurance Corporation Act ("PIDM Act"), the value of that family takaful certificate or value of that life policy referred to in paragraphs 83(2)(b), 83(3)(b) or subsection 84(3) of the PIDM Act is a protected benefit. A certificate or policy owner is eligible to claim value of that family takaful certificate or value of that life policy, where applicable, as a debt due to him by the IM where a certificate or policy ceases to be in force as of the date of the winding up order. The basis of determining the value of that family takaful certificate or value of that life policy is to be prescribed by PIDM.

20. With the expansion of scope, what are the examples of takaful or insurance benefits that are now protected under TIPS?

Benefits that are protected under TIPS with effect from 1 January 2021 include loss due to kidnapping, such as ransom payment and cost of private investigation.

21. With the enhancements, are there any takaful or insurance benefits that are not protected under TIPS?

Yes. Benefits that are not protected include:

- (a) benefits under certificate or policy denominated in foreign currency;
- (b) benefits under certificate or policy issued out of Malaysia; and
- (c) maturity benefits, surrender benefits and income benefits that are payable from the unit portion of an investment-linked certificate or policy.

Limits of protection

22. What are the limits of protection under TIPS [Paragraph 2 and Schedule in the Limit Order 2020]?

The limits of protection are summarised in Table 6 below:

Table 6: Protection limits for family takaful and life insurance business

	Protection limit	Protected Benefits (referred to Table 5 in Question 18)
(a)	100% of amount payable	<ul style="list-style-type: none">• Healthcare
(b)	RM500,000	<ul style="list-style-type: none">• All other Protected Benefits. The limit of RM500,000 is maintained as it covers at least 99% of policy owners (individual and group) in full.

Please refer to Table 5 in Question 18 for further details.

23. What are the enhancements made in the Limit Order 2020?

Please refer to Table 5 in Question 18 for further details.

Others

Levy assessment

24. **Would the enhancements in the Protected Benefits Regulations 2020 and Limit Order 2020 have implications on the levy assessment for Assessment Year 2021?**

No. The enhancements in the Protected Benefits Regulations 2020 and Limit Order 2020 would apply to the levy assessment from **Assessment Year 2022** onwards.

Queries

25. **What if I have more questions?**

For matter related to the scope and limits of protection under the Protected Benefits Regulations 2020 and Limit Order 2020

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**Appendix 1:
Infographics on TIPS scope and limits of protection**

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:

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


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)
- RM 500,000** Other protected benefits

*Refer to Table 2 and 5 for details.
*Any claims by certificate or policy owners will be subject to the conditions and limits specified in their takaful or policy contracts.