



Perbadanan Insurans Deposit Malaysia  
Protecting Your Insurance And Deposits In Malaysia



## INVESTING IN HEIGHTENED RESPONSIVENESS

SUMMARY OF THE CORPORATE PLAN 2021 - 2023

## TABLE OF CONTENTS

<a href="#">PIDM's Operating Context</a>	02
<a href="#">Introduction</a>	03
<a href="#">Risk and Other Material Matters</a>	03
<a href="#">Plans for 2021 - 2023</a>	04
<a href="#">Conclusion</a>	10



The interactive PDF allows you to access information easily, search for a specific item, view website or navigate between pages, sections and links.

[Content List](#)

[Link](#)

[Search](#)

[Previous Page](#)

[Next Page](#)



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## PIDM'S OPERATING CONTEXT

### DEPOSITORS



**42** PIDM member banks

**RM2.90 trillion**

Total assets of member banks

**RM2.02 trillion**

Total deposits of member banks

**RM587 billion**

Total insured deposits of member banks



**96%**

of depositors covered in full by PIDM



**68 : 32**

Ratio of conventional to Islamic total deposits

### TAKAFUL CERTIFICATE AND INSURANCE POLICY OWNERS



**50** PIDM insurer members

**RM371 billion**

Total assets of insurer members



**96%**

of takaful certificate and insurance policy owners covered in full by PIDM

Looking to the future, although the vaccine rollout has lifted market expectations of global growth, with the resurgence of virus outbreaks and reimposition of movement restrictions, downside risks remain. Uncertainties continue to prevail, and the pandemic's effects continue to impact countries, businesses and individuals, both in terms of health and economically. The external environment also brings with it other issues such as new variants of the virus, issues with the roll-out of vaccines in some countries and increasing cybersecurity threats. Overall, Malaysia's economy is expected to recover this year, although the outlook remains subject to downside risks.

### MALAYSIA ECONOMIC OUTLOOK

#### Risks

Daily new COVID-19 cases globally

**Resurgence in COVID-19 cases globally and locally**

Delay in a widely available vaccine

CPB World Trade Monitor (% year-on-year)

**Geopolitical and trade tensions**

International Institute of Finance Global Debt (% Gross Domestic Product)

**High global indebtedness**

#### Buffers

Ministry of Finance Gross Domestic Product forecast (% year-on-year)

**Recovery in domestic economy**

Federal Government Total Expenditure (RM billion)

**Expansionary fiscal policy**

Bank Negara Malaysia Overnight Policy Rate

**Accommodative monetary policy**

Our member institutions entered the COVID-19 pandemic in a strong position, allowing them to act as shock absorbers to businesses and individuals hit by the pandemic. They continue to have sound buffers and fundamentals, and are thus well-positioned to support financial intermediation as the economy recovers.

Nevertheless, given prevailing uncertainties, we will remain vigilant and continue to closely monitor the situation.

### MEMBER BANKS



**Loan growth** > 2020 **3.8%**  
2019 **3.9%**

**CET1 Capital Ratio**

**14.3%**  
(2019: 14.3%)

**Liquidity Coverage Ratio**

**149%**  
(2019: 148%)

**Net Impaired Loans Ratio**

**0.94%**  
(2019: 0.97%)

**Loan Loss Reserves Coverage Ratio**

**131%**  
(2019: 124%)

**Return on Risk-Weighted Assets**

**1.8%**  
(2019: 2.5%)

### INSURER MEMBERS



**Capital Adequacy Ratio**

**Insurance Companies**  
**222.4%**  
(2019: 226.3%)

**Takaful Operators**  
**222.3%**  
(2019: 214.2%)



**Total Asset Growth**

**Insurance Companies**  
**6.5%**  
(2019: 7.7%)

**Takaful Operators**  
**14.1%**  
(2019: 16.6%)

**Net Premium Growth**  
(Life Insurance and Family Takaful)

**2.7%**  
(2019: 9.6%)

**Gross Premium Growth**  
(General Insurance and General Takaful)

**-0.5%**  
(2019: 1.9%)

Note: The CPB World Trade Monitor brings together, aggregates, and summarises worldwide monthly data on international trade and industrial production. Its purpose is to report monthly developments in trade and production at the earliest possible date, covering a sample of countries as large as possible.

\* Data are as at November 2020, except for insurer members' capital adequacy ratio (as at Q3 2020). The 2019 data are as at December 2019.

Source: PIDM and Bank Negara Malaysia

## INTRODUCTION

The public health and economic crisis of the past year has induced an even more keen focus on our initiatives on operational and resolution readiness, whilst we continued to monitor and assess risks. For the planning period, continuing uncertainties compel us to focus on intensifying our work on readiness, so as to heighten our state of responsiveness. Our three-year rolling corporate plan highlights PIDM's strategic objectives and related outcomes for the planning period 2021 - 2023.

## RISKS AND OTHER MATERIAL MATTERS

In developing our plan, in line with our usual practice, we carried out the assessment of PIDM's risks in the following categories.

<b>Insurance</b> Risk in relation to the assessment, monitoring, intervention and failure resolution of member institutions, and other related risks inherent in providing the Deposit Insurance System and the Takaful and Insurance Benefits Protection System.	<b>Operational</b> Risk in relation to PIDM's day-to-day operations including inadequate or failed internal processes and systems.	<b>Reputation</b> Risk in relation to PIDM's reputation including stakeholders' trust and confidence in PIDM.
<b>Financial</b> Risk in relation to adverse movements in the value of PIDM's financial assets and liabilities, both on and off balance sheet, and in relation to PIDM's ability to fulfil its financial obligations.	<b>Strategic</b> Risk in relation to PIDM's strategy and governance.	<b>People</b> Risk in relation to its people and how PIDM manages or treats its people.

Due to the uncertainties in our external environment, we have assessed the risk trends in the five risk categories (namely, insurance, reputation, strategic, operational and people) to be 'increasing'. Financial risk remains on a 'stable' trend, as we invest in conservative and highly secure investment instruments that are held to maturity.

Other material matters – matters that substantially affect our ability to create short to long term value – largely revolve around our state of readiness. To date, we have established most of the key systems and processes to perform an intervention or failure resolution if called upon. Transitioning into the next level of readiness calls for continuing investments in key relationships, as well as the establishment of coordination protocols among strategic partners, in preparation for situations of stress. At the same time, in the immediate term, we must invest in the continuing competence, agility and preparedness of our people, and carry out the groundwork to sustain this for the future.

PIDM also has a wide range of tools available to it for an intervention and failure resolution. In line with our work on resolution responsiveness, PIDM will continue to ensure funding arrangements are adequate for any intervention or failure resolution. Confidence during these times is also critical, and we will continue our efforts on public awareness and building trust.

For the long term, the level of effectiveness of the resolution regime we aspire towards depends on several key factors – the determinations of the criticality of the functions performed by member institutions within the financial system, the risks to which the financial system is exposed by a failure, and how we address related complex issues. Effective collaboration and coordination with strategic partners – in particular the financial safety net players and the industry – are also key.

## PLANS FOR 2021 - 2023

### KEY PLANNING ASSUMPTIONS

We continue to follow key indicators such as interest rates, inflation and unemployment, in our assessments of the potential impact of the COVID-19 pandemic on the economy. We also monitor for possible shocks to sectors to which the financial industry is exposed, such as households and real estate. Whilst we continue to closely monitor and assess the risks within the system, our key planning assumptions for the planning period continue to apply. We assume that PIDM's mandate will remain current and relevant, and that PIDM will continue to operate with its current human capital model, which is to retain a core team within PIDM, supported by key strategic service providers if necessary.

### STRATEGIC OBJECTIVES AND KEY RESULT AREAS

Our strategic objectives and key result areas for the planning period are as follows.



## PLANS FOR 2021 - 2023

### CORPORATE INITIATIVES 2021 - 2023

Our corporate initiatives include plans to address the risks and material matters we discussed earlier. The following summarises the highlights of our corporate initiatives and desired outcomes or deliverables.

<b>Resolution Readiness</b>	
Corporate initiatives	Desired outcomes or deliverables during the planning period
Enhance PIDM's crisis preparedness with the execution of a risk-based, multi-year programme that identifies and prioritises activities for periodic testing and training through simulations, tabletop or other validation exercises, as well as discussions with international counterparts on cross-border resolution.	<ul style="list-style-type: none"> <li>• Clear coordination and cooperation arrangements among financial safety net players for a financial crisis or a member institution failure.</li> <li>• Heightened state of responsiveness for intervention and failure resolution actions.</li> </ul>
Continue with the current resolution planning exercises with the pilot banks. Refine the resolution planning guidelines, based on the feedback received from the pilot banks.	<ul style="list-style-type: none"> <li>• Completion of the resolution planning pilot exercises for the pilot banks.</li> <li>• Issuance of resolution planning guidelines for the industry.</li> </ul>
Review and enhance the assessment approach, methodology and indicators in the differential premium and levy systems framework, in consultation with the industry.	Issuance of the revised differential premium and levy systems framework.
Continue with the development of an electronic payment platform to allow for insured deposit payments by PIDM to be made electronically without active involvement of the depositor in the transaction.	Enhanced reimbursement readiness capabilities.

## PLANS FOR 2021 - 2023

<b>Trust and Confidence in PIDM</b>	
Corporate initiatives	Desired outcomes or deliverables during the planning period
Carry out public awareness initiatives through multiple channels including: <ul style="list-style-type: none"> <li>• a financial resilience campaign for the public; and</li> <li>• collaborations with the Financial Education Network and other strategic partners.</li> </ul>	Enhanced public awareness about PIDM and its systems, and trust and confidence in PIDM.
Enhance PIDM's visibility and reputation among relevant stakeholders through appropriate content.  Continue to engage key stakeholders on crisis preparedness and the resolution of financial institutions, through diverse channels.	Greater visibility and reputation of PIDM within the financial industry and among relevant stakeholders.

<b>Organisation Capacity</b>	
Corporate initiatives	Desired outcomes or deliverables during the planning period
Continue our talent management initiatives for bench strength and succession planning.	Pipelines for leadership and technical talent for succession planning purposes.
Continue to nurture an agile mindset through a culture of learning and growth.	
Continue to monitor and enhance cybersecurity and infrastructure to ensure business continuity and information security.  Achieve Information Security Management System (ISMS) ISO/IEC 27001 certification.	Enhanced cybersecurity resilience.
Develop and implement a digital transformation roadmap which outlines our vision and defines our digitalisation and goals, as well as define and develop related competencies.  Continue to enhance our data collection programme and data visualisation and analytics capabilities.	Leverage on information technology for more strategic insights as well as for the effective and efficient use of data for decision making.

## PLANS FOR 2021 - 2023

### HIGHLIGHTS OF 2021 FINANCIAL PLAN

Our approach to the budget for 2021 assumed that certain aspects of the new normal will continue.

#### Budget 2021 Snapshot

#### Income

**Premium and levy revenues**

- Regulatory relief measures – reduction in premiums and levies for member institutions for assessment years 2020 and 2021
- Banking sector – premiums of RM263 million
- Insurance sector – levies of RM62 million

**Investment income and returns**

- RM150 million from high quality and liquid investment securities and money market placements

Year	Premium and levy revenues	Investment income and returns	Total
2020 Budget	471.7	170.5	642.2
2020 Forecast*	243.4	145.2	388.6
2021 Budget	325.0	150.0	475.0

\* 2020 Forecast = Actual (January to September 2020) + Forecast (October to December 2020)

#### Resolution Readiness

- Crisis preparedness and coordination with financial safety net players
- Resolution planning guidelines
- Reimbursement readiness
- Training and simulation exercises

**RM4 million OPEX**

**RM2.4 million CAPEX**

## PLANS FOR 2021 - 2023

#### Trust and Confidence in PIDM

- Public awareness initiatives
- PIDM's presence in social media
- Financial resilience campaign
- Collaboration, content development and sponsorship among relevant stakeholders

**RM7.5 million OPEX**

#### Organisation Capacity

**Human capital management**

- Continuing talent management
- The shift to virtual learning
- Total expenses – RM66.1 million

**FIDE FORUM**

- Support of operations through secondment of employees and office administration expenses
- Total expenses – RM2.6 million, of which RM2.2 million is employee costs

*FIDE FORUM is a non-profit association that was set up to promote corporate governance among the board of directors of financial institutions*

**Secure and efficient operations**

- Cyber defence and cyber security infrastructure
- Focus on digitalisation

**Secure and efficient operations**

**RM1.5 million OPEX**

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**RM2.2 million CAPEX**

## PLANS FOR 2021 - 2023



### Other Operating Expenditure

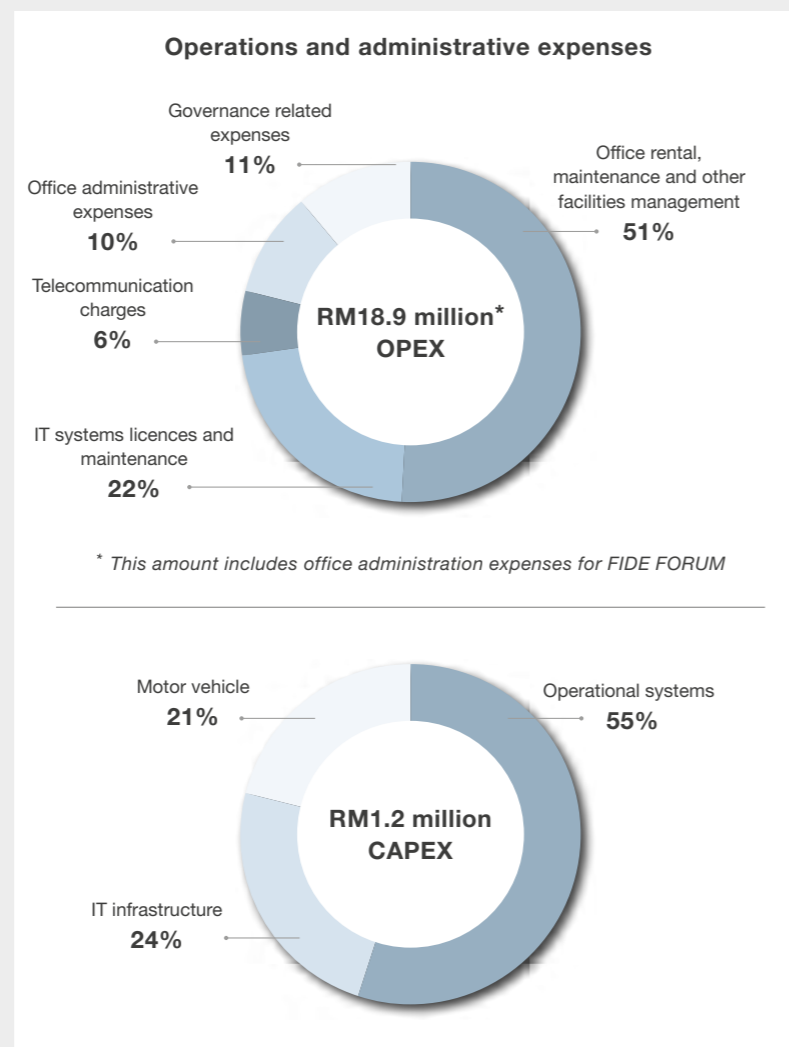
#### Operations and administrative expenses

Prudent financial management and optimisation of available resources:

- Operational effectiveness and efficiency
- New normal and new forms of working arrangement

#### Corporate Social Responsibility (CSR) and sustainability

- Scholarship programme and CSR initiatives
- Total expenses – RM1.3 million



## CONCLUSION

### MONITORING PROGRESS AGAINST THE APPROVED PLAN

The corporate initiatives will be cascaded throughout PIDM for the development of the individual key performance indicators. PIDM's pay and rewards programme is linked to the achievement of the initiatives and milestones set out in this corporate plan.

The progress of the 2021 - 2023 initiatives will be monitored and reported to both the Audit Committee and the Board of Directors.

Our performance for the year 2020 will be reported and published in our Annual Report.

### CORPORATE PLAN DERAILMENT

Drastic changes in the operating environment, an intervention or failure resolution of a troubled member institution, or the loss of key employees, could necessitate a reprioritisation of PIDM's planned initiatives and a refocusing of PIDM's available resources for the task at hand. If there is a risk of derailment, we will reprioritise our planned initiatives and realign available resources while maintaining operations in all critical functions. Whilst such events are not entirely within our control, we will continue to monitor such risks, continue to review our contingency plans, and ensure their effects are mitigated.

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