



Perbadanan Insurans Deposit Malaysia  
Protecting Your Insurance And Deposits In Malaysia

<b>Ref No</b>	TIPS/GL12(4)-GL18(3)- GL9(5)_ADM/2023	<b>Issued on</b>	8 September 2023
<b>TITLE</b>	Addendum to DLS Guidelines, DLST Guidelines and RCL Guidelines		



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**ADDENDUM TO:**

- (A) GUIDELINES ON DIFFERENTIAL LEVY SYSTEMS  
FRAMEWORK FOR INSURANCE COMPANIES  
ISSUED ON 30 MARCH 2020**
- (B) GUIDELINES ON DIFFERENTIAL LEVY SYSTEMS  
FRAMEWORK FOR TAKAFUL OPERATORS ISSUED  
ON 30 MARCH 2020**
- (C) GUIDELINES FOR THE RETURNS ON CALCULATION  
OF LEVIES FOR TAKAFUL AND INSURANCE  
BUSINESSES ISSUED ON 20 DECEMBER 2021**

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**ISSUE DATE : 8 SEPTEMBER 2023**



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## SECTION 1: INTRODUCTION

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### BACKGROUND

- 1.1 Perbadanan Insurans Deposit Malaysia (“PIDM”) has issued three (3) subsidiary legislation in relation to insurer members (“IMs”)<sup>1</sup>, amongst others, to give effect to the levy assessment framework for new IMs and IMs involved in a business transfer scheme for an amalgamation, arising from sections 22 to 27 of the Malaysia Deposit Insurance Corporation (Amendment) Act 2022.<sup>2</sup> The subsidiary legislation came into operation on 21 July 2023.
- 1.2 This document is an addendum (“Addendum”) to:
- (a) the Guidelines on Differential Levy Systems Framework For Insurance Companies issued on 30 March 2020 (“DLS Guidelines”);
  - (b) the Guidelines on Differential Levy Systems Framework For Takaful Operators issued on 30 March 2020 (“DLST Guidelines”); and
  - (c) the Guidelines For the Returns on Calculation of Levies for Takaful and Insurance Businesses issued on 20 December 2021 (“RCL Guidelines”).
- 1.3 This Addendum clarifies the consequential impact of the subsidiary legislation on the DLS Guidelines, DLST Guidelines and RCL Guidelines. This Addendum shall be read together with the DLS Guidelines, DLST Guidelines and RCL Guidelines respectively.

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<sup>1</sup> (a) Malaysia Deposit Insurance Corporation (Differential Levy Systems in respect of Insurer Members) Regulations 2023 which supersedes the Malaysia Deposit Insurance Corporation (Differential Premium Systems in respect of Insurer Members) Regulations 2012.

(b) Malaysia Deposit Insurance Corporation (Rates for First Levy and Annual Levy in respect of Insurer Members) Order 2023 (“Rates Order”) which supersedes the Malaysia Deposit Insurance Corporation (First Premium and Annual Premium in respect of Insurer Members) Order 2016.

(c) Malaysia Deposit Insurance Corporation (Basis for Calculation of First Levy and Annual Levy in respect of Insurer Members) Order 2023 (“Basis Order”). This is a new Order to provide for the basis of calculation of levy, which basis was previously provided in the PIDM Act.

<sup>2</sup> Sections 22 to 27 of the Malaysia Deposit Insurance Corporation (Amendment) Act 2022 (“PIDM Amendment Act”) are relating to levy provisions that came into operation on 21 July 2023.



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## ENQUIRIES

1.4 Enquiries relating to this Addendum may be directed to:

General line: 03-2173 7436

Emails: [dls@pidm.gov.my](mailto:dls@pidm.gov.my) (for insurer members), and  
[dlst@pidm.gov.my](mailto:dlst@pidm.gov.my) (for takaful operators)



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## SECTION 2: BASIS FOR CALCULATION OF LEVIES FOR IMS CARRYING ON LIFE INSURANCE OR FAMILY TAKAFUL BUSINESSES

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- 2.1 The reference in the RCL Guidelines to the basis for calculation of levies for IMs carrying on life insurance or family takaful business has been amended from “actuarial valuation of liabilities in respect of family takaful or life insurance business” or “AVL” to “valuation of family takaful liabilities for family takaful business, or valuation of life insurance liabilities for life insurance business”. This change to the reference is illustrated in the table below.

	<b>Prior to Amendments</b>	<b>Post Amendments</b> <i>(with effect from 21 July 2023)</i>
IMs carrying on life insurance business	Actuarial valuation of liabilities in respect of life insurance business  Or  AVL	Valuation of life insurance liabilities for life insurance business
IMs carrying on family takaful business	Actuarial valuation of liabilities in respect of family takaful business  Or  AVL	Valuation of family takaful liabilities for family takaful business



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### SECTION 3: LEVY ASSESSMENT FRAMEWORK FOR NEW IMS

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- 3.1 PIDM aims to differentiate the levy assessment between a new IM with existing insurance or takaful business prior to becoming a PIDM member institution (as described in paragraph 3.2 (a) below) and a new IM that does not have such existing insurance or takaful business.
- 3.2 For purposes of levy assessment for new IMs:
- (a) paragraphs 9.1 and 9.2 of the DLS Guidelines and DLST Guidelines are no longer applicable to a new IM if:
    - (i) the new IM has been in operation and carrying on insurance or takaful business for a minimum period of two (2) years prior to being licensed under the Financial Services Act 2013 (“FSA”) or Islamic Financial Services Act 2013 (“IFSA”) and becoming an IM of PIDM, or
    - (ii) the business of one or more transferring parties is transferred to the new IM under a business transfer scheme in the assessment year of which it becomes a member institution of PIDM.<sup>3</sup>
  - (b) A new IM described in paragraph 3.2(a) above would –
    - (i) be required to submit quantitative information to PIDM within such period as notified in writing by PIDM to the new IM;
    - (ii) be assessed and classified in the relevant differential levy systems (“DLS/DLST”) category; and
    - (iii) be required to pay first levy of RM250,000 or an amount calculated based on its DLS/DLST category, whichever is higher.
  - (c) For a new IM that does not fall within the description in paragraph 3.2(a) above, there will be no change in their treatment. Paragraphs 9.1 and 9.2 of the DLS Guidelines and DLST Guidelines continue to be applicable to such new IM.

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<sup>3</sup> Please see Section 4 below for further details on the levy assessment framework for IMs under a business transfer scheme.



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- (d) The details of levy calculation as set out under Part C of the RCL Guidelines remain applicable to all new IMs as described in paragraph 3.2(a) and 3.2(c) above, save for the changes highlighted in section 2 of this Addendum and save that reference to the basis of calculation of first levy shall be in accordance with the Basis Order.

3.3 A summary of the levy assessment framework for a new IM is as follows:

Entity	Levy Assessment Framework for New IM with effect from 21 July 2023
New IM which does not fall within the description in paragraph 3.2(a) of this Addendum	<u>First assessment year<sup>4</sup>:</u> First levy of RM250,000 or amount based on DLS/DLST category 1, whichever is higher
	<u>Second assessment year:</u> Annual levy of amount based on DLS/DLST category 1
New IM described in paragraph 3.2(a) this Addendum	<u>First assessment year:</u> First levy of RM250,000, or amount based on the relevant DLS/DLST category of the IM as assessed under the DLS/DLST framework, whichever is higher.  Where there is insufficient information in respect of its first supervisory rating or first capital measure indicator for levy assessment after becoming an IM, the new IM will be classified in DLS/DLST category 3 for the relevant assessment year. This is to reflect the uncertain risk exposure associated with lack of verified information or formal assessment by a competent authority.
	<u>Second assessment year:</u> Annual levy of amount based on the relevant DLS/DLST category of the IM as assessed under the DLS/DLST framework.

<sup>4</sup> First assessment year refers to the assessment year in which the entity becomes a member institution of PIDM under section 36 of the Malaysia Deposit Insurance Corporation Act 2011 (“PIDM Act”).



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<b>Entity</b>	<b>Levy Assessment Framework for New IM with effect from 21 July 2023</b>
	Where there is insufficient information in respect of its first supervisory rating or first capital measure indicator for levy assessment after becoming an IM, the new IM will be classified in DLS/DLST category 3 for the relevant assessment year.





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#### SECTION 4: LEVY ASSESSMENT FRAMEWORK FOR IMS UNDER A BUSINESS TRANSFER SCHEME FOR AMALGAMATION

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- 4.1 For purposes of levy assessment for IMs under a business transfer scheme for amalgamation, paragraphs 9.5 and 9.6 of the DLS Guidelines and DLST Guidelines are no longer applicable, and the requirements under this Section shall apply instead.
- 4.2 For purposes of this Addendum –
- (a) **“business transfer scheme”** refers to a scheme of transfer for the whole or material part of the business of family takaful or life insurance or the business of general takaful or general insurance, in respect of a merger or acquisition exercise that results in an amalgamation. The amalgamated entity can be an existing IM that acquires or merges with another person, or can be a newly licensed entity (licensed under the FSA or the IFSA).
  - (b) **“transfer date”** the date on which a business transfer scheme takes effect as follows—
    - (i) on the effective date specified in any court order for the transfer of the whole or material part of the business of family takaful or life insurance or the business of general takaful or general insurance of the transferring party to the transferee member;
    - (ii) where there is more than one effective date specified in any court order or orders, on the latest of those dates; and
    - (iii) where there is no court order for the transfer, on the date on which the transfer of the whole or material part of the business of family takaful or life insurance or the business of general takaful or general insurance of the transferring party, are irrevocably transferred in accordance with the terms and conditions of the transfer agreements, to the transferee member.
  - (c) **“transferee member”**<sup>5</sup> refers to the IM to which the business of one or more transferring parties is transferred under a business transfer scheme; and

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<sup>5</sup> Formerly referred to as an “amalgamated IM” under the DLS Guidelines and DLST Guidelines



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- (d) “**transferring party**”<sup>6</sup> refers to an IM or non-IM which transfers its business under a business transfer scheme to another IM.

#### PAYMENT OF LEVIES BY TRANSFEREE MEMBER

4.3 In general, the transferee member will pay levies for the assessment year in which the business transfer scheme takes effect, unless levies have already been paid for in respect of the transferred business for that assessment year. This is elaborated as follows:

- (a) Business transfer scheme takes effect before 31 May

The transferee member will pay levy in respect of (i) the transferee member’s business of family takaful or life insurance or the business of general takaful or general insurance, and (ii) the business transferred to the transferee member under the business transfer scheme.

Where the transferring party is an IM, the transferring party will not need to pay annual levy, considering that it will surrender its licence and no longer be a PIDM member after the business transfer scheme takes effect.

- (b) Business transfer scheme takes effect after 31 May

In a business transfer scheme involving a non-IM, the transferee member will need to pay additional levy in respect of the business transferred from the non-IM under the business transfer scheme.

If the business transfer scheme involves IMs **only**, the transferee member **need not** pay additional levy in respect of the business transferred to it under the business transfer scheme as the transferring part(ies) would have already paid annual levy on the transferred liabilities for that assessment year.

4.4 The levies will be calculated based on the relevant DLS/DLST category of the transferee member, subject to the applicable minimum amount.<sup>7</sup>

<sup>6</sup> Where the transferring party is an IM, such transferring party was formerly referred to as an “amalgamating IM” under the DLS Guidelines and DLST Guidelines.

<sup>7</sup> If the transferee member is a newly licensed entity, the minimum amount for first levy payable by the new IM is RM250,000. In relation to a transferee member that is an existing IM, the minimum amounts for annual levy are those that are currently prescribed for each DLS/DLST category in the Rates Order.



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4.5 The levies payable by the transferee member is illustrated<sup>8</sup> in:

- (a) Chart A – for transferee member carrying on family takaful or life insurance business
- (b) Chart B – for transferee member carrying on general takaful or general insurance business

Please refer to the Basis Order for more details.

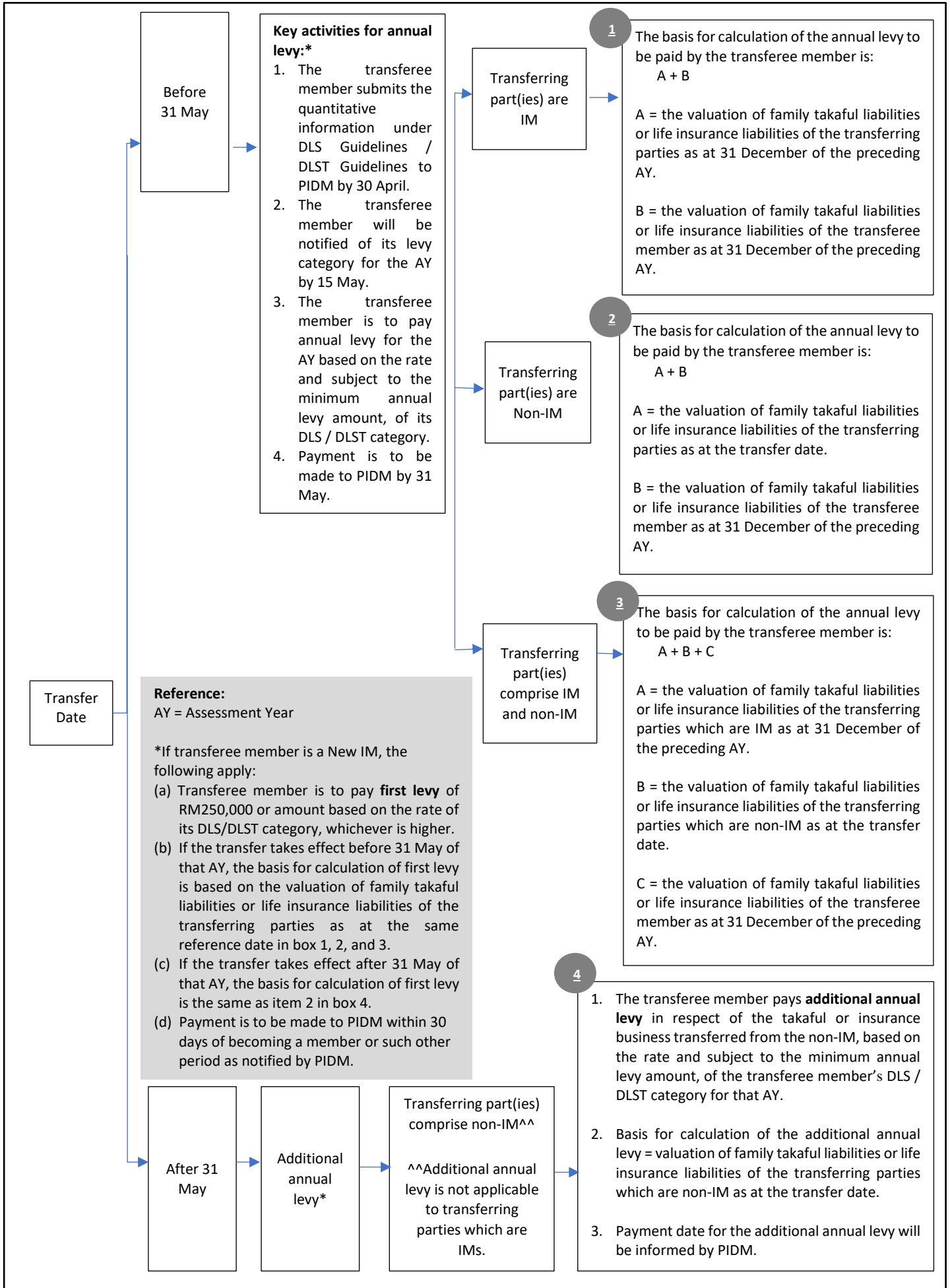
4.6 Save for the amendments highlighted in this Addendum, the details of levy calculation prescribed under Part C of the RCL Guidelines remains applicable.

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<sup>8</sup> The chart is intended for illustration purposes only, and is not exhaustive in nature.

**Chart A - Levies payable by Transferee Member carrying on Family Takaful or Life Insurance Business**



## Chart B - Levies payable by Transferee Member carrying on General Takaful or General Insurance Business

