



Perbadanan Insurans Deposit Malaysia
Protecting Your Insurance And Deposits In Malaysia

**CONSULTATION PAPER ON
DATA SUBMISSION AND MINIMUM REQUIREMENTS
TO ENHANCE OPERATIONAL READINESS OF
TAKAFUL AND INSURANCE BENEFITS PROTECTION
SYSTEM FOR GENERAL INSURER MEMBERS**

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Ref No	TIPS/CP40/2022	Issued on	31 March 2022
TITLE	Consultation Paper on Data Submission and Minimum Requirements to Enhance Operational Readiness of Takaful and Insurance Benefits Protection System for General Insurer Members		

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EXECUTIVE SUMMARY

Perbadanan Insurans Deposit Malaysia (“PIDM”) is mandated under the PIDM Act 2011 to administer a takaful and insurance benefits protection system (“TIPS”) and to provide protection against the loss of part or all takaful or insurance benefits in the event of an Insurer Member (“IM”)’s failure. PIDM is also the resolution authority for its members and is equipped with a wide range of intervention and failure resolution powers to resolve troubled IMs in an orderly manner to minimize disruption and preserve financial system stability. It is thus important that operational readiness capabilities are developed during good times to meet these objectives and to mitigate any adverse consequences or severe disruption to certificate and policy owners, and the financial system, arising from the failure of an IM.

Following the above, this consultation emphasises on the submission of accurate and timely information from IMs to facilitate operational readiness of TIPS in protecting certificate and policy owners. PIDM intends to put in place the Standard File Format (“SFF”) data submission and Minimum Requirements Guidelines, to ensure consistency, reliability and availability of policy or certificate information to be furnished to PIDM by members in order to facilitate reimbursement of protected benefits in the event of a member’s failure as well as to support related operational readiness initiatives.

At this stage, this initiative is to be implemented for General Takaful Operators and General Insurance Companies (collectively referred to as “General Insurer Members” or “GIMs”) covering refund of contributions or premiums which are protected under PIDM’s mandate.



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PART A: BACKGROUND AND PURPOSE

1.0 MANDATE AND OPERATIONAL READINESS

- 1.1 PIDM is mandated under subsection 4(1) of the Malaysia Deposit Insurance Corporation Act 2011 (“PIDM Act”) to, among others, administer a TIPS and provide protection against the loss of part or all takaful or insurance benefits in the event of an IM’s failure.
- 1.2 PIDM is also the resolution authority for its IMs. In achieving its mandate, PIDM has a wide range of intervention and failure resolution powers under the PIDM Act, including powers to continue critical business operations and functions of the IM via transfer of business or portfolio, restructuring or run-off; or powers to close the business under the winding-up process and make payment of the protected benefits to the certificate and policy owners.¹
- 1.3 In the preamble of the PIDM Act, it stated that PIDM is to carry out its mandated functions with speed and efficiency. As a financial safety net player with financial system stability mandate, PIDM must be ready to deal with troubled IMs at all times. Operational readiness during good times would help to mitigate adverse consequences or severe disruption to certificate or policy owners, as well as to the financial system, arising from failure of an IM.
- 1.4 For the purpose of this Consultation Paper, the consultation therein emphasises on the submission of accurate and timely information from IMs to facilitate operational readiness of TIPS in protecting certificate and policy owners. As such, it is pertinent for PIDM to have access to detailed information on the IMs’ business, including their systems and infrastructures.

¹ The powers are provided in subsection 99(1) and Chapter 3 of Part V of the PIDM Act, and can be exercised upon issuance of non-viability notice by Bank Negara Malaysia.

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2.0 INFORMATION TECHNOLOGY INFRASTRUCTURE

- 2.1 In achieving the objectives described above, PIDM needs to work in collaboration with IMs to ensure that IMs are able to provide the necessary information to PIDM, promptly, where required, and undertake action plans to address impediments identified during the planning process.
- 2.2 PIDM is cognisant of the potentially significant amount of data collection and detailed analyses required to prepare for the operational readiness of TIPS. As such, PIDM plans to adopt a phased and measured approach on information request by type of insurance or takaful business. At this stage, PIDM focuses primarily on data required from GIMs for refund of prepaid contributions and premiums of takaful certificates and insurance policies in a resolution.
- 2.3 PIDM places emphasis on the completeness and accuracy of information, and the data extraction by GIMs shall be conducted with suitable controls. PIDM proposes that GIMs must develop appropriate management information technology capabilities to enable periodic submission of relevant takaful certificate or insurance policy information to PIDM. This periodic submission of required information will facilitate PIDM's testing of the accuracy and reliability of data submissions from GIMs on an on-going basis. Over time, the GIMs' system and data quality and reliability will improve, which will facilitate better management reporting. Eventually, this will increase PIDM's operational readiness to undertake relevant activities for TIPS in the event it is required to do so.

3.0 OBJECTIVE

- 3.1 The objective of this Consultation Paper is to seek views and comments from the industry in relation to the following areas with respect to an IM that carries on the business of general takaful or general insurance:
- (a) proposed data submission requirements;
 - (b) minimum system requirements to be adhered by the GIMs;
 - (c) proposed trial run with GIMs and data submission timelines; and
 - (d) other operational related matters.



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4.0 PRIOR ENGAGEMENTS WITH GIMs FOR INPUT

PIDM has undertaken engagements with GIMs to seek feedback and input in developing the proposed requirements. A focus group was formed in 2018 comprising 5 GIMs for the purpose of testing our Premium Reimbursement and Information Management System (“PRIMS”) with actual data. From the result of this focus group, the extraction of data was possible and not expected to be onerous, once the extraction requirements are accurately configured in the extraction programme. Feedback was also received from focus group members on the proposed SFF data fields. Following this, an industry-wide survey was also undertaken in January 2020 with the GIMs. The objective of this survey was to gather information from members on details of their certificates or policies data, system infrastructure and practices. Findings from these industry engagements have been taken into consideration in the drafting of this CP.

5.0 CONSULTATION PROCESS

- 5.1 PIDM invites written comments from interested parties on the proposals raised in this consultation paper.
- 5.2 All comments should be submitted in the response format provided and emailed to minratips@pidm.gov.my, no later than **12 MAY 2022**.
- 5.3 For any enquiry, please contact:

Telephone : (03) 2173 7576 (Mr Devaraj Nadarajan)
 : (03) 2173 7543 (Mr Chang Wei Yuen)
- 5.4 Your comments may be made public by PIDM. If you do not wish any of your comments to be made public, please indicate accordingly in your response.



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PART B: SYSTEM REQUIREMENTS TO FACILITATE GENERATION AND SUBMISSION OF SFF FILES

A state of the art IT system together with good governance is the hallmark of a well-run insurer. With a comprehensive system, infrastructure and personnel, the ability to access information, records and reports at any given time is paramount for efficient decision making and prompt action. These minimum requirements proposed for GIMs through this Consultation Paper would ensure GIMs are able to provide information to PIDM when required, and to work to mitigate any impediments that may arise during business as usual. This will also assure the consumer and general public that PIDM, as a resolution authority, is ready to provide protection to the certificate and policy owners and contribute to the stability to the financial sector.

1.0 PROPOSED MINIMUM REQUIREMENTS

1.1 There are three (3) proposed minimum requirements that the GIMs are expected to adhere to:

(a) Capabilities to submit SFF data

The ability of PIDM to access accurate and reliable information is essential for PIDM to perform its mandate with speed and efficiency. In addition, periodic submission of takaful certificate or insurance policy details will also facilitate PIDM's testing of the accuracy and reliability of data submissions from GIMs on an on-going basis.

In this regard, PIDM proposes that each GIM should possess the appropriate capabilities to submit the relevant data to PIDM in SFF, as and when requested by PIDM, or at the minimum, annually on a pre-determined date. GIMs are required to submit a set of nineteen (19) files, as set out in Part C of this Consultation Paper. Furthermore, GIMs must be capable of making an accurate and reliable submission of the specified data to PIDM in SFF files promptly upon request on any given day.



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(b) Maintaining up-to-date register of contributions or premiums received and receivable with respect to in-force takaful certificates or insurance policies

As mentioned in Section 1.5 of Part C, in the event that takaful certificates or insurance policies are terminated pursuant to the PIDM Act, PIDM will pay refundable prepaid contributions or premiums to their certificate or policy owners. As details of the contribution or premium amount paid by a certificate or policy owner are important to PIDM to be able to make an accurate and timely refund, PIDM proposes a minimum requirement that each GIM shall have appropriate systems and procedures to ensure that contribution or premium receivables and payable records are kept accurate, current and reconciled with the register of contribution or premium at all times.

(c) Maintaining documentation of GIMs' procedures and systems involved in the generation of the relevant SFF data

As the procedures for generation of the specified data in SFF files are unique to each GIM and dependent on the design of its takaful certificate or insurance policy information management systems, PIDM proposes that each GIM should maintain a comprehensive set of documentation of the relevant information management system(s) and processes involved in the extraction of the specified data on any given day.

Such documentation includes details on how data from various IT systems are extracted and processed end to end including manual processes (if any) and mapping of information in accordance to the SFF requirements to generate the SFF (solution architecture). The documentation is to also be reflected with relevant reports generated by the systems to ensure data completeness, key personnel who are responsible, etc., and it must be updated by the GIM at least annually. In addition, PIDM also proposes that each GIM should maintain the internal review documentation(s) (e.g. internal audit report) on the processes mentioned, and to make these documents available when PIDM calls for review.



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2.0 GENERATION OF DATA ACCORDING TO SFF

2.1 In addition to the proposed minimum requirements above, PIDM would also like to seek your feedback in relation to existing infrastructure and practices of GIMs in facilitating the submission of information to PIDM.

Questions:

1. In order to provide PIDM the information as per SFF:
 - (a) Do you have any data that resides outside your organisation (i.e. data kept with outsourced service provider)? If yes, please provide a description of the data (e.g. type of data), and the data accessibility in terms of timing (e.g. available on demand, batch run, etc.)
 - (b) If there are inconsistencies or redundant values (e.g. 2 different records for the same certificate or policyholder, etc.), please advise on the data cleansing process and rectification work as well as the related governance for this process. Would the clean-up involve any manual adjustment, i.e. by changing the values manually? If yes, are there any reporting mechanism in place to capture such activity?
 - (c) How are the results verified or validated?
2. On the generation of SFF data (reference to Part C), what are the potential challenges (including IT) that may be faced in producing the SFF data and what steps can be taken to mitigate them?
3. With respect to the proposed minimum requirements for the SFF data generation and submission to PIDM, we appreciate your advice on:
 - (a) the extent of work involved for enhancement or system upgrade required, if any, to the GIM's information management system.



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(b) the anticipated cost of the enhancement or system upgrade, if required.

(c) the duration of time needed to ensure readiness of your IT systems and infrastructure in order to comply with the minimum requirements.

3.0 SFF FILES PROTECTION METHOD

3.1 PIDM emphasises the importance of maintaining confidentiality of the certificate or policy owners' information submitted. PIDM will put in place and effect proper security measures and controls to ensure the confidentiality of all personal information of the certificate or policy owner (i.e. names, registration numbers, identity card numbers, telephone numbers and addresses) for purposes of annual submissions of SFF files to PIDM.

Question:

4. Please share with us the security measures or technologies that are recommended and acceptable for the protection and confidentiality of the personal information submitted.

4.0 SFF FILES SUBMISSION METHOD

4.1 GIMs are required to make an annual submission of the relevant SFF files via PIDM's Industry Portal ("IP"), with the proposed data cut-off date as at 31 December of the preceding year.

Question:

5. Please share any potential issue that may be faced in preparing and submitting the required data for submission of SFF files (i.e. any conversion of data required and/or related potential issues, etc.)?

5.0 SURPLUS IN TAKAFUL CERTIFICATES

5.1 With reference made to Part A, and as this consultation also primarily focuses on refundable prepaid contribution or premium, PIDM would like to understand further on



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any other components of the amount to be refunded aside from the unexpired contributions.

Question:

6. Apart from any surplus sharing or distribution between the takaful operator and the participants (the certificate owners), are there any other components that would be refundable to the certificate owners in the event of certificate termination? If yes, please provide details of these components; and advise if the data or information is readily available in the operator's database or system, and the estimated timeframe required to extract such data.

(Note: surplus sharing may consist of underwriting surplus and investment income)



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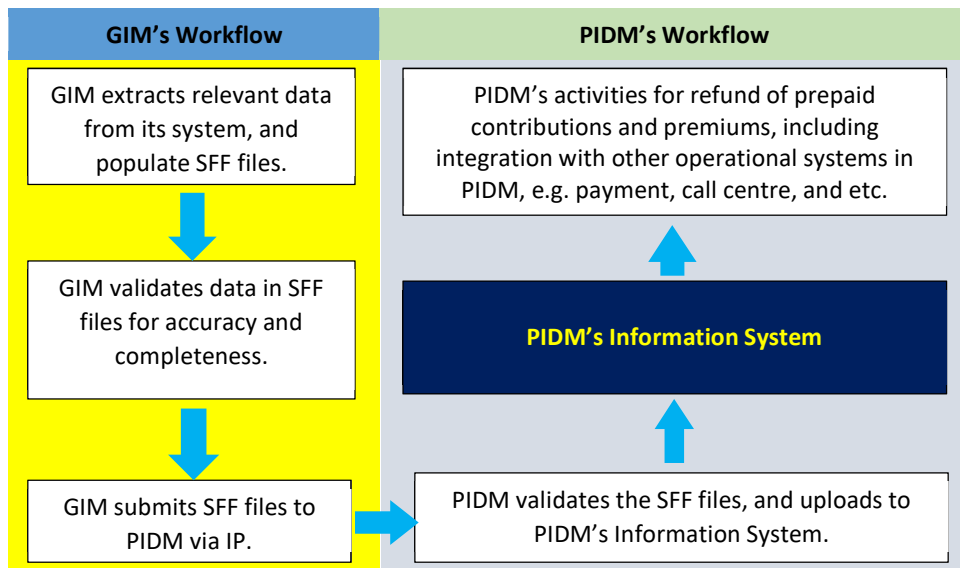
PART C: DATA SUBMISSION REQUIREMENTS TO ENHANCE OPERATIONAL READINESS OF TIPS FOR GIMs

1.0 OVERVIEW OF PROCESS FLOW FROM GIMs' DATA EXTRACTION TO EXECUTION OF ACTIVITIES FOR TIPS BY PIDM

- 1.1 As mentioned in Part A of this Consultation Paper, when PIDM is required to carry out its certificate and policy owners' protection mandate, PIDM needs to have access to relevant takaful certificate or insurance policy information in a timely and efficient basis. To ensure the usefulness and quality of the information submitted by the GIMs, PIDM proposes for GIMs to develop appropriate capabilities to enable submission of relevant data to PIDM in a SFF on a regular basis.
- 1.2 The proposals for GIM to perform regular submission in a SFF would require:
- (a) firstly, the GIM to extract relevant data from its system, and populate the data into a set of SFF files; and
 - (b) secondly, the GIM to validate the data in the SFF files to ensure accuracy and completeness before submission to PIDM via PIDM's IP.
- 1.3 Once received, PIDM will extract, validate and upload the SFF files into PIDM's information system platform that will be used for refund of prepaid contributions and premiums, as described in the following diagram.

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1.4 Diagram below shows the workflow of SFF files from a GIM, leading into PIDM:



1.5 The information in the SFF files submission will be used to calculate the refundable prepaid contributions or premiums of general takaful certificates and insurance policies in a resolution. For such purpose, PIDM will apply a cut-off date (for example, at the date of the winding-up order) to the takaful certificates or insurance policies. The system will then automatically calculate the portion of the refundable prepaid contributions or premiums due to each certificate or policy owner. A payment file will then be generated showing the amount payable and details of the recipient. Finally, this payment file will be transmitted to PIDM's accounting system which will facilitate the refund of prepaid contributions or premiums to certificate or policy owners.

2.0 PROPOSED REQUIREMENTS FOR DATA SUBMISSION IN SFF

2.1 The SFF files will be submitted to PIDM as batch files created by the GIM's extraction program, where it contains **detailed financial and non-financial data of general takaful certificates or insurance policies** of the GIM.



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2.2 Subject to future expansion, the SFF files currently contain 19 files as shown in the table below:

File Code	File Name	File Description
01.	Certificate/Policy File	<ul style="list-style-type: none"> This file contains detailed information for all takaful certificates/insurance policies and details of contribution/premium. For example, Certificate/Policy Number, Certificate/Policy Inception Date/Expiry Date, Certificate/Policy Status, Gross Contribution/Premium, Outstanding, Contribution/Premium, Advanced Contribution/Premium, Payment Status, Payment Mode, Premium Paid and etc. The Certificate/Policy No is the key for other sub files.
02.	Certificate/Policy Owner File	<ul style="list-style-type: none"> This file contains details of certificate/policy owners. One takaful certificate/insurance policy can only have one certificate/policy owner.
03.	Payment History File	<ul style="list-style-type: none"> This file contains detailed payment information of all takaful certificates/insurance policies. For example, Payment Method, Receipt No, Payment Date, Payment Amount and etc. One takaful certificate/insurance policy can contain multiple payment history records.
04.	Coverage File	<ul style="list-style-type: none"> This file contains details of coverage information for all takaful certificates/insurance policies. For example, Product Code, Coverage Amount, Coverage Period, Coverage Status and etc. One takaful certificate/insurance policy can contain multiple coverage records.
05.	Endorsement File	<ul style="list-style-type: none"> This file contains details of endorsement information for all takaful certificates/insurance policies. For



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File Code	File Name	File Description
		<p>example, Endorsement Amount, Endorsement Period, Endorsement Status and etc.</p> <ul style="list-style-type: none">• One takaful certificate/insurance policy can contain multiple endorsement records.
06.	Fire	<ul style="list-style-type: none">• These 13 sub files, which represent the 13 main classes of takaful/insurance business, contains additional information on risk/coverage items.• The Motor “Act” and Motor “Other” information will be merged into Motor file.• The general takaful/insurance business is divided based on classes of business in accordance with the Bank Negara Malaysia’s Guidance Notes on Takaful Operators Statistical System (TOSS) / Insurance Companies Statistical System (ICSS).• One takaful certificate/insurance policy can contain multiple records.
07.	Aviation	
08.	Cargo	
09.	Marine Hull	
10.	Offshore Oil-related	
11.	Motor	
12.	Bonds	
13.	Contractor’s All Risks & Engineering	
14.	Liabilities	
15.	Medical and Health	
16.	Personal Accident	
17.	Workmen’s Compensation & Employers’ Liability	
18.	Others	
19.	Control Total File	<ul style="list-style-type: none">• This file contains the control total of each SFF file, and the sum of total contribution/premium and other amount fields.

2.3 The file structure for each of the 19 SFF files is as the above, and the detailed data required with respect to each takaful certificate or insurance policy, are set out in **Appendix A**, which is to be read in conjunction with and forms an integral part of this consultation paper.



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Questions:

7. File 01: Certificate or Policy File (*in Appendix A*)

- (a) Refer to “Position (Column) 4: Sub Class / Product Name” of File 01
- Please indicate in the table below if there is any other sub class/product(s) that is not captured in the proposed sub class/product(s) list in the REMARKS column of Position (Column) 4: Sub Class / Product Name:

Class Code (refer Position (Column) 3)	Sub Class / Product Name (refer Position (Column) 4)
Example: 01	Fire XXX

- (b) Refer to “Position (Column) 14: Distribution Channel” of File 01
- Please indicate if there are any other distribution channels, other than those listed under the “Remarks” column (*i.e. 01 = Direct client/Ceding company (excluding digital/internet channel, which is indicated as 05), 02 = Agent, 03 = Broker, 04 = Bancassurance/Banking Institution and 05 = Internet*).
- (c) Refer to “Position (Column) 21 Risk Arrangement” of File 01
- Please indicate if there is possibility of multiple type(s) of risk arrangement (e.g. quota share or facultative, etc.) for each of the takaful certificate/insurance policy. If yes, please specify what are the multiple type(s) of risk arrangements undertaken by GIMs.

8. File 04: Coverage File (*in Appendix A*)

- (a) Refer to “Position (Column) 2: Risk Item” *²of File 04
- Please indicate the type of risk item* that is commonly recorded in your system, under each general takaful certificate or insurance policy (i.e. for each class of businesses underwritten by the GIM).

² * “Risk Item” is referred as a person or property that is covered/insured under a general takaful certificate or insurance policy, e.g. an insured person in a PA policy, or a residential building in a Fire policy.



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9. Others:

- (a) Please advise if there is any other field(s) that has been omitted or excluded from the listed SFF fields, that you opine would further facilitate payment of refundable prepaid contributions or premiums? If yes, please provide us with details of the additional field(s) for PIDM's consideration.

- (b) Please let us know if there are any other components that would be refundable to certificate or policy owners in the event of certificate or policy termination. If yes, what are these components, and are these information readily available in your database or system, and the estimated timeframe required to produce such data?



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PART D: OPERATIONAL MATTERS

1.0 PROCESS AND PROCEDURES

- 1.1 As described in section 1.1 (c) in Part B of this Consultation Paper on the proposed minimum requirements, PIDM proposes that each GIM should maintain a comprehensive set of documentation of the relevant IT system(s) and processes involved in the generation of SFF files.
- 1.2 Such documentation may include details of how information from various IT systems are mapped to produce the information required, the process of extraction, work flow, key personnel who are responsible, etc., and it must be updated by the GIMs at least annually.
- 1.3 Please respond to the questions on the respective operational processes stated in the table below, which the GIMs are expected to establish, in facilitating the submission of information to PIDM:

Operational Process	Questions:
Generation of data for SFF files	When SFF is implemented, 10. What would be the process to be undertaken in generating the data and compiling the data into SFF files? What would be the estimated time (working days) for the end-to-end process of generating data for SFF files?
Internal review or validation of data in SFF files	11. Please share the internal review or validation process e.g. internal report or reconciliation that will be required for the data in SFF files, in order to ensure the data is complete and accurate before submission to PIDM. What would be the estimated time (working days) to conduct the internal review or validation of the SFF files?
Follow-up for any issues identified	12. Do you foresee any issue if PIDM requires a dedicated staff to liaise with PIDM if there are issues relating to SFF files identified by PIDM? Would you prefer this dedicated staff to be the same staff that is in-charge of BNM's ICSS or TOSS submission, in order to ensure consistency in data quality? For this purpose, please advise which department this dedicated staff will most likely come from.

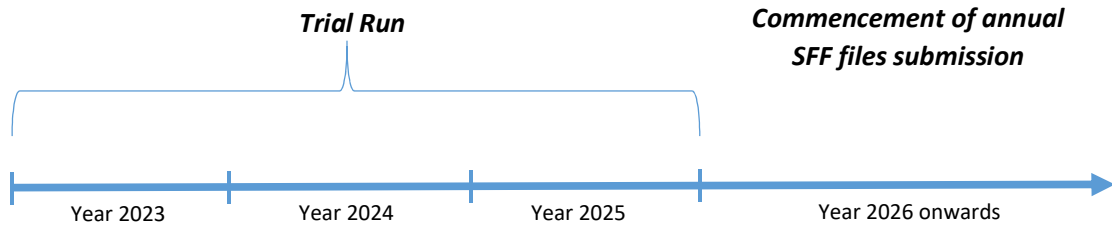


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2.0 TRIAL RUN AND SUBMISSION TIMEFRAME

- 2.1 As the GIMs are expected to develop the appropriate infrastructure to generate and submit the relevant SFF files, PIDM proposes a trial run of three (3) years with the GIMs, i.e. Year 2023 to 2025. During this proposed trial run period, PIDM will work together with the GIMs to ensure the GIMs have the appropriate system capabilities and operational processes to meet the minimum requirements, so that the SFF files submitted to PIDM are accurate and reliable.
- 2.2 Upon completion of the trial run exercise, PIDM proposes that GIMs submit the SFF files to PIDM on an annual basis, **by 31 May of each year**, with the data cut-off date as at 31 December of each preceding year.



Question:

13. Please provide your comment on the proposal for the GIM to submit the SFF files to PIDM on an annual basis by 31 May of each year (upon completion of the trial run). Do you foresee any impediments in complying with the proposed timeframe? If yes, please elaborate on the impediments (including impact arising from MFRS17 implementation), and suggest a reasonable timeframe for the GIM to submit the required SFF files for PIDM's consideration.



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- 2.3 In the event PIDM is required to make obligatory or discretionary payment under the PIDM Act upon winding up of an GIM and termination of certificates and policies, PIDM may require the GIM to submit SFF files within a much shorter time period (e.g. a maximum of twenty-four (24) hours). This would allow PIDM to promptly determine and make payment amount to the relevant certificate or policy owners in a timely and accurate manner. This would facilitate the certificate or policy owners to source for alternative cover for continuity of coverage and able to carry on with economic activities.

Perbadanan Insurans Deposit Malaysia
31 March 2022