

# **Section III: Takaful and Insurance Benefits Protection System (“TIPS”)**

## **I. About Perbadanan Insurans Deposit Malaysia (PIDM)**

- 1. What PIDM does?*
- 2. How is PIDM funded?*
- 3. How are consumers protected in a failure?*

## **II. Deposit Insurance System**

- 1. Who are member institutions?*
- 2. Who are protected?*
- 3. What are protected?*

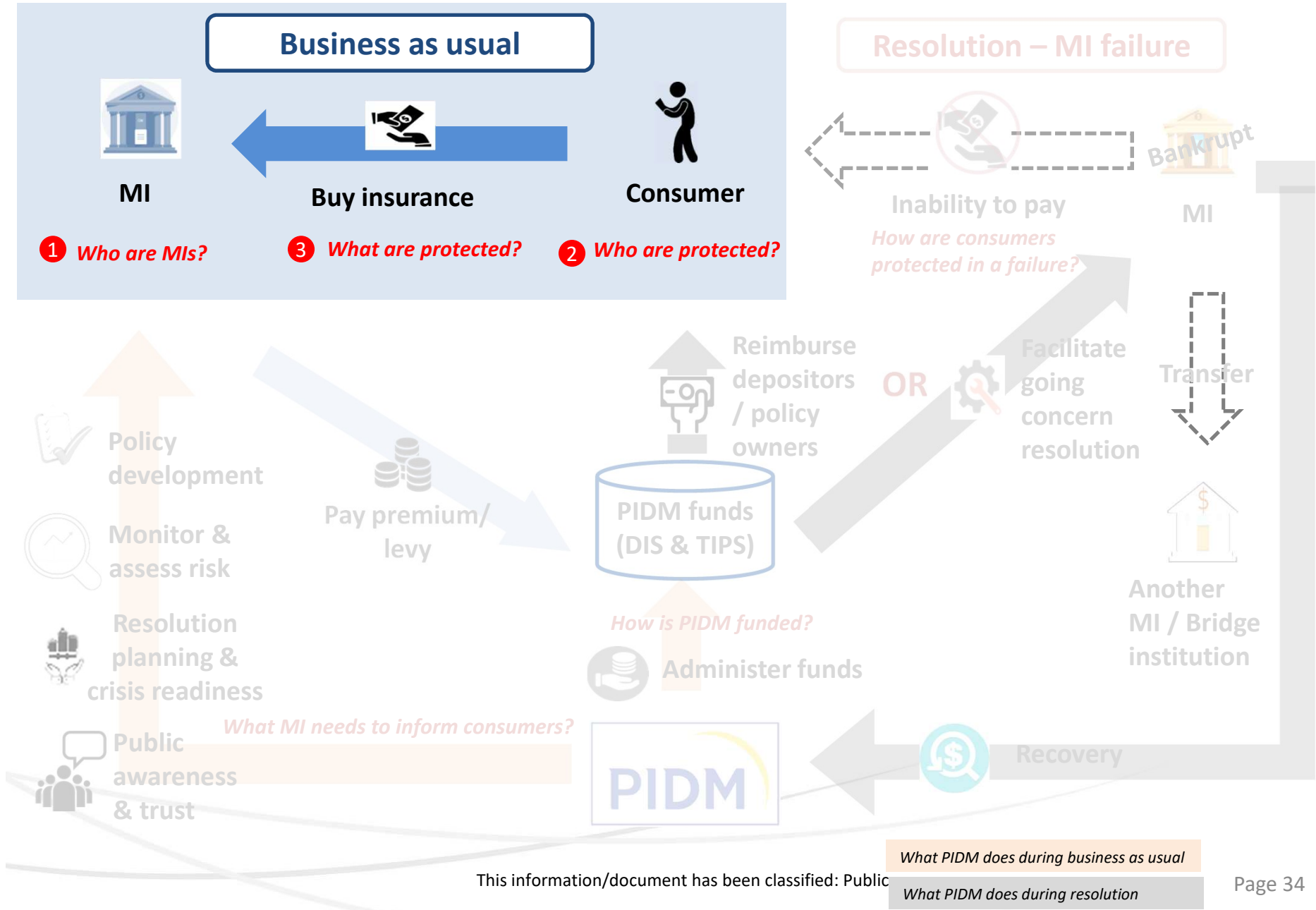
## **III. Takaful and Insurance Benefits Protection System**

- 1. Who are member institutions?*
- 2. Who are protected?*
- 3. What are protected?*

## **IV. Deposit Insurance System disclosure requirements for member banks**

- 1. What member institution needs to inform consumers?*
- 2. What member institution needs to do?*

# PIDM protects depositors and takaful or policy owners in the event of a MI failure: How does it work?



1 Who are member institutions?

PIDM membership is mandatory for financial institutions licensed under the Financial Services Act 2013 and Islamic Financial Services Act 2013

92

MIIs

(As at 31 December 2022)

<p><b>42</b></p> <p><b>MEMBER BANKS*</b></p> <p><b>26</b> Commercial Banks <b>16</b> Islamic Banks</p>	<p><b>50</b></p> <p><b>INSURER MEMBERS</b></p> <p><b>35</b> Insurance Companies <b>15</b> Takaful Operators</p>
--	---

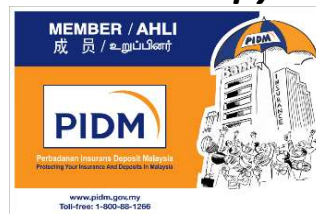
\*Also known as Deposit-Taking Members (DTMs)



How do you know if a financial institution is a member of PIDM?

1 Display of membership representation

*Printed copy*



Premises

*Electronic copy*



Advertisement

2 Refer to the list of MIIs on [www.pidm.gov.my](http://www.pidm.gov.my)

① *Who are member institutions?*

**! Who are NOT MIs of PIDM?**

**Non MIs – takaful / insurance related**

- X** Reinsurance companies and retakaful operators<sup>1</sup>
- X** International takaful operators
- X** Financial and credit guarantee insurers, including Danajamin Nasional Berhad
- X** Labuan insurance companies and takaful operators<sup>2</sup>
- X** Captive insurers
- X** Approved and registered intermediaries e.g. insurance and takaful brokers, adjusters, financial advisers<sup>1</sup>
- X** Insurance and takaful agents

<sup>1</sup> Refer to the list on Bank Negara Malaysia's website.

<sup>2</sup> Refer to Labuan International Business and Financial Centre (Labuan IBFC)'s website.

## 2 Who are protected?

**PIDM protects eligible takaful and insurance benefits held by takaful certificate or insurance policy owners up to RM500,000 in the event of an insurer member failure**

**Takaful and Insurance Benefits Protection System**

up to **RM500,000**  
for eligible takaful and insurance  
benefits per insurer member

**Separate protection for  
Takaful certificates and  
Conventional policies held by**

 Individual       Group

**and claims for**

 Own damage       Third party

**Protects general takaful and family takaful,  
general insurance and life insurance**

- The protection is automatic.
- No application and payment is required.

### **Eligibility conditions for protection by PIDM:**

- Takaful certificate and insurance policy owners eligible for protection include individuals, sole proprietors, partnerships, trade unions, registered societies, cooperatives, registered charities and corporations.
- Takaful certificates or insurance policies must be issued in Malaysia by an insurer member and denominated in Ringgit Malaysia.
- Eligible takaful and insurance benefits under individual and group certificates or policies are protected separately.
- Eligible own damage and third party claims for takaful and insurance benefits are protected separately. Claims will be subject to the conditions and limits specified in their takaful or policy contract.








3 What are protected?




Most of the takaful and insurance benefits covered under eligible takaful certificates or insurance policies are protected by PIDM



Protected

Not Protected

Examples of Takaful or Insurance Benefits Protected*		Maximum Limit
Benefits Protected		
<b>Death and related benefits</b>  Sum covered payable for death, funeral and cremation expenses		RM500,000
<b>Permanent disability</b>  Sum covered payable for permanent disability		RM500,000
<b>Critical illness</b>  Sum covered payable for critical illness		RM500,000
<b>Medical expenses</b>  Sum covered payable for medical treatment, such as hospitalisation and healthcare costs		100% of expenses incurred
<b>Maturity value</b> (excluding the investment portion of investment-linked plan)  Sum covered payable at the end of the policy period		RM500,000
<b>Surrender value</b>  Cash payable upon early surrender before expiry of policy		RM500,000
<b>Loss of or damage to property</b>  Sum covered payable for loss/damage to property		RM500,000 per property

-  Takaful certificates and insurance policies denominated in foreign currencies
-  Takaful certificates and insurance policies issued out of Malaysia
-  Investment portion of investment-linked products\*

\* Referring to the maturity, surrender and income benefits payable from the unit portion of investment-linked takaful certificates or insurance policies

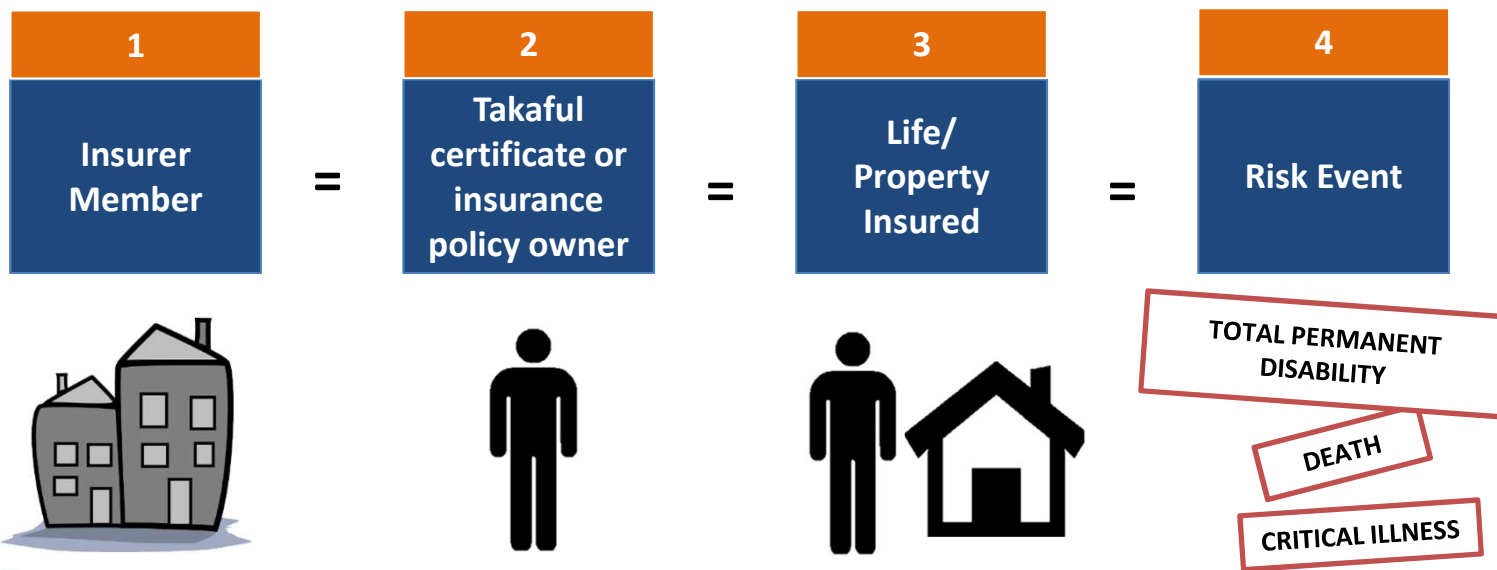
\* Refer to the full list on [www.pidm.gov.my](http://www.pidm.gov.my)

3 What are protected?

## The limit of RM500,000 protects at least 96% of takaful certificate and insurance policy owners in full

If a takaful certificate or insurance policy owner is entitled to claim protected benefits under two (2) or more takaful certificates or insurance policies with the same insurer member, the protected benefits under TIPS will be aggregated and protected up to the protection limit if the criteria below are the same.

### Aggregation Rule



**Additional insurance is not available over and above that provided by PIDM.**



3 What are protected?

## Illustration: Life insurance and family takaful

### How is PIDM's protection calculated?

#### Example 1:

Mr Lim is employed with Troton Bhd and is insured under his employer's Group Term Life for RM200,000. He also has a Whole Life and an Endowment policy for himself (sum insured of RM300,000 under each policy). All the policies were bought from XYZ Insurance Bhd. In January 2021, he died in an accident.

In the event of failure of XYZ Insurance Bhd., PIDM will apply aggregation rule and the payment of protected benefit (i.e. Death and related benefits arising from death) that will be made for Mr Lim is as follows:

	Group Term Life	Whole Life	Endowment
(1) Insurer member	XYZ Insurance Bhd.	XYZ Insurance Bhd.	XYZ Insurance Bhd.
(2) Insurance policy owner	Troton Bhd	Mr Lim	Mr Lim
(3) Life insured	Mr Lim	Mr Lim	Mr Lim
(4) Risk event	Death	Death	Death
Aggregation rule applies?	<b>No</b> (not aggregated because the insurance policy owner is different)	<b>Yes</b> (aggregated based on "same insurer member, same insurance policy owner, same life insured and same risk event")	
Amount claimed	RM200,000	RM300,000	RM300,000
Amount protected under TIPS	<b>RM200,000</b>	<b>Capped at RM500,000</b>	

3 What are protected?

## Illustration: General insurance and general takaful

### How is PIDM's protection calculated?

#### Example 2:

Ms Liza owns two cars and bought the motor insurance policy for both her cars (ABC 666 & IJK 888) with XYZ General Takaful Bhd and had filed the following claims with the takaful operator and both the claims had not been settled yet.

	Event Description	Details of Claims
2 Jan 2021	Ms Liza's car (ABC 666) was damaged in an accident	Claim 1 – Property damage for RM600,000
15 Jan 2021	Ms Liza's car (IJK 888) was damaged in an accident	Claim 2 – Property damage for RM350,000

In the event of failure of XYZ General Takaful Bhd, the application of the aggregation rule and the payment of protected benefit (i.e. loss of or damage to property and consequential loss) that will be made to Ms. Liza are as follows:

	Claim 1	Claim 2
(1) Insurer member	XYZ General Takaful Bhd	XYZ General Takaful Bhd
(2) Takaful certificate owner	Ms Liza	Ms Liza
(3) Property insured	Car - ABC 666	Car - IJK 888
(4) Risk event	Accident on 2 Jan 2021	Accident on 15 Jan 2021
Aggregation rule applies?	<b>No</b> (not aggregated because the risk event & property insured are different)	<b>No</b> (not aggregated because the risk event & property insured are different)
Amount claimed	RM600,000	RM350,000
Amount protected under TIPS	<b>RM500,000</b>	<b>RM350,000</b>

## To learn more:

**About Perbadanan Insurans Deposit  
Malaysia**



**Section I**

**Deposit Insurance System**



**Section II**

**Deposit Insurance System Disclosure  
Requirements for Member Banks**



**Section IV**