

PUBLIC FEEDBACK STATEMENT

Policy Document on Professionalism of Insurance and Takaful Agents:

Summary of Key Feedback Received from Public Consultation and BNM's Responses

In April 2022, Bank Negara Malaysia (the Bank) has issued an exposure draft on the Professionalism of Insurance and Takaful Agents for public consultation. The Bank has received feedback from 41 respondents from insurers and takaful operators (ITOs), industry associations, professional bodies and individual agents. The Bank appreciates the effort made in providing comments and suggestions that are relevant for the Bank's consideration in finalising the requirements in the Policy Document on Professionalism of Insurance and Takaful Agents (PD).

This feedback statement is intended to summarise the key feedback received and the Bank's responses to provide greater insights on the Bank's policy and supervisory expectations. Other comments and suggestions for clarification have either been incorporated in the PD or included in the Frequently Asked Questions.

No	Areas	Feedback received	Responses
1.	Types of agents that will be subject to the requirements in the ED	The definition of agent provided in the Exposure Draft (ED) does not include definition of other classes of agents as set out in the industry's Intercompany Agreements. The industry requests for clarification whether the other classes of agents would be captured in this PD.	<p>The Bank has further refined the definition of agent in the PD. The revised definition should provide further clarity on the types of agents that are subject to the PD and the relevant requirements applicable to them.</p> <p>Following the issuance of this PD, the industry associations are expected to withdraw their respective guidelines on matters already specified in this PD. The industry associations may, however, establish industry codes or best practices to assist their respective members in complying to the requirements.</p>

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2.	Due diligence process prior to appointing agents	While there are no strong objections to the requirement to conduct due diligence process, the industry enquired and proposed for the establishment of a centralised database of agents to ease the process. Such database should be accessible to all ITOs and include information of agents' details, history of employment and agents' misconduct, if any. The industry also suggested for this requirement to be coordinated by the associations to ensure ITOs' replies on reference checks requests are aligned and fair.	The establishment of the centralised database is being considered to support more effective due diligence processes by respective ITOs. The Life Insurance Association of Malaysia (LIAM), General Insurance Association of Malaysia (PIAM) and Malaysian Takaful Association (MTA) are currently working closely with the Bank to develop the database.
3.	Identification document for all registered agents.	<p>The industry sought clarification on the following issues:</p> <ul style="list-style-type: none"> a) Whether the associations will continue to issue the authorisation card/certificate of registration. b) Whether the validity of the card/certificate remains at 2 years as per current practice. The industry suggests for the Bank to standardise the validity period or empower the associations to prescribe the validity period. c) Whether customers would be able to verify the agents via the associations' website or would the associations are expected to revert to issuing physical identification cards to agents. Currently associations no longer issue physical cards as customers could verify the license status of such agents in the associations' portal. 	<p>Moving forward, the industry associations are no longer required to issue authorisation cards/certificate of registration for agents of ITOs. In this respect, the associations' role in relation to the registration of agents will be more administrative in nature i.e. maintaining the centralised database of agents. Customers may still verify the status of agents with the associations since ITOs are required to update the list and status of their agents with the relevant industry association.</p> <p>Thus, the ITOs will assume the responsibility of issuing the necessary authorisation or certification documents to enable customers to identify and verify the status of agents.</p>

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4.	Number of principals per agent	<p>An industry association sought clarification on the expectation of the associations regarding compliance to paragraph 9.10.</p> <p>If the associations are expected to take on the administrative role of maintaining the database of agents only, the associations then are no longer required to ensure agents compliance with the requirement.</p> <p>Additionally, the association sought clarification whether they are authorised to conduct verification checks on agents and sharing the verification to hiring ITOs.</p>	<p>With the issuance of the PD, the responsibility to ensure compliance to paragraph 9.10 lies with the ITOs.</p> <p>However, by virtue of paragraph 9.1(c) of the PD, the industry associations are authorised and required to support the due diligence process conducted by ITOs. This would include early notifications from the relevant industry associations to hiring ITOs on any other ITO(s) that have also registered a prospective agent, to avoid any breaches of this requirement.</p>
5..	<p>Imposition of additional qualifications to distribute life insurance or family takaful products</p> <p>a) New agents and existing agents to obtain the additional qualification within one year of appointment and two years from effective date of the PD, respectively.</p>	<p><u>Applicability</u></p> <p>This requirement should only be applicable to new agents, not to existing agents. Reasons provided are as follows:</p> <p>a) Should an existing agent fail to pass the mandatory programs, this would lead to the suspension of the agent and potentially termination. It would be unfair for these agents to be suspended or terminated due to failing to obtain the qualification as they have spent years building their career in the industry.</p> <p>b) In the past, new requirements did not affect existing agents. It is unfair to impose</p>	<p>The Bank has further revised the applicability of the additional qualification requirement on existing agents in the PD. See paragraphs 9.13 to 9.21 for details.</p> <p>The revised requirements reflect the Bank's acknowledgement that existing agents who have been in service for over 10 years would have gained the pre-requisite knowledge in risk management and insurance/takaful planning through on-the-job experience and fulfilment of continuous professional development programmes.</p>

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		<p>additional educational requirement after these agents had served numerous years in the industry.</p> <p>Existing agents should only be encouraged to attend the classes on the mandatory courses in order for them to acquire knowledge. Possessing paper qualification does not necessarily make an agent more professional. There is also no guarantee that the additional qualification requirement would eliminate errant agents. Existing agents with more than five years of experience should be exempted from this requirement.</p> <p><u>Timeframe</u> Feedback received indicated that the timeframe is too short:</p> <ul style="list-style-type: none"> a) It is overwhelming for new agents given other mandatory training required by the associations within the first two years; and b) Too challenging as these agents are in the early stage of learning the fundamentals (e.g. products, compliance, selling skills) within the first year. <p>The industry recommended the following proposals:</p>	<p>Similarly, existing agents who have been in service for 5 years or more <i>and</i> who have been consistent in achieving good or exemplary performance will also be exempted from having to pass this additional qualification.</p> <p>Nonetheless, the Bank considers the additional qualification - Module 2 of the Registered Financial Planner/Certified Financial Planner (and its equivalent Shariah qualifications) - covers essential areas on risk management and insurance/takaful planning. These topics are currently lacking in the syllabus of the existing mandatory qualifications (i.e. PCE, TBE, CEILLI) which all new candidates must pass before they can be registered as agents. The Bank considers the need to raise the bar on such minimum qualifications to be timely and commensurate with the growing complexity of products offered by life insurers and family takaful operators.</p> <p>Further extending the timeframe for new and existing agents (who do not qualify for exemptions) to obtain the additional qualification may heighten the risk of consumers being given improper advice or purchasing products that are not best suited to their needs.</p> <p>Agents who fail to pass the additional qualifications at their first attempt are encouraged to re-sit for the examination once they are ready.</p>

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		<ul style="list-style-type: none"> a) extend the requirement for new agents to obtain additional qualification to two or three years; b) Extend the timeframe for existing agents to obtain the additional qualification to three years; and c) To extend the timeframe to five years for new agents. 	<p>To ensure new agents' livelihoods are not unduly impacted during this period, new agents who fail to obtain the additional qualification within one year of appointment would not be immediately suspended. These agents would be allowed another year to obtain the qualification while continuing to service existing customers and solicit new business, under the supervision of a more senior agent who has completed or is exempted from meeting the additional qualification requirement.</p> <p>Existing agents who are not eligible for the exemption from taking the additional qualification would have two years from the effective date of the PD to pass the exam.</p> <p>In this regard, ITOs are strongly encouraged to play an active role in supporting and motivating their new agents to obtain this additional qualification, such as through cash rewards for those who succeed in passing at their first attempt and/or by subsidising the fees for attending classes or sitting for exams.</p>

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6.	Timeframe to inform associations on agent's failure to meet the fit and proper criteria	<p>The industry requested for an extension on the timeframe:</p> <p>a) To inform industry associations within 15 working days after determining appropriate actions to be taken against agents (instead of 10 days); and</p> <p>b) To inform industry associations within 10 working days in the event there are any changes in actions taken after appeal by agent (instead of 5 days)</p>	<p>The Bank is of the view that 10 working days and 5 working days (in the case of appeals) to update the associations should be sufficient as the assessment and decision made by ITOs would have already been finalised. As provided in the PD, only a brief description is required to be submitted to the respective associations. See paragraph 11.3 in the PD.</p>
7.	Effective date of the PD.	<p>Majority of the ITOs requested an effective date that is between six to 12 months post issuance of the PD.</p> <p>ITOs would require more time to enhance internal system, revise internal policies and procedures and to undertake communication and education activities to staff and agents.</p>	<p>Taking into consideration the feedback received, the Bank has agreed for the effective date to be on 1 January 2024. This should provide sufficient time and resources for ITOs to plan and effect the changes required in complying with the PD.</p>

**Policy Document on Professionalism of Insurance and Takaful Agents (PD)
Frequently Asked Questions**

No.	Paragraph/Question	Question/Suggestions	Response
1	<p>5.2 “agent” refers to any person who solicits or obtains a proposal for an ITO, offers or assumes to act on behalf of an ITO in negotiating a policy or takaful certificate or does any other act on behalf of an ITO in relation to the issuance, renewal or continuance of a policy or takaful certificate;</p>	<p>The industry seeks further clarification whether different types of intermediaries would also be applicable to this PD e.g. corporate nominees, corporate agents, bancassurance/bancatakaful.</p>	<p>The definition of agents in the PD has been further refined to reflect the actual intention, as follows.</p> <p><i>Agent refers to, except stated otherwise, any natural person (including a natural person working under Agency Leader Corporation or Corporate Agency or any other arrangements) who solicits or obtains a proposal on behalf of an ITO, negotiates a contract of insurance or a contract of takaful <u>on behalf of an ITO</u> or does any other <u>act on behalf of an ITO</u> in relation to the issuance, renewal or continuance of a policy or takaful certificate, but excludes the sales staff of licensed banks, licensed Islamic banks, and prescribed institutions.</i></p> <p>For further clarification this PD excludes individuals who are under the bancassurance/bancatakaful arrangement and other intermediaries who acts on behalf of consumers i.e. financial advisers or brokers.</p>
2	<p>5.2 “Multi-Level Marketing (MLM)-based distribution arrangement” refers to- (c) a member-get-member mode of marketing where the member who recruits a new member(s) is paid or given some form of benefit or</p>	<p>Does “member-get-member” refer to a person who introduces others to become insurance/takaful agents?</p>	<p>No, it does not refer to acts of introducing non-agents to become agents. Paragraph 5.2(c) refers to individuals (non-agents) who are remunerated for successfully ‘recruiting’ other individuals to become “referrers” (who refer customers to a registered agent).</p>

	commission, whether directly or indirectly, by a party involved in MLM.		
3	<p>8.2 The senior management of an Insurers and Takaful Operators (ITOs) is responsible for establishing ...:</p> <p>(d) a code of ethics that articulates the minimum standards of professional conduct by agents of the ITO. Such code of ethics must include the requirements for agents to:</p> <p>i. take into consideration the specific risks, needs and affordability of customers when agents make product recommendations or advice on existing insurance/takaful coverage;</p> <p>ii. provide assistance on claims and maintain contact with customers for the purpose of ensuring the continuity of services throughout the policy/certificate tenure.</p>	<p>Clarification on expectation of senior management on Code of Ethics (COE): Can ITOs adopt the best practices in the COE prepared by associations?</p>	<p>ITOs are expected to establish their own COE to govern their own agents. ITOs may adopt any relevant parts of the current COE issued by the respective associations.</p>
4		<p>Since ITOs are required to establish their own policies and procedures, there will be differing standards on appointment and retention of agents adopted by ITOs. What is BNM's take on this.</p>	<p>There would be differences in COE of each ITO due to the different levels of standard and expectations on the conduct of their respective agents. However, we are of the view that each ITO would at least cover important elements among others, fair treatment to consumers, managing conflict of interest, confidentiality of information and abuse of position.</p>

5	9.1 An ITO shall undertake the necessary due diligence process prior to appointing its agents to ensure that only qualified individuals who meet the fit and proper criteria as per paragraph 10 are appointed as agents. The due diligence process shall at minimum include:	[In relation to 9.1 (a)] Is the screening requirement applicable to existing agent?	Paragraph 9 stipulates the requirements for assessing new candidates to become agents of an ITO regardless of whether the candidates are currently agents of other ITOs or new to the industry.
6	(a) screening of a candidate being considered for the appointment as an agent by the ITO. In this regard, the ITO is required to obtain written consent from the candidate authorizing the ITO to make enquiries into the candidate's previous employment history and records;	[In relation to 9.1 (b)] Does the reference check include non-financial service providers?	Reference check is required for all previous employers/ITOs. This includes non-financial service providers (if the candidate was previously employed by non-financial service providers).
7	(b) conducting reference checks with all current and former employers/ITOs of the candidate including any internal disciplinary proceeding he/she has been subject to;	[In relation to 9.1 (d)] Please define the scope of "immediate family members".	"Immediate family members" here includes parents, siblings, spouse(s) and children.
8	... (d) obtaining a declaration by the candidate that he/she does not have any existing or potential conflicts that may raise concerns regarding his/her ability to meet the fit and proper criteria, including if any of his/her immediate family members were agents of, employed by the ITO or other ITOs with a record of disciplinary proceedings, or members of	[In relation to 9.1 (d)] What is the intention behind this requirement?	The intention is to prevent new agents from being used to serve as proxies in selling, offering or marketing of insurance or takaful products on behalf of agents that have been terminated or suspended. For example, a candidate who is applying to be a new agent under an ITO has a spouse who has been terminated or suspended by the ITO. In this case, the ITO must ensure that the candidate is not applying with the intention to serve as a proxy agent for their spouse.

	senior management or directors of any ITOs.		
9	<p>9.7</p> <p>An ITO shall maintain an up-to-date register containing the list of all its appointed agents and update the relevant industry associations as and when:</p> <p>(a) new agents are appointed;</p> <p>(b) change in appointed agents' status to active or inactive; and</p> <p>exit, expiry, ending of appointed agents' tenure with the ITO with reasons i.e. due to termination, resignation, retirement, death or total permanent disability.</p>	<p>Seek clarification on who would be maintaining the registered agents database.</p>	<p>As specified in the said paragraph, respective ITOs are expected to maintain their own database of agents registered under them and to update relevant industry associations accordingly as and when there are new appointments or changes in appointed agents status.</p> <p>ITOs may also opt to make available on their websites a list of agents registered with the ITOs to facilitate customers verifying the status of agents.</p>
10	<p>9.10</p> <p>An ITO shall take reasonable measures to ensure that - at the time of appointment and during the term of appointment with the ITO - its appointed agents (including agents which are not natural persons) do not represent more than the maximum number of ITOs that can be represented by an agent at any one time, as follows :</p> <p>(a) one licensed life insurer;</p> <p>(b) one licensed family takaful operator;</p> <p>(c) two licensed general insurers; and</p> <p>(d) two licensed general takaful operators.</p>	<p>Seek examples of reasonable measures that can be taken by ITOs.</p>	<p>Some of the measures that ITOs may consider taking to ensure agents' compliance to this requirement include:</p> <p>(a) periodic checking with industry associations;</p> <p>(b) conduct continuous market scanning of their agents' activities;</p> <p>(c) act on complaints or tip-off received from public; or</p> <p>(d) require periodic declaration from agents as part of their fit and proper assessment.</p>

11	<p>9.13 An ITO shall suspend its appointed agent from making any further sales in the event where the appointed agent fails to obtain the additional qualification within the timeframe as specified in paragraph 9.12. The suspension shall remain in effect until the appointed agent obtains the additional qualification. However, the agent may continue to service existing customers subject to paragraph 9.14.</p>	<p>Does an agent remain a servicing agent and continue to receive commission on existing business while under suspension?</p>	<p>The Bank has further revised the requirement on suspension of new agents.</p> <p>Should the new agents' fail to obtain the additional qualification within one year of appointment, they would not be immediately suspended. These agents are given another year to obtain the qualification while continuing to service existing customers and solicit new business, under the supervision of a more senior agent who has completed or are exempted from meeting the additional qualification requirements. During this period, agents remain as servicing agents and would continue to receive commissions.</p> <p>However, if the agents still fail to obtain the additional qualification by the end of the second year, these agents must be suspended from sourcing for new business until they successfully obtained the additional qualification.</p> <p>For purpose of clarity, while agents are under the suspension due to failure in obtaining M2 by the specified timeframe, the agents shall continue to:</p> <ul style="list-style-type: none"> (a) provide after-sales service to existing customers; (b) receive commissions from the existing business; and (c) conclude sales for potential customers whom the agents have provided advice and recommended products prior to the suspension. The after-sales service could also be provided.
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11		<p>(a) Is there a timeframe for when a suspended agent should obtain the additional qualification before termination?</p> <p>(b) Does an agent remain under suspension until completion of the additional qualification or up to termination?</p>	<p>Incidents leading to termination of agents are part of an ITOs' business decision. Thus, ITOs should establish their respective timelines to determine when suspended agents who continue to fail to obtain the additional qualification should be terminated.</p>
12	<p>10.2 The ITO's assessment on its appointed agent's compliance with the fit and proper criteria shall be conducted both prior to an agent's appointment and at regular intervals or whenever the ITO becomes aware of any information that may compromise the appointed agent's fitness and propriety.</p>	<p>How frequent should assessment on fitness and propriety be conducted?</p>	<p>The frequency of assessment of existing agents' fitness and propriety shall be based on the respective ITO's policies and procedures and should be commensurate to its assessment of prevailing risks relating to its own agency force. The senior management of respective ITOs are responsible for establishing and implementing effective internal governance and control framework on appointment, movement and termination of agents, including a robust due diligence process that covers compliance to the fit and proper criteria.</p> <p>In addition, ITOs are required to assess the agents' fitness and propriety in the event the ITOs become aware of the agents' potential non-compliance with the requirements on fit and proper criteria (paragraph 10 of the PD).</p>