



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Perlindungan Tenang

Applicable to:

1. Licensed insurers
2. Licensed takaful operators

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PART A OVERVIEW

1 Introduction

- 1.1 The Perlindungan Tenang initiative aims to expand the availability and quality of insurance and takaful solutions to meet the needs of the unserved and underserved segments in promoting their financial and social resilience.
- 1.2 For insurance and takaful products to qualify under the Perlindungan Tenang initiative, the products must meet the five key principles under the framework. These are -
 - (a) affordable;
 - (b) easily accessible to the target segments;
 - (c) provide good protection value;
 - (d) easy to understand; and
 - (e) easy to purchase, make nomination and to make claims.
- 1.3 This policy document provides a more enabling and fit-for-purpose regulatory framework since the launch of the Perlindungan Tenang initiative in 2017. It focuses on the following areas:
 - (a) empowering licensed persons to offer more innovative, diverse and meaningful microinsurance and microtakaful products in a sustainable manner through clearer expectations on product development;
 - (b) promoting wider take-up of microinsurance and microtakaful products by broadening the distribution channels to address challenges associated with high distribution costs, as well as enabling product combination; and
 - (c) strengthening consumer protection requirements to safeguard consumer interests.
- 1.4 This policy document sets out the qualification criteria, regulatory requirements and operational flexibilities granted under the Perlindungan Tenang framework as follows:
 - (a) product principles and features, including for riders or endorsements;
 - (b) specific requirements for combined products;
 - (c) introduction of a new category of distributor, termed as “Perlindungan Tenang partners”;
 - (d) operational enhancements, including on claims processing and management; and
 - (e) product approval process, monitoring and reporting requirements.

2 Applicability

- 2.1 This policy document is applicable to licensed persons as defined in paragraph 5.2.

3 Legal provisions

- 3.1 The requirements in this policy document are specified pursuant to-
- (a) sections 47, 123, 143, 144 and 266 of the Financial Services Act 2013 (FSA); and
 - (b) sections 57, 135, 155, 156 and 277 of the Islamic Financial Services Act 2013 (IFSA).

4 Effective date

- 4.1 This policy document comes into effect on 5 July 2021.

5 Interpretation

- 5.1 The terms and expressions used in this policy document shall have the same meanings assigned to them in the FSA and IFSA, as the case may be, unless otherwise defined in this policy document.

- 5.2 For the purpose of this policy document –

“**S**” denotes a standard, an obligation, a requirement, specification, direction, condition and any interpretative, supplemental and transitional provisions that must be complied with. Non-compliance may result in enforcement action;

“**G**” denotes guidance which may consist of statements or information intended to promote common understanding and advice or recommendations that are encouraged to be adopted;

“**combined products**” refers to a combination of a Perlindungan Tenang product(s) with other financial products offered by financial institutions;

“**financial institution**” means a person carrying on a financial business regulated under the laws enforced by the Bank including a licensed person;

“**financial products**” refers to financial products developed, offered or marketed, by a financial institution;

“**free look period**” means a required period of time in which a policyholder or takaful participant may examine a newly issued policy or takaful certificate and surrender it in exchange for a full refund of premium or takaful contribution minus any claims made;

“**grace period**” means an additional period of time after the due date of premium or takaful contribution during which payment may be made without penalty while keeping the policy or takaful certificate in force;

“**intermediary**” includes any insurance or takaful agent, financial adviser or Islamic financial adviser, insurance or takaful broker, bancassurance or

bancatakaful partner as defined under the *Policy Document on Operating Cost Controls for Life Insurance and Family Takaful Business*;

“**licensed person**” refers to a licensed insurer under the FSA and a licensed takaful operator under the IFSA;

“**Perlindungan Tenang distributor**” refers to an intermediary distributing Perlindungan Tenang products including a Perlindungan Tenang partner;

“**Perlindungan Tenang product**” refers to an insurance or takaful product approved by the Bank that meets the requirements set out in this policy document;

“**Perlindungan Tenang partner**” refers to an entity other than an intermediary appointed by a licensed person to distribute Perlindungan Tenang products;

“**Value-added service**” refers to service or benefit which is offered as part of the insurance policy or takaful certificate to the customers for the purposes of reducing or preventing the underlying risk(s) that are being covered, and access to such service or benefit by the policyholder or takaful participant is not dependent or subject to the risk event(s) being triggered.

6 Related legal instruments and policy documents

- 6.1 This policy document must be read together with other relevant policy documents, guidelines or circulars that have been issued by Bank Negara Malaysia (the Bank), in particular –
- (a) Proper Advice Practices for Life Insurance/Family Takaful Business;
 - (b) Risk Management in Technology (RMiT);
 - (c) Outsourcing;
 - (d) Internet Insurance (Consolidated);
 - (e) Internet Takaful;
 - (f) Product Transparency and Disclosure;
 - (g) Introduction of New Products by Insurers and Takaful Operators;
 - (h) Anti-Money Laundering, Countering Financing of Terrorism and Targeted Financial Sanctions for Financial Institutions (AML/CFT and TFS for FIs);
 - (i) Medical and Health Insurance Business;
 - (j) Medical and Health Takaful Business;
 - (k) Direct Distribution Channels for Pure Protection Products;
 - (l) Agent Banking;
 - (m) Management of Customer Information and Permitted Disclosures;
 - (n) Fair Treatment of Financial Consumers;
 - (o) Bancassurance;
 - (p) Bancatakaful;
 - (q) Takaful Operational Framework; and
 - (r) Prohibited Business Conduct.

7 Policy documents superseded

- 7.1 This policy document supersedes the specification letter on *Introduction of Insurance and Takaful Products Targeted at Underserved Segments* issued by the Bank on 9 November 2017.

PART B POLICY REQUIREMENTS

8 Product principles and specifications

- S 8.1 Licensed persons shall ensure that Perlindungan Tenang products, including any riders or endorsements, adhere to the following principles –

Affordable	<ul style="list-style-type: none"> Amount of premium or takaful contribution is affordable for the target group
Accessible	<ul style="list-style-type: none"> Choice of distribution channel is convenient for and accessible to the target group Product has minimal exclusions
Good value	<ul style="list-style-type: none"> Protection corresponds to key needs of the target group¹ Proportion of premium or takaful contribution allocated to insurance or takaful benefit is maximised <ul style="list-style-type: none"> This may include provision of value-added service(s)² which are relevant and tangible for the target group
Easy to understand	<ul style="list-style-type: none"> Product features are self-explanatory such that no advice is required as only simple disclosure is needed Terms and conditions, including simplified underwriting questions are straightforward Content, language, mode and timing of disclosure and marketing are suitable for customers with only a basic to no understanding of insurance or takaful Benefits are easily understood
Easy to purchase, make nomination and make claims	<ul style="list-style-type: none"> Simple processes from purchase to claims with minimal burden for the target group Simplified claims documentation that minimises the time between the risk event and pay-out Claims benefits with payment structure other than lump-sum payment basis can be considered provided that the benefits are conveniently and expediently paid to address financial burden during the risk event, and fair to the target group

¹ Please refer to Item 2 in Appendix 1 for the justification criteria.

² Please refer to Item 6 in Appendix 1 for the justification criteria.

- S** 8.2 Licensed persons shall meet the specific requirements for Perlindungan Tenang products as follows:
- (a) maximum term coverage of up to three years;
 - (b) minimum 15 days free look period and 30 days grace period for policies or takaful certificates with term coverage of at least one year;
 - (c) allows guaranteed acceptance or on-the-spot acceptance or rejection of risk;
 - (d) without savings or investment feature, or surrender benefits³; and
 - (e) claims to be paid out within five working days (for death claims) and seven working days (for non-death claims) from the receipt of a claim notification.
- G** 8.3 In relation to paragraph 8.2(e), a licensed person may suspend the time frame for calculating claims turn-around time if reasons beyond the control of the licensed person apply e.g. pending submission of required documentation from claimant or pending verification from third parties such as medical practitioners.
- S** 8.4 If a rider (for life insurance or family takaful product) or an endorsement (for general insurance or takaful product) is attached to a Perlindungan Tenang product, licensed persons shall only consider the rider or endorsement as a Perlindungan Tenang product if it meets the following requirements:
- (a) the rider or endorsement meets the principles and specifications set out under paragraphs 8.1 and 8.2;
 - (b) the rider or endorsement must complement the base Perlindungan Tenang product; and
 - (c) the rider or endorsement is attached on an opt-in basis to the base Perlindungan Tenang product, whereby surrendering the base policy or takaful certificate will terminate all related riders or endorsements in force.
- S** 8.5 Where a rider or an endorsement is offered to a Perlindungan Tenang product, licensed persons shall ensure that clear and adequate disclosure is made to customers on the following:
- (a) the option not to purchase the rider or endorsement at the point of sale;
 - (b) the sum assured or sum covered provided under the optional rider or endorsement;
 - (c) the amount of additional premium or takaful contribution that needs to be paid by the customer; and
 - (d) the information about surrendering the base policy or takaful certificate will terminate all related riders or endorsements in force.

9 Combined products

- G** 9.1 To help overcome the resistance and behavioural biases that hinder the unserved and underserved segments from purchasing insurance or takaful products, the Bank is open to consider application of product combination that

³ For the purposes of this policy document, the return of the accrued surplus in the Participants' Risk Fund, as required under the Takaful Operational Framework is not deemed to be a maturity or surrender benefit.

serves as a behavioural nudge to encourage consumers in obtaining the appropriate protection. In this regard, licensed persons may combine Perlindungan Tenang product(s) with other financial products offered by financial institutions regulated by the Bank.

- S** 9.2 Licensed persons shall ensure that the Perlindungan Tenang product(s) offered as part of the combined product has a prominent opt-out feature to give customers the option not to purchase, to withdraw from or discontinue the Perlindungan Tenang product(s) at the point of sale and during the free look period, while continuing with other components of the combined product.
- S** 9.3 Licensed persons shall consider the following in combining Perlindungan Tenang product(s) with other financial products:
- (a) appropriateness of combining the products in meeting the needs of the target group;
 - (b) mechanisms that are in place to facilitate customer awareness and to allow customers to provide feedback to the licensed persons on the combined product; and
 - (c) ability of the combined products to reach scale and drive process efficiency.
- S** 9.4 Licensed persons offering the Perlindungan Tenang product as part of a combined product shall ensure the following requirements are met:
- (a) the licensed person shall ensure that the financial institution(s) possess sufficient capacity and ability to offer the Perlindungan Tenang product as part of the combined product, and demonstrate the commitment in putting in the necessary resources to support the offering of the combined product, including setting up of infrastructure and staff training;
 - (b) the licensed person shall enter into a contractual agreement or arrangement with the financial institution(s) involved which must clearly specify the rights and responsibilities of all parties and other relevant matters, including but not limited to the following:
 - (i) issuance of policy or takaful certificate, claims servicing, collection and transmission of premium or takaful contribution, complaints handling and disputes settlement, including specific time frames or turnaround time;
 - (ii) underwriting of the Perlindungan Tenang product(s) shall be carried out by the respective licensed person(s);
 - (iii) profit, cost-sharing of expenses or any other form of remuneration to be earned by the financial institution(s); and
 - (iv) exit plan upon termination of the other component of the combined product;
 - (c) to ensure seamless customer experience and effective administration, the licensed person must identify a lead financial institution which would act as the main contact point for the customer or Perlindungan Tenang partner;
 - (d) the licensed person shall ensure that financial institutions involved shall not be absolved of their responsibility and obligations in accordance with the terms and conditions of their respective financial products; and

- (e) where a Perlindungan Tenang partner is distributing the combined product, the licensed person must ensure that the Perlindungan Tenang partner meets the necessary regulatory requirements, qualification and other relevant requirements for distributing the other financial product.
- S** 9.5 A licensed person shall ensure that the lead financial institution collecting the premium or takaful contribution attributable to the Perlindungan Tenang product(s) either directly or through any of the assigned distribution partners transmit such amount to the respective licensed person.
- S** 9.6 In the event of a claim in regard to Perlindungan Tenang product(s), a licensed person shall put in place a mechanism for the lead financial institution to forward the claim to the respective licensed person(s) and offer assistance for the expeditious disposal of claim.
- S** 9.7 In offering combined products, a licensed person must observe the following requirements:
- (a) disclose its name in all marketing materials (e.g. brochure, sales literature, policy or takaful certificate document) as the underwriter for the Perlindungan Tenang product(s) to the customer;
 - (b) disclose separately the premium or takaful contribution components of Perlindungan Tenang product(s) to the customer at the point-of-sale and post-sale stages, as well as in all marketing materials;
 - (c) notify and obtain acknowledgement from the customer about the purchase of the Perlindungan Tenang product(s) within 15 days from the date of purchase, including policy or takaful certificate coverage, opt-out option, free look period, exclusions, waiting period (if any) and claims procedures through any means of communication such as welcome calls, emails, short messaging system (SMS) or social messaging applications;
 - (d) if no acknowledgement of understanding is received from a customer arising from the notification to the customer pursuant to paragraph 9.7(c), the licensed person shall conduct the welcome call to the customer over the next 15 days. In this regard, the licensed person has to perform at least three non-consecutive call attempts⁴;
 - (e) extend the free look period on the Perlindungan Tenang product(s) to 60 days from the date of the purchase and disclose the information that if the customer terminates the Perlindungan Tenang product after the 60 days free look period, the customer may not be entitled to any refund of premium or takaful contribution; and
 - (f) ensure the withdrawal or discontinuation process is made easy, immediate and convenient for the customer.
- S** 9.8 A licensed person is required to review, or permanently or temporarily withdraw the combined product at any time, should the Bank be concerned over the effectiveness of the customer safeguards stipulated in paragraph 9.7.

⁴ At minimum, all three welcome call attempts should not be conducted in the same day.

10 Perlindungan Tenang partners

- G** 10.1 Broadening the distribution channels beyond the existing intermediaries in offering microinsurance and microtakaful products would accord greater accessibility and convenience for the customers in meeting their basic protection needs. For the purposes of distributing Perlindungan Tenang products, licensed persons may appoint entities which are not the existing intermediaries under a new category of distributors termed as “Perlindungan Tenang partners”.
- S** 10.2 For the purposes of distributing Perlindungan Tenang products, licensed persons shall not restrict or impose any limits on the number of licensed insurers and licensed takaful operators that the Perlindungan Tenang distributor is allowed to represent.

Appointment of Perlindungan Tenang partners

- S** 10.3 Subject to paragraphs 10.5 and 10.6, licensed persons shall only appoint any of the following types of entities established in Malaysia as Perlindungan Tenang partners:
- (a) a sole proprietorship, partnership or company;
 - (b) an agent bank⁵; or
 - (c) a society, including co-operatives or non-governmental organisation.
- S** 10.4 Licensed persons shall establish internal appointment criteria to ensure that the Perlindungan Tenang partner and the staff or members of the Perlindungan Tenang partner are sufficiently capable and reliable to discharge the assigned responsibilities competently, in line with the framework established pursuant to paragraph 10.18.
- S** 10.5 In appointing a Perlindungan Tenang partner, licensed persons shall ensure that due diligence on the selected entity has been conducted. At minimum, the appointed entity must be an entity which:
- (a) is approved, registered with or licensed by the relevant authorities;
 - (b) shall not be on any publicly available blacklist or watchlist issued by domestic or international authorities; and
 - (c) has permanent business premises and an established core business or function.
- S** 10.6 Licensed persons shall ensure that the staff or members of a Perlindungan Tenang partner who are directly engaged in, or responsible for distributing Perlindungan Tenang products meet the following requirements:
- (a) Malaysian citizen of at least 18 years old;
 - (b) attended the training programme(s) that is developed and provided by the licensed person as stipulated in paragraph 10.9;
 - (c) shall not be an undischarged bankrupt; and
 - (d) must not have been involved in criminal acts or acts of dishonesty.

⁵ An agent of financial institutions appointed pursuant to the policy document on *Agent Banking*.

- G** 10.7 Licensed persons may exclude Perlindungan Tenang partners from all applicable definitions of insurance or takaful agent in the intercompany agreements or guidelines of the respective industry associations⁶ and can disapply the requirements specified in the corresponding rules such as:
- (a) qualifications, written examinations, training and Continuing Professional Development; and
 - (b) minimum requirements for persistency, maintenance of contract and promotion.
- S** 10.8 Licensed persons shall develop and conduct training to ensure that the staff or members of the Perlindungan Tenang partner are sufficiently competent to discharge their responsibilities at a reasonable standard of service quality. The training must encompass, at minimum:
- (a) product features, including additional features i.e. rider or endorsement, value-added service and combined product, if any;
 - (b) standard operating procedure for product distribution, servicing and claims;
 - (c) code of ethics and conduct;
 - (d) rules on data privacy and secrecy, and the protection of confidentiality of customer information and information belonging to the licensed person;
 - (e) identification of fraud (e.g. fake/counterfeit identification documents) and the relevant mitigating and responding procedures;
 - (f) Money Laundering/Terrorism Financing risks and the relevant mitigating and responding procedures, including customer due diligence; and
 - (g) basic concepts and principles of microinsurance or microtakaful products.
- S** 10.9 Licensed persons are required to provide adequate and self-explanatory marketing and educational materials to appointed Perlindungan Tenang partners on, among others:
- (a) product features, including additional features i.e. rider or endorsement, value-added service and combined product, if any;
 - (b) claim and nomination procedures;
 - (c) contact details of the customer service centre (preferably a toll-free line at the minimum); and
 - (d) rights and responsibilities of customers.

Role and responsibilities of Perlindungan Tenang partners

- S** 10.10 For the purposes of distributing Perlindungan Tenang products, licensed persons shall ensure the Perlindungan Tenang partner describes to the customer the product features and relevant processes including premium or takaful contribution payment, policy or takaful certificate renewal and claims procedures in accordance with the marketing and educational materials provided by the licensed person. Any further queries will need to be routed to the licensed person.

⁶ Refer to General Insurance Association of Malaysia (PIAM), Life Insurance Association of Malaysia (LIAM) and Malaysian Takaful Association (MTA).

- S** 10.11 Licensed persons shall ensure the appointed Perlindungan Tenang partner does not carry on the following:
- (a) analysing the financial planning needs of a person relating to an insurance or takaful product; and
 - (b) recommending any insurance or takaful product to a person.
- G** 10.12 Provided that any assigned responsibilities commensurate with their capacity, licensed persons may allow the Perlindungan Tenang partner to assist with premium or takaful contribution collection, registration of customer and nominee's details, claims submission and claims pay-out.
- S** 10.13 Licensed persons shall ensure that all transactions by the Perlindungan Tenang partner are conducted via online on a real-time basis, and the proof of purchase is provided to the customer upon successful purchase of the Perlindungan Tenang product.
- S** 10.14 Where the premium or takaful contribution is received by the Perlindungan Tenang partner on behalf of the licensed person, the receipt shall be deemed to be receipt by the licensed person and the licensed person shall assume the risk in respect of the Perlindungan Tenang product.
- S** 10.15 Licensed persons are required to ensure internal policies, procedures, systems and controls are in place and available to support the Perlindungan Tenang partner at all stages, consistent with the *Risk Management in Technology Policy Document*. In establishing the systems and infrastructure to support the Perlindungan Tenang partner, licensed persons shall ensure the systems comply with the following:
- (a) able to support on-line real-time processing;
 - (b) able to provide a secured network including end-to-end encryption;
 - (c) robust in managing infrastructure capacity to support the Perlindungan Tenang partner's role, responsibilities and services;
 - (d) ensure adequate capacity management and performance monitoring; and
 - (e) able to provide security and cyber threat incident reports.
- S** 10.16 Licensed persons shall put in place adequate safeguards for customer protection and ensure that customers are able to identify and verify the identity of the Perlindungan Tenang partner. At minimum, licensed persons must-
- (a) ensure that the contact details of their customer service centre (preferably a toll-free line at the minimum) are prominently displayed at the business premise of the Perlindungan Tenang partner and marketing materials;
 - (b) issue a formal identification document to the Perlindungan Tenang partner, such as an authority card or certificate, that the Perlindungan Tenang partner will be required to clearly display to customers; and
 - (c) publish and update the list and details of the appointed Perlindungan Tenang partner (e.g. name, address, and the period of the appointment) on their website or other channels.

- S** 10.17 Where agent banks are appointed as Perlindungan Tenang partners, licensed persons shall ensure that the agent bank's staff do not:
- (a) market and provide explanations regarding the product beyond the marketing materials provided by the licensed person;
 - (b) facilitate manual claim or nomination applications; and
 - (c) receive physical documents from customers.

Oversight and governance of Perlindungan Tenang partners

- S** 10.18 The Board of Directors of a licensed person must establish and approve the overall framework governing the appointment of Perlindungan Tenang partners including:
- (a) policies relating to the selection, management, monitoring, operations, compliance, conduct and service quality of the Perlindungan Tenang partner;
 - (b) customer protection measures, including awareness and education strategies;
 - (c) infrastructure to support the Perlindungan Tenang partner including system and technology requirements;
 - (d) controls and monitoring to ensure compliance with relevant legislative and regulatory requirements; and
 - (e) Business Continuity Plan and contingency arrangements to ensure continuity of insurance or takaful services in the event of a disruption or arising from termination of service.
- S** 10.19 In ensuring effective oversight of the Perlindungan Tenang partner, licensed persons shall-
- (a) enter into a contractual agreement or arrangement with the Perlindungan Tenang partner that specifies the rights and responsibilities of the licensed person and the Perlindungan Tenang partner. The licensed person must ensure that the contract does not contain any clause that would prevent the licensed person from modifying or terminating the agreement or arrangement if required;
 - (b) develop and implement effective and efficient procedures to monitor and manage the conduct of the Perlindungan Tenang partner. This includes the maintenance of a proper record of all agreements or arrangements as well as conduct and performance tracking and review; and
 - (c) register and maintain an updated list of appointed Perlindungan Tenang partners for monitoring purposes.
- S** 10.20 Licensed persons must ensure that any agreements or arrangements entered between the licensed person and the Perlindungan Tenang partner provide sufficient ground for the licensed person to terminate the appointment of the Perlindungan Tenang partner in the event of any non-disclosure or inaccurate disclosure on past conduct by staff or members of the Perlindungan Tenang partner, without affecting the obligations of the licensed person to the policyholder or takaful participant.

- S** 10.21 Licensed persons shall ensure the Perlindungan Tenang partner establishes and implements measures to protect and preserve confidentiality of customer information and comply with all applicable data privacy laws in Malaysia at all times.
- S** 10.22 Licensed persons shall be responsible and accountable for the oversight of, and management of risks arising from the conduct of the Perlindungan Tenang partner including its staff or members.
- S** 10.23 Where agent banks are appointed as Perlindungan Tenang partners, the licensed person must also establish an agreement with the financial institution which had appointed the agent, specifying the roles and responsibilities of each party and collectively address any risks that may arise from the arrangement.
- S** 10.24 If any concern over the conduct of the Perlindungan Tenang partner including its staff or members, or any impact of any such conduct to customers has been brought to the attention of the licensed person, the licensed person shall suspend or terminate any agreement or arrangement with the Perlindungan Tenang partner at any time, and provide clear redress options in the event that the customers have been unfairly treated.

11 Remuneration for Perlindungan Tenang distributors

- S** 11.1 Limits on commission and agency-related expenses as specified in the following policy documents/guidelines do not apply in respect of Perlindungan Tenang distributors:
- (a) *Control Operating Costs of General Insurance Business; and*
 - (b) *Operating Costs Controls for Life Insurance and Family Takaful Business.*
- G** 11.2 Licensed persons are provided the flexibility to ascertain the structure and amount of remuneration for the Perlindungan Tenang distributors.
- S** 11.3 In designing the appropriate remuneration structure for Perlindungan Tenang distributors under paragraph 11.2, licensed persons shall take into consideration the following:
- (a) minimise the erosion of protection value of the Perlindungan Tenang product;
 - (b) minimise the Perlindungan Tenang distributor's bias towards promoting Perlindungan Tenang products with higher premium or takaful contribution which do not meet the customer's needs; and
 - (c) incentivise Perlindungan Tenang distributors to provide better quality and consistency in service delivery to support customers' needs and maintain high level of persistency rate for Perlindungan Tenang products.

12 Application requirements

- S** 12.1 Licensed persons are required to seek prior approval from the Bank before launching any Perlindungan Tenang product, either on a standalone basis or part of a combined product, including any introduction of riders, endorsements or value-added service(s) and involving a new distribution channel (e.g. appointment of a new category of Perlindungan Tenang partner).
- S** 12.2 For purposes of paragraph 12.1, licensed persons are required to submit an application⁷ for the Bank's approval. The written application shall be submitted to the Pengarah, Jabatan Penyeliaan Insurans dan Takaful, Bank Negara Malaysia.
- S** 12.3 When offering riders or endorsements, value-added services, combined products, or appointing of a new category of Perlindungan Tenang partner, licensed persons shall submit the proposals together with the product application, for the Bank's assessment pursuant to paragraph 12.2.
- S** 12.4 For existing insurance or takaful products that are currently being sold in the market, licensed persons shall provide together with the product application the following information to date:
- (a) Number of policies or takaful certificates sold;
 - (b) Number of persons covered (if group policy or takaful certificate); and
 - (c) Data on claims experience including number and amount of claims paid as well as the claims ratio.
- S** 12.5 Licensed persons shall submit any revisions made to the original Perlindungan Tenang product application to the Bank through an addendum. Submission of an addendum to reflect changes to pricing, distribution and material operational processes is subject to the Bank's approval.
- S** 12.6 For the purpose of the submission under paragraph 12.5, licensed persons must include the following:
- (a) justifications for the revision(s);
 - (b) a comparison of original and revised aspects of the Perlindungan Tenang product and related documents;
 - (c) a history of all previous related revisions; and
 - (d) a description of the impact, if any, on the product's adherence to the Perlindungan Tenang principles and specifications as set out in paragraphs 8.1 and 8.2.
- S** 12.7 Licensed persons shall ensure that the Perlindungan Tenang product approved by the Bank carries the designated "Perlindungan Tenang" logo to enable the public to recognise such Perlindungan Tenang product⁸. The logo shall be displayed on the disclosure and marketing materials of the Perlindungan Tenang product as well as at the business premises of the Perlindungan Tenang partner.

⁷ Please refer to Appendix 1 for the Information checklist for Perlindungan Tenang product application, together with Appendix 2 for general insurance and takaful product.

⁸ For avoidance of doubt, the Perlindungan Tenang logo can only be used for Perlindungan Tenang products approved by the Bank.

After the Bank has approved the product pursuant to paragraph 12.1, licensed persons shall obtain the logo from the respective industry associations, which are entrusted for the management and administration of the logo.

13 Monitoring and reporting

- S** 13.1 In monitoring the effectiveness and progress of the Perindungan Tenang product, licensed persons shall maintain a report of the performance of the Perindungan Tenang product on a half-yearly basis (reporting period) in accordance with the reporting templates listed in Appendix 3 or at such intervals, in the manner or form as specified in the Bank's approval letter.
- S** 13.2 Licensed persons shall submit the completed report in relation to paragraph 13.1 digitally to the Pengarah, Jabatan Perkhidmatan Data dan Statistik, Bank Negara Malaysia via the Integrated Submission Platform (ISP) in accordance with the submission instructions stated in Appendix 4.
- S** 13.3 Licensed persons shall submit the completed report referred in paragraph 13.1 within twenty-eight (28) days after the end of each reporting period. Licensed persons shall also submit any additional information as specified in the reporting templates on an annual basis, together with the submission for the second half of the year. The first submission of report for the period of July to December 2021 shall be submitted by licensed persons to the Bank by 28 January 2022.
- S** 13.4 In respect of paragraph 13.3, in the event that the deadline falls on a non-working day, the completed report must be submitted to the Bank by next immediate working day, unless otherwise informed by the Bank in writing on the revised deadline.
- G** 13.5 Licensed persons are encouraged to continually monitor and undertake process enhancements to improve customers' experience including purchasing, nomination, post-sales servicing and claims of the Perindungan Tenang product.
- S** 13.6 If the performance for the rider or endorsement, combined product, or value-added service(s) does not meet the expected level, a licensed person must undertake necessary actions as required by the Bank to ensure the Perindungan Tenang product continues to meet the needs of the target group.

PART C APPENDICES**Appendix 1: Information checklist for Perlindungan Tenang product application**

Documents	Tick if appended
<p>1. Product documentation and overview</p> <p>(a) For life insurance and family takaful or medical and health insurance and takaful, all information as specified in Paragraph 13.4 of the policy document on <i>Introduction of New Products by Insurers and Takaful Operators</i> issued on 15 May 2015. Projected business volume shall be for a minimum projection period of three years. For group policies or takaful certificates, please provide the target number of insured or covered persons.</p> <p>(b) For general insurance and takaful, all information as specified in Appendix 2.</p>	
<p>2. An explanation of how the proposal has been designed to meet the profile and needs of the target group, including justifications on how the product meets the Perlindungan Tenang principles listed in paragraph 8.1. To demonstrate this, the licensed person shall provide the following:</p> <p>(a) Key features/benefits of the product;</p> <p>(i) Rationale on suitability of the benefits in meeting the needs of customer; and</p> <p>(ii) Justification on the mode of benefits payment, i.e. lump sum or non-lump-sum is beneficial for the customer from proven experience/studies (if any);</p> <p>(b) The relevant target group, and the risks it seeks to address, including:</p> <p>(i) Characteristics of the target group, e.g. age range, gender, life stages, socio-economic characteristics, geographical location and any other defining characteristics;</p> <p>(ii) Impact of the risk events; and</p> <p>(iii) Existing coping mechanisms and their effectiveness (if available);</p> <p>(c) Comparison with existing products/services currently available in the market to address the risks, and highlight any modifications or advantages of the product to be introduced;</p> <p>(d) Market research in support of the above assessments, for example:</p> <p>(i) Market study/analysis;</p> <p>(ii) Questionnaire or surveys;</p> <p>(iii) Focus Group Discussions;</p> <p>(iv) Pilot tests; and</p> <p>(v) Reference to official publications such as Department of Statistics Malaysia's reports; and</p> <p>(e) Key Performance Indicator(s) to achieve on a yearly basis for continuous assessment on the relevancy of the product.</p>	
<p>3. A clear explanation of any departure from existing regulatory requirements sought (if any), including:</p> <p>(a) justification as to why it is necessary;</p> <p>(b) how the regulatory flexibility required will benefit the customer;</p> <p>(c) an assessment of arising risks; and</p> <p>(d) how these risks will be managed.</p>	
<p>4. A clear map of operational processes, including expected timelines and the customer journey</p> <p>(a) Marketing and disclosure;</p> <p>(b) Purchase or enrolment;</p> <p>(c) Mode and frequency of premium or takaful contribution payment;</p> <p>(d) Nomination, including how customers will be reminded to nominate;</p> <p>(e) Enquiries, including how to access critical documents such as policy or takaful certificate, claim form and nomination form;</p>	

<ul style="list-style-type: none"> (f) Cancellation; (g) Claims notification, submission and settlement, including claims documentation and how claims will be paid out; and (h) Renewals. 	
<p>5. If involving a new distribution channel, including the appointment of a new category Perlindungan Tenang partner:</p> <ul style="list-style-type: none"> (a) clear description of the role and responsibilities of the distribution channel; (b) structure and amount of remuneration including justifications on how the remuneration structure takes into account the considerations listed in paragraph 11.3; (c) procedures to ensure oversight of and management of risks arising from the proposed distribution model such as operational including IT-related risks, conduct, AML/CFT or other risks; (d) plans to ensure capacity and competence of the distribution channel to carry out its responsibilities; and (e) the value of appointing a Perlindungan Tenang partner which was already appointed by another licensed person. 	
<p>6. If involving the offering of value-added service(s) as part of the policy or takaful certificate:</p> <ul style="list-style-type: none"> (a) Clear description of key features of the value-added service(s) to be provided as part of the Perlindungan Tenang offering; (b) Rationale on how the value-added service(s) are relevant and how these will benefit customers to reduce related risks, as well as comparison with existing offerings in the market (including any studies or market research, if available); (c) Justification on the financial value associated with the offering of the value-added service(s), which may include expected cost savings to customers in using the value-added services; (d) Cost structures in providing the value-added service(s), including actual technical costs and plans in managing the associated costs; and (e) Clear Key Performance Indicators or targets to be achieved with timelines. 	
<p>7. Applications for any other concurrent regulatory approvals needed under other existing policy documents/guidelines, for example:</p> <ul style="list-style-type: none"> (a) <i>Introduction of New Products by Insurers and Takaful Operators;</i> (b) <i>Internet Insurance/Takaful;</i> (c) <i>Takaful Operational Framework;</i> (d) <i>Outsourcing;</i> or (e) any other relevant policy documents, guidelines or circulars issued by the Bank to the Bank's regulatees particularly on the introduction of combined products or the appointment of Perlindungan Tenang. <p>Please state the full list of approvals sought in the application letter, and to identify if separate applications to the other departments in the Bank has been submitted, if any.</p>	

Appendix 2: Documentation for Perlindungan Tenang product application (for general insurance and takaful product)**A. General information****1. Product description**

Summary of the product i.e. type and purpose of cover, benefits and premiums or takaful contribution for all plan options

2. Marketing name(s)**3. Target product launch date****4. Distribution channel(s) and target group(s)**

- (a) Provide details of the distribution channel(s) which will be used to market the product, including any specific sales strategy and partner names such as bancassurance or bancatakaful partners or Perlindungan Tenang partners; and
- (b) Provide details on the target market and the risk(s) the product seeks to address similar to Appendix 1 Item 2(b).

5. Projected business volume

- (a) Specify the target or projected business volume for a minimum projection period of three years, in terms of monetary value (RM) and number of policies or takaful certificates. For group policies or takaful certificates, please provide target number of insured or covered persons; and
- (b) The target or projected business volume can be presented at more granular levels by distribution channels, age bands or customer segments, if there is such a differentiation.

B. Detailed product description**6. Nature of contract and product benefits**

- (a) Duration of contract;
- (b) Specific underwriting considerations and/or underwriting questions for this product;
- (c) Benefits available under this product
 - i. Describe the benefits provided in relation to the contingencies covered by the product;
 - ii. State the minimum or maximum sum insured or covered; and
 - iii. Indicate the cessation of any particular benefits at a predetermined date, or at policy or takaful certificate anniversary;
- (d) Benefit schedule if applicable, giving full details on each benefit payable including any limits;

- (e) Rebate, surplus sharing or other non-claim pay-outs or benefits;
- (f) Available options and guarantees-
 - i. Describe any options and guarantees available under the product;
- (g) Key exclusions or limitations-
 - i. Describe all major exclusions or limitations in terms of coverage for this product; and
- (h) Applicable excesses.

7. Premium or takaful contribution and charges

- (a) Table of premium or takaful contribution rates
- (b) Describe the premium or takaful contribution term, frequency and any contingent or reinstatement premiums or takaful contribution that is applicable; and
- (c) Provide details on fees or charges including the basis, conditions and purpose of the imposed fees or charges, taking into account the considerations listed in paragraph 11.3.

8. Smoothing of premium or takaful contribution rates

- (a) If premium or takaful contribution rates are smoothed, provide a comparison of the premium or takaful contribution rates with and without smoothing; and
- (b) Explain the financial impact of the smoothing on the total expected portfolio.

9. Endorsements available for this product

Specify the endorsements currently available for this product subject to the requirements in paragraph 8.3.

C. Pricing basis

10. Technical basis

- (a) Describe in detail the methodology used to price the product. Where combinations of pricing approaches are used, provide the methodology and rationale for each pricing approach;
- (b) State the underlying assumptions of this product;
- (c) Provide the rating differentials and parameters used-
 - i. If Generalised Linear Models (GLM) are used, provide the relativity factors and the base price of the GLM; and
 - ii. If a formula method is used for pricing, provide and explain the formula;
- (d) Provide the expense assumption used to price this product;
- (e) Describe the remuneration structure for this product and its rationale;
- (f) Describe the basis for profit loading, if any;
- (g) Describe the basis for any additional contingency buffer, such as to compensate for the lack of data for new features or insured/covered perils;

- (h) State the basis and methodology used for the valuation of reserves for the product; and
- (i) State the basis and methodology used to determine the capital required for the product.

11. Reinsurance or retakaful arrangement

Describe the reinsurance or retakaful arrangement for the product, including the form of reinsurance or retakaful, the retention level and name of the reinsurer(s) or retakaful operator(s) as well as their financial rating(s).

12. Departure from technical basis

Justify any departure of pricing from the premium or takaful contribution rates obtained if the technical basis under paragraph 10 is adopted in its entirety.

D. Documents for marketing and contractual uses

13. Policy documentation, disclosure and marketing material

- (a) proposal form;
- (b) nomination form;
- (c) policy or takaful certificate;
- (d) policy or takaful certificate schedule;
- (e) marketing brochure;
- (f) telemarketing script;
- (g) flyers;
- (h) policy or takaful certificate information statement; and
- (i) product disclosure sheet.

E. Additional supporting information

The information in the remaining paragraphs in Appendix 2 does not have to be submitted together with the application. However, a licensed person must maintain proper internal documentation of the information below and submit such information to the Bank when required by the Bank.

14. Financial impact analysis

- (a) Provide the results of financial projection for a minimum projection period of one year, including-
 - i. business volume in terms of monetary value and number of policies or takaful certificates;
 - ii. projected profitability using relevant profitability measures such as profit margin, return on equity etc.; and
 - iii. projected capital requirement and impact to capital position, including capital required, capital available and capital adequacy ratio (CAR).

The results shall be provided with and without the quantitative impact of the departures described under paragraph 12 of this Appendix.

- (b) Provide quantification results of sensitivity test and break-even analysis for key risk factors, including-
- i. results and comments on the sensitivity tests on the profit margins for the overall portfolio and the key model points by varying the assumptions of key rating factors. The comments must take into account the validity of the sensitivity tests, plausibility of occurrence, non-linearity of risks, correlations, etc.;
 - ii. explanation on the appropriateness of stress levels applied; and
 - iii. results and comment on the stress level of the key risk factors which lead to the break-even point of the projected profit margin.

15. Product risk management

- (a) Provide details of the risk management for the product including-
- i. description of the product's key inherent risks from the perspectives of both the licensed person and customers;
 - ii. systems and/or processes in place to manage the risks identified and the effectiveness of the measures; and
 - iii. consistency of the product with enterprise risk and capital management, including-
 - (A) consistency of the product with internal risk appetite, risk limits and capital limits;
 - (B) any capital support provided for the product and the measures of when the capital will be recouped; and
 - (C) any product specific risk limits, thresholds or triggers for re-pricing or ceasing new business.
- (b) For new products distributed through internet, wireless or other electronic channels, provide a brief description on the IT infrastructure and risks management for IT-related risks. This includes-
- i. assessment of the IT-related risks and measures put in place to mitigate the risks;
 - ii. description on application security and application architecture diagram;
 - iii. IT and network security infrastructure arrangements; and
 - iv. network diagram (where applicable) depicting external linkages and control checkpoint.

Appendix 3: List of reporting templates

Template	Title	Reporting Applicability
A	Perlindungan Tenang Product Information & Pricing Breakdown	1H, 2H
B	Report on Perlindungan Tenang Product Progress	1H, 2H
C	Report on Annual Experience Breakdown for Perlindungan Tenang Product	2H
D	List of Perlindungan Tenang Partners for Perlindungan Tenang Product (if any)	2H

Please refer to the attachment to this policy document - *Perlindungan Tenang Reporting Templates.xlsx*. The reporting templates are also available online and can be downloaded from the Integrated Submission Platform (ISP) at <https://statsmart.bnm.gov.my/statsmart/>.

Appendix 4: Submission instructions

A. Specific Instructions

1. The completed reporting templates shall be submitted to the Bank via the Integrated Submission Platform (ISP) at <https://statsmart.bnm.gov.my/statsmart/> in accordance with the instructions provided in Parts B, C and D of this Appendix.
2. For purposes of submission of document or information in relation to paragraphs 13.2 and 13.3, licensed persons shall observe the following steps-
 - (a) the licensed person shall download the reporting templates via the ISP;
 - (b) the licensed person shall not change the format of the reporting template or any formula provided therein to avoid processing errors;
 - (c) the licensed person shall follow the File Naming Specification provided in Part C of this Appendix; and
 - (d) once the Excel template is completed offline and ready for submission, the licensed person shall upload the completed report via the ISP to transmit it online to the Bank.
3. Enquiries on reporting-related matters shall be directed via email to jpsinsgrp@bnm.gov.my

B. Access the Integrated Submission Platform (ISP)

No.	Activity	By whom	Date
1.	i. Connect to the BNM Production environment (via internet) to access STATsmart Portal https://statsmart.bnm.gov.my/statsmart ii. For a new Reporting Entity ⁹ (RE) Submitter and RE Approver, please register via STATsmart Portal. iii. Please be guided by Section 3.0 of the Integrated Statistical System (ISS) User Manual on STATsmart for Reporting Entities (July 2018), provided in part D of this Appendix (hereafter User Manual). iv. For first time login, RE Submitter and RE Approver are required to change the password immediately to activate the account after the registration is approved by RE Security Administrator (SA).	RE Submitter and RE Approver	Access request to designated Security Administrator to be completed by 31 October 2021.

⁹ For purpose of this Appendix, a Reporting Entity (RE) has the same meaning as a licensed person as defined in paragraph 5.2 of this policy document.

2.	<p>The appointed RE SA will be responsible to approve the registration of the new RE Submitter and RE Approver.</p> <p>Please be guided by Section 4.0 of the User Manual.</p>	RE Security Administrator (SA)	Upon registration of new RE Submitter & RE Approver
3.	<p>Once the RE Submitter and RE Approver have been registered and activated in the STATsmart Portal, the appointed RE SA is required to login into the (ISP) via the 'Support' tab in STATsmart Portal to perform User Role Maintenance i.e. to assign RE Submitter and RE Approver to the relevant Submission Obligations as follows-</p> <p>Subject Area: Financial Statistics</p> <p>Sub-Subject Area: Industry Specific Reporting</p> <p>Submission Form Template:</p> <ul style="list-style-type: none"> i. PT_INS ii. PT_TO <p>Submission Obligation:</p> <ul style="list-style-type: none"> i. ASWP_PERLINDUNGAN_TENANG_INS ii. ASWP_PERLINDUNGAN_TENANG_TO <p>Please be guided by Section 9.1.4 of the User Manual.</p>	RE Security Administrator (SA)	31 October 2021 – 30 November 2021
4.	<p>RE Submitter and RE Approver shall then proceed with submission process accordingly.</p> <p>Please be guided by Section 9.1.10 of the User Manual.</p>	RE Submitter and RE Approver	1-28 January 2022 and next submission deadlines

C. File Naming Specifications

1. A RE shall name their Perlindungan Tenang report in accordance with the following naming conventions-

Component	Data Type	Possible Values
Data Header	CHAR(2)	[PT] Perlindungan Tenang
FI Type	NUMERIC(2)	[34] Licensed insurance companies [40] Licensed takaful operators
FI ID	NUMERIC(3)	001 to 999
Reporting Frequency	CHAR(2)	[1H] Reporting Half Yearly <i>Example: Reporting date from 1 January to 30 June</i>
Reporting Year	CHAR(4)	[2021] YYYY <i>Example: Reporting year of 2021</i>
Form Version	CHAR(4)	[V1.0] VX.X <i>Form version of Reporting Template as issued by BNM</i>
Extension		.xlsx

2. Below are examples of the file naming conventions for Perlindungan Tenang reports to be submitted to the Bank-

a) Insurance Companies

PT34409_2H2021V1.0.xlsx

Perlindungan Tenang report for reporting date 1 July 2021 to 31 December 2021 from MCIS INSURANCE BERHAD (format version 1.0)

b) Takaful Operators

PT40605_1H2022V1.0.xlsx

Perlindungan Tenang report for reporting date 1 January 2022 to 30 June 2022 from TAKAFUL IKHLAS FAMILY BERHAD (format version 1.0)

D. User Manual



ISS User Manual on
STATsmart for RE_July