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1. INTRODUCTION

- 1.1 The current market practice of insuring motor vehicles without reference to any vehicle valuation database has not only given rise to over-insurance or under-insurance by consumers but also disputes on market value of vehicle at the point of loss. The subjectivity in determining the market value of vehicle could potentially lead to abusive practices to the detriment of consumers.
- 1.2 With the availability of industry motor vehicle valuation databases, insurers / takaful operators are now able to determine the market value of most of the motor vehicles at the point of sale as well as at the point of loss.
- 1.3 The objective of the circular is to ensure consumers are properly advised on the appropriate market value of motor vehicle to address over-insurance or under-insurance. In addition, consumers will also be assured of objective determination of market value of vehicle at the point of loss.

2. APPLICABILITY

- 2.1 The circular is applicable to general insurers licensed under the Insurance Act 1996 and takaful operators registered under the Takaful Act 1984, and their intermediaries.

3. LEGAL PROVISIONS

- 3.1 The circular is issued pursuant to section 201 of the Insurance Act 1996 and section 69 of the Takaful Act 1984.

4. EFFECTIVE DATE

- 4.1 The circular is effective from 1 August 2011.

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5. MARKET VALUE OF MOTOR VEHICLES

- 5.1 Insurers / takaful operators and their agents are required to advise consumers during the pre-contractual stage or renewal of motor insurance / takaful cover of the following:-
- the present market value of the motor vehicle;
 - the importance of insuring the vehicle at the appropriate market value; and
 - the effect of over-insurance and under-insurance when a claim is made.
- 5.2 Advice to consumers on the present market value must be based on the ISM Automobile Business Intelligence System (ISM-ABI system) or any other credible vehicle valuation database. The present market value should be indicated in the renewal notice or product disclosure sheet.
- 5.3 To ensure consistency in the market value of an insured vehicle at the point of insurance and subsequent claim, the insurer / takaful operator should use the same reference database to determine the market value of the vehicle in both instances.
- 5.4 The present market value should be provided to consumers without any additional charge to consumers.
- 5.5 If the consumer agrees to insure at the value recommended by the insurer / takaful operator, average clause will not be applicable in the event of partial loss claim.
- 5.6 However, if the market value of the motor vehicle is not available in the vehicle valuation database, the insurer / takaful operator may indicate the current sum insured of the vehicle, where available. In such cases, the insurer / takaful operator should mention in the renewal notice that the sum insured indicated is based on the previous year's sum insured, and that the current market value of the motor vehicle may have further depreciated.