2 Policies and Developments

Policies and Measures to Strengthen the Industry

Setting up of Islamic Banking and Takaful Department

In line with the Government's commitment to further enhance and strengthen the Islamic banking system and takaful industry in Malaysia, a new department known as the Islamic Banking and Takaful Department was established in October 2000. The Department was vested with the responsibility to formulate strategic and prudential policies as well as to handle and monitor operational aspects of Islamic banking and takaful in Malaysia. However, the supervision and examination of Islamic banks and takaful operators will continue to be handled by the respective Supervision Departments.

Code of Ethics for Takaful Operators

The Code of Ethics for Takaful Operators (Code) which was drawn up with the assistance of BIMB Institute of Research and Training Sdn. Bhd. (BIRT) in consultation with BNM and the takaful operators was introduced in May 2000. Subsequently, a Takaful Industry Committee was established to supervise the compliance aspect of the Code along with the Disciplinary Committee, which will deal with any breaches of the Code. In this respect, BIRT has been appointed as the Secretariat for the Takaful Industry Committee. With the implementation of the Code, it is envisaged that the standard of corporate governance among the takaful operators will be elevated further, while creating a common platform for them to collaborate and promote takaful business efficiently.

Measures Taken by Takaful Operators

The takaful operators continued in their efforts to develop and promote takaful business during the year under review. Among the measures taken by the takaful operators in year 2000 were:-

- **Expansion of Distribution Network**

  The takaful operators continued to conduct training programmes for their staff and agents to market takaful products. To further boost the family takaful business, one takaful operator recruited additional marketing personnel specialising in marketing family takaful products including the Employee Provident Fund (EPF) Takaful Annuity Scheme (SATK). In addition, the takaful operators entered into strategic alliances with two financial institutions and five co-operatives to market takaful products. One takaful operator had the support of Pos Malaysia Berhad to open special counters to sell its takaful products at selected post offices throughout the country.

- **Sale of New Products**

  The takaful operators introduced several new products during the year under review in their effort to offer a complete range of takaful products to fulfil the needs of the public. Among the new products launched were Takaful Critical Illness Plan and the SATK. The SATK was introduced effective 1 July 2000 with the objective of providing an option for retirees to save for their post-retirement years. Under the SATK, contributors can withdraw their EPF contributions to purchase annuity products from takaful operators. With the introduction of the new scheme, takaful annuity business in Malaysia is expected to increase significantly due to greater awareness of the need for people to plan for their post-retirement income. To date, the SATK has received encouraging response from the contributors, with the SATK constituting about 20% of the total EPF funds invested in the annuity scheme as at end November 2000.

- **Improving Quality of Service**

  Realising the importance of providing a high quality level of service to its customers, the takaful operators have initiated efforts to achieve ISO 9001 certification. One takaful operator has engaged a consultant to look into all aspects of its operations with the objective of achieving ISO 9001 certification by the year 2001. Another significant milestone by a takaful operator is the engagement of a rating agency to rate the operator's ability in fulfilling its claims obligation. One of the takaful operators has been rated A1 in terms of its claims paying ability.

The takaful operators have been requested to improve the level of services offered to clients in order to tap new potential areas to increase market penetration. In addition, new alternative and cost-efficient distribution channels should also be explored to promote takaful business.

Other Related Matters

Regional Cooperation

The Sixth Annual Conference of the ASEAN Takaful Group (ATG) was held in Labuan on 9 – 10 October 2000, hosted by Asean Retakaful International (L) Limited. The Annual Conference was held to foster and enhance understanding and cooperation among takaful and retakaful operators in the ASEAN member countries. Among the topics discussed at the Conference were the harmonisation and standardisation of takaful operations, recent issues and developments of takaful business in Indonesia and Takaful Operators Agreement on Code of Ethics – A Malaysian Perspective. The Annual Conference was attended by takaful operators from Malaysia, Brunei, Indonesia and Singapore as well as financial institutions based in Labuan, including brokers and reinsurers with interest in the takaful industry.

International Cooperation

Technical Assistance and Joint-Ventures

Malaysian takaful operators continued to render technical assistance and support to various parties in their effort to promote takaful business in the region and internationally. Serious efforts have been undertaken to explore the possibility of joint-ventures and knowledge sharing with parties in Asia and the Middle East. Near to home, one takaful operator is providing technical assistance to a Singapore takaful entity to provide general takaful products to meet the requirements of the Singaporean Muslim community. The D-8 project on takaful has also made considerable progress, whereby in line with the resolutions of the workshop on retakaful for D-8 member countries held in Kuala Lumpur in June 1999, two new takaful operators were established in Bangladesh. A Malaysian takaful operator is involved in providing technical assistance and support to these new takaful operators. In the Middle East, Malaysian takaful operators continued to forge alliances with Islamic financial institutions in Qatar, Saudi Arabia and Bahrain. These are part of the efforts of Malaysia in promoting expertise and technical knowledge in takaful especially among Muslim countries.

As part of the programme to increase the market for Asean Retakaful International (L) Limited (ARIL) in the region and towards realising the objective of transforming ARIL into a well-capitalised retakaful operator, ARIL conducted working visits to a number of countries including Iran, Qatar, Bahrain, Saudi Arabia and Bangladesh to promote and solicit retakaful business. The response in terms of retakaful support for ARIL from countries and takaful operators have been encouraging. During the visits, ARIL also emphasised on the need for new takaful companies to be established in all D-8 member countries to support the development of ARIL and retakaful at large.