Policies and developments

- Policies and Measures to Strengthen the Industry
- Other Related Matters

Policies and Developments

Policies and Measures to Strengthen the Industry

Financial Sector Masterplan

On 1 March 2001, BNM launched the Financial Sector Masterplan (FSMP) that charts the future direction of the financial system over the next 10 years and outlines the strategies to achieve a diversified, effective, efficient and resilient financial system. Included in the FSMP is a chapter on Islamic banking and takaful that sets out recommendations for both the development of the Islamic banking sector and takaful industry. The overall objective is to create an efficient, progressive and comprehensive Islamic financial system that contributes significantly to the effectiveness and efficiency of the Malaysian financial sector while meeting the economic needs of the nation.

The takaful industry in particular will evolve in parallel with the conventional insurance and is expected to constitute 20% of the insurance market share by 2010. It is envisioned that the takaful landscape in year 2010 would be represented by a number of strong and well capitalised takaful operators offering a complete range of Islamic financial products and services, underpinned by a comprehensive and conducive Syariah and regulatory framework and supported by a sufficient number of well-trained, high calibre individuals and management teams with the required expertise. Above all, the successful achievements of these elements will epitomise Malaysia as a regional financial centre in the area of takaful.

New Takaful Operator

Concomitant with the recommendations in the FSMP, the existing number of takaful operators may not be sufficient to increase the market penetration level of the takaful industry. To accelerate the expansion of takaful business and to inject greater market competition in terms of pricing, product innovation, customer service and operational efficiency, BNM plans to issue new takaful licenses to suitable applicants to meet one of its key strategic actions set under the FSMP. As a matter of policy, BNM will only issue full-fledged licenses while marketing takaful products on a window basis by conventional insurers would not be allowed. In July 2001, the Minister of Finance had approved an application by a banking group to carry on takaful business. The third takaful operator is expected to be fully operational by mid-2002.

Takaful Operators Statistical Systems

BNM is in the final stages of developing the online submission of statistical returns for takaful business that comprises both the family and general takaful business. Apart from replacing the manual submission of statistical reporting, the statistical returns would enable the takaful operators to submit their returns in a standard format, enabling BNM to better analyse the returns for comparability and accuracy.

Islamic Banking and Takaful Week

As part of the initiatives to broaden the effective dissemination of Islamic banking and takaful, BNM organised the Islamic Banking and Takaful Week (IBTW) from 26 October to 2 November 2001. The objective was to enhance greater awareness and knowledge among the public on Islamic banking and takaful as well as on the Islamic financial products and services available at the financial institutions. The takaful operators participated in the week by organising various programmes such as forums, seminars, publication of articles and public booths nationwide.

Insurance Mediation Bureau

In order to promote high standards of consumer protection and fair dealings with the takaful participants, it is critical that the Insurance Mediation Bureau (IMB) extends its mediation services to cover the takaful industry. In January 2001, the IMB passed a special resolution to amend its Memorandum and Articles of Association to allow takaful operators to be members of the IMB and to include references in relation to complaints, disputes and claims arising from general and family takaful business. Following these amendments, the Council of IMB was increased to six members, one of whom shall be a Syariah scholar as a mediator nominated by BNM.

Development and Measures Taken by the Takaful Industry

Takaful operators continued their efforts to develop and promote the takaful business during the year under review. Among the measures taken by the takaful operators in year 2001 were: -

- **Expansion of Distribution Network**
  Takaful operators had conducted continuous training programmes for their staff and agents to market takaful products in order to enhance their professionalism in carrying out their duties effectively. One takaful operator has developed a training module for its new marketing personnel specialising in family takaful to be conducted by Islamic Banking and Finance Institute Malaysia (IBFIM). Apart from opening more branches, takaful operators continued to utilise public avenues such as shopping complexes by opening temporary takaful booths to market takaful products to the public. One takaful operator has entered into an arrangement with Bank Kerjasama Rakyat Malaysia to market general takaful products through its branch network nationwide.

- **Services Efficiency**
  One takaful operator participated in a consortium of insurers to collaborate with the Road Transport Department (RTD) in a pioneer project for the issuance of an electronic cover note system. Under this system, information on every motor takaful certificate issued by the takaful operator will be electronically forwarded to RTD for vehicle road tax renewal. The implementation of this system, which will be introduced nationwide in the near future, would effectively address the long-standing problem of forged cover notes. In July 2001, the takaful operators adopted the Chain Collision Procedure initiated by Persatuan Insurans Am Malaysia (PIAM). Following the adoption of this procedure, the co-operation between the takaful operators and the conventional general insurers would be enhanced with regard to motor claims settlements and will facilitate faster claims settlement as this procedure is based on the non-liability concept.

Takaful operators have been requested to form an association as an official platform to facilitate dialogues and discussions between BNM and the industry. The establishment of the association, which is expected to materialise in year 2002, is crucial given the expected increase of takaful operators in the year to come. In an effort to promote better self-regulation and professionalism, the takaful agents of one takaful operator had taken the initiative in forming a takaful agent association. The objective of the association is to safeguard the interests and well being of its members, provide training, motivation and necessary skills in an effort to increase public participation in the takaful industry.

IBFIM plays an instrumental role in enhancing the level of awareness and the development of the takaful industry in Malaysia. In June 2001, IBFIM in collaboration with the ASEAN Takaful Group organised the International Summit on Takaful in Kuala Lumpur. The objectives of the Summit were, among others, to appreciate takaful business and the sharing of experience of takaful business globally, as well as to discuss Syariah and other related issues towards strengthening the takaful business. During the year, the Malaysian Insurance Institute complemented IBFIM's role by offering a number of professional and technical training programs for takaful personnel and agents such as the Certificate in Insurance Practice and Pre-Contract Examination for Insurance Agents.

Other Related Matters

Regional Co-operation

The Seventh ASEAN Takaful Group (ATG) Annual Conference was held on 17-18 October 2001 in Brunei Darussalam, jointly hosted by Insurans Islam TAIB Sdn. Bhd. and Takaful IBB Berhad. The ATG was formed in 1996 with the main objective to foster and enhance understanding and co-operation among takaful and retakaful operators in the ASEAN member countries. Among the main topics discussed at the Conference were the setting up of training and professional development centre for the ATG and the development of takaful business in Brunei. The Conference also accepted Best Re, a Tunisian reinsurer as an associate member of the ATG. The Annual Conference was attended by takaful operators from the region and financial institutions based in Labuan, including brokers and reinsurers with interest in the takaful industry.

International Co-operation

One Malaysian takaful operator together with IBFIM has been providing technical assistance and support to various parties in their effort to promote takaful business regionally and internationally. Among the technical support given was to the two new takaful operators in Bangladesh, which were established in 2001. On the training aspect, a Workshop on Ethics and Operational Aspects of Islamic Insurance and Reinsurance was organised by IBFIM in Dhaka in November 2001 with the cooperation of the Bangladesh Insurance Academy. The international programmes were organised with the objective of introducing and promoting takaful industry internationally and to provide a venue to discuss on global issues relating to takaful and retakaful. One takaful operator is actively involved in a project to establish accounting standards for the takaful operations in collaboration with the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI).

Towards realising the objective of transforming ASEAN Retakaful International (L) Limited (ARIL) to be the major retakaful operator for D-8 and OIC member countries, ARIL continued to conduct working visits to a number of countries in the Middle East to promote and solicit retakaful business. ARIL has established beneficial relationship with newly established takaful operators and has garnered considerable response in terms of retakaful support from them. ARIL has also taken steps towards increasing its paid-up capital to USD15 million by inviting D-8 member countries to be its shareholders, which is expected to materialise in year 2002.