



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Bancassurance/Bancatakaful

Exposure Draft

Applicable to:

1. Licensed insurers
2. Licensed takaful operators
3. Licensed banks
4. Licensed Islamic banks
5. Licensed investment banks
6. Prescribed development financial institutions

This exposure draft sets out Bank Negara Malaysia's (the Bank) proposed requirements with respect to bancassurance/bancatakaful arrangements, while facilitating the sustainable development of bancassurance/bancatakaful as an effective channel for needs-based sales of insurance and takaful products in Malaysia.

The Bank invites written feedback on the proposed requirements in this exposure draft, including suggestions on areas to be clarified and alternative proposals that the Bank should consider. The written feedback should be constructive and supported with clear rationale and justifications. Financial service providers (FSPs) are encouraged to include accompanying data (if any), evidence, analysis or illustrations, where appropriate. In addition to providing general feedback, FSPs are requested to respond to the specific questions set out in this exposure draft.

Responses must be submitted to the Bank by 30 September 2021 to conductpolicy@bnm.gov.my

In the course of preparing your feedback, you may direct any queries to the following officers:

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- b. Avinder Sandhu a/p Darshan Singh (conductpolicy@bnm.gov.my)

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PART A OVERVIEW

1 Introduction

- 1.1 Bancassurance and bancatakaful has evolved into a significant distribution channel for insurance and takaful businesses, particularly for life insurance and family takaful products. Diversification of distribution channels has widened consumers' accessibility to a wider range of insurance and takaful products to suit their diverse needs based on individual needs, risk appetites, financial goals and levels of financial capability. This in turn has contributed towards the broader objective of reducing the protection gap in Malaysia.
- 1.2 The requirements in this policy document are intended to:
 - (a) ensure bancassurance/bancatakaful remains as a viable channel that is widely accessible for consumers to purchase insurance and takaful products;
 - (b) promote sound market conduct practices that safeguard consumers' interest through needs-based sales, disclosure and enhanced transparency; and
 - (c) promote market competitiveness while preserving consumer choice.
- 1.3 Towards this end, the policy document serves to enhance the bancassurance/bancatakaful channel and further strengthen safeguards in place to ensure the delivery of better consumer outcomes.
- 1.4 Making financial decisions can be a complex process and it may be difficult for consumers to appropriately weigh and consider their options when faced with a wide array of savings and investment products. The tendency to focus more on the short-term returns, while not fully understanding the longer-term downside risks associated with more complex products, are among the key challenges faced by consumers. To mitigate this, transparency and disclosure requirements have been enhanced to help consumers make more informed financial decisions when considering the purchase of such products through the bancassurance/bancatakaful channels.

2 Applicability

- 2.1 This policy document is applicable to financial services providers (FSPs) as defined in paragraph 5.2.
- 2.2 The requirements in this policy document are applicable to existing and new bancassurance/bancatakaful arrangements, including renewal of bancassurance/bancatakaful agreements, unless otherwise specified.

3 Legal provisions

- 3.1 This policy document is issued pursuant to:
- (a) sections 47(1), 123(1), 143(1) and 266 of the Financial Services Act 2013 (FSA);
 - (b) sections 57(1), 135(1), 155(1) and 277 of the Islamic Financial Services Act (IFSA); and
 - (c) sections 41(1), 42C(1), 116(1) and 126 of the Development Financial Institutions Act 2002 (DFIA).

4 Effective date

- 4.1 This policy document comes into effect on [date].

Question 1

The Bank is considering setting the effective date to commence 6 months after the date of issuance of the policy document. Would this give sufficient time for FSPs to implement the enhanced requirements proposed in this policy document? Please provide clear justifications to support your response.

5 Interpretation

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

- 5.2 For the purposes of this policy document:

“**S**” denotes a standard, an obligation, 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;

“**apex entity**” refers to a financial service provider (FSP) and a financial holding company that–

- (a) is not a subsidiary of another FSP and a financial holding company; or
- (b) is a subsidiary of a FSP and a financial holding company, and has one or more subsidiaries that is a licensed person¹;

“**bancassurance/bancatakaful arrangement**” refers to any distribution or marketing arrangement or agreement with licensed banks, licensed Islamic banks, licensed investment banks and prescribed institutions (collectively referred to as

¹ This will be the entity heading an insurance/takaful sub-group.

bancassurance/bancatakaful partners) that involves the sale/marketing of all types of insurance/takaful products including both individual and group policy/takaful certificate via the following means:

- (a) by the staff of the bancassurance/bancatakaful partners;
- (b) using the bancassurance/bancatakaful partners' distribution channels, which include the institution's call centers, internet, branches and marketing booths, as well as third parties providing such sales support services to the bancassurance/bancatakaful partners;
- (c) using the bancassurance/bancatakaful partners' customer database; and
- (d) the joint marketing of insurance/takaful products with the bancassurance/bancatakaful partners;

“bancassurance/bancatakaful partners” refers to a licensed bank, licensed Islamic bank, licensed investment bank and prescribed institutions that has a distribution or marketing arrangement or agreement with a licensed insurer or licensed takaful operator;

“board” refers to the board of directors of a FSP or a financial holding company, including a committee of the board where the responsibilities of the board set out in this policy document have been delegated to such a committee;

“financial service provider” or “FSP” refers to:

- (a) a licensed insurer under the FSA;
- (b) a licensed takaful operator under the IFSA;
- (c) a licensed bank under the FSA;
- (d) a licensed Islamic bank under the IFSA;
- (e) a licensed investment bank under the FSA; and
- (f) a prescribed institution under the DFIA;

“high-risk segments” refers to segments of consumers which are more susceptible to the risk of harm or mis-selling such as individuals earning a monthly income of up to RM5,000, first time buying an insurance/investment product, students or retirees;

“insurance/takaful savings products” refer to life insurance/family takaful products which provide benefits on survival to maturity or during the policy/certificate term which includes both guaranteed and non-guaranteed pay-outs (this excludes payments of surrender benefits), and shall include Investment-linked and annuity policies/certificates;

“licensed person” refers to a licensed insurer or/and a licensed takaful operator;

“persistency rate” refers to the percentage of policies or certificates that remain in force over the total number of new policies or certificates issued within the exposure period; and

“senior management” refers to the chief executive officer and senior officers of a FSP.

6 Related legal instruments and policy documents

- S** 6.1 This policy document must be read together with other relevant legal instruments and policy documents that have been issued by the Bank, in particular:
- (a) Policy Document on Operating Cost Controls for Life Insurance and Family Takaful Business issued on 24 December 2019 (BNM/RH/PD 029-19);
 - (b) Policy Document on Fair Treatment of Financial Consumers issued on 6 November 2019 (BNM/RH/PD 028-103);
 - (c) Policy Document on Shariah Governance issued on 20 September 2019 (BNM/RH/PD 028-100);
 - (d) Policy Document on Investment-Linked Insurance Business issued on 11 January 2019 (BNM/RH/PD 029-36);
 - (e) Policy Document on Corporate Governance issued on 3 August 2016 (BNM/RH/PD 029-9);
 - (f) Policy Document on Introduction of New Products by Insurers and Takaful Operators issued on 15 May 2015 (BNM/RH/STD 029-10);
 - (g) Guidance on Prohibited Business Conduct issued on 17 November 2014 (BNM/RH/GD 029-1);
 - (h) Paper on Approach to Regulating and Supervising of Financial Groups issued on 21 May 2014 (BNM/RH/NT 029-5);
 - (i) Policy Document on Introduction of New Products issued on 7 March 2014 (BNM/RH/STD 028-5);
 - (j) Policy Document on Related Party Transactions issued on 28 June 2013 (BNM/RH/GL 018-6);
 - (k) Guidelines on Product Transparency and Disclosure issued on 31 May 2013 (BNM/RH/GL 000-3);
 - (l) Guidelines on Proper Advice Practices for Life Insurance/Family Takaful Business issued on 17 August 2012 (BNM/RH/GL 010-16);
 - (m) Guidelines on Complaints Handling issued on 17 December 2009 (BNM/RH/GL 000-4);
 - (n) Guidelines on Medical and Health Takaful Business issued on 17 September 2007 (BNM/RH/GL/004-11);
 - (o) Guidelines on Prohibitions Against Unfair Practices in Takaful Business issued on 12 July 2007 (BNM/RH/GL/004-2);
 - (p) Guidelines to Control Operating Costs of General Insurance Business issued on 3 July 2007 (BNM/RH/GL 003-7);
 - (q) Guidelines on Unfair Practices in Insurance Business issued on 3 July 2007 (BNM/RH/GL/003-6); and
 - (r) Guidelines on Medical and Health Insurance Business issued on 26 August 2005 (BNM/RH/GL/003-20).

7 Policy document superseded

- S** 7.1 This policy document supersedes the following documents:
- (a) Guidelines on Bancassurance issued on 17 June 2010 (BNM/RH/GL 003-25);
 - (b) Guidelines on Bancatakaful issued on 17 June 2010 (BNM/RH/GL 004-18); and
 - (c) Circular on Marketing of Bancassurance/Bancatakaful Products issued on 24 December 2008 (BNM/RH/CIR 008-8).

PART B BANCASSURANCE/BANCATAKAFUL ARRANGEMENTS AND GOVERNANCE PRINCIPLES

8 Bancassurance/bancatakaful arrangements

- G** 8.1 A licensed person may enter into bancassurance/bancatakaful arrangements with any number of bancassurance/bancatakaful partners.
- S** 8.2 A licensed person is required to notify the Bank in writing of the new bancassurance/bancatakaful arrangements at least 14 calendar days prior to the commencement date of such arrangements and submit to the Bank, the following information together with the notification:
- (a) name of bancassurance/bancatakaful partner(s);
 - (b) products to be marketed; and
 - (c) the period of the arrangement.
- S** 8.3 With respect to paragraph 8.2(b), the licensed person shall include the following information in its submission:
- (a) name of the product;
 - (b) type of coverage of the product; and
 - (c) confirmation that the product has previously been submitted to the Bank as part of the product submission requirements of the Introduction of New Products by Insurers and Takaful Operators (INP PD).
- S** 8.4 Termination of bancassurance/bancatakaful arrangements between a licensed person and its bancassurance/bancatakaful partner must be notified to policyholders/takaful participants and to the Bank immediately upon cessation of the arrangement. This shall also apply for non-renewals of bancassurance/bancatakaful arrangements.
- S** 8.5 In relation to paragraph 8.4, a licensed person shall send a notification directly to policyholders/takaful participants via appropriate means, of the new point of contact for customer service and for their policy/certificate servicing.
- G** 8.6 Direct notification to policyholders/takaful participants referred to in paragraph 8.5 may include automatically-generated SMS, emails or push notification via customer portals or mobile applications.
- G** 8.7 A licensed person should endeavour to obtain an acknowledgement of receipt from the policyholders/takaful participants upon the notification sent, particularly if the communication modes used does not incur any cost for either party.
- S** 8.8 FSPs must take necessary measures to modify, amend, supplement or unwind any bancassurance/bancatakaful arrangement to which it is a party to, to be in line with the requirements of this policy document, including when directed to do so by the Bank.

- S** 8.9 Licensed persons must submit all notifications on bancassurance/bancatakaful arrangements to:

Pengarah
Jabatan Penyeliaan Insurans dan Takaful
Bank Negara Malaysia
Jalan Dato' Onn
50480 Kuala Lumpur

9 Oversight, accountability, management and control of risk in bancassurance/bancatakaful arrangements

Responsibilities of board and senior management of the FSP

- S** 9.1 The board of FSPs shall ensure that the governance arrangements for the management of its bancassurance/bancatakaful business (including internal structures, policies and processes) are consistent with the requirements set out in the policy documents on Corporate Governance (CG), Fair Treatment of Financial Consumers (FTFC), Introduction of New Products and Introduction of New Products by Insurers and Takaful Operators (INP), respectively.
- S** 9.2 Towards this end, the FSP's board shall approve the FSP's internal policies and procedures with respect to the formulation of the bancassurance/bancatakaful agreement², the implementation and monitoring of bancassurance/bancatakaful arrangements, as well as the design and distribution of bancassurance/bancatakaful products.
- S** 9.3 In relation to paragraph 9.2, FSPs must ensure the established internal policies and procedures shall include:
- (a) the establishment of quantifiable parameters and key performance indicators (KPIs)³ relevant to the specific risks bancassurance/bancatakaful channel presents to consumers; and
 - (b) clarity on specific accountabilities of the respective parties to the agreement such as:
 - (i) licensed persons to be accountable for the design of bancassurance/bancatakaful products that are appropriate to the needs of the targeted consumer segment and to ensure regular review of its bancassurance/bancatakaful product life cycle⁴ based on both qualitative and quantitative assessments. This includes taking into consideration historical data, persistency rates, complaints, claims experience, appropriate consumer profiling and any other relevant factors; and

² For example, FSPs' criteria and guiding principles for the formulation of bancassurance/bancatakaful agreements.

³ For the avoidance of doubt, the KPIs may also be linked or tied to specific accountabilities as stipulated in sub-paragraphs 9.3(b)(i) and (ii). For example, taking into consideration historical data, persistency rates, complaints, claims experience, etc. in monitoring sales practices.

⁴ The entire product lifecycle from the product design until the end of coverage period of the product i.e. by virtue of claims or maturity.

- (ii) bancassurance/bancatakaful partners to be accountable for providing quality sales leads (i.e. undertake data-driven consumer profiling) to ensure more targeted matching of bancassurance/bancatakaful products to its consumer base.
- G** 9.4 With respect to sub-paragraph 9.3(a), examples of specific risks bancassurance/bancatakaful presents to consumers include risks arising from inappropriate:
 - (a) product design;
 - (b) financial and non-financial incentive structures for sales staff;
 - (c) customer profiling; and
 - (d) sales and marketing practices such as inadequate customer fact find or financial need analysis carried out resulting in unsuitable product recommendations, product pushing to the masses, inadequate disclosure of key information and misleading or inaccurate information provided to customer e.g. on the non-guaranteed portion of returns for bancassurance/bancatakaful products.
- S** 9.5 The board and senior management of FSPs shall be jointly accountable to ensure that the bancassurance/bancatakaful products marketed and sold, as well as arrangements entered into do not result in poor consumer outcomes.
- S** 9.6 The board of FSP shall also provide adequate oversight on the implementation of the internal policies and procedures referred to in paragraph 9.3 by the senior management to ensure that the FSPs' practices are aligned with the said internal policies and procedures.
- S** 9.7 With respect to bancassurance/bancatakaful arrangements concluded at the group level⁵, the board of FSPs and the board of the said group entity⁶ shall ensure the bancassurance/bancatakaful arrangement entered into:
 - (a) complies with the policy document on Related Party Transactions and the Bank's letter dated 31 January 2019 on "Intercompany Charges Paid to Related Entities";
 - (b) is in line with the policy document on CG, including the responsibility for the board of a financial holding company and FSP to ensure that all bancassurance/bancatakaful arrangements involving Islamic financial business are in accordance with expectations on Shariah governance and compliance standards; and
 - (c) shall not affect or limit the ability of any locally incorporated subsidiary of an apex entity or within the financial group to comply with local laws and regulatory requirements, including the ability to comply with Shariah at the point of entering into the arrangement and during the course of the arrangement.
- G** 9.8 In relation to sub-paragraphs 9.7(b) and (c), an example of non-compliance is where an exclusive bancassurance/bancatakaful arrangement entered into by a

⁵ Such as at the apex entity i.e. the parent company, financial holding company or regional entity level.

⁶ Such as the apex entity i.e. parent company, financial holding company or regional entity.

group level entity⁷ or a bancassurance/bancatakaful partner with a conventional licensed person, prevents an Islamic subsidiary within the financial group from offering takaful products to its customers due to the exclusive tie-up with a conventional insurer.

- S** 9.9 The senior management of FSPs shall ensure that the management and control of risks associated with the operation of bancassurance/bancatakaful business is consistent with the requirements set out in the policy document on INP⁸, CG as well as FTFC.
- S** 9.10 Towards this end, the senior management of FSPs shall ensure that the operations of its bancassurance/bancatakaful business and development of bancassurance/bancatakaful products throughout the product lifecycle⁹ as well as any bancassurance/bancatakaful arrangement entered into does not directly or indirectly promote unethical conduct by staff such as improper targeting of consumers and pushing unsuitable products to consumers.
- G** 9.11 In relation to paragraph 9.10, an example of indirectly promoting unethical conduct by staff includes the setting of unrealistic or unreasonably high sales targets by FSPs which results in a bias towards higher revenue-generating products. This is likely to result in unhealthy sales practices by bancassurance/bancatakaful agents (e.g. poor product recommendations and focused on commission-based sales), which eventually leads to lower persistency rates.

Upfront fees paid by licensed persons to bancassurance/bancatakaful partners

- S** 9.12 A licensed person shall ensure that any upfront fees paid to its bancassurance/bancatakaful partner by the licensed person, or any other party on its behalf, is fully borne by the licensed person's shareholders' fund.
- S** 9.13 In relation to paragraph 9.12, an upfront fee shall also include any type of fees related to or forming the upfront fees¹⁰, paid by the licensed person or paid by any party on behalf of the licensed person¹¹ to a bancassurance/bancatakaful partner for the purposes of entering into a bancassurance/bancatakaful agreement with the said bancassurance/bancatakaful partner.
- S** 9.14 This shall include upfront fee payable at the point of entering or during the course of the bancassurance/bancatakaful agreement¹².
- G** 9.15 For the avoidance of doubt, paragraph 9.12 will apply prospectively to existing bancassurance/bancatakaful agreements, as well as to new and renewals of existing bancassurance/bancatakaful agreements.

⁷ Such as apex entity i.e. parent company, financial holding company or regional entity.

⁸ Applicable to licensed banks, licensed Islamic banks, licensed investment banks, prescribed institutions, licensed insurers and licensed takaful operators respectively.

⁹ The entire product lifecycle from the product design stage until the end of coverage period of the product i.e. by virtue of claims or maturity.

¹⁰ Which may be referred to by other terms such as service fee, facilitation fee, etc.

¹¹ Such as apex entity i.e. the parent company, financial holding company or regional entity, etc. paying the upfront fee on behalf of the licensed person and requiring a repayment from the licensed person as result.

¹² For example, upfront fees agreed to be paid in tranches during the course of the bancassurance agreement.

- G** 9.16 Licensed persons should incorporate conditions or appropriate targets tied to the payment of upfront fees that are aimed at:
- (a) ensuring all parties to the bancassurance/bancatakaful arrangement delivers quality sales; and
 - (b) preventing misaligned incentives from developing.
- G** 9.17 With respect to paragraph 9.16, good practices observed include establishing minimum persistency rate thresholds that the bancassurance/bancatakaful partner must meet and providing for clawback mechanisms in the bancassurance/bancatakaful agreement when such thresholds are not met. Conversely, poor practices observed includes bancassurance/bancatakaful agreements that tie minimum sales targets and business volume thresholds to the payment of upfront fees given that such targets tend to incentivise higher sales without sufficient focus on ensuring quality sales.

Quality of sales

- S** 9.18 For non-credit regular premium/takaful contribution products¹³, a licensed person shall establish robust internal policies, procedures and controls in relation to its bancassurance/bancatakaful persistency rates. This shall include:
- (a) a monitoring framework to adequately measure, monitor and escalate persistency issues; and
 - (b) the role of risk management or compliance and internal auditors in reviewing and monitoring the effectiveness of these internal policies, procedures and controls in relation to bancassurance/bancatakaful persistency rate.
- S** 9.19 A licensed person must carry out a review of its internal policies, procedures and controls in relation to its bancassurance/bancatakaful persistency rate at least once in every two years.

Question 2

- a) FSPs to describe existing internal policies and procedures in relation to bancassurance/bancatakaful persistency rates (if any). Which functions in the FSP (risk management, compliance, internal audit or all three) are responsible for monitoring compliance to these internal policies and procedures?
- b) In relation to sub-paragraph 9.18(b) and paragraph 9.19, what are FSPs' views on setting the frequency of the review period to "at least once in two years"? Please support your response with appropriate justifications.

- S** 9.20 In relation to sub-paragraph 9.18(a), the senior management of licensed persons shall ensure the monitoring framework is implemented and carried out effectively.

¹³All life insurance and family takaful products other than credit-related products such as mortgage-reducing term assurance, mortgage reducing term takaful, personal reducing term assurance and personal reducing term takaful products.

Clear accountability between licensed persons and bancassurance/bancatakaful partners

- S** 9.21 A FSP must ensure that the bancassurance/bancatakaful agreements clearly stipulate the accountabilities and responsibilities of both the licensed person and the bancassurance/bancatakaful partner respectively and collectively in the bancassurance/bancatakaful agreement. Where possible, these accountabilities and responsibilities shall be measurable and subject to close monitoring.
- S** 9.22 In relation to paragraph 9.21, the FSPs must ensure the bancassurance/bancatakaful agreement include a clear delineation of responsibilities between the licensed person and the bancassurance/bancatakaful partner, particularly with respect to the resolution of customer complaints, customer queries, after-sales services and claims settlement process.
- G** 9.23 Examples of accountabilities and responsibilities of the FSPs referred to in paragraph 9.21 that should be stipulated in the bancassurance/bancatakaful agreement are as follows:
- (a) the quantifiable parameters, KPIs and accountabilities established in FSPs internal policies and procedures under paragraph 9.3;
 - (b) ensuring that the design of bancassurance products focuses on the needs of the consumers and have a clear and appropriate target segment for each product;
 - (c) use sound research methods, including data analytics, to ensure needs-based sales to the identified target market is carried out more accurately;
 - (d) conducting comprehensive product training to ensure the bancassurance/bancatakaful staff has the relevant skills and expertise to market the product;
 - (e) conducting an independent review of the sales process and practices, taking into consideration consumers' complaints, sales staff feedback, follow-up calls and mystery shopping;
 - (f) make reasonable efforts to follow-up with policyholders/takaful participants on missed insurance premiums/takaful contribution;
 - (g) ensuring the appraisal and monitoring of bancassurance/bancatakaful staff performance is carried out in an effective manner i.e. does not promote unethical conduct and improves persistency rates;
 - (h) ensuring proper management of customer information i.e. obtaining customer's explicit consent for the processing of customer information, ensuring the confidentiality of customer's information is maintained at all times, proper disposal of customer's information when no longer in use, etc.; and
 - (i) collating and maintaining the number of customer complaints.

Question 3

- a) In relation to paragraph 9.23, are there any other examples of good practice that should be included to help guide industry's practice in this respect?
- b) Specifically on sub-paragraph 9.23(i), is the number of complaints received by both the licensed person and bancassurance/bancatakaful partner currently monitored by a single entity? If yes, is this the responsibility of the licensed person or the bancassurance/bancatakaful partner?

PART C TRANSPARENCY AND DISCLOSURE

10 Disclosure and marketing to target customer segment

- S** 10.1 In ensuring marketing names used for life insurance/family takaful products are not misleading to consumers, FSPs shall use the word "insurance or takaful", whichever is applicable, in its marketing name (e.g. ABC Wealth Insurance, XYZ Wealth Takaful) or prominently state below the marketing name that "This is an insurance or takaful product", whichever is applicable, for all non-credit life insurance/family takaful products offered under the bancassurance/bancatakaful arrangement.
- S** 10.2 For non-credit life insurance/family takaful products sold via bancassurance/bancatakaful telemarketing, FSPs shall incorporate in its telemarketing call script that "This is an insurance or takaful product", whichever is applicable. This must be made prominently clear during the conversation with the consumer.
- S** 10.3 FSPs shall send a notification directly to policyholders/takaful participants via appropriate means, upon conclusion of a bancassurance/bancatakaful sale, to inform policyholders/takaful participants that they have "*purchased an insurance or takaful product from [the name of the licensed person]*".
- G** 10.4 Direct notification to policyholders/takaful participants referred to in paragraph 10.3 may include automatically-generated SMS, emails or push notification via customer portals or mobile applications.
- G** 10.5 FSPs should endeavour to obtain an acknowledgement of receipt from the policyholders/takaful participants upon the notification sent, especially if the communication modes used does not incur any cost for either party.
- S** 10.6 FSPs must comply with the requirements under paragraphs 10.1 to 10.3 in respect to all existing and new non-credit life insurance/family takaful products offered under the bancassurance/bancatakaful arrangement.

- S** 10.7 FSPs shall prominently display the annualised returns¹⁴ for insurance/takaful savings products in all of its marketing materials such as product disclosure sheet, sales illustration or brochures, which contain illustrations of some type of returns.
- G** 10.8 In relation to paragraph 10.7, an example of marketing materials containing an illustration of some type of returns include marketing materials stating returns or cash payments based on a percentage of total premiums/takaful contributions payable or sum assured/covered.
- S** 10.9 Paragraph 10.7 above shall apply to all existing and new insurance/takaful savings product offered under the bancassurance/bancatakaful arrangement.

Question 4

For insurance/takaful savings products, apart from annualised returns, what other indicators could be useful to be disclosed to consumers to promote more informed and realistic understanding on the actual returns from such products?

- S** 10.10 In respect of non-participating and medical and health insurance/takaful products (applicable to both basic policies/takaful certificates and riders), a licensed person shall disclose the commissions borne by policyholders/takaful participants, expressed both in terms of the actual amount and as a percentage of premiums/takaful contributions payable for each policy/takaful certificate year in the product disclosure sheet.
- S** 10.11 In the case of products which combine both insurance/takaful and banking elements, the licensed person shall unbundle the insurance/takaful element¹⁵, and disclose the commissions and charges/expenses in accordance with the requirements in paragraph 10.10.
- S** 10.12 In relation to the sales and marketing of insurance/takaful savings products via the bancassurance/bancatakaful channel, to mitigate the risk of poor targeting of consumers, FSPs shall ensure that for savings products sold to high-risk segments:
- (a) the bancassurance/bancatakaful partner's sales supervisor shall approve the product recommendation; and
 - (b) the FSP shall conduct 100% successful follow-up calls¹⁶ for policyholders/takaful participants in the high-risk segments. These follow-up calls must be conducted by an independent party such as a staff who is not directly or indirectly involved in the sales and marketing process of the said sale.

¹⁴Annualised return is the estimated average investment return on the survival/savings benefits that a policyholder/takaful participant will receive over the period of the policy/certificate until its maturity with respect to the premium/contribution that the policyholder/takaful participant had paid.

¹⁵With the exception of Perlindungan Tenang products.

¹⁶Refer to calls successfully conducted i.e. where customers pick up the call.

Question 5

What are FSPs' views on the proposed definition of "high-risk segments" (see 'Interpretation' section above)?

PART D TRAINING REQUIREMENTS FOR STAFF OF BANCASSURANCE/BANCATAKAFUL PARTNERS

11 Training for staff marketing bancassurance/bancatakaful products

- S** 11.1 FSPs must ensure that staff of bancassurance/bancatakaful partner or its appointed third-party service providers involved in marketing and providing advice on insurance and takaful products must pass the following qualifications before they are allowed to sell/market bancassurance/bancatakaful products:
- (a) Pre-Contract Examination for Insurance Agents (PCEIA) and the Takaful Basic Examination (TBE) for distribution of insurance and takaful products; respectively; and
 - (b) Certificate Examination in Investment-Linked Life insurance (CEILLI) for distribution of investment-linked products.
- S** 11.2 Staff of a bancassurance/bancatakaful partner or the appointed third party service providers shall comply with:
- (a) the same continuous professional development requirements (CPD) as well as the code of conduct and ethics, applicable to insurance agents registered with Persatuan Insurans Am Malaysia (PIAM) and/or Persatuan Insurans Hayat Malaysia (LIAM), and takaful agents registered with the Malaysian Takaful Association (MTA); and
 - (b) the minimum of eight hours of annual CPD training requirement for sales/marketing of only mortgage reducing term assurance/mortgage reducing term takaful and other credit-related products.
- S** 11.3 For insurance/takaful products marketed through the call centre of the bancassurance/bancatakaful partner or a third-party call centre engaged by the bancassurance/bancatakaful partner, only the team leader is required to comply with the minimum qualification and annual CPD requirement set out in paragraphs 11.1 and 11.2.

PART E REPORTING

12 Submission of Statistics

- S** 12.1 For the purpose of licensed persons reporting to the Bank on the monthly/quarterly/annual statutory returns on new insurance/takaful business premiums/contributions and gross direct premiums/contributions for general insurance/takaful business by distribution channels, all business (including credit-related business) generated through bancassurance/bancatakaful arrangements described in paragraph 5.2 shall be reported as premiums/contributions generated.
- S** 12.2 Licensed persons are required to submit to the Bank¹⁷ statistics on bancassurance/bancatakaful business, on an annual basis within four weeks after the end of the year, which will include all business generated through bancassurance/bancatakaful arrangements in the forms as provided in Appendix I comprising:
- (i) Form Banca-G1 - applicable for general insurance business
 - (ii) Form Banca-GT1 - applicable for general takaful business
 - (iii) Form Banca-G2 - applicable for general insurance business
 - (iv) Form Banca-GT2 - applicable for general takaful business
 - (v) Form Banca-L1 - applicable for life insurance business
 - (vi) Form Banca-FT1 - applicable for family takaful business
 - (vii) Form Banca-L2 - applicable for life insurance business
 - (viii) Form Banca-FT2 - applicable for family takaful business

¹⁷Submissions will be via the current existing arrangement e.g. via Integrated Submission Platform of the STATSmart Portal, unless otherwise specified.

PART F APPENDICES**Appendix I: Submission Form of Statistics****(i) Form Banca – G1**

Name of Company:

**Statement of Gross Direct Premiums Generated through Bancassurance
From 1 January 20xx to 31 December 20xx**

Type of Bancassurance Arrangements	Motor	Personal Accident	Fire	Medical & Health	Others	Total
(i) On panel for credit-related business						
(ii) Direct marketing:- ¹						
(a) Call centres (in-house) ¹⁸						
(b) Outsourced telemarketing ¹⁹						
(c) Branches (i.e. walk-in)						
(d) Internet ²⁰						
(e) Marketing booths ²¹						
(f) Direct mailing ²²						
(iii) Others ²						
Total (1)³						
Total gross direct premiums of the insurer (2)⁴						
Ratio of (1)/(2) (%)						

¹ Refers to bancassurance arrangements falling under paragraph 5.2. The figure in this row shall be the sum of the figures in item (a)-(f).

² Refers to bancassurance arrangements (other than direct marketing) falling under paragraph 5.2.

³ The total figure should be the same as the figure reported in respect of gross premiums generated through bancassurance partners falling under paragraph 5.2 in the statutory returns to the Bank on gross direct premiums for general insurance business by distribution channel for the corresponding period.

¹⁸ Bancassurance partner's internal call centres conducting telemarketing.

¹⁹ Telemarketing outsourced to be conducted on behalf of bancassurance partners.

²⁰ Bancassurance sales concluded on bancassurance partners' websites or online portals, etc.

²¹ Bancassurance sales concluded via campaigns in shopping malls, fairs, corporate offices, etc.

²² Direct mailing includes mails or e-mails of brochures, flyers, newsletters, etc. to existing and potential consumers in the bancassurance partners' customer database.

⁴ The figures in this row shall be the same as the corresponding figures reported in Form G6 of the statutory returns.

Signature _____

Name _____
Chief Executive Officer

Date _____

(ii) Form Banca – GT1

Name of Company:

**Statement of Gross Direct Contributions Generated through Bancatakaful
From 1 January 20xx to 31 December 20xx**

Type of Bancatakaful Arrangements	Motor	Personal Accident	Fire	Medical & Health	Others	Total
(i) On panel for credit-related business						
(ii) Direct marketing:- ¹						
(a) Call centres (in-house) ²³						
(b) Outsourced telemarketing ²⁴						
(c) Branches (i.e. walk-in)						
(d) Internet ²⁵						
(e) Marketing booths ²⁶						
(f) Direct mailing ²⁷						
(iii) Others ²						
Total (1)³						
Total gross direct contributions of the takaful operator (2)⁴						
Ratio of (1)/(2) (%)						

¹ Refers to bancatakaful arrangements falling under paragraph 5.2. The figure in this row should be the sum of the figures in item (a)-(f).

² Refers to bancatakaful arrangements (other than direct marketing) falling under paragraph 5.2.

³ The total figure shall be the same as the figure reported in respect of gross contributions generated through bancatakaful partners falling under paragraph 5.2 in the statutory returns to the Bank on gross direct contributions for general takaful business by distribution channel for the corresponding period.

⁴ The figures in this row shall be the same as the corresponding figures reported in Form GT5 of the statutory returns.

Signature _____

²³ Bancatakaful partner's internal call centres conducting telemarketing.

²⁴ Telemarketing outsourced to be conducted on behalf of bancatakaful partners.

²⁵ Bancatakaful sales concluded on bancatakaful partners' websites or online portals, etc.

²⁶ Bancatakaful sales concluded via campaigns in shopping malls, fairs, corporate offices, etc.

²⁷ Direct mailing includes mails or e-mails of brochures, flyers, newsletters, etc. to existing and potential consumers in the bancatakaful partners' customer database.

Name

Chief Executive Officer

Date

(iii) Form Banca – G2

Name of Company:

**Statement of New Policies Generated through Bancassurance
From 1 January 20xx to 31 December 20XX**

Type of Bancassurance Arrangements	Motor	Personal Accident	Fire	Medical & Health	Others	Total
(i) On panel for credit-related business						
(ii) Direct marketing ¹						
(a) Call centres (in-house) ²⁸						
(b) Outsourced telemarketing ²⁹						
(c) Branches (i.e. walk-in)						
(d) Internet ³⁰						
(e) Marketing booths ³¹						
(f) Direct mailing ³²						
(iii) Others ²						
Total (1)						
Total new business of the insurer (2)³						
Ratio of (1)/(2)						

²⁸ Bancassurance partner's internal call centres conducting telemarketing.

²⁹ Telemarketing outsourced to be conducted on behalf of bancassurance partners.

³⁰ Bancassurance sales concluded on bancassurance partners' websites or online portals, etc.

³¹ Bancassurance sales concluded via campaigns in shopping malls, fairs, corporate offices, etc.

³² Direct mailing includes mails or e-mails of brochures, flyers, newsletters, etc. to existing and potential consumers in the bancassurance partners' customer database.

¹ Refers to bancassurance arrangements falling under paragraph 5.2. The figure in this row should be the sum of the figures in item (a)-(f).

² Refers to bancassurance arrangements (other than direct marketing) falling under paragraph 5.2.

³ The figures in this row should be the same as the corresponding figures reported in Form L6 of the statutory returns.

Signature _____

Name _____
Chief Executive Officer

Date _____

(iv) Form Banca – GT2

Name of Company:

**Statement of New Certificates Generated through Bancatakaful
From 1 January 20xx to 31 December 20XX**

Type of Bancatakaful Arrangements	Motor	Personal Accident	Fire	Medical & Health	Others	Total
(i) On panel for credit-related business						
(ii) Direct marketing ¹						
(a) Call centres (in-house) ³³						
(b) Outsourced telemarketing ³⁴						
(c) Branches (i.e. walk-in)						
(d) Internet ³⁵						
(e) Marketing booths ³⁶						
(f) Direct mailing ³⁷						
(iii) Others ²						
Total (1)						
Total new business of the takaful operator (2)³						
Ratio of (1)/(2)						

³³ Bancatakaful partner's internal call centres conducting telemarketing.

³⁴ Telemarketing outsourced to be conducted on behalf of bancatakaful partners.

³⁵ Bancatakaful sales concluded on bancatakaful partners' websites or online portals, etc.

³⁶ Bancatakaful sales concluded via campaigns in shopping malls, fairs, corporate offices, etc.

³⁷ Direct mailing includes mails or e-mails of brochures, flyers, newsletters, etc. to existing and potential consumers in the bancatakaful partners' customer database.

¹ Refers to bancatakaful arrangements falling under paragraph 5.2. The figure in this row should be the sum of the figures in item (a)-(f).

² Refers to bancatakaful arrangements (other than direct marketing) falling under paragraph 5.2.

³ The figures in this row should be the same as the corresponding figures reported in Form FT5 of the statutory returns.

Signature _____

Name _____
Chief Executive Office

Date _____

(v) Form Banca – L1

Name of Company:

**Statement of Gross Premium Income Generated through Bancassurance
From 1 January 20xx to 31 December 20XX**

Type of Bancassurance Arrangements	Type of product ¹	Premium Income	
		Single Premium Policies	Annual Premium Policies
Credit-related			
(i) On panel for credit-related business			
(ii) Others ²			
Subtotal			
Non-credit related²			
(i) Direct marketing ³			
(a) Call centres (in-house) ³⁸			
(b) Outsourced telemarketing ³⁹			
(c) Branches (i.e. walk-in)			
(d) Internet ⁴⁰			
(e) Marketing booths ⁴¹			
(f) Direct mailing ⁴²			
(iii) Others ²			
Subtotal			
Total (1)			
Total gross premium income of the insurer (2)⁴			
Ratio of (1)/(2) (%)			

¹ Refers to type of insurance policies, for example, whole life, term, endowment etc.

² Refers to bancassurance arrangements (other than direct marketing) falling under paragraph 5.2.

³ Refers to bancassurance arrangements falling under paragraph 5.2. The figure in this row shall be the sum of the figures in item (a)-(f).

³⁸ Bancassurance partner's internal call centres conducting telemarketing.

³⁹ Telemarketing outsourced to be conducted on behalf of bancassurance partners.

⁴⁰ Bancassurance sales concluded on bancassurance partners' websites or online portals, etc.

⁴¹ Bancassurance sales concluded via campaigns in shopping malls, fairs, corporate offices, etc.

⁴² Direct mailing includes mails or e-mails of brochures, flyers, newsletters, etc. to existing and potential consumers in the bancassurance partners' customer database.

⁴ The figures in this row should be the same as the corresponding gross direct premium figures reported in Schedule 1 of Form L1-1 of the statutory returns.

Signature _____

Name _____
Chief Executive Officer

Date _____

(vi) Form Banca – FT1

Name of Company:

**Statement of Gross Contribution Income Generated through Bancatakaful
From 1 January 20xx to 31 December 20XX**

Type of Bancatakaful Arrangements	Type of product ¹	Premium Income	
		Single Premium Policies	Annual Premium Policies
Credit-related			
(i) On panel for credit-related business			
(ii) Others ²			
Subtotal			
Non-credit related			
(i) Direct marketing ³			
(a) Call centres (in-house) ⁴³			
(b) Outsourced telemarketing ⁴⁴			
(c) Branches (i.e. walk-in)			
(d) Internet ⁴⁵			
(e) Marketing booths ⁴⁶			
(f) Direct mailing ⁴⁷			
(ii) Others ²			
Subtotal			
Total (1)			
Total gross premium income of the takaful operator (2)⁴			
Ratio of (1)/(2) (%)			

¹ Refers to type of takaful certificates, for example, endowment, temporary, medical and health etc.

² Refers to bancatakaful arrangements (other than direct marketing) falling under paragraph 5.2. The figure in this row shall be the sum of the figures in item (a)-(f).

³ Refers to bancatakaful arrangements falling under paragraph 5.2.

⁴ The figures in this row should be the same as the corresponding gross direct contribution figures reported in Schedule 1 of Form FT1-1 and Form FT1-2 of the statutory returns.

⁴³ Bancatakaful partner's internal call centres conducting telemarketing.

⁴⁴ Telemarketing outsourced to be conducted on behalf of bancatakaful partners.

⁴⁵ Bancatakaful sales concluded on bancatakaful partners' websites or online portals, etc.

⁴⁶ Bancatakaful sales concluded via campaigns in shopping malls, fairs, corporate offices, etc.

⁴⁷ Direct mailing includes mails or e-mails of brochures, flyers, newsletters, etc. to existing and potential consumers in the bancatakaful partners' customer database.

Signature _____

Name _____
Chief Executive Officer

Date _____

(vii) Form Banca – L2

Name of Company:

**Statement of New Policies Generated through Bancassurance
From 1 January 20xx to 31 December 20XX**

Type of Bancassurance Arrangements	Type of product ¹	Basic or rider	Individual or group	Number of policies		Sum Insured		Premiums	
				Single	Annual	Single	Annual	Single	Annual
Credit-related									
(i) On panel for credit-related business									
(ii) Others ²									
<i>Subtotal</i>									
Non-credit related									
(i) Direct marketing ³									
(a) Call centres (in-house) ⁴⁸									
(b) Outsourced telemarketing ⁴⁹									
(c) Branches (i.e. walk- in)									
(d) Internet ⁵⁰									
(e) Marketing booths ⁵¹									
(f) Direct mailing ⁵²									

⁴⁸ Bancassurance partner's internal call centres conducting telemarketing.

⁴⁹ Telemarketing outsourced to be conducted on behalf of bancassurance partners.

⁵⁰ Bancassurance sales concluded on bancassurance partners' websites or online portals, etc.

⁵¹ Bancassurance sales concluded via campaigns in shopping malls, fairs, corporate offices, etc.

⁵² Direct mailing includes mails or e-mails of brochures, flyers, newsletters, etc. to existing and potential consumers in the bancassurance partners' customer database.

(ii) Others ²									
<i>Subtotal</i>									
Total (1)⁴									
Total new business of the insurer (2)⁵									
Ratio of (1)/(2)									

¹ Refers to type of insurance policies, for example, whole life, term, endowment etc.

² Refers to bancassurance arrangements (other than direct marketing) falling under paragraph 5.2.

³ Refers to bancassurance arrangements falling under paragraph 5.2. The figure in this row should be the sum of the figures in item (a)-(f).

⁴ The aggregate of single and annual new business premiums should be the same as the figure reported in respect of new life business premiums generated through bancassurance partners falling under paragraph 5.2 in the statutory returns on new premiums for life insurance business by distribution channel for the corresponding period.

⁵ The figures in this row should be the same as the corresponding figures reported in Form L6 of the statutory returns.

Signature _____

Name _____
Chief Executive Officer

Date _____

(viii) Form Banca – FT2

Name of Company:

**Statement of New Certificates Generated through Bancatakaful
From 1 January 20xx to 31 December 20XX**

Type of Bancatakaful Arrangements	Type of product ¹	Basic or rider	Individual or group	Number of certificates		Sum Participated		Contributions	
				Single	Annual	Single	Annual	Single	Annual
Credit-related									
(i) On panel for credit-related business									
(ii) Others ²									
Subtotal									
Non-credit related									
(i) Direct marketing ³									
(a) Call centres (in-house) ⁵³									
(b) Outsourced telemarketing ⁵⁴									
(c) Branches (i.e. walk-in)									
(d) Internet ⁵⁵									
(e) Marketing booths ⁵⁶									
(f) Direct mailing ⁵⁷									
(ii) Others ²									
Subtotal									

⁵³ Bancatakaful partner's internal call centres conducting telemarketing.

⁵⁴ Telemarketing outsourced to be conducted on behalf of bancatakaful partners.

⁵⁵ Bancatakaful sales concluded on bancatakaful partners' websites or online portals, etc.

⁵⁶ Bancatakaful sales concluded via campaigns in shopping malls, fairs, corporate offices, etc.

⁵⁷ Direct mailing includes mails or e-mails of brochures, flyers, newsletters, etc. to existing and potential consumers in the bancatakaful partners' customer database.

Total (1)⁴						
Total new business of the takaful operator (2)⁵						
Ratio of (1)/(2)						

¹ Refers to type of takaful certificates, for example, endowment, temporary, medical and health etc.

² Refers to bancatakaful arrangements (other than direct marketing) falling under paragraph 5.2.

³ Refers to bancatakaful arrangements falling under paragraph 5.2. The figure in this row should be the sum of the figures in item (a)-(f).

⁴ The aggregate of single and annual new business contributions should be the same as the figure reported in respect of new family business contributions generated through bancatakaful partners falling under paragraph 5.2 in the statutory returns on new contributions for family takaful business by distribution channel for the corresponding period.

⁵ The figures in this row should be the same as the corresponding figures reported in Form FT5 of the statutory returns.

Signature _____

Name _____
Chief Executive Officer

Date _____