PART A  OVERVIEW.................................................................1
  1. Introduction...........................................................................1
  2. Legal Provisions.....................................................................2
  3. Applicability..........................................................................2
  4. Implementation Date............................................................2
  5. Approval to Conduct Investment Linked Business..............2
  6. Roles of Board of Directors.................................................3
PART B  MANAGEMENT OF FUNDS...............................................5
  7. General Conditions..............................................................5
  8. Objectives of Funds.............................................................6
  9. Separation of Funds..............................................................6
 10. Pricing and Dealing of Units................................................7
PART C  PRODUCT DESIGN........................................................9
  11. General Conditions............................................................9
  12. Death Benefits......................................................................10
  13. Surrender Values..............................................................11
  14. Free-look Period..................................................................12
PART D  FEES/CHARGES AND EXPENSES.................................13
  15. General Conditions............................................................13
  16. Fund Management Fees.....................................................14
  17. Other Charges.....................................................................15
  18. Commissions.......................................................................15
  19. Agency Related Expenses (ARE)........................................16
PART E  DISCLOSURE...............................................................18
  20. Disclosure Principles........................................................18
  21. Life Insurance Policy and Family Takaful Certificate Documents....20
  22. Sales/Marketing Illustration.................................................20
  23. Fund Fact Sheet...................................................................21
  24. Sales/Marketing Literature..................................................21
  25. Statement to Policy/Certificate Owners................................21
  26. Fund Performance Report to Policy/Certificate Owners........23
  27. Publication of Unit Price....................................................23
<table>
<thead>
<tr>
<th>PART F</th>
<th>INVESTMENT</th>
<th>28. General Principles</th>
<th>24</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>29. Investment Limits</td>
<td>24</td>
</tr>
<tr>
<td>PART G</td>
<td>VALUATION OF ASSETS AND LIABILITIES</td>
<td>30. Valuation of Assets</td>
<td>25</td>
</tr>
<tr>
<td></td>
<td></td>
<td>31. Valuation of Liabilities</td>
<td>25</td>
</tr>
<tr>
<td>PART H</td>
<td>MARKETING</td>
<td>32. Marketing</td>
<td>26</td>
</tr>
<tr>
<td>APPENDICES</td>
<td></td>
<td></td>
<td>27</td>
</tr>
<tr>
<td>APPENDIX I</td>
<td></td>
<td></td>
<td>27</td>
</tr>
<tr>
<td>1.</td>
<td>Applications to Conduct Investment-linked Insurance/Takaful Business</td>
<td>27</td>
<td></td>
</tr>
<tr>
<td>APPENDIX II</td>
<td></td>
<td></td>
<td>28</td>
</tr>
<tr>
<td>1.</td>
<td>Rules for Regular Premium/Contribution Investment-linked Insurance Policies/Takaful Certificates</td>
<td>28</td>
<td></td>
</tr>
<tr>
<td>APPENDIX III</td>
<td></td>
<td></td>
<td>31</td>
</tr>
<tr>
<td>1.</td>
<td>Life Insurance Policy and Family Takaful Certificate Documents</td>
<td>31</td>
<td></td>
</tr>
<tr>
<td>APPENDIX IV</td>
<td></td>
<td></td>
<td>33</td>
</tr>
<tr>
<td>1.</td>
<td>Sales/Marketing Illustrations</td>
<td>33</td>
<td></td>
</tr>
<tr>
<td>APPENDIX IV(a)</td>
<td></td>
<td></td>
<td>36</td>
</tr>
<tr>
<td>1.</td>
<td>Minimum Disclosure Format for Sales/Marketing Illustrations</td>
<td>36</td>
<td></td>
</tr>
<tr>
<td>APPENDIX V</td>
<td></td>
<td></td>
<td>40</td>
</tr>
<tr>
<td>1.</td>
<td>Minimum Format For Fund Fact Sheet</td>
<td>40</td>
<td></td>
</tr>
<tr>
<td>APPENDIX VI</td>
<td></td>
<td></td>
<td>42</td>
</tr>
<tr>
<td>1.</td>
<td>Statement to Policy/Certificate Owners</td>
<td>42</td>
<td></td>
</tr>
<tr>
<td>APPENDIX VII</td>
<td></td>
<td></td>
<td>43</td>
</tr>
<tr>
<td>1.</td>
<td>Fund Performance Report to Policy/Certificate Owners</td>
<td>43</td>
<td></td>
</tr>
<tr>
<td>APPENDIX VII(a)</td>
<td></td>
<td></td>
<td>44</td>
</tr>
<tr>
<td>APPENDIX VIII</td>
<td></td>
<td></td>
<td>48</td>
</tr>
<tr>
<td>1.</td>
<td>Investment Limits</td>
<td>48</td>
<td></td>
</tr>
<tr>
<td>APPENDIX IX</td>
<td></td>
<td></td>
<td>51</td>
</tr>
</tbody>
</table>
1. Valuation of Assets for Investment-linked Takaful Funds ..............51

APPENDIX X..................................................................................................................52

1. Basis for Calculation of Non-Unit Liabilities for Investment-linked Takaful Certificates ................................................................................................................52

APPENDIX XI..................................................................................................................54

1. Derivatives Contracts ....................................................................................................54
PART A  OVERVIEW

1.  Introduction

1.1 The Guidelines set the minimum standards for the management and administration of investment-linked insurance/takaful business to achieve the following objectives:

(a) facilitate the orderly development of investment-linked insurance/takaful business in Malaysia;

(b) promote and maintain high standards of corporate governance and professionalism in the administration of investment-linked insurance/takaful business;

(c) ensure professional and proper conduct in the sales/marketing of investment-linked insurance policies/takaful certificates; and

(d) enhance product transparency and the protection of policy/certificate owners’ interests.

1.2 The Guidelines address the following:

(a) approval requirements for investment-linked insurance/takaful business;

(b) sound practices in the administration of the business and management of funds;

(c) standards on product design;

(d) conditions on fees and expenses;

(e) expectations on disclosure to policy/certificate owners and general requirements on marketing;

(f) principles on investment, including investment limits for investment-linked funds; and

(g) valuation of assets and liabilities of investment-linked funds

1.3 Insurers and takaful operators must also comply with generically applicable requirements relevant to all life and family takaful products, which are set out in the ‘Code of Good Practice for Life Insurance Business’ (Code), ‘Guidelines on Family Takaful Products’, ‘Guidelines on Product Transparency and

2. **Legal Provisions**

2.1 The requirements in this policy document are issued pursuant to section 7(1) of the Insurance Act and section 69 of the Takaful Act 1984.

3. **Applicability**

3.1 All insurers and takaful operators carrying on investment-linked insurance/takaful business are required to observe the Guidelines.

3.2 Investment-linked insurance/takaful business in the Guidelines refers to “the effecting and carrying out of a contract of insurance/takaful on human life or annuity where the benefits are, wholly or partly, to be determined by reference to the value of, or the income from, property of any description or by reference to fluctuations in, or in an index of, the value of property of any description.

4. **Implementation Date**

4.1 The Guidelines shall take effect from 18 July 2011.

5. **Approval to Conduct Investment Linked Business**

5.1 A registered takaful operator must not carry out investment-linked takaful (investment-linked) business except with the prior written approval of the Bank and subject to such conditions as the Bank may specify.

5.2 Applications for approval to conduct investment-linked insurance/takaful business shall be submitted together with a proper business plan for the

---

1 Includes international takaful operators that market their investment-linked takaful products to Malaysian residents.
business. The minimum information that should be included in the business plan is stipulated in Appendix I of the Guidelines.

5.3 Insurers/takaful operators are also required to notify the Bank of any material changes to the information submitted to the Bank in connection with the application to conduct investment-linked insurance/takaful business. The notification shall be provided to the Bank in a timely manner. The Bank reserves the right, based on such notification to revoke its approval for the conduct of the business, impose or vary any conditions attached to the approval given by the Bank.

6. Roles of Board of Directors

6.1 The Board of Directors shall ensure the effective continuous oversight of an insurer/takaful operator’s investment-linked insurance/takaful business as part of the organisation’s overall strategy management and risk control framework. To the extent that a significant degree of risk associated with investment-linked insurance/takaful products is assumed by policy/certificate owners, the risk control framework should address appropriate governance arrangements and management considerations in resolving conflicts and balancing the interests of policy/certificate owners and shareholders, and the parameters under which discretion over investments is exercised by management.

6.2 In line with the move to allow greater flexibility for insurers/takaful operators in the management of investment-linked insurance/takaful business, the Bank expects the Board of Directors to ensure the adequacy of internal structures, policies and processes for the management of investment-linked insurance/takaful business and consider appropriate improvements to ensure the fair treatment of policy/certificate owners. The Board shall particularly consider the establishment of an appropriate internal committee with clear responsibilities for the oversight, management and control of investment-linked business and also, to provide a countervailing influence (for the benefit of policy/certificate owners) to management perspectives. Membership of the
committee shall include non-executive members of the Board or other individuals who are independent of the direct management of the investment-linked insurance/takaful business. Appropriate reporting structures to the Board should be established to support the Board in its oversight responsibilities. As an alternative, a trustee approved by the Board may be appointed for investment-linked insurance/takaful funds to safeguard the interests of policyholders/participants.

6.3 A takaful operator shall additionally ensure that its investment-linked takaful business (including the management of investment-linked takaful funds and investment activities, product design and structure, and the underlying contracts) is managed in compliance with Shariah principles and relevant requirements on operational processes and structures at all times.
PART B  MANAGEMENT OF FUNDS

7. General Conditions

7.1 An insurer/takaful operator must have adequate systems, procedures and processes in place to manage and administer the investment-linked funds in a proper and efficient manner. There should be clear principles and policies established for the valuation of funds and calculation of unit prices. Such policies and procedures should ensure the timely and fair valuation of assets in each fund, ensure fair allocations and provisions/deductions for expenses and charges in accordance with the policy terms and disclosures made to policy/certificate owners, and ensure the equitable treatment of different policy/certificate owners and groups of policy/certificate owners, within or between individual funds as the case may be.

7.2 Transactions of the funds should be conducted in a manner that will avoid unnecessary costs or risks to the policy/certificate owners. Accordingly, trades should be undertaken on terms that are consistent with the interests of the policy/certificate owners. The engagement of brokers or dealers should similarly reflect terms which are comparable with the best available terms in the market. Insurers/takaful operators (and their fund managers) may receive soft commissions provided the services rendered are related to the management of the investment-linked funds and of demonstrable benefit to unit holders. The details of any soft commissions shall be adequately disclosed in the fund performance report.

7.3 Insurers/takaful operators shall ensure that any changes made to the management of investment-linked funds, e.g. changes to the fund’s investment objectives, strategies, asset allocation and risk management strategy, must be of demonstrable benefit to the policy/certificate owners.

---

2 Products and services obtained from a broker such as research and advisory services, economic and portfolio analyses, market reports, etc.. Travel, accommodation & entertainment benefits are strictly prohibited.
Policy/certificate owners should be notified at least three months in advance of any changes made.

7.4 Insurers/takaful operators which outsource investment management activities to another entity within the group are required to disclose that fact to the policy/certificate owners and identify the entity that will be managing the investments of the fund and the terms under which the fund will be managed on behalf of the insurer/takaful operator. Notwithstanding any such arrangement, the insurer/takaful operator shall continue to be responsible for the proper investment management of the fund in accordance with the contractual and fiduciary obligations to policy/certificate owners of the fund.

7.5 Insurers/takaful operators shall seek the prior approval of the Bank before closing any investment-linked funds to new money, or transfer the assets to another fund.

8. Objectives of Funds

8.1 The objectives of an investment-linked fund must be clear, specific and sufficiently detailed to enable informed assessments by a policy/certificate owner to on the nature of its underlying assets and potential risks.

8.2 The fund objectives and allocations to the various types of investments of an investment-linked fund must be clearly and adequately disclosed in the sales/marketing materials and the policy/certificate document for that particular investment-linked insurance/takaful policy/certificate.

9. Separation of Funds

9.1 Insurers/takaful operators shall establish and maintain one or more separate investment-linked funds for the purposes of administering investment-linked insurance/takaful business. The assets of such funds shall be kept separate from all other assets of the insurer/takaful operator.
10. **Pricing and Dealing of Units**

10.1 Insurers/takaful operators shall sell and repurchase units of an investment-linked fund at the net asset value (NAV) per unit of the fund. The selling and repurchase price for units shall be the NAV per unit of the fund as at the next valuation point after the request to sell or repurchase units is received by the insurer/takaful operator.

10.2 The NAV per unit of an investment-linked fund is the total market value of the assets in the fund divided by the total number of units of the fund. To ensure fair treatment to all unit holders, insurers/takaful operators may impute the transaction costs of acquiring or disposing of assets of the fund, if the costs are significant. To recoup the cost of acquiring and disposing of assets insurers/takaful operators shall make an adjustment using either one of the two methods below:

(a) Make a dilution or transaction cost adjustment to the NAV per unit to recover any amount which the fund had already paid or reasonably expects to pay for the creation or cancellation of units; or

(b) Impose a dilution fee or transaction cost. The insurer/takaful operator should ensure that the fee becomes due at the same time payment is made for the sale and repurchase of units. The dilution fee or transaction cost charged should be allocated back to the unit fund.

10.3 Insurers/takaful operators shall ensure that any fee imposed or adjustment made for significant transaction costs is fair and for the sole purpose of reducing a material dilution of the fund.

10.4 The valuation of units shall be carried out every business day. For closed-end funds where the nature of the investible assets does not support the daily valuation of units, such as investments linked to derivatives, the valuation may be carried out at alternative frequencies as appropriate to the
structure/investment. In any case, the frequency of valuation shall not be less than once a month.

10.5 Insurers/takaful operators shall ensure that appropriate controls are in place and operating effectively to ensure the timely and accurate calculation of unit prices. The controls should also support the early detection of unit pricing errors. Insurers/takaful operators shall assume responsibility for unit pricing errors and make adequate provisions for the occurrence of such errors in order to compensate affected policy/certificate owners for losses incurred as a result of material errors.

10.6 Insurers/takaful operators may undertake unit splits for any investment-linked fund, provided the following conditions are met:

(a) a unit split/combination can only be done once in a financial year;

(b) the unit split may only be exercised when there is a sustainable appreciation in the NAV over a six month period preceding the split. This refers to an increase in the average monthly NAV from one month to another over the six-month period; and

(c) insurers/takaful operators shall send policy/certificate holders a statement providing the NAV before and after the unit split, together with reasons for undertaking the unit split, promptly after the unit split exercise. Insurers/takaful operators shall also concurrently inform the Bank of any unit splits/combinations exercise undertaken.
PART C  PRODUCT DESIGN

11.  General Conditions

11.1 Information on the design of an investment-linked insurance/takaful product and its features shall be adequately disclosed in the sales/marketing material for the product. The name of an investment-linked insurance/takaful product and fund shall not be misleading in relation to the underlying investment strategy for the linked assets and their inherent volatility. In addition, the description of the product shall clearly state that it is an investment-linked insurance/takaful product to avoid misrepresenting the product as pure investment plan.

11.2 An investment-linked insurance/takaful product may only be represented as capital guaranteed if the guarantee is explicitly provided for by the insurer/takaful operator or a third party. In the case of a third party guarantor, the guarantor shall be a bank, investment bank or Islamic bank licensed under the Banking and Financial Institutions Act 1989 and the Islamic Banking Act 1983. Takaful operators shall ensure that the form of guarantee is in line with Shariah principles.

11.3 Any product that does not meet the criteria set out in paragraph 10.2 shall not be represented as a capital guaranteed product or any other name that connotes a similar meaning for example ‘capital protected’, ‘capital preserved’, etc. A fund that merely adopts an investment strategy aimed at returning the policy/certificate owners’ capital shall not be represented as a capital protected product or any other name that connotes a similar meaning.

11.4 An extension to an investment-linked insurance/takaful product in the form of riders may be designed, and the cost of which may be funded, in the form of additional premium/contribution payment or unit deduction.

11.5 In the case of premium/contribution holidays, insurers/takaful operators are required to explicitly seek the policy/certificate owners’ consent before
deducting any charges for riders from the fund. Once the automatic deduction is in effect, insurers/takaful operators shall remind policy/certificate owners that riders are on automatic deduction mode in the annual statements to policy/certificate owners and highlight the possible consequences of continuing with the automatic deductions. Insurers/takaful operators shall also provide advice on the options available to policy/certificate owners for example reducing/terminating the coverage of the riders. The deduction for premium/contribution paying riders shall be net of commission if the premium/contribution holiday occurs during the commission payment period.

12. **Death Benefits**

12.1 An investment-linked insurance/takaful product shall provide for minimum death benefits (excluding riders) as follows:

(a) for single premium/contribution policies/certificates - RM 5,000 or 125% of the single premiums/contributions, whichever is higher; and

(b) for regular premium/contribution policies/certificates - RM 5,000 or the prevailing multiple\(^3\) of annual premiums/contributions, whichever is higher.

Insurers/takaful operators may provide death benefits lower than the minimum specified above for older ages and for substandard lives, subject to a minimum of RM 5,000 or 105% of the single premiums/contributions, whichever is higher.

12.2 The requirement for minimum death benefits does not apply to top-up premiums/contributions. As such, the whole of the top-up premiums/contributions can be used to purchase investment units.

12.3 Insurers/takaful operators shall ensure that the total risk charge (including unit deducting riders) as a proportion of total premium/contribution of an investment-linked insurance/takaful product is not unduly high, so as not to deplete the policy/certificate owner’s account value.

\(^3\) This refers to the Sum Assured/Participated factors as specified by the Bank in Appendix II of the Guidelines.
13. **Surrender Values**

13.1 The surrender value of a policy/certificate must not be less than the value of units, based on the unit price at the time of cancellation less any insurance/takaful charges, policy/certificate fees and surrender charges, where applicable.

13.2 For investment-linked insurance/takaful products where the cost of insurance/takaful charges and/or other charges are funded in advance, the surrender values for the charges shall be determined in accordance with generally accepted actuarial principles and in a manner that ensures the fair treatment of policy/certificate owners.

13.3 Insurers/takaful operators shall promptly effect the payment of surrender values to the policy/certificate owners. The policy/certificate shall remain in force until the insurer/takaful operator has effected payment of the surrender value in respect of a policy/certificate.

13.4 Insurers/takaful operators may levy a surrender charge for the cancellation of a policy/certificate. The level of surrender charge shall reasonably reflect the expected incurred expenses which have not yet been recouped by other charges levied up to the point of surrender. Insurers/takaful operators should not seek to profit from this charge.
14. **Free-look Period**

14.1 A policy/certificate owner shall have 15 calendar days from the date of delivery of the policy/certificate to examine its terms and conditions. A policy/certificate owner may terminate the policy/certificate within the 15-days free-look period.

14.2 If a policy/certificate is cancelled within the 15 days free-look period, the insurer/takaful operator shall refund:
   (a) the unallocated premiums/contributions;
   (b) value of units that have been allocated (if any) at the unit price at the next valuation date; and
   (c) any insurance/takaful charges and policy/certificate fee that have been deducted;

less expenses which may have been incurred for the medical examination of the life insured/participant.
PART D FEES/CHARGES AND EXPENSES

15. General Conditions

15.1 Insurers/takaful operators may only charge to the unit fund expenses that are specifically identified to and necessary for the business of the fund. These are:

(a) commissions and fees paid to brokers for carrying out dealings in the investments of the fund;
(b) tax and other duties charged on the fund by the Government and other authorities;
(c) fees and other expenses properly incurred by the auditor appointed for the fund;
(d) fees for the valuation of the fund’s investment by independent valuers for the benefit of the fund;
(e) custodian fee; and
(f) cost of hedging⁴.

15.2 Indirect expenses, such as general overheads of the insurers/takaful operators shall not be charged to the unit fund. Further, any rebates in respect of the fund’s transactions shall be credited to the fund, which includes rebates on commissions and fees received from brokers.

15.3 The information on fees and charges borne by policy/certificate owners must be adequately disclosed in the sales/marketing materials and policy/certificate documents in compliance with Part V of the Guidelines.

⁴ Insurers/takaful operators are required to describe the hedging strategy in the risk management section of the fund fact sheet and also explain the hedging strategy for the year, including the cost, in the fund performance report.
15.4 Insurers/takaful operators shall give at least three months\(^5\) written notice to all existing policy/certificate owners prior to making any changes to the policy/certificate fees and charges. Changes to fees and charges at the policy/certificate level can only be implemented at the policy/certificate anniversary date.

15.5 Insurers/takaful operators shall file with the Bank any revisions to existing fees and charges in accordance with the requirements set out in the Guidelines on Introduction of New Products for Insurance Companies and Takaful Operators.

16. **Fund Management Fees**

16.1 Insurers/takaful operators may be remunerated for rendering fund management services by way of an annual fund management fee. The fund management fee should be charged to the fund, via the unit pricing method.

16.2 The annual fund management fee shall commensurate with the investment strategy employed and shall not exceed:
   a) 1% of an investment-linked fund’s NAV for a fund which invests fully in money-market instruments or fixed income securities; and
   b) 1.5% of the fund’s NAV for other funds.

16.3 Adjustments to the unit price for accrued fund management fees shall be made according to the exact number of days that have elapsed since the previous unit pricing date.

---

\(^5\) For medical and health riders, to follow the 30 days notification period as per Guidelines on Medical and Health Business.
17. **Other Charges**

17.1 All charges that are based on a percentage of premium/contribution shall be included in the unallocated premium/contribution charge. The percentage applied for the unallocated premium/contribution charge\(^6\) shall reflect the insurer/takaful operator’s actual commission structure and management expenses.

17.2 Other charges such as service charge, top-up charge, switching & partial withdrawal charges shall be reflective of the expenses expected to be incurred. Insurers/takaful operators should not seek to profit from these charges.

17.3 As a general principle, if a relevant expense has already been considered in one of the charges imposed, it shall not be charged again in another category. This also applies to the surrender charge addressed under paragraph 12 above.

18. **Commissions**

18.1 The maximum percentages of commissions\(^7\) payable on an investment-linked insurance policy/ takaful certificate to the agency force and other intermediaries for marketing and servicing a policy/certificate shall be as follows:

- (a) for single premium/contribution policies/certificates and top-up premium/contributions - 3.75% of the amount of premium/contribution; and

- (b) for annual premium/contribution policies/certificates sold through the agency force - 160% of the annual premium/contributions, to be payable over at least six years, with the maximum commissions payable in the first three policy/certificate years of 40%, 40% and 25% respectively. The

---

\(^6\) For takaful, the unallocated contribution is the wakalah fee.

\(^7\) Including overriding commission, production bonus and persistency bonus.
scale of maximum commissions is applicable for a policy/certificate with premium/contribution-paying term of 20 years or more. The commission scale should be pro-rated accordingly for a policy/certificate with a premium/contribution-paying term of less than 20 years.

(c) For a policy/certificate with premium/contribution-paying term of 5 years and below, the commission scale imposed shall be subject to the condition that the total commission paid in each policy year must not be greater than the corresponding pro-rated outer maximum commissions limit (determined based on the maximum total commissions payable of 160% for a policy with premium/contribution-paying term of 20 years or more).

18.2 For investment-linked insurance policies/ takaful certificates sold through bancassurance/bancatakaful, the commission rates shall be subjected to the limits stipulated in the ‘Guidelines on Bancassurance’ and ‘Guidelines on Bancatakaful’ issued by the Bank.

18.3 Insurers/takaful operators shall comply with further requirements relating to regular premium/contribution investment-linked insurance policies/ takaful certificates as specified in Appendix II.

19. **Agency Related Expenses (ARE)**

19.1 Insurers/takaful operators may incur payments of benefits in cash or kind to agents, agency supervisors and agency managers which may include medical expenses, insurance/takaful schemes, contributions to retirement/gratuity schemes and agency seminars/conferences.

19.2 The total amount spent on all such benefits is subject to a limit of 3% of regular premiums/contributions. In addition, ARE must be charged to the non-unit fund for insurers and the shareholders’ fund for takaful operators.
19.3 ARE must be aligned to the performance measures of the agency force including productivity and persistency, and must be consistent with the remuneration policy approved by the Board.

19.4 For purposes of monitoring performance, the insurer/takaful operator must ensure that the agency supervisor or agency manager submit quarterly reports on performance to the insurer/takaful operator.

19.5 Insurers/takaful operators must maintain proper record and documentation of ARE, which must be made readily available to the Bank upon request.
PART E   DISCLOSURE

20. Disclosure Principles

20.1 Insurers/takaful operators shall provide accurate and up-to-date information to policy/certificate owners on their investment-linked insurance policies/takaful certificates. The information provided must also be adequate to facilitate comparisons and enable consumers to make informed decisions with regard to the prospective purchase of an investment-linked insurance/takaful product, including but not limited to the key product features, benefits and risks, fees and charges, and contractual rights and obligations of the consumers. Insurers/takaful operators shall not provide information that is inconsistent with the contents of the actuarial certificate filed with the Bank.

20.2 Any statement of opinion on an investment-linked insurance/takaful product shall be reasonable, relevant, factually-based, suitably qualified, and where appropriate, capable of verification.

20.3 Insurers/takaful operators shall immediately withdraw any information that becomes misleading following any changes in circumstances. The existing policy/certificate owners must also be notified of the changes if the impact of the changes on benefits to the existing policy/certificate owners is significant.

20.4 Any statement regarding the performance of an investment-linked fund on its own, or in relation to other investment-linked funds, or other alternative investment vehicles, shall be relevant, factually-based and attributable to an independent source, with the date and source of the statement prominently disclosed.

20.5 Any reference to past investment performance must include a warning statement that past performance is not indicative of future performance and the performance of the fund is not guaranteed. The past performance figures shall be based on actual historical performance and not simulations, and should not be unduly biased (e.g. based only on a period of exceptionally favourable market conditions).
20.6 Insurers/takaful operators are not allowed to market an investment-linked fund based on projected/expected returns, except as provided in section 20 of this Guidelines. For funds which invest in structured products or derivatives, illustrations of gains and losses through numerical examples based on bull, flat and bear scenarios are allowed to enhance understanding by policy/certificate owners of the impact of different scenarios in relation to the product. If numerical examples are illustrated, all three scenarios must be given and shall include an illustration of losses under the bear scenario, where possible.

20.7 For products which provide guarantees, the insurers/takaful operators shall disclose the following:
(a) the name and credit rating of the guarantor, if the guarantor is a third party;
(b) the material terms and scope of the guarantee (for example, where capital is only guaranteed if the policy/certificate is held to maturity); and
(c) appropriate cautions with regard to counterparty risks associated with any guarantee, in particular those associated with third party guarantors.

Insurers/takaful operators shall ensure that any representations made to the policy/certificate owner on third party guarantees, including information provided during the sales/marketing process and disclosures made in marketing literature and policy/certificate documents, are clearly communicated and not misleading.

20.8 Insurers shall not represent an investment-linked insurance policy as or similar to a ‘whole life’ policy in the marketing of the product (e.g. by using the term ‘whole life’ or specifying the term of the policy in a manner that may be perceived to operate like a ‘whole life’ plan) in view that there is no guarantee on the level of coverage up to a reasonably old age.

20.9 Insurers are prohibited from using any term for their product or fund that may give rise to the perception that it is an Islamic or Shariah-compliant product. This includes the use of terms such as “Islamic”, “Shariah”, “Shariah-approved” and “Shariah-compliant”, or Arabic-references in the descriptions or
names of products that may cause confusion to prospective policy/certificate holders. Insurers may, however, make references to “Shariah-approved securities” or “Islamic private debt securities” to describe the nature of investments of the fund. Where these are used, a clarification should be provided that the investment-linked insurance plan itself is not a Shariah-compliant product in the relevant marketing documents.

20.10 Any compensation, or ex-gratia payments made due to misselling or errors shall be borne by shareholders, and shall not be paid from the unit fund.

21. **Life Insurance Policy and Family Takaful Certificate Documents**

21.1 The policy/certificate documents must meet the minimum content and other disclosure requirements specified in the Code of Good Practice/Guidelines on Family Takaful Products. In addition, the policy/certificate documents shall also comply with Appendix III of the Guidelines.

22. **Sales/Marketing Illustration**

22.1 The sales/marketing illustration must meet the minimum content and other disclosure requirements specified in the Code and Guidelines on Family Takaful Products. In addition, the sales/marketing illustration for an investment-linked insurance policy/takaful certificate shall also comply with Appendix IV of the Guidelines.

22.2 Insurers/takaful operators shall also provide a copy of the sales/marketing illustration, based on actual premium/contribution rates subscribed, to the policy/certificate owner together with other policy/certificate documents.
23. **Fund Fact Sheet**

23.1 Insurers/takaful operators shall provide a separate fund fact sheet for each of its investment-linked funds. Please refer to Appendix V for the minimum information required to be disclosed in the fund fact sheet.

24. **Sales/Marketing Literature**

24.1 Sales/marketing literature are additional material to the sales/marketing illustration and fund fact sheet. It includes all announcements, promotional material, telemarketing scripts or advertisements in respect of an investment-linked insurance/takaful product, sales/marketing brochures, or any other material provided before and at the point of sale/marketing.

24.2 The sales/marketing literature shall meet the minimum content and other disclosure requirements specified in the Code or Guidelines on Family Takaful Products. In addition, the sales/marketing literature shall be consistent with the information provided in the sales/marketing illustration and fund fact sheet.

24.3 The statement ‘This is an insurance/takaful product that is tied to the performance of the underlying assets, and is not a pure investment product such as unit trusts’ shall be prominently displayed in large bold font in all sales/marketing literature.

25. **Statement to Policy/Certificate Owners**

25.1 Insurers/takaful operators shall provide to each policy/certificate owner a statement on the value of his/her policy/certificate at least once a year. The statement shall be distributed within two months after the end of each financial year of the insurer/takaful operator, or the end of the reporting period where more frequent statements are provided.
25.2 The statement to each policy/certificate owner on the status of his/her investment-linked policies/certificates must contain, but is not limited to, the information stipulated in Appendix VI of the Guidelines.

25.3 Each transaction during the period should be reported individually, together with the date on which the individual transaction occurred.
26. **Fund Performance Report to Policy/Certificate Owners**

26.1 Insurers/takaful operators shall provide to each policy/certificate owner a report on the performance of each investment-linked fund in which the policy/certificate owner has units at least once a year. The report shall be distributed within four months from the end of each financial year of the insurer/takaful operator, or the end of the reporting period where more frequent reports are provided. For closed-end funds, insurers/takaful operators may provide the report based on the fund’s financial year end.

26.2 The fund performance report, which includes the audited financial statements and the notes to the accounts, shall contain the minimum information as stipulated in Appendix VII of the Guidelines.

27. **Publication of Unit Price**

27.1 Insurers/takaful operators shall publish the latest NAV per unit of all investment-linked funds daily in at least one widely-circulated English and Bahasa Malaysia national newspapers, and on the insurers’/takaful operators’ website.
PART F INVESTMENT

28. General Principles

28.1 The insurer/takaful operator shall ensure that the fund is invested in accordance with its stated objectives at all times, as disclosed in the fund fact sheet and/or the policy/certificate contract. Where the objectives of the fund specify the investment policy of the fund in relation to investments in a particular security, class of securities, economic sector or market, the insurer/takaful operator must ensure that the fund is invested accordingly.

28.2 In the case of a new investment-linked fund, the insurer/takaful operator shall ensure that the fund is fully invested according to its stated objectives, immediately after its initial offer period. The initial offer period shall not exceed two months. Where the minimum required fund size is not reached, the insurer/takaful operator shall refund monies contributed with any interest/investment profits earned on premiums/contributions received during the offer period.

29. Investment Limits

29.1 The investments of an investment-linked fund shall be subject to the limits stipulated in Appendix VIII of the Guidelines.

29.2 The investment limits must be complied with at all times based on the most current value of the fund and its underlying investments. A 5% allowance in excess of any limit or restriction is permitted where the limit or restriction is breached through an appreciation or depreciation of the investments of the fund. Any re-balancing of investments necessary to rectify a breach of the limits exceeding this allowance (e.g. due to material movements in the values of the fund’s assets resulting in holdings in excess of the regulatory limits) must be done within a period of 60 days from the date of the breach.
PART G  VALUATION OF ASSETS AND LIABILITIES

30. Valuation of Assets

30.1 Insurers shall refer to Risk-Based Capital Framework on requirements applicable to the valuation of assets of investment-linked funds.8

30.2 Takaful operators shall comply with Appendix IX of the Guidelines for the valuation of assets.

31. Valuation of Liabilities

31.1 The appointed actuary shall value the non-unit liabilities of investment-linked insurance policies in accordance with the basis set out in Appendix VII – ‘Valuation Basis for Life Insurance Liabilities’ of the Risk-Based Capital Framework for Insurers.

31.2 For takaful operators, the appointed actuary shall value the liabilities of investment-linked takaful certificates at the end of each financial year of the takaful operator in accordance with the basis set out in Appendix X.

31.3 Insurers/takaful operators shall maintain a matched position in respect of unit liabilities, and the value of the unit liabilities shall be taken as the NAV of the matched units at the valuation date.

8 For immovable property, insurers should make appropriate adjustments where the market value of the assets change significantly during the inter-valuation period.
PART H  MARKETING

32. Marketing

32.1 Only agents and other intermediaries of insurers and takaful operators, who have passed Malaysian Insurance Institute, or its equivalent, are allowed to market investment-linked insurance/takaful products. The Certificate Examination in Investment-Linked Life Insurance (CEILI) conducted by the Malaysian Insurance Institute, or its equivalent, are allowed to market investment-linked insurance/takaful products.
APPENDICES

APPENDIX I

1. Applications to Conduct Investment-linked Insurance/Takaful Business

1.1 Applications for approval to conduct investment-linked insurance/takaful business, as specified in paragraph 4 of the Guidelines, shall be submitted to the Bank together with a proper business plan for the business. The minimum information to be included in the business plan shall include, but is not limited to, the following information:

(a) Clear description of the governance structure with respect to the management of the investment-linked insurance/takaful business, including lines of responsibility and reporting/oversight arrangements;

(b) Confirmation that the insurer/takaful operator has adequate resources to manage the business, including relevant internal experience and expertise to manage the investments of the funds, and the necessary infrastructure/system and capabilities such as IT support for fund accounting and unit valuation;

(c) Description of the risk management framework to ensure the proper management of the investment-linked insurance/takaful business, including compliance with existing laws and regulations; and

(d) An assessment of the expected impact of the investment-linked insurance/takaful business on the insurer’s/takaful operator’s overall financial condition, risk profile and business strategy.
APPENDIX II

1. Rules for Regular Premium/Contribution Investment-linked Insurance Policies/Takaful Certificates

1.1 For regular premium/contribution policies/certificates, the segregation of premiums/contributions into annual insurance premiums/takaful contributions\(^9\) and top-ups or investment premiums/contributions\(^10\) is governed by the Sum Assured/Participated (SAM) rule for the purpose of determining commissions payable. The SAM rule defines the minimum amount of sum assured/participated that must be provided as a multiple of the annual insurance premium/takaful contribution for full commissions to be paid on the insurance premium/takaful contribution.

1.2 The purpose of this SAM rule is to ensure that policy/certificate owners are protected by preserving the value derived from their investment-linked insurance/takaful plans. As such, insurers/takaful operators may use alternative methods for determining the level of commissions to be paid if the alternative method is superior to the SAM rule in achieving the underlying objective.

1.3 The minimum SAM factors are as follows:

<table>
<thead>
<tr>
<th>Age</th>
<th>SAM Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 to 16</td>
<td>60</td>
</tr>
<tr>
<td>17 to 25</td>
<td>55</td>
</tr>
<tr>
<td>26 to 35</td>
<td>50</td>
</tr>
<tr>
<td>36 to 45</td>
<td>35</td>
</tr>
<tr>
<td>46 to 55</td>
<td>25</td>
</tr>
<tr>
<td>56 above</td>
<td>15</td>
</tr>
</tbody>
</table>

\(^9\) This is the portion of premium/contribution that attracts the full commission for regular premium/contribution products.

\(^10\) Top-ups or investment premium/contribution is the portion of premium/contribution that attracts the top-up commission.
1.4 The SAM rule shall also be applicable to riders attached to regular premium policies/regular contribution certificates. When calculating the sum assured/participated multiple, the riders' premium/contribution must be added to the annual premium/contribution. For premium/contribution paying riders, whether unitised or non-unitised, the premiums/contributions shall be excluded for the purpose of SAM calculation. The treatment of other riders is set out in the following paragraphs.

1.5 There are 2 main categories of riders:
   a) Category 1: Riders with sum assured/participated payable on death. Examples include term riders and critical illness riders with additional sums assured/participated on death (except for accidental benefit riders).
   b) Category 2: Riders without sum assured/participated payable on death. Examples include critical illness riders with accelerated death benefits, hospital income riders, hospital and surgical riders, TPD riders, waiver of premium/contribution riders and includes accidental benefit riders.

1.6 The SAM formula is as follows:

\[
SAM = \frac{\text{Total Sum Assured/Participated}}{\text{(Total Annual Premium/Contribution – Notional Premium/Contribution of Riders)}}
\]

1.7 For Category 1 riders, the sum assured/participated is to be included in the numerator (i.e. Total Sum Assured/Participated) of SAM formula. Where it is not appropriate to classify some riders with additional sums assured/participated under Category 1 (e.g. riders with high sums assured/participated to premium/contribution ratios), the Appointed Actuary shall exercise his discretion to classify such riders in a manner that will provide best value to policy/certificate holders, in line with the underlying objective of the minimum SAM rules.
1.8 For Category 2 riders, the Notional Premium/Contribution is to be deducted from Total Premium/Contribution in the denominator of the SAM formula. The manner in which the Notional Premium/Contribution is calculated is set out under item 9 below.

1.9 The Notional Premium/Contribution shall be calculated based on the following principles (level premium/contribution approach):
- The present value of the allocated portion of the Notional Premium/Contribution is set to be equal to the present value of Cost of Insurance or Tabarru’ Charge;
- The present value is calculated using a discount rate of 4%; and
- No decrement is to be used in the present value calculation.
APPENDIX III

1. Life Insurance Policy and Family Takaful Certificate Documents

1.1 The following additional minimum particulars shall be incorporated within the body of the life insurance policy and family takaful certificate documents of an investment-linked insurance policy/takaful certificate:

(a) the nature of the benefits and how the benefits will be linked to the performance of the investment-linked funds that the policy/certificate owner has invested in. For funds investing in structured products and derivatives (for yield enhancement purpose), a description of how the return or benefits are derived should be included;

(b) objectives and investment strategies of the investment-linked funds. The asset mix and conditions for departure from the fund’s objectives (if any) must be clearly defined;

(c) allocation rates to purchase units in the investment-linked funds;

(d) types, amounts and methods of imposing the various charges applicable under the investment-linked insurance policy/takaful certificate, including the maximum charges;

(e) methodologies used in calculating unit prices for the purpose of allocating, creating or cancelling units in investment-linked funds;

(f) availability of options to vary the level of death benefits and premium/contributions, switch investment-linked funds, and take premium/contribution holidays; and

(g) provisions that allow the insurer/takaful operator to take the following actions that may become necessary due to a change in circumstances (as a means to protect or advance the interests of policy/certificate owners):

(i) close the fund to new money, or transfer the assets to a new fund which has similar investment objectives;

(ii) change the name of the fund;

(iii) split or combine existing units;

(iv) suspend unit pricing and policy/certificate transactions if any of the exchanges in which the fund is invested is temporarily suspended for trading;
(v) make any changes that may be required due to legislation and regulatory requirements; and
(vi) refund monies contributed to a new unit fund after its initial offer period with interest due to the inability to achieve the minimum required fund size.
APPENDIX IV

1. Sales/Marketing Illustrations

1.1 A sales/marketing illustration shall be provided to a prospect at the point of sale/marketing of an investment-linked insurance/takaful product (except products which invests in derivatives or structured products) and shall contain information about the product, including details specific to the policy/certificate. The sales/marketing illustration for an extension to an investment-linked insurance policy/takaful certificate is further dealt with in paragraph 4 below.

1.2 The sales/marketing illustration must conform with the minimum disclosure requirements as provided in the format given in Appendix IV(a) of the Guidelines.

1.3 In general, the format of the sales/marketing illustrations for an investment-linked insurance policy/takaful certificate shall be guided as follows:

(a) sales/marketing illustration shall not be printed in small font size;
(b) two rates of illustrations on a gross basis\(^\text{11}\), denoted as ‘Projected Investment Return of Fund: X%’ and ‘Projected Investment Return of Fund: Y%’ in Appendix V(a), must be shown to denote the range of possible returns of the underlying assets of the fund;
(c) the rates for illustration will vary by types of investment-linked funds;
(d) the maximum gross rates for illustration (X% and Y%) for various types of funds should be within the limits as follows:

<table>
<thead>
<tr>
<th>Illustrated return for generic funds(^\text{12})</th>
<th>X%</th>
<th>Y%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity</td>
<td>2%</td>
<td>9%</td>
</tr>
<tr>
<td>Managed</td>
<td>3%</td>
<td>8%</td>
</tr>
<tr>
<td>Bond</td>
<td>4%</td>
<td>7%</td>
</tr>
</tbody>
</table>

\(^{11}\) Refers to the returns of the underlying assets before deduction of tax and charges.

\(^{12}\) ‘Equity’ and ‘Bond’ funds refer to funds whose investment in equities and fixed income securities are at least 80% of the fund’s total NAV respectively. ‘Managed’ funds refer to funds which do not fall into either of the former two categories.
(e) a single combined sales/marketing illustration may be provided in the case where a policy/certificate owner has selected more than one generic fund;

(f) an explanation shall be provided to clarify whether the death/maturity benefit of the investment-linked insurance policy/takaful certificate is determined as the higher of the value of units or sum assured/participated, or the aggregate of the two;

(g) charges should be separated by two categories:
   • Insurance/Takaful Charges. For unit deducting riders, a clear distinction between the cost of insurance/takaful protection for the basic policy/certificate and riders shall be made;
   • Other Charges, which include the policy/certificate fee, fund management fees, switching fees and other charges;

(h) the period of projection for both single premium/contribution and regular premium/contribution plans should not exceed 30 years to avoid inappropriate expectations created by the projection of large pay-outs under long periods of compounded investment returns. For the projection period beyond the 20th year, insurers/takaful operators shall continue to illustrate the “low” scenarios using the current “low” rates whereas for the “high” scenarios, rates of 5%, 5.5% and 6% shall be used for bond, managed & equity funds respectively;

(i) Notwithstanding the maximum projection period allowed which is 30 years, insurers/takaful operators shall not extend the illustration to 30 years if the cash value will be depleted earlier based on the projection basis. In such cases, the projection shall cease at the policy/certificate year in which the cash value is depleted;

(j) Disclosure of the following:
   • The availability of the top-up facility and its use as a vehicle to maximise the policy/certificate owner’s investment value shall be prominently highlighted;
   • The minimum regular premium/contribution required under the particular regular premium/contribution investment-linked insurance policies/takaful certificates;
   • The minimum amount required for top-ups; and
• The ability of the policy/certificate owner to increase the sum assured/participated without increasing the regular premium/contribution, where applicable

1.4. As a general principle, extensions to the investment-linked insurance policy/takaful certificate should be included in the sales/marketing illustration. The treatment for extensions may vary depending on the product design, the application of premium/contribution, and insurance/takaful charges for such extensions. In any case, a clear distinction between the costs and benefits attached to each rider and basic plan must be shown to demonstrate the impact of the inclusion of riders on the cash value.
APPENDIX IV(a)

1. Minimum Disclosure Format for Sales/Marketing Illustrations

<table>
<thead>
<tr>
<th>Company</th>
<th>ABC Insurance/Takaful Berhad</th>
<th>Agent:</th>
<th>Mr. QWERTY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quotation for:</td>
<td>[Product Name]</td>
<td>Basic Sum Assured/Participated:</td>
<td>RM100,000</td>
</tr>
<tr>
<td>Client:</td>
<td>Mr. XYZ</td>
<td>Optional/</td>
<td>Rider 1 RM5,000</td>
</tr>
<tr>
<td>Sex:</td>
<td>M</td>
<td>Rider Cover:</td>
<td>Rider 2 RM40,000</td>
</tr>
<tr>
<td>Smoker:</td>
<td>No</td>
<td>Premiums/Contributions:</td>
<td>RM2,000</td>
</tr>
<tr>
<td>Occupation:</td>
<td>Class 1</td>
<td>Frequency:</td>
<td>Yearly/Halfyearly/Quarterly/Monthly</td>
</tr>
<tr>
<td>Age:</td>
<td>35</td>
<td>Ratio of</td>
<td>---% in Fund 1</td>
</tr>
<tr>
<td>Plan Type:</td>
<td>Regular Premium/Contribution Investment-Linked Insurance/Takaful</td>
<td>Fund's Chosen</td>
<td>---% in Fund 2</td>
</tr>
<tr>
<td>Charges:</td>
<td>List of all the charges (See below for the description of the charges)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Important:**

- You should read this illustration together with the fund fact sheet(s) of the investment fund(s) which you have chosen. The fund fact sheet contains all the important information that you will need to know regarding the investment fund(s).

- Since only xx% of the Annual Premium/Contribution for the first two policy/certificate years is used to purchase units, while yy% of top-up is used to purchase units, you can **maximise your investment value by minimising your annual premium/contribution and maximising your top-ups**.
  - Minimum Annual Premium/Contribution Required: RMxxx
  - Minimum Top-Ups Allowed: RMxxx

- Therefore, if your purchase involves a premium/contribution of sizeable amount say RM5,000 and above, you should consider purchasing single premium/contribution investment-linked policy/certificate (rather than a regular premium/contribution policy/certificate) as single premium/contribution plans offer better allocation rates for investment.

- Your investment-linked policy/certificate will lapse/terminate if there is not enough units in your fund to pay the charges. Your units may not be enough over the years due to:
  - High insurance/tabarru’ charges if you buy many riders, and especially if the charges are increasing over time as you get older
  - Poor investment returns

---

13 Premiums/contributions to be split by basic and riders, if applicable. For unit deducting riders, insurers/TOs to explain that coverage for these riders is paid from the basic premiums/contributions.
Premium/contribution holiday – i.e. if you stop paying premiums/contributions for a long period of time

WARNING
YOUR INSURANCE/TABARRU’ CHARGES WILL INCREASE AS YOU GET OLDER. IN THE LATER YEARS, IT IS POSSIBLE THAT THE ACCUMULATED FUND VALUE IS NOT ENOUGH TO PAY FOR YOUR INSURANCE/TABARRU’ CHARGES DUE TO POOR INVESTMENT RETURNS, WHICH WILL RESULT IN YOUR POLICY/CERTIFICATE BEING CANCELLED. YOU MAY NEED TO INCREASE YOUR PREMIUMS/CONTRIBUTIONS OR REDUCE THE LEVEL OF INSURANCE/TAKAFUL PROTECTION, IF YOU WANT TO MAINTAIN YOUR POLICY/CERTIFICATE.*

* You should ask the agent/broker/financial adviser to explain to you about the insurance/tabarru’ charges and its effect on your future insurance/takaful coverage.

SUMMARY ILLUSTRATION:

- This summary illustration is intended to show the movements of possible cash flows for the investment and the impact of fees and charges on cash values based on illustration below.
- The projected investment returns used below are for illustrative purposes and not meant to show possible returns of your chosen investment fund(s). They are not guaranteed and not based on past performance.
- Actual returns of the fund will fluctuate (i.e. rise or fall) each year based on the performance of the assets the fund invests in.
- The actual returns may even be below the projected rates or negative.

---

### Projected Investment Rate of Return

- The returns of X% and Y% have been used respectively to represent the range of possible returns on Fund 1,2...k.
- Please refer to the fund fact sheet for the past actual annual investment returns.

---

1. This represents a charge to your premium/contribution and is used to meet the direct distribution cost and company’s expenses.
2. Cost directly attributable to the distribution channel for the sale/marketing of this policy/certificate, i.e. payments to agent/broker/financial adviser. This cost is paid from the charges that are imposed on your policy/certificate for services that the agent/broker/financial adviser will provide to you for the duration of your policy/certificate.
NOTE:

1. (ABC Insurance/Takaful Berhad) believes it is important that you fully appreciate all the benefits under your policy/certificate, and that you also understand how the cost of the insurance/takaful protection, distribution, administration, investment and other costs affect these benefits.

2. You should satisfy yourself that the plan serves your needs and that you can afford the premium/contribution. If you need clarification, please contact us or your agent.

3. Buying a regular premium life policy or regular contribution family certificate is a long-term commitment. It is not advisable to hold this policy/certificate for a short period of time in view of the high initial costs.

4. The information set out below explains the individual items in the sales/marketing illustration table.

Premium/Contribution Paid

- This is the amount that you (the policy/certificate owner) pay for this policy/certificate. Take note that not all of the amount paid will be invested into the investment fund(s) you selected. See explanation on unallocated and allocated premium/contribution below.

Unallocated Premium/Contribution (Wakalah fee)

- The unallocated premium/contribution charge is an upfront charge on the premium/contribution paid and is used to meet insurer’s/takaful operator’s expenses and direct distribution cost, including the commissions payable to the agency/broker/financial adviser.

- The agent/broker/financial adviser may also be entitled to production and persistency bonus during the first three years of the policy provided that the agent/broker/financial adviser meets the qualifying criteria set by the insurer.

Allocated Premium/Contribution

- This is the amount that will be used to purchase units in the investment fund(s) which you selected.

- The allocation rates for this investment-linked policy/certificate are as follows (as a % of premiums/contributions): -

<table>
<thead>
<tr>
<th>(1) Policy/Certificate Year</th>
<th>1</th>
<th>2</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>(2) Premiums/Contributions Paid</td>
<td>A</td>
<td>b</td>
<td>c</td>
</tr>
<tr>
<td>Allocated Premium/Contribution</td>
<td>%</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>RM</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Basic Sum Assured/Participated
- This is the minimum amount to be received on death or when you become disabled.

Charges
- These charges are taken out of your investment fund(s).
- The illustrated insurance/tabarru’ and other charges are based on current levels. These are not guaranteed and may be varied from time to time by giving X months notice to policy/certificate owners.
- **Insurance/Tabarru’ charges** are deducted monthly from the value of your units to pay for your insurance/takaful coverage. The ‘insurance/tabarru’ charge for insurance/takaful coverage varies by the attained age, sex, occupation, medical rating and smoking status. The insurance/tabarru’ charges will increase as you grow older.
- **Other Charges** include policy/certificate fees.
- **[Maximum charges are ....]**

Cash value
- This is the projected value of units at any particular point in time that you may receive if you surrender the policy/certificate and is net of tax and all applicable charges.
- If the policy/certificate is terminated early, you may get less than the amount of premiums/contributions paid.

Fund Management Charge
- This refers to the annual management fee (% of investment fund) deducted to cover the cost of managing the investment fund.

Death Benefits
- This is the amount that will be payable on your death.
- **[Benefit exclusions]**

Supplementary Benefits
- If riders are illustrated with basic plan, clear distinction of cost and benefit of each rider and basic plan should be shown to show the impact of inclusion of riders on the cash value.
### APPENDIX V

#### 1. Minimum Format For Fund Fact Sheet

<table>
<thead>
<tr>
<th>Name of Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Features of Fund</strong></td>
</tr>
<tr>
<td><strong>Investment Objective</strong></td>
</tr>
<tr>
<td><strong>Investment Strategy &amp; Approach</strong></td>
</tr>
</tbody>
</table>
| o To include investment focus (i.e. equities, bonds, CIS, etc.) and techniques used (passive or active, top-down/bottom-up, quantitative/fundamental analysis/technical analysis, etc.)  
| o For IL funds that invest in structured products and/or derivatives, to also explain how returns from such assets will be generated. Illustrations of gains and losses through numerical examples based on bull, flat and bear scenarios are allowed to give better understanding to the policy/certificate owner on the impact of different scenarios on the fund.  
| **Asset Allocation**  |
| o Details on asset allocation, e.g. by type, by geographical region, etc.  
| **Performance Benchmark**  |
| o Benchmark(s) used, including where to obtain further information on benchmark.  
| **Fund Manager**  |
| o To clearly highlight if the fund manager is the insurer/takaful operator itself or a third party appointed by the insurer/takaful operator.  
| **Fees & Charges**  |
| **Fund Management Charge**  |
| **Other Charges, if any**  |
| **Fund Performance**  |

**Notice: Past performance of the fund is not an indication of its future performance**

- Actual returns in the past five years on a net basis (net of tax and charges), or since inception if shorter (warning statement: this is strictly the performance of the investment fund, and not the returns earned on the actual premiums/contributions paid of the IL product)

- The investment returns shall be calculated based on the unit price of the investment-linked fund and the formula shall be consistent with that of the benchmark indices.

- Any performance comparison of an investment-linked fund must be with that of a similar fund, in terms of investment objectives & focus and based on similar time frame of at least 12 months. For funds which have existed less than 12 months, the insurer/takaful operator shall not use the annualised monthly performance figures for such purposes.
- The basis of calculation of past performance shall also be disclosed.

### Additional disclosure for specific funds

**For funds that invest in derivatives contracts:**

- A statement that the fund may be invested in financial derivatives.
- Explanation of the purpose of such investments and how it can be achieved with a derivative strategy.
- Description of the derivative instruments used and expected participation rate (as precise as possible, since this will form policy/certificate holders’ reasonable expectation).
- Maximum limit on derivative exposures (as a ratio to an investment-linked fund’s NAV).
- Any other material information that would help policy/certificate holders make an informed decision.

**For funds that invests in collective investment schemes:**

- the name and type of the CIS.
- the fund manager of the CIS and its rating, if available.
- the higher fee structure arising from the double layer fund management fees and other hidden charges. E.g. the IL fund charges x% of fund management charge on top of the y% charged by the target fund CIS.
- historical performance of the underlying CIS.

### Risks

- Proper description of relevant risks of investing in the fund. Any special risks should be highlighted.

*Description of risks shall be specific based on the nature of the investment and not merely generic descriptions. Listing of risks by order of priority is encouraged.*

### Risk Management

- Brief description of risk management techniques (e.g. adoption of a defensive strategy which may be inconsistent with the stated strategy) in attempting to respond to adverse market, economic conditions or application of investment limits to achieve a diversified portfolio.
- Brief description of any derivative contracts entered into for risk management purposes (e.g. cross currency swaps to manage currency risk).

### Other Info

- **Target Market**

- **Basis & Frequency of Unit Valuation**
  
  Description shall include the method of recouping transaction costs of acquiring and disposing of assets as per paragraph 9.2 of the guidelines.

- **Exceptional circumstances**
  
  Description of any exceptional circumstances under which issuance or redemption of units may be suspended.
APPENDIX VI

1. Statement to Policy/Certificate Owners

1.1 The statement to policy/certificate owners on the status of their investment-linked policies/certificates must at least contain the following information:

   (a) number and value of units held at the end of the previous statement period;
   (b) number and value of units purchased and sold during the statement period;
   (c) number and value of units at the end of the statement period;
   (d) number and value of bonus units and dividends payable during the statement period;
   (e) charges incurred during the statement period;
   (f) total amount of premium/contributions received and allocated to buy units during the statement period;
   (g) the death benefit and surrender value at the beginning of the statement period; and
   (h) the death benefit and surrender value at the end of the statement period.
APPENDIX VII

1. **Fund Performance Report to Policy/Certificate Owners**

1.1 The minimum information to be provided in the fund performance report to policy/certificate owners of investment-linked insurance policies/takaful certificates is as follows:

(a) summary of the audited financial statements of the fund. The minimum disclosure format for financial statements is in Appendix VII(a) of the Guidelines. Insurers/takaful operators are encouraged to provide more information to the policy/certificate owners;

(b) description of the investment objectives of the funds, and asset allocation as at the reporting date;

(c) analysis on the fund performance of not less than five years, where applicable, on the net (of charges and tax) investment return of the fund;

(d) description on charges levied against the fund during the year;

(e) statement on any changes in the investment objectives, strategies, restrictions and limitations of the fund during the year. This should also include explanations should the fund depart from its stated investment objectives and strategies;

(f) details of any distributions made and proposed during the period, and the effects in terms of the NAV per unit before and after the distributions;

(g) review of future prospects of the investments and proposed strategies of the fund;

(h) performance of relevant benchmark indices of the market in which the fund is invested;

(i) details of any soft commissions received by fund managers; and

(j) auditor’s certification.
APPENDIX VII(a)


A. Statement of Income and Expenditure

For financial year ended 31 December 20xx

<table>
<thead>
<tr>
<th>Note</th>
<th>Fund 1</th>
<th>Fund 2*</th>
</tr>
</thead>
<tbody>
<tr>
<td>20xx</td>
<td>20xx-1</td>
<td></td>
</tr>
<tr>
<td>RM</td>
<td>RM</td>
<td></td>
</tr>
</tbody>
</table>

Net Investment Income
- Interest income or Income from investment
- Dividend income
- Others

Profits on Disposal
- Securities
- Others

Unrealised Capital Gain

Other Income

**Total Income**
- Policy Benefits
- Expenses
- Loss on Disposal
- Securities
- Others

Other Outgo

**Total Outgo**
- Excess of Income over Outgo
- Undistributed Income brought forward
- Amount Available for Distribution
- Undistributed Income carried forward

* - Please provide separate columns for all the investment-linked funds.
B. **Statement of Assets and Liabilities**

For financial year ended 31 December 20xx

<table>
<thead>
<tr>
<th>Note</th>
<th>Fund 1</th>
<th>Fund 2*</th>
</tr>
</thead>
<tbody>
<tr>
<td>20xx</td>
<td>RM</td>
<td>20xx-1</td>
</tr>
</tbody>
</table>

**Fixed Assets**

Investment Properties

Loans/Financing

Investments

- Malaysian Government papers / Government Islamic papers
- Malaysian Government guaranteed loans/financing
- Corporate/Debt securities
- Other investments

**Foreign Assets**

Cash & Deposits

Other Assets

**Total Assets**

**Total Liabilities**

**Net Assets**

- Value of Units
- Investment fluctuation reserves
- Undistributed income carried forward

**Net Asset Value Per Unit**

* - Please provide separate columns for all the investment-linked funds.

**Notes** (for A and B)

1. Details on particular items of other income/outgo and assets should be given for each item that is larger than 10% of the total.

C. Statement of Changes in Net Asset Value

For financial year ended 31 December 20xx

<table>
<thead>
<tr>
<th>Note</th>
<th>Fund 1</th>
<th>Fund 2*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>20xx</td>
<td>20xx-1</td>
</tr>
<tr>
<td>RM</td>
<td>RM</td>
<td>RM</td>
</tr>
</tbody>
</table>

Net asset value at the beginning of the period
Net income for the period
Changes in unrealised investment gains or losses
Amounts received from units created
Amounts paid for units cancelled
Distributions to policy/certificate owners
Net asset value at the end of the period

* - Please provide separate columns for all the investment-linked funds.

D. Details of Investments

The composition of the investment portfolio (i.e. the list of individual securities) of the various investment-linked funds (by individual funds) as at the date of the financial report should be disclosed, grouped in the appropriate categories (e.g. sectoral, markets) showing for each category:

i) The quantity held;

ii) The cost of the investment;

iii) The market value of the investment; and

iv) The market value of each holding as a percentage of net asset value.

E. Comparative Performance Table

The table should cover the data for last five financial years, or if the fund has not been in existence during the whole of that period, over the whole of the period in which it has been in existence, showing for each financial year:

i) the composition of the fund according to industry sectors (e.g. financial, plantation, consumer products, etc.) and category of investments (equity, fixed income, derivatives, etc.);

ii) the total NAV;

iii) the number of units;
iv) the NAV per unit;
v) the highest NAV per unit during the financial year;
vi) the lowest NAV per unit during the financial year;
vii) the total annual return of the fund, expressed in terms of percentage, and the breakdown into capital growth and income distributions;
viii) average annual return measured over one-year, three-year and five-year periods; and
ix) the performance of relevant benchmark indices.
APPENDIX VIII

1. Investment Limits

1.1. The investments of an investment-linked fund shall be subject to the following limits, for both Malaysian and foreign assets:

**Counterparty limit**

(i) The value of a fund's investments in equity of any single issuer shall not exceed 10% of the fund’s NAV.

(ii) The total value of a fund’s investments in securities, OTC derivatives (other than for the purpose of hedging) and structured products of any single issuer/group of related issuers shall not exceed 25% of the fund’s NAV.

**Asset Limit**

(iii) The total value of a fund's investments in unlisted securities shall not exceed 10% of the fund’s NAV.

(iv) The total value of a fund’s investments in structured products shall not exceed 15% of the fund’s NAV.

(v) The total value of a fund’s investments in any collective investment scheme (CIS) shall not exceed 10% of the fund’s NAV.

**Limit on class of securities by a single issuer**

(vi) Notwithstanding paragraphs 1(i) to 1(v) above, a fund’s investments in any class of securities of any single issuer must not exceed 10% of the total value of that class of security, except for securities issued/guaranteed by the Federal Government of Malaysia and Bank Negara Malaysia.

1.2. Notwithstanding paragraph 1 above, the following limit waivers for specific funds are allowed:

(a) The investment limits applicable for a fund which aims to track or replicate an index fully may increase to not more than the weightage of the investee company’s share in the benchmark index. Weightings may be based on either component securities, or a representative sample of the underlying benchmark index.
(b) For a feeder fund\textsuperscript{14} and fund-of-funds\textsuperscript{15}, the 10% asset limit for CIS is waived.

(c) The asset and counterparty limits for exposure to structured products are waived if:

(i) the fund is to be offered as capital guaranteed products, as stipulated in paragraph 10.2 of this guidelines; or

(ii) the counterparty which is a financial institution licensed outside Malaysia, have a minimum AA rating, accorded by internationally recognised rating agencies, and the structured product must carry a guarantee by the counterparty to return the original principal/capital.

1.3. A fund may participate in any derivatives contract subject to the requirements stipulated in Appendix XI of the Guidelines.

1.4. The total value of an insurer/takaful operator’s investments in foreign assets shall be as follows:

(a) For foreign currency-denominated investment-linked fund, up to 100% of the NAV of the investment-linked fund offered to residents and non-residents;

(b) For Ringgit-denominated investment-linked fund:

(i) Up to 100% of the NAV of investment-linked fund offered to non-residents or residents without domestic Ringgit borrowings; and

(ii) Not exceeding 50% of the NAV of investment-linked fund offered to residents with domestic Ringgit borrowings.

(c) In the case where the insurer is unable to explicitly distinguish the policyholder’s borrowing status in a particular fund, the lower limit of 50% of the NAV of investment-linked fund shall apply.

\textsuperscript{14} A Feeder Fund is one which invests all its assets in a single collective investment scheme.

\textsuperscript{15} A Fund-of-Funds is one which invests all its assets in other collective investment schemes.
1.5. For funds that invest in other CIS:
   (a) The CIS must not be invested in any investment or transaction that is prohibited by the Guidelines;
   (b) the CIS must not itself be invested in a fund-of-funds or feeder fund; and
   (c) the CIS must be approved by the Securities Commission of Malaysia or registered/approved/authorised by a home authority in the case of foreign CIS.

1.6. An insurer/takaful operator may request for limits higher than what is stipulated in paragraph 1 above for fixed income security during the initial period where the total fund size is still small. The request by insurer/takaful operator shall be supported by a proper plan and timeline on, among others, the measures to be put in place during and after the initial period to manage any risks (including concentration risk) that could arise from the flexibility given.

1.7. Any injection of seed money to assist in the start up of an investment-linked fund should be made from the shareholders’ fund. An insurer/takaful operator shall assess and manage the risk arising from the provision of seed money to their investment-linked funds. The provision of seed money should not jeopardise the shareholder’s ability to support the needs of its other insurance/takaful funds. As seed money should not be a permanent feature in an insurer’s/takaful operator’s investment portfolio, an insurer/takaful operator should have a clear exit strategy for the seed money provided. Such a strategy should ensure that the withdrawal of seed money injected does not adversely affect the interest of unitholders.

1.8. In line with paragraph 7 above, the injection of seed money shall not exceed the following limits:
   (a) For insurers, 10% of Total Capital Available. Any amount of seed money injected is above this limit shall be excluded from capital available; and
   (b) For takaful operators, 10% of shareholders’ fund assets.
APPENDIX IX

1. Valuation of Assets for Investment-linked Takaful Funds

1.1 The assets of an investment-linked takaful fund shall be valued at market value daily.

1.2 For the valuation of immovable property, takaful operators shall apply ‘FRS 140: Investment Properties’ and ‘FRS 116: Property, Plant and Equipment’, issued by the Malaysian Accounting Standards Board (MASB). The valuation of immovable properties held by takaful operators shall be certified by an independent professional valuer at least once in every three years for investment properties (other than property purchased not more than 1 year prior to the valuation date), and once in every five years for self-occupied properties. However, takaful operators should make appropriate adjustments where the market value of the assets changes significantly during the inter-valuation period.

1.3 For the following assets, the value should not be in excess of the fair value:

(a) Unlisted securities; and

(b) Listed securities that have been suspended from trading by any stock exchange for 14 or more consecutive trading days as at the date for which the value is to be determined.

The basis and techniques to be used in determining the fair value of the above assets should be disclosed to and verified by the external auditor. For Islamic debt instruments which have no active market, takaful operators or their independent valuers may use widely accepted valuation techniques that have been demonstrated to provide reliable estimates of the price.

16 Refers to a valuer registered with the Board of Valuers, Appraisers and Estate Agents Malaysia.
APPENDIX X

1. **Basis for Calculation of Non-Unit Liabilities for Investment-linked Takaful Certificates**

1.1 The appointed actuary shall conduct a valuation of the non-unit liabilities for each investment-linked takaful certificate using cash flow projections. The liabilities in respect of the non-unit component of an investment-linked takaful certificate is valued by projecting future cash flows to ensure that all future obligations can be met without recourse to additional finance or capital support at any future time during the duration of the investment-linked takaful certificate. The appointed actuary shall conduct the cash flow projection using a basis no more favourable than the requirement stipulated in paragraph 2 below.

1.2 The appointed actuary shall conduct the cash flow projection for valuation of the non-unit liabilities for each investment-linked takaful certificate using best estimate basis. The minimum reserve will be the amount that will have to be set aside so that, when accumulated at a best estimate future rate of return, together with future positive cash flows, all negative flows in the future are zeroised. Best estimate assumptions include:

(a) **Mortality**
   The appropriate factors based on actual experience or a comparable industry mortality table.

(b) **Investment return**
   The expected fund growth rate should reflect the actual asset mix of the fund and the actuary’s best estimate of the future investment yield of the underlying assets of the fund.

(c) **Expenses**
   (i) An appropriate set of assumptions shall be determined by the appointed actuary based on suitable investigations into the practices of the takaful fund and its experience; and
(ii) An appropriate allowance for inflation shall be provided for in projecting future expenses.

(d) Withdrawal rates

An appropriate set of withdrawal rates based on the takaful fund’s own experience.

1.3 The basis used in the valuation should be as reported in the appointed actuary’s actuarial valuation report.

1.4 The appointed actuary shall assess if appropriate margins to the best estimate calculations should be included to cater for adverse volatilities.

1.5 The appointed actuary shall assess whether he should use more stringent valuation methods if it is appropriate to do so in his professional view.
APPENDIX XI

1. Derivatives Contracts

1.1 Investments of an investment-linked fund in derivatives for the purpose of hedging of the risk exposures of the fund are permitted subject to the requirements stipulated in the Revised Guidelines on Derivatives for Licensed Insurers.

1.2 In addition, the use of derivatives for the purpose of yield enhancement is also permitted with the prior approval of the Bank. An application to engage in derivative transactions for this purpose must be submitted to the Bank prior to the sale of the investment-linked insurance/takaful product.

1.3 An application to the Bank to engage in derivatives for the purpose of yield enhancement should include at least the following information (as part of the product submission):

(a) the rationale for the insurer/takaful operator’s choice of derivative instruments (vis-à-vis the design of the investment-linked insurance/takaful product in terms of how the elected derivative instruments would support the investment strategies underlying the product);

(b) the credit rating of the counterparty involved;

(c) explanation on the types and nature of risks the fund will be exposed to and how these risks are mitigated; and

(d) a description of the insurer/takaful operator’s internal risk management system and capability to support the effective management of associated risks.

1.4 Takaful operators shall ensure that the derivative activities undertaken are in compliance with Shariah principles at all times and the derivatives structure shall be based on approved Shariah principles, e.g. ‘urbun (deposit), hamish jiddiyyah (security deposit) and wa’d (undertaking) with appropriate adaptations of the principles.