Proposed Basic Motor Cover Framework
Discussion Paper

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Bank Negara Malaysia
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Preamble

In September 2009, the Prime Minister had announced in the Budget 2010 Statement the need to provide a basic motor insurance coverage for third party bodily injury and death (TPBID), at a reasonable premium that is commensurate with the level of protection provided.

Bank Negara Malaysia is now collating feedback from all segments of the population in formulating a proposed new basic scheme to provide protection against TPBID at a reasonable price.

The Scheme is presently at the proposal stage and what is being shared here are the tentative options in which the Scheme may take form. The feedback received will be taken into consideration to further refine the Scheme.

OVERVIEW

- There are about 18 million registered vehicles and around 300,000 accidents per year. There are over 40,000 third party bodily injury and death (TPBID) claims filed per year. According to the 2009 Global Status Report on Road Safety conducted by the World Health Organisation, in Malaysia, the fatality rate in 2008 from motor accidents were 3.7 deaths per 10,000 vehicles, one of the highest in the ASEAN region.
- In Malaysia, vehicle owners are required to purchase motor insurance in order to obtain road tax for the vehicle. As motor insurance is mandatory, it is also the most dominant class of general insurance business (44.9% of premiums underwritten) and general takaful business (49.9% of contributions collected) in 2008.
- The majority of motor insurance and motor takaful policies issued were Comprehensive policies making up about two thirds of motor premiums issued whilst Third Party policies account for the remaining one third.
- It is noted that the majority of Third Party policies purchased were by motorcyclists while Comprehensive policies were mainly purchased by owners of private cars.

What is a Comprehensive Policy? This comprises of four types of cover:

1. Third party bodily injury and death – Provides protection to the driver at fault against his liability for bodily injury and death caused to a third party, resulting from a road accident (mandatory under the law).
2. Third party property damage – Provides protection to the driver at fault against his liability for property damage (vehicle, lamp-post, buildings etc) caused to a third party, resulting from a road accident.
3. Own damage – Provides protection to the driver for any damage to his own vehicle
4. Theft – Provides protection to the driver in the event of theft of his own vehicle

What is a Third Party Policy? This comprises covers 1 and 2 above.

Overview

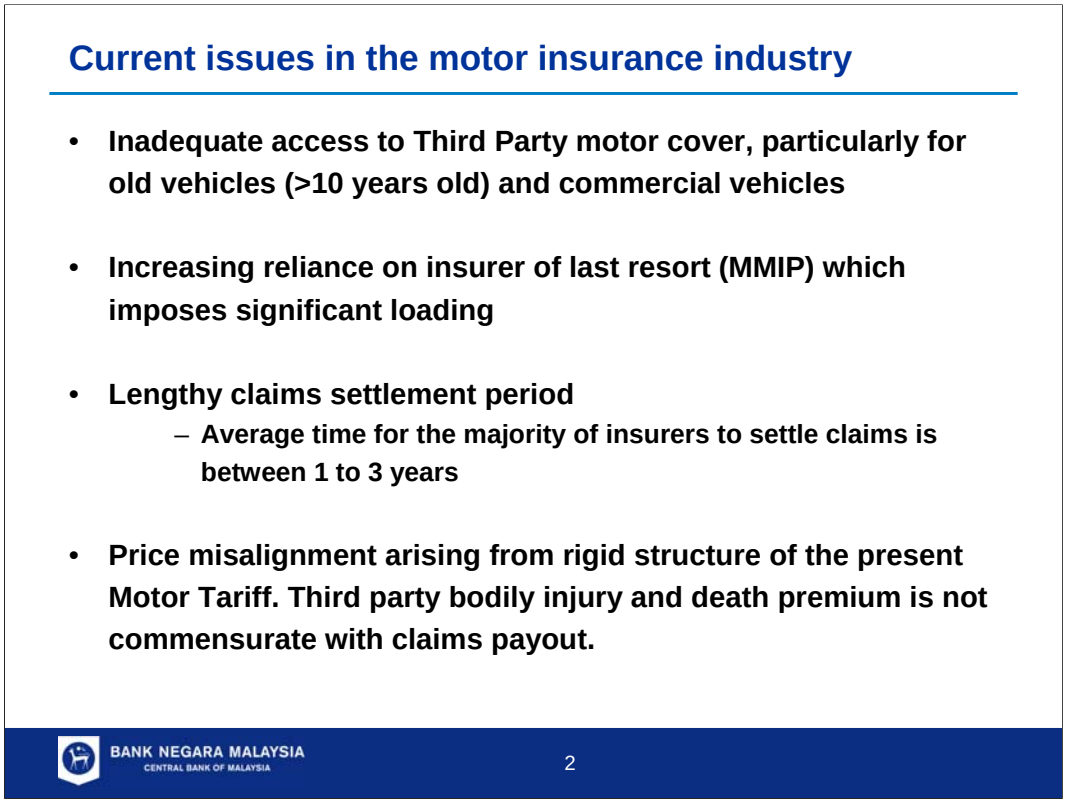
- **As at end-2009, there were approximately 10.8 million motor insurance and takaful policies issued by insurers and takaful operators**
- **Comprehensive policies make up 67.2% (7.24 million) of total policies issued while Third Party policies make up 32.8% (3.54 million)**
- **Majority of Comprehensive policy owners were owners of private cars. For Third Party policies, majority were motorcyclists**

Vehicle class	COMPREHENSIVE		THIRD PARTY	
	Premiums (RM mil)	% of total premiums	Premiums (RM mil)	% of total premiums
Motorcycles	334.7	6.69	161.5	42.23
Private Cars	4,018.9	80.37	107.7	28.17
Taxis	22.5	0.45	19.4	5.07
Buses	43.8	0.88	21.1	5.52
Goods Carrying Vehicles	536.0	10.72	69.6	18.20
Others	44.3	0.89	3.1	0.81
TOTAL	5,000.2	100.0%	382.4	100.0%

**** Source: ISM Insurance Services Malaysia***

CURRENT ISSUES IN MOTOR INSURANCE INDUSTRY

- The prevalent issue in the motor insurance and takaful sector is the inadequate access to third party insurance cover, particularly for old vehicles and commercial vehicles.
- As a result, an increasing number of vehicle owners (particularly owners of older vehicles and commercial vehicles) obtain cover from Malaysian Motor Insurance Pool (MMIP), as the insurer of last resort at significantly higher premiums, commensurate with the risk profile of these vehicles.
- In addition, the current claims settlement process is lengthy. Based on statistics up to fourth quarter of 2009, the average time taken for insurers to settle TPBID claims from point of notification is between 1 to 3 years. This does **not** include the time a dispute is heard at the courts.
- Premiums for motor insurance in Malaysia are based on the Motor Tariff. The tariff has not been revised since 1978 to reflect the on-going changes in risk profile of vehicles, drivers as well as business costs (e.g. medical and hospitalisation cost, vehicle repair and spare parts cost). This has resulted in pricing misalignment, wherein premiums collected are not reflective of the claims costs.
- More and more insurers are becoming selective in offering Third Party insurance cover as premiums for Third Party are insufficient to cover the claims payout. For Third Party Bodily Injury and Death alone, for every Ringgit of premium earned, about RM2.67 are paid out as claims. This has resulted in the industry facing an estimated loss of RM 1 billion a year arising from TPBID.
- The implications arising from the lack of protection readily available to motorists is an increase in incidents of uninsured vehicles on the road, resulting in the risk of accident victims not receiving adequate or any compensation.



Increased number of vehicles obtaining motor cover from MMIP

- Insurers and takaful operators have become increasingly selective in offering motor insurance cover particularly Third Party cover due to the losses that it currently entails.
- This is evident from the increasing number of motorists seeking cover from the Malaysian Motor Insurance Pool (MMIP) as the insurer of last resort for insurance cover, albeit it being more costly.
- In 2009 alone, the number of motorists obtaining cover from MMIP increased by 9 times. Most notably, there was an increase of more than 450% in the number of motorcycles seeking coverage from MMIP. It is also noted that the majority of vehicles under MMIP are Goods Carrying Vehicles.

What is MMIP?

- ✓ MMIP refers to a pooling arrangement between general insurers to jointly underwrite insurance cover for vehicles which are unable to obtain protection from any individual insurer. Insurers also jointly share in the event of a loss to MMIP.
- ✓ In line with its role as an insurer of last resort, MMIP is allowed to charge a higher premium through loading to balance its pool of undesirable risks.
- ✓ MMIP is managed by MMIP Services Sdn. Bhd. on behalf of the general insurance industry.
- ✓ Vehicle owners may purchase MMIP cover directly from either of the two servicing insurers, Multi-Purpose Insurance Berhad or Uni.Asia General Insurance Berhad, at any of their branches. Private vehicle and light goods vehicle owners may also purchase MMIP cover from any of the branches of Pos Malaysia with effect from 1 July 2009.

Increased number of vehicles obtaining motor cover from MMIP

Vehicle Class	2006	2007	2008	2009
Motorcycles	1	2	6	2,899
Private Cars	152	902	88	16,066
Taxis	94	89	422	14,562
Buses	350	1,482	5,985	19,762
Goods Carrying Vehicles	136	130	455	44,164
Others	3,829	3,292	4,333	5,357
TOTAL	**4,562**	**5,897**	**11,289**	**102,816**

Source: Malaysian Motor Insurance Pool

Industry increasingly selective in providing motor cover

Need to improve on the present claims settlement practices

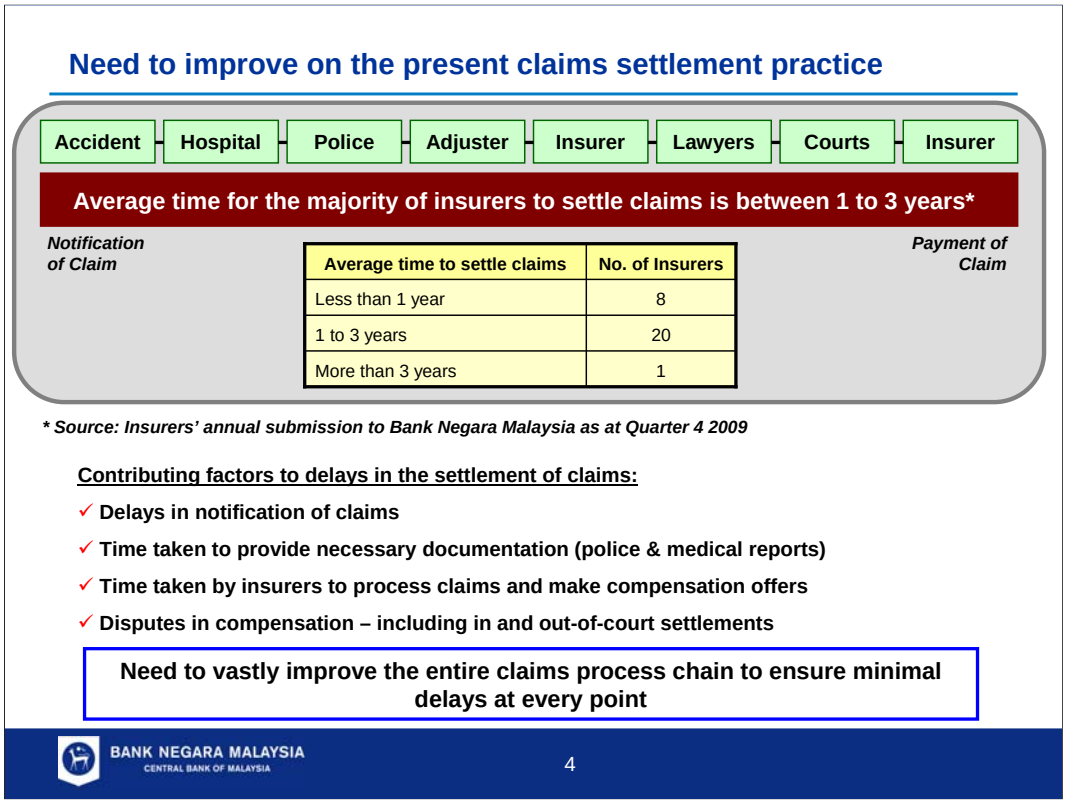
- The current claims settlement chain is a long drawn process, requiring the involvement of multiple parties along the claims chain, each with differing levels of efficiency.
- Statistics indicate that the average time taken by majority of insurers to settle claims is between 1 to 3 years.
- There are many different factors that contribute to the delay of settlement of claims, such as:

  (i) delays in the notification of claim;

  (ii) acquisition of the relevant documentation to justify claims;

  (iii) time taken by insurers to process claims and arrive at reasonable compensation offer;

  (iv) disputes in compensation between parties which require further discussions, submission of additional supporting documentation and other evidence as well as possible reassessment of offer amounts.
- Notwithstanding the above, there have been marked improvements recently in the courts system which have resulted in a reduction in backlog of cases. In addition, court mediation is expediting disputes filed with the courts.
- A concerted effort to tighten up existing inefficiencies and leakages at the various points of the settlement process must be undertaken to ensure speedier claims settlement.



TPBID premiums increasingly inadequate to cover liabilities

- It is noted that while TPBID cover consistently accounts for only 11% - 12% of total premiums collected, the claims ratio for TPBID has increasingly become significant over the years. Statistics indicated that for every Ringgit premium earned in 2008, RM 2.67 is paid out as claims, and this does not take into account management expenses and commissions paid to agents. Comparatively, for every Ringgit earned in 2004 only RM1.80 was paid out as claims.
- The increasing claims ratio is due to the increasing rate of accidents, hike in hospitalisation and medical costs and as well as leakages prevalent in the current system.
- As a result, motor insurance business becomes increasingly unsustainable if present circumstances are allowed to persist.

TPBID premiums increasingly inadequate to cover liabilities

- **Premiums for TPBID cover accounts for only 11% to 12% of total premiums collected.**
- **However for each ringgit of TPBID premium collected in 2008, RM2.67 is paid out as claims.**
- **Claims ratio for motor business overall on an increasing trend.**

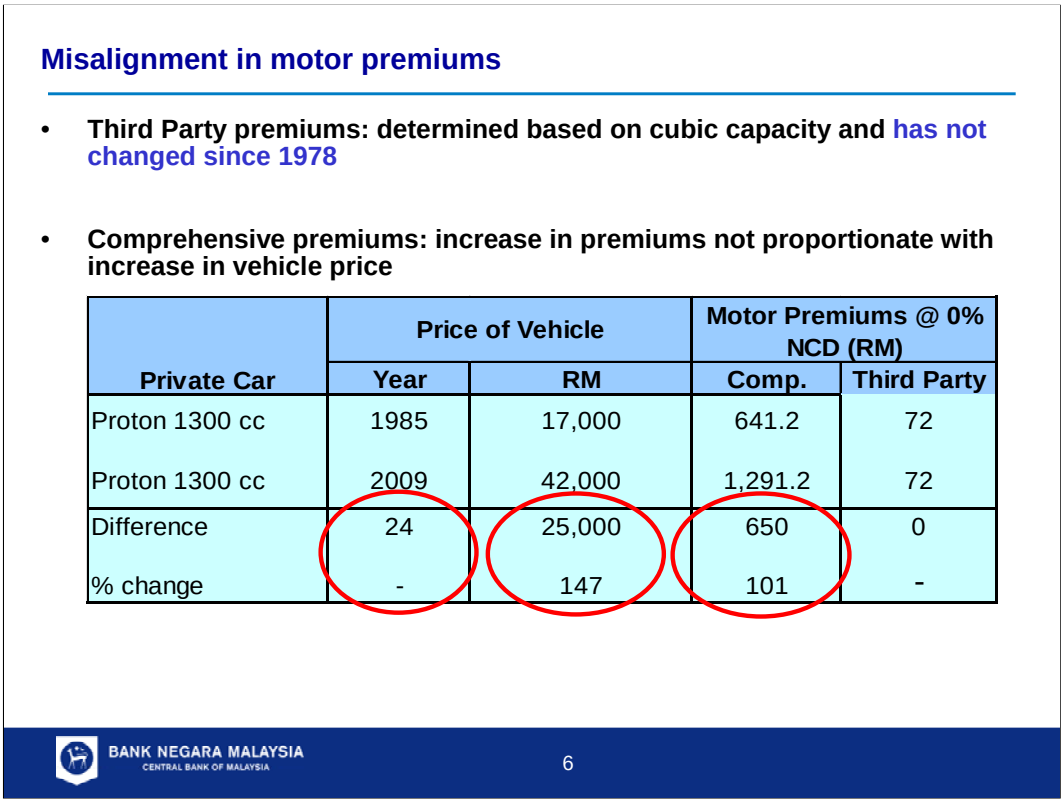
Year	MOTOR PREMIUMS (as % of total premiums)		MOTOR CLAIMS RATIO (%)		
	TPBID Cover	Other Motor Covers	TPBID Cover	Other Motor Covers	Overall
2004	11.5	88.5	179.6	56.6	70.8
2005	11.4	88.6	166.3	54.1	66.9
2006	11.5	88.5	204.3	55.5	72.1
2007	12.1	87.9	242.0	59.2	80.7
2008	12.1	87.9	267.0	61.0	85.5

**** Source: Bank Negara Malaysia***

In 2008, for every RM1 premium collected, RM 2.67 was paid out as claims without taking into account other related business costs

Misalignment in motor premiums

- More and more insurers are becoming selective in offering Third Party insurance cover as premiums for Third Party are insufficient to cover the claims payout.
- Third Party premiums have been based solely on the cubic capacity of the car. Premiums have remained unchanged for more than 3 decades.
- Comprehensive premiums are based on the value and cubic capacity of the car. Comprehensive insurance premiums have naturally adjusted based on the value of vehicle, but the adjustment is not in tandem with the increase in car prices over the years.
- In the example given, although the price of the car has increased by more than 147% over the past 24 years, the premium for Third Party cover under the Motor Tariff has remained at RM72 whereas Comprehensive premium has increased by 101%.
- While some loadings have been allowed since 1996, the amount is nevertheless insufficient to contain escalating claims.



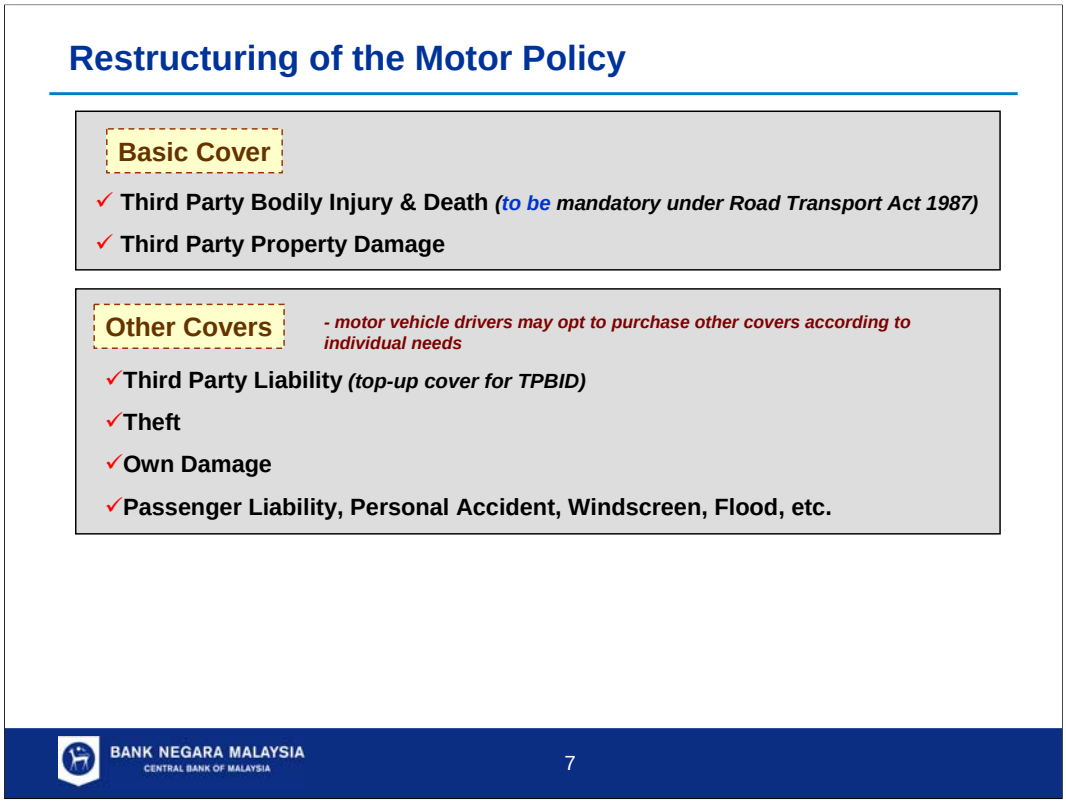
Restructuring of the Motor Policy

- The proposed basic motor cover, which will be the minimum motor cover available, is made up of two components:

  (i) Third Party Bodily Injury and Death (TPBID) to replace the current mandatory cover under the Road Transport 1987; and

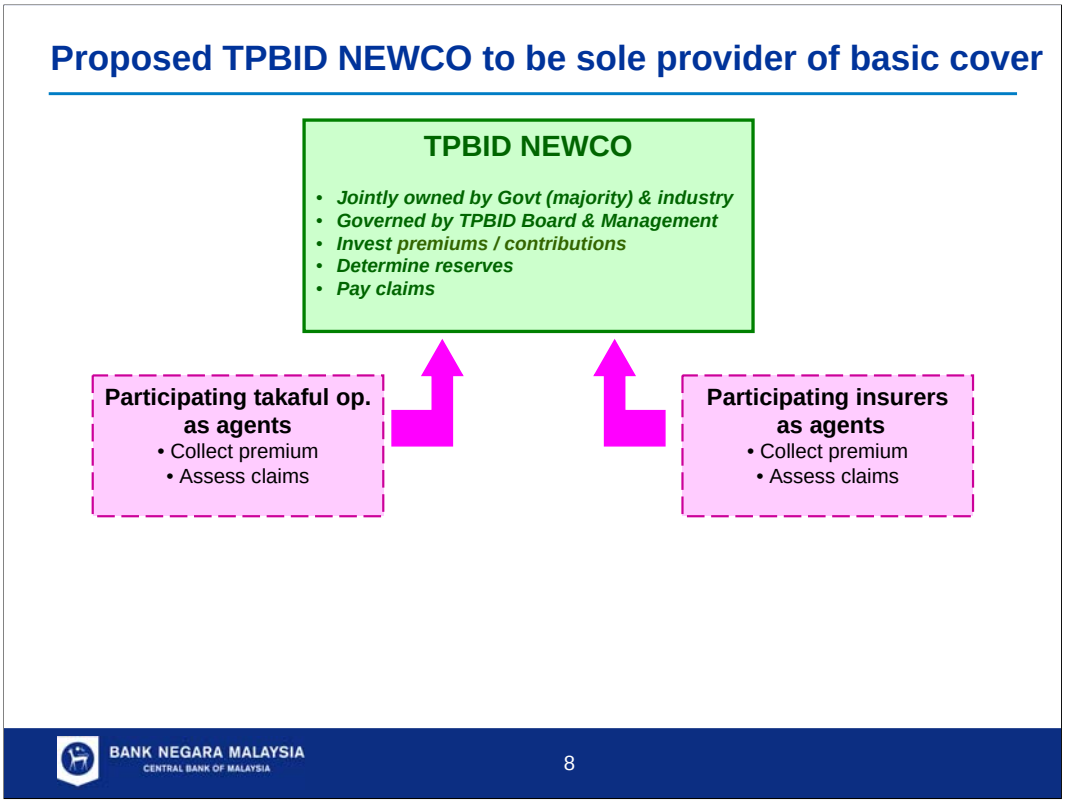
  (ii) Third Party Property Damage.

- TPBID cover will be underwritten by a new entity, while the TPPD cover will be underwritten by insurers and takaful operators, along with the other motor covers such as theft, own damage, etc.
- Should motorists wish to buy protection against TPBID beyond that offered under the basic motor cover, he or she may buy Third Party Liability (TPL) as a top-up cover from insurers and takaful operators.
- Motorists may customise their policies and purchase other covers provided by insurers and takaful operators as they deem necessary.
- In terms of product delivery, vehicle owners may still purchase their motor insurance policies from insurers and takaful operators as per current.



Proposed TPBID NEWCO to be sole provider of basic cover

- Under the proposed TPBID Scheme, a new entity (TPBID NEWCO) will be established and is proposed to be jointly owned by the Government and the industry. It will be run as a non-profit organisation, with the objective of it being gradually self-sustaining.
- The rationale for the Government to have the majority of the TPBID NEWCO is to ensure the interest of the Rakyat is preserved by ensuring that every motorist in Malaysia has access to a basic motor policy at a reasonable premium/contribution. The TPBID Scheme will offer both insurance and takaful cover.
- A TPBID Board and Management will govern the NEWCO with the following roles :
    1. Invest premiums / contributions collected for TPBID basic cover
    2. Determine level of reserves in the NEWCO
    3. Payout of claims to claimants
- All insurers and takaful operators will act as agents of TPBID NEWCO to collect premiums / contributions and process claims as claims handlers.



Guiding Principles and Key Objectives of the Proposed TPBID Framework

- The proposed TPBID framework was drawn up with the aim of fulfilling the following four guiding principles:
  1. Ensure accessibility of basic protection to motorists
  2. Provide basic protection at reasonable premiums
  3. Additional cover on top of basic protection will be continue to be made available
  4. Faster settlement of claims

- The key objectives of the framework are:
  - Objective 1: To enhance all motorists' accessibility to mandatory TPBID cover (Basic cover, which entails:
    - A basic cover will be made available through the insurance companies and takaful operators, their agents and other existing intermediaries.
    - No motorist will be denied purchase of the basic cover.
    - Individuals who require protection beyond the basic coverage may purchase additional cover according to need.
  - Objective 2: To ensure adequate protection for all motorists and public at reasonable prices
    - Scheme designed to reduce cost and address leakages
    - As a basic cover, commensurate to premiums paid, the overall limit of the Scheme is capped. Proposed cap is sufficient to compensate the vast majority of the public in the event of an accident
    - Government will remain committed to provide a social safety net for exceptional cases
  - Objective 3: To reduce time taken for settlement of claims and reduce the cost of administering the scheme
    - Implement structured improvements to the claims process
    - Concerted effort from all parties, including the authorities, to improve the claims settlement process

Proposed features under consideration

- There are two possible scenarios that are being considered at present in formulating the new scheme. These scenarios are to facilitate engagement and feedback received will be taken into consideration in formulating the proposed scheme.

Scenario A

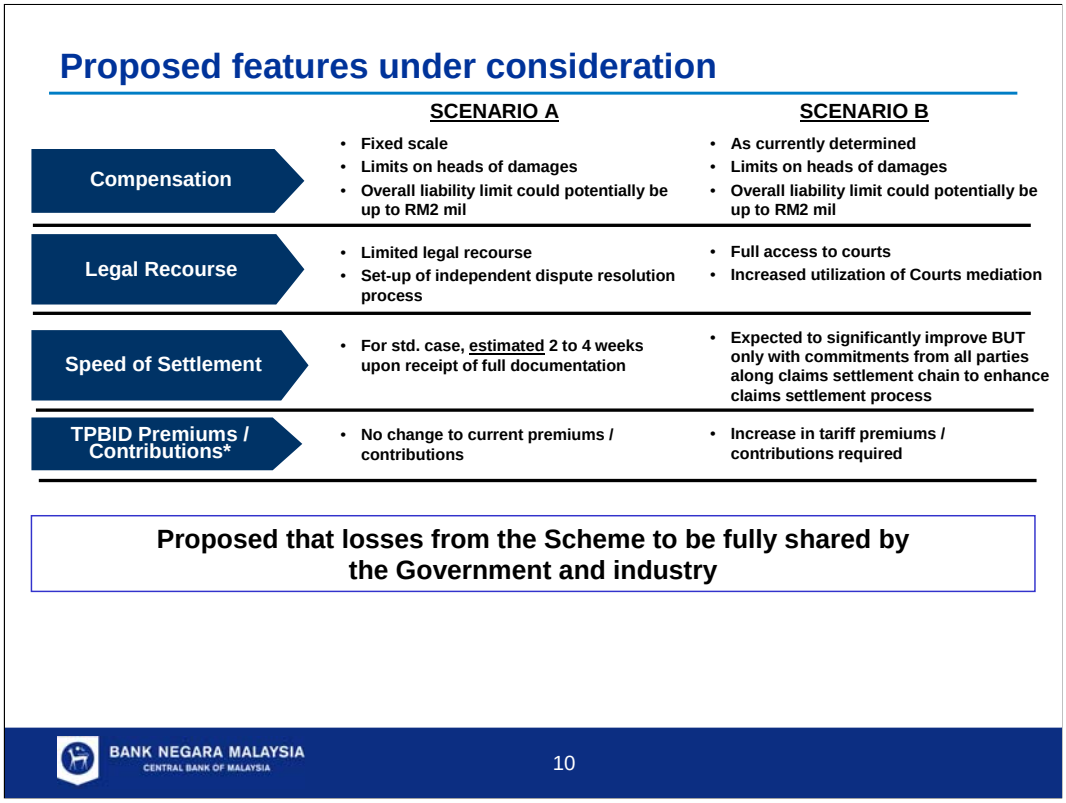
✓Compensation for personal injuries will be awarded based on a fixed scale, which will provide a single fixed sum for a particular injury.

✓Payments from the Scheme will be capped for each of the individual heads of damages, with an overall limit of potentially up to RM2 million. Examples of heads of damages include pain and suffering, nursing care, medical expenses, loss of earnings etc.

✓In the event of a dispute, claimants can refer to a newly established independent dispute resolution body which will specialise in assessment of TPBID compensation. However, exceptional cases which meet the severity criteria will have access to Courts.

✓There is reduced scope for disputes due to the fixed compensation scale and limited legal recourse. It is therefore expected that a higher speed of settlement is achievable (estimated 2 to 4 weeks **upon receipt of full documentation**).

✓With the fixed scale of compensation and limited legal recourse, premiums can be maintained at its current levels.

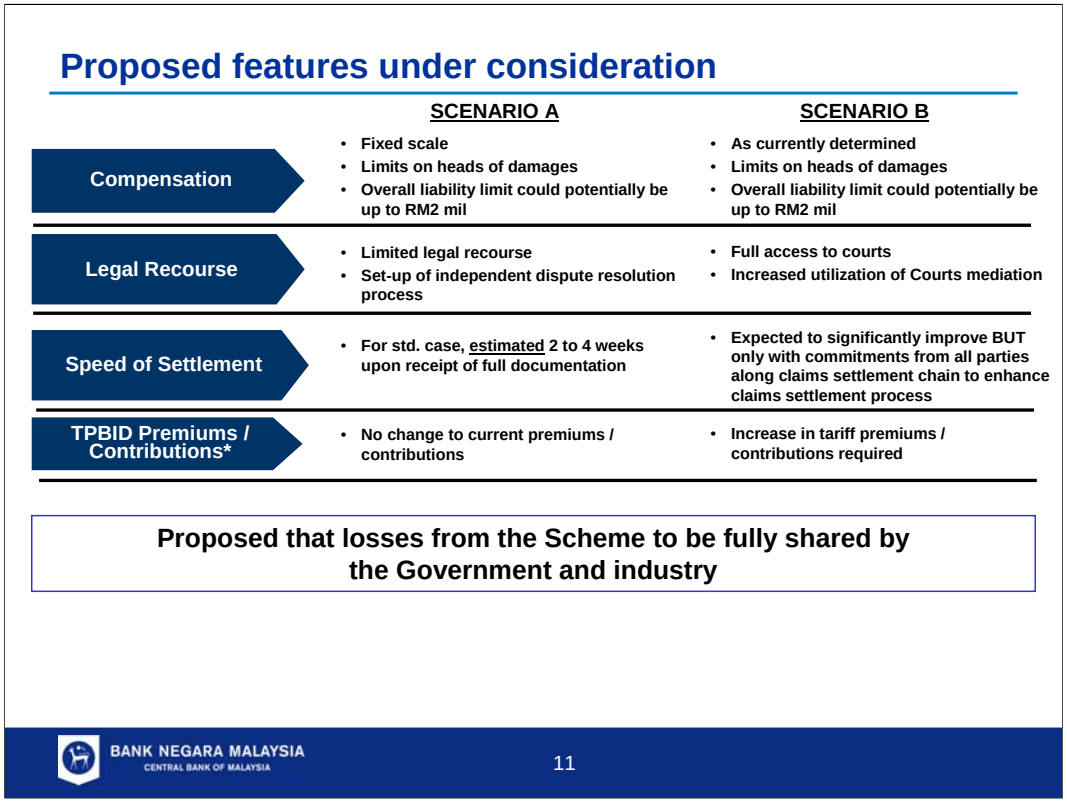


Proposed features under consideration (Continued)

Scenario B

- ✓ Compensation for personal injuries will comprise a ranged scale guided by the Judiciary's Guidelines for Awards in Personal Injury Claims. It is proposed that this ranged scale be made binding for purposes of consistency.
- ✓ Payments from the Scheme will be capped for each of the individual heads of damages, with an overall limit of potentially up to RM2 million. Examples of heads of damages include pain and suffering, nursing care, medical expenses, loss of earnings etc.
- ✓ Current access to courts will be maintained, with increased promotion in the use of court mediation, **with some proposed improvements to minimise cost to the Scheme.** It has been reported that cases are more speedily heard at the Courts now, with improvements put in place to enhance efficiency.
    - Some suggested improvements include:
        - o Improvements in claims processing and settlement by insurance companies
        - o Refinement of the Judiciary's Guidelines for Awards in Personal Injury Claims on the quantum of awards and regulation of solicitors' fees
        - o Avenues for timeline improvements by the relevant authorities that may include *Polis DiRaja Malaysia, Jabatan Pengangkutan Jalan,* hospitals, etc. to expedite claims processing.
- ✓ Speed of settlement is envisaged to improve with concerted efforts from all relevant parties. The claims settlement process is, however, not expected to be as efficient as Scenario A.
- ✓ Some reasonable increase in premiums is necessary to accommodate the ranged compensation scale as well as the ability to access Courts to resolve disputes.

- ▪ Under both scenarios, any losses suffered by the Scheme is proposed to be fully shared between the Government and the industry. The proportion of sharing has yet to be determined.
- ▪ Funding from the insurers and takaful operators is proposed to be via a levy, which will be determined later.



Feedback from the public critical to ensure TPBID Scheme is equitable

Feedback from public encouraged to be submitted by 14 May 2010 to:

Director, Financial Sector Development Department
Bank Negara Malaysia, Jalan Dato' Onn
50480 Kuala Lumpur
Fax: 03-2691 3661
Email: Motor@bnm.gov.my

Frequently Asked Questions on Proposed New Motor Insurance Framework

Rationale:

1. **What is the objective behind BNM's introduction of the new TPBID scheme? What are the improvements, from a public interest viewpoint, in the new TPBID scheme over the current tried-and-tested scheme? Who stands to benefit the most, insurers / takaful operators or the public?**
   - Primarily, the objective is to ensure access to basic motor insurance cover for third party bodily injury and death (TPBID) that provides adequate protection to all road users, and at a reasonable insurance premium.

   - The proposed new TPBID Scheme is intended to balance the concerns and interests of all affected stakeholders.
     - Foremost, are the interests of the public who are required by law to obtain motor insurance / takaful coverage to drive a vehicle, and that of the wider public, to ensure they receive adequate compensation in the event of a road accident.
     - The concerns of the insurance / takaful service providers also need to be considered to ensure that they would be able to continue to provide insurance / takaful products and services.

   - In finalising the new TPBID scheme, we are guided by four principles:
     - Ensure accessibility of basic protection to motorists;
     - Provide basic protection at reasonable premiums / contributions;
     - Additional cover on top of basic protection will continue to be made available; and
     - Faster settlement of claims for accident victims.

   - Any solution proposed should address concerns and maximize benefits for all motorists, road users, the government, taxpayers, insurers and takaful operators.

2. **When will the new TPBID scheme be implemented? Will feedback from consumers and the various stakeholders be properly assessed and taken into account before the new TPBID scheme is finalized?**
   - We aim to firm up the new TPBID scheme by the third quarter of this year, to be submitted to the Government for approval.

   - Following the consultation sessions with consumer and transport associations, Bar Council and insurance and takaful industry, we will compile feedback from all stakeholders including members of the public, and further refine proposals for the new TPBID scheme.

   - Engagement with other parties involved in the motor insurance / takaful claims settlement chain, such as the police and medical fraternity, will also be necessary.

   - Further consultation through a multi-party consultation group which comprises representatives from all key stakeholder groups will be carried out to review the refined proposals for the new TPBID scheme.

- Upon approval of the proposal by the Government, we will need to table to Parliament the relevant changes to legislations, before the new TPBID scheme can be implemented.

3. Has BNM assessed the socio-economic implications of the new TPBID scheme?

- In developing the proposals, we have always been mindful to ensure any scheme should not cause undue hardship to the public, and, at the same time should not be too burdensome on the providers of the scheme.

- In finalising the new TPBID scheme, the four guiding principles are:
  - Ensure accessibility of basic protection to motorists;
  - Provide basic protection at reasonable premiums / contributions;
  - Additional cover on top of basic protection will continue to be made available; and
  - Faster settlement of claims for accident victims.

- Stakeholder consultations and feedback are important to ensure an equitable solution is reached.

4. Will taxpayers be expected to fund the setting up of a new entity to oversee this new scheme? How does this benefit the consumers? Would it not be more cost effective to improve on the efficiency of insurers / takaful operators rather than allocating funds towards establishing a new entity?

- In view of the prevailing circumstances, the proposal is for a new national scheme to be implemented.
  - An administrative and management body, a new entity, the TPBID NEWCO, will need to be established to oversee the smooth and efficient running of the entire scheme. The costs of this infrastructure must be outweighed by the benefits arising from overall reduction in the leakages prevalent under the current system and from efficiency improvements envisaged under the new TPBID scheme.
  - TPBID NEWCO will underwrite a basic TPBID cover for motorists. TPBID NEWCO will be jointly funded by the Government and the insurance and takaful industry.
  - General insurers and takaful operators will act as agents in collecting premiums / contributions and assessing claims for the new TPBID scheme.

- For premiums / contributions to be set at reasonable rates for motorists, some level of support from the government and general insurance / takaful industry will be required in the initial years.
  - These levels are being determined and will be discussed with and agreed upon by the relevant parties.
  - However, the level of government and industry support will be reduced gradually over time and premiums / contributions will adjust towards risk-based pricing to ensure premiums / contributions charged are commensurate with the risks of policyholders.

- With average length of time taken by insurers / takaful operators to settle claims ranging from 1 to 3 years, we also need to shorten the time taken to compensate accident victims.
  - This will involve enhancements in work processes across all levels involved in the claims settlement chain.

  - Key considerations would be to leverage on / utilise existing infrastructure and capitalise on efficiency improvements that are on-going across all parties involved in the claims settlement process.

- As a basic cover, commensurate to premiums / contributions paid, the overall limit of the Scheme may need to be capped. The level of capping is still being determined, but any limits will be reflective of actual claims settlements/awards in recent years and will be sufficient to compensate the vast majority of the public in the event of an accident. The cap will be periodically reviewed to account for inflation, rise in cost of living etc.

5. What type of data or methods does BNM rely on in coming up with the proposed limits, premiums and cost structure for setting up of TPBID NEWCO and the independent dispute resolution process?

- In assessing premiums / contributions to be charged on the new TPBID scheme, we are guided by the need to minimise undue burden for motorists, particularly those in lower income categories.
  - Hence, to keep premiums / contributions low, we will need to assess other areas of cost cutting such as applying caps on the overall liability limit, reducing operational efficiencies which have cost implications, and eliminating unnecessary leakages along the claims settlement chain which do not result in greater benefits to the consumer.

- The assessment on appropriate cap on overall liability limit for TPBID will be reflective of actual claims data sampled from claims files obtained from insurers / takaful operators, including court awards.

- The cost for establishing and maintaining this TPBID NEWCO will be based on running costs of similar entities that have been recently established such as the AKPK and Financial Mediation Bureau.

6. Why is the government and Bank Negara not requiring insurance companies / takaful operators - who are already making big profits every year despite the claim that TPBID is loss-making – to play a greater CSR role and continue to offer TPBID cover at reasonable rates?

- The sustainability of the general insurance / takaful industry is important to ensure it can continue to meet insurance / takaful needs of the people.
  - For the general insurance / takaful industry to continue supporting a non-sustainable business may pose long term risks to the resilience of the financial system.
  - In the near term, if no measures are taken to address the on-going issues in the current system, we may see even more general insurers / takaful operators moving away from the provision of TPBID cover.
  - In this instance either law-abiding motorists will end up paying more for comprehensive insurance / takaful coverage or we may see an increase in non-insured vehicles on the road.

7. BNM had stated that for every RM1 premium earned, RM2.67 is paid out in compensation to third parties. What is the basis for these figures, given that the general insurance and takaful industry continues to make huge profits based on figures provided on the general insurance and takaful industry in BNM's website and annual reports?

- General insurance is comprised of various classes, such as motor insurance; fire; medical and personal accident; marine, aviation and transit; contractors, all risks and engineering; liability; workmen's compensation and employers liability, and others.
    - The ultimate loss ratio of 267%[1] was calculated based on actual claims data for the Motor Act class (purely Bodily Injury and Death claims) only.
    - In 2008, TPBID premiums collected by general insurers were RM490 million, whereas total incurred claims was RM1.3 billion. By taking these figures, adding commissions paid to agents and related operational expenses[2], and projecting forward[3], we anticipate the total deficit for the Motor Act class to exceed RM1 billion and may continue to deteriorate if not sufficiently addressed.

8. Under the new TPBID scheme, payments to injured third parties are to be made more expeditious. As such, how long will it take me to receive my compensation? What mechanism will be put in place to ensure police reports and medical reports are produced promptly? Will there be anything I need to do to ensure swift payment, and can I continue to use the services of lawyers to act on my behalf to ensure my interests are protected?

- With average length of time taken by insurers / takaful operators to settle claims ranging from 1 to 3 years, we need to shorten the time taken to compensate accident victims.
    - This will involve enhancements in work processes across all levels involved in the claims settlement chain including the insurers / takaful operators, the police, hospitals, the medical and legal profession, etc. Further engagements with the various parties are required in order to achieve workable solutions. We will also be engaging with these parties towards meeting this objective.

[1] Table 3.6, General Insurance Business, Claims Ratio from *Annual Insurance Statistics 2008* (published in BNM Website)
[2] Management, admin, policy processing, claims handling etc
[3] To allow for increasing vehicle numbers and density, higher medical cost inflation, wages etc

On Limitation of Claims and Claims Settlement

Motorists/policyholders:

9. Since claims are limited under the new TPBID scheme, will this not create additional financial burden on motorists to purchase top-up insurance / takaful cover? Will road-users and motorists have to purchase additional life insurance or personal accident insurance to ensure they are properly compensated or protected in the event of an accident?

- The new TPBID scheme is designed to ensure all road users are adequately protected.
    - For premiums / contributions to be maintained at reasonable rates, and to ensure the new TPBID Scheme operates on a sustainable basis, we are considering the need to set a cap on the overall liability limit for TPBID claims. However, based on the caps that are being considered, we expect the needs of the vast majority of the public to be preserved.

- The assessment on appropriate caps on overall liability limits for TPBID will be reflective of actual claims data sampled from claims files obtained from insurers / takaful operators as well as court awards.

- Motorists also have the option of purchasing additional top-up cover for TPBID (i.e. Third Party Liability) if they feel that the basic TPBID cover is insufficient for their respective needs.

Claimants/Accident Victims:

10. What are the limits proposed for the various heads of damage and what is the maximum allowable claim under the new TPBID scheme? What is the basis for the setting of these limits and will these limits be reviewed over time?

- The assessment on appropriate cap on overall liability limit for TPBID will be reflective of actual claims data sampled from claims files obtained from insurers / takaful as well as court awards.
    - The basic TPBID scheme will provide for the needs and coverage required by the vast majority of the public.
    - Any caps proposed would be made transparent to the public and will be subject to periodic reviews to adjust for inflation and rising costs.

11. How would innocent accident victims know what compensation is due to them under the new TPBID scheme? Can accident victims seek legal recourse for amounts that exceed the limits set by the new TPBID scheme?

- We are looking at the possibility of legislating proposed compensation scales and limits. This is still under development.

- Any caps proposed would be made transparent to the public and will be subject to periodic reviews to adjust for inflation and rising costs.

- The avenue for individuals to obtain compensation in excess of the new TPBID Scheme limits from the party at fault at the courts will continue to be available.

On Establishment of the new TPBID scheme:

12. Who will be responsible for administering and overseeing the new TPBID scheme and what is the cost to taxpayers for establishing and maintaining this new entity?

- The new TPBID Scheme will be administered and overseen by the TPBID NEWCO.
  - TPBID NEWCO will be jointly funded by the Government and the insurance industry, to underwrite a basic motor insurance / takaful cover for motorists, with general insurers and takaful operators acting as agents in collecting premiums and assessing claims for the scheme.

- The cost for establishing and maintaining this TPBID NEWCO will be based on running costs of similar entities that have been recently established such as the AKPK and Financial Mediation Bureau.

13. Under Scenario A, there is mention of a set-up of an independent dispute resolution process. What does this entail? Will it involve significant costs to taxpayers to maintain this set-up and will it be a duplication of the court system? What controls and measures are in place to ensure suitably qualified and independent personnel are in place to decide on claims disputes in a timely manner?

- The intention under this scenario is for us to set up an independent dispute resolution function to assess and decide on claims settlements under the new TPBID scheme. The purpose is to ensure that claimants receive fair settlements in accordance to the rules of the new TPBID scheme, and to ensure timely settlement of claims due to accident victims.

- For this to work, it would need to be staffed by suitably qualified individuals, and will have a status equivalent of subordinate courts. It would function like a Tribunal in resolving claims disputes.