

INSURANCE ACT 1996
INSURANCE REGULATIONS 1996

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INSURANCE ACT 1996

INSURANCE REGULATIONS 1996

In exercise of the powers conferred by section 202 of the Insurance Act 1996, the Minister makes the following regulations :

PART I

PRELIMINARY

1. These regulations may be cited as the **Insurance Regulations 1996** and shall come into force on 1 January 1997.

PART II

INSURANCE QUALIFICATION

2. Pursuant to paragraph 11(2)(a) of the Act, a person may append to his name, an insurance qualification conferred by the following bodies :
 - (a)
 - (i) the Australian Institute of Actuaries;
 - (ii) the Canadian Institute of Actuaries;
 - (iii) the Faculty of Actuaries in Scotland;
 - (iv) the Institute of Actuaries in England; or
 - (v) the Society of Actuaries in the United States of America;or
 - (b)
 - (i) the American Institute for Chartered Property Casualty Underwriter;
 - (ii) the Australian Insurance Institute;
 - (iii) the Chartered Insurance Institute;
 - (iv) the Insurance Institute of America;
 - (v) Institut Teknologi MARA;
 - (vi) Universiti Kebangsaan Malaysia; or
 - (vii) The Malaysian Insurance Institute.

PART III

MINIMUM PAID-UP SHARE CAPITAL OR SURPLUS OF ASSETS OVER LIABILITIES

3. Pursuant to section 18 of the Act, a licensee shall maintain a minimum amount of paid-up share capital, surplus of assets over liabilities, or paid-up share capital unimpaired by losses, as the case may be, in the manner set out under this Part.

4. (1) A licensee shall maintain the following respective minimum amounts, as the case may be-

	By 31 December 1997 (Ringgit)	By and after 31 December 1998 (Ringgit)
<i>(a) minimum paid-up share capital</i>		
licensed local insurer	30,000,000	50,000,000
licensed local professional reinsurer :		
life reinsurance business	50,000,000	50,000,000
general reinsurance business	100,000,000	100,000,000
<i>(b) minimum surplus of assets over liabilities</i>		
licensed foreign professional reinsurer	10,000,000	20,000,000
<i>(c) minimum paid-up share capital unimpaired by losses</i>		
licensed insurance broker	300,000	500,000
licensed adjuster	100,000	150,000

- (2) A licensed foreign insurer, other than licensed foreign professional reinsurer, shall maintain in Malaysia, a surplus of assets over liabilities of an amount not less than the requirement for the minimum amount of paid-up share capital of a licensed local insurer.

PART IV
LICENCE FEES

5. Pursuant to subsection 21(1) of the Act, the licence fee shall be as follows:

(Ringgit)

- (a) an insurer licensed under section 16 of the Act by virtue of subsection 216(2) of the Act for :*

life business	100
general business	100
life and general business	200

(Ringgit)

- (b) any other insurer licensed under section 16 of the Act for :*

life business	50,000
general business	50,000
life and general business	100,000

6. Pursuant to subsection 21(1) of the Act, the licence fee for a licensed insurance broker and licensed adjuster for a year or part a year shall be as follows:

(Ringgit)

(a) licensed insurance broker	2,000
(b) licensed adjuster	1,000

7. (1) Pursuant to paragraph 21(2)(b) of the Act, the annual fee shall be as follows:

(Ringgit)

(a) life business	1997	30,000
	1998	40,000
	thereafter	50,000
(b) general business	1997	30,000
	1998	40,000
	thereafter	50,000
(c) life and general business	1997	60,000
	1998	80,000
	thereafter	100,000
(d) principal place of business		1,000
(e) other office (excluding an electronic terminal)		1,000

- (2) Where a licence under section 16 of the Act is issued on or before 31 January of a year, other than a licence under paragraph 215(i)(a) of the Act, the licensed insurer shall pay an annual fee of 100, ringgit for that year.

PART V

WITHDRAWAL FROM LIFE INSURANCE FUND

8. Pursuant to subsection 43(2), of the Act, a licensed life insurer may allocate a part of the surplus of assets over liabilities in its life insurance fund, determined by an actuarial valuation under section 85 of the Act on or after the effective date, in the manner set out under this Part.
9. Where a licensed life insurer maintains one life insurance fund for its participating and non-participating policies, the surplus of that life insurance fund, determined by an actuarial valuation as at the end of a financial year, shall be deemed to be attributable wholly to the participating policies.
10. (1) Subject to subsection 43(3) of the Act, the surplus of a life an insurance fund relating to non-participating policies, determined by an actuarial valuation as at the end of a financial year, shall be applied to make good any deficit determined by an actuarial valuation of a life insurance fund relating to participating policies.

- (2) Any surplus remaining after the application may be transferred, partly or wholly, out of that life insurance fund to the licensed life insurer's shareholders' fund, on the recommendation of its appointed actuary.
 - (3) Where a licensed life insurer does not transfer any part of the surplus to its shareholders' fund, there shall be no subsisting entitlement for a subsequent transfer except on the basis of an actuarial valuation at the end of a subsequent financial year and in compliance with subregulations (1) and (2).
- 11.
- (1) An appointed actuary shall not recommend the allocation of any part of the surplus of a life insurance fund relating to participating policies, determined by an actuarial valuation as at the end of a financial year, for transfer to the licensed life insurer's shareholders' fund if, in his considered professional judgement, the surplus should be carried forward without distribution to shareholders, as an additional reserve to meet the licensed life insurer's liabilities to, and the reasonable expectations of, its policy owners, which are not specifically provided for in the actuarial valuation.
 - (2) Subject to subsection 43(13) of the Act, an appointed actuary shall not allocate for transfer to the licensed life insurer's shareholders' fund an amount exceeding the proportion, determined in the manner set out under subregulation (3), of the part of the surplus recommended for distribution to participating policy owners and shareholders.
 - (3) The maximum proportion of the aggregate of the surplus allocated for the purpose of declaring bonus to policy owners and for transfer to shareholders' fund, which can be allocated for transfer to shareholders' fund under subregulation (2) shall be the weighted average determined by dividing the total of-
 - (a) 20 per cent of the first 300,000,000 ringgit or part thereof of the aggregate of life insurance funds relating to participating policies as at the end of the financial year;
 - (b) 15 per cent of the next 300,000,000 ringgit or part thereof of the aggregate of life insurance funds relating to participating policies as at the end of the financial year: and
 - (c) 10 per cent of the balance of the amount of the aggregate of life insurance funds relating to participating policies as at the end of the financial year,
 by the aggregate of all life insurance funds relating to participating policies as at the end of the financial year.
 - (4) Where an appointed actuary does not recommend the allocation of the entire surplus, the policy owners or the shareholders shall have no right to require allocation of the surplus carried forward unallocated, except on the recommendation of the appointed actuary in accordance with subregulation (2) as at the end of a subsequent financial year.
 - (5) Where a licensed life insurer does not transfer any part of the surplus to its shareholders' fund, there shall be no subsisting entitlement for a subsequent transfer except on the basis of an actuarial valuation at the end of a subsequent financial year and on the of the appointed actuary in accordance with subregulation (2).
- 12.
- (1) Where a life insurance fund is determined to be in deficit by an actuarial valuation as at the end of a financial year, the licensed life insurer shall apply any amount, determined as transferable to the shareholders' fund under regulation 10 or 11 from another life insurance fund, to make good the deficit.
 - (2) A licensed life insurer shall immediately make good any deficit subsisting after the application under subregulation (1) by a transfer from the shareholders' fund into the life insurance fund in compliance with subsection 41(1) of the Act.
 - (3) Where a licensed life insurer maintains more than one life insurance fund relating to participating policies pursuant to the Bank's direction under paragraph 38(5)(b) of the Act, the licensed life insurer shall not apply the surplus of a life insurance fund to make good the deficit, or to augment the surplus, in another life insurance fund except to the extent of the amount recommended by its appointed actuary as transferable to its shareholders' fund.

PART VI
VALUATION OF ASSETS

13. Pursuant to paragraph 44(a) of the Act, a licensed insurer shall value its assets in the manner set out under this Part.
14. (1) A licensed insurer shall value an investment property in its accounts at cost or at a revalued amount as determined by a valuer and approved by the Bank.
- (2) A licensed insurer valuing an investment property in its accounts at a revalued amount, shall revalue the investment property once every 3 years, or earlier if its market value depreciates by more than 10 per cent.
- (3) A licensed insurer shall value a self-occupied property in its accounts at cost less accumulated depreciation, or at a revalued amount determined by a valuer subject and approved by the Bank.
- (4) A licensed insurer valuing a self-occupied property at a revalued amount shall revalue the self-occupied property once every 10 years, or earlier if its market value depreciates by more than 10 per cent.
- (5) A licensed insurer revaluing its immovable properties under subregulation (2) or (4) shall revalue all of its immovable properties except -
- (a) an immovable property purchased not more than 1 year prior to the valuation date; or
- (b) an immovable property, the cost of which the Bank is satisfied, is approximately equal to the prevailing market value.
- (6) For the purpose of this regulation-
- “investment property” means-
- (i) an immovable property forming part of the assets of a life insurance fund;
- (ii) an immovable property forming part of the assets of a general insurance fund or a licensed local insurer's shareholders' fund or a licensed foreign insurer's working fund, which is not a self-occupied property;
- "self-occupied property" means an immovable property of which more than 50 per cent of its floor area is occupied by the licensed insurer;
- "valuer" means an independent professional valuer registered with the Board of Valuers, Appraisers and Estate Agents Malaysia.
15. (1) A licensed insurer shall value corporate securities quoted, on any stock exchange in the aggregate for each category of investment within each insurance fund, shareholders' fund or working fund, as the case may be, at the lower of cost or market value.
- (2) A licensed insurer, holding a quoted corporate security whose market value has been less than 80 per cent of its cost at all times during the preceding 24 months, shall write down the cost of that quoted corporate security to the average of the median price for each month during that 24 month period.
- (3) A licensed insurer holding a quoted debenture or a similar investment of a company which has been experiencing losses and whose debentures or similar investments have been suspended from being traded for a period exceeding 60 days, shall write down the cost of that quoted debenture or similar investment to its net realisable value and where the licensed insurer is unable to establish the realisable value, it shall write down the cost to 1 ringgit.

- (4) A licensed insurer, holding a quoted share or a similar investment of a company which has been experiencing losses and whose shares or similar investments have been suspended from being traded for a period exceeding 60 days, shall write down the value of that quoted share or similar investment to its net tangible asset value.
 - (5) A licensed insurer, holding an unquoted share or a similar investment of a company which has been experiencing losses for the preceding 3 years and where the cost of that unquoted share or similar investment is higher than its net tangible asset value, shall write down the value of that unquoted share or similar investment to its net tangible asset value.
 - (6) A licensed insurer, holding an unquoted share whose net tangible asset value is higher than the cost of that unquoted share, may revalue the unquoted share to its net tangible asset value with the prior approval of the Bank.
 - (7) For the purpose of this regulation, "corporate securities" means debentures, stocks, shares of a public company or corporation or any body corporate or unincorporate, and includes any right or option in respect thereof and any interest in a unit trust scheme as defined in the Securities Industry Act 1983.
16. A licensed insurer shall value an outstanding loan at an amount not exceeding the outstanding principal amount, or at the net realisable value of the loan, whichever is the lower.
 17. A licensed insurer shall value a Malaysian Government Security, or any other bond as the Bank may specify, at cost as adjusted for amortisation of premiums or accretion of discounts allocated on a systematic basis to maturity date using either the straight line method or constant yield method.
 18. (1) A licensed insurer shall value a deposit with a financial institution licensed under the Banking and Financial Institutions Act 1989, and a deposit outside Malaysia with a bank duly licensed by the regulatory authority of the country concerned, at the face value of the deposit.
 - (2) A licensed insurer shall value a negotiable instrument of deposit issued by a bank duly licensed by the regulatory authority of the country concerned at the lower of the face value, or market value, in the aggregate for all such negotiable instruments of deposit.
 19. (1) A licensed insurer shall value amounts due from a reinsurer or a ceding company, including deposits retained, at the amount due after deducting the provision for bad and doubtful debts.
 - (2) A licensed insurer shall value claims recoverable from a reinsurer at an amount not exceeding the amount outstanding after deducting the provision for bad and doubtful debts.
 - (3) Notwithstanding subregulations (1) and (2), a licensed insurer shall provide for all amounts outstanding for more than 6 months from the date on which they become due as doubtful debts.
 20. (1) A licensed insurer shall value the aggregate of outstanding premiums due from policy owners, agents, brokers or other intermediaries at the amounts outstanding after deducting the provision for bad and doubtful debts.
 - (2) Notwithstanding subregulation (1), a licensed insurer shall provide for all balances which are outstanding for more than 6 months from the inception date of the policy as doubtful debts.
 21. A licensed insurer shall not treat any amount outstanding for more than 6 months as investment income due to it.
 22. A licensed insurer shall value furniture and fittings, office equipment, motor vehicles and computer equipment at cost less accumulated depreciation.
 23. A licensed insurer shall value its asset for which no provision is made under this Part according to the accounting standards approved by the Malaysian Institute of Accountants.

PART VII

PROVISION FOR GENERAL INSURANCE CLAIMS

24. Pursuant to paragraph 44(b) of the Act, a licensed general insurer shall determine the liabilities of its general insurance fund in respect of outstanding claims, including incurred but not reported claims, in the manner set out under this Part.
25. For the purpose of this Part, a provision for incurred but not reported claims comprises a provision for claims which have been incurred but not reported to the licensed general insurer and deficiency in reserving for known outstanding claims.
26.
 - (1) A licensed general insurer shall enter in its register of claims, maintained in compliance with paragraph 47(1)(b) of the Act, every claim intimation it receives from any source in respect of its policies.
 - (2) A licensed general insurer-
 - (a) shall make necessary enquiries where the particulars of a claim intimation are insufficient for it to determine whether the claim relates to its policy; and
 - (b) shall enter the particulars of a claim in its register of claims, no later than 14 days from the date of receipt of the claim intimation, unless it establishes that the claim does not relate to any of its policies.
27.
 - (1) A licensed general insurer shall make adequate provision in its accounts for a claim, which it has not fully settled, on the basis of the particulars of the claim.
 - (2) Where particulars of a claim intimation are insufficient at the time of entering a claim in the register of claims to enable the licensed general insurer to estimate its liability in respect of that claim, it shall make, in respect of that claim, a provision which is not less than the average amount paid during the preceding financial year for a claim of that class or description.
 - (3) A licensed general insurer shall make provision for a claim by a third party by taking into account the best estimate of the amount of compensation likely to be awarded in the circumstances of the case and on the assumption that full liability of its policy owner is admitted.
 - (4) A licensed general insurer shall make adequate provision for legal fees which may be incurred to defend its repudiation of a claim where the claim is, without any doubt, outside the scope of its policy, and the provision may be written back only if there are no developments with regard to the claim for at least 12 months following the repudiation.
 - (5) A licensed general insurer shall make provision for an amount it considers adequate for a claim, assuming that the claim will be resolved in favor of the claimant, which it repudiates in circumstances other than that under subregulation (4).
 - (6) A licensed general insurer shall not reduce a provision for a claim to an insignificant amount solely because the claimant has not proceeded with any action and shall maintain an adequate provision for the claim until such time that the claim is barred by limitation of time.
 - (7) A licensed general insurer shall review the provision for every outstanding claim at least once a year.
28.
 - (1) A licensed general insurer shall make provision for incurred but not reported claims as at the end of each financial year by using sound and well-recognised statistical techniques.
 - (2) A licensed general insurer shall maintain a provision for incurred but not reported claims determined in accordance with subregulation (1) until the end of the next financial year.
 - (3) A licensed general insurer shall submit before, or together with, the submission of its annual returns under section 87 of the Act, a report on the estimation of provision for incurred but not reported claims, in such form as may be specified by the Bank, together with a summary of the data and computation sheets.
29.
 - (1) Where the Bank has reason to believe that the provision for incurred but not reported claims made by a licensed general insurer is not appropriate, the Bank may-

- (a) suggest to the licensed general insurer an amount for the provision for incurred but not reported claims which it considers appropriate; or
 - (b) require the licensed general insurer to obtain an actuarial valuation of its provision for incurred but not reported claims in accordance with section 91 of the Act.
- (2) For the purpose of paragraph (1)(b), the licensed general insurer shall submit the names of at least two actuaries together with such particulars as the Bank may require.
 - (3) The Bank may approve one of the two actuaries proposed under subregulation (2) or, if it does not approve of both actuaries, it may designate another actuary to carry out the valuation of the provision for incurred but not reported claims.
 - (4) The licensed general insurer shall appoint the actuary approved or designated by the Bank and-
 - (a) shall inform him of the provisions of sections 86 and 91 of the Act and these regulations;
 - (b) shall provide him with all the data and explanation he requires; and
 - (c) may provide any other additional information and facts relating to its business which the licensed general insurer considers relevant.
 - (5) The licensed general insurer shall not require the actuary approved or designated under subregulation (3) to discuss his findings or seek its agreement to his valuation estimate.
 - (6) The Bank may require, upon making the suggestion under paragraph (1)(a), or upon considering the report made by the actuary approved or designated under subregulation (3), the licensed general insurer to show cause within 14 working days as to why it should not be directed under subsection 92(3) of the Act to resubmit its accounts by altering the provision for incurred but not reported claims to an amount suggested by the Bank.
 - (7) The Bank may take action under subsection 92(3) of the Act following a notice under subregulation (6)-
30. A licensed general insurer shall not take credit for recovery on reinsurance cession in respect of a claim paid or outstanding
- (a) the reinsurer has suspended payments, or has made a composition or arrangement with its creditors, or has gone into liquidation, or has been ordered to be wound up, or a receiver or manager of its property has been appointed;
 - (b) the reinsurer has repudiated or disputed liability for the claim for any reason; or
 - (c) the recovery of the claim from the reinsurer appears difficult for any reason.

PART VIII

RESERVE FOR UNEXPIRED RISKS (GENERAL BUSINESS)

- 31. Pursuant to paragraph 44(b) of the Act, a licensed general insurer shall maintain a reserve for unexpired risks determined in the manner set out under this Part.
- 32. In this Part, unless the context otherwise requires-

“cargo policy” means a policy insuring cargo against risks during the whole or a part of a transit (whether such transit is by sea, inland water, land or air) including risks incidental to the transit;

"foreign reinsurers means a reinsurer which is incorporated outside Malaysia and is not licensed under the Act or the Offshore Insurance Act 1990;

"permitted deduction" means-

- (i) 15 per cent of the premium for fire, engineering or marine hull business;
- (ii) 10 per cent of the premium for motor or bonds business; and
- (iii) 20 per cent of the premium for any other description of general business;

"premiums" referred to in-

- (i) regulation 33 shall be the amount of the premiums on direct insurance business and on reinsurance business accepted from licensed insurers accounted for during the preceding 12 months after deducting return premiums and premiums accounted during the period in respect of cessions to-
 - (a) licensed insurers;
 - (b) offshore insurers licensed under section 9 of the Offshore Insurance Act 1990; and
 - (c) foreign reinsurers in respect of special risks; and
- (ii) regulation 34 shall be the amount of the premiums accounted during the preceding 12 months on direct insurance business and on reinsurance business accepted after deducting return premiums and premiums on reinsurance cessions;

"special risks" comprises the insurance of-

- (a) a marine hull or aircraft hull and liabilities relating to either hulls;
- (b) risks relating to exploration, development and production of oil or gas, whether offshore or onshore, for the account of owners, operators or contractors of such risks; or
- (c) any other risk which by reason of its exceptional nature the Bank permits to be treated as a special risk;

"the 1/8th method" means the method of computation which operates on the assumption of premiums accounted during each quarter of a year being uniformly spread over the respective quarter and on the assumption that all policies are for a duration of 12 months.

"the 1/24th method" means the method of computation which operates on the assumption of premiums accounted during each month of a year being uniformly spread over the respective month and on the assumption that all policies are for a duration of 12 months;

33. (1) A licensed general insurer, other than a licensed professional reinsurers shall maintain a reserve for unexpired risks in respect of its Malaysian general policies of an amount not less than-
- (a) 25 per cent of the premiums for Malaysian cargo policies; and
 - (b) an amount calculated on the basis of the 1/24th method applied to premiums for other descriptions of Malaysian general policies reduced by the percentage of accounted gross direct business commission to corresponding premium for Malaysian general policies, but not exceeding the permitted deduction.
- (2) A licensed professional reinsurer shall maintain a reserve for unexpired risks in respect of Malaysian general policies of an amount not less than an amount calculated on the basis of the 1/8th method applied to premiums for Malaysian general policies with a deduction of 20 per cent from that amount.

- (3) The amount of a reserve for unexpired risks determined in accordance with subregulations (1) and (2) may be adjusted for reinsurance ceded to foreign reinsurers by deducting an amount equivalent to the lower of-
- (a) the reserve calculated in accordance with subregulations (1) and (2) on premiums ceded to foreign reinsurers, other than in respect of special risks, with a deduction for commission at the same rate as provided under paragraph (1)(b);
 - (b) the deposits retained from foreign reinsurers for reinsurance of Malaysian general policies, other than in respect of special risks, for which premiums are accounted during the preceding 12 months, provided the deposits are held by the licensed general insurer-
 - (i) as security for the foreign reinsurer's due performance of its obligations under the reinsurance contract; and
 - (ii) for a period of at least 12 months or until termination of the related liabilities of the foreign reinsurers if earlier.
- (4) Any arrangement made by a licensed general insurer, which treats a liability of a branch in Malaysia in respect of any Malaysian general policy as a liability, in whole or in part, of a branch outside Malaysia, shall constitute reinsurance of those liabilities as if the branches were separate insurers and the arrangement was a contract between them.
- (5) For the purpose of subregulation (4), a licensed general insurer's head office shall be treated as a "branch".
34. A licensed local insurer shall maintain a reserve for unexpired risks in respect of foreign general policies of an amount not less than an amount calculated on the basis of the 1/8th method applied to premiums in respect of foreign policies relating to any description of general business with a deduction of 20 per cent from that amount,

PART IX
MARGIN OF SOLVENCY

35. (1) Pursuant to subsection 46(1) of the Act, a licensed insurer shall maintain a margin of solvency in respect of each class of its insurance business determined in the manner set out under this Part.
- (2) This Part shall apply to the total business of a licensed local insurer and to Malaysian policies of a licensed foreign insurer.
36. (1) The margin of solvency for a licensed insurer and a licensed foreign professional reinsurer until the financial year ends in 1997 shall be, as the case may be, as follows:

	licensed insurer	licensed foreign professional reinsurer
(a) life business	not less than 15,000,000 ringgit	not less than 10,000,000 ringgit
(b) general business	the greater of 20 % of its income or 15,000,000 ringgit	the greater of 20% of its income or 10,000,000 ringgit

(c)	life and general business	the greater of 20% of its income or 30,000,000 ringgit	the greater of 20% of its income or 20,000,000 ringgit
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- (2) For the purpose of subregulation (1), "income" means net premium income in respect of general business relating to Malaysian policies for the financial year ended in 1996.
37. (1) An insurer licensed for both life and general business shall maintain at all times a separate margin of solvency for its life and general business.
- (2) A licensed insurer, other than a licensed foreign professional reinsurer, shall maintain at all times on and after the effective date, a minimum amount of margin of solvency for each class of bus as follows:
- (a) 15,000,000 ringgit during the year 1997;
 - (b) 25,000,000 ringgit during the year 1998; and
 - (c) 50,000,000 ringgit on and after I January 1999.
38. (1) A licensed insurer may hold assets representing the margin of solvency in respect of its foreign policies, wholly or partly, in the respective insurance fund for Malaysian policies.
- (2) Pursuant to subsection 46(3) or (4) of the Act, a licensed insurer which is unable to maintain its margin of solvency wholly within the respective insurance fund shall apply to the Bank in writing giving the reasons for its inability to do so.
- (3) The Bank shall inform the licensed insurer of its decision on the application as soon as possible and where the Bank rejects the application, the licensed insurer shall immediately transfer sufficient assets from its shareholders' fund or asset held in compliance with subsection 18(2) of the Act, as the case may be, into that fund in compliance with subsection 46(3) of the Act.
- (4) The Bank may allow the application subject to such conditions and for such duration as it may specify.
- (5) Where a licensed insurer is required to maintain more than one life insurance fund or general insurance fund in respect of its Malaysian policies under paragraph 38(5)(b) of the Act, it may maintain the assets equivalent to the margin of solvency relating to its Malaysian policies of a class of business within one or more of the respective insurance funds.
39. (1) A licensed insurer shall calculate its margin solvency as at the end of the financial year in 1997, and the end of each of the subsequent financial years, based on its annual accounts for the year ending on that date.
- (2) Margin of solvency determined in accordance with subregulation (1) shall constitute the margin of solvency required to be maintained at all times during the following year until determination of a revised amount as at the end of that financial.
- (3) Where a licensed insurer is permitted under subregulation 38(4) to maintain a part of its margin of solvency outside an insurance fund, it shall submit to the Bank a statement as at the end of each financial year, in such form as the Bank may specify, listing the assets held outside that insurance fund which constitute the margin of solvency.
- (4) Subsection 46(5) of the Act shall apply to the assets listed under subregulation (3) and the licensed insurer shall not deal with such assets in any manner without the prior written approval of the Bank.
40. (1) Subject to subregulation 37(2), a licensed life insurer shall maintain a margin of solvency in respect of its life business, calculated on its gross business after deducting reinsurance ceded, subject to a maximum deduction of 25 per cent of the gross amounts as provided under subregulation (2).

- (2) The margin of solvency shall be the aggregate of-
- (a) 4 per cent of the liability as valued under section 85 of the Act, excluding the liability in respect of extensions of life policies under paragraph (d);
 - (b) 0.1 per cent of the sums at risk in respect of life policies whose original policy term is 2 years or less;
 - (c) 0.2 per cent of the sums at risk in respect of life policies whose original policy term is more than 2 years; and
 - (d) 25 per cent of the net premium accounted during the financial year derived from all extensions of life policies insuring contingencies for a period not exceeding 12 months and where the premium for the extension is fully earned by the end of the next anniversary date of the policy.
- (3) A licensed life insurer shall maintain a margin of solvency in respect of its investment-linked insurance business in the aggregate of amounts provided under paragraphs (2)(b), (c) and (d).
- (4) For the purpose of this regulation, "sums at risk" means the aggregate of sums assured and vested bonuses on life policies after deducting the net valuation liability in respect of those life policies.
41. (1) Subject to subregulation 37(2), a licensed general insurer shall maintain a margin of solvency in respect of its general business which shall be the higher of the following amounts-
- (a) the aggregate of 25 per cent of the first 50,000,000 ringgit of net premium and 20 percent of the balance amount of net premium; or
 - (b) the aggregate of 26 per cent of the first 25,000,000 ringgit of net incurred claims and 23 per cent of the balance amount of net incurred claims.
- (2) For the purpose of this regulation-
- "net incurred claims" means the simple average of the amount of net incurred claims for the financial year ending on the date of determination and for each of the first and second preceding financial years;
- "net premium" means the greater of the actual accounted net premium and 75 per cent of the actual accounted gross premium after deducting reinsurance ceded in Malaysia and to an offshore insurer licensed under the Offshore Insurance Act 1990.
42. A licensed foreign professional reinsurer shall maintain a margin of solvency determined in accordance with regulation 40 or 41, as the case may be, subject to the minimum amount of 10,000,000 ringgit for each of its life and general reinsurance business.
43. A licensed insurer shall submit together with the returns submitted under section 87 of the Act a statement of its margin of solvency in such form as the Bank may specify.

PART X

REGISTER OF POLICIES AND REGISTER OF CLAIMS

44. Pursuant to paragraph 47(1)(a) of the Act, a licensed insurer shall enter in its register of policies, the following:
- (a) in respect of life policies, other than group life policies-
 - (i) name of policy owner;
 - (ii) address of policy owner;

- (iii) policy number, cover note number or reference number;
- (iv) name of life insured (if different from policy owner);
- (v) age of life insured and whether admitted;
- (vi) name, relationship and address of nominee;
- (vii) date of commencement of policy;
- (viii) policy plan (product type);
- (ix) sum insured;
- (x) normal premium and additional premium for extra risks or supplementary benefits;
- (xi) mode of payment of premium;
- (xii) date of last payment of premium;
- (xiii) term and date of maturity of policy;
- (xiv) participating or non-participating policy; and
- (xv) premium default plan applicable (e.g. automatic policy loan, conversion to paid-up policy, extended term life policy and others);

(d) in respect of group life policies-

- (i) name of master policy owner;
 - (ii) address of master policy owner;
 - (iii) policy number, cover note number or reference number;
 - (iv) type of group life scheme;
 - (v) period of insurance;
 - (vi) particulars of lives insured (either names of lives insured or class or description of persons insured);
 - (vii) premium rate;
 - (viii) premium amount; and
 - (ix) particulars of sums insured;
- and

(e) in respect of general policies-

- (i) name of policy owner;
- (ii) address of policy owner;
- (iii) policy number, cover note number or certificate number;
- (iv) class of insurance;
- (v) subject matter of insurance;
- (vi) period of insurance;
- (vii) perils insured;
- (viii) sum insured; and
- (ix) gross premium.

45. Pursuant to paragraph 47(i)(b) of the Act, a licensed insurer shall enter into its register of claims the following:

(a) in respect of life policies-

- (i) name of policy owner;
 - (ii) address of policy owner;
 - (iii) policy number;
 - (iv) name of life insured (if different from policy owner);
 - (v) name of claimant;
 - (vi) address of claimant;
 - (vii) claim number,
 - (viii) if claimant is not the life insured, claimant's relationship with the life insured or policy owner (e.g. legal rep representative, nominee, beneficiary, trustee or assignee);
 - (ix) date of event giving rise to the claim;
 - (x) date of first intimation;
 - (xi) nature of claim; and
 - (xii) amount claimed:
- and
- (b) in respect of general policies-
 - (i) name of policy owner;
 - (ii) address of policy owner;
 - (iii) policy number, cover note number or certificate number;
 - (iv) class or description of insurance;
 - (v) name of claimant;
 - (vi) address of claimant;
 - (vii) claim number;
 - (viii) if claimant is not the policy owner, claimant's relationship with the policy owner (e.g. legal representative, nominee, beneficiary, trustee, assignee or third party claimant);
 - (ix) date of event giving rise to claim;
 - (x) date of first intimation;
 - (xi) nature of claim;
 - (xii) estimate of claim amount; and
 - (xiii) amount claimed.

PART XI

GUARANTEE AND SECURITY FOR CREDIT FACILITY

- 46. Subject to subsection 50(l) and section 52 of the Act, a secured credit facility shall be secured in the manner set out under this Part.
- 47. (1) A licensed insurer or a licensed insurance broker shall not accept immovable property as security for a credit facility unless it is freehold property or leasehold property with at least 21 years of unexpired period of lease.
- (2) A licensed insurer or a licensed insurance broker shall not grant a credit facility-

- (a) for the purchase of immovable property for residential purpose, in excess of 80 percent; or
- (b) for any other purpose, in excess of 70 per cent,

of the market value of the immovable property on the date of granting the credit facility.

- (3) A licensed insurer or licensed insurance broker granting a credit facility which is secured by rights and interests in an immovable property, where applicable-
 - (a) shall enter into an agreement in writing for the credit facility with the borrower;
 - (b) shall require the borrower to execute a deed of assignment assigning all his rights and interests in the immovable property to itself and to register the deed of assignment under the National Land Code, Land Ordinance of Sabah or Land Code of Sarawak;
 - (c) shall require the borrower to execute a power of attorney in its favour, authorising it to execute a charge in its favour on the immovable property which is the subject of the sale and purchase agreement with the borrower;
 - (d) shall ensure that the sale and purchase agreement does not prohibit the lodgement of a private caveat by the licensed insurer or licensed insurance broker, being the financier for the purchase of the immovable property;
 - (e) shall obtain a confirmation from the developer or registered proprietor of the immovable property that there is no prior subsisting assignment of the rights and interests in the immovable property which would vitiate the deed of assignment; and
 - (f) where the immovable property is subject to a restriction in interest that it cannot be transferred, assigned, charged, or otherwise dealt with, without the consent of the State Authority, shall ensure that the consent of the State Authority has been obtained for the sale or assignment to the person in whose name the immovable property is to be registered and for the licensed insurer or licensed insurance broker, to acquire the immovable property in the event of any default in the repayment of the credit facility.
- (4) A licensed insurer or licensed insurance broker shall only accept immovable property situated in Malaysia as security for a credit facility granted in Malaysia. Credit facility secured by a pledge of shares.

48. (1) A licensed insurer or licensed insurance broker shall not grant a credit facility in excess of 50 per cent of the market value of the shares which are pledged as security on the date of granting the credit facility.

(2) A licensed insurer or licensed insurance broker shall only accept shares quoted on the Kuala Lumpur Stock Exchange as security for a credit facility.

49. A licensed life insurer shall only grant a credit facility secured by a life policy if it issues the life policy and the amount of credit facility does not exceed the surrender value of that life policy on the date of granting the credit facility.

50. For the purpose of subsection 50(4) of the Act, "prescribed person" means-

- (a) any bank or merchant bank licensed under the Banking and Financial Institutions Act 1989 or the Islamic Banking Act 1983;
- (b) any finance company licensed under the Banking and Financial Institutions Act 1989 which has been prescribed under that Act to provide financial guarantees;
- (c) any offshore bank licensed under the Offshore Banking Act 1990; or
- (d) any consortium of two or more corporations under paragraphs (a) to (c).

PART XII
MINIMUM CRITERIA OF A "FIT AND PROPER PERSON"

51. (1) Pursuant to paragraph 70(2)(b) of the Act, a license or controller of a licensee, in determining whether a person is a "fit and proper person" to hold the position of a director, chief executive officer or manager, shall have regard to-
- (a) this probity, competence and soundness of judgement for fulfilling the responsibilities of that position;
 - (b) the diligence with which he is fulfilling or likely to fulfill those responsibilities; and
 - (c) whether the interests of policy owners, insurance claimants, customers and creditors of the licensee, as the case may be, are, or are likely to be, in any way threatened by his holding that position-
- (2) Notwithstanding subregulation (1), a licensee shall also have regard to the criteria under regulations 52 and 53 in determining whether a person is a "fit and proper person".
- (3) Without prejudice to the generality of subregulation (1), regard may be had to the previous business conduct and activities of the person in question and, in particular, to any evidence that he-
- (a) has been compounded or convicted, or as director, chief executive officer, or manager, of a licensee or a controller of a licensee, has caused to be compounded or convicted, of an offence under the Act, the Offshore Insurance Act 1990, the Offshore Banking Act 1990, the Companies Act 1965 or the Banking and Financial Institutions Act 1989, which is punishable with, as the case may be-
 - (i) imprisonment for 1 year or more, whether by itself, or in lieu of, or in addition to, a fine; or
 - (ii) a fine of 1,000,000 ringgit or more;
 - (b) has been compounded or convicted, or as director, chief executive officer, or manager, of a licensee or a controller of a licensee, has caused it to be compounded or convicted, of an offence under the repealed Act, the Takaful Act 1984 and the Islamic Banking Act 1983, which is punishable with, as the case may be-
 - (i) imprisonment of 6 months or more, whether by itself, or in lieu of, or in addition to, a fine;
or
 - (ii) a fine of 20,000 ringgit or more;
 - (c) has engaged in any business practices appearing to the Bank to be deceitful, oppressive or otherwise improper, whether unlawful or not, or which otherwise reflect discredit on his method of conducting business; or
 - (d) has engaged in, or been associated with, any other business practices, or otherwise conducted himself in such a way, as to cast doubt on his competence and soundness of judgement.
52. A person who is, or is to be, a director of a licensee
- (a) shall have educational qualifications and experience which will enable him to effectively perform his duties;
 - (b) shall not have acted in a manner which may cast doubt on his fitness to hold the position of a director;
 - (c) shall have agreed to attend, or have attended, at least 75 per cent of the licensee's board of directors meetings in a year unless his absence is with the approval of the Bank; and

- (d) shall not have been a party to any action or decision of the board or management of the licensee which is detrimental to the interests of the licensee, and in the case of a licensed insurer, its policy owners.
53. A person who is, or is to be, a chief executive officer or manager of a licensee-
- (a) shall have educational qualifications and experience which will enable him to satisfactorily discharge his responsibilities;
 - (b) shall not have held a position of responsibility in the management of any company which has been convicted of an offence under any written law during his tenure of office unless he proves that such offence was committed without his knowledge or consent and he was not in a position to prevent the offence;
 - (a) shall not have held a position of responsibility in the management of any company which during his tenure of office-
 - (i) has defaulted in payment of any judgement sum against it;
 - (ii) has suspended payment or has compounded with its creditors; or
 - (iii) has had a receiver or manager appointed in respect of its property;
 - (d) shall be available for full time employment, and shall not carry on any other business or vocation, except as a nonexecutive director or shareholder of another company;
 - (e) shall not be engaged actively in any political activity;
 - (f) shall not cause a conflict of interest situation with that of the licensee, either by himself or through his spouse, child, parent, brother or sister;
 - (g) shall not have acted in a manner which may cast doubt on his fitness to hold the position of chief executive officer or manager, or acted in blatant disregard for proper professional conduct, especially in dealings with policy owners, claimants and customers; and
 - (h) shall not have been a party to any action or decision of the management of the licensee which is detrimental to the interests of the licensee, or in the case of a licensed insurer, its policy owners.
54. The Bank shall have full discretion to determine whether a person has complied with this Part.

PART XIII

VALUATION OF LIFE BUSINESS LIABILITIES

55. Pursuant to section 85 or subsection 92(6) of the Act, a licensed life insurer shall value the liabilities of its life business at the end of each financial year in the manner set out under this Part.
56. (1) The chief executive officer of a licensed life insurer shall review the licensed life insurer's administrative procedures for maintaining its database and shall satisfy himself that the data on business in force provided to the appointed actuary is accurate and complete.
- (2) The chief executive officer of a licensed life insurer-
- (a) shall allow its appointed actuary unrestricted access to its data base; and
 - (b) shall furnish the appointed actuary immediately, upon request, such data and explanation as he may require.

- (3) The appointed actuary shall apply reasonable tests to satisfy himself that the data on business in force is accurate and complete.
57. (1) The appointed actuary of a licensed life insurer shall value the liabilities of its direct business and reinsurance business accepted on a basis which is not less stringent than the minimum basis set out under this regulation.
- (2) In this regulation, the liability in respect of a policy is equal to the amount by which the value of the reversion in the policy moneys according to the contingencies on which the policy moneys are payable, as at the valuation date, exceeds the present value of adjusted amount of the premium payable after the valuation date according to the contingencies on which the premiums are payable, as at that valuation date.
- (3) The adjusted amount of premium in subregulation (2) is-
- (a) the premium adjusted by assuming that the policy provides for only such premium as is sufficient to provide for the risk assumed by the licensed life insurer in issuing the policy without providing for bonuses, office expenses or other charges; and
- (b) the lower of the adjusted amount of the premium obtained by further adjusting the premium by-
- (i) assuming that the policy was issued 1 year after the actual date of its issue but without thereby postponing the time when the premium ceases to be payable or policy moneys become payable, if that time is fixed by reference to the date of issue and to calculate the premium according to paragraph (a); or
- (ii) adding to the premium referred to under paragraph (a), such addition as would have the capitalised value at the date of issue of the policy equal to 3 per cent of the sum insured,
- where premium is payable for a whole life policy or endowment policy, with or without other benefits, or for a term policy where a surrender value is required to be paid.
- (4) An appointed actuary shall conduct the valuation by applying-
- (a) the Statutory Valuation Mortality Table 1996 set out in the First Schedule for male lives;
- (b) the Statutory Valuation Mortality Table 1996 set out in the First Schedule rated down 3 years for female lives;
- (c) a(90)m annuitants mortality table rated down 2 years for annuities on male lives; and
- (d) a(90)f annuitants mortality table rated down 2 years for annuities on female lives.
- (5) An appointed actuary shall conduct the valuation using the following rates of interest-
- (a) 5 per cent per annum for annuities;
- (b) 4.5 per cent per annum for single premium policies; and
- (c) 4 per cent per annum for other policies.
- (6) Where the liabilities in respect of more than one policy are to be valued on the minimum basis and it is necessary to have regard to the ages of persons on whose lives the policies were issued or to any periods of time connected with the policies, it shall not be necessary to value the policies based on the exact ages and periods so long as the liabilities determined by not valuing the policies individually are reasonably approximate to the liabilities determined by doing so.

- (7) An appointed actuary shall value an extension to a life policy covering contingency of death or survival in accordance with subregulations (2) to (6).
 - (8) Where the adjusted amount of premium, arrived at in accordance with subregulations (2) to (6) exceeds the office premium relating to a particular life insurance product in the aggregate, the appointed actuary shall provide an appropriate reserve for the corresponding premium deficiency and for this purpose, the premium to be compared will be inclusive of the premium for an extension to a life policy referred to under subregulation (7)
 - (9) The appointed actuary shall provide an appropriate reserve and state the basis of such in respect of-
 - (a) the immediate payment of claims;
 - (b) future expenses and bonuses in the case of limited payment policies and paid-up policies;
 - (c) liabilities which exist or may arise in respect of policies which have lapsed and not included in the valuation;
 - (d) payment of benefits or waiver of premiums upon disability of the life insured,
 - (e) provision of benefits or waiver of premiums upon occurrence of the life insured's disability in the future unless, in his considered judgement, such specific provision is not necessary;
 - (f) a policy insuring a substandard risk or a high risk occupation; and
 - (g) any other liability, or contingent liability, under life policies or extensions of life policies not covered by subregulations (2) to (6), including extensions of life policies, other than those referred to under subregulation (7).
 - (10) Where a part of, or the whole of, premiums paid are accumulated in the fund under a deferred annuity during the deferment period, or an annual or single premium life policy, the accumulated amount, as is declared to policy owners, shall be the reserve if the accumulated amount is higher than the reserve calculated according to subregulations (2) to (7).
 - (11) If the surrender value of the business in force in the aggregate is more than the valuation of liability under subregulations (2) to (8), then the appointed actuary shall determine the valuation liability at an amount not less than the aggregate surrender value,
 - (12) Where a policy or an extension of a policy is treated as an asset under the valuation method adopted, the appointed actuary shall make the necessary adjustment to eliminate the asset value from the valuation.
 - (13) The appointed actuary shall conduct the valuation of liabilities in respect of a foreign life policy on a basis not less stringent than the basis required by the laws of the country in which the policy is issued and in the absence of any basis specified by the laws of that country, the foreign life policy shall be valued in accordance with this Part.
58. (1) The basis adopted for a valuation under section 85 of the Act shall be deemed to be not less stringent than the minimum basis only if-
- (a) the rate of interest used is not greater than the rate specified under subregulation 57(5); and
 - (b) the mortality table used, if different from that provided for under subregulation 57(4), is that approved by the Bank,

which together with the rate of interest which is to be used, is likely to result in the liabilities being given a value not less, in the aggregate, than the liability if valued on the minimum basis.

- (2) An appointed actuary shall adopt a more stringent basis of valuation of liabilities of a licensed life insurer compared to the basis set out in regulation 57 if, in his professional judgement, it is appropriate to do so.

- (3) Where an appointed actuary has adopted a more stringent basis under subregulation (2), he shall apply the basis consistently at subsequent valuations, and if he relaxes the basis at a future valuation, he shall disclose the fact in his report and also state the reasons for his action and the impact of the change on valuation liability.
59. Where a life policy belonging to an insurance fund of a licensed life insurer is removed from the insurance fund under section 39 of the Act, the amount that the licensed life insurer may withdraw from the insurance fund in respect of that policy shall not exceed the amount of reserve as at the date of removal for that policy valued on the basis adopted under section 85 of the Act immediately preceding the date of the removal.
60. (1) An appointed actuary shall value the liabilities of the life business of a licensed life insurer on gross basis, and deducting reinsurance cessions only if-
- (a) the reinsurance arrangement involves a transfer of risk;
 - (b) there is no obligation on the part of the licensed life insurer to repay any amount, other than the refund of deposit referred to in paragraph (d), to the reinsurer in the event a policy lapses or the licensed life insurer cancels the reinsurance contract;
 - (c) the valuation of, liability reinsured is made in accordance with regulation 57; and
 - (d) the licensed life insurer holds a deposit from the reinsurer which is subject to the condition that any release of deposit shall not exceed the reduction of liability of the reinsurers.
- (2) The appointed actuary may make a deduction for reinsurance calculated in accordance with regulation 57, if paragraphs (1)(a), (c-) and (d) are complied with, to the extent of the net amount determined by deducting the amount repayable on the cancellation of the contract on the valuation date from the valuation of the credit for reinsurance.
- (3) The amount of deduction which can be made under subregulations (1) and (2) shall not exceed the amount of deposit field on the date of valuation in respect of the corresponding reinsurance,
61. Where a description of life policy cannot be properly valued under subregulations 57(2) to (8), the appointed actuary shall value the policy on a basis approved by the Bank.

PART XIV INSPECTION FEES

62. Pursuant to subsection 96(2) of the Act, the fee payable for inspection or making a copy of a document shall be-
- (a) 5 ringgit, for each inspection of the documents relating to each class of business of a licensed insurer for a financial year; and
 - (b) 1 ringgit, for a copy of each page.

Part XV ASSUMPTION OF RISK

63. Pursuant to section 141 of the Act, a licensed general insurer shall not assume any risk in respect of motor policies unless and until the premium payable is received in the manner and within the time set out under this Part.
64. In this Part, unless the context otherwise requires-

“agent” means a person appointed by a licensed general insurer to act on its behalf, and includes a licensed insurance broker;

"date of assumption of risk" means the date of issue of the policy regardless of the date of inception of risk;

"licensed financial institution" means a financial institution licensed under the Banking and Financial Institutions Act 1989;

"licensed general insurer's account" means an account in the name of a licensed general insurer with a licensed financial institution;

PART XVI
SURRENDER OF LIFE POLICY

67. Pursuant to section 155 of the Act, a policy owner who surrenders a life policy shall be entitled to receive a surrender value determined in the manner set out under this Part.
68. In this Part, an extension of a life policy covering a contingency relating to death or survival shall be an integral part of the life policy except where-
- (i) the extension covers a contingency for a period not exceeding 12 months and where the premium for the extension is fully earned by the end of the next anniversary date of the policy; or
 - (ii) the extension was issued before the effective date.
69. A licensed life insurer shall disclose to a proposer for a life policy, at the time of sale, the surrender value payable under the life policy, and where no surrender value is payable, it shall provide a written statement to that effect.
70. (1) A licensed life insurer shall determine the surrender value under a life policy, including accrued benefits vested under the life policy, at an amount not less than the amount determined in the manner set out under regulation 71 after deducting a surrender charge determined in accordance with subregulation (2).
- (2) The surrender charge imposed on the surrender of a life policy shall not exceed-
- (a) in the case of a single premium term policy, 25 per cent of the amount determined in the manner set out under regulation 71;
 - (b) in the case of a single premium policy, other than single premium term policy, and in the case of a deferred annuity, during the deferment period-
 - (i) 20 per cent of the amount determined in the manner set out under regulation 71 in respect of a surrender during the first year of the life policy;
 - (ii) 15 per cent in respect of a surrender during the second or third year of the life policy; and
 - (iii) 10 per cent in respect of surrender after the third year of the life policy;
 - (c) in the case of any other life policy where annual premiums have been paid-
 - (i) for 3 years but less than 6 years, 20 per cent of the amount determined in the manner set out under regulation 71; or
 - (ii) for 6 years or more, 10 per cent of the amount determined in the manner set out under regulation 71
- (3) No surrender charge shall apply to an annuity where the payment of annuity has commenced but the term certain period has not expired.

- (4) Where payment of a declared accumulated amount on surrender of a life policy is assured, the surrender value after deducting the surrender charge shall not be lower than the accumulated amount assured.
71. (1) The minimum surrender value of a life policy before imposing a surrender charge shall be determined-
- (a) in the case of a single premium policy, at a proportion of the office single premium, where the proportion is the ratio of the valuation liability for that policy, including all accrued vested benefits on the date of its surrender, to the valuation liability at its inception determined in the manner set out under Part XIII using a valuation basis valid on the date of surrender, subject to a minimum surrender value of the accumulated amount which the licensed life insurer notifies to the policy owner, where applicable;
 - (b) in the case of an annuity during the deferment period, at the amount of premium paid accumulated at a rate of interest, which is not lower than the rate of interest set out in subregulation 57(5) of Part XIII, valid on the date of surrender reduced by 1 per cent, but such accumulated amount shall not be less than the accumulated amount notified by the licensed life insurer to the policy owner;
 - (c) in the case of an annuity where the payment of annuity has commenced but the term certain period has not expired, at the present value of the remaining annuity payments within the term certain period, including any accrued guaranteed benefits, discounted at a rate of interest, which is not higher than the rate of interest set out under subregulation 57(5) of Part XIII, valid on the date of surrender, increased by 1 per cent; or
 - (d) in the case of any other life policy, at the valuation liability in respect of that policy, including any accrued vested benefits, on the date of surrender determined in the manner set out under Part XIII, subject to-
 - (i) the rate of interest used being 1 per cent above the rate of interest set out under subregulation 57(5) of Part XIII; and
 - (ii) the rate of mortality set out under subregulation
- (2) The mortality table applicable under paragraph (1)(d), in the case of a life policy issued-
- (a) on or before 31 December 1978, shall be the Oriental 1925- 35 Ultimate;
 - (b) after 31 December 1978 but before the effective date, shall be the A (1924- 29) Ultimate; or
 - (c) after the effective date, shall be the valuation mortality table required to be used for a valuation under Part XIII.
72. Notwithstanding regulations 70 and 71, a licensed life insurer may offer a surrender value of an amount determined at its discretion for a life policy which-
- (a) is an annual premium term life policy, but not an extension to a life policy, for a period not exceeding 20 years without any extension to the term life policy which vests benefits at any time during the duration of the term life policy and without any option or assurance to extend the term life policy or a period beyond 20 years;
 - (b) is an annual premium term life policy which was issued before the effective date;
 - (c) is an annuity where the term certain period of the annuity has already expired; or
 - (d) has a surrender value of 20 ringgit or less determined in the manner set out under regulations 70 and 71.

73. Where the Bank is satisfied that the surrender value of a life policy determined in the manner set out under regulations 70 and 71 is not actuarially appropriate, it may require the appointed actuary to determine the surrender value on a basis it approves.

PART XVII

ELECTION FOR PAID-UP POLICY

74. Pursuant to section 158 of the Act, the sum insured for a paid-up life policy shall be determined in the manner set out under this Part.
75. (1) The sum insured for a paid-up life policy issued in exchange for a life policy shall be not less than the amount obtained by dividing the amount determined in the manner set out under regulations 70 and 71 of Part XVI, after deducting any sums due under the policy to the licensed life insurer, by the actuarial present value on the date of its conversion determined in the manner set out under Part XIII, for a sum insured of 1 ringgit for a life policy with similar contingencies as the original policy, excluding any extensions to that life policy.
- (2) For the purpose of subregulation (1), the actuarial present value of a sum insured of 1 ringgit for a life policy with similar contingencies as the original policy, where that policy was issued before the effective date, shall be determined in the manner set out under Part XIII, with the substitution of the mortality table by-
- (a) the Oriental 1925 - 35 Ultimate, for a life policy issued on or before 31 December 1978; or
 - (b) the A (1924 - 29) Ultimate, for a life policy issued after 31 December 1978 but before the effective date.
76. Where the Bank is satisfied that the paid-up value of a life policy determined in the manner set out under regulation 75 is not actuarially appropriate, it may require the appointed actuary to determine the paid-up value of that policy on a basis it approves.
77. A life policy shall be deemed to remain in force, in the event of an election for conversion to a paid-up life policy, until the date on which the next premium for the original policy is due.

PART XVIII

HOME-SERVICE LIFE POLICY

78. Pursuant to section 160 of the Act, a licensed life insurer shall carry on life business in respect of home-service life policies in the manner set out under this Part.
79. For the purpose of this Part, "home-service life policy" means a life policy where premiums are payable at intervals of less than 2 months and are ordinarily collected at the policy owner's address by an agent or an employee of the licensed life insurer.
80. (1) Where an agent or an employee of a licensed life insurer writes or fills in any particulars in a form for a home-service life policy with the licensed life insurer, then notwithstanding any agreement to the contrary between the proposer and the licensed life insurer, the licensed life insurer shall not avoid the home-service life policy issued, by reason of any incorrect or untrue statement contained in the proposal form or omission of material information in the proposal form, unless the statement or omission was in fact made by the proposer to the licensed life insurer's agent or employee for the purpose of the proposal.
- (2) The burden of proving that any such statement or omission was made by the proposer shall lie upon the licensed life insurer.
81. (1) A licensed life insurer shall issue to the policy owner, a premium receipt book, together with the home-service life policy, containing the following:

- (a) name of policy owner;
 - (b) address of policy owner;
 - (c) policy number, cover note number or reference number;
 - (d) name of life insured (if different from policy owner);
 - (e) age of life insured and whether admitted;
 - (f) date of commencement of policy;
 - (g) policy plan (product type);
 - (h) sum insured;
 - (i) term and date of maturity of policy;
 - (j) participating or non-participating policy;
 - (k) the amount of premium payable;
 - (l) the interval at which premium is payable;
 - (m) the grace period for payment of premium due;
 - (n) the consequences of failure to pay premium within the grace period; and
 - (o) the procedure for reinstating the home-service life policy after the policy owner has defaulted in payment of premium.
- (2) The information printed in the premium receipt book shall be in the national language and in such other language as the licensed life insurer may provide.
- (3) An agent or employee of the licensed life insurer shall record in the premium receipt book every payment of premium for a home-service life policy and shall affix his signature to the entry.
- (4) A premium receipt book for a home-service life policy issued before the effective date, which is in compliance with the requirements of the repealed Act, is deemed to be issued in compliance with this regulation.
- (5) No person-
- (a) shall wilfully make, or cause to be made, any entry or deletion in a premium receipt book; or
 - (b) shall wilfully omit, or cause to be omitted, any entry in a premium receipt book,
- with intent to falsify that book or to evade any of the provisions of this regulation.
- (6) A licensed life insurer, or its agent or employee, shall not remove the premium receipt book from the policy owner unless with the prior approval of the policy owner and with a written acknowledgement for such removal to the policy owner.

PART XIX
MISCELLANEOUS

82. Pursuant to subsection 214(2) of the Act, the subsidiary legislation set out in the Second Schedule are hereby repealed.

FIRST SCHEDULE

(Subregulation 57(4))

STATUTORY VALUATION MORTALITY TABLE 1996

Age	qx	Age	qx	Age	qx
10	0.00157	40	0.00272	70	0.03615
11	0.00156	41	0.00293	71	0.03961
12	0.00149	42	0.00319	72	0.04345
13	0.00145	43	0.00349	73	0.04756
14	0.00144	44	0.00383	74	0.05200
15	0.00144	45	0.00419	75	0.05684
16	0.00148	46	0.00460	76	0.06215
17	0.00154	47	0.00505	77	0.06799
18	0.00163	48	0.00552	78	0.07425
19	0.00176	49	0.00603	79	0.08098
20	0.00190	50	0.00660	80	0.08824
21	0.00207	51	0.00721	81	0.09609
22	0.00219	52	0.00790	82	0.10458
23	0.00218	53	0.00866	83	0.11367
24	0.00211	54	0.00946	84	0.12338
25	0.00204	55	0.01033	85	0.13370
26	0.00198	56	0.01122	86	0.14466
27	0.00192	57	0.01210	87	0.15630
28	0.00187	58	0.01295	88	0.16890
29	0.00182	59	0.01381	89	0.18230
30	0.00178	60	0.01479	90	0.19655
31	0.00177	61	0.01597	91	0.21187
32	0.00179	62	0.01741	92	0.22867
33	0.00185	63	0.01903	93	0.24732
34	0.00193	64	0.02084	94	0.26847
35	0.00202	65	0.02286	95	0.29242
36	0.00214	66	0.02509	96	0.31947
37	0.00226	67	0.02755	97	0.35017
38	0.00239	68	0.03019	98	0.38527
39	0.00254	69	0.03303	99	0.42513

SECOND SCHEDULE

(Regulation 82)

No.	Statute No.	Title
1.	L.N. 13/63	Insurance Companies Registration Regulations 1963
2.	L.N. 77/63	Insurance Regulations 1963
3.	P.U.(A) 410/75	Insurance (Prescribed Financial Institutions) Regulations 1975

4. P.U.(A) 8/79 Brokers and Adjusters (Licensing Fees) Regulations 1979
5. P.U.(A) 10/79 Insurance (Power to Compound) Regulations 1979
6. P.U.(A) 172/80 Insurance Companies (Funds and Deposits) (Amendment) Regulations 1980
7. P.U.(A) 248/80 Insurance (Assumption of Risk and Collection of Premium) Regulation 1980
8. P.U.(A) 238/81 Insurance (Prescribed Financial Institutions) Regulations 1981
9. P.U.(A) 218/83 Insurance (Prescribed Financial Institutions) Regulations 1983
10. P.U.(A) 292/83 Insurance (Register of Policies) Regulations 1983
11. P.U.(A) 293/83 Insurance (Payment of Life Policy Moneys) Regulations 1983
12. P.U.(A) 415/83 Insurance (Prescribed Loans) Regulations 1983
13. P.U.(A) 512/83 Insurance (Surplus of Assets over Liabilities) Regulations 1983
14. P.U.(A) 513/83 Insurance (Annual Registration Fees) Regulations 1983
15. P.U.(A) 4/91 Insurance (Prescribed Property Trusts) Regulations 1991
16. P.U.(A) 92/91 Insurance (Prescribed Loan) Regulations 1991
17. P.U.(A) 261/93 Insurance (Unit Trusts) Regulations 1993
18. P.U.(A) 404/93 Reserves for Unexpired Risks (General Insurance Business) Regulations 1993
19. P.U.(A) 548/94 Insurance (Prescribed Loans) Regulations 1994

By order,

WONG SEE WAH,
Deputy Minister of Finance

