



**BANK NEGARA MALAYSIA**  
CENTRAL BANK OF MALAYSIA

# Claims Settlement Practices

Applicable to:

1. Licensed insurers carrying on general business
2. Licensed takaful operators carrying on general takaful business
3. Registered adjusters carrying on adjusting business relating to general insurance and general takaful business carried out by licensed insurers or licensed takaful operators

## TABLE OF CONTENTS

<b>PART I OVERVIEW.....</b>	<b>3</b>
1. Introduction.....	3
2. Applicability.....	3
3. Legal provisions.....	4
4. Effective date.....	4
5. Interpretation.....	4
6. Related legal instruments and policy documents.....	6
7. Policy documents superseded.....	6
<b>PART II GENERAL .....</b>	<b>8</b>
8. Effective Oversight, Accountability and Internal Controls in Claims Settlement Practices.....	8
9. Management of Third-Party Service Providers for Motor Claims.....	12
<b>PART III CLAIMS PROCESSING .....</b>	<b>16</b>
10. Claims Processing.....	16
<b>PART IV ADDITIONAL REQUIREMENTS ON MOTOR CLAIMS .....</b>	<b>23</b>
11. Motor Repair Estimates.....	23
12. Vehicle Valuation.....	25
13. Own Damage Motor Claims.....	28
14. Third-Party Motor Claims.....	30
15. Actual Total Loss (ATL) and Beyond Economic Repair (BER) Motor Claims....	35
16. Motor Claims – Other Matters.....	39
<b>PART V APPENDICES AND CHARTS.....</b>	<b>41</b>
Appendix I: Procedures on Handling of Non-Reported TPPD Claims.....	41
Appendix II: Scale of Compensation for Assessed Repair Time (CART).....	42
Appendix III: Scale of Betterment.....	43
Appendix IV: Statistical data on Knock-for-Knock (KfK) claims.....	44
Chart I: Non-Motor Claims Processing.....	45
Chart II: Motor Claims Processing.....	46
Chart II(a): Motor Claims Processing.....	47
Chart III: Motor Claims Processing – Theft Claims Process Flow.....	48
Chart IV: Windscreen Claims Processing.....	49
Chart V: Third-Party Property Damage KfK Claims Processing.....	50
Chart VI: Own Damage KfK Claims Processing.....	51
Chart VII: Third-Party Bodily Injury Claims Processing.....	52
Chart VIII: ATL and BER Claims.....	53

## **PART I OVERVIEW**

### **1. Introduction**

- 1.1 This Policy Document sets out the minimum standards on handling and assessing general insurance and general takaful claims which must be met by licensed insurers carrying on general business and licensed takaful operators carrying on general takaful business (ITOs), as well as registered adjusters.
- 1.2 This Policy Document aims to:
- (a) ensure fair, transparent and timely outcomes in claims settlement practices;
  - (b) set requirements and expectations for ITOs and registered adjusters to observe high standards of sound and responsible business conduct in the claim settlement process; and
  - (c) set requirements and expectations on ITOs with respect to their in-house assessors' roles in carrying out objective assessments on motor insurance/takaful claims.
- 1.3 Given the various stakeholders involved in the claims settlement process, this Policy Document also addresses requirements and expectations around ITOs' interactions with these stakeholders. This includes consumers, ITOs' management of related or third-party service providers that deal with consumers during the claims settlement process.
- 1.4 This Policy Document also promotes wider adoption of digital solutions by ITOs to reduce frictions, enhance efficiencies and improve customer experience. For instance, the deployment of end-to-end digital claims solutions can potentially address long-standing customer pain points following a motor vehicle accident, by reducing long waiting times and documentary burdens to support their claims. This in turn will facilitate better management of claims costs and containment of fraud risk(s) by ITOs and contribute to continued access to affordable motor insurance/takaful by consumers in the long run.
- 1.5 The provisions in this Policy Document are in line with Bank Negara Malaysia (BNM)'s Financial Sector Blueprint 2022-2026 aspiration for ITOs to advance reforms that will transform the motor claims ecosystem to achieve the desired outcomes of timeliness, transparency and transformative customer experience.

### **2. Applicability**

- 2.1 This Policy Document is applicable to:
- (a) licensed insurers carrying on general business;
  - (b) licensed takaful operators carrying on general takaful business; and
  - (c) registered adjusters carrying on adjusting business relating to general insurance and general takaful business carried out by ITOs.

### 3. Legal provisions

- 3.1 The requirements in this Policy Document are specified pursuant to:
- (a) sections 47(1), 123(1) and 143(2) of the Financial Services Act 2013 (FSA); and
  - (b) sections 57(1), 135(1) and 155(2) of the Islamic Financial Services Act 2013 (IFSA).
- 3.2 The guidance in this Policy Document is issued pursuant to section 266 of the FSA and section 277 of the IFSA.

### 4. Effective date

- 4.1 This Policy Document comes into effect on 2 January 2025, except for the following paragraphs, which will come into effect on 1 July 2024:
- (a) paragraphs 10.26 to 10.28;
  - (b) paragraphs 11.16 to 11.18;
  - (c) paragraphs 12.1 to 12.13;
  - (d) paragraphs 14.1 to 14.5;
  - (e) paragraphs 14.11 to 14.26;
  - (f) paragraphs 15.1 to 15.27; and
  - (g) paragraphs 16.1 to 16.6.

### 5. Interpretation

- 5.1 The terms and expressions used in this Policy Document shall have the same meanings assigned to them in the FSA and IFSA, as the case may be, unless otherwise defined in this Policy Document.
- 5.2 For the purpose of this Policy Document –
- “**S**” denotes a standard, an obligation, a requirement, specification, direction, condition and any interpretative, supplemental and transitional provisions that must be complied with. Non-compliance may result in enforcement action;
- “**G**” denotes guidance which may consist of statements or information intended to promote common understanding and advice or recommendations that are encouraged to be adopted;
- “**actual total loss**” refers to the condition of a motor vehicle that has sustained severe damage which has compromised the structural integrity of the main chassis, to the extent that the damaged motor vehicle cannot be repaired or restored to a safe state and thus, can only be scrapped;

**“agent”** refers to the definition of agent as specified under the Policy Document on Professionalism of Insurance and Takaful Agents;

**“authorised representative”** refers to any person legally authorised by a claimant to act on his or her behalf;

**“betterment”** refers to a charge that a consumer bears when new franchise parts are used to replace the damage part for accident vehicles that are aged five (5) years or more;

**“beyond economic repair”** or **“BER”** refers to the condition of a damaged motor vehicle which is repairable but not financially feasible to be repaired or restored to a roadworthy condition<sup>1</sup>;

**“Board”** refers to the board of directors of an ITO, including a committee of the board where the responsibilities of the board set out in this Policy Document have been delegated to such a committee;

**“claimant”** refers to a policy owner/takaful participant covered by an insurance policy or a takaful certificate, as the case may be, or a person who has a claim against the policy owner/takaful participant;

**“compensation for assessed repair time”** refers to the compensation for repair time based on a registered adjuster’s recommendation or an in-house assessor’s assessment on the duration required for the damaged motor vehicle to be repaired;

**“senior management”** refers to the Chief Executive Officer and senior officers of an ITO;

**“in-house assessor”** refers to an ITO’s personnel who assesses repair estimates for the purpose of informing claims settlements by the ITO<sup>2</sup>. For the avoidance of doubt, this does not include adjusters registered under section 2(1) of the FSA;

**“registered adjuster”** refers to the definition of a registered adjuster as specified under subsection 2(1) of the FSA;

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<sup>1</sup> Examples of circumstances on when a damaged vehicle may be declared as BER by an ITO based on a registered adjuster's recommendation include, but are not limited to, the following:

- i. the cost in repairing or restoring the motor vehicle to roadworthy condition equals or exceeds the sum assured, market value or agreed value of the motor vehicle;
- ii. where hidden damages may be sustained by the motor vehicle, the cost in repairing or restoring the motor vehicle to roadworthy condition is almost equivalent to the sum assured e.g. 65-90% of the sum assured, market value or agreed value of the motor vehicle; or
- iii. the unavailability of spare parts or parts to be replaced are too high in cost.

<sup>2</sup> This includes an ITO’s personnel carrying out desktop assessment and/or field inspection in assessing repair estimates of a damaged motor vehicle for the purpose of informing claims settlement by the ITO.

“**vehicle inspection provider**” refers to a vehicle inspection provider recognised by Jabatan Pengangkutan Jalan (JPJ) or Kementerian Pengangkutan Malaysia.

## **6. Related legal instruments and policy documents**

- 6.1 This Policy Document must be read together with other relevant legal instruments and policy documents that have been issued by BNM<sup>3</sup>, in particular:
- (a) Policy Document on Fair Treatment of Financial Consumers issued on 27 March 2024 (BNM/RH/PD 028-103);
  - (b) Policy Document on Operational Risk Reporting issued on 15 February 2024;
  - (c) Policy Document on Management of Insurance Funds issued on 7 July 2023 (BNM/RH/PD 032-15);
  - (d) Registration Procedures and Requirements on Professionalism of Adjusters issued on 1 June 2023 (BNM/RH/PD 032-27);
  - (e) Policy Document on Professionalism of Insurance and Takaful Agents issued on 17 April 2023 (BNM/RH/PD 029-59);
  - (f) Policy Document on Corporate Governance issued on 13 December 2019 (BNM/RH/PD 035-5);
  - (g) Policy Document on Prohibited Business Conduct issued on 15 July 2016 (BNMRH/PD 028-21);
  - (h) Policy Document on Operational Risk issued on 10 May 2016 (BNM/RH/PD 028-15);
  - (i) Guidelines on Product Transparency and Disclosure issued on 31 May 2013 (BNM/RH/GL 000-3);
  - (j) Guidelines on Complaints Handling issued on 17 December 2009 (BNM/RH/GL 000-4); and
  - (k) Specification Letter on Operationalisation of Financial Ombudsman Scheme dated 9 September 2016.

## **7. Policy documents superseded**

- 7.1 This Policy Document supersedes:
- (a) Guidelines on Claims Settlement Practices (Consolidated) issued to takaful operators and registered adjusters on 1 April 2008;
  - (b) Guideline on Claims Settlement Practices (Consolidated) issued to insurers and registered adjusters on 3 July 2007;
  - (c) Guidelines on Prohibitions Against Unfair Practices in Takaful Business issued to takaful operators on 30 Dec 2003;
  - (d) Guidelines on Unfair Practices in Insurance Business issued to insurers on 4 April 2003;

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<sup>3</sup> Including any reissuance or amendments thereafter.

- (e) Circular on Market Value of Motor Vehicle issued on 21 June 2011;
- (f) Specification Letter on Handling of Actual Total Loss (ATL) and Beyond Economic Repair (BER) vehicles issued on 31 January 2024 except for paragraph 4(f)<sup>4</sup>;
- (g) Specification Letter in respect of the Guidelines on Claims Settlement Practices issued on 24 December 2020 and 28 December 2022;
- (h) Specification Letter on Determination of Market Value of Motor Vehicles dated 30 April 2020; and
- (i) Dear CEO Letter on Report on Usage of the Centralised Database for Motor Repairs Estimation issued on 2 February 2007.

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<sup>4</sup> Paragraph 4(f) of the Specification Letter on Handling of ATL and BER vehicles issued by BNM on 31 January 2024 ("specification letter") sets out the requirement on a nationwide consumer education and awareness programme required to address the misperceptions of ATL and BER vehicles. For the avoidance of doubt, paragraph 4(f) of the specification letter shall remain effective unless specified otherwise by BNM.

**PART II GENERAL****8. Effective Oversight, Accountability and Internal Controls in Claims Settlement Practices****Roles and responsibilities of Board and Senior Management*****All Claims***

- S** 8.1 The Board shall ensure the governance arrangements with respect to the ITO's claims settlement practices are consistent with the requirements in this Policy Document and other relevant policy documents issued by BNM including the Policy Documents on Corporate Governance (CG) and Fair Treatment of Financial Consumers (FTFC).
- S** 8.2 The Board shall provide adequate oversight and approve the establishment and implementation of the ITO's internal governance structures, policies, procedures and controls relating to claims settlements, which shall:
- (a) strive to produce good consumer outcomes;
  - (b) remain relevant and appropriate in light of any material changes in the ITO's business profile, including the size, nature and complexity of its business and the associated impact on the ITO's risk profile, including risks of consumer harm; and
  - (c) promote alignment of incentives through appropriate key performance indicators (KPIs) for the senior management of the ITO that are consistent with fair treatment of consumers.
- S** 8.3 The senior management shall ensure effective implementation of the ITO's claims settlement policies and practices in line with principles of fair treatment of financial consumers and sound risk management. This shall include:
- (a) adequate and effective management of third-party service providers involved in the ITO's claims settlement process; and
  - (b) escalating material issues to its Board on poor claims settlement outcomes<sup>5</sup>, where relevant.

***Motor Claims***

- S** 8.4 The Board shall be responsible to set the tone from the top and embed the principles of fairness, timeliness, transparency and positive customer experiences in the ITO's motor claims settlement practices<sup>6</sup>.

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<sup>5</sup> This includes material issues on handling of ATL and BER vehicles.

<sup>6</sup> From claims notification to payment of claims, including processes involving all stakeholders within the motor claims settlement process.



**Customer Service Charter*****Motor Claims***

- S** 8.5 The Board shall oversee the ITO's establishment of a Motor Customer Service Charter (MCSC) which shall outline, at minimum, the following:
- (a) the ITO's commitment to deliver high standards of service for its motor insurance/takaful customers including service levels that customers can expect from the ITO;
  - (b) expected turnaround times with respect to the ITO's motor claims settlement practices, appropriately segmented for different types or categories of claims. For example, the turnaround time that customers can expect to have their vehicle returned to them under an own damage claim<sup>7</sup>;
  - (c) applicable criteria and thresholds where relevant, for expedited claims<sup>8</sup>; and
  - (d) the ITO's commitments to its policy owners/takaful participants with respect to dealings with repairers, including what a customer can expect when selecting a repairer to send their vehicles for repairs.
- S** 8.6 With respect to paragraph 8.5, the Board and senior management of the ITO shall be accountable to ensure the ITO's motor claims settlement practices are consistent with its commitments in the MCSC.
- S** 8.7 With respect to paragraph 8.6, the senior management shall also ensure the ITO's internal policies, procedures and processes are aligned to the MCSC, which includes:
- (a) well-defined processes with detailed timelines to deliver the ITO's service standards commitments under the MCSC,
  - (b) metrics to measure the ITO's performance and action plans to address areas of improvement;
  - (c) effective communication and engagement strategies with customers and other relevant parties within the motor claims settlement process; and
  - (d) monitoring of digital transformation efforts to sustain and continuously improve the ITO's service standards towards delivering more integrated, transparent, timely and seamless motor claims settlements.
- S** 8.8 An ITO shall ensure its MCSC is published and prominently displayed at all of its branches and websites.

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<sup>7</sup> This includes Own Damage Knock-for-Knock motor claims.

<sup>8</sup> This includes "Express Claims Process" or "Fast-Track Claims Process".

***Non-motor Claims***

- G** 8.9 The Board should encourage the ITO to publish a Customer Service Charter, highlighting relevant key service commitments for non-motor claims, particularly for non-motor personal lines claims.

**Internal Policies, Procedures and Controls**

- S** 8.10 An ITO shall establish specific, measurable and relevant KPIs for key persons involved in the claims settlement process<sup>9</sup>. The KPIs shall be:
- (a) aligned with the principles of fairness, transparency and timely claims settlement practices; and
  - (b) consistent with requirements in the Policy Document on FTFC which promotes clear accountability and fair practices at all stages of the claims settlement process i.e. from claims notification to payment of claims.
- G** 8.11 For the avoidance of doubt, KPIs that focus primarily on the average claims costs and do not address other key aspects of the claims settlement process, or are inconsistent with the objectives of this Policy Document, would not meet the requirement under paragraph 8.10.
- S** 8.12 An ITO shall ensure a systematic process is established for monitoring claims settlement outcomes, including:
- (a) turnaround times for key claims processes, types and incidents of complaints received from consumers or key stakeholders such as repairers and their resolution, fraud trends and claims costs; and
  - (b) progress of corrective and remedial action taken to address poor outcomes. This shall include actions taken with respect to claims misconduct such as artificially inflating or devaluing claims and substandard recommendations or quality of repair estimates submitted by registered adjusters and repairers.
- S** 8.13 An ITO must establish an appropriate and comprehensive compliance, risk and internal audit programme to assess the effectiveness of its internal claims policies, procedures, processes and controls. Such a programme shall support the Board and senior management's assessment of compliance with this Policy Document and the ITO's performance against the objective of fair, transparent, and timely claims settlements.

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<sup>9</sup> Including KPIs for senior management, in-house assessors and staff involved in claim settlement process including staff responsible for receiving, acknowledging, procuring and paying claims as well as those liaising with policy owners, claimants and third parties such as registered adjusters, repairers and lawyers, where applicable.

- S** 8.14 With respect to paragraph 8.13, the ITO shall ensure that risk management or compliance and internal audit reviews consist of adequate coverage of all material aspects of the ITO's claim settlement practices and shall be undertaken at an appropriate frequency as determined by the Board. Notwithstanding the above, the ITO shall undertake risk management or compliance and internal audit reviews on the ITO's motor claims settlement practices at least once in every two (2) years.
- G** 8.15 With respect to paragraph 8.14, risk management or compliance and internal audit reviews on the ITO's motor claim settlement practices should be undertaken more frequently if the ITO's motor business has:
- (a) high volume of complaints or disputes;
  - (b) a customer base with a significant number of vulnerable consumers; or
  - (c) high number of ATL, BER or contract repair claims settlements.

### **Fraud Prevention**

- S** 8.16 An ITO shall promptly investigate any suspicion of fraud<sup>10</sup> and shall report such incidents together with any relevant information gathered from its internal investigations to:
- (a) the police;
  - (b) BNM, as required under the Policy Document on Operational Risk Reporting (ORR)<sup>11</sup>;
  - (c) other ITOs, as the case may be; and
  - (d) the relevant industry association i.e. Persatuan Insurans Am Malaysia (PIAM) or Malaysian Takaful Association (MTA), subject to confirmation of fraud following the ITO's internal investigations.
- S** 8.17 An ITO shall establish effective internal policies, procedures, processes, mechanisms and controls to guide their staff involved in the claims settlement process to adequately detect and deter incidents of fraud. This shall include:
- (a) the development of robust indicators, thresholds or triggers for detection and prompt escalation of suspected incidents of fraud that warrant further investigation. These indicators, thresholds or triggers shall be periodically reviewed and updated in line with evolving fraud typologies;
  - (b) ensuring adequate training is provided to the ITO's claims staff to promptly detect and deter incidents of fraud; and
  - (c) the implementation of robust monitoring mechanisms, which shall include random checks on claims files, physical pre-repair (including pre-spray painting) and post-repair inspections, particularly to verify new franchise parts replacement for motor claims.

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<sup>10</sup> An ITO should verify the relevant facts and information through the Fraud Intelligence System (FIS), the National Fraud Prevention Committee, PIAM and MTA etc, where relevant.

<sup>11</sup> This refers to the requirements for reporting entities to submit information on fraud-related matters and other operational risk exposures under the Policy Document on ORR.

- S** 8.18 An ITO shall establish internal policies, procedures, processes and controls for the management of conflicts of interest. This shall include:
- (a) appropriate segregation of duties between the processing, approval and payment of claims as well as the appropriate authority levels and limits for the approval of claims<sup>12</sup>;
  - (b) enforcing job rotation among ITO's claims staff and ensure the assignment of work to its panel of registered adjusters and lawyers<sup>13</sup> is conducted on a rotational basis to minimise the possibility of collusion; and
  - (c) establishing clear internal policies and guidance on gifts, hospitality, and social activities from or with interested parties that may compromise or be perceived to compromise the professional judgement of ITO's claims staff in the claim process. The ITO shall ensure that their claims staff are specifically prohibited under such policies from receiving any form of gifts (including cash or non-cash benefits) from repairers, registered adjusters and lawyers.
- G** 8.19 With respect to paragraph 8.18, the ITO should require its claims staff to go on mandatory "block" leave<sup>14</sup> of an appropriate duration on an annual basis<sup>15</sup> as a preventive control, as specified in the Policy Document on Operational Risk.

## **9. Management of Third-Party Service Providers for Motor Claims**

- S** 9.1 An ITO shall take reasonable measures to satisfy itself on the professionalism and integrity of its third-party service providers that may directly or indirectly affect the ITO's ability to meet the expectations under this Policy Document. In addition, the ITO must ensure that any business arrangements with repairers, registered adjusters or any other third-party service providers give due regard to the service level agreements' (SLAs) terms and conditions to prevent poor consumer outcomes. The ITO shall ensure alignment of the SLAs' terms and conditions with its customer service commitments made to consumers pursuant to paragraphs 8.5 to 8.8 of this Policy Document, where applicable.
- S** 9.2 An ITO shall abide by the Insurer/Takaful Operator-Repairer's Code of Conduct (COC)<sup>16</sup> and become a participant of the COC. This is to ensure fair, timely and professional conduct by the ITO to promote effective collaboration between ITOs and repairers for the benefit of consumers.

<sup>12</sup> For example, limiting the amount of claim that can be approved by the claims staff to be in line with experience and seniority of the approver to prevent instances of fraud.

<sup>13</sup> This requirement shall also apply in respect of ITO's panel of investigators, where applicable.

<sup>14</sup> For example, claims staff on mandatory "block" leave must not be involved in the daily job activities such as giving instruction to transact, executing instruction, giving approval or participating or contributing to decision-making processes.

<sup>15</sup> The guidance on mandatory "block" leave is intended to be a preventive control to ensure a sound internal control environment is in place to provide adequate defence against a breakdown in controls in any stage or layer of the claims settlement process.

<sup>16</sup> Subject to the final amendments made by the industry with the agreement of all stakeholders.

**Service Level Agreements (SLAs) with Registered Adjusters and Repairers**

- S** 9.3 In meeting the obligations for fair, transparent and timely claims settlements, an ITO shall ensure that well-defined and comprehensive SLAs have been put in place and implemented with its panel of registered adjusters and panel of repairers.
- S** 9.4 An ITO shall closely monitor the compliance of its panel of registered adjusters and repairers with the obligations and standards stipulated in the SLAs.
- S** 9.5 With respect to paragraph 9.3, an ITO shall ensure the SLA with its panel of registered adjusters must, at minimum, include the following:
- (a) specific, measurable and relevant KPIs that must be achieved by the panel of registered adjusters. The KPIs shall factor in the quality and timeliness of claims assessments, as well as ensuring that the basis used in the assessments are sound. The KPIs must not be tied to lower claims cost or unreasonable turnaround time which would compromise the quality and objectiveness of the claims assessment by the registered adjusters;
  - (b) an obligation for registered adjusters to provide sufficient details on key information, such as facts, assumptions, methods, sources of information and databases used or referred to in drawing up the final assessments or recommendations;
  - (c) obligations of the registered adjusters to:
    - i. comply with applicable standards and requirements imposed by relevant authorities, including but not limited to, the standards and requirements under BNM's Registration Procedures and Requirements on Professionalism of Adjusters and JPJ's Guidelines on Application of Structural Change for Vehicle Panel (Accident)<sup>17</sup>; and
    - ii. be guided by applicable voluntary standards and guidelines specified by relevant industry associations and agencies such as Jabatan Standard Malaysia's Motor Vehicle Aftermarket: Smash Repair Requirements, in carrying out the motor claims assessments; and
  - (d) circumstances or events which can result in the removal of the registered adjuster from the ITO's panelship or other interventions by the ITO, such as:
    - i. failing to meet the obligations under the SLA or to achieve KPIs as agreed upon between the ITO and the registered adjuster; and

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<sup>17</sup> Issued by JPJ in April 2019 which shall be read together with any subsequent amendments to it or in a case where the Guidelines is replaced by any other instrument, the panel of registered adjusters shall be guided by the new instrument.

- ii. non-compliance with any standards applicable to registered adjusters set out in this Policy Document or in the event there is evidence of collusion involving the registered adjuster. In such instances, the SLA shall set out the avenue for the registered adjuster to resolve any disputes with the ITO which are overseen by parties independent of the claims staff.

- S** 9.6 With respect to paragraph 9.3, an ITO shall ensure the SLA with its panel of repairers must, at minimum, include the following:
- (a) for own damage claims, the ITO requires its panel of repairers to complete repairs expediently, which in any case, shall not be more than **15 working days** from the date of approval of the repair estimates by the ITO. The timeline specified above is subject to exceptional circumstances, such as extensive damage to the vehicle or non-availability of parts;
  - (b) specific, measurable and relevant KPIs, including KPIs on:
    - i. quality of repair work;
    - ii. accuracy of repair estimate quotes; and
    - iii. handling of consumer complaints and feedback;
  - (c) obligations of the repairers to:
    - i. comply with applicable standards and requirements imposed by the relevant authorities such as JPJ's Guidelines on Application of Structural Change for Vehicle Panel (Accident); and
    - ii. be guided by applicable voluntary standards and guidelines specified by relevant industry associations and agencies such as Jabatan Standard Malaysia's Motor Vehicle Aftermarket: Smash Repair Requirements, in carrying out its smash repair works;
  - (d) circumstances or events which can result in the removal of the repairer from the ITO's panelship, including in the event there is evidence of collusion involving the repairer;
  - (e) avenues for the repairer to resolve any disputes with the ITO on:
    - i. actions taken by the ITO arising from the failure of the repairer to meet its obligations under the SLA;
    - ii. actions taken by the ITO arising from the failure of the repairer to achieve the performance criteria or standards as agreed upon between the ITO and the repairer; and
    - iii. alleged non-compliances by the ITO with any standards or turnaround time set out in this Policy Document, where applicable;
  - (f) an obligation for the repairer to abide by the COC established by the industry in collaboration with relevant stakeholders; and
  - (g) an agreement by the ITO and repairer to be bound by any notice on changes arising from any laws, rules, regulations, directives or any requirement by the authorities, as relevant to the SLA.

**Complaints and Whistleblowing**

- S** 9.7 An ITO shall manage complaints from its consumers and third-party service providers in a timely, fair and effective manner, consistent with the requirements in this Policy Document and other relevant policy documents issued by BNM including the Policy Document on FTFC and Guidelines on Complaints Handling.
- S** 9.8 An ITO shall establish effective whistleblowing policies, procedures and mechanisms for any person, including third-party service providers, to raise issues or wrongdoings encountered during the claims settlement process, to the ITO in a secure and trusted manner.
- S** 9.9 With respect to paragraph 9.8, an ITO shall:
- (a) ensure its whistleblowing policies, procedures and mechanisms is consistent with the requirements set out in BNM's Policy Document on CG; and
  - (b) monitor and assess how concerns are escalated and dealt with to ensure effectiveness of the whistleblowing policies, procedures and mechanisms.

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## PART III CLAIMS PROCESSING

### 10. Claims Processing<sup>18</sup>

- G** 10.1 An ITO is encouraged to leverage on technology and adopt innovative solutions to ensure claimants have various access points to obtain claims services expeditiously, efficiently and effectively. These should complement physical access points that may need to be maintained at the ITO's head offices and branches to serve consumers during the claims process, especially in circumstances where digital infrastructures are limited or unavailable in meeting the needs of vulnerable consumers. This may include physical access points to facilitate the submission of claims documentation, post-sales customer services and handling of face-to-face consumer enquiries and complaints.

#### Notification of Claims and Verification of Facts

- S** 10.2 An ITO shall register claims and initiate claims processing:
- (a) **within three (3) working days for motor claims; or**
  - (b) **within seven (7) working days for non-motor claims;**
- from the date of receipt of a claim notification by the ITO or its agent.
- S** 10.3 An ITO shall acknowledge the claims submission in writing:
- (a) **within three (3) working days for motor claims; or**
  - (b) **within seven (7) working days for non-motor claims;**
- from the date of receipt of the claim notification by the ITO or its agent.
- S** 10.4 With respect to paragraph 10.3, an ITO shall provide a claimant with the following information:
- (a) the ITO's contact person, reference number and any other relevant information for ease of enquiry and correspondence by the claimant;
  - (b) the expected timeframe needed to process the claim in accordance with the ITO's customer service commitments made to consumers pursuant to paragraphs 8.5 to 8.9 of this Policy Document, where applicable; and
  - (c) the key information and obligations of the claimant under the policy/takaful certificate.
- G** 10.5 Apart from an ITO's agents assisting the claimant to complete and submit the claims form, the ITO should ensure that its agents are not involved in the claims handling process.
- S** 10.6 An ITO must strive to respond expediently to all communications received from a claimant in accordance with its customer service commitments pursuant to paragraphs 8.5 to 8.9 of this Policy Document, where applicable.

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<sup>18</sup> The requirements under Part III of this Policy Document are applicable to motor and non-motor claims.



- S** 10.7 An ITO shall make any request for additional information or supporting documents required for claim processing promptly upon the date of receipt of the claim notification.
- G** 10.8 With respect to paragraph 10.7, the ITO should ensure such request for additional information or supporting documents is complete to avoid multiple successive requests by the ITO that would prolong the time taken to process the claim.
- S** 10.9 With respect to paragraph 10.7, in the event the ITO has not received the additional information or supporting documents requested from a claimant, the ITO shall send a reminder to the claimant **within seven (7) working days** from the date of its request.
- S** 10.10 With respect to paragraphs 10.7 and 10.9, if a claimant furnishes valid and reasonable explanations on his or her inability to submit any additional information or supporting documents upon receiving the reminder sent by the ITO, the ITO shall consider the claim with due regard to fair consumer outcomes as specified in the Policy Document on FTFC. The ITO shall clearly document and communicate the basis for its decision to the claimant.

### Assessment of Claims

- S** 10.11 An ITO shall assign a registered adjuster or its in-house assessor to conduct an assessment of loss **within five (5) working days for motor and non-motor claims** from the date of receipt of all complete information and relevant documents.
- S** 10.12 With respect to paragraph 10.11, in circumstances where an ITO's in-house assessor estimates the cost of repairs of a damaged motor vehicle to exceed 65% of the sum insured<sup>19</sup> due to extensive damages, the ITO must<sup>20</sup>:
- (a) appoint a registered adjuster to inspect the motor vehicle and make a recommendation. This is to ensure a registered adjuster as an independent party assesses the safety of the vehicle, in compliance with the standards or requirements imposed by the relevant authorities such as JPJ's Guidelines on Application for Vehicle Panel Structure Repair or Conversion (Accident Cases)<sup>21</sup>; and
  - (b) ensure that vehicles which are subject to structural repairs under JPJ's Guidelines on Application for Vehicle Panel Structure Repair or Conversion (Accident Cases) are sent to a vehicle inspection provider (VIP), such as PUSPAKOM, for the appropriate and adequate inspection and certification of roadworthiness.

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<sup>19</sup> The sum insured may also refer to the market value or agreed value of the motor vehicle.

<sup>20</sup> Paragraph 10.12(a) and (b) shall be applicable irrespective of whether the ITO declares the vehicle as BER.

<sup>21</sup> JPJ's Guidelines on Application for Vehicle Panel Structure or Conversion (Accident Cases) shall be read together with any subsequent amendments to it or in a case where the Guidelines is replaced by any other instrument, the panel of registered adjusters shall be guided by the new instrument.

- S** 10.13 A registered adjuster or in-house assessor assigned by the ITO shall complete the adjusting work or claims assessment required<sup>22</sup> within:
- (a) **10 working days for motor claims; or**
  - (b) **14 working days for non-motor claims;**
- from the date of the receipt of all completed and relevant documents, except in exceptional circumstances.
- G** 10.14 Examples of the exceptional circumstances referred to in paragraph 10.13 includes:
- (a) complex insurance/takaful claims such as marine cargo, aviation, transit, contractors' all risk, liability, engineering, and business interruption claims;
  - (b) motor accidents involving extensive vehicle damage that require longer time to inspect;
  - (c) natural catastrophe losses and large event losses such as major floods or other significant disaster events; or
  - (d) suspected fraud cases that require further investigation.
- S** 10.15 With respect to motor claims, a registered adjuster or in-house assessor assigned by the ITO shall ensure the assessments and recommendations made are:
- (a) consistent with applicable standards or requirements imposed by the relevant authorities such as JPJ's Guidelines on Application of Structural Change for Vehicle Panel (Accident)<sup>23</sup>; and
  - (b) guided by the Malaysian Standard on Motor Vehicle Aftermarket: Smash Repair Requirements issued by Jabatan Standard Malaysia, where applicable.
- S** 10.16 With respect to own damage motor claims, in the event an ITO fails to inspect or assess the damaged vehicle within the period specified in paragraphs 10.11 and 10.13, the ITO shall allow the claimant to appoint their own registered adjuster at the expense of the ITO<sup>24</sup>.

### **Supplementary Claims for Re-inspection on Motor Claims**

- S** 10.17 A registered adjuster or in-house assessor assigned by the ITO shall perform a second inspection of the vehicle if required, **within five (5) working days** from the date of receipt of a supplementary claim request from the claimant or the repairer, as the case may be.

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<sup>22</sup> For the avoidance of doubt, this includes:

- i. completion of field inspection, where applicable; and
- ii. submission of the final report or assessment to the ITO.

<sup>23</sup> JPJ's Guidelines on Application for Vehicle Panel Structure or Conversion (Accident Cases) shall be read together with any subsequent amendments to it or in a case where the Guidelines is replaced by any other instrument, the panel of registered adjusters shall be guided by the new instrument.

<sup>24</sup> The policy owner/takaful participant shall refer to the terms and conditions of their motor policy/takaful contract or ITOs' websites in ascertaining which repairer they can use.

- S** 10.18 An ITO shall issue the supplementary approval letter to the claimant or repairer, as the case may be, **within five (5) working days** from the date of receipt of the supplementary report from the registered adjuster or in-house assessor.
- S** 10.19 With respect to paragraph 10.18, the ITO shall ensure the supplementary approval letter specifies the relevant information under paragraph 10.23.

### Status Updates

- S** 10.20 An ITO shall notify the claimant on the status of the claim (if an investigation is still on-going) **within 21 working days** from the date of the first claim notification and at regular intervals thereafter until the matter is resolved.
- G** 10.21 An ITO should provide accessible, convenient and secure avenues for the claimants to obtain real-time updates on their claim status, such as using QR codes or mobile applications.

### Settlement

- S** 10.22 An ITO shall decide on the settlement amount and send the approval, offer or rejection letter (whichever is applicable) to the claimant, his or her authorised representative or the repairer, as the case may be:
- (a) **within five (5) working days for motor claims<sup>25</sup>**; or
  - (b) **within seven (7) working days for non-motor claims**;
- from receipt of the final report from the registered adjuster or final claims assessment from its in-house assessor.
- S** 10.23 With respect to paragraph 10.22 for motor claims, the ITO must ensure that the approval or offer letter specifies the following:
- (a) itemised repair estimates, including replacement parts prices and labour charges, based on the Motordata Research Consortium Sdn. Bhd. (MRC)'s database or a similar database from a credible database provider;
  - (b) details on how the scale of betterment, CART<sup>26</sup>, average clause<sup>27</sup> and deduction of salvage<sup>28</sup> has been applied;
  - (c) options available to the claimant such as the option for contract repairs, where applicable; and
  - (d) basis and reasoning for any material differences between the registered adjuster's recommendation and the ITO's final approved or offer amount, where applicable.

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<sup>25</sup> For the avoidance of doubt, for Third Party Property Damage Knock-for-Knock (TPPD KfK) motor claims, the decision and the approval, offer or rejection letter shall be issued within five (5) working days from the date of receipt of the claimant's ITO approval on the amount that the party-at-fault's ITO shall pay for the repairs or may offer the claimant, where applicable.

<sup>26</sup> This includes the basis for deriving the amount of CART payable.

<sup>27</sup> Average clause refers to the deduction made by an ITO to the total claims amount where the vehicle is under insured/covered.

<sup>28</sup> Salvage refers to the scrap value of a vehicle settled on ATL basis or the wreck of a vehicle settled on BER basis.

- G** 10.24 Where there is no dispute on liability or a clear and strong basis to depart from the recommendation or assessment provided in a registered adjuster's final report or the final claims assessment from its in-house assessor, the ITO should accept the recommendation or assessment as provided.
- S** 10.25 With respect to paragraph 10.24, where an ITO departs from the recommendation or assessment provided, the reasoning and basis for departure shall be documented by the ITO and be subject to periodic independent reviews, as part of the ITO's oversight of its claims settlement practices in compliance with the objectives of this Policy Document.

### **Repudiation of Liability**

- S** 10.26 An ITO shall advise the claimant in writing where a claim is repudiated, stating the reasons for the repudiation.
- S** 10.27 With respect to paragraph 10.26, an ITO shall not repudiate a claim based on any of the following grounds<sup>29</sup>:
- (a) a technical breach of warranty or policy/takaful certificate conditions which are not material or relevant to the circumstances of loss, unless it is clearly prejudicial to the interest of the ITO or has exceeded the time bar as provided under the relevant laws; or
  - (b) with respect to third party motor claims, where the driving licence or the road tax is invalid or had expired at the time of accident, provided the person driving is not disqualified from holding or obtaining such a licence to drive the vehicle under any relevant written laws including the Road Transport Act 1987.

### **Notice on Avenue of Appeal**

- S** 10.28 An ITO shall ensure that any written communication conveying the ITO's final decision on a dispute raised by a claimant, or rejection of any element of a claim which is within the purview of the Ombudsman for Financial Services (OFS):
- (a) is consistent with the requirements under BNM's Specification Letter on Operationalisation of Financial Ombudsman Scheme; and
  - (b) contains the following statement, which shall be displayed prominently:  
  
"If you are not satisfied with our decision, please refer your dispute to the Ombudsman for Financial Services (OFS) within 6 months from the date of our final decision. The procedure for lodging a dispute with OFS is provided in the attached pamphlet on *Resolution of Financial Disputes*".

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<sup>29</sup> Including grounds and factors that are decided by court judgments i.e. case laws. This paragraph shall be read together with Schedule 9 of the FSA and IFSA, as the case may be.

## Payment of Claims

- S** 10.29 An ITO must make full payment of the claim to the claimant<sup>30</sup> or to his or her authorised representative as the case may be:
- (a) **within seven (7) working days for motor claims;** or
  - (b) **within 14 working days for non-motor claims;**
- from the date of receipt of the acceptance of offer<sup>31</sup> and all relevant documents, or from the date of receipt of the sealed court order in relation to payment of a judgement sum ordered by a court.
- G** 10.30 For the avoidance of doubt, with respect to own damage claims, an ITO may make payment of claims referred to under paragraph 10.29 to the repairer authorised to undertake repairs.
- S** 10.31 With respect to paragraph 10.29, an ITO shall ensure the following:
- (a) the risks relating to certain segments of consumers (e.g. those who have limited internet access and vulnerable consumers such as senior citizens, persons with disabilities or not digitally savvy) are addressed in terms of claims payments;
  - (b) the claims quantum shall not be reduced in exchange for an early payment; and
  - (c) for claims payable on a reimbursement basis, the ITO shall reimburse the claimant **within seven (7) working days** from the date of receipt of original bills from the claimant. In reimbursing the claimant for medical and health insurance/takaful (MHIT), personal accident and motor claims, the ITO shall provide itemised payment receipts in accordance with the policy benefits/takaful certificate coverage, as far as practicable.
- S** 10.32 With respect to paragraph 10.29, in the case of minors and persons who are mentally incompetent, an ITO shall ensure that a Distribution Order has been obtained.
- G** 10.33 An ITO may, at its discretion, make the payment of a judgement sum ordered by a court upon the date of receipt of the draft court order which has been approved by both parties and the court, where applicable.

## Payment of Fees

- S** 10.34 An ITO shall ensure any fees due to relevant third-party service providers in the claims settlement process are paid in a timely manner to ensure that the interests of consumers are not compromised by issues affecting the performance of third-party service providers within the claims value chain.

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<sup>30</sup> For the avoidance of doubt, for motor products with personal accident (PA) coverage, claims arising from the PA coverage shall be paid directly to the claimant in line with paragraph 10.29.

<sup>31</sup> This may include the discharge voucher.

- S** 10.35 With respect to paragraph 10.34, an ITO shall pay a registered adjuster the relevant fees for the services rendered **within seven (7) working days** from the date of submission of the final adjuster's report or the date of the offer of settlement/rejection made to the claimant (whichever is earlier).

**Applicability**

- S** 10.36 An ITO shall ensure compliance of other independent specialists such as medical consultants and marine surveyors with the relevant requirements imposed on "registered adjusters" under Part III of this Policy Document.
- G** 10.37 The flowchart on non-motor claims processing is set out in **Chart I** while flowcharts related to motor claims processing are set out in **Part IV**.

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**PART IV ADDITIONAL REQUIREMENTS ON MOTOR CLAIMS****11. Motor Repair Estimates****Transparency in motor repair estimates**

- S** 11.1 An ITO shall ensure that a repairer is provided with access to view the claims assessments and recommendations of the registered adjuster or in-house assessor on motor claim estimates via the claims estimating system.
- S** 11.2 In the event a repairer does not have access to the claims estimating system and submits its motor claim estimates manually, an ITO shall provide a copy of the claims assessments and recommendations of the registered adjuster or in-house assessor to the repairer.
- S** 11.3 An ITO shall also provide a copy of the claims assessments and recommendations of the registered adjuster or in-house assessor to the vehicle owner or the authorised named driver, upon request.
- S** 11.4 With respect to paragraphs 11.1 to 11.3, an ITO shall ensure that the provision of access to the claims assessments and recommendations of the registered adjuster or in-house assessor is applicable to repair estimates and areas relevant to deriving the repair estimate only. Notwithstanding, the ITO is not obliged to disclose confidential information, such as information relating to suspected fraud which requires further investigations.
- S** 11.5 For all motor claims processing, an ITO shall provide its registered adjusters, in-house assessors and appointed repairers with access to MRC or any other credible database used by the ITO to derive repairs estimations, including replacement parts prices and labour charges.
- G** 11.6 With respect to paragraph 11.5, the ITO should facilitate its registered adjusters, in-house assessors and appointed repairers to refer to the same credible database to minimise disputes over claims assessment.
- S** 11.7 With respect to paragraphs 11.5 and 11.6, the ITO shall ensure that the database provider being referred to for repairs estimation is credible, having regard to the following principles:
  - (a) Resilient: The database provider has a secure database and is able to preserve the continuity of critical services in adverse situations;
  - (b) Easily integrated: The database provider's system is made easily accessible to the ITO and considers ease of integration with the ITO's claims estimating systems; and
  - (c) Comprehensive: The database provides comprehensive, current and high-quality data on parts prices and labour times that eases and facilitates price comparisons to reduce subjectivity.

- S** 11.8 A registered adjuster and in-house assessor assigned by an ITO shall electronically submit all motor claims repair estimates to the ITO via the claims estimating systems. The repair estimates must be itemised, that is, by each type of part used, its corresponding price, labour time and other related charges, if any.
- S** 11.9 With respect to paragraph 11.8, the ITO shall electronically approve all motor claims through the claims estimating systems.
- S** 11.10 An ITO must not apply any further adjustment to the total final claims approval amount derived through the credible database.

**Minimum requirements on professionalism and conduct for in-house assessors**

- S** 11.11 An ITO shall ensure that its in-house assessors are:
- (a) adequately qualified and competent to carry out objective claims assessments on the cause and circumstances of a loss and to ascertain the quantum of the loss in relation to a motor insurance/takaful claim;
  - (b) provided with relevant and continuous training to keep pace with the latest technical, technological, environmental and other developments in the motor ecosystem in order to deliver high-quality claims assessments;
  - (c) guided by clear internal policies and procedures to ensure that the claims assessment process is conducted in an independent, objective and professional manner;
  - (d) subject to adequate monitoring and controls to avoid situations involving any conflict of interest that can result in unfair outcomes to policy owners/takaful participants. This includes ensuring that the remuneration and incentives provided to in-house assessors are not tied to claims costs; and
  - (e) acting with due care and diligence when conducting investigations and assessments of loss.
- G** 11.12 With respect to paragraphs 11.11 (a) and (b), the ITO should be guided by the qualification and training requirements under BNM's Policy Document on Registration Procedures and Requirements on Professionalism of Adjusters.
- S** 11.13 An ITO shall establish and implement mechanisms to ensure new and inexperienced in-house assessors are closely supervised by senior in-house assessors<sup>32</sup> for at least one year before they are allowed to conduct assessment of loss independently.

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<sup>32</sup> Senior in-house assessor refers to the ITO's in-house assessor who has acquired at least 5 years of experience in assessment of loss and the subject matter being assessed, taking into consideration:

- i. the number of relevant cases handled by the in-house assessor; and
- ii. the achievement of satisfactory performance for all relevant cases handled by the in-house assessor.



- S** 11.14 An ITO shall ensure that any claims assessment produced by its in-house assessors with less than five (5) years of experience in assessment of loss, is reviewed and signed-off by a senior in-house assessor.
- S** 11.15 An ITO shall ensure that any claims assessment prepared by its in-house assessors includes sufficient details on key information, such as the facts, assumptions, methods, sources of information and databases used or referred to in producing its final assessment. The ITO must ensure that adequate records and supporting documentation including photographs or images of damaged properties or areas, losses or injuries sustained by claimants, police reports, medical reports, fire brigade reports, repair quotations, statements from witnesses, autopsy reports and forensics' reports are maintained for at least seven (7) years.

### **Betterment Charges**

- S** 11.16 An ITO must ensure that new franchise parts are used for vehicles aged below five (5) years, with no betterment charges applied.
- S** 11.17 An ITO shall only apply **betterment charges** when new franchise parts are used for vehicles aged five (5) years and above. For the avoidance doubt, an ITO shall not apply betterment charges where non-franchise parts are used for vehicles aged five (5) years and above.
- S** 11.18 In the event betterment charges are applied, an ITO shall:
- (a) adhere to the scale and maximum rates of betterment as specified in **Appendix III**;
  - (b) advise the claimant in writing on the option of using new non-franchise parts or second-hand parts in order to avoid betterment charges; and
  - (c) obtain explicit confirmation in writing from the claimant, clearly indicating the claimant's choice with respect to the types of parts to be used and corresponding betterment charges the claimant has agreed to incur.

## **12. Vehicle Valuation**

- G** 12.1 With the availability of industry-wide vehicle valuation databases (VVDs), an ITO is better equipped to determine the market value of most motor vehicles at the point of sale or renewal as well as at the point of claim. This is expected to address the risk of over-insuring/covering or under-insuring/covering vehicles, which leads to disputes on the market value of vehicles at the point of claim.

**Market Value**

- S** 12.2 At the point of sale or renewal of motor insurance/takaful cover, an ITO must advise its consumers on:
- (a) the current market value of the motor vehicle as provided in the VVD used by the ITO<sup>33</sup>. In this regard, the ITO shall quote the exact market value<sup>34</sup> from the VVD when advising consumers on the sum insured/covered of the motor vehicle at the point of purchase or renewal;
  - (b) the importance of insuring/covering the vehicle at an appropriate market value; and
  - (c) the effect of over-insurance/coverage and under-insurance/coverage when a claim is made.
- S** 12.3 With respect to paragraph 12.2, an ITO shall adhere to the following:
- (a) the ITO must indicate the market value and its source in the product disclosure sheet or renewal notice, including the quotation slip, whichever applicable;
  - (b) the ITO must not quote a sum insured/covered which is higher than the market value provided in the VVD used for policies/takaful certificates that will be insured/covered on a market value basis; and
  - (c) where the consumer insures/covers the motor vehicle at the value recommended by the ITO, the ITO must ensure that the average clause is not applied in the event of a partial loss claim.
- S** 12.4 An ITO shall not impose any additional charges when providing information on the current market value of motor vehicles to consumers.
- S** 12.5 To ensure the accuracy of the market value used at the point of sale or renewal as well as at the point of claim, an ITO shall:
- (a) establish robust internal policies, procedures and controls pertaining to the use of VVDs; and
  - (b) refer to the exact market value from the same VVD used at the point of sale when determining the claim settlement amount for ATL, BER or theft claims.

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<sup>33</sup> Refers to Insurance Services Malaysia (ISM)'s Automobile Business Intelligence System (ISM-ABI system) or any other credible vehicle valuation database.

<sup>34</sup> For example, the market value/sum insured shall not be rounded to the nearest RM1,000.

- S** 12.6 With respect to paragraph 12.5(a), an ITO's internal policies, procedures and controls pertaining to the use of VVDs shall, at minimum, include:
- (a) timely updates on the market value of motor vehicles in the ITO's internal systems to ensure that the current market value listed in the VVD is accurately captured;
  - (b) routine checks on the expected range and missing valuations in the ITO's internal systems as compared with the VVD;
  - (c) establish controls to prohibit unilateral adjustments to the market value in the VVD used; and
  - (d) robust SLAs with the VVD service providers, which shall include obligations of the VVD service provider to respond to and address all material concerns raised by the ITO relating to the market values listed in the VVD in a timely manner. This includes circumstances where:
    - i. there is a material discrepancy between the market value of vehicles listed in the VVD and the registered adjuster's assessment; and
    - ii. information on the market value of a particular vehicle model is not available in the VVD.
- S** 12.7 Where the market value of the motor vehicle is not available in the VVD, an ITO must inform consumers on the recommended market value and the basis for the ITO's recommendation at the point of sale or renewal of the motor insurance/takaful cover to facilitate informed decisions by the consumer. In the event the consumer decides not to adhere to the ITO's recommendation, the ITO must advise consumers on:
- (a) the importance of insuring/covering the vehicle at an appropriate market value; and
  - (b) the effect of over-insurance/coverage and under-insurance/coverage when a claim is made.
- G** 12.8 With respect to paragraph 12.7, the ITO may indicate the current sum insured/covered of the vehicle, where available. In such cases, the ITO should state in the renewal notice that the sum insured/covered indicated is based on the previous year's sum insured/covered, and that the current market value of the motor vehicle may have further depreciated.
- S** 12.9 An ITO must ensure proper records are maintained<sup>35</sup> on any advice provided to consumers under paragraphs 12.2, 12.3 and 12.7.

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<sup>35</sup> The records shall be readily available for review upon request.

**Agreed Value**

- S** 12.10 Where an agreed value policy/takaful certificate<sup>36</sup> is offered, an ITO must ensure that:
- (a) the product disclosure sheet or renewal notice, including the quotation slip, whichever applicable, clearly states that it is an agreed value policy/takaful certificate; and
  - (a) the implications of having an agreed value policy/takaful certificate is clearly explained to the consumer.
- G** 12.11 An ITO may offer a consumer an agreed value policy/takaful certificate in circumstances where the consumer is required by his or her financier to insure/cover his or her motor vehicle with a higher sum insured/covered to match their outstanding loan/financing balances<sup>37</sup>.
- S** 12.12 Where an ITO does not offer an agreed value/coverage to match the higher outstanding loan/financing balances borne by the consumer, in addition to complying with paragraph 12.2(a) and (c), the ITO must:
- (a) advise the relevant consumers on the availability of gap cover add-ons to account for the difference between the actual market value of their motor vehicles and the consumer's outstanding loan/financing balances in the event of an ATL, BER, or a theft claim; and
  - (b) inform the consumer on the availability of gap cover add-ons in the market where the gap cover referred under paragraph 12.12(a) is not offered by the ITO.
- S** 12.13 Where agents are advising consumers on behalf of the ITO on the vehicle's market value or agreed value, the ITO shall ensure that:
- (a) its agents comply with the relevant requirements under paragraphs 12.2 to 12.12; and
  - (b) the advice provided by its agents is in writing or is demonstrable. These records shall be properly maintained and made readily available for review, upon request.

**13 Own Damage Motor Claims****Unsatisfactory Repairs**

- S** 13.1 An ITO must ensure that the repairs carried out comply with applicable standards and requirements imposed by the relevant authorities such as JPJ's Guidelines on Application of Structural Change for Vehicle Panel (Accident).

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<sup>36</sup> Agreed value refers to a motor vehicle insured/covered based on an amount that the ITO and the policy owner/takaful participant have agreed on. This agreed value will be paid out in the event of ATL, BER or theft claims.

<sup>37</sup> For example, ITOs and its agents may quote a higher sum insured/covered to consumers to match their outstanding loan/financing balances.

- S** 13.2 Where repairs are entitled to a warranty period, an ITO shall ensure it is clearly communicated to the policy owner/takaful participant that they can report unsatisfactory repairs to the ITO within the repair warranty period. The ITO shall ensure that such communication is specifically stated in the discharge voucher.
- S** 13.3 With respect to paragraph 13.2, an ITO shall:
- (a) ensure that the vehicle is re-inspected **within five (5) working days** from the date of the unsatisfactory repair reported to the ITO and ensure that the vehicle is restored to its pre-accident condition;
  - (b) ensure the repaired vehicle is sent to VIPs such as PUSPAKOM for the appropriate inspection and certification of roadworthiness, where applicable; and
  - (c) reimburse the policy owner/takaful participant based on the market value or agreed value of the repaired vehicle under paragraph 13.3(b), in circumstances where the repaired vehicle is certified as not roadworthy after repairs were carried out in accordance with the ITO's approval.
- S** 13.4 With respect to paragraph 13.3(c), an ITO shall comply with paragraphs 12.1 to 12.13 in determining the market value or agreed value of the vehicle.
- G** 13.5 An ITO may require repairers to retain all replacement parts for re-inspection for up to **14 working days** from the date of completion of repairs. Where there is an SLA in place, the ITO should incorporate this expectation and timeframe in its SLA with the repairers.

### **Expedited Claims**

- S** 13.6 With respect to any form of expedited claims process that an ITO has in place, the ITO shall establish and implement robust measures for governance and adequate management of operational and associated risks, to ensure that the safety and roadworthiness of vehicles are not compromised.

### **Theft Claims**

- S** 13.7 An ITO shall appoint a registered adjuster or an investigator **within one (1) working day** following its decision to investigate a theft claim.
- S** 13.8 An ITO shall complete its investigation of a theft claim **within 45 working days** from the date of the notification of loss.
- S** 13.9 An ITO must make an offer of settlement to the policy owner/takaful participant upon the completion of police investigations or its own investigations, whichever is earlier.
- S** 13.10 With respect to paragraph 13.9, an ITO shall make a reasonable offer of settlement or repudiate the claim **within 60 working days** from the date of the notification of loss.

- S** 13.11 An ITO shall ensure that the registration card<sup>38</sup> of the vehicle and other relevant documents as required by the ITO are surrendered by the policy owner/takaful participant to the ITO upon payment of the theft claim.
- G** 13.12 Please refer to the relevant flowcharts for the following types of motor claims:
- |     |                   |                             |
|-----|-------------------|-----------------------------|
| (a) | Own Damage Claims | <b>Chart II &amp; II(a)</b> |
| (b) | Theft Claims      | <b>Chart III</b>            |
| (c) | Windscreen Claims | <b>Chart IV</b>             |

## 14 Third-Party Motor Claims

- S** 14.1 An ITO shall leverage on technology to ensure a seamless and timely motor claims process for third-party claimants, including reducing unnecessary friction in the third-party motor claims processing, where possible.
- S** 14.2 An ITO shall not apply excess in the settlement of third-party motor claims.
- S** 14.3 If a policy owner/takaful participant who is the party-at-fault fails to report the accident to the police and the Party-at-Fault's ITO (PFITO), the PFITO shall inform its policy owner/takaful participant in writing on his or her obligations:
- (a) as required under:
    - i. sections 52(2) and 104 of the Road Transport Act 1987, whichever is applicable; and
    - ii. the penalties on the failure to report the accident to the police; and
  - (b) to notify promptly the PFITO of the accident, as required under the policy/takaful certificate.
- S** 14.4 With respect to paragraph 14.3, the PFITO must send a minimum of at least two (2) reminders at an interval of **seven (7) working days** between each reminder to the policy owner/takaful participant if he or she fails to report the accident.
- S** 14.5 With respect to third-party claims, the PFITO shall not:
- (a) require third-party claimants to furnish information or submit documents which the third-party claimants are unable to obtain (e.g. the police report lodged by the policy owner/takaful participant who is the party-at-fault); or
  - (b) repudiate liability in respect of third-party property damage claims solely on the grounds of non-reporting of the accident to the PFITO by the policy owner/takaful participant who is the party-at-fault. In this regard, the PFITO shall consider such claims in line with the procedures specified in **Appendix I**.

<sup>38</sup> This may also refer to Vehicle Ownership Certificate, where applicable.

**Compensation for Assessed Repair Time (CART)**

- S** 14.6 In the event a third-party claimant is unable to produce satisfactory documentary evidence (e.g. receipts for public transportation, ride-share fares or vehicle rentals) to support a claim for CART, the relevant ITO shall comply with the minimum scale of CART payable as provided in **Appendix II**.
- S** 14.7 Where a third-party claimant is entitled to a claim for CART, the relevant ITO shall clearly explain its basis for deriving the amount of CART payable in its offer of settlement to the third-party claimant.
- S** 14.8 Where a third-party claimant has produced receipts for public transportation, ride-share fares or vehicle rentals<sup>39</sup> used, the relevant ITO shall pay the amount stated in the receipts.
- G** 14.9 With respect to payments for ride-share fares and vehicle rentals referred to under paragraph 14.8, the relevant ITO may adjust the final amount paid for vehicle rentals based on a replacement vehicle of equivalent type and capacity as the third-party claimant's damaged vehicle.
- S** 14.10 The number of days for the computation of CART by the relevant ITO shall be based on the recommendation of the registered adjuster or assessment of the in-house assessor on the number of days required to repair the damaged vehicle, with reasonable provisions for additional days to cater for unforeseen delays which are beyond the control of third-party claimants.

**Third-Party Property Damage (TPPD) Claims<sup>40</sup>**

- G** 14.11 Paragraphs 14.12 to 14.22 applies to property damage due to vehicle accidents<sup>41</sup>.
- S** 14.12 In the event a registered adjuster is appointed for a TPPD claim, the registered adjuster shall, **within one (1) working day**, upon being appointed:
- (a) promptly notify both the PFITO and the claimant's ITO (CITO) respectively, on the impending claim. This shall be done via the claims estimating system used by the registered adjuster; and
  - (b) provide the PFITO with relevant information including the accident vehicle registration number and details of the repairer<sup>42</sup> where the accident vehicle is located.

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<sup>39</sup> For the avoidance of doubt, such rental should be from rental companies which are duly registered and licensed by the relevant authority.

<sup>40</sup> This includes TPPD claims that fall within the scope of the TPPD KfK Agreement.

<sup>41</sup> For the avoidance of doubt, this refers to accidents involving vehicles only i.e. vehicle-to-vehicle accident.

<sup>42</sup> Such as the name and address of the repairer.

- S** 14.13 Where a comprehensive policy/takaful certificate applies, upon the CITO becoming aware<sup>43</sup> of a vehicle accident, the CITO shall promptly contact its policy owner/takaful participant<sup>44</sup> and must:
- (a) offer the option for submission of an Own Damage Knock-for-Knock claim (OD KfK) to expedite claims processing;
  - (b) explain that the policy owner/takaful participant's No Claims Discount (NCD) will not be affected if an OD KfK is submitted; and
  - (c) advise on the benefit of submitting an OD KfK claim.
- S** 14.14 For all OD KfK claims that are submitted by policy owners/takaful participants with comprehensive policies/takaful certificates, the CITO shall settle claims arising from uninsured/uncovered losses i.e., excess and CART.
- S** 14.15 With respect to paragraph 14.14, the PFITO shall reimburse the CITO for uninsured losses payable by the PFITO, such as:
- (a) the excess amount paid by the CITO based on its policy owner's policy/takaful participant's certificate; and
  - (b) the CART amount based on the registered adjuster's recommendation, where applicable;
- within **seven (7) working days** from the date of submission of the relevant documents by CITO.
- S** 14.16 With respect to paragraph 14.14, the ITO shall submit to BNM a quarterly report on statistical data of KfK claims in the format provided in Appendix IV, **within 10 working days** from the end of each quarter beginning 30 June 2024, until further notice. The report shall be submitted to:
- Director  
Consumer and Market Conduct Department  
Bank Negara Malaysia  
Jalan Dato' Onn  
50480 Kuala Lumpur
- S** 14.17 In the event a policy owner/takaful participant chooses not to submit an OD KfK claim to its CITO, the CITO shall advise its policy owner/takaful participant on the following:
- (a) the process for claims submission to the PFITO, including information or documents required;
  - (b) the need to submit complete information or documents to the PFITO as soon as possible; and
  - (c) important steps to facilitate faster claims processing and expedite the return of the repaired vehicle, including advising the third-party claimant to allow the PFITO to inspect the accident vehicle prior to the commencement of repair works.

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<sup>43</sup> This includes upon notification of the registered adjuster under paragraph 14.12(a).

<sup>44</sup> This refers to the third-party claimant in this instance i.e. claimant who is the party not at fault.



- S** 14.18 In the event a CITO becomes aware<sup>45</sup> of an accident involving its policy owner/takaful participant<sup>46</sup>, the CITO shall immediately notify the relevant PFITO and observe the requirements under paragraphs 14.20 and 14.21.
- G** 14.19 Upon receiving a notification of a TPPD claim, the relevant ITO should arrange for a field inspection of the accident vehicle as soon as possible<sup>47</sup> to assess the extent of damages and scope of repair works involved. This is expected to reduce disputes on the claims amount to be paid and in turn significantly reduce the turnaround time for TPPD claims processing.
- S** 14.20 For TPPD claims that fall within the scope of the TPPD KfK Agreement<sup>48</sup>, an ITO shall adhere to the following requirements:
- (a) the PFITO shall refer to the CITO on the proposed claims approval amount at all times;
  - (b) upon receipt of the referral from PFITO on the proposed claims approval amount, the CITO shall respond to the PFITO within **seven (7) working days** indicating:
    - i. the amount the PFITO shall authorise for repairs; or
    - ii. the claims approval amounts the PFITO may offer in cases where the vehicle has already been repaired.
  - (c) in the event the CITO fails to respond within the period specified under paragraph 14.20(b), the PFITO shall proceed to settle the claim without further reference to the CITO. In the absence of strong grounds for disputing a claim, the CITO shall honour the reimbursement amount thereafter; and
  - (d) for the avoidance of doubt, the CITO shall adhere to the requirements under paragraphs 14.20(b) and (c) in the event of an appeal from a third-party claimant on the claims approval amount offered.
- G** 14.21 For TPPD claims that fall within the scope of the TPPD KfK Agreement or the OD KfK Agreement<sup>49</sup>, the PFITO and CITO should adhere to the industry's Code of Procedures and Practices stipulated in these Agreements.

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<sup>45</sup> For example, a CITO may become aware that an accident involving the insured/covered vehicle has occurred upon being informed by its policy owner/takaful participant or any other party.

<sup>46</sup> For the avoidance of doubt, the policy owner/takaful participant includes the CITO's policy owner/takaful participant with third party coverage.

<sup>47</sup> Where the PFITO decides to carry out a field inspection, the timelines under paragraphs 10.11 and 10.13 shall apply. Where re-inspection by the PFITO is applicable, refer to paragraph 10.17 on the applicable timelines.

<sup>48</sup> This refers to the KfK Agreement, which is an industry agreement between ITOs to expedite TPPD motor claims settlement based on agreed terms under the agreement i.e. ITOs agree to assume responsibility for their own policy owners/takaful participants with respect to TPPD claims. For example, the PFITO will process the claims submitted by the third-party claimant and seek reimbursement from the CITO on the claims settlement amount.

<sup>49</sup> This refers to the KfK Supplemental Agreement, which provides that if the policy owner/takaful participant chooses to pursue repairs of their damaged vehicle with their own ITO (OD KfK) i.e. the NCD entitlement of the policy owner/takaful participant shall not be affected, if policy owner or participant is found not at fault.

- S** 14.22 Where an ITO requires its policy owner/takaful participant to sign an undertaking letter to waive any liability on the ITO, the ITO shall advise the policy/takaful participant of the implications of providing such undertaking.

### **Third-Party Bodily Injury**

- S** 14.23 An ITO shall promptly establish the facts of the accident and persons injured upon receipt of the initial information on a third-party bodily injury (TPBI) claim. Where the ITO decides to investigate the claim, the ITO shall appoint an investigator or registered adjuster within **five (5) working days** from the date of receipt of all completed and relevant documents.
- G** 14.24 With respect to the payment of a judgement sum ordered by a court, the ITO should instruct their solicitors to request from the court, for the portion of the judgement sum intended for long-term needs of an injured person<sup>50</sup>, such as nursing care, to be managed through a public trustee for the benefit of the injured person. This is to avoid any unwarranted dissipation of TPBI payments intended to cover costs of recovery, rehabilitation and care in order to preserve the best interests of the accident victim over the long term.
- G** 14.25 With respect to paragraph 14.24, the ITO should absorb any administrative-related costs charged by the public trustee<sup>51</sup> as part of their corporate social responsibilities. This is to ensure that the judgement sum awarded by a court remains sustainable and sufficient to meet the long-term needs of accident victims.
- G** 14.26 Please refer to the relevant flowcharts on the following types of third-party motor claims:
- |     |                 |                  |
|-----|-----------------|------------------|
| (a) | TPPD KfK Claims | <b>Chart V</b>   |
| (b) | OD KfK Claims   | <b>Chart VI</b>  |
| (c) | TPBI Claims     | <b>Chart VII</b> |

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<sup>50</sup> For the avoidance of doubt, this does not include the entire court judgement sum such as medical cost incurred, loss of future income, pain and suffering, and special damages.

<sup>51</sup> For example, a 2.50% annual fee may be levied on the total award by Amanah Raya. With respect to this, ITOs as an industry may engage with public trustees to negotiate on lower fees in this respect as a public interest matter.

**15 Actual Total Loss (ATL) and Beyond Economic Repair (BER) Motor Claims**

- S** 15.1 With respect to ATL or BER claims, an ITO shall clearly explain to the claimant:
- (a) the definition and meaning of these terms; and
  - (b) the basis for all settlements of this nature, in writing.
- S** 15.2 With respect to paragraph 15.1, an ITO must ensure that any deduction from ATL or BER settlements, such as due to depreciation, where applicable, is measurable, reasonable, specific and clearly explained to the claimant in writing.
- S** 15.3 An ITO must establish and implement robust internal policies, procedures, processes and controls on handling of ATL and BER vehicles.
- S** 15.4 An ITO shall ensure that the internal policies, procedures, processes and controls under paragraph 15.3 are:
- (a) in compliance with applicable standards or requirements imposed by the relevant authorities such as JPJ's Guidelines on Application of Structural Change for Vehicle Panel (Accident); and
  - (b) guided by the Malaysian Standard on Motor Vehicle Aftermarket: Smash Repair Requirements issued by Jabatan Standard Malaysia, where applicable.
- S** 15.5 With respect to paragraph 15.3, an ITO shall:
- (a) establish a robust framework to adequately monitor and ensure the effectiveness of its internal policies, procedures, processes and control for handling of ATL and BER vehicles; and
  - (b) periodically review and assess the effectiveness of these internal policies, procedures, processes and controls to ensure these remain fit for purpose and continue to achieve the objective of this Policy Document.
- S** 15.6 An ITO shall ensure effective management of its third-party service providers in handling ATL and BER vehicles by:
- (a) carrying out robust due diligence to ensure the credibility of its third-party service providers, such as auctioneers or repairers that handle ATL and BER vehicles, including towing, storage and undertaking of the tender process for the sale of BER vehicles;
  - (b) imposing clear obligations for its third-party service providers, such as auctioneers or repairers to put in place effective control measures in respect of the handling of ATL and BER vehicles;

- (c) clearly disclosing to its third-party service providers on their respective obligations in relation to any fees or charges in the handling of ATL and BER vehicles<sup>52</sup>. Such disclosure shall be made at the point of procuring or securing the services of the relevant third-party service providers; and
- (d) ensuring that the obligations and disclosure requirements referred to under paragraph 15.6(b) and (c) are documented and stipulated clearly in any arrangement or agreement including the SLAs<sup>53</sup> between the ITO and its third-party service providers.

**G** 15.7 The flowchart on ATL and BER claims processing are set out in **Chart VIII** and **VIII(a)**.

### **Actual Total Loss (ATL)**

**S** 15.8 Where the condition of a vehicle has sustained severe damage which has compromised the structural integrity of the main chassis, to the extent that the damaged vehicle cannot be repaired or restored to a safe state and thus, can only be scrapped, an ITO must declare the vehicle as ATL.

**S** 15.9 Upon declaring a vehicle as ATL, an ITO must:

- (a) report the ATL status of the vehicle to JPJ via the established systems<sup>54</sup>, no later than **five (5) working days** from the date the vehicle is assessed as an ATL;
- (b) ensure accurate and prompt submission of information on ATL vehicles through the established systems. This includes the ITO ensuring that regular reviews, at minimum on a fortnightly basis, are conducted on the status of their ATL vehicles submissions through the established systems. The ITO should promptly follow up with JPJ on any unsuccessful submissions until the submission is successful; and
- (c) ensure the status of all of its ATL vehicles are publicly disclosed and such information is easily accessible via an industry-wide searchable database<sup>55</sup>.

**S** 15.10 The ITO shall also disclose information on ATL vehicles to VIPs such as PUSPAKOM, upon request.

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<sup>52</sup> Including the party responsible for bearing the cost of the inspection required for BER and contract repair vehicles.

<sup>53</sup> For example, where the relevant third-party service providers (e.g. panel repairer) has an on-going contractual relationship with the ITO in handling ATL and BER vehicle.

<sup>54</sup> This refers to the existing systems that facilitate automated data exchange or transmission of data between the ITOs and JPJ such as the ISM's Claims & Underwriting Exchange (CUE) motor system which is interoperable with JPJ's MySikap system.

<sup>55</sup> An ITO may leverage on databases such as the MyCarInfo website administered by ISM which currently provides information on vehicles such as NCD, last known ITO which insured/covered the vehicle, market value of vehicles and vehicles reported as stolen or ATL.

- S** 15.11 An ITO shall ensure proper deregistration and disposal of ATL vehicles by adhering to the following requirements:
- (a) where an Authorised Automotive Treatment Facility (AATF) is available, the ITO shall ensure ATL vehicles are sent to the AATF within **five (5) working days** upon deregistration, subject to exceptional circumstances such as difficulty in obtaining a policy owner's written consent;
  - (b) with respect to paragraph 15.11(a), the ITO shall obtain proof of proper disposal of ATL vehicles such as obtaining the certification of destruction from the AATF; and
  - (c) the ITO shall maintain relevant records and documentation on the disposal of the ATL vehicles.
- S** 15.12 Where an ATL vehicle has a physical registration card, an ITO must ensure proper safekeeping and disposal of physical registration cards in line with JPJ's requirements.

### **Beyond Economic Repair (BER)**

- S** 15.13 An ITO must appoint a registered adjuster to assess a vehicle prior to declaring a vehicle as BER<sup>56</sup>.
- S** 15.14 With respect to paragraph 15.13, where a registered adjuster has recommended for the vehicle to be declared as ATL, an ITO must declare the vehicle as ATL accordingly and meet all the requirements for ATL vehicles as specified in this Policy Document.
- S** 15.15 In recommending and declaring a vehicle as BER, an ITO and a registered adjuster shall ensure the:
- (a) relevant approvals<sup>57</sup> are obtained, where applicable;
  - (b) recommendation and decision reached is premised on the safety and roadworthiness of the claimants' vehicles; and
  - (c) best interests of the claimants who are still registered as legal owners of these vehicles are preserved.
- S** 15.16 An ITO must ensure BER settlement is supported by sufficient documentation on the vehicle's condition.
- S** 15.17 If the wreck value of the vehicle is more than the BER claims settlement sum offered, an ITO shall provide the claimant the choice of either withdrawing his or her claim or accepting the ITO's BER offer.

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<sup>56</sup> For the avoidance of doubt, an ITO shall have the discretion to declare a damaged vehicle as BER based on the registered adjuster's recommendation, except in circumstances where the registered adjuster has recommended for the damaged vehicle to be declared as ATL.

<sup>57</sup> For example, obtaining approval from JPJ in relation to damaged vehicles which require structural repairs.

- S** 15.18 Upon declaring a vehicle as BER, an ITO must:
- (a) report the BER status of the vehicles to JPJ via the established systems, no later than **five (5) working days** from the date the BER settlement offer is accepted by a policy owner/takaful participant<sup>58</sup>;
  - (b) where a BER vehicle has a physical registration card, an ITO must ensure proper safekeeping of the physical registration card until it is required for the transfer of vehicle ownership of the BER vehicle; and
  - (c) with respect to paragraph 15.18(b), an ITO shall not release the BER vehicle's physical registration card prior to obtaining the certification of roadworthiness as specified under paragraph 15.19.
- S** 15.19 An ITO shall ensure that the relevant repairers complete the repairs of a BER vehicle and obtain the appropriate certification of roadworthiness from the VIP, such as PUSPAKOM, within four (4) months<sup>59</sup> from the date the repairers receive the BER vehicle.
- S** 15.20 With respect to paragraph 15.19, an ITO shall extend a copy of the certification of roadworthiness to the buyer of the BER vehicle.
- S** 15.21 In the event the repairer fails to submit the appropriate certification of roadworthiness as specified under paragraph 15.19, an ITO must promptly seek written clarification from the repairer on reasons for this failure to submit the certification of roadworthiness within the applicable timeline.
- S** 15.22 With respect to paragraph 15.21, in the event an ITO does not receive a response from the repairer within 2 months from the date of the ITO's written request, the ITO shall:
- (a) reclassify the BER vehicle as an ATL vehicle; and
  - (b) comply with the requirements relating to ATL vehicles as specified in this Policy Document.
- S** 15.23 An ITO shall maintain relevant documents and information in relation to the BER vehicles, including the processes under paragraphs 15.21 and 15.22.

### **Insurance/Takaful Coverage for Repaired BER Vehicles**

- S** 15.24 Given that BER vehicles must be inspected by a credible VIP and obtain the necessary roadworthiness certification under paragraph 15.19, an ITO must treat consumers purchasing these vehicles fairly when applying for insurance/takaful coverage for their vehicles<sup>60</sup>.

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<sup>58</sup> This may include, upon the ITO receiving the discharge voucher signed by a policy owner/takaful participant.

<sup>59</sup> The timeline specified is subject to exceptional circumstances, such as non-availability of parts. In any event, the total timeline to complete the repairs of a BER vehicle and obtain the appropriate certification of roadworthiness shall not exceed timelines specified by the relevant authorities such as JPJ.

<sup>60</sup> Including the second year onwards from the point of purchase of the BER vehicle.

- S** 15.25 Where a repaired BER vehicle has been inspected and certified as roadworthy, in line with requirements under paragraph 15.19, an ITO must not deliberately reject insurance/takaful coverage solely based on the vehicle's BER status or without reasonable effort to serve consumers who ultimately purchase the repaired BER vehicle.
- S** 15.26 Where an ITO decides not to offer insurance/takaful coverage on any BER vehicle based on its risk appetite, an ITO shall provide clear reasons in writing for rejection or refusal to provide coverage and refer the consumer to alternative coverage options such as Malaysia Motor Insurance Pool, where applicable.
- G** 15.27 Notwithstanding paragraphs 15.25 and 15.26, the ITO which had originally assessed and declared a vehicle as BER should offer insurance/takaful coverage for the said vehicle. This is in view of the ITO having full knowledge of the vehicle's past claims history and extent of damages which had resulted in the vehicle's classification as BER and subsequent certification of roadworthiness for the repaired vehicle.

## **16 Motor Claims – Other Matters**

### **Contract Repairs<sup>61</sup>**

- S** 16.1 In circumstances where a claimant rejects the offer for a BER claims settlement and insists for the damaged vehicle to be repaired, an ITO shall allow such request to repair the vehicle under contract repair basis, subject to obtaining the policy owner/takaful participant's written consent.
- S** 16.2 With respect to paragraph 16.1, an ITO must:
- (a) advise the claimants in writing on the potential safety implications arising from the contract repair, if any; and
  - (b) ensure that all contract repaired vehicles are sent to VIPs such as PUSPAKOM for the appropriate and adequate inspection and obtain certification of roadworthiness.
- S** 16.3 With respect to paragraph 16.2(b), an ITO shall extend a copy of the certification of roadworthiness to the policy owner/takaful participant.

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<sup>61</sup> Refers to a situation where a policy owner/takaful participant rejects the offer for a BER claim settlement by the ITO and has requested for their vehicle to undergo a repair instead, and for such purpose, enters into a contract repair with the ITO. Under a contract repair settlement, the repair works would generally not be based on the registered adjuster's recommendation for repair (i.e. basis of settlement is decided between ITOs and claimant). As such, these requirements are intended to ensure contract repair vehicles meet minimum safety standards before such vehicles are allowed back on the road.

**Cut-and-Joint**

- S** 16.4 The practice of joining two halves of damaged vehicles (**Cut-and-Joint**) as a method of repair is prohibited, except for the repair of 'stretched' versions of vehicles which are constructed using the joining technique or process, approved by JPJ. As such, an ITO shall ensure the necessary approvals with respect to a repair using Cut-and-Joint method has been obtained, prior to the commencement of such repairs.

**Chain Collision Claims**

- S** 16.5 In the event of a chain collision, an ITO insuring/covering the vehicle immediately behind a vehicle shall be responsible for the damage and uninsured/uncovered losses (i.e. excess and CART) for the vehicle in front of it. However, this does not apply to collisions involving:
- (a) parked vehicles;
  - (b) where the front vehicle makes a 'U' turn;
  - (c) vehicles not traveling in the same direction; or
  - (d) foreign-registered vehicles.
- S** 16.6 With respect to paragraph 16.5, an ITO shall not forfeit the NCD for any third-party claimant involved in the chain collision.

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## PART V APPENDICES AND CHARTS

### Appendix I: Procedures on Handling of Non-Reported TPPD Claims

- (a) To ensure efficiency in TPPD claims processing, where a policy owner/takaful participant does not report a TPPD claim to a PFITO, the PFITO may request a third-party claimant involved in an accident to submit the relevant information and documents, such as the following:
- i. claims in writing by the third-party claimant or his or her authorised representative;
  - ii. a copy of the third-party claimant's identity card and driving licence;
  - iii. a copy of the vehicle ownership certificate or registration card;
  - iv. a copy of the registered adjuster's report;
  - v. bill of repair costs of the third-party claimant's vehicle;
  - vi. photos, videos, dash-camera recordings of the accident scene and damages to vehicles involved;
  - vii. a copy of the third-party claimant's police report;
  - viii. a copy of the PFITO's policy owner's/takaful participant's police report, if available;
  - ix. if the PFITO's policy owner/takaful participant's police report is not available, a Statutory Declaration by the third-party claimant declaring the circumstances of the accident and identifying the PFITO's policy owner/takaful participant's vehicle as a party to the accident;
  - x. a copy of the police investigation report or a notification by the police as evidence that the PFITO's policy owner/takaful participant was at fault; and
  - xi. other relevant information or documents as required by the PFITO.
- (b) The claim should be filed by a third-party claimant within 14 working days from the date of the accident. However, any delay in filing the claim shall be considered by the PFITO based on the merits of each case.
- (c) Upon evaluation of the claim, the PFITO must ensure that its decision to make an offer or reject the TPPD claim is properly recorded with reasons for rejection stated on the claims file and escalated to Senior Management for endorsement.
- (d) Once the PFITO has decided to handle a TPPD claim on a without prejudice basis, the claim shall be treated as any other claim, and accordingly, consequential losses such as loss of NCD and CART (subject to actual proof of these losses) shall apply as in the case where the policy owner/takaful participant had reported the accident.
- (e) In assessing a TPPD claim, the PFITO may apply the principles of contributory negligence in the same manner applied in the assessment of any other claim, where applicable.

## Appendix II: Scale of Compensation for Assessed Repair Time (CART)

<b><u>Vehicle Type</u></b>	<b><u>CART/Day</u></b>
<b><u>Private Use Vehicles</u></b>	
Up to 1500 cubic capacity (cc)	RM 50
Above 1500 cc up to 2000 cc	RM 65
Above 2000 cc	RM 85
<b><u>Commercial Vehicles</u></b>	
Up to 1 ton	RM 40
Above 1 ton up to 2 tons	RM 60
Above 2 tons	RM 90
Trailer Lorries	RM 120
Buses (Private)	RM 90
Other Buses (stage/express)	RM 180
Taxis/Hire and Drive	RM 40
<b><u>Motorcycles</u></b>	
Up to 250 cc	RM 15
Above 250 cc	RM 25

### Note:

The above scale defines the **minimum** amount payable by PFITO for CART claims where the third-party claimant is unable to produce satisfactory documentary evidence, such as receipts for public transport, ride-share fares or vehicle rentals, to support the third-party claimant's CART claim. For the avoidance of doubt, the above scale serves as a starting point and upward adjustments may be made by the ITO according to the circumstances of each case.

**Appendix III: Scale of Betterment****Scale of Betterment**

1. The following rates shall be applied in determining the scale of betterment:

<b><u>Age of Vehicle/Years</u></b>	<b><u>Maximum Rate of Betterment (%)</u></b>
Less than 5 years	0
5	15
6	20
7	25
8	30
9	35
10 and above	40

2. The following basis shall be used in determining the age of vehicles:

<b><u>Vehicle Categories</u></b>	<b><u>Basis in Determining Age of Vehicle</u></b>
New vehicle	Date of registration
Local second-hand/used vehicle	Date of original registration
Imported second-hand/used vehicle	Date of manufacture

## Appendix IV: Statistical data on KfK claims

*In line with paragraph 14.16 of this Policy Document, an ITO shall submit to BNM a quarterly report on statistical data of KfK claims within 10 working days from the end of each quarter beginning 30 June 2024, until further notice, as follows:*

No.	Data item	For quarter ending _____ <sup>62</sup>	
		TPPD KfK <sup>63</sup>	OD KfK
1	Total number of paid claims		
2	Please provide reasons on policy owners' decision to opt for TPPD KfK instead of OD KfK, if any <sup>64</sup>		

Officer responsible for submission:

Name:

Designation:

Department:

Contact number:

E-mail:

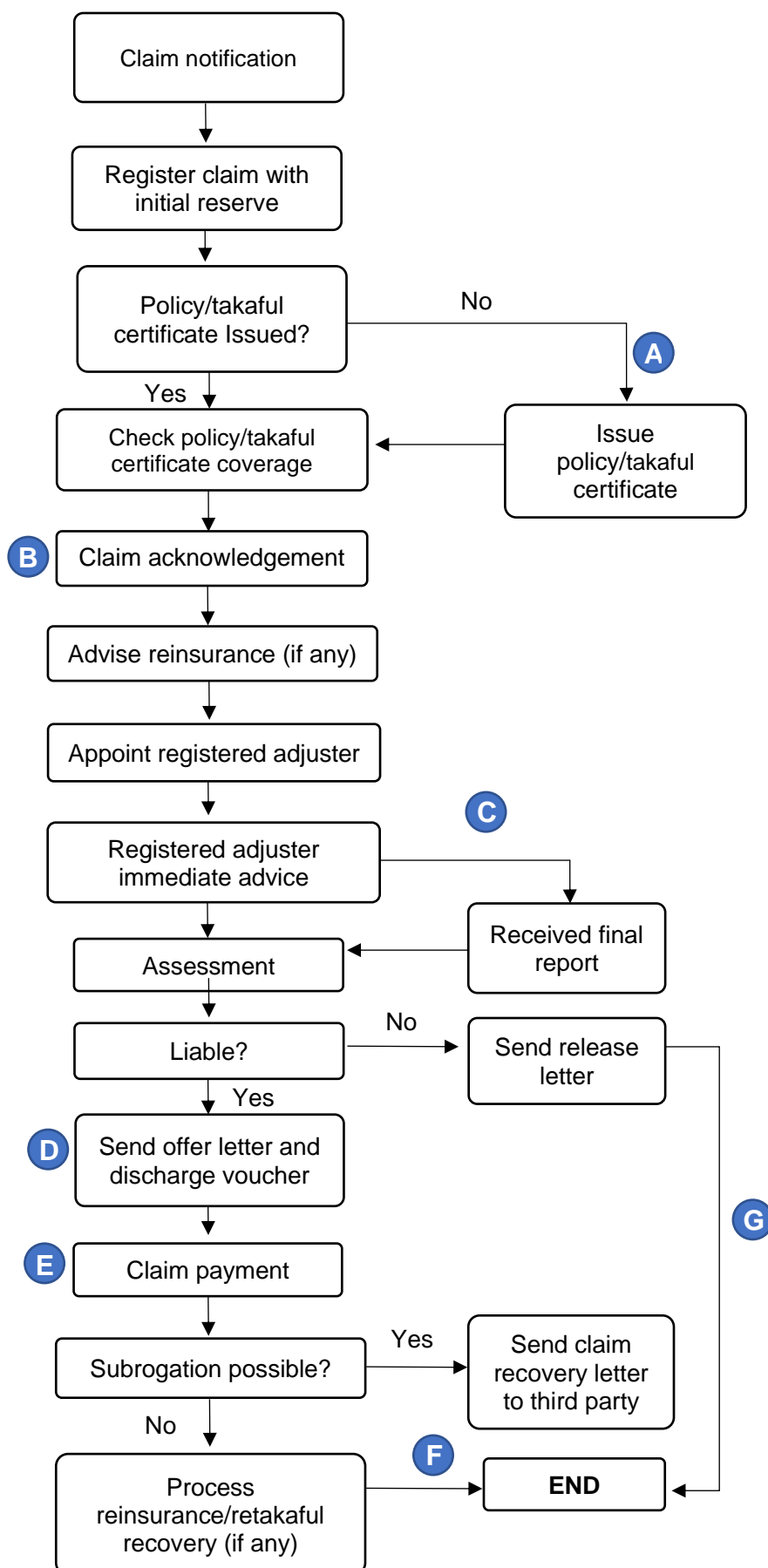
Date:

<sup>62</sup> To be submitted within 10 working days from the end of each quarter, until further notice. For example, the first submission shall be submitted by 15 July 2024 for the quarter ending 30<sup>th</sup> June 2024.

<sup>63</sup> Refers to the third-party claim with KfK recovery i.e. your company as the PFITO.

<sup>64</sup> This is applicable for ITOs that are reporting TPPD KfK claims.

### Chart I: Non-Motor Claims Processing

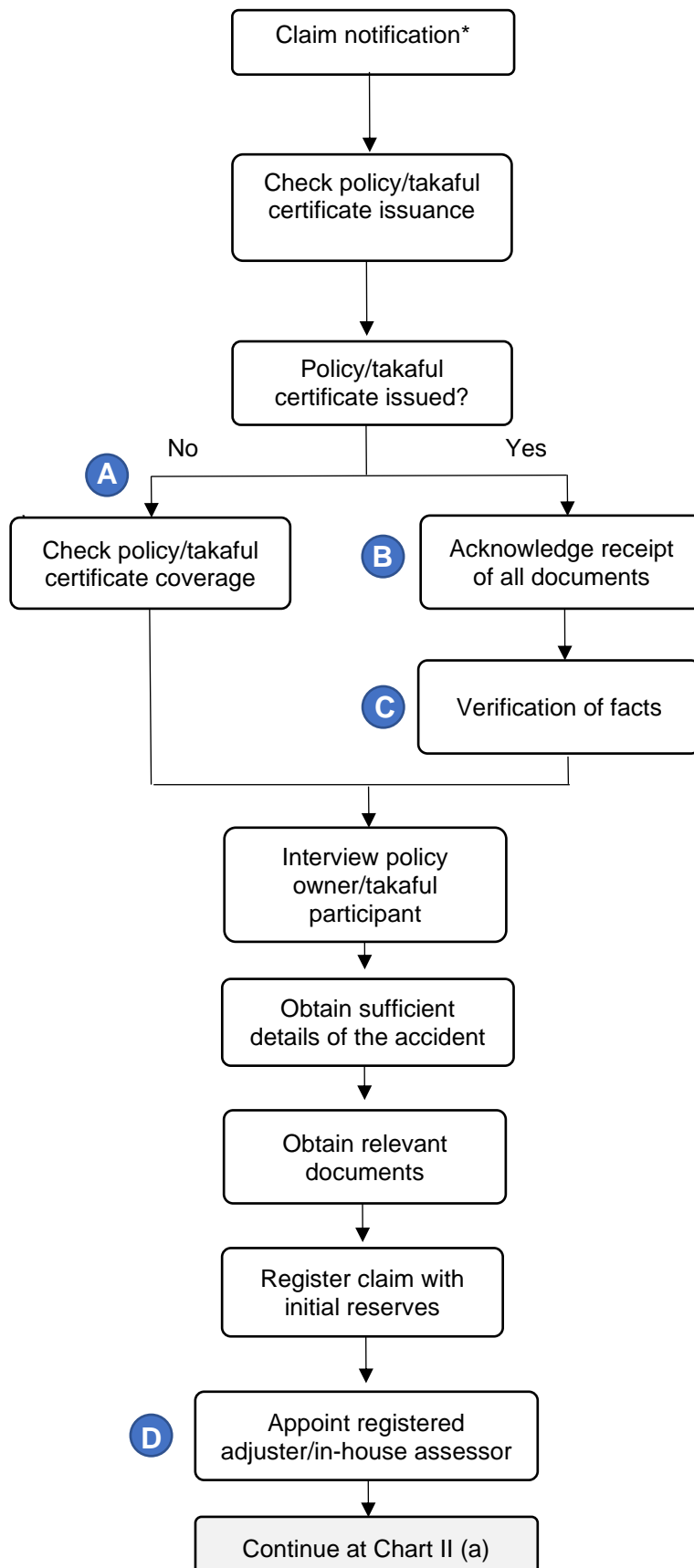


#### Key Controls:

- A** If a valid policy/takaful certificate has not been issued, it must be issued within 24 hours of notification.
- B** An ITO to acknowledge the claim submission within 7 working days from the date of receipt of a claim notification.
- C** Registered adjuster's immediate advice is essential for the registration of claims and must be submitted as soon as possible.
- D** Send offer letter and discharge voucher to policy owner/takaful participant within 7 working days from the date of receipt of final report from the registered adjuster.
- E** Payment of claim must be made within 14 working from the date of receipt of acceptance of offer or discharge voucher and all relevant documents.
- F** Proceed with reinsurance/retakaful recovery while awaiting payment from third party.
- G** An ITO may consider ex-gratia settlement upon policy owner's/ takaful participant's appeal.

## Chart II: Motor Claims Processing

(From Notification of Claim to Appointment of Registered Adjuster/Investigator)



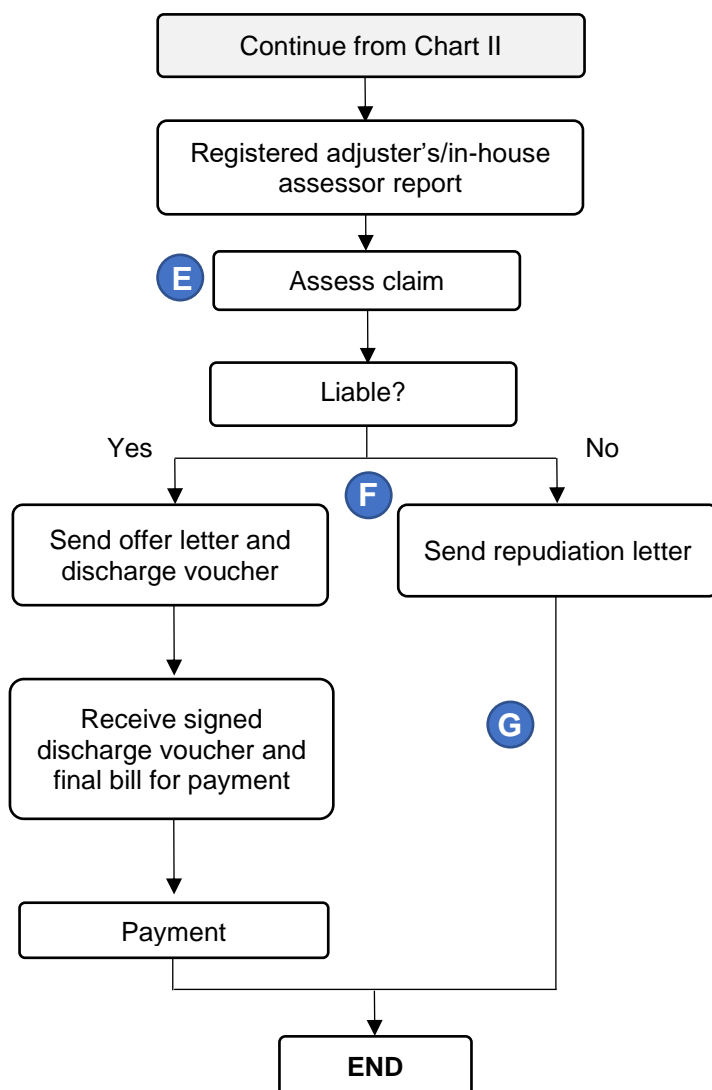
### Key Controls:

- A** In the event a valid policy/takaful certificate has not been issued, the underwriting department is required to issue a policy/takaful certificate within 24 hours of claim notification.
- B** An ITO to acknowledge the claim submission within 3 working days from the date of receipt of a claim notification.
- C** In the event, the ITO has not received the additional information or supporting document requested, the ITO shall send a reminder to the claimant within 7 working days from the date of its first request.
- D** An ITO shall assign registered adjusters or its in-house assessor to conduct an assessment of loss within 5 working days from the date of receipt of all complete information and relevant documents.

\*This includes walk-in, phone, website, app, e-mail/ fax/ claims estimating system such as Merimen, OneWorks and SNK Market Data Research.

## Chart II(a): Motor Claims Processing

(From Assessment to Payment)

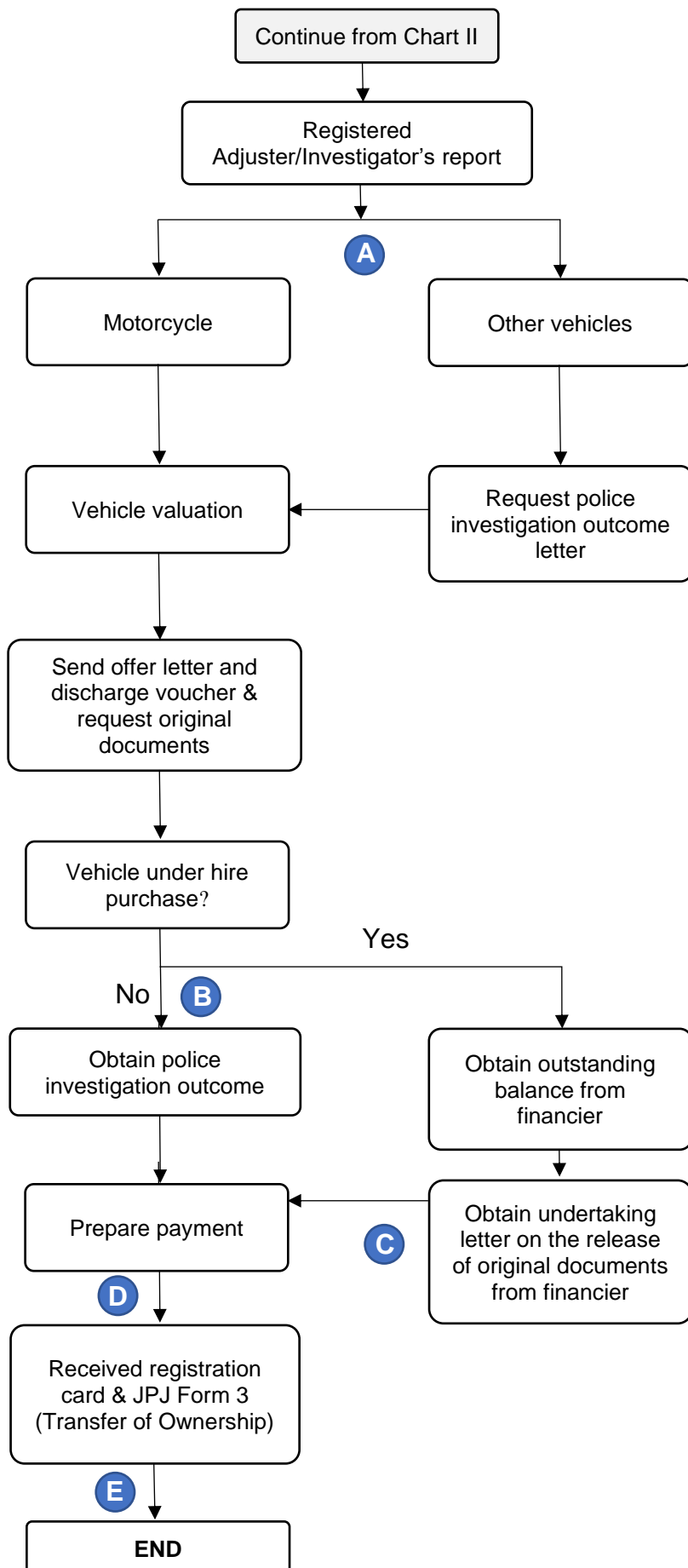


### Key Controls:

- E** An registered adjuster or in-house assessor assigned by the ITO shall complete the adjusting work or claims assessment required within 10 working days from receipt of all completed and relevant documents.
- F** An ITO shall send the offer letter and discharge voucher, or repudiation letter to the claimant or his or her authorised representative or repairer, as the case may be, within 5 working days from the date of receipt of final report from registered adjuster or final claims assessment from the in-house assessor.
- G** An ITO may consider ex-gratia settlement upon appeal by claimant.

### Chart III: Motor Claims Processing – Theft Claims Process Flow

(From Claim Notification to Appointment of Registered Adjuster/Investigator – See Chart II)



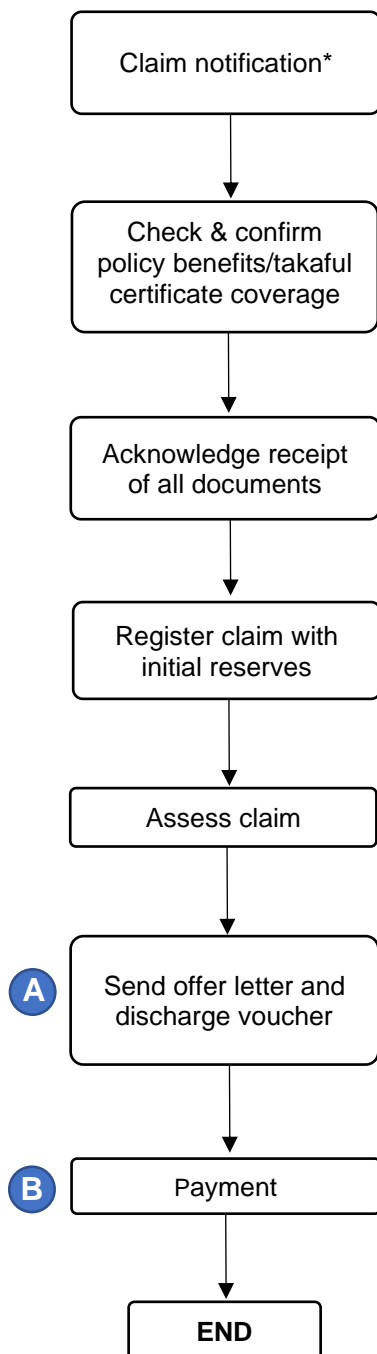
#### Key Controls:

- A** An ITO shall complete its theft investigation within 45 working days from the date of notification of loss.
- B** If police investigation outcome is not received after 60 working days, ITO must proceed with disbursement of claim.
- C** In cases where policy owner/takaful participant has settled part of the loan, the financier will reimburse the policy owner/takaful participant.
- D** Payment of claim must be made within 7 working days from the date of acceptance of offer, discharge voucher and all other relevant documents.
- E** An ITO shall ensure proper safekeeping of these original documents.



**Chart IV: Windscreen Claims Processing**

(For policy owner/takaful participant with Windscreen Cover)

**Key Controls:****A**

The offer letter or discharge voucher is sent to the policy owner/takaful participant within 5 working days from the date of receipt of photos or repair bill.

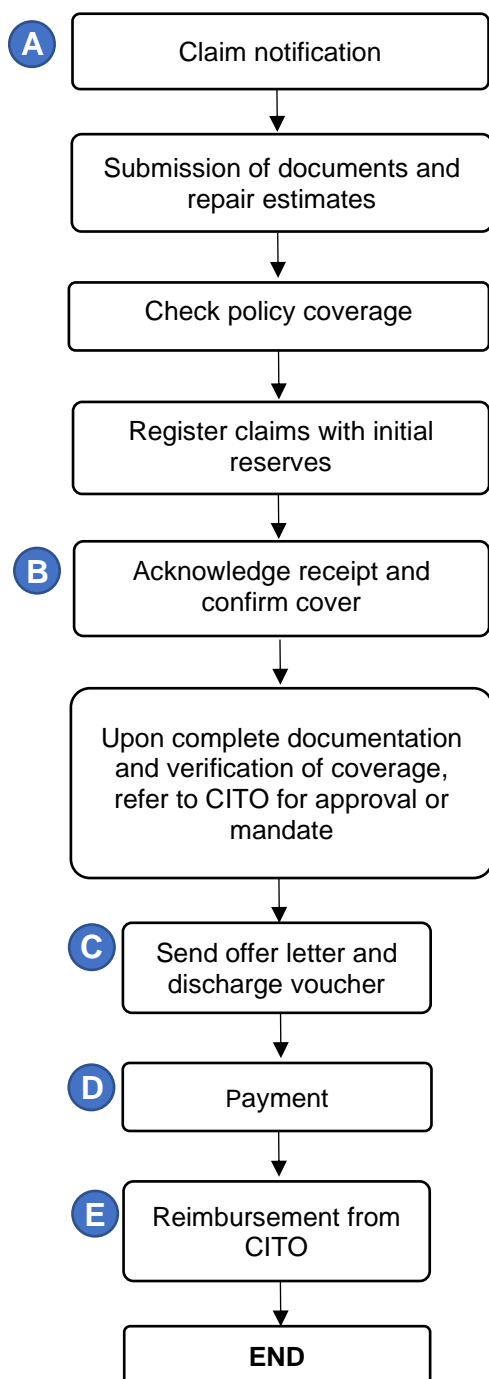
**B**

Payment of claim to claimant must be made within 7 working days from the date of receipt of the signed discharge voucher.

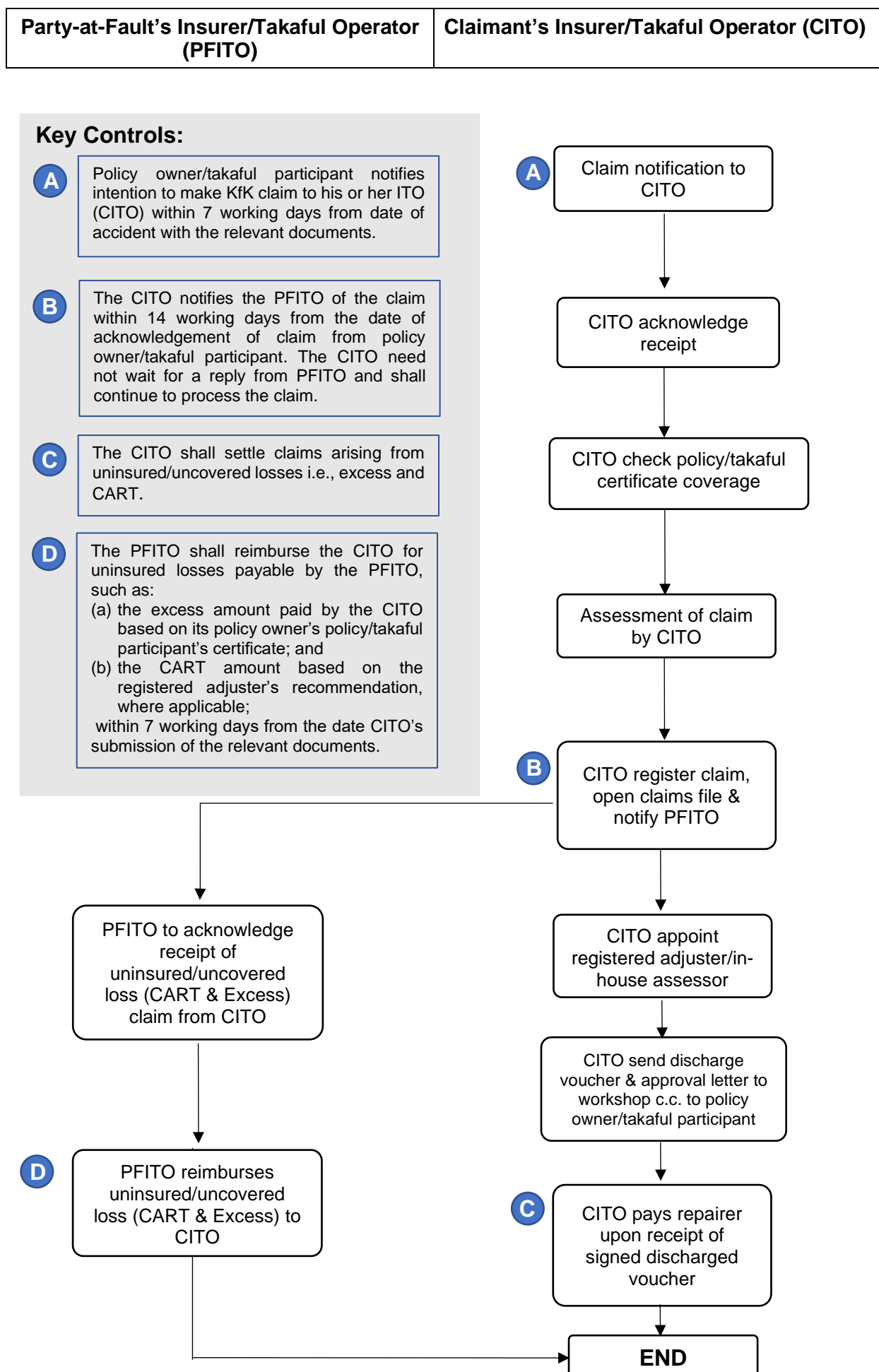
\*This includes walk-in, phone, website, app, e-mail/ fax/ claims estimating system including Merimen, OneWorks and SNK Market Data Research.

**Chart V: Third-Party Property Damage KfK Claims Processing**

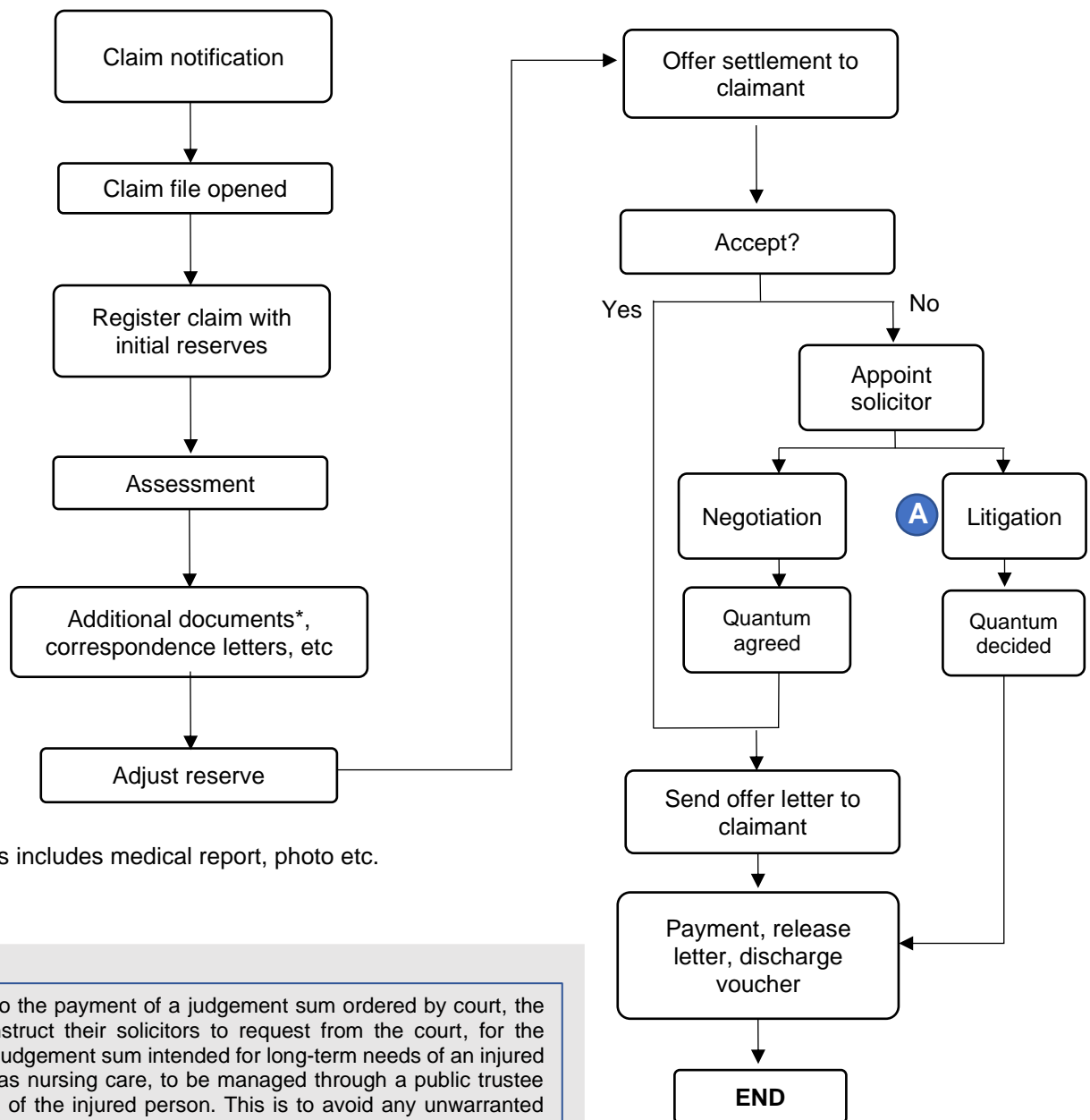
(With KfK reimbursement)

**Key Controls:**

- A** (a) A registered adjuster shall promptly notify CITO and PFITO on the impending claim within 1 working day upon being appointed.  
 (b) Where a comprehensive policy/takaful certificate applies, upon the CITO becoming aware of a vehicle accident, the CITO shall contact its policy owner/takaful participant promptly and must offer the option for submission of an OD KfK to expedite claims processing.  
 (c) In the event a CITO becomes aware of an accident involving its policy owner/takaful participant, the CITO shall immediately notify the relevant PFITO and observe the requirements under paragraphs 14.20 and 14.21.
- B** The PFITO shall send a minimum of 2 reminders at an interval of 7 working days each if the policy owner/takaful participant fails to report the accident
- C** The PFITO seeks approval or mandate from the CITO. The CITO shall respond to the PFITO's request for approval or mandate within seven working days.
- D** The CITO must reimburse the PFITO within 30 working days from the date of receipt of payment request, as stipulated in the industry's KfK agreement.
- E** Payment of claim to claimant must be made within 7 working days from the date of receipt of the signed discharge voucher.

**Chart VI: Own Damage KfK Claims Processing**

### Chart VII: Third-Party Bodily Injury Claims Processing



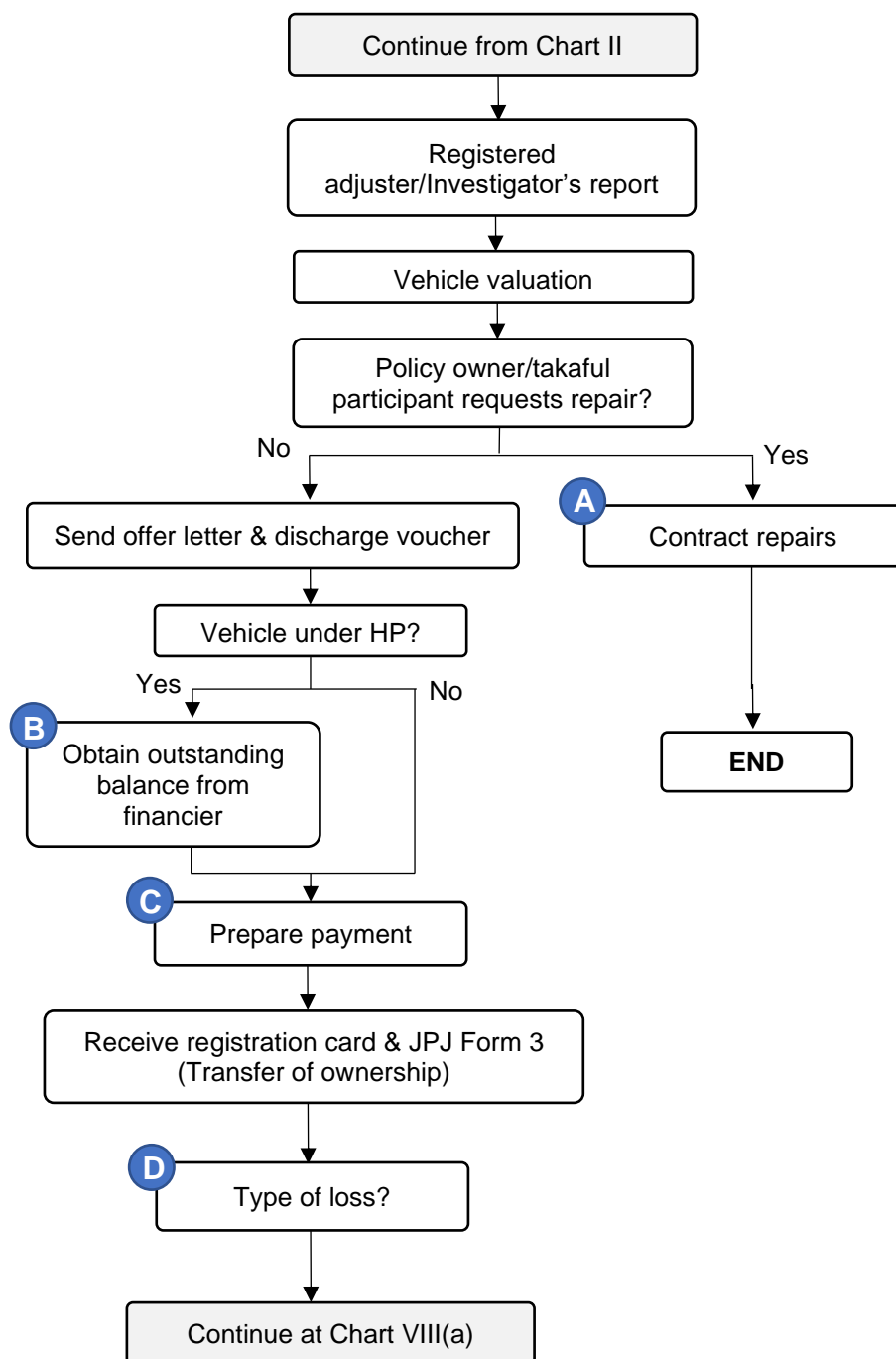
#### Key Control:

**A**

With respect to the payment of a judgement sum ordered by court, the ITO should instruct their solicitors to request from the court, for the portion of the judgement sum intended for long-term needs of an injured person, such as nursing care, to be managed through a public trustee for the benefit of the injured person. This is to avoid any unwarranted dissipation of TPBI payments intended to cover costs of recovery, rehabilitation and care in order to preserve the best interests of the accident victim over the long term.

### Chart VIII: Actual Total Loss (ATL) and Beyond Economic Repair (BER) Claims

(From Claim Notification to Appointment of Registered Adjuster/Investigator – See Chart II)



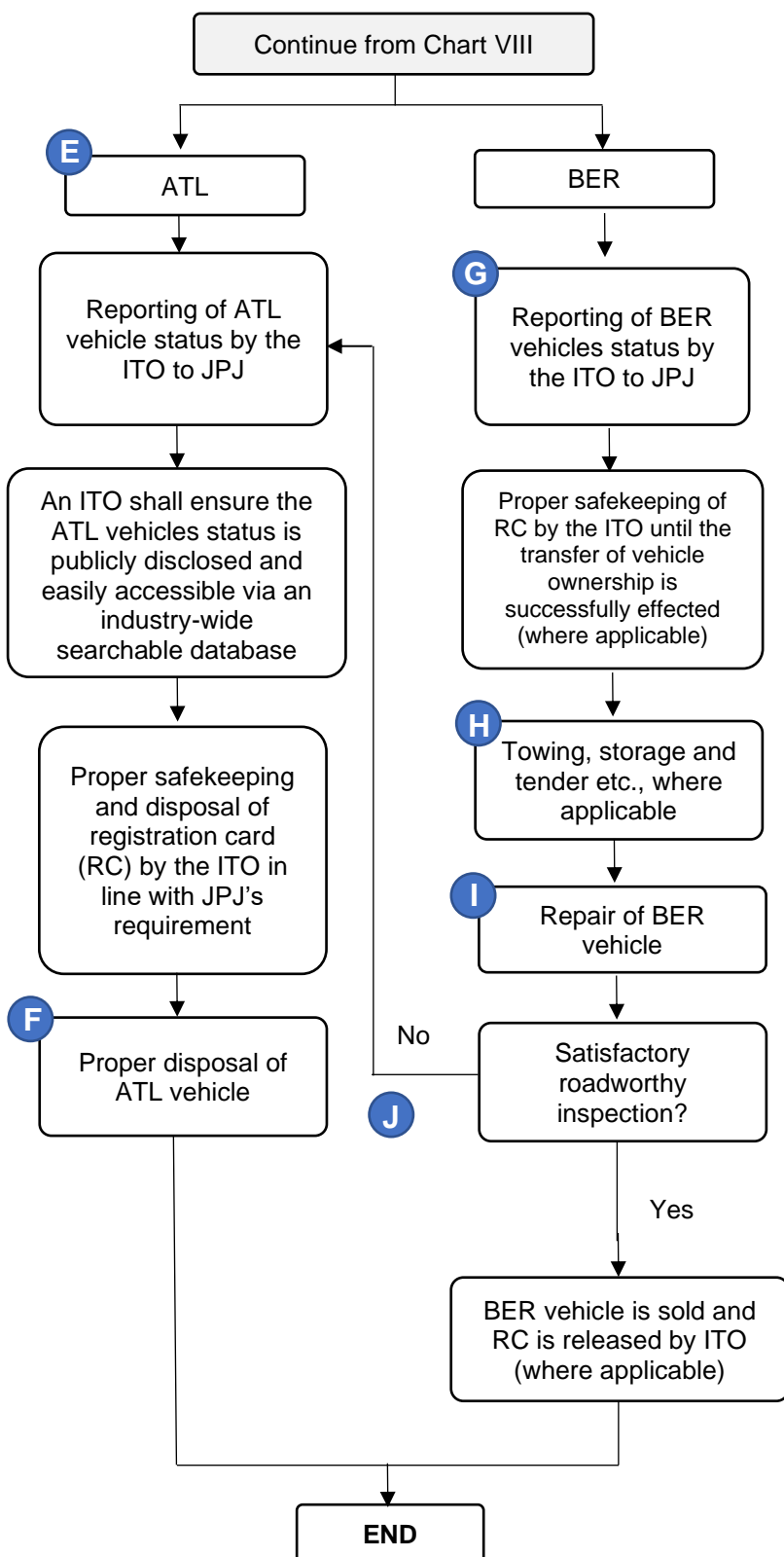
#### Key Controls:

- A** If the damaged vehicle does not fulfil the requirements under paragraphs 16.1 and 16.2, an ITO may treat it as “ATL” and advise the policy owner/takaful participant in writing within 7 working days from the date of receipt of policy owner/takaful participant's request for repair and make an offer of settlement.
- B** A confirmation letter of release of original documents must be obtained from financier before proceeding with payment. Where policy owner/takaful participant has settled part of the loan, the financier will reimburse the policy owner/takaful participant.
- C** Payment must be made within 7 working days from the date of acceptance of offer, signed discharge voucher and all other relevant documents.
- D**
  - (a) Where the condition of a vehicle has sustained severe damage which has compromised the structural integrity of the main chassis, to the extent that the damaged vehicle cannot be repaired or restored to a safe state and thus, can only be scrapped, an ITO must declare the vehicle as ATL
  - (b) An ITO must appoint a registered adjuster to assess a vehicle prior to declaring a vehicle as BER\*.

\* An ITO shall have the discretion to declare a damaged vehicle as BER is based on the registered adjuster's recommendation except where the registered adjuster has recommended the vehicle to be declared as ATL.

### Chart VIII(a): ATL and BER Claims

(From Appointment of Registered Adjuster/Investigator to Assessing Type of Loss – See Chart VIII)



#### Key Controls:

- E** An ITO shall report the ATL status of the vehicle to JPJ via the established system, no later than 5 working days from the date the vehicle is assessed as an ATL.
- F**
  - (a) Where an Authorised Automotive Treatment Facility (AATF) is available, the ITO shall ensure ATL vehicles are sent to the AATF within 5 working days upon deregistration, subject to exceptional circumstances. The ITO shall also obtain a certification of destruction from the AATF.
  - (b) The ITO shall maintain relevant records and documentation on the disposal of the ATL vehicles
- G** An ITO shall report BER status of the vehicles to JPJ via the established systems, no later than 5 working days from the date of the BER settlement offer is accepted by a policy owner/takaful participant.
- H** An ITO shall carry out robust due diligence to ensure the credibility of third-party service providers such as auctioneer or repairer that handle BER vehicles, including towing, storage and undertaking of the tender process for sale of BER vehicles.
- I** An ITO shall ensure that the relevant repairers complete the repairs of a BER vehicle and obtain the appropriate certification of roadworthiness from the VIP such as PUSPAKOM within 4 months from the date the repairers receive the BER vehicle.
- J**
  - (a) In the event a repairer fails to submit the appropriate certification of roadworthiness, an ITO must promptly seek written clarification from the repairer on reasons for this failure to submit the certification of roadworthiness within the applicable timeline.
  - (b) In the event an ITO do not receive a response from repairers within 2 months from the from the date of their written request, the ITO shall:
    - i. reclassify the BER vehicle as an ATL vehicle; and
    - ii. comply with the requirements relating to ATL vehicles.