

Frequently Asked Questions (FAQs)

1. **What does takaful / insurance tariff means?**

Tariff refers to the rate and limit of takaful / insurance coverage set by the body regulating the contribution/ premium rate imposed by the takaful / insurance provider to the customers and certificate holders.

2. **What does vehicle takaful / insurance tariff liberalization means?**

Tariff liberalization means easing the current tariff structure and giving freedom to the takaful / insurance provider to use their own mechanisms in fixing the takaful / premium contribution imposed, as well as the coverage level to the customers and certificate holders.

This means, takaful / insurance providers are no longer restricted to the fixed tariff. On the other hand, takaful / insurance providers may impose takaful / premium contributions according to the participants' risk levels.

3. **Why does the tariff need to be liberalized?**

Tariff need to be liberalized to provide room to takaful / insurance providers to compete healthily in determining the takaful / premium contribution rates imposed to the certificate holders.

Takaful / insurance providers will exercise coverage levels and takaful / premium contribution rates which are affordable and more fulfilling the needs of the participants based on their respective risk levels.

4. **When the tariff liberalization of vehicle takaful / insurance will take effect?**

The first phase of the Liberalization of the Motor and Fire Tariff was introduced on 1 July 2016. During this initial phase, insurers and takaful operators were given the flexibility to offer new motor products and add-on covers that were not defined under the existing tariff.

From 1 July 2017 onwards, premium rates for Motor Comprehensive; and Motor Third Party Fire and Theft products will be liberalized where premium pricing will be determined by individual insurers and takaful operators.

However, premium rates for Motor Third Party product will continue to be subjected to tariff rates.

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5. *Is this (tariff liberalization) also implemented by the other Takaful / insurance Provider Companies?*

Yes. All takaful / insurance providers may implement this tariff liberalization.

6. *What are the effects of its implementation to the consumers / customers?*

You, as the customers, will gain more benefits as follows:

- *More choices of products and channels with more competitive contribution and service levels that are appropriate to you;*
- *You may choose the coverage levels or join additional plans according to your needs;*
- *Better exposure about product characteristics, coverage limits, coverage rates to facilitate you in making the choice;*
- *Implementation of contribution rates appropriate to your risk rates;*
 - *People with lower risk rates will be imposed with a more competitive contribution rates;*
 - *People with higher risk rates will have the incentive to take the appropriate incentive to reduce the risks with better rates in the future.*

7. *What are the differences between the methods of calculation between the current vehicle takaful / insurance tariff with the new one?*

The tariff calculation adopted until now is based on the rates regulated by Bank Negara Malaysia (BNM). As a result, the calculation method for contribution / premium payment is almost similar between a takaful / insurance provider with the others.

With the implementation of vehicle tariff, each takaful / insurance provider is given freedom in determining their own calculation method for contribution / premium payment.

8. *How the current contribution / premium calculation method is made?*

Apart from the imposed tariff structure, other factors which are taken into account in determining the current calculation of contribution / premium is based on:

1. *Vehicle market value*
2. *Vehicle engine volumes (cc)*

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9. How will the implementation of tariff liberalization change the calculation method of contribution / premium?

Contribution / premium varies according to the risks of an individual driver.

For example, if you are a driver without any claim record and have been driving for a long time, the contribution / premium imposed is lower as your risk category is lower.

Meanwhile, for a new driver who has made a claim due to accident, the contribution / premium imposed is higher, based on higher risk category.

Hence, the contribution / premium rate that will be imposed is more transparent and commensurate with the chosen risk category and protection level.

10. In brief, how is the new contribution / premium calculation method is derived?

In brief, contribution/ premium rates is based on the risk category of each participant.

If you are categorized as low risk, then your contribution / premium is lower, and vice versa. Risk category is calculated based on the driver's age and experience, vehicle type and model and driver's claim record.

Other factors such as place of residence and education level may also be taken into account.

11. How about the new current contribution / premium calculation method is made in brief?

Effective 1 July 2017, under the liberalized environment, more risk factors will be taken into account in determining premiums. Other than the sum insured, cubic capacity of the vehicle engine, age of vehicle and age of driver, premiums may be driven by other factors. These factors could be safety and security features in the vehicle, duration that the vehicle is on the road, geographical location of the vehicle (in areas with higher incidents of theft) and traffic offences on record. These factors will define the risk profile group of the policyholder which will determine the premium.

As different insurers and takaful operators have different ways of defining the risk profile group, the price of a motor policy would differ from one insurer to another.

12. Why do I receive different quotations from some takaful / insurance providers before this?

There are three main reasons that make takaful / insurance providers charged differently, namely the level of protection, at no extra charge (loading) and the management fees imposed.

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13. What should we (customers) do?

Customers can compare the specifications of the products and the level of contributions / premiums offered by the takaful operator / insurance providers to obtain a reasonable offer.

14. Is the implementation of vehicle takaful / insurance tariff liberalization is good for our country?

Yes, liberalization will give more purchasing power to the consumers. This method has also been adopted by other countries such as Singapore, USA, UK, Germany and China.

15. How about fire takaful / insurance?

Fire takaful / insurance will continue be regulated based on the existing rates with regular amendments by the authorities.

16. Is my agent aware about the implementation of takaful / insurance tariff liberalization?

Yes, the Company has scheduled training and briefing sessions to all Takaful IKHLAS' agency workforce.

17. How Takaful IKHLAS makes sure that the implementation of vehicle takaful / insurance tariff liberalization is done comprehensively?

The Company has scheduled comprehensive training and briefing sessions to all Takaful IKHLAS' agency workforce regarding the implementation of vehicle takaful/insurance tariff liberalization.

18. Should I want to know more about the tariffs liberalization of vehicles takaful / insurance, what is the way?

Please contact your agent, visit our website www.takaful-ikhlas.com.my or visit the nearest Takaful IKHLAS' branch or contact out Call Center at 03-2723 9696 for further details.

19. Apart from agents and Takaful IKHLAS call center, where else can I get the information regarding the implementation of vehicle takaful / insurance tariff liberalization?

You may refer to the Insurance Association of Malaysia (LIAM), Malaysian Takaful Association (MTA) or BNM in TELELINK: 1-300-88-5465 or visit www.insuranceinfo.com.my

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20. Do I have to notify the Takaful / Insurance company of any changes to my certificate / policy?

Yes, you must notify your Takaful / Insurance company, if the objective of your vehicle Takaful coverage application has changed to other matters that are not related to trading, business or profession (which may affect the coverage).

21. Which means I have to inform the Takaful / insurance company that the coverage is for another purpose?

Yes, this is based on the provision under Islamic Financial Services Act (IFSA) 2013 under paragraph 5 of Schedule 9.

22. What if the original purpose of Takaful / Insurance coverage changed later on?

You need to notify the Takaful / Insurance company in the case of any amendments to information previously disclosed for the Takaful / Insurance plan.

23. What happens if I fail to notify the Takaful / Insurance Company of any changes on my certificate?

Failure to notify any change or amendment to the previous information may result in cancellation of the Takaful / Insurance contract, refusal or reduction of compensation or termination of contract.

24. How long will I be subject to this requirement?

This requirement (to inform of any changes or amendments to the information earlier) shall continue until the contract is entered into, varied or renewed with us.

25. What if I apply for Motor Takaful coverage for commercial vehicle?

Yes, you need to immediately notify the Takaful / insurance company of any changes to the earlier information such as for trading purposes to other purposes that could affect the coverage

26. Is the same provision applicable to both private and commercial vehicles?

No, commercial vehicle is governed by the provision of Islamic Financial Services Act (IFSA) 2013 under paragraph 4 (1) of Schedule 9.