

MOTOR & FIRE TARIFF LIBERALISATION

INTRO	<p>In 2016, Bank Negara Malaysia (BNM) released a policy document on implementation of the Bank's initiative to deregulate the pricing of motor and fire products through the gradual disapplication of requirements under the Motor Tariff and Revised Fire Tariff (Fire Tariff).</p> <p>The tariffs, which have been in place for more than three (3) decades, will no longer be applicable to certain types of motor and fire products.</p>
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WHAT	WHY
<p>Elimination of existing Motor & Fire Tariff structure to allow freedom to insurers and takaful operators to use their own mechanism in pricing policies, contributions and protection limits.</p> <p>In this new environment, the insurers and takaful operators will have the flexibility to offer motor and fire products with new features at market-based pricing which is based on the market risk behaviour of the policyholders</p>	<ol style="list-style-type: none"> To strengthen incentives for efficiency improvements and sound risk management within the general insurance and takaful sector. To offer greater flexibility and competition in pricing the motor and fire products. To drive improvements in underwriting and claims management to deliver the best service and value to customers.

HOW & WHEN	The Motor and Fire Tariff Liberalisation will be implemented in a phased approach to allow time for consumers and industry to adjust to the new operating environment.
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TIMELINE	Motor Business	Fire Business
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Prior to 1 July 2016	All available products are defined in the tariffs and are subject to tariff rates. Gradual adjustments to tariff rates for identified risk groups.
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Effective from 1 July 2016 onwards	Flexibility in products offering
	<p>Takaful / insurance company shall continue to offer the same products at the same prices that were being offered as at 30 June 2016. Such products shall be offered in accordance with the Tariffs.</p> <p>Takaful/ insurance company may introduce new products at premium or takaful contribution rates as determined by takaful/ insurance company.</p>

Effective from 1 July 2017 onwards	Gradual tariff adjustment	
	The pricing for motor products shall be in accordance with the Motor Tariff and any pricing adjustments which the Bank may specify for identified classes of vehicle.	The pricing of fire products shall be in accordance with the Fire Tariff and any pricing adjustments which the Bank may specify for identified categories of risks.
	Flexibility in product pricing	
	Products where premium or takaful contribution rates deviate from the current tariff rates for the Comprehensive, Third Party products, as the case may be by +/-10%, or any other limit subsequently specified by the bank.	Products where the premium or takaful contribution rates for the fire component deviate from the current tariff rates by +/- 30% or any other limit subsequently specified by the bank.

From 2019 onwards	The progress and impact of the phased liberalisation will be evaluated to determine the readiness of consumers and the industry for further liberalisation.
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BENEFITS TO CUSTOMERS
<ol style="list-style-type: none"> Lower risk to be charged with lower premium/ contribution rates. Higher risk will be appropriately incentivised to undertake measures to either reduce risk exposure or improve risk profiles. Greater product choice, customized, cost efficient and distribution channels Ability to vary coverage limits or purchase optional extensions. Better disclosure of product features, coverage limits, premium rates/contribution rates and new product features and options.