



## **Guidelines on Replacement of Family Takaful Certificates (ROC) – Inter Takaful Operator Procedures**

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## Document Revision Control

<b>Revision</b>	<b>Change Description</b>	<b>Effective Date</b>	<b>Approval Date</b>
page 8 item 12 - monitoring of ROC Cases	<p><b><u>Previous</u></b>  <i>"Former Family Takaful operator generates a report on all Takaful certificates that met <b>category A requirements for ROC</b> in the past 24 months i.e 12 months before and 12 months after the Agent resigns/ is terminated"</i></p> <p><b><u>Amended</u></b>  <i>"Former Family Takaful Operator generates a report on all Takaful certificates that met <b><u>the ROC definition as defined in these Guidelines</u></b> in the past 24 months i.e. 12 months before and 12 after the Agent resigns/is terminated."</i></p>	7 March 2013	6 March 2013

# **GUIDELINES ON REPLACEMENT OF FAMILY TAKAFUL CERTIFICATES (ROC) – INTER TAKAFUL OPERATOR PROCEDURES**

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## **1. Introduction**

In line with the objective of MTA to promote self-regulations for common interest among members, Guidelines on the Replacement of Family Takaful certificates – Inter-Company Procedures is all replacement of Takaful certificates between Takaful operators arising from the movement of agents and all intermediaries. BNM/RH/CIR 004-22 Replacement of Family Takaful Certificates shall apply to all replacement of Family Takaful Certificates between two Takaful operators.

## **2. Objectives**

2.1. The objectives of the Guidelines on ROC – Inter-Company Procedures are as follows:

- i. to develop a common understanding and establish a set of decisive procedures amongst member companies of MTA in dealing with external ROC;
- ii. to ensure the interest of certificate owner is continuously safeguarded;
- iii. to deter unwarranted ROC that may tarnish the reputation and best practices of Family Takaful operators;
- iv. to maintain the trust that participants place on Takaful operators knowing they will conduct their business ethically and with integrity; and
- v. to reduce the incident of the replacement family Takaful certificate.

## **3. Applicability**

3.1. These guidelines are applicable to all Family Takaful operators for external ROC.

## **4. Effective Date**

4.1. These guidelines come into effect from **1<sup>st</sup> January 2013**.

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### 5. Lodgement of Complaint to MTA

- 5.1. Member companies may write to MTA once they receive complaints on ROC from agents / participants. The written letter (refer to sample letter – **Appendix 1**) must be attached together with the information below:

Mandatory	Optional
<ul style="list-style-type: none"><li>Name of participant (s) and I/C number</li><li>Name of certificate owner (s) and I/C number</li><li>Status and lapse / termination date of old certificates</li></ul>	<ul style="list-style-type: none"><li>Certificate number</li><li>Type of product</li><li>Sum covered</li><li>Annual contribution of old certificates</li></ul>

- 5.2. The above data should be furnished in softcopy, a pdf file format. The information given will be treated as confidential.
- 5.3. For ROC cases which involve the movement of an agent to another Takaful operator, the complainant Takaful operator:
- must verify that the agent who had moved to another Takaful operator has Takaful certificates that meet the ROC criteria within the 12 months before his termination and 12 months after his termination with the complainant Takaful operator; and
  - should only submit the list of Takaful certificates that have been terminated within this period.

**6. Timeline for Lodgement of Complaints**

- 6.1. Timeline for lodging of Inter-Takaful operator ROC complaint with MTA should be within one (1) year from the date of ROC, as illustrated below:-

**Scenario 1 (Detection AFTER New Business stage)**

- 1.1. New Takaful Certificate taken with Company A: 1 February 2011 (submission date).
- 1.2. Cover lapsed with Company B: 1 January 2012 (event date).
- 1.3. Date of ROC is 1 January 2012.
- 1.4. Timeline for lodgement of ROC by Company B is by 1 January 2013.

*For Scenario 1, when the Takaful cover with Operator B has lapsed, normally Company B would not be able to know whether any ROC has taken place unless there is a complaint from the agent (where usually customer will not lodge any complaint).*

**Scenario 2 (Detection AT New Business stage)**

- 2.1. New Takaful cover lapsed with Company A is 1 February 2011 (event date).
- 2.2. New Takaful Certificate taken with Company B is 1 January 2012 (submission date).
- 2.3. Date of ROC is 1 January 2012. ROC by Company A is by 1 January 2013.

*Based on Scenario 2, if the timeline for lodgement of ROC by Company A is 1 January 2012, a 24-month period (from Takaful Certificate lapsed date 1 Feb 2011) has already been provided for Company A to lodge the complaint to MTA.*

**7. Types of ROC**

7.1. A member company may lodge a complaint on ROC when any transaction involving the participation of Family Takaful certificate if within 12 months before or after a new certificate is effected, an existing Family Takaful certificate has been has **lapsed** and **surrendered**. Inter-Company ROC **SHALL NOT APPLY** to the following:

- Where a Takaful certificate has been changed or modified into paid-up Certificate, continued as Extended Term Takaful or automatic advance from participant's account (for more than 6 months) or non-payment of contribution for more than 6 months for Investment-linked Takaful.
- Where a Takaful certificate has been changed or modified to effect a reduction in contribution by more than 25% via a reduction in sum covered/removal of riders.
- Where a Takaful certificate has been partially withdrawn.
- Where a Takaful certificate belongs to the agent, spouse or children.

7.2 ROC shall apply to all Takaful Certificates with cash value feature only.

### 8. Multiple ROC

- 8.1. If more than one Takaful certificate has been taken up to replace a Takaful certificate which has lapsed 12 months before or after the new Takaful certificate(s) has/have been taken up, only one certificate will be treated as having been replaced.
- 8.2. The new certificate with the earliest certificate commencement date shall be treated as a ROC for the purposes of imposing the penalty on commission. For certificates issued on the same date, the certificate with the highest commission shall be treated as a ROC for the purpose of imposing the penalty on commission.
- 8.3. The procedures to determine which certificate is to be penalized in terms of commission are illustrated below:

#### Scenario 1 – New Certificates are participated before the old certificate is terminated

##### Example A

- A.1 Customer participated in Certificate #1 on 1 February 2010 and Certificate #2 on 15 February 2010 from Company A.
- A.2 Customer surrendered Certificate #3 from Company B on 1 June 2010.

##### ROC

Certificate #1 with the earliest commencement date to Certificate #3 will be penalized in terms of agent's commission.

##### Example B

- B.1 Customer participated in Certificate #1 and Certificate #2 on 15 February 2010 from Company A.
- B.2 Commissions payable for Certificate #1 is RM2,000 and Certificate #2 is RM1,000.
- B.3 Customer surrendered Certificate #3 from Company B on 1 June 2010.

##### ROC

Certificate #1 which has the higher commission will be penalized in terms of agent's commission.



**Scenario 2 - New Certificates are participated after the old certificate has been terminated**

**Example C**

C.1 Certificate #1 with Company A lapsed on 1 February 2010.

C.2 Customer participated in Certificate #2 and Certificate #3 with Company B on 1 June 2010 and 31 July 2010 respectively.

**ROC**

Certificate #2 with the earliest commencement date to Certificate #1 will be penalized in terms of agent's commission.

**Example D**

D.1 Certificate #1 with Company A lapsed on 1 February 2010.

D.2 Customer participated in Certificate #2 and #3 with Company B on 1 June 2010.

D.3 Commissions for Certificate #2 is RM1,000 and Commissions for Certificate #3 is RM2,000.

**ROC**

Certificate #3 which has the higher commission shall be penalized in terms of agents' commission.

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### **9. Timeline for Reply on ROC Complaints**

- 9.1. Member companies will be given 14 working days to reply to MTA to confirm on whether there is ROC. There will be no extension of deadline since the new format of submission of information will facilitate the Member companies to check.
- 9.2. Member companies are advised to use the standard replies (refer to appendix) under the following scenarios:
  - (a) Where ROC has taken place (**Appendix 2**);
  - (b) Where there is no ROC or ROC does not fall under the Inter-Takaful Operator Procedures (**Appendix 3**).

### **10. Penalty on Commission (Clawback)**

Penalty of commission (clawback) must be enforced within 90 days from the date of issuance of ROC letter to the participants. Member companies need not furnish the proof of action taken as per current practice. The penalty on agents' commission shall apply for the commission paid or payable on new certificate within 12 months before or after a new certificate is affected and not the entire allocation and will be kept by the company that issued the certificate and not to refund back to the participant.

### **11. Movement of Agents**

Agents who resign from their current Takaful operator are prohibited to bring over their businesses to the new Takaful operator, if he resigns and joins the new Takaful operator. Member companies should ensure that all their agents abide by these guidelines. Adherence to these guidelines will reduce occurrence of ROC.

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### 12. Monitoring of ROC Cases

12.1. Member companies are required to adopt stringent measures to deter ROC and apply an effective tracking mechanism to detect the number of ROC cases. The tracking should be 12 months before and 12 months after the agent leaves the previous Takaful operator.

12.2. The illustration is as follows:-

12 months after an agent resigns/ is terminated and joins another Takaful operator, the previous Takaful operator generates a report to check if there were any certificates brought by the agent had met ROC requirements in the past 12 months before and 12 months after the resignation / termination of the agent.

If yes, then MTA is informed with the relevant info.



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**Appendix 1 - Sample letter to be sent by Complainant operator to MTA**

Company ZZZ Letterhead

**Strictly Private & Confidential**

Ref No. :

DD/MM/YY

CEO/Executive Secretary  
Malaysia Takaful Association  
21st Floor, Menara Takaful Malaysia  
Jalan Sultan Sulaiman  
50000, Kuala Lumpur, Malaysia

Dear Mr / Ms,

**External Replacement of Family Takaful Certificate(s)**

We received a complaint from our agent on the business conduct of Takaful Operator YYY agent(s). It was alleged that the Takaful Operator YYY agent(s) had instigated our participants to discontinue their existing Takaful certificate and have Takaful Operator YYY Takaful certificate. We are providing the mandatory data which we anticipate will become useful to Takaful Operator YYY in investigating this matter further. (Appendix 1 – Please find protected PDF file.)

Thank you,

Yours sincerely,

Complaints Handling  
Customer Care Department  
Company ZZZ

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**Appendix 2 - Sample of Standard Reply if there is a ROC**

Date:

CEO/Executive Secretary  
Malaysia Takaful Association  
21st Floor, 21st Floor, Menara Takaful Malaysia  
Jalan Sultan Sulaiman  
50000, Kuala Lumpur, Malaysia

Dear Sir/Madam

**External Replacement of Family Takaful Certificate(s) against Takaful Operator XXX**

**Name of Participant** : \_\_\_\_\_  
**NRIC No.** : \_\_\_\_\_

We refer to your letter of (date) with regard to the above replacement of certificate(s) case(s).

We have investigated the matter and wish to inform you that the participant(s) has/ have Takaful certificate(s) with us.

In view that the case falls under the definition of the Replacement of Takaful Certificate is in accordance with Bank Negara Malaysia guidelines which came into effect on 30 March 2005, we will:-

- a. inform the participant of the disadvantages of replacing the existing Takaful certificate(s) with a new Takaful certificate; and
- b. take the necessary action on the agent and agency manager concerned including penalty on commission, based on BNM/RH/CIR 004-22 and Inter-Takaful Operator Procedures.

Thank you.

Yours sincerely

Name:  
Designation:

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**Appendix 3 - Sample of Standard Reply if there is no ROC**

Date:

CEO/Executive Secretary  
Malaysia Takaful Association  
21st Floor, Menara Takaful Malaysia  
Jalan Sultan Sulaiman  
50000, Kuala Lumpur, Malaysia

Dear Sir/Madam

**External Replacement of Family Takaful Certificate(s) against Takaful Operator XXX**

**Name of Participant** : \_\_\_\_\_  
**NRIC No.** : \_\_\_\_\_

We refer to your letter of (date) with regard to the above replacement of Family Takaful certificate (s).

We have investigated the case and wish to inform you that there is no new Takaful certificate issued to the abovenamed.

**OR**

We have investigated the case and wish to inform you that the new Takaful certificate which was issued belongs to the agent, spouse and/or children. As per the Inter-Takaful operator Procedures, this will be exempted from ROC.

In this respect, we shall consider this case as resolved.

Please contact (name) at (telephone no.) if you need further clarification.

Thank you.

Yours sincerely

Name:  
Designation: