

THE MOTOR INSURANCE COVERAGE



Written By
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by :

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The Motor Insurance Coverage

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No. eISBN : e ISBN 978-967-0032-42-9



First Published in 2022 by:

UNIT PENERBITAN

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ACKNOWLEDGEMENT

We are very grateful for the success of producing this e-book with the opportunity provided by FITAC and PSA. We would like to express our gratitude for the support and encouragement given by the head of the commerce department, as well as fellow lecturers. The completion of this e-book could not have been possible without the participation and commitment from each and every one of the authors. The contributions are sincerely acknowledged. Lastly, we would like to thank all those who helped us throughout the process of this e-book.

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THE LEARNING OBJECTIVE

AT THE END OF THIS TOPICS, STUDENTS SHOULD BE ABLE TO :

1.0 DETERMINE THE STRUCTURE AND THE SCOPE OF COVERAGE UNDER MOTOR INSURANCE.

- **COMPREHENSIVE COVER**
- **THIRD PARTY FIRE AND THEFT**
- **THIRD PARTY ONLY COVER**
- **DISCUSS THE ADDITIONAL BENEFIT AVAILABLE FOR MOTOR INSURANCE**
- **DISCUSS THE GENERAL EXCEPTIONS, ENDORSEMENTS, CONDITIONS AND WARRANTIES**
- **DISCUSS THE NO CLAIM DISCOUNT AVAILABLE**

INTRODUCTION

1.0 THE STRUCTURE AND THE SCOPE OF COVERAGE UNDER MOTOR INSURANCE.

In Malaysia, there are 3 types of car insurance coverage, namely comprehensive cover, Third Party Fire and Theft, Third Party only and Motor Act Cover (Motor Act Cover only the Third Party Bodily Injury Damage (TPBID) portion of Section B operative).

It's completely mandatory for all drivers in Malaysia to get a valid car insurance policy. Without that, you won't be able to renew your road tax through the Road Transport Department (JPJ).

And without your road tax, you won't be allowed to drive on Malaysian roads legally. If you get caught without a valid road tax, Section 14(4) of the Road Transport Act (RTA) 1987 would leave you with a fine of up to RM3,000.

**MOTOR ACT
(ONLY THE TPBID
PORTION OF SECTION B
OPERATIVE)**

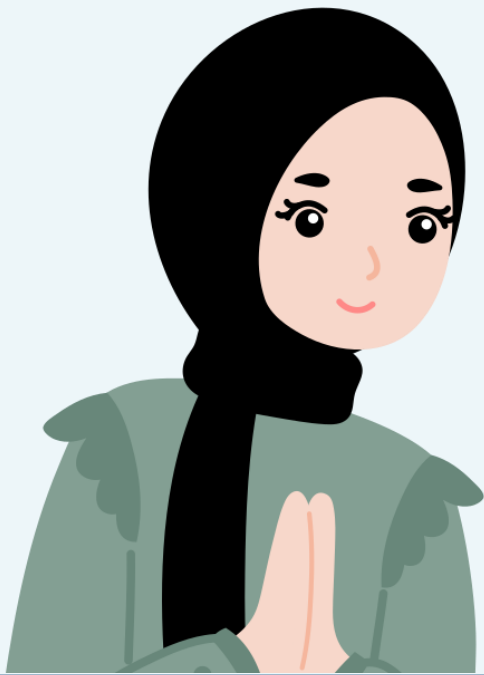
**THIRD PARTY ONLY
Endorsement 3p
(whole of Section B is
operative with all of
Section A deleted)**

LEVEL OF COVER AVAILABLE IN PRIVATE CAR INSURANCE

A yellow Volkswagen Beetle car is positioned in the center of the page, behind the main title. It is a classic model with a black roof and white wheels.

**THIRD PARTY
FIRE AND THEFT (TPFT)
Endorsement 3Q
(whole of Section B
operative with only a
part of Section A
applicable)**

**COMPREHENSIVE
BOTH Section A and
Section B are
operative)**



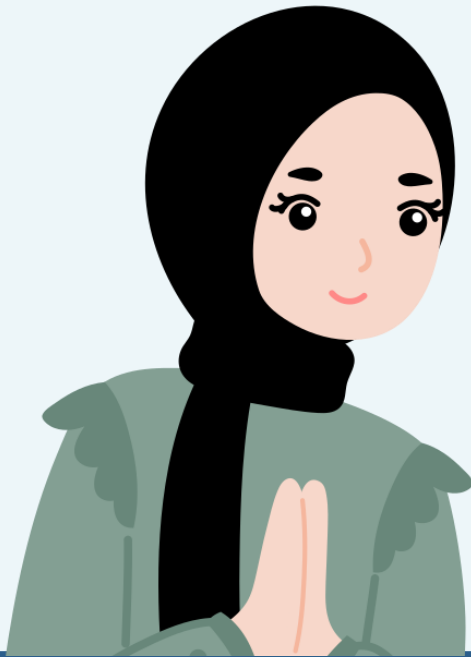
What is covered
under Motor
Act Only?

This is the minimum cover .
Cover is provided in respect
legal liability for death or
bodily injury to any third
party person (subject
to certain exclusions)
caused by arising out of
the use of the insured motor
vehicle on a road.



However,
this minimum cover
mostly exists in theory,
as most insurers
prefer to offer at
least the TPO (third
party only) cover





Then what is
covered under
Third Party only
policy

The company will indemnify the insured and authorized driver for the amount that the insured and the authorized driver are legally liable to pay (including claimants' costs and expenses) for :-

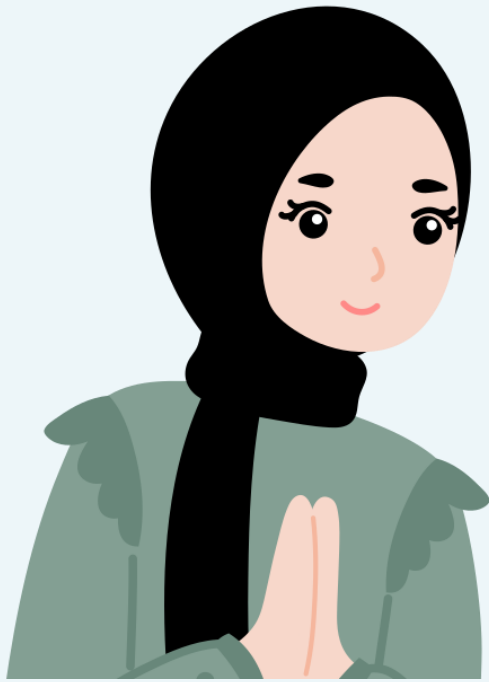
BI(a) : Third Party Bodily Injury & Death
(TPBID)

death or bodily injury to any person except those specially excluded under Exceptions to Section B

BI(b) : Third Party Property Damage
(TPPD)

damage to property as a result of an accident arising out of the use of the vehicle

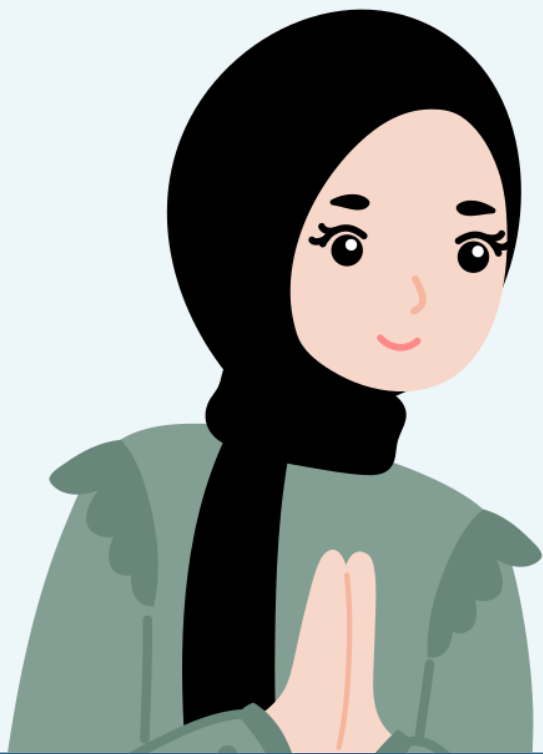




What is covered
under Third
Party, fire and
Theft only policy

TPFT provides cover against loss or damage to the insured vehicle due to fire and theft. Since other own damage such as collision & overturning are not covered the premium is about 75% of that charged for comprehensive.

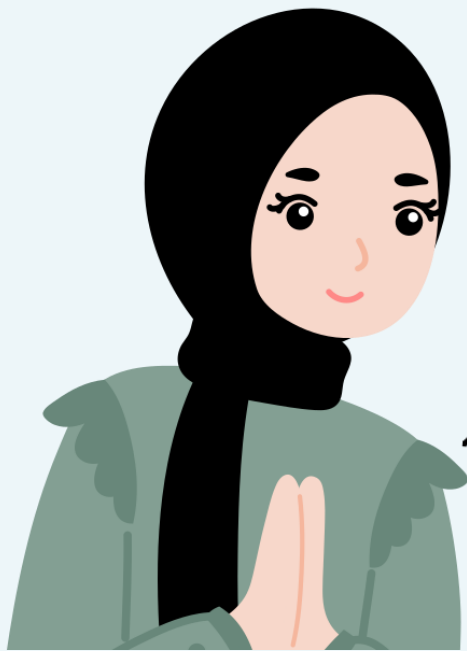




What is
comprehensive
insurance cover?

This is the widest standard cover available as it combines all the covers given above plus other own damage risks such as accidental collision & overturning, malicious damage, etc. The most expensive. This insurance does not cover every conceivable risk. It is subject to a number of exclusions, some of which can be covered by the purchase of extensions.

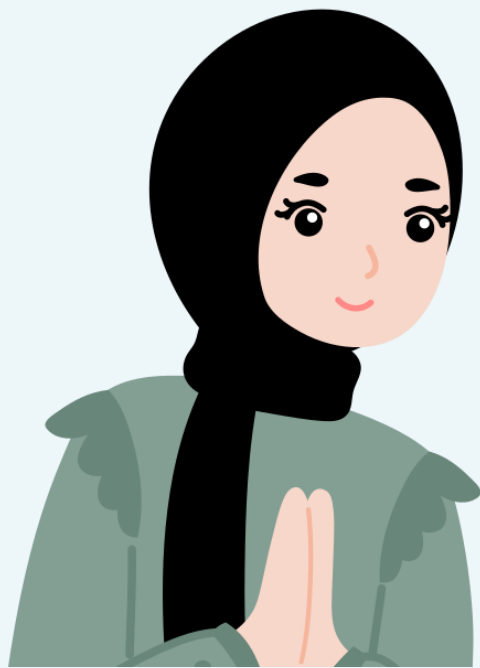




Can you explain
the full coverage
for Comprehensive
cover



Sure.. Let's read
the following
explanation



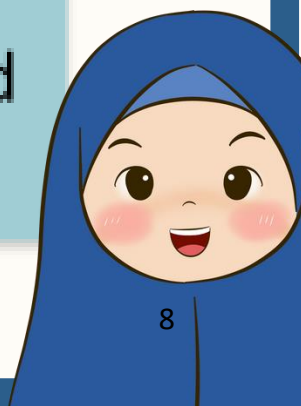
Comprehensive
policy is dividend
into 2 Section
Section A and B

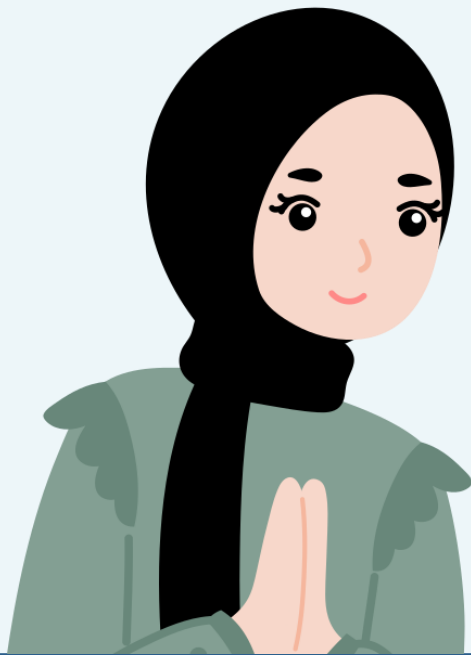
COMPREHENSIVE COVER

The widest
form of cover.

Section A – loss
or damage to the
Motor vehicle

Section B -
Liability to Third
Parties

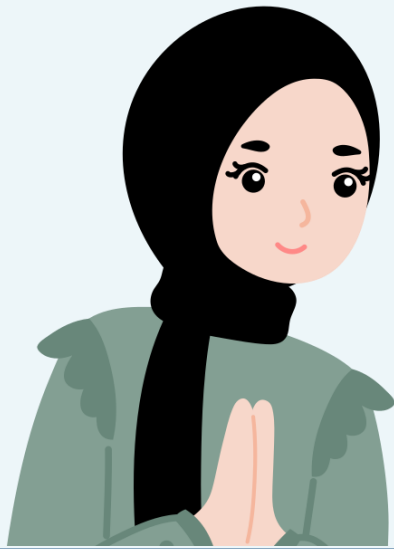




Can you explain
what is covered
under Section A

The company will indemnify
the Insured against loss of or
damage to the Motor Vehicle
and its accessories and spare
parts while thereon!!!





thereon
what???

by accidental collision
or overturning

by collision or overturning
caused by mechanical breakdown

by collision or overturning
caused by wear and tear

By fire explosion or
lightning

By burglary,
housebreaking or theft

By malicious act





there is another 2 points the company will indemnify the insured

- by impact damage caused by falling objects provided no flood, typhoon, hurricane, storm, tempest, volcanic eruption, earthquake, landslide, landslip, subsidence or sinking of the soil/earth or other convulsion of nature is involved.
- When in transit (including its loading and unloading) by:
 - road rail inland waterway
 - direct sea route across the straits between the island of Penang and the mainland



Is there any
exceptions on the
policy



Sure.. there is 7
points on exclusion,
the company will
not pay for:

consequential losses of any nature

the loss of use of the vehicle

Depreciation, wear and tear. Rust and corrosion, mechanical or electrical or electronic breakdowns, equipment or computer malfunction, failures or breakages to the vehicle except breakage of windscreen, window or sunroof including lamination/tinting film, if any

Damage to the vehicle tyres unless the vehicle is damaged at the same time

Any loss or damage caused by or attributed to the act of cheating/criminal breach of trust by any person within the meaning of the definition of the offence of cheating/criminal breach of trust

The excess stated in the Schedule.

The failure or inability of any equipment or any computer program to recognize or correctly to interpret or process any date as the true or correct date or to continue to function correctly beyond the date



Tell me what is covered under Section B



The company will indemnify the insured and authorized driver for the amount that the insured and the authorized driver are legally liable to pay (including claimants' costs and expenses) for:

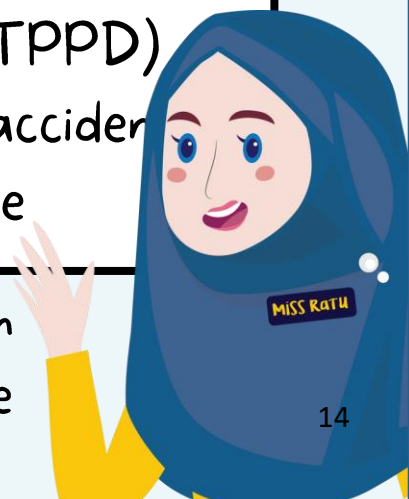
BI(a) : Third Party Bodily Injury & Death (TPBID)

Ø death or bodily injury to any person except those specially excluded under Exceptions to Section B

BI(b) : Third Party Property Damage (TPPD)

Ø damage to property as a result of an accident arising out of the use of the vehicle

provided the authorized driver also complies with all the terms and conditions of the policy the insured subject to





Is there any
exceptions on the
policy



Sure.. there is 6
points on exclusion,
the company will
not pay for:

death or bodily injury to any passenger being carried for hire or reward

death or bodily injury to any person where such death or injury arises out of and in the course of the employment of such person by insured or by insured authorized driver.

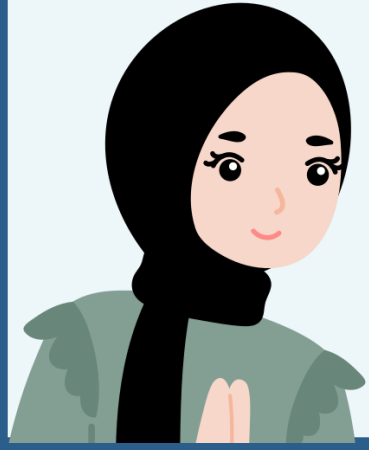
Damage to property belonging to or in the custody of or control of or held in trust by insured and/or authorized driver and/or any member of the insured and authorized driver

Liability to any person who is a member of the Insured and/or authorized driver's household who is a passenger in the insured vehicle unless he/she is required to be carried in or on the vehicle by reason of or in pursuance of his/her contract of employment with the Insured and authorized driver and/or his/her employer


Any claims brought against any person in any country in courts outside Malaysia, the Republic of Singapore and Negara Brunei Darussalam

All legal costs and expenses which are not incurred in or recoverable on Malaysia, the Republic of Singapore and Negara Brunei Darussalam

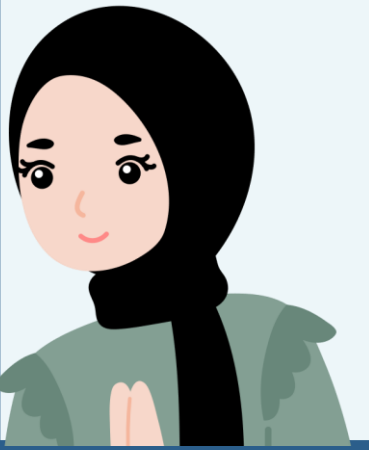





Do third party coverage have limit of liability?



Sure.. not all cover full cover, there is a limit



what is the limit?



the limit is !!!

Section BI(a) TPBID- unlimited
-in respect of any one claim or series of claims arising out of one event

Section BI(b) TPPD - limited to RM 3 million
- in respect of any one claim or series of claims arising out of one event



Is there any
legal coverage
for 3rd party
cover?

Following the death of any
person covered under this Policy

,
the company will indemnify that
person's legal representative
for liability covered under this
Section,

provided such legal
representatives comply with all
the terms and conditions of the
policy

The company will pay legal costs incurred up
to a maximum of RM 2,000.00

for defense of any charge including the
charge of causing death by driving the Motor
Vehicle (other than Murder)

if the company prior written agreement had
been secured.





Is there any
legal coverage
for 3rd party
cover?

Following the death of any
person covered under this
Policy

the company will indemnify
that person's legal
representative for liability
covered under this Section,

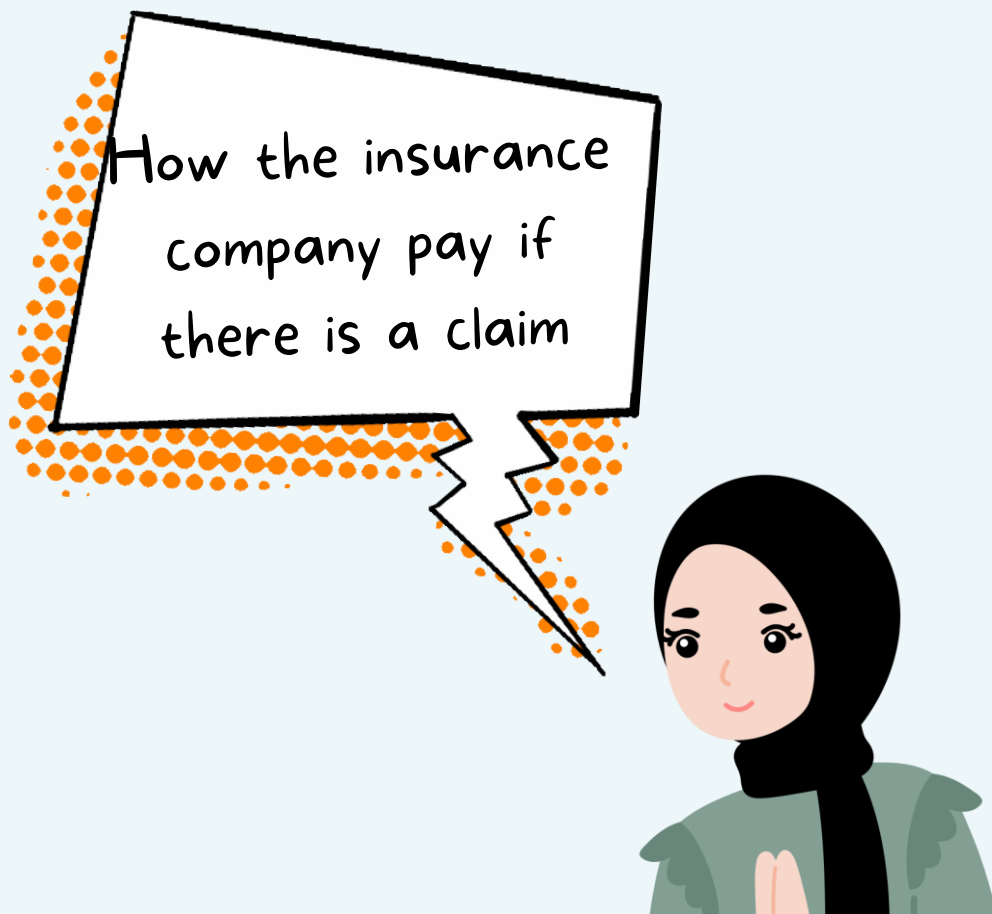
provided such legal
representatives comply with all
the terms and conditions of
the policy

The company will pay legal costs incurred
up to a maximum of RM 2,000.00

for defense of any charge including the
charge of causing death by driving the
Motor Vehicle (other than Murder)

if the company prior written agreement
had been secured.





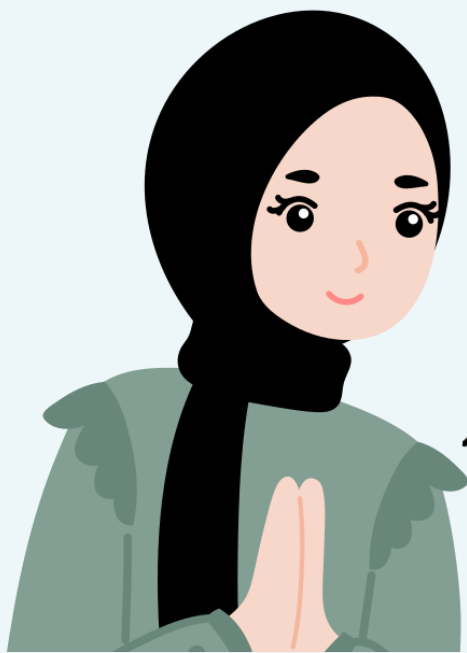
The company will at their option

- pay the cost of repair to the vehicle
- pay in cash the amount of the loss or damage to the vehicle
- reinstate or replace the vehicle

The maximum amount that the company will pay is the market value of the vehicle at the time of the loss or the sum insured of the policy whichever is lower figure

The maximum amount the company will pay for the cost of repairs to the vehicle shall be the expenses necessarily incurred to restore the damaged Vehicle to its pre-accident condition. If new franchise parts are used, the insured will have to bear the betterment portion of the franchise parts replaced in accordance with the following scale :-

Age of Vehicles/Years	Rate of Betterment (not to exceed following %)
Less than 5 years	0
5	15
6	20
7	25
8	30
9	35
10 and above	40



Can you explain the coverage for Third Party Fire and Theft Coverage



Sure.. Let's read the following explanation

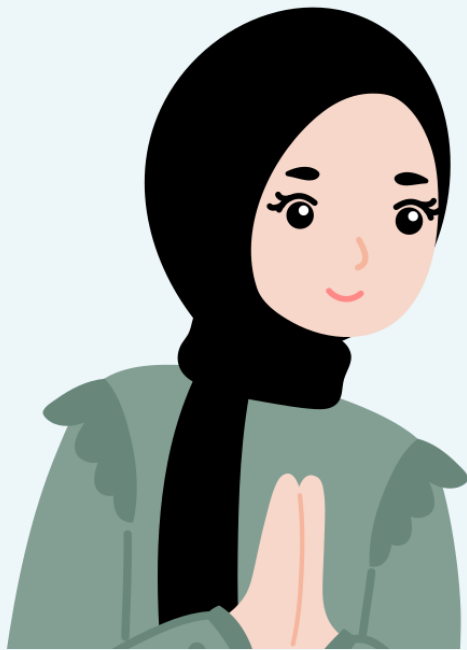
This form of cover provides third party cover plus cover for loss of or damage to the insured vehicle as a result of fire, external explosion, self ignition, lightning, burglary housebreaking or theft.



In the normal practice, insurance company issues this type of policy by attaching the Endorsement No 3(q) - Third Party Fire and Theft to the private car comprehensive policy



THE ADDITIONAL BENEFIT AVAILABLE FOR MOTOR INSURANCE



Can you explain the additional benefit available for motor insurance

If the Insured feels that the basic motor policy does not give him the complete coverage that he desires, the insured may opt to buy additional cover to pay by paying a certain additional premium.





Tell me what is the option of the additional coverage available



some of the additional covers are offered because they are excluded from basic policy such as Windscreen, Strike, Riot And Civil Commotion, Flood, Legal Liability Of Passengers (LLOP), Legal Liability To Passengers (LLTP) and Named Driver

WINDSCREEN

ENDORSEMENT 89 : 15% of Sum Insured Windscreen

This windscreen extension is not really for the purpose of covering the windscreen per se. The purpose of this extension is actually to protect the loss of NCD.

The advantage of buying this additional cover is that the Insured can claim for breakage to the windscreen or any glass window of the insured vehicle without losing his NCD or having to bear an Excess. But the Insured has to pay additional premium for this optional cover based on the market value of the standard factory-fitted windscreen, for example, RM500 or RM750 or other.

This extension not only covers damages to the front windscreen but also the back and all the glass windows of the insured car. It is specifically designed to cover breakage of glass windows only. As such if other parts of the insured car are damaged at the same time, such loss would be claimed from Section A1 in the usual way. In such a case, the Insured will lose his NCD and also have to bear the excess.

Minimum cover RM30

RIOT

ENDORSEMENT 25: STRIKE, RIOT AND CIVIL COMMOTION (SRCC) 0.3% of Sum Insured Vehicle

By paying additional premium, the insurance coverage provided under Section A will extend to cover loss or damage to the insured vehicle caused by:

- the wilful act of any striker or locked out worker to further a strike or to resist a lock out;
- the act of any person taking part together with others in disturbance of the public peace (whether in connection with a strike or lockout or not);
- and the action of any lawfully constituted authority in preventing, suppressing or attempting to prevent or suppress any of these acts or in minimising the consequences of them.

Apart from the above, Endorsement 25 still does not cover the following:

- civil war, war, invasion or acts of foreign enemy hostilities or warlike operations (whether war is declared or not);
- revolution, rebellion or civil disturbance amounting to a popular uprising; and
- Acts of Terrorism.

FLOOD

ENDORSEMENT 57: 0.5% of Sum Insured Vehicle

- By paying additional premium, the insurance coverage provided under Section A will extend to cover loss or damage to the insured vehicle caused by Flood, Typhoon, Hurricane, Storm, Tempest, Volcanic Eruption, Earthquake, Landslide, Landslip, Subsidence or Sinking of the Soil/Earth or other convulsion of nature.

LEGAL LIABILITY OF PASSENGERS (LLOP)

ENDORSEMENT 72: RM7.50 per car

By paying additional premium, the cover provided under Section B will be extended to cover legal liability incurred by the passenger in the insured vehicle.

This extension is given on condition that the passenger:

- is not driving the insured vehicle;
- is not entitled to indemnity under any other Policy of insurance;
- and complies with all the terms of this Policy as though he/she is the insured.

This extension is subject to the following exclusions:

- death or bodily injury to any person who is employed by the passenger and who dies or is injured in the course of such employment; and
- damage to any property belonging to the passenger or the insured or that is being carried in the insured vehicle.

LEGAL LIABILITY TO PASSENGERS (LLTP)

25% of Third Party premium

- with the inclusion of Endorsement 100 as required by the tariff, all PC policies passengers. exclude liability to all.
- However this does not mean that an injured passenger in a private car cannot successfully sue the negligent driver.
- In view of this possibility, the Insured might want to consider buying Legal Liability to Passenger (LLTP) cover as optional cover.
- With the payment of additional premium Endorsement 100 will be removed.
- The LLTP extension however, does not cover liability towards fare paying passengers because Private PC owners (as prescribed within the CI for Private Car) should not charge their passengers fares like a bus or a taxi.
- Note that this extension can be applied to both Comprehensive as well as Third Party policies.

OTHERS

E109 : EXTENSION OF COVER FOR FERRY TRANSIT TO AND/OR FROM SABAH AND THE FEDERAL TERRITORY OF LABUAN

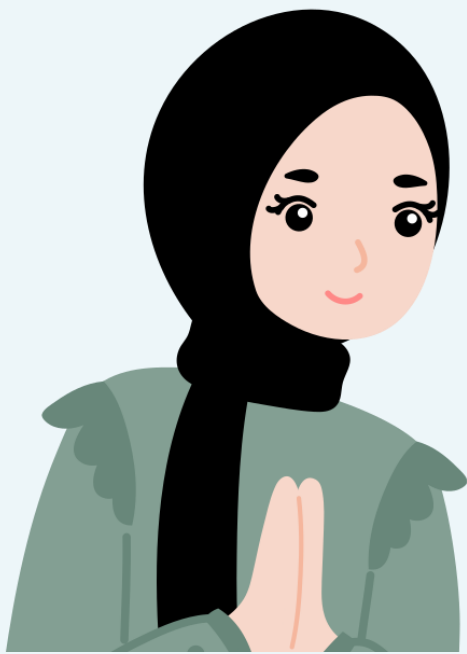
- This extension provides Own Damage cover in the event the insured vehicle is damaged while in transit to and/or from Sabah and Federal Territory of Labuan.
- Notes: that there is an Excess of 1% of the Sum Insured or RM500 (whichever is higher) for each and every claim arising out of one transit.

EIII : CURRENT YEAR "NCD" RELIEF

- This extension is meant to reimburse the Insured in the event his NCD is forfeited due to a claim being made under the Policy.
- The amount payable is equal to the Insured's NCD entitlement as shown in the Policy Schedule for the current period of insurance.
- Notes: that this extension is only available to those having a Comprehensive policy.

EII2 : COMPENSATION FOR ASSESSED REPAIR TIME (CART)

- This extension will pay for the number of days required to repair the insured vehicle in the event of a claim under Section A as assessed by the loss Adjuster or the amount in the policy Schedule whichever is the lesser.
- The insured must select the maximum rate per day and the maximum number of days that he wishes to be covered for. CART claims are not subject to any Excess and any claims paid will not affect the NCD entitlement. This extension does not cover claims for breakage of glass payable under Endorsement 89 for any delay in the time taken to repair the insured car beyond the assessed repair time) due to any reason at all.



What is motor insurance discount?

A No-Claim Discount (NCD) is an entitlement given to insured if no claim has been made under insured policy for a year or more with the current/existing insurer. It reduces the premium insured have to pay for the following year.

NCD is a discount ranging from **25-55%** on your premium payable that has to be earned by maintaining a claim-free record in the past **12** months.

The No Claim Discount rate is fixed by Persatuan Insurans Am Malaysia (PIAM) Motor Tariff that increases yearly up to **55%** after five years as long as no claims are made.

In Malaysia, the NCD rate is different for Private and Commercial Vehicle / Motorcycle. Private vehicle enjoys more discount up to 55% discount maximum, while commercial and motorcycle's discount is capped at 25% discount.

In Malaysia, the NCD rate is different for Private and Commercial Vehicle / Motorcycle. Private vehicle enjoys more discount up to 55% discount maximum, while commercial and motorcycle's discount is capped at 25% discount.

MALAYSIA NO-CLAIM DISCOUNT (NCD) RATE		
No-Claim Period	Private Vehicle	Commercial / Motorcycle
1st Year	0%	0%
2nd Year	25%	15%
3rd Year	30%	20%
4th Year	38.33%	25%
5th Year	45%	25%
6th Year onwards	55%	25%

SELF TEST

INSTRUCTIONS: Answer all questions.

1. What is covered under own damage?
[3 marks]
2. What are the 3 types of motor insurance?
[3marks]
3. Explain the scope of cover in private car policy?
[10 marks]



THE LEARNING OBJECTIVE

AT THE END OF THIS TOPICS, STUDENTS SHOULD BE ABLE TO :

2.0 THE NEW BUSINESS PROCESS IN MOTOR INSURANCE

2.1 THE PROPOSAL /DECLARATION (OR PRE ACCEPTANCE STAGE)

2.2 THE PROPOSER'S DUTY OF DISCLOSURE

2.3 INSURER'S DUTY TO DISCLOSE

2.4 WAIVER BY INSURER

2.5 DURATION OF DUTY TO DISCLOSE

2.6 DECLARATION

2.7 POLICY DOCUMENT

2.8 PREMIUM PAYMENT- CASH BEFORE COVER

2.9 THE ISM'S ROLE

2.0 THE NEW BUSINESS PROCESS IN MOTOR INSURANCE

New business refers to application for insurance submitted for the first time to an insurer by a potential customer known as the 'proposer'.

This is different from renewals where the insurer already have most of the required information except for certain changes.

However, there could be instances when there are just too many changes that a renewal can be processed as a new business.

There are basically three parts to the new business process flow namely:

- the proposal/declaration (or pre-acceptance stage)
- the underwriting decision (will discuss in underwriting topic)
- the issuance of the relevant documents

2.1 THE PROPOSAL /DECLARATION (OR PRE ACCEPTANCE STAGE)

APPLICATION FORM PROPOSER

The new business process starts with the proposer making an application for insurance by providing key information about the risk to be insured.



UNDERWRITING DECISION

This is to enable the underwriter to decide whether or not to accept the application or proposal.

The proposer completing a physical application or proposal form and submit for quotation and transaction (for face to face transactions) or answer certain questions posed by an intermediary over the telephone (for insurance via telephone) or key-in the information on a Point of Sales (POS) system if the transaction is done online.



2.1 THE PROPOSAL /DECLARATION (OR PRE ACCEPTANCE STAGE)

PROPOSER DECISION

At this stage the proposer can choose to accept or decline the terms quoted. Acceptance is now up to the proposer to accept by paying the premium



UNDERWRITING DECISION



The insurer will assess the proposed risk based on the information provided and then decide whether to:

**Accept the risk at standard terms;
Offer acceptance at non-standard or different terms; or
Reject the proposal outright.**

2.2 THE PROPOSER'S DUTY OF DISCLOSURE

When the proposer applying for insurance, there is a condition about a duty of disclosure to the insurer information material to the risk proposed.

If the proposer fails to disclose all material facts, the insurer is entitled to avoid the policy.

The duty of disclosure used to be imposed more heavily on the insured than on the insurer.

Paragraph 11 of Schedule 9 of FSA 2013 (section 129) provides for two different rules of "Pre-contractual duty of disclosure for insurance contracts"

The term 'Pre-contractual' refers to time before any of the following:

- the contract is entered into; or
- any changes/variations is made to the existing contract;
- or the existing contract is renewed

This means that after the insurance contract is concluded or varied or renewed, the proposer is no longer under the said obligation.

TWO DIFFERENT RULES OF "PRE-CONTRACTUAL DUTY OF DISCLOSURE FOR INSURANCE CONTRACTS"

CONSUMER INSURANCE CONTRACT

Are considered as having complied with the duty of disclosure if the individual applicant has fully and faithfully answered all questions contained in the proposal form.

In the absence of any specific question or an express request for information, the insurer shall not repudiate a claim on ground of non disclosure as stated in para 5(6) part 2 of Schedule 9 FSA:

" Where a proposer fails to answer or gives an incomplete or irrelevant answer to a question contained in the proposal form or asked by the insurer and the matter was not pursue further by the insurer, compliance with the duty of disclosure in respect of a matter shall be deemed to have been waived by the insurer".

NON CONSUMER INSURANCE CONTRACT

Subject to para 4(1)part 2 Schedule 9 FSA which reinforces the duty of disclosure on the proposer to disclose all relevant material facts even when a specific question is not asked or contained in the proposal form:

"Before a contract of insurance is entered into, a proposer shall disclose to the insurer a matter that:

- a) he knows to be relevant to the decision of the insurer on whether to accept the risk or not and the rates and terms to be applied; or
- b) a reasonable person in the circumstances could be expected to know to be relevant

However this duty does not require the disclosure of a matter that :

- diminishes the risk to the insurer;
- is of common knowledge;
- the insurer knows or in the ordinary course of his business ought to know; or
- in respect of which the insurer has waived any requirement for disclosure.

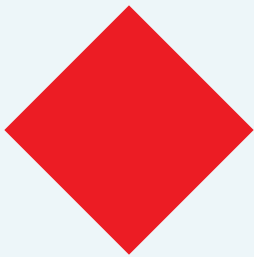
2.3 INSURER'S DUTY TO DISCLOSE

- The duty of disclosure also applies to insurers as well as those involved in the selling of insurance products such as agents, etc.
- This means that all information provided during the process of selling insurance to a potential customer must also be accurate and true.
- Paragraph 11 of Schedule 9 (Section 129) FSA 2013 provides that Insurers (including their agents) must not persuade customers to purchase, amend or renew a policy by:
 - Making a statement that is misleading, false or deceptive whether fraudulently or otherwise;
 - Fraudulently concealing a material fact; or
 - In case of an insurance agent, use any sales brochure or sales illustration not authorised by the insurer.
- Note that the above duty is also extended to cover:
 - Both consumer and non-consumer insurance contracts;
 - Insurance agents, insurance brokers, financial advisers and their representatives.
- In addition to the above, it is also a requirement under FSA 2013 for anyone inviting others to enter into a contract of insurance to disclose:
 - name of the insurer they represent;
 - his or her relationship with the insurer (i.e. as agent, staff etc.);
 - the premium to be charged by the insurer.

2.4 WAIVER BY INSURER

The insurer is deemed to have waived their right to disclosure under the circumstances described below.

For Consumer contracts, the insurer is deemed to have waived the duty of disclosure:



If the insurer does not ask specific questions about the risk being proposed; or



If the proposer did not answer a specific question in the proposal form or gives an incomplete or irrelevant answer to any request by the insurer and the insurer pursue the matter further or take steps to rectify the situation.

2.5 DURATION OF DUTY TO DISCLOSE

The duty of disclosure remains in force throughout the pre-contract stage and only ends when the contract is entered into, varied or renewed.

This duty of disclosure is again revived when an alteration is to be made to an existing contract or at the time of renewal of contract since legally renewals are regarded as a fresh contract

2.6 DECLARATION

At the end of the proposal form, there is a declaration that the proposer must sign.

The following is an example of a declaration and insurers do add others as well so long as these do not contravene the spirit of Schedule 9:

Declaration:

I/We am/are aware that I/we must answer all questions and declarations in this application, and that these answers and declarations are accurate and complete. I/we agree that failure to answer a question or declaration, or incorrectly answering a question or declaration, may result in termination of the policy, a claim not being paid, or the terms and conditions of the policy being changed.

2.7 POLICY DOCUMENT

Insurance policy

This is the pre-printed standard tariff motor policy forms discussed in some detail

Information provided by the proposer to the insurer/agent when applying for the insurance

This is not just confined to the information provided in the application form but can also include documents such as the JPJ logbook, or information given over the phone or via internet. Many insurers now capture the answers given online and send same back to the insured in hard-copy called 'underwriting information' for record.

Endorsements:

those applicable to the policy (if any) will be mentioned in the policy schedule; plus

Policy Schedule

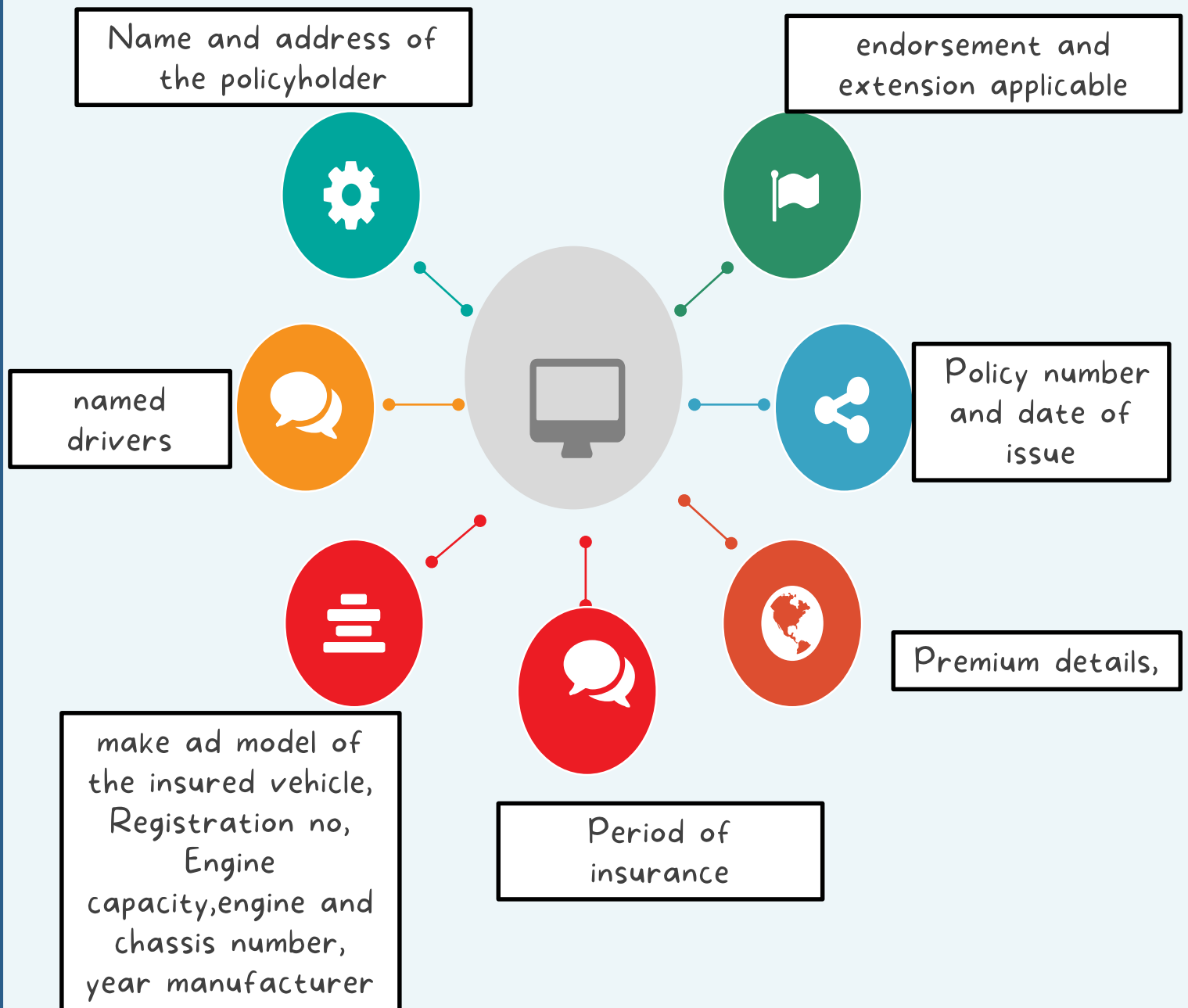
Contains policy wordings (together with endorsements) and it differs from one another according to the classes or types of vehicle, however, the basic structure stays the same.

Certificate of Insurance (CI)

The certificate concerns itself solely with the legal requirements under the RTA and in many ways is more for the benefit of any third party than the policyholder.

a) POLICY SCHEDULE

The document displays the printout of key information relevant to the particular contract such as:



b) CERTIFICATE OF INSURANCE

The certificate concerns itself solely with the legal requirements under the RTA and in many ways is more for the benefit of any third party than the policyholder.

The layout and content of a certificate of motor insurance is prescribed by the Motor Vehicle (Third Party Risks) Rules 1960.



TAKAFUL IKHLAS GENERAL BERHAD (1233870-A)
IKHLAS Point, Tower 11A, Avenue 5, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.
Tel: 03-2723 9999 Fax: 03-2723 9998 Website: www.takaful-ikhlas.com.my
(Licensed under Islamic Financial Services Act 2013
and regulated by Bank Negara Malaysia)

CERTIFICATE OF TAKAFUL

JPJ A1 MX1

Road Transport Act, 1987 (Malaysia)
Motor Vehicles (Third Party Risks) Rules, 1959 (Malaysia)
Motor Vehicles (Third Party Risks & Compensation) Act (Cap 189) Republic of Singapore
Motor Vehicles (Third Party Risks & Compensation) Rules 1960 (Republic of Singapore)
Motor Vehicles Insurance (Third Party Risks) Act (Cap 90) Negara Brunei Darussalam

Certificate No.: **MR1036080**

1. Index Mark and Vehicle Registration No. RL83
2. Name of Participant ADI AL BIN MOIDEEN
3. I/C No.
4. Effective date of Commencement of Takaful for the purposes of the Ordinance 22/04/2023
5. Date of Expiry of Takaful 21/04/2023
6. Persons or Classes of Person Entitled to Drive. *
 - (a) The Participant
 - (b) Any other person who is driving on the Participant's order or with his permission.Provided that the person driving is permitted in accordance with the licensing or other laws or regulations to drive the Motor Vehicle or has been so permitted and is not disqualified by order of a Court of Law or by reason of any enactment or regulation in that behalf from driving the Motor Vehicle.
7. Limitation as to Use. *

Use only for social, domestic and pleasure purposes and for the Policyholder's business.
The Policy does not cover use for hire or reward, racing, pacemaking, reliability trial speed-testing, the carriage of goods other than samples in connection with any trade or business.

*Limitation rendered inoperative by Section 95 of the Road Transport Act 1987 (Malaysia) or Section 8 of the Motor Vehicles (Third Party Risks and Compensation) Act (Cap 189) Republic of Singapore or Section 7 of the Motor Vehicles Insurance (Third Party Risks) Act (Cap 90) Negara Brunei Darussalam are not included under this heading.

I/WE CERTIFY THAT THIS COVERING NOTE IS ISSUED IN ACCORDANCE WITH THE PROVISIONS OF PART IV OF THE ROAD TRANSPORT ACT, 1987 (MALAYSIA), MOTOR VEHICLES (THIRD PARTY RISKS & COMPENSATION) ACT (CAP 189) REPUBLIC OF SINGAPORE AND THE MOTOR VEHICLES INSURANCE (THIRD PARTY RISKS) ACT (CAP 90) NEGARA BRUNEI DARUSSALAM

Untuk dan bagi pihak / For and on behalf of
TAKAFUL IKHLAS GENERAL BERHAD

Tandatangan Diberi Kuasa / Authorised Signatory

■ The details contained on a certificate include:-

a. certificate number – the same as the policy number



b. index mark and registration number



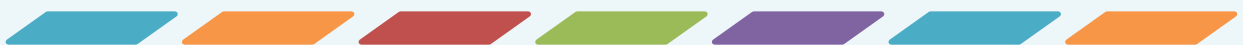
c. name of policyholder



d. effective date of the commencement of cover



e. effective date of the commencement of cover



f. date of expiry



g. persons or classes of persons entitled to drive



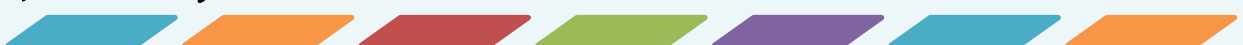
h. limitations as to use



i. a declaration



j. The signature of the authorized insurer



c) COVER NOTES

- motor cover note is accepted as a temporary certificate of insurance under the Road Transport Act pending the issuance of the permanent insurance policy.
- No motor cover notes can be issued unless and until the premium has been paid in accordance with the provision of the "cash before cover" regulation in accordance with Section 84(1) of FSA 2013
- The possession of the cover notes would facilitate the process of paying the road tax.
- Effective from 1 January 2005, the issuance of physical cover notes and the manual process of renewing road tax are no longer in use.
- The process of cover note has been replaced by e-JPJ or electronic cover notes system.
- The electronic cover notes system is part of the e-government initiative undertaken by the Ministry of Transport

It has been agreed by all the parties involved that :

- i) insurance companies and takaful operators must transmit motor insurance/takaful information electronically to JPJ
- ii) policy owners would receive confirmation slip from their insurers/ takaful operators/agents as proof of insurance/ takaful purchases (confirmation purchase of insurance)
- iii) upon confirmation of successful transmission by the insurer/ takaful operator/agent concerned, policy owners would only then proceed to their JPJ or Pos Malaysia offices for road tax renewal.

- Information on cover notes are:



a) Name and address of insured



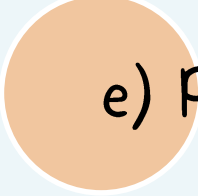
b) Period of cover



c) Details of vehicle



d) Form of cover provided



e) Premium and Excess

An additional item in the footnote states that a cover notes is issued in line with all the various legislations

2.8 PREMIUM PAYMENT- CASH BEFORE COVER

The Insurance (Assumption of Risk and Collection of Premium) Regulations 1980, commonly known as 'CBC Regulations', have been in force since 1st November 1980.

The regulations provide that the premium must be paid before a motor insurance cover note or policy can be issued by the insurers or their intermediaries. To further reinforce compliance to the Cash Before Cover (CBC) regulations, BNM introduced in 2004 some stringent actions to be taken by insurers for non-compliance such as compounding, suspension and deregistration.

These regulations are now carried into the new legislations with very high penalty for non compliance. The relevant provisions of the FSA 2013 in relation can be found in Section 84 which reads as follows:

- 1) No licensed insurer shall assume any risk in respect of such description of policy as may be prescribed by the Bank unless and until the premium payable is received by the licensed insurer in such manner and within such time as may be prescribed by the Bank.*
- 2) Where the premium payable under subsection (1) is received by a person on behalf of a licensed insurer, the receipt shall be deemed to be receipt by the licensed insurer for the purpose of that subsection and the onus of proving that the premium was received by a person who was not authorised to receive the premium shall lie on the licensed insurer.*

Penalty: Impose a monetary penalty between RMI Million to RM5 Million

2.9 THE ISM'S ROLE

Insurance Services Malaysia (ISM) was set up in 2003 as a department within PIAM to collect relevant data from insurers, process them into statistical reports & analytics, and disseminate the data back for insurers to use.

With such a large industry database, ISM is able to provide the support needed to enable members to conduct checks on vital claims and underwriting information before the motor policies are issued using their respective Point-of-Sales (PoS) systems. Among the more important support system provided by ISM are:

1. Centralised No-Claim Discount (NCD) system;

The No-Claim Discount (NCD) is a reward scheme received by motor policyholders for not making a claim during the preceding 12 months.

- NCD provided the incentive for the insured not to make a claim in order to qualify for discounts on the succeeding renewal premium.

2. Automobile Business Intelligence (also called ISM-ABI):

- This is a vehicle valuation database consisting of vehicle current market value, etc.;

3. Claims and Underwriting Exchange (CUE);

- ISM provides relevant information that can assist in the underwriting decision at the POS system. Data may include insured or vehicle claims history, policy lapse days and fraud suspects. This is an important source of information as the duty of disclosure (for individuals) is no longer on the customers.

4. Claims Verification system

- Here ISM shares data of possible cases of fraud from the Motor Anti-Fraud Register (MAFR). These are usually data on stolen or total loss vehicles to alert the insurer for possible fraud cases and take the necessary action

5. Knowledge Management system (ISM-KMS)

- This is a business intelligence system where subscribers (insurers) can access the system to work on available data and analytics

SELF TEST

INSTRUCTIONS: Answer all questions.

- I. Briefly explain the treatment as to the Certificate of Insurance (CI)
 - a) in the event the insured cancelled his motor insurance policy
 - b) transfer of interest from the insured to another party

[10 marks]

References

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- Chai, P. C. (2010). Motor & Work Injury Insurance. Lexis Nexis.
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e ISBN 978-967-0032-42-9



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