

## **Comparison Among Countries in ASEAN with Existing Insurance Policy Guarantee Scheme**

*Compiled by the ASEAN Insurance Council (AIC) Secretariat, Jakarta*

In the ASEAN region, there are three countries currently providing guarantee for insurance policy holders, namely, Malaysia (since 2005<sup>1</sup>), Singapore (since 1986<sup>2</sup>) and Thailand (since 1992).

The following are the government or private institutions responsible for providing guarantee scheme to policy holders in Malaysia, Singapore, and Thailand:

### Malaysia

“Perbadanan Insurans Deposit Malaysia (PIDM) is an integrated financial consumer protection authority for bank depositors and owners of takaful certificates and insurance policies, and resolution authority for its member institutions (MIs<sup>3</sup>). In Malaysia, the main financial system safety net players are the Ministry of Finance (MOF<sup>4</sup>), Bank Negara Malaysia (BNM<sup>5</sup>) AND PIDM.

### Singapore

Singapore Deposit Insurance Corporation Limited (SDIC) administers the Deposit Insurance (DI) Scheme and Policy Owners' Protection (PPF) Scheme in Singapore. SDIC is a company limited by guarantee under the Companies Act. The board of directors is accountable to the Minister in charge of the Monetary Authority of Singapore (MAS).

The Policy Owners' Protection (PPF) Scheme protects policy owners in the event of a failure of a direct insurer licensed to carry on life and/or general insurance business which is a PPF Scheme member.

### Thailand

Thailand separates the institution responsible for the insurance policy guarantee scheme into:

- General Insurance Fund (GIF) for Non-Life Sector
- Life Insurance Fund (LIF) for Life Sector

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<sup>1</sup> PDIM was established in 2005 under Akta Perbadanan Insurans Deposit Malaysia (PIDM Act). Takaful and Insurance Benefits Protection System (TIPS) came into effect on 31 December 2010.

<sup>2</sup> When PPF was first introduced in 1986, levy was applied on an ex-post basis under the Insurance Act (Cap 142). In 2011, following the introduction of the Deposit Insurance and Policy Owners' Protection Schemes Act 2011, the levy was revised to ex-ante basis.

<sup>3</sup> Consist of member banks and insurer members

<sup>4</sup> MOF is responsible for treasury function and economy planning such as setting out public policies related to the financial system as a whole and for determining the fiscal stimulus, tax and in

<sup>5</sup> BNM is the primary supervisor and regulator of financial institutions and responsible for maintaining stability, safety and soundness of the financial system.

For General Insurance Fund (GIF), it was established under the Chapter V, Section 79-83 of Non-Life Insurance Act B.E. 2535 (1992). Hence, GIF is an independent juristic person, for the purposes of protecting creditors (policyholders) who are entitled to receive payment of insurance debts, in the event that a company is subject to revocation of the license by Minister of Finance. And the other purpose is to develop the non-life insurance business to ensure its stability and security. GIF is not a government organization or state enterprise under the law on budgetary procedures.

In accordance with the Life Insurance Act B.E. 2535 (1992) Chapter V / Section 84, a Fund to be called the "Life Insurance Fund" shall be established as a juristic person, for the purposes of protecting creditors who are entitled to receive payment of insurance debts, in the event that a company is bankrupt or is subject to revocation of the license to undertake life insurance business, and for development of the life insurance business, to ensure its stability and security.

The Fund shall not be a government organization or state enterprise under the law on budgetary procedures.

The following is the comparison of the insurance policy guarantee schemes across the three countries based on the responses to the questions below:

Questions:

- 1. Are all types of insurance products, both life and general, guaranteed by the *Insurance Policy Guarantee Scheme*? Are insurance products with investment plan also guaranteed? Do these products have standard premium?**

Malaysia

The protection under Takaful and Insurance Benefits Protection System (TIPS) is accorded on a benefit-based basis. Benefits of all types of takaful and insurance products for life and general are protected by PIDM, if the certificate or policy meets the eligibility conditions of (i) denominated in Ringgit Malaysia; (ii) issued in Malaysia by an insurer member; and (iii) reported by insurer member to Bank Negara Malaysia (BNM) as Malaysian takaful certificate or policy. Notwithstanding, for investment-linked certificate or policy, maturity, surrender and income benefits that are payable from the unit portion (or also called investment portion) are not protected by PIDM.

Contribution or premium that is paid by certificate or policy owner to their insurer members for takaful and insurance coverage is determined by the insurer members. For premium rate (i.e. levy rate) imposed by PIDM to an insurer member, it is calculated based on differential levy systems ("DLS") – the better risk profile, the lower the levies and vice versa. Please refer to Q4 for more information.

Singapore

The PPF Scheme comprises the PPF Life Fund and PPF General Fund, which are established from levies on PPF Scheme members (please see the response to Q4 for further details on the levies). Please see sections below on the coverage of the PPF Life and General Funds. There is an ongoing review on the coverage of the PPF Life and General Funds.

### PPF Life Fund

Life and accident and health (A&H) insurance policies (including riders) issued in Singapore by direct life insurers which are PPF Scheme members to both residents and non-residents of Singapore are covered under the PPF Life Fund. Policies issued by overseas branches of a direct life insurer incorporated in Singapore are not covered. The life and A&H insurance policies covered are:

- Individual and group term life policies
- Individual and group whole life policies
- Individual and group endowment policies
- Individual and group annuities
- Individual and group (A&H) policies

The PPF Life Fund only protects the guaranteed benefits of life insurance policies. Hence, in the case of investment-linked policies, any form of guarantees in the benefits such as capital guarantees or guaranteed death benefits provided by the PPF Scheme member will be classified as guaranteed benefits and covered under the PPF Life Fund. Where the benefits are tied to the performance of the underlying asset (i.e. value of the units of the investment-linked sub-funds), such benefits are considered non-guaranteed in nature and not covered under the PPF Life Fund. Please refer to Appendix B of MAS' response to feedback received on the consultation paper on the review of the PPF Scheme: [\[link\]](https://www.mas.gov.sg/-/media/MAS/resource/publications/consult_papers/2006/ResponseCP_PPF_Dec05.pdf) [[https://www.mas.gov.sg/-/media/MAS/resource/publications/consult\\_papers/2006/ResponseCP\\_PPF\\_Dec05.pdf](https://www.mas.gov.sg/-/media/MAS/resource/publications/consult_papers/2006/ResponseCP_PPF_Dec05.pdf)]

### PPF General Fund

Compulsory insurance policies under the Motor Vehicles (Third Party Risks and Compensation) Act 1960 and Work Injury Compensation Act 2019 and short-term A&H policies issued by direct general insurers which are PPF Scheme members are covered under the PPF General Fund. The PPF General Fund also covers policies of specified personal lines issued to individuals where the risks arise in Singapore, or the policy owner is resident in Singapore. The types of specified personal lines covered are:

- Personal motor insurance policies
- Personal travel insurance policies
- Personal property (structured and contents) insurance policies
- Foreign domestic maid insurance policies

Further details on the coverage of the PPF Life and General Funds can be found in the following links below:

- i) SDIC website: <https://www.sdic.org.sg/>
- ii) Consultation and response papers:
  - <https://www.mas.gov.sg/publications/consultations/2017/review-of-policy-owners-protection-scheme--scope-coverage--operational-issues>
  - [https://www.mas.gov.sg/-/media/mas/news-and-publications/consultation-papers/response-to-feedback-received-on-di-ppf-cps\\_17-may-2018.pdf](https://www.mas.gov.sg/-/media/mas/news-and-publications/consultation-papers/response-to-feedback-received-on-di-ppf-cps_17-may-2018.pdf)

## Thailand

GIF : GIF was created for the purpose of protecting creditors (policyholders) who are entitled to receive payment of insurance debts, in the event that a company is subject to revocation of the license by Minister of Finance. GIF covers all general insurance products.

LIF: LIF was created to provide protection to policyholder and beneficiary who are entitled to receive payment of policy benefit, in the event that a company has its license to undertake life insurance business revoked or company dissolve including the incidents which specified in the life insurance contract was occur before a company has its license revoked. The Fund shall make payment to the policyholder and beneficiary entitled to receive payment of policy benefit on behalf of a company whose license to undertake life insurance business is revoked except for the Investment part of Life Insurance Policy.

### **2. What is the maximum limit of the guarantee for one policy?**

## Malaysia

Each benefit from an eligible certificate or policy is protected up to the limit of RM500,000 or 100% (only applicable for healthcare, refundable prepaid contribution or premium for healthcare and compulsory insurance under Road Transport Act 1972 and Workmen's Compensation Act 1952). For more detail limits under "TIPS", please refer to the table of Protected Benefits and Limits of Protection via this link <[PIDM - Coverage For TIPS](#)>

## Singapore

### *Compensation for Life and A&H Insurance*

In the event of a failure of a life insurer which is a PPF Scheme member and the policy owner:

- a) has a claim under a life insured policy which happened before the PPF Scheme member failed;
- b) has given notice to the life insurer that he/she wants to surrender a life insured policy before the failure; or
- c) has policies which have matured before the insurer fails; or
- d) has been receiving annuity payments; or
- e) is entitled to refund of premiums before the failure under a policy that is covered under the PPF Scheme.

The policyholder is entitled to be paid compensation for the guaranteed benefits payable under his/her life insured policy; subject to certain caps as follows:

- Individual life and voluntary group life policies (with the exception of annuities): Cap of S\$500,000 for the aggregated guaranteed sum assured and S\$100,000 for aggregated guaranteed surrender value per life assured per insurer.
- Individual and voluntary group annuities: Cap of S\$100,000 for the aggregated commuted value of guaranteed benefits (i.e. annuity payments, death or surrender benefits) per life assured per insurer.
- Non-voluntary group term life policies: Cap of S\$100,000 for guaranteed sum assured per policy.
- Non-voluntary group whole life or endowment policies: Cap of S\$100,000 for guaranteed sum assured and S\$50,000 for guaranteed surrender value per policy.

- Non-voluntary group annuities: Cap of S\$100,000 for commuted value of guaranteed benefits per policy.

No caps are applicable to the compensation payable under individual or group A&H policies or riders to any policy issued to an individual except for riders which accelerate part of the sum assured of the main insured policy in case of a specified event such as illnesses. These riders are subject to the caps applicable to the main insured policy. Also, no caps will be applied to any accumulated values, including interest accrued on such values, of coupon deposits, advance premium payments and unclaimed monies. Unclaimed monies are monies for claims which have been ascertained by the failed insurer to be due and payable before the date the insurer fails but which have not been received by the policy owner or beneficiary entitled to the payment. Investment-linked policies with benefits directly tied to the value of the underlying net assets would not be covered since they are not guaranteed benefits. However, coupon deposits, advanced premium payments and unclaimed monies are covered if the underlying life policies are covered.

#### *Compensation for General Insurance*

In the event of a failure of a general insurer which is a PPF Scheme member, and the policy owner has a claim to make under a general insurance policy, his/her entitlement to compensation is as follows:

- (i) For a compulsory insurance policy under the Motor Vehicles (Third Party Risks and Compensation) Act and Work Injury Compensation Act, the full amount of any liability of the failed PPF Scheme member as provided for under the relevant legislation is payable; and
- (ii) For A&H policies (both Singapore and offshore policies) and for a specified personal line which is a Singapore policy, i.e., personal motor, personal travel, personal property (structure and contents) or personal foreign domestic worker policy, the full amount of any liability of the failed PPF Scheme member to the insured policy owner under the terms of the general insured policy is payable

Take note that the liability for (ii) would also include the refund of premiums so that the policy owners can look for alternative coverage.

Policy owners will be compensated for claims incurred, up to 30 days after the winding up order, in respect of the insured policies.

Caps are currently imposed on the following type of claims under the PPF Scheme:

- S\$50,000 for own property damage motor claims, under personal motor insurance policies
- S\$300,000 for property damage claims, under personal property (structure and contents) insurance policies

#### *Thailand*

GIF : The maximum limit of the guarantee of GIF shall not exceed Baht 1,000,000 for one insured person/entity. For more information, please see Section 80/5 of Non-Life Insurance Act B.E. 2535 (1992).

LIF : The sum that each policyholder and beneficiary will receive from the Fund shall not exceed the amount of sum assured in case the total amount of sum assured of all insurance contracts is more than one million baht, the policyholder and beneficiary is entitled to receive a payment of only one million baht

**3. Are the ones provided guarantee protection only individual policy holders or does the guarantee include corporations as well?**

Malaysia

All takaful certificate and insurance policy owners, regardless individuals or corporates, are eligible to be protected under TIPS.

Singapore

The policy owners are typically individuals but can also include non-individuals, such as companies, as long as their policies or benefits are covered under the PPF Scheme.

Thailand

GIF protects both individual policyholders and corporations.

LIF protects both policyholders and corporations.

**4. Is there only one rate or contribution to be applied for all or is it differentiated by product and size of the insurance company?**

Malaysia

PIDM implemented the DLS framework for its insurer members. Through DLS, PIDM charges different levy rates to the insurer members according to their risk profiles, and the amount paid is based on their respective size/exposure (i.e. actuarial valuation liabilities for family takaful and life, and net contributions or premiums received for general insurance). Depending on the levy category that insurer member is classified, the annual rate for family takaful, life insurance and general insurance is ranging between 0.025% - 0.2% and for general takaful, the rate is ranging from 0.1% - 0.8% (for assessment year 2022). For more information on the criteria in assessing risk profiles of each insurer member, you may refer to these guidelines on [DLS](#) and [DLST](#) (Differential Levy System for Takaful).

Singapore

Levy rates imposed on PPF Scheme members are based on (i) MAS' supervisory risk rating of the PPF Scheme member; and (ii) whether the PPF Scheme member is a life or general insurer. PPF Scheme members shall pay a minimum levy of S\$2,500 (for any premium year), in respect of insured policies covered under each of the PPF Life Fund and PPF General Fund. Details on the risk-based levy rates can be found in the Schedule of the relevant regulation [here](#).

Thailand

GIF : A single rate contribution is applied to all classes of business. Currently the contribution rate is at 0.25% of insurance premium and the maximum rate is 0.5% under Section 80/3 of Non-Life Insurance Act B.E. 2535 (1992).

LIF : A company shall make contributions to the Fund at the rate announced by the OIC, with the approval of the Minister. This rate shall not exceed 0.5 percent of the insurance premiums received by the company during the period of six months prior to making contributions to the Fund.

**5. What is the process involved in the reporting of customer data to the Administrator of the Insurance Guarantee Scheme?**

Malaysia

At this moment, PIDM does not receive any submission of individual customer data from insurer members or BNM. In the event of an insurer member failure, PIDM will work with the insurer member on the access of the relevant customer data, for example, for the purpose of claim payment and refund of prepaid contributions or premiums.

During business-as-usual, the process for reporting to PIDM is in accordance to the relevant reporting requirements as stipulated in various guidelines, for example, for information submission for the purpose of annual levy assessment. You can refer to link <[PIDM - Guidelines](#)>. For the reporting by insurer member to BNM, please be advised to refer to BNM on reporting process and requirements.

Singapore

MAS and SDIC are in the process of finalising a pre-agreed information template which the failed insurer would need to submit to SDIC for compensation payout to be made. It is also envisaged that such information be submitted by all PPF Scheme members to SDIC on a regular basis even during peacetime.

Thailand

GIF : GIF will be triggered as soon as the Minister of Finance revokes the insurance license. In such case, GIF has to notify all policyholders within 30 days and asking the policyholders to apply for the fund payment within 60 days from the date of receipt of the notification.

LIF : The process involved in the reporting of customer data to the OIC when its license revoked through the process to the auditor report.

**6. Is it compulsory for the insurance companies to submit their financial reports to the Administrator of the Insurance Guarantee Scheme and will it conduct an audit if it perceives the submitted financial report to be doubtful?**

Malaysia

Insurer members are required to submit their financial reports to PIDM as per PIDM's "Malaysia Deposit Insurance Corporation (Terms and Conditions of Membership) Regulations 2008", as amended by the Malaysia Deposit Insurance Corporation (Terms and Conditions of Membership) (Amendment) Regulations 2017. You can refer to this link <[PIDM - Regulations](#)>.

PIDM may conduct examination (under section 96 of PIDM Act) to assess if the report made by insurer members on levies, takaful or insurance liabilities are substantially correct; and conduct due diligence or other examinations (under section 97 of PIDM Act), on insurer member for the purpose to exercise any powers under section 25 (intervention) or section 99 (resolution) of PIDM Act.

Singapore

Insurance companies are not required to submit their financial reports to SDIC. Presently, there are requirements for them to file audited annual returns, annual PPF returns, as well as financial statements to MAS.

Thailand

GIF : Since the GIF and OIC (our insurance regulator) are working very closely, insurance companies need not to submit the financial report. For your information, our insurance commissioner is sitting on the Board of GIF as Vice-Chairman.

LIF : Yes, the companies have to submit the financial report annually to the OIC which the OIC can verify the information of remittances to the Fund from financial report.

**7. How is the claim carried out to the policyholders if ever an insurance company is declared to be bankrupt? In the case of transfer and run-off?**

Malaysia

In the event of an insurer member failure which necessitates a payment for the protected benefits, PIDM will make payment to takaful certificate or insurance policy owners upon occurrence of the claims event, maturity or surrender of the takaful certificate or insurance policy provided the claims are made within a specified time frame.

Singapore

Liquidators will typically retain part of the claims staff to continue to process the claims through the insurer's systems. As mentioned earlier, the failed insurer will need to submit information in a pre-agreed format to SDIC in order for compensation payout to be made. There are provisions in the Deposit Insurance and Policy Owners' Protection Schemes Act 2011 that require the appointed liquidator to work together with SDIC to ensure that any covered party (i.e. policy owners and other relevant third parties such as beneficiaries) who is entitled to receive compensation receives the payment as soon as reasonable practicable.

Details of other compensation scenarios are as follows:

Policies written by life insurers tend to be long-term in nature, and early termination can cause a substantial loss in policy value (due to low surrender value or inability to take up new insurance cover if life assured is in poor health or already advanced in age). As such, it is important to continue to allow for PPF to fund for transfer of policies to another buyer to ensure continuity in coverage as far as reasonably practicable.

However, there may be instances where there is no suitable buyer for the entire portfolio. As such, upon MAS making the determination, PPF may also be used to fund the set up a new insurer to run-off the PPF protected liabilities of the remaining non-transferred portfolio, or have the option to compensate policy owners up to the protected liabilities and terminate the policies accordingly.

A combination of options may be adopted for the entire business of the failed insurer.



## Thailand

GIF : Please be reminded that if the insurance company declares bankrupt by itself, GIF will not be triggered. However, when the insurance company's license has been revoked by Minister of Finance, GIF will be activated to pay the policyholders without waiting for the bankruptcy process by court.

Remarks: For more information about the General Insurance Fund (GIF), please see details from Chapter V, Chapter 79-83 of Non-Life Insurance Act B.E. 2535 (1992).

LIF : The policyholder and beneficiary can make a claim by filling in an application form and attaching important documents as specified by the Fund.

For more information, inquire via email : lif@lifeif.or.th or at the website www.lifeif.or.th

### Sources:

[https://www.pidm.gov.my/pidm2022/media/downloads/PIDM\\_An-overview-of-Perbadanan-Insurans-Deposit-Malaysia-PIDM.pdf](https://www.pidm.gov.my/pidm2022/media/downloads/PIDM_An-overview-of-Perbadanan-Insurans-Deposit-Malaysia-PIDM.pdf)

<https://www.pidm.gov.my/en/how-we-protect-you/tips/coverage-for-tips>

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<https://www.sdic.org.sg/>

<http://www1.oic.or.th/en/rule/nonlife01.php> to access: Thailand's NonLife Insurance Act B-1.E. 2535 complete version

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**Final Note:**

This compilation was inspired by the need for Indonesia to learn from its ASEAN neighbors in the operationalization of the Insurance Policy Guarantee Scheme that was signed into law in 2022. The questions were raised by Mr. Julian Noor, a senior insurance practitioner.

*Indonesia's Insurance Policy Guarantor Board*

For Indonesia, the Financial Sector Omnibus Law has just recently been signed, paving the way for the creation of the Policy Guarantee Agency or Insurance Policy Guarantor Board.

Financial Sector Omnibus Law, popularly known as RUU P2SK (Bill on the Financial Sector Development and Strengthening) was passed into law by Indonesia's House of Representatives (DPR) on 15 December 2022. This leads to the creation of Insurance Policy Guarantor Board (*Lembaga Pinjamin Polis*) which is under the jurisdiction of the Deposit Insurance Corporation (*Lembaga Penjamin Simpanan*) and a timeframe of up to 5 years before it can be fully be in operation.

The LPS shall establish and collect underwriting premiums and periodic policy guarantee dues, as well as establish and collect contributions at the time the insurer first becomes a participant. In addition, LPS is also authorized to manage its wealth and liabilities, including deleting books and deleting bills on assets in the form of receivables and other assets.

The P2SK Law also authorizes LPS to obtain data on policyholders, insureds, and insurance participants. LPS is also authorized to obtain insurance company health data, insurance company financial statements, and insurance company examination reports. LPS is allowed to conduct an examination of the insurance company, alone or together with the OJK (Financial Services Authority).

Source: <https://mediaasuransinews.co.id/editorial/akhirnya-indonesia-punya-lembaga-penjamin-polis/>