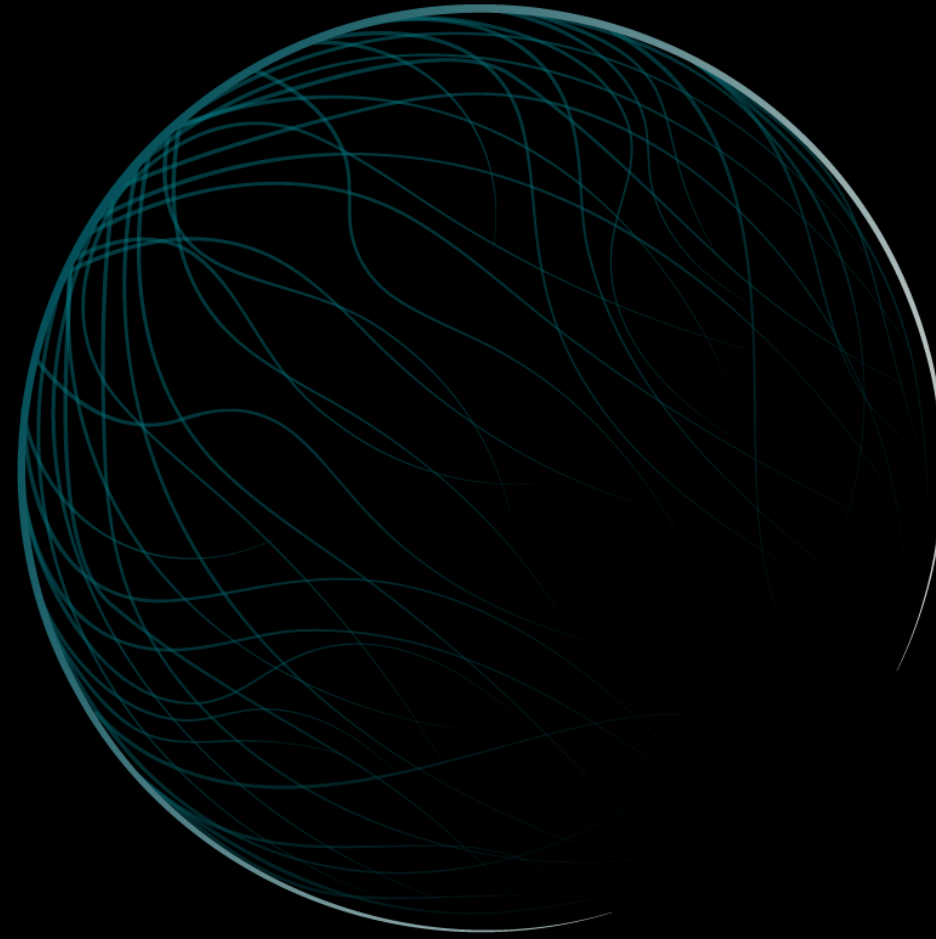


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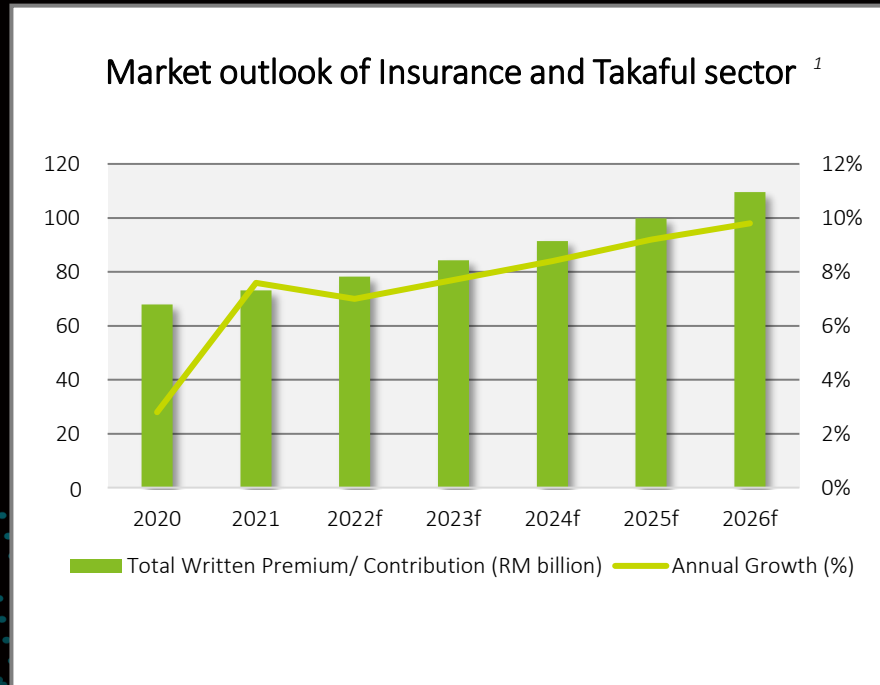
# Onwards and Beyond: Reaching New Heights for Digital Insurance and Takaful Sector in Malaysia

The Malaysia Digital Insurers and Takaful Operators Conference 2023

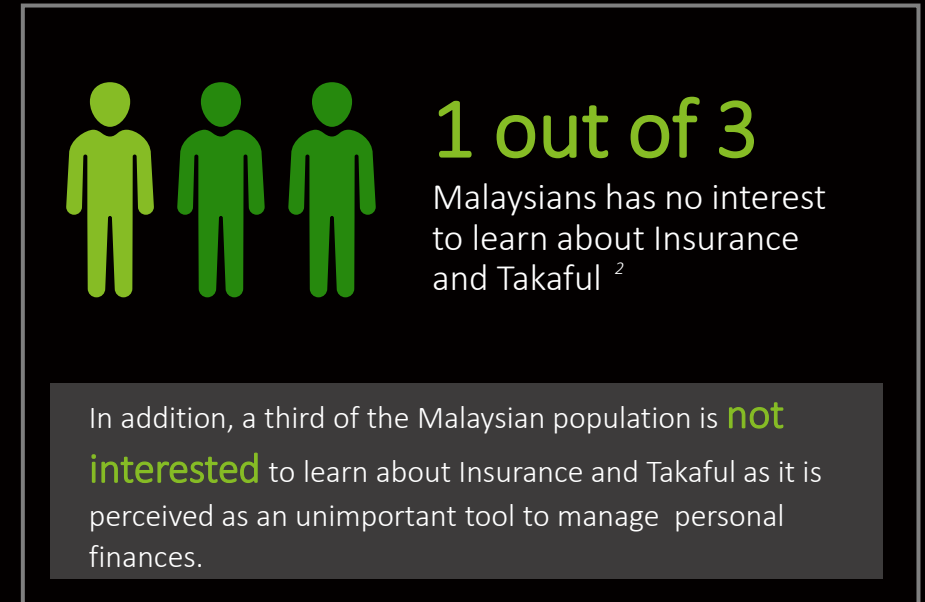
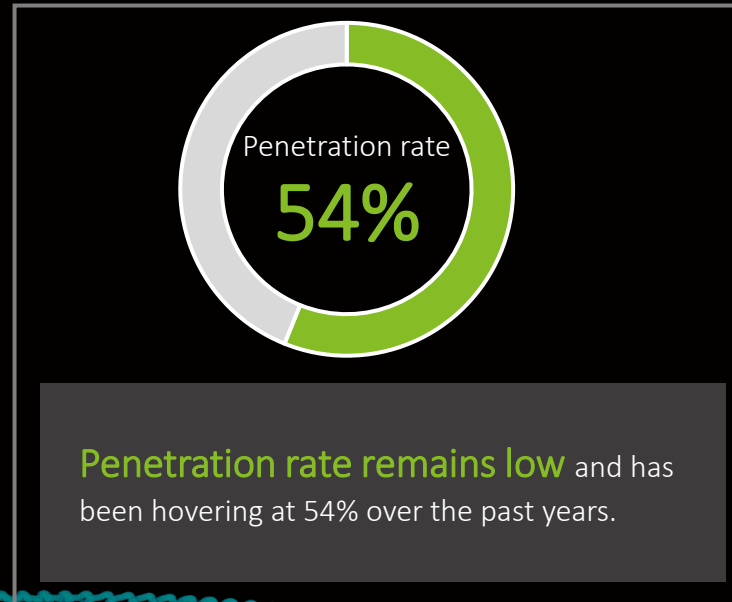
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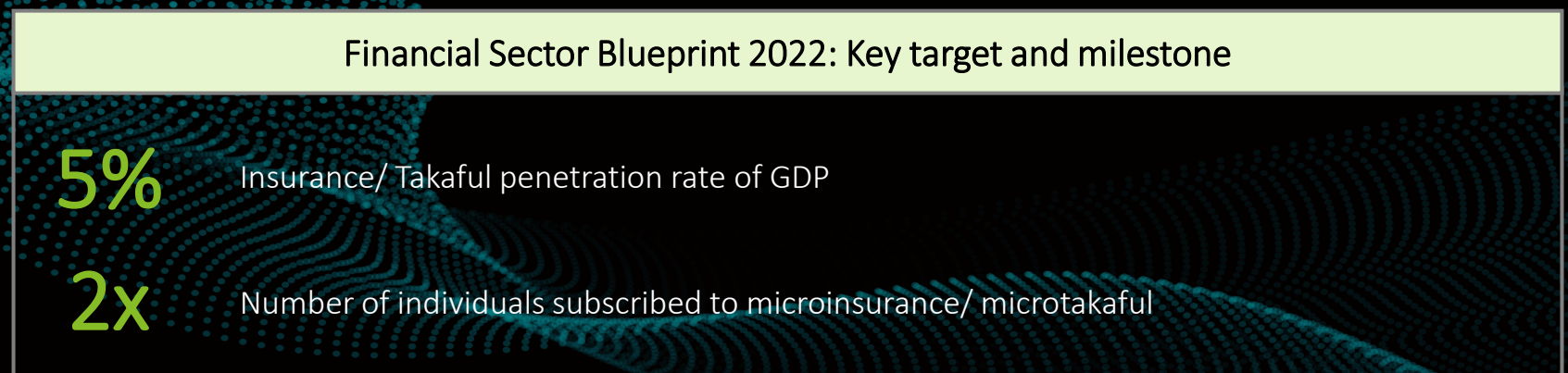
# A glance at Malaysia's Insurance and Takaful sector



However, Malaysia's Insurance and Takaful sector remains largely untapped.



The Malaysian Insurance and Takaful sector has been growing steadily over the years and is forecasted to reach an **average annual growth of 9.8%**, achieving **RM109.6 billion** of total written premium/contribution by 2026.



Source:  
<sup>1</sup> GlobalData Insurance Intelligence Center  
<sup>2</sup> BNM Financial Stability Review First Half 2022

“DITOs can develop and offer affordable products that serve the protection needs of various customer segments, particularly for the "at-risk" segment without sufficient financial buffers for unexpected risk events and where there are limited awareness/ understanding of the need for such financial protection.”

**Nurul Izza Idris**

Director, Islamic Finance Department  
Bank Negara Malaysia



“DITOs will play a pivotal role in shaping and accelerating the digital landscape of the Insurance and Takaful sector through transformative and innovative technologies such as big data, AI and ML, IoT, and distributed ledger technology, to deliver a highly seamless and personalised digital customer experience.”

**Justin Ong**

Financial Services Industry Leader  
Deloitte Malaysia





# Key Components of the Licensing and Regulatory Framework for DITO



## Value propositions

- **Inclusion** - Enhanced financial resilience of unserved or underserved consumers
- **Competition** - Innovative insurance/ takaful products to cater to the diverse protection needs of consumers
- **Efficiency** – Convenient and seamless consumer experience with greater cost savings



## Eligible business model

- **Fully assumes insurance/ takaful risks**, with reasonable ceding out of risks to reinsurers/ retakaful operators, to manage DITO's underwriting capacities
- **Risk-sharing protection models**, subject to meeting BNM's minimum criteria to mitigate risks to consumers. Such model is an arrangement where policy owners/ takaful participants agree to pool premiums or takaful contributions to provide financial benefits upon the occurrence of one or more specified events



## Application process

- Formal application to be submitted to BNM **no later than six (6) months** from the date of BNM's announcement on the commencement of the DITO licensing application period
- Submission of a licensing application is only considered as complete when the required documents and information (including any additional documents or information requested) have been received by BNM
- DITO will undergo an operational readiness review after licence is granted and prior to the commencement of operations



## Shareholding structure & financial holding

- Demonstrate ability to contribute to the DITO in the following areas:
  - ✓ **Robust risk management and compliance capabilities** (e.g. track record of operating in regulated industry)
  - ✓ Application of **transformative tech** in the development and delivery of insurance/ takaful products
  - ✓ Access to **deep and robust customer analytics** to improve access to and responsible use of insurance/ takaful products
  - ✓ **Source of financial strength** to the DITO
  - ✓ **Requisite Shariah expertise** for digital takaful business
- Majority shareholder may be required to organise all its financial-related subsidiaries under a financial group headed by a licensed institution or financial holding company



## Business plan

- Minimum required content of the 5-year business plan:
  - ✓ **I.C.E Value Propositions**
  - ✓ Projected path to profitability that demonstrates **sustainable business model**
  - ✓ Identify **risks** associated with business activities and **strategies** to manage them
  - ✓ Identify **talent requirement** and how it will be met
  - ✓ Measures to **address customer queries/ complaints**
  - ✓ Measures to reach **full compliance with regulatory requirements** by end of foundational phase
  - ✓ Details on **proposed partners**
  - ✓ Description of **plans for deployment of technological solutions**



## Exit plan

- **Minimise adverse effects to consumers** due to inability to achieve licensing commitments and viability of business operations
- **Exit plan** required for first 5 years of operations and must include:
  - ✓ Potential management triggers for exit
  - ✓ Likely options and related measures to be taken for exiting
  - ✓ Potential impediments to execution and measures to mitigate
  - ✓ Sources of funding and liquidity for exit



## Foundational phase

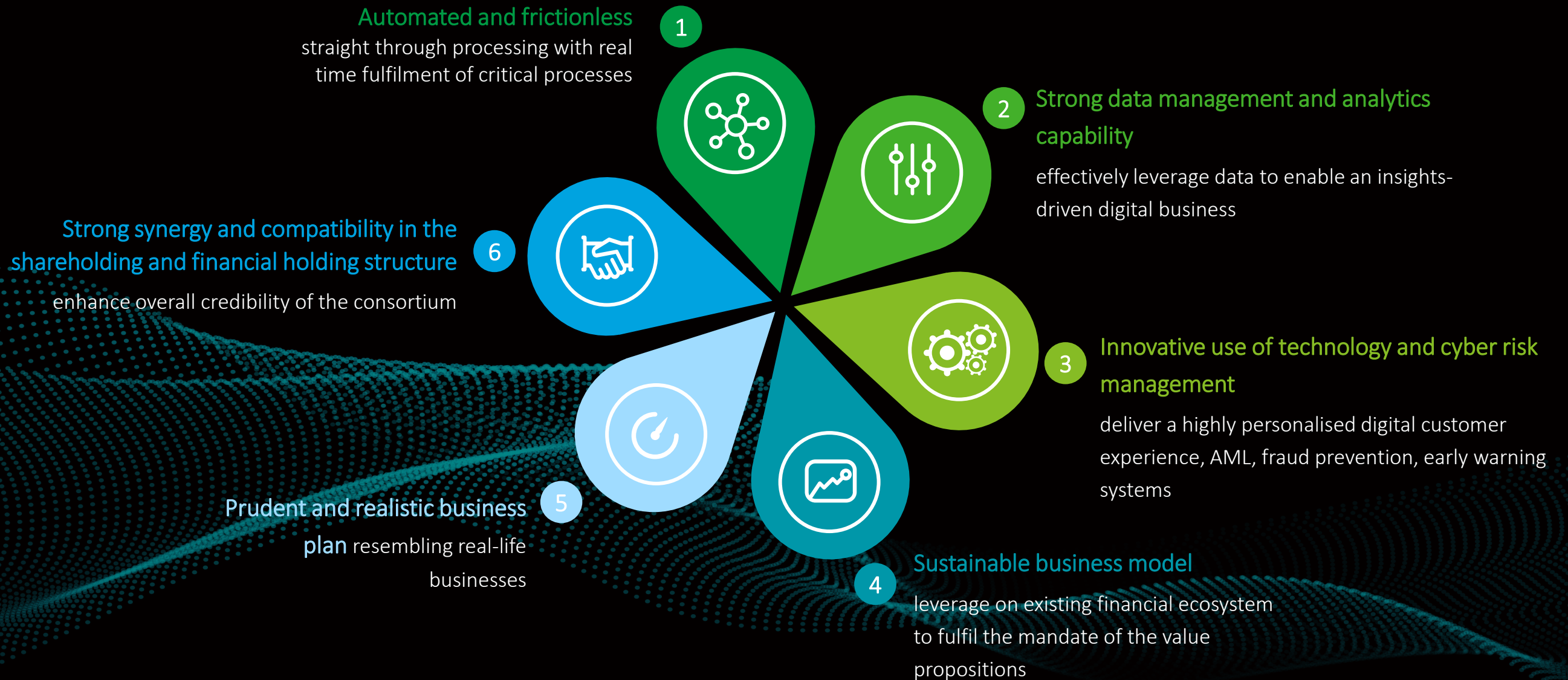
- Maintenance, **at all times**, a **minimum paid-up capital of RM40 million** to reach RM100 million by end of foundational phase
- Operations for a **minimum of three (3) but no more than five (5) years**
- **Existing regulatory requirements apply** except for targeted regulatory flexibilities provided in the policy document



## Physical access points & distribution channels

- **Wholly or almost wholly digital or electronic channels** for the E2E operations of the DITO, including all critical functions such as onboarding, underwriting, product distribution, policy/ takaful certificate servicing, claims processing, and payments
- Establish **registered and physical office** in Malaysia to facilitate communications with BNM and investigations with authorities, and for administrative purposes
- Usage of **direct digital distribution channels** (e.g. web-/ mobile-based applications) for product distribution. Agency and bancassurance/ bancatakaful channels that rely on F2F interactions are not permitted

# Key Success Factors for License Application



# Feature Speakers



**Justin Ong**  
Financial Services Industry Leader, Deloitte Malaysia

Justin enjoys engaging with key stakeholders in the financial services ecosystem (regulatory bodies, industry players, and talents) by bringing the latest thinking to achieve a sustainable and resilient future. He has worked with more than 50 regulatory bodies and financial services institutions in the regions across Asia Pacific (i.e., Malaysia, Singapore, Thailand, Indonesia, Cambodia, Myanmar, Laos, Vietnam, Hong Kong, Australia), Europe, and Africa. He is also experienced in supporting Boards and C-suites in their transformation programs, focusing on digital, governance, risk, compliance, and audit related matters.



**Mohd Radzuan Mohamed**  
CEO, Malaysian Takaful Association

Radzuan has more than 20 years of experience in the industry, covering a wide range of expertise, such as Takaful and Retakaful, Insurance and Reinsurance, Broking, Consulting and Adjusting. He is a Certified Professional in Islamic Finance (“CPIF”), and an Associate of the Institute Risk Management UK (“AIRM, UK”) and the Enterprise Risk Professional Certification (“IERP”). Prior to joining MTA, he was the Chief Risk Officer of FWD Insurance, FWD Takaful, and HSBC Amanah Takaful. He is currently a member of Lembaga Zakat Selangor (MAIS) Board Risk, Integrity and Compliance Committee, and was also a recipient of the Risk Icon Award for outstanding contribution in the field of Enterprise Risk Management.



**Ruslena Ramli**  
Director, Digital Finance and Islamic Digital Economy, Malaysia Digital Economy Corporation

Ruslena Ramli is an Islamic Finance advocate with over 20 years of experience. Her banking repertoire include corporate strategy, advising on sukuk/ bond issuances, as well as development of Islamic banking products. She is an avid speaker in local and international Islamic Finance conferences. She brings to MDEC her expertise in Shariah-compliant structures and established relationships with Islamic finance communities locally and abroad.



**Nurul Izza Idris**  
Director, Islamic Finance Department, Bank Negara Malaysia

Izza is key in driving the development of the BNM Exposure Draft on the Licensing and Regulatory Framework for Digital Insurers and Takaful Operators (“DITO”) issued in November 2022, and was also instrumental in the legal infrastructure development of the Islamic Financial Services Act 2013. She has 15 years experience serving BNM in various roles relating to financial sector development, prudential policy formulation, and governance.





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