

Frequently Asked Questions (“FAQ”)

Revised / new subsidiary legislation and addendum relating to levy provisions (Insurer Members)

- (a) Malaysia Deposit Insurance Corporation (Differential Levy Systems in respect of Insurer Members) Regulations 2023;
- (b) Malaysia Deposit Insurance Corporation (Rates for First Levy and Annual levy in respect of Insurer Members) Order 2023;
- (c) Malaysia Deposit Insurance Corporation (Basis for Calculation of First Levy and Annual Levy in respect of Insurer Members) Order 2023; and
- (d) Addendum to the Guidelines on Differential Levy Systems Framework For Insurance Companies issued on 30 March 2020, Guidelines on Differential Levy Systems Framework For Takaful Operators issued on 30 March 2020 and Guidelines for the Returns on Calculation of Levies for Takaful and Insurance Businesses issued on 20 December 2021.

[Last Updated: 8 September 2023]

1. What are the objectives of the amendments made in the above subsidiary legislation?

The key changes in the above subsidiary legislation are consequential amendments to sections 22 to 27 of the Malaysia Deposit Insurance Corporation (Amendment) Act 2022 (“PIDM Amendment Act 2022”) that came into operation on 21 July 2023. Sections 22 to 27 of the PIDM Amendment Act 2022 are relating to levy provisions.

2. What are the key amendments made in the above subsidiary legislation?

(a) Levy assessment framework for new insurer members (“IMs”) and IMs under a business of transfer scheme for an amalgamation (or known as amalgamation)

The key amendments are mainly to give effect to the levy assessment framework **for new IMs and IMs involved in amalgamation**. The amendments aim to better reflect the risk profiles of certain new IMs and IMs involved in an amalgamation. This will introduce greater fairness in the levy assessment process.

For clarity, the key amendments are only in respect of the levy assessment approaches for the following IMs:

- (A) A new IM which has been in operation for a minimum period of two (2) years before it becomes a member institution of PIDM; or arose from the amalgamation of existing IMs.

For the avoidance of doubt, for a new IM which does not have existing business as described above, there will be no change in their treatment; and

- (B) IMs involved in amalgamation exercise, on or after 21 July 2023.

(b) Levy calculation basis for IMs carrying on life insurance or family takaful business

While the basis generally remains unchanged, the basis for IMs carrying on life insurance or family takaful business has been clarified from “actuarial valuation of liabilities in respect of life insurance or family takaful businesses” to “valuation of life insurance liabilities for life insurance business or valuation of family takaful liabilities for family takaful business”.

Further details on these amendments and requirements are clarified in the **Addendum** to the Guidelines on Differential Levy Systems Framework For Insurance Companies issued on 30 March 2020, Guidelines on Differential Levy Systems Framework For Takaful Operators issued on 30 March 2020 and Guidelines for the Returns on Calculation of Levies for Takaful and Insurance Businesses issued on 20 December 2021, available on PIDM’s website (<https://www.pidm.gov.my/en/for-member-institutions/legislation/guidelines>).

3. For a new IM licensed on or after 21 July 2023, what are the key differences of the requirements in the levy assessment framework before and after amendments?

A summary of the position before and after amendments in relation to the levy assessment framework for a new IM is as follows:

Entity	Prior to Amendments	Post Amendments (with effect from 21 July 2023)
New entrant into insurance or takaful business as a new IM	<u>First assessment year:</u> First levy of RM250,000 or amount based on Differential Levy Systems (“DLS”) category 1, whichever is higher.	<u>First assessment year:</u> Remains unchanged.
	<u>Second assessment year:</u> Annual levy of amount based on DLS Category 1, subject to relevant minimum amount.	<u>Second assessment year:</u> Remains unchanged.
Not a new entrant but obtains an insurance or takaful licence and becomes a new IM (referred to in question 2(a)(A))	<u>First assessment year:</u> First levy of RM250,000 or amount based on DLS category 1, whichever is higher.	<u>First assessment year:</u> First levy of RM250,000, or amount based on the relevant DLS category as assessed under the DLS framework, whichever is higher. Where there is insufficient information in respect of its supervisory rating or capital measure indicator for levy assessment after becoming an IM, the new IM will be classified in DLS category 3 for the relevant assessment year. This is to reflect the uncertain risk exposure associated with lack of verified

Entity	Prior to Amendments	Post Amendments (with effect from 21 July 2023)
		information or formal assessment by a competent authority.
	<u>Second assessment year:</u> Annual levy of amount based on DLS Category 1, subject to relevant minimum amount.	<u>Second assessment year:</u> Annual levy of amount based on the relevant DLS category of the IM as assessed under the DLS framework, subject to relevant minimum amount. Where there is insufficient information in respect of its supervisory rating or capital measure indicator for levy assessment after becoming an IM, the new IM will be classified in DLS category 3 for the relevant assessment year.

4. For IMs involved in amalgamation exercise on or after 21 July 2023 (referred to in question 2(a)(B)), what are the key differences of the requirements in the levy assessment framework before and after amendments?

A summary of the position before and after the amendments in relation to the levy assessment framework for amalgamated IMs is as follows:

Type of Entity	Prior to Amendments	Post Amendments ¹ (with effect from 21 July 2023)
Amalgamated IM (or known as transferee member) is a surviving IM (i.e. existing IM)		
(a) An amalgamation involving an IM with another IM and resulting in a surviving/existing IM.	<u>Before 31 May</u> DLS rate: Surviving IM pays annual levy based on the relevant DLS category. The DLS category will be that of the IM with the highest quantitative score between the two (2) IMs.	<u>Before 31 May</u> DLS rate: Surviving IM pays annual levy based on the surviving IM's DLS category.
	Assessment basis: Life/Family: Levy calculation does not include basis of calculation for the "transferred liabilities" portion. ²	Assessment basis: Life/Family and General: Levy calculation will include basis of calculation for the "transferred liabilities" portion.

¹ The overall levy liability will continue to be subject to the applicable minimum amount.

² For IMs carrying on life insurance or family takaful business, the basis for calculation of levies is the valuation of life insurance or family takaful liabilities.

Type of Entity	Prior to Amendments	Post Amendments ¹ (with effect from 21 July 2023)
	General: Levy calculation includes the basis of calculation for the “transferred liabilities” portion. ³	
	<u>After 31 May</u> No need to pay additional annual levy. ⁴	<u>After 31 May</u> Remains unchanged.
(b) An amalgamation involving an IM with a non-IM and resulting in a surviving IM.	<u>Before 31 May</u> DLS rate: Surviving IM pays annual levy based on its own DLS category.	<u>Before 31 May</u> DLS rate: Remains unchanged.
	Assessment basis: Levy calculation does not include basis of calculation for the “transferred liabilities” portion from non-IM.	Assessment basis: Levy calculation will include basis of calculation for the “transferred liabilities” portion from non-IM.
	<u>After 31 May</u> As if no amalgamation takes place.	<u>After 31 May</u> Surviving IM pays additional annual levy in respect of the basis of calculation for the “transferred liabilities” portion from the non-IM, based on the surviving IM’s DLS category.

5. Will there be any immediate impact to the annual levy payable by existing IMs?

No, unless existing IMs are involved in amalgamation exercise on or after 21 July 2023 (referred to in question 2(a)(B)).

Other than IMs that are involved in amalgamation, the approaches to determine the annual levy payable, including the DLS framework⁵, basis for calculation of levy⁶ and levy rates **generally remain unchanged**.

³ For IMs carrying on general insurance or general takaful business, the basis for calculation of levies is the total net premiums or net contributions of the preceding assessment year.

⁴ Amalgamating IMs would have paid annual levies by 31 May.

⁵ PIDM is currently undertaking a review of the DLS framework, and will communicate the plan for implementation to IMs from time-to-time.

⁶ While the basis generally remains unchanged, the basis for IMs carrying on life insurance or family takaful business has been clarified from “actuarial valuation of liabilities” to “valuation of liabilities”.

6. What if I have more questions related to the amendments?

You may direct the questions to the following officers:

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