

## In the Driver's Seat: Enhanced Motor Claims Settlement Practices

A key expectation of anyone who purchases motor insurance is to obtain timely and fair compensation when an incident occurs, such as a road accident or natural disaster. Thus, it is critical for general insurers and takaful operators (GITOs) to ensure that their claims handling practices are efficient to deliver fair outcomes to financial consumers. Towards this end, Bank Negara Malaysia (BNM) has enhanced the Claims Settlement Practices Policy Document (CSP PD). This PD aims to make claims process clearer, fairer and quicker, especially for motor claims, while raising professionalism standards of GITOs and registered adjusters.<sup>1</sup>

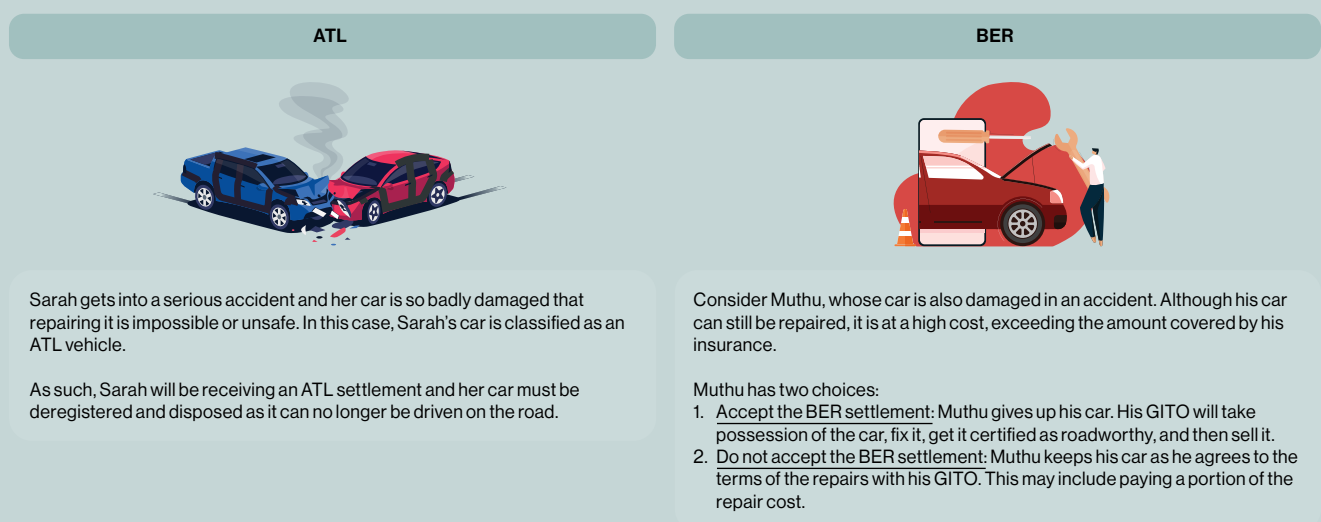
The enhancements include additional requirements aimed at shortening the total time taken (also commonly known as turnaround times (TATs)) to complete motor claims processes. We expect this to result in further improvements to the average processing time taken to settle motor claims by up to half the time previously taken.

The revised PD also requires GITOs to inform consumers about the Own-Damage Knock-for-Knock (OD KfK) option. The OD KfK option allows consumers with comprehensive motor insurance policies or takaful certificates to submit claims to their own GITOs for road accidents where they are not at fault, instead of having to deal with the other party's GITO. OD KfK enables consumers to experience a more convenient and faster claims process. Importantly, consumers' No-Claim-Discount (NCD) will remain unaffected.

Every GITO is also required to publish a Motor Customer Service Charter (MCSC) on its websites to guide consumers on what to expect at each stage of the claims journey. In the MCSC, consumers will find the service standards that GITOs are committed to deliver and the expected TATs throughout motor claims processes. Subsequently, if the decisions made by GITOs are not to their satisfaction, consumers can submit complaints to the Financial Markets Ombudsman Service (FMOS) or BNM's Laman Informasi Nasihat dan Khidmat (BNM LINK) for further assistance.

The revised PD also clarifies the two different types of total loss vehicle claims, namely Actual Total Loss (ATL) and Beyond Economic Repair (BER). The low understanding of the differences between ATL and BER has been a common source of confusion among consumers. With this clarity, consumers can make informed decisions and know what to expect if their vehicle falls under either category, i.e. whether their vehicles should be disposed of or taken by the GITOs in exchange for a BER settlement.

**Diagram 1: Difference between ATL and BER Vehicles**



Source: Bank Negara Malaysia

<sup>1</sup> Refers to professionals who investigate insurance/takaful claims to determine the cause and amount of the loss.

Other important policy enhancements aimed at ensuring the safety of BER vehicles and protecting the environment are summarised below.

**Diagram 2: Other Requirements on GITOs with Regard to ATL and BER Vehicles**



GITOs must report ATL and BER status of vehicles to the Road Transport Department (JPJ) within five working days after the consumer accepts the claims offer. For BER vehicles, rigorous safety checks will be conducted by vehicle inspection providers (VIP), such as PUSPAKOM to ensure they meet safety standards before being declared roadworthy.



GITOs must dispose ATL vehicles at authorised automotive treatment facilities (AATFs) where available, which supports environmental sustainability objectives and helps reduce illegal activities such as illegal transfer of ownership or fraudulent claims.



GITOs cannot deny coverage just because a vehicle is classified as BER. If a GITO is unable to offer coverage, clear reasons must be given, and consumers should be advised on availability of other options.

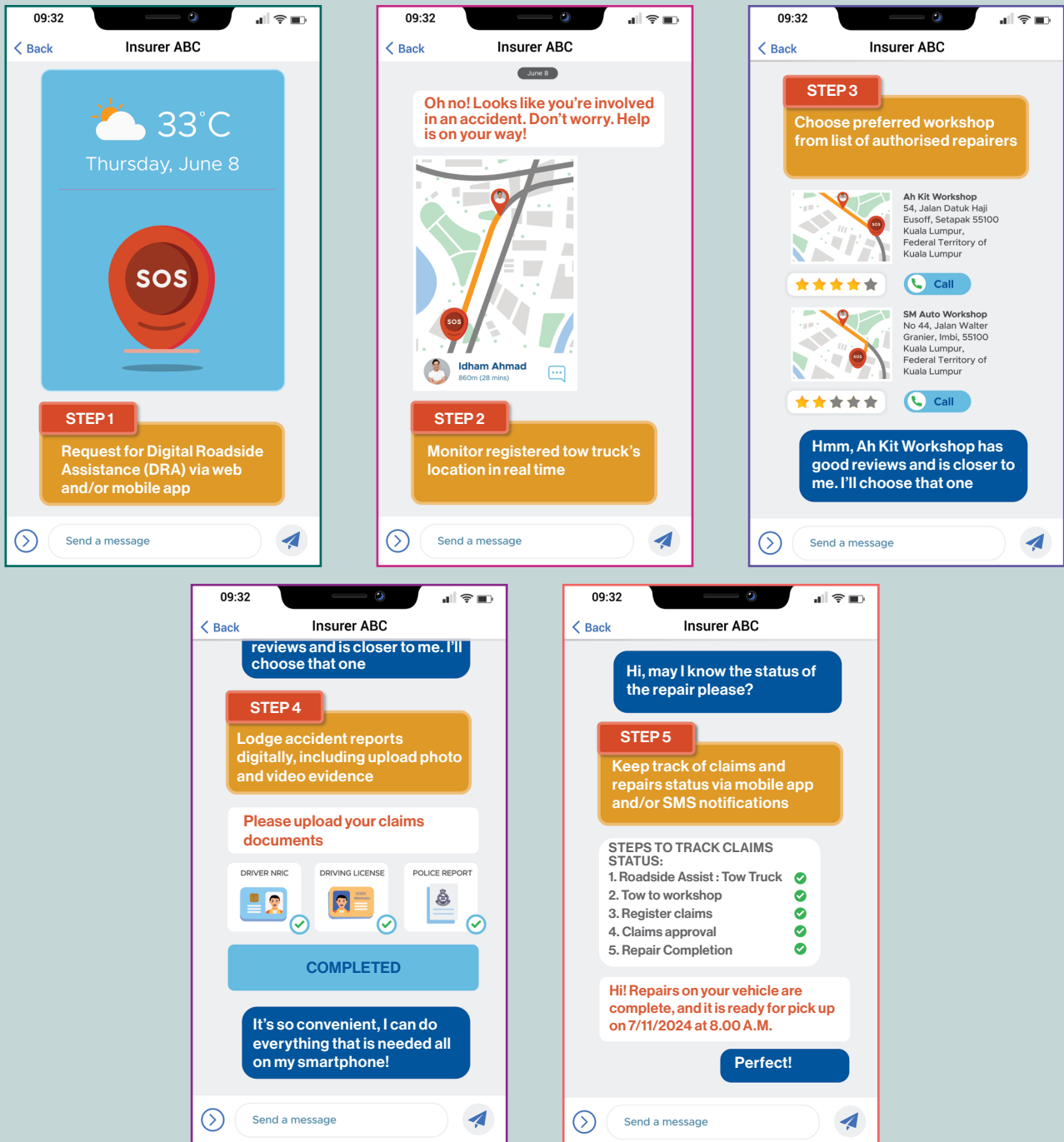
Source: Bank Negara Malaysia

Following the revised PD and BNM’s call to embrace digitalisation, all GITOs have started introducing Digital Roadside Assistance (DRA). This initiative enables consumers to use digital channels to request for help in the event of an accident or vehicle breakdown, track the location of tow trucks, select workshops, submit and monitor their claims, all in real-time. With DRA, consumers’ experience and convenience are expected to further improve.<sup>2</sup> Diagram 3 shows an example of the step-by-step process on how to use DRA when initiated via mobile applications.

With these improvements, consumers can expect faster and simpler procedures and better service quality.

<sup>2</sup> More information on GITOs that have incorporated DRA can be found in the ‘Promoting a Progressive and Inclusive Financial System’ chapter of this report.

Diagram 3: Example of the Step-by-Step Process for DRA via Mobile Application



Source: Bank Negara Malaysia