



Administration of the Act

Legislation

No amendments were made to the Takaful Act 1984 (Act) and its subsidiary legislation during the year 2000. A list of the subsidiary legislation made under the Act, which was in force as at 31 December 2000 is shown in Appendix I.

Registration of Takaful Operators

Since the coming into force of the Act on 1 January 1985, two takaful operators have been registered under section 8 of the Act to carry on family solidarity takaful business (family takaful) and general takaful business. These operators are Syarikat Takaful Malaysia Berhad (STMB) and Takaful Nasional Sdn. Berhad (TNSB). The addresses of the takaful operators and names of the principal officers of STMB and TNSB are given in Appendix II of this Report.

Licensing of Takaful Intermediaries

Sections 37(1) and 38(1) of the Act respectively require a person to hold a licence granted by the Director General of Takaful (Director General) to carry on takaful broking and adjusting business in Malaysia. In year 2000, no takaful broker and takaful adjuster licences were issued.

Syariah Supervisory Council

Section 8(5)(b) of the Act requires a takaful operator to establish a Syariah Supervisory Council to advise on its takaful business operations and to ensure that the activities of the takaful operator are Syariah (Islamic law) compliant. Members of the Syariah Supervisory Councils of the takaful operators are listed in Appendix III.

Appointment of Director, Chief Executive or Principal Officer of Takaful Operators

Section 32 of the Act requires a takaful operator to give notice in writing to the Director General of the fact that any person has become or ceased to be its managing director, director, chief executive or principal officer before the expiration of a period of 14 days from the day following that on which that fact or matter comes to the takaful operator's knowledge. As an administrative requirement, takaful operators are required to obtain the prior written approval of the Director General to ensure only fit and proper persons are appointed to the management team of the takaful operators. In year 2000, approval was granted to one takaful operator to appoint a new director to replace a director who had resigned from his office.

New Offices of Takaful Operators

Section 30 of the Act requires a takaful operator to obtain prior written approval of the Director General before opening a branch office in Malaysia. In addition, pursuant to Bank Negara Malaysia's (BNM) circular JPI: 33/1999 on 'Review of Branching Policy', enforced with effect from 27 August 1999, takaful operators were granted blanket approval to place electronic terminals and install internet websites. Pursuant to this circular, the processing procedure was streamlined whereby applications for the opening of offices will be processed twice a year, namely at the end

Table 1.1 Number of Offices Approved

	Branches/ Takaful Desks
Approved in 2000	-
As at 31 December 2000	118

of March and September. In year 2000, no approval was granted to takaful operators to open up new offices throughout the country. The total number of approved offices of takaful operators as at end December 2000 is shown in Table 1.1.

Statutory Accounts and Valuation Reports

Sections 41 and 42 of the Act require takaful operators to submit to the Director General, within six months from the close of their financial year, statements of accounts as prescribed in the Second Schedule of the Act. In addition, takaful operators carrying on family takaful business are required to lodge an abstract of their respective actuary's report and certificate. For the financial year ended 2000, both takaful operators have submitted their statutory returns within the prescribed deadline. Extracts of the statutory returns are appended to this Report as statistical tables.

Statutory Asset Requirements

Assets of Takaful Funds

Sections 17(2)(a) and 17(2)(b) of the Act respectively requires takaful operators to maintain at least 80% of each takaful fund in authorised Malaysian assets specified in the First Schedule of the Act and at least 15% of each takaful fund in securities of the Federal or State Government issued in Malaysia.

Based on the statutory returns of takaful operators for the financial year ended 2000, one takaful operator did not comply with the requirement of section 17(2)(a) with respect to its general takaful fund, while both operators complied with respect to the family takaful fund. It was also observed that one takaful operator did not comply with the requirement of section 17(2)(b) for its general takaful fund and the family takaful fund. The non-compliance was caused by the inadequate supply of Government Investment Issues (GIIs) in the market. As an interim measure, takaful

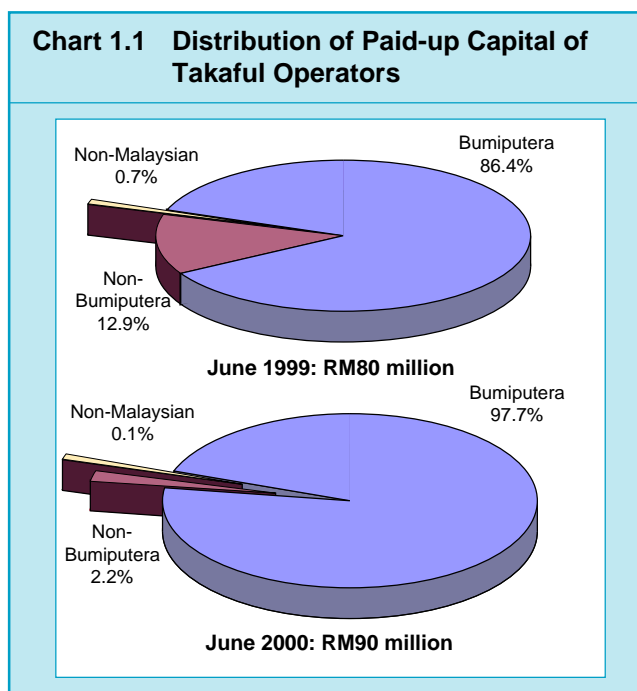
operators were allowed to hold other Government-guaranteed Islamic debt securities to make up the difference of the 15% requirement until new GIIs are issued.

Statutory Deposits

Section 13 of the Act requires takaful operators to maintain, at all times, a statutory deposit of at least RM300,000 in respect of each class of business with the Accountant General of Malaysia. This deposit can be held in the form of cash or securities as specified in the First Schedule of the Act, or a combination thereof. All income accruing in respect of such deposits are payable to the takaful operator concerned. Section 14 of the Act further provides that a bank covenant issued by a bank licensed under the Islamic Banking Act 1983 is also acceptable in lieu of the statutory deposit, provided the covenant complies with the requirements of the Director General. In 2000, both takaful operators complied with the statutory deposit requirement.

Changes in Equity

As at 30 June 2000, the total paid-up capital of takaful operators was RM90 million.



The distribution of ownership in both takaful operators was in line with the National Development Policy with effective Malaysian equity participation accounting for 99.9%, of which 97.7% constituted equity held by Bumiputera. The capital distribution of takaful operators as at end June 2000 is given in Chart 1.1.

Employment

Total employment in the takaful industry increased by 29.7% from 908 at the end of June 1999 to 1,178 at the end of June 2000. Staff at the managerial and supervisory levels accounted for 33.4% of the total employment while the rest are in the clerical and non-clerical categories.

Compounding of Offences

Section 61 of the Act and the Takaful (Power to Compound) Regulations 1985 empower the Director General to compound offences committed under the Act. As in the previous years, no takaful operator was compounded under the Act in year 2000.

Public Complaints

In year 2000, BNM received 31 written complaints against the takaful operators. Most of the complaints were related to delay in settlement of claims, delay in reply to correspondence, repudiation of claims or disputes on claims amount. The complaints received were resolved with the takaful operators concerned.