



Malaysian Takaful Association

Code of Ethics

For Takaful intermediaries

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CODE OF ETHICS FOR TAKAFUL INTERMEDIARIES

FOREWORD

One of the more prominent endeavours Takaful Intermediaries undertake is to create a healthy and high integrity business environment. It is necessary to ensure that both the interests of the Member Companies and the benefits to the public are protected. Thus, the Takaful Intermediaries must observe a uniform set of ethics which forms the basis of the principles and business of Takaful.

With this Code of Ethics (Code), the Malaysian Takaful Association (MTA) aims to introduce a universal set of ethics for all registered Takaful Intermediaries. This Code is the basic guideline for Takaful Intermediaries to observe in their practice so that the industry is seen to value and uphold the interests of all its stakeholders, namely, the shareholders, the member companies, the Takaful participants, and the Intermediary themselves.

OBJECTIVES

This Code is formulated with a view to attain the following objectives:

- i. To provide a minimum standard of conduct for the Takaful Intermediaries while keeping to the principles and practice of meeting the objectives, missions and requirements of the Takaful Intermediaries;
- ii. To create a healthy, transparent and fair business practice;
- iii. To inculcate best practice standard of conduct amongst the Takaful Intermediaries; and
- iv. To ensure that the Takaful Intermediaries constantly conduct themselves in a manner specified by the Code.

SCOPE

- i. This Code is applicable to all Takaful Intermediaries.
- ii. Where any provision of this Code is or for any reason becomes void, unenforceable or prohibited, it will not affect the validity of or the enforceability of the other provisions of this Code by any laws or other agreements.
- iii. This Code is subject to the Islamic Financial Services Act 2013 (IFSA 2013) applicable law or regulation and any other relevant existing laws or guidelines.

INTRODUCTION

1. Summary of Title

This Code contains the code of ethical conduct for as defined herein.

2. Interpretation

i. For the purposes of this Code unless the context otherwise specifies.

Bank	Refers to Bank Negara Malaysia
IFSA 2013	Islamic Financial Services Act 2013.
Relatives	Persons related to a person including <ol style="list-style-type: none"> a) the spouse of the individual; b) the brother or sister of the individual, or of the spouse of the individual; c) any lineal ascendant or descendant of the individual, or of the spouse of the individual; d) the spouse of any individual referred to in paragraph (b) or (c); e) any lineal descendant of an individual referred to in paragraph (b) or (d); f) any uncle, aunt or cousin of the individual, or of the spouse of the individual; or g) any spouse, or any lineal ascendant or descendant, of an individual referred to in paragraph (f);
Shariah	Refers to the resolution of Shariah used by the Takaful Operators' Shariah Committee or the Shariah Advisory Council of Bank Negara Malaysia, where applicable.
Shariah Committee	Refers to the Takaful Operators' Shariah Committee appointed according to the provisions of their Memorandum and Articles of Association.
Takaful Business	Refers to all Takaful Business as defined in IFSA 2013
Takaful Intermediaries	<p><i>"refers to a person who does all or any of the following: -</i></p> <ol style="list-style-type: none"> a) solicits or obtains a proposal for a Takaful certificate on behalf of a Takaful Operator; b) offers or assumes to act on behalf of a Takaful Operator in negotiating a Takaful certificate; or c) does any other act on behalf of a Takaful Operator in relation to the issuance, renewal, or continuance, of a Takaful certificate.

For clarity purposes, Takaful Intermediaries include corporate bodies and individuals.

- Takaful Operator Refers to a company licensed under the IFSA 2013 to carry out the business of Takaful.
- ii. Words importing the singular include the plural and words importing the masculine gender include the feminine and neuter genders. Words referring to a person include individuals and corporations related company, associates and subsidiary.
 - iii. References to the provisions of any law refers includes a reference to any amendment of the law and re-enactments.
 - iv. Headings of parts and sections in the Code are intended only for the ease of comprehension and should not be taken into account in the interpretation of the provisions of this Code.
 - v. References to any document includes references to the same which may from time to time be amended in any circumstances whatsoever or matters related thereto and others documents executed from time to time as a supplement or supplementary to it or in substitution to the same.

CODE OF ETHICS

1. Summary of Title

- i. Each Takaful Intermediary must conduct and carry out all Takaful transactions, business, operations and activities according to the IFSA 2013 and observe any existing laws or guidelines.

2. Compliance

- i. All Takaful Intermediaries must at all times comply with every guideline and rule in this Code;
- ii. The Takaful Intermediaries must comply with and observe to all policies and procedures as prescribed by the Takaful Operator in which the Takaful Intermediaries are duly registered with.

3. Specific Principles of Transaction

- i. All Family Takaful Intermediaries are allowed to represent only **one (1)** Takaful Operator and shall not represent another Takaful Operator during the same period.
- ii. All General Takaful Intermediaries are permitted to represent **two (2)** Takaful Operators and are not allowed to represent **more than two (2)** Takaful Operator during the same period.
- iii. Banca Takaful Intermediaries are allowed to represent **more than one (1)** Takaful Operator for Family Takaful Business or General Takaful Business.

4. General Principles of Transaction

Takaful Intermediaries **MUST**:

- i. Sign a declaration of compliance that they shall be bound by this Code or any guidelines issued from time to time;
- ii. When dealing with any prospective participant the public, to inform them that their latest status can be viewed via the MTA website;
- iii. Ensure that the proposed plan or scheme meets with the participants' needs and requirements;
- iv. Provide consultation services based on their expertise and must refer to the Takaful Operator as and when necessary;
- v. Ensure all information given by a prospective participant to the Takaful Operator is confidential in accordance to the **Code of Practice on Personal Data Protection for the Insurance and Takaful Industry in Malaysia** regardless whether they are still Takaful Intermediary or have ceased their representation with the Takaful Operator ;
- vi. Not to disclose or utilise personal information, trademark, correspondence and member companies' accounts or business;
- vii. Provide comprehensive details and differences of each product when comparing products;
- viii. Observe the principles and values set out and compete in a healthy manner in expanding the Takaful market and the business;

- ix. Communicate with participants with fairness and honesty;
- x. Ensure that participants do not suffer any losses whether through any act or omission of the Intermediary;
- xi. Agree to be bound by Schedule 7 of the IFSA 2013;
- xii. Provide extensive after sales services to participants;
- xiii. Ensure that any advertisement or public announcement is clear and does not confuse or mislead the public and participants; and
- xiv. Be on a full-time basis if they are appointed as a Takaful Operator's Agency Manager.

Takaful Intermediaries are **PROHIBITED** from:

- i. Making, producing or participating in the making of any act or announcement of any statement, promise or estimate where it is known that the same is confusing or dishonestly suppressing any material fact;
- ii. Making any advertisement of the Takaful Intermediaries themselves or of their agency through any print or electronic media such as newspapers, the internet or others without Takaful Operator's explicit consent;
- iii. Using a job title or designation other than that allowed by the Takaful Operator;
- iv. Misleading the public by causing them to believe that Takaful Intermediaries are the Takaful Operator or a Takaful protection provider, or that the Takaful products are provided by the Takaful Intermediary;
- v. Making any derogatory remarks or statements on or of other insurance companies or other Takaful Operators;
- vi. Persuading participants to terminate or cancel existing certificates, unless such existing certificates do not meet the needs of the participant;
- vii. Using the names of any proxy including that of relatives in order to secure the contract as a Takaful Intermediary with the intent of conducting any transaction on behalf of other Takaful Operators;
- viii. Misusing any information obtained from the Takaful Operator for purpose other than in the interest of that Takaful Operator; and
- ix. Imposing any additional or unauthorised charges, other than that already imposed by the Takaful Operator unless the prospective participants are informed beforehand about the amount and the purpose of such additional charge to be imposed.

5. Explanation of the Takaful Contract

Takaful Intermediaries **MUST**:

- i. Explain all provisions contained in a proposal form (s) or certificate to ensure that the participants fully understand the extent of his involvement and consequences ;
- ii. Give an explanation of all key terms and the exemptions contained in the certificate;
- iii. Specific provisions for **Family Takaful** contracts:
 - a) Focus on the long-term nature of the certificate and explain to the prospective participant the consequences of an early surrender of the certificate;
 - b) Clarify whether or not the certificate is exempted from tax;
 - c) Where a certificate provides for profit-sharing with the Takaful Operator or is dependent on variable factors such as investment performance, a clear illustration of the expected variable profits must be made. In the case of collateral certificates where the proceeds of the matured certificate are used to settle financing facilities, the illustration given must clearly show that there is no guarantee that the full amount of the facility will be payable upon maturity of the certificate;
 - d) Explain that the illustrations of profits to be gained from investment are based on certain assumptions. The future profits are not guaranteed and therefore, such profits may be lower or higher than current profits;
 - e) Provide prospective participants with illustrations prepared by the Takaful Operators. Takaful Intermediaries must provide a complete illustration to a prospective participant during discussions;
 - f) Not amend the illustrations provided by the Takaful Operators or increase the rate of investment profit without explicit consent from the relevant Takaful Operators;
 - g) Not add to or highlight certain favourable aspects only; and
 - h) Provide accurate information without any intention of fraud or to mislead the prospective participant.
- iv. Specific provisions for **General Takaful** contracts:
 - a) Not to assume any risks in accordance to Section 96¹ of IFSA 2013 until payment has been accepted by the Takaful Operator;
 - b) Remit the contribution for Takaful cover that has been paid to the Takaful operator without delay. The remittance of the said contribution to the Takaful Operator must be in accordance to Section 96 of IFSA on assumption of risk ; and
 - c) Must not cancel a Takaful cover except for cases where the remittance of participant's payment was not successful.

¹ No licensed takaful operator shall cause any takaful fund which it operates to assume any risk in respect of such description of takaful certificate as may be prescribed by the Bank unless and until the takaful contribution payable is received by the licensed takaful operator in such manner and within such time as may be prescribed by the Bank.

6. Disclosure of Underwriting Information

When receiving a completed proposal form or any other materials, Takaful Intermediaries must:

- i. Inform the participants about the importance of correct and complete disclosure of all material and relevant facts that are required by the Takaful Operator for the formation of the contract and any risks to be undertaken by the Takaful Operator;
- ii. Explain to the participants the completeness and accuracy of that all answers or statements are the responsibility of the participants; and
- iii. Provide an explanation of Schedule 9 Part 2 (4) (5) (6) and (7) of the IFSA 2013 whereby the participants is informed of the consequences of non-disclosure and of giving inaccurate statements by focusing on the relevant statements contained in the proposal form and giving a detailed explanation thereof to the participants.

7. Accounts and Financial Aspects

- i. All contributions or monies collected on behalf of the Takaful Operator must be directly forwarded to the Takaful Operator without delays.
- ii. Takaful Intermediaries are advised to keep their own proper records for contributions or monies received on behalf of the Takaful operator.

8. Subject to Laws and Other Regulations

- i. Takaful Intermediaries are subject to the provisions of the IFSA 2013 and any relevant laws and regulations governing the Takaful business issued by BNM, Takaful Operators and other authorities.
- ii. Takaful Intermediaries are subject to the fulfilment of MTA Minimum Requirements for the Continuous Professional Development (CPD) annually.

9. The Importance of Ethics for Takaful Intermediaries

Takaful transactions are based on trust and honesty as well as requiring a responsible attitude and a high level of professionalism. The confidence of Takaful participants and of the public will be ensured and enhanced if Takaful Intermediaries run their Takaful Business on the following principles:

- i. Fairness
- ii. Honesty
- iii. Trustworthiness
- iv. Responsible
- v. Transparency

10. Disciplinary Procedures and Penalties

Any breach of the Code must be reported to MTA. Should there be a breach of the Code by any Takaful Intermediary; MTA will initiate the necessary disciplinary action against the Takaful Intermediary.

11. Amendments to the Code

MTA has the right to rescind, modify, change or amend any part or the whole of this Code from time to time by way of prior notices. Takaful Intermediaries are bound and subject to any future amendments made.

DECLARATION OF COMPLIANCE

I, *Mr/Mrs/Miss/ (Others, please state)

(Name)

holder of NRIC Number _____

as an intermediary / corporate nominee* of

(only for corporate bodies to state the name of corporate body)

conducting Family / General* business

representing for _____

(name of the Takaful Operator)

do declare and affirm that I / we* have read and understood the contents of the Code of Ethics for Takaful Intermediary which has been shown to me / us*.

I / we* also declare that I / we* agree and shall fulfil and comply with this Code in the conduct of my / our duties as a Takaful Intermediary.

Signature:

Name:

Date:

*Delete whichever is not applicable and kindly submit this portion to your Takaful Operator