

Claims Settlement Practices

Meeting standards and performance indicators for claims settlement



In July 2024, Bank Negara Malaysia (BNM) released its policy document on Claims Settlement Practices (BNM/RH/PD 029-69), outlining governance expectations, performance standards, and compliance requirements primarily applicable for General Insurers and General Takaful Operators.

This policy document outlines standards and expectations for the following key areas:

1

Governance: Role of the board of directors in setting standards and expectations, and how it exercises adequate oversight over the claims settlement processes.

2

Internal performance: How the reward system is structured to promote fair treatment of customers in the handling and settlement of claims. Whether performance indicators are in line with standards expected from the policy document.

3

External performance: Management of third-party service providers who form a significant segment within the claims ecosystem, such as repairers and adjusters. Adequate oversight is crucial as the conduct of these service providers reflect their commitment towards service excellence.

4

Assessments: Periodic assessments in the form of risk assessment, compliance review and internal audit reviews are required at an appropriate frequency, and at least once every two years for motor claims settlement (further details below).

What it means for general insurers and general takaful operators

The introduction of the policy document is expected to impact general insurers and general takaful operators:

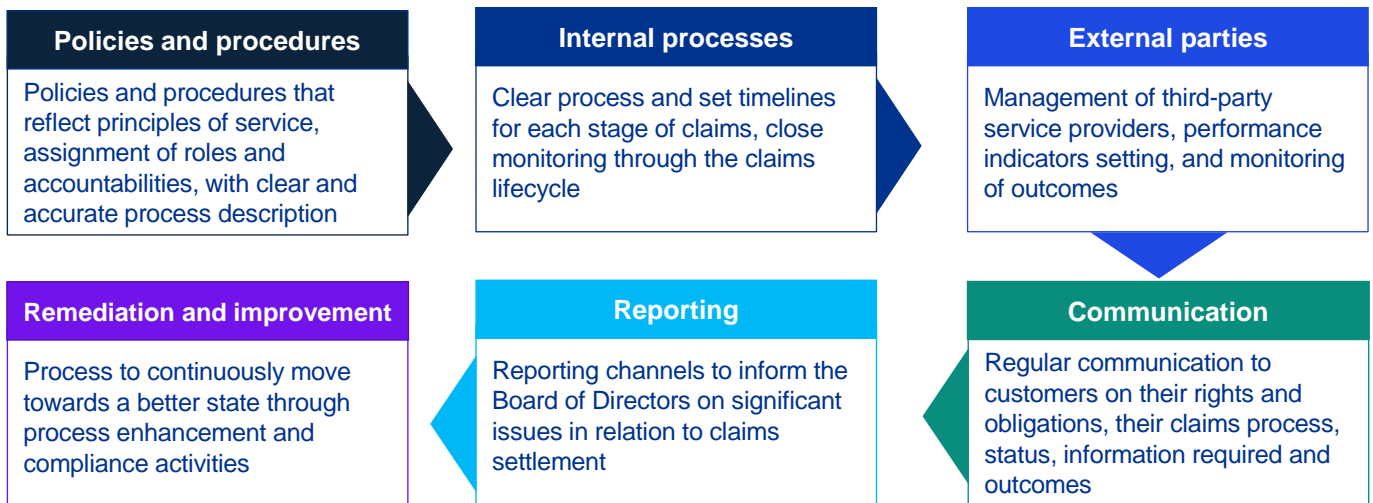
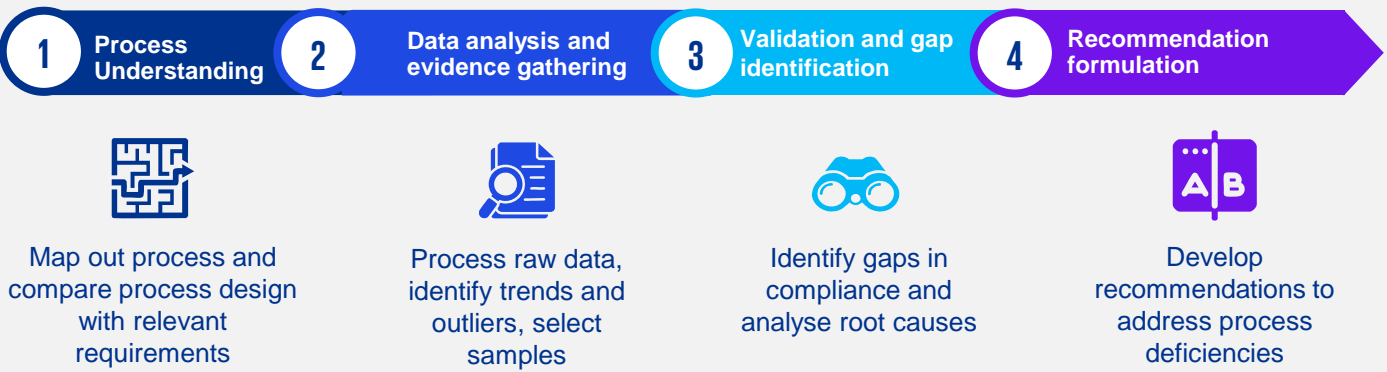
- *From a customer experience perspective:* Customers are better and more timely informed of their claims and experience improvements in wait times.
- *From a strategic perspective:* Enables general insurers and general takaful operators to address governance considerations and place adequate emphasis on oversight processes and fair treatment of customers.
- *From an operational perspective:* Provides with opportunity to study internal processes, integrate performance standards that align or exceed the requirements of the policy document, enhance training and educational programs and assist in fraud prevention and minimization.
- *From a regulator's perspective:* This helps improve overall performance, minimize compliance issues and consequent regulatory action on general insurers and general takaful operators.

Regular assessments are key to ensuring compliance

In the pursuit of the policy document's principles of fairness, transparency and timeliness, periodic risk management, compliance assessments, and internal audit reviews of the claims settlement process, must be carried out at a frequency deemed appropriate by the general insurers and general takaful operators' Board of Directors. Specifically for motor claims settlement practices, such assessments must be carried out at least once every two years. The frequency of these assurance activities should be based on a number of factors such as volume of complaints or disputes, the proportions of customers classified as vulnerable, and the prevalence of certain types of claims.

Compliance gap assessment

We can assist in ascertaining gaps in governance, policies and procedures and process in the execution of claims settlement, using a methodical and segmented approach:



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