

# **THE INSURANCE MEDIATION BUREAU - A CASE STUDY**

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## **Introduction**

The insurance Mediation Bureau (IMB) is the first formalised industry initiative in Malaysia to provide an ADR mechanism for consumer disputes. This mechanism, financed wholly by the insurance industry, is supported by the consumer movement. In fact, it was established in response to agitation by the consumer movement, and to a specific proposal of a consumer association. Though established in 1991 and operational since late 1992, the IMB had by the end of 1993, handled only a total of 37 complaints (refer Appendix A), and this despite documented evidence of widespread discontent and complaints by policy holders. The reasons for this are to be found in the terms of reference of the Insurance Mediator and the structure and operation of the Bureau.

This case study first provides a brief description of the Malaysian insurance industry, the common types of consumer complaints against insurers, and the redress mechanisms already available to consumers prior to the establishment of the IMB. It then assesses critically the structure and organisation of the IMB and the terms of reference of the mediator.

## **The Malaysian Insurance Industry and Consumer Complaints**

The Malaysian insurance industry was well established even prior to independence of the country in 1957, but since then has grown very rapidly. As at 31 December 1993, there were 5 life insurance companies, 41 general insurance companies and 13 composite insurance companies doing both life and general insurance business. in all there were 59 insurance companies.<sup>1</sup>

Increased population, rising income levels and an economy consistently recording rapid growth rates have resulted in a remarkable increase in the number of 'insurance policies.<sup>2</sup> Even in 1980 the number of life insurance policies in force was 816,040 with the total sum insured being Ringgit Malaysia (RM) 1 1,249.9 million. By 1993 the number of life policies in force had reached 3,748,639 with the total sum insured rising to RM 163,758.5 million. The growth in general insurance has been equally impressive. Data on the number of general insurance policies is not available. However, the written premium income data is indicative. The written premium in 1980 was RM 177.1 million and grew to RM 3,140.4 million in 1993. Insurance services delivery is undertaken by company direct marketing, through brokers, and by insurance agents. Most important of these delivery systems, especially of personal insurances is that by the agents. In 1993 there was a total of 68,531 life insurance agents and 17,473 general insurance agents.

It is not surprising that a rapidly growing industry of this magnitude will occasion complaints from consumers. There are, in addition, other factors which make for complaints in the insurance industry.

A contract of insurance is in many ways a unique purchase - a premium is paid but there is no evidence of purchase other than a piece of paper - the policy. Insurers sell an intangible product. The Insured believes that when he makes a claim, he will be entertained without any excuses or delays. He is thus invariably distressed when he is unable to do so. The prospect of encountering obstacles is particularly unwelcome given when the emotional state of the insured at the time of the claim. After facing the loss of a house or car, or having been the victim of a burglary, the insured is far too distressed to face further obstacles when seeking indemnity for the loss.

Policy wordings may be examined in detail at the time of entering into the insurance contract and even varied, at the concurrence of both parties, at any time during the term of the policy. However, it is the terms of contract operational at the time of the event occurred that are pertinent when a claim is made. Any defects which become<sup>3</sup> evident then will only serve to defeat the claim.

The claimant may and, given the legalese in which policies are worded, often does not understand the precise content of the policies. It often comes as an unacceptable surprise to the insured that a particular risk is not covered by the policy or that the quantum is affected by provisions of the policy such as the excess clause, underinsurance and contribution. Until insurers present policies in simple language and in a manner easily comprehensible to the policyholder, misunderstandings and consequent disputes will arise.

Claims are the raison d'etre of insurance companies. If there were no claims there will be no need for insurance, at least not of the variety sold by that insurer. Yet it is the claims area that poses problems. Even the most consumer-oriented of insurers have to determine whether the claim is genuine, whether the insurer is liable, and if so, the quantum of that liability. The rigour with which the insurer does this may well determine whether the insurer remains viable or becomes insolvent.

The interaction between an insured and the insurer at the time the claim is made is, therefore, inherently fraught with difficulty. This problem will be compounded if the insurer relies on "post-claims underwriting". This is the practice of some insurers to indiscriminately issue cover without prudent underwriting guidelines and only examine aspects of the insured, the risks insured and the proposal forms, at the time the claim is made. The rapid growth of the insurance industry and the highly competitive insurance market in Malaysia make such practices rife.

Until the establishment of the IMB, consumers having disputes with their insurers had to resort to one or more of the following four mechanisms:

- Seek the services of the Complaints Action Bureau (CAB) maintained by the General Insurance Association of Malaysia (GIAM). The CAB, established in 1985 is a sub-committee of GIAM. It handles complaints made against the members of GIAM. The sub-committee is comprised wholly of GIAM members. (Refer to Appendix B for the number and types of complaints handled by the CAB.)

- Seek the assistance of the regulating authority, which currently is the Central Bank (Bank Negara, Malaysia). (Refer to Appendix C for the number and types of complaints handled by the Director General of Insurance).
- Refer the matter to arbitration in accordance with the arbitration clause provided for in the policy.
- Institute legal proceedings in the courts.

No data is available as to the number of complainants resorting to arbitration or action in the courts. It is also not known whether those so doing did first bring their disputes to the CAB or the Director General of Insurance.

The complaints made to the Director General of Insurance and to the CAB of GIAM (presented in Appendices C and B respectively) confirm that the complaints against insurers relate principally to claims - delays in the settling of claims; dissatisfaction with the amount of compensation offered or when policies are surrendered for cash value; repudiation of liability with reference to conditions of the policy contract; delay in authorising repairs in motor insurance policies; disputes concerning bonus entitlements in motor insurance policies; disputes concerning bonus entitlements in life policies; dispute over quantum of liability; and, even delay in the settlement of judgement sums. Other complaints relate to cancellation of policies, agency matters, delay in replying to correspondence, delay in issuance of policy, and refusal to renew policies.

The number of complaints against general insurers is substantially larger than the number of complaints brought against life insurers. This is not surprising given the large number of policies involved in general insurance<sup>4</sup> and the fact that general insurance policies, unlike life insurance policies, are mainly renewed each year. As noted earlier, no data is available as to the number of general insurance policies in operation. However, it may be surmised that it is several times more than is the case with life insurance policies. This partly due to the fact that the close to 6 million motor vehicles in Malaysia are required by law to be insured. Also, hundreds of thousands of homes are required to be insured by the terms of the standard loan agreement imposed by banks and other financial institutions.

It is also clear that a number of general insurers resort to highly questionable practices, especially when handling motor insurance claims. Some of these practices are<sup>5</sup>: settling motor claims on a total loss basis as against the request by claimants for their vehicles to be repaired; making lower offers than the sums insured under the policy on total loss claims; offsetting the amount of claims against outstanding premiums due from agents when the claim is made through agents; denying liability when there has been non-remittance of premiums by agents; denying liability for late notification of claims by insureds through agents; imposing charges for "betterment" in settlements for cost of repairs; applying the "average clause" in the settlement of under-insured claims; and, refusing to act or advise promptly on receipt of claims notification by insureds.

## Establishment of the IMB

Criticism of the insurance industry and its failure to provide satisfactory handling of complaints became especially widespread in the 1980s and was the subject of articles in consumer periodicals, mass-media coverage and even parliamentary debate.

On 14 October 1985, the Selangor and Federal Territory Consumers Association (SCFTA) held a seminar entitled "Towards a Consumer Oriented Insurance Industry" with the co-operation of the Malaysian Insurance Institute. The seminar brought together representatives for the consumer movement with those of the insurance industry and government. The Deputy Minister of Finance, whose Ministry was then the regulatory body of the insurance industry, was invited to officiate at the opening of the seminar. The Deputy Minister then gave instructions to the General Insurance Association of Malaysia (GIAM) to establish a Complaints Action Bureau (CAB) as a sub-committee of the Association to handle complaints. The Deputy Minister announced the establishment of the CAB in his officiating speech at the seminar.

The seminar proved a watershed in more ways than that. One of the papers presented at the seminar argued for the establishment of a Bureau of a different nature to handle complaints and assist in the settlements of claims. The relevant portion of the paper reads as follows:

*Litigation is expensive, time consuming and emotionally exhausting. It is also common knowledge that a multitude of irrational and incidental factors make the difference in the verdict between a pittance and a windfall. The situation is rife with frustration and uncertainty in which the principal beneficiaries are "ambulance chasers" and their like amongst the legal fraternity. It is necessary to evolve extra-legal judicial mechanisms for resolving the disputes.*

*A useful step in this direction will be the creation of an Insurance Arbitrators Bureau under the auspices of the Director-General of Insurance. The Bureau backed by a council representing both the industry and consumers can then arbitrate upon disputes between consumers and insurers should consumers so desire. Such arbitration need not necessarily decide in accordance with strict legal rules but with good practice; it also need not prejudice the rights of the parties to take legal action.*

*The Insurance Arbitration Bureau will also serve as a ready arbitration mode for insureds obliged by policy conditions to use an arbitration process as a precondition to litigation in the courts.<sup>6</sup>*

The Director General of Insurance (DGI) officiated at the closing of the seminar and called on the SCFTA to present its views in writing. In response to that call, and based on the consensus achieved at the seminar, the SCFTA submitted a memorandum to the DGI. The memorandum also called for the setting up of a Bureau of the kind proposed by the paper referred to earlier. The relevant portion of the memorandum reads as follows:

*It is proposed that*

- a) there be established an Insurance Arbitrators Bureau under the auspices of the Director General of Insurance;*
- b) the Insurance Arbitrators Bureau be backed by a council representing both the insurance industry and consumers;*
- c) the Bureau arbitrate upon disputes between consumers and insurers should consumers so desire;*
- d) the Bureau be guided not necessarily by strict legal rules but with good practice; and*
- e) arbitration via the Bureau be not held to prejudice the rights of the parties to subsequently take legal action via the courts.<sup>7</sup>*

The General Insurance Association of Malaysia (GIAM) deliberated on the proposal and on April 14, 1988 adopted by-laws for the establishment of the Bureau. GIAM preferred the name Insurance Ombudsman Bureau, in line with similar institutions in the United Kingdom and Singapore. The shift of the regulatory function of the insurance industry from the Ministry of Finance to the National Bank (Bank Negara Malaysia) meant that the proposed Bureau had to receive the support of the new regulatory body which insisted that it be established as an independent organisation under the Companies Act 1965.

The decision to establish the proposed Bureau as a company called for its name to be approved by the Registrar of Companies. The Registrar rejected the name Insurance Ombudsman Bureau. To the official handling the file, the term "Ombudsman" was inappropriate as it would improperly suggest that it was an office akin to a parliamentary ombudsman. GIAM opted for the name "Insurance Mediation Bureau (IMB)". The IMB was eventually established on August 23, 1991 as a company limited by guarantee under section 24 of the Companies Act 1965. It was launched in June 1992 and began operations in October 1992 after the staff and the Mediator had been recruited.

### **Objects, Structure and Operation of the IMB**

The IMB was established to investigate and resolve complaints, disputes and claims made against its member companies and hence only insurance companies who are members of the IMB are under the control and discipline of the Bureau. Not all companies are, presently, compulsorily required to become members or to remain as members. At present, all the 13 composite insurance companies and all the general insurance companies are members of the IMB. Any member of the IMB may withdraw by giving not less than 6 months' notice in writing and the membership shall cease from the date of the notice<sup>8</sup>

The objects of the Bureau in relation to redress mechanisms are:

- to receive complaints, disputes and claims made -in relation to policies of insurance effected with Members of the Bureau;<sup>9</sup>

- to facilitate the satisfactory settlement or withdrawal of such complaints, disputes and claims either by making decisions or by the provision of counsellors, conciliators, professional advisers, experts, adjudicators and arbitrators;<sup>10</sup> and
- to collaborate with the Government, local authorities or statutory bodies or other private organisations and individuals on all matters relating to and affecting the settlement of complaints in relation to such policies of insurance;<sup>11</sup>

The IMB currently only provides a resolution of the disputes of individual consumers. It does not address systemic problems. The Memorandum of Association of the IMB gives it sufficient powers to research into any area of disputes relating to the insurance industry and to make such recommendations as it deems fit.<sup>12</sup> However, these are powers that have yet to be exercised by the IMB. Structurally, the IMB has two bodies, the Board of Directors and the Council.

The Board, comprising representatives of the member companies, is responsible for the management and administration of the business and affairs of the Bureau. The nine members of the Board are appointed by the member companies of the Bureau.<sup>13</sup>

The five member Council consists of two members of the Board, one representative from the Federation of Malaysia Consumer Association (FOMCA), one representative from a university in Malaysia, and one other person nominated by the Board "who does not fall into any of the categories mentioned above".<sup>14</sup> Though three of the five Council members are from outside the industry, their appointment itself is at the discretion of the Board. The members of the Council may at any time be removed by the Board, and this, "effected by an instrument in writing signed by the Chairman or Deputy Chairman of the Board on behalf of the Board".<sup>15</sup> The Council appoints its own Chairman and Deputy Chairman. The members of the council serve for a period of two years (unless otherwise determined by the Board) but are eligible for reappointment.<sup>16</sup> A Council member may hold no other office of profit under the Bureau, nor may he personally or through his firm act in a professional capacity for the Bureau.<sup>17</sup>

The main function of the Council is to appoint one or more Mediators, and, define the Mediator's powers, duties and terms of reference.<sup>18</sup> The council has appointed Datuk Wan Ismail bin Wan Mohamad Salleh as the sole mediator. He is legally trained and prior to the appointment, served with distinction first in the public sector, and later in the private sector. The Mediator reports to the Council on matters relating to the Mediator's functions and obtains advice from the Council from time to time.<sup>19</sup>

As noted earlier, all composite and general insurance companies are members of the Bureau. No life insurer is a member. The Articles of Association of the Bureau also restrict the Mediator to references, the subject matter of which is a policy of general insurance.<sup>20</sup> Hence even where composite insurance companies are members, only their general insurance- dealings come under the purview of the Mediator.

The role of the Mediator is to act as an independent counsellor, conciliator, adjudicator or arbitrator<sup>21</sup> in cases referred to him by policyholders relating to a policy of personal insurance. The Mediator is empowered to make awards of up to RM50,000 which are binding on the insurance company but not the policyholder.<sup>22</sup> Where a decision exceeds this monetary limit, it is not binding upon the insurer concerned, but constitutes the Mediator's recommendation to that insurer of an equitable solution to the claim.<sup>23</sup> The Articles of Association permit members of the Bureau to alter the monetary limit by ordinary resolution at a General Meeting.<sup>24</sup>

It is important to reiterate that the Bureau only handles cases referred to the Mediator by policyholders. The requirement that the reference be made by policyholders means that all third party claims against insurers are not entertained. Insurance claims, especially in motor insurance, also involve a large number of third party claims. The insurer has little interest in third party claimants. The insurer has no contract with him and no duty to him. The insurer sees his responsibility as being primarily to indemnify the policyholder within the terms of the policy. It is third party claimants, therefore, who are particularly in need of the services of a redressal bureau. Yet the IMB does not cater to their needs.

There are other limitations as to the disputes that may be entertained by the IMB:

- The policy must have been effected by a natural person and be for the benefit of natural persons (not being partnerships or unincorporated associations consisting of or including natural persons).<sup>25</sup> This means that most workmen's compensation schemes or group insurance policies effected, *inter alia*, by employers, associations, trade unions, etc. for the benefit of their members do not fall within the terms of reference of the Mediator.
- The Mediator is not empowered to entertain any reference unless the subject matter of the reference has first been considered by the Senior Management of the relevant member company and the conditions of settlement of the company have been proved unacceptable to the complainant.<sup>26</sup> This requirement is meant to shield the company, but it also serves to further delay the complainant's access to justice. However, it must be conceded that this requirement helps to resolve complaints without their being referred to the Mediator. That this has indeed happened is evidence by the number of cases in which the Mediator refused to act until they had been referred to the Senior Management and which were subsequently resolved by the Senior Management to the satisfaction of the complainant.
- The reference must be received by the Mediator within six months after the observation or offer of settlement was made by the Senior Management<sup>27</sup>. This has meant that the bulk of the cases of complaints already existing when the IMB was established in 1992 are time-barred. This, in part, accounts for the small number of cases that have till now handled by the IMB.

- Any party to the dispute, be it either the insurer or the policyholder, must not have instituted proceedings in any court or referred it to arbitration <sup>28</sup>. Where such action has begun, the policyholder must first discontinue the court proceedings or arbitration before making the reference to the Mediator.

These limitations severely limit the type of claims that the Mediator may review. There is, however, insufficient data to estimate how many of the claims that will arise from the 3,748,649 general 'insurance policies will in effect come under the purview of the Mediator.

The procedure adopted by the Mediator is simple and procedural error does not serve to prejudice a claim:

- (a) When a complaint is received or a dispute is referred by a policyholder, the Mediator requests the Principal Officer of the relevant member company to indicate whether the complaint or dispute has been considered by its Senior Management.
- (b) The Mediator ascertains from the policyholder that he has not started legal proceedings or referred the matter to arbitration.
- (c) The Mediator studies the case before him based on the correspondence received and the documents in the case file. If he is in doubt over any of the matters, he may consult the Principal Officer.
- (d) A study of the papers and documents then ensues. The Mediator may conduct interviews, identify the issues in dispute and proceed with the investigation, which may involve a visit to the scene of the incident.
- (e) Experts may be involved in resolving the disputes, if their assistance is required.
- (f) The stringent requirements of court-based rules of evidence do not apply and the primary focus of the Mediator is to do justice.
- (g) The Mediator supplies both parties with a written decision of his findings. The decision contains the names of the parties, the reasons given by the insurer for rejecting the claim, information on the mediation proceeding, a reminder that the proceeding is deemed to be "without prejudice" and that no part of the proceeding is to be disclosed in a subsequent judicial proceeding or arbitration, the finding of facts and the reasons for the decision. The provision of a written decision of the findings is a welcome features of the IMB procedure. It provides for an open and accountable mechanism. This aspect can be further strengthened by the Mediator including in his annual report sufficient detail and a record of the types of decisions he has made.

There is no appeal procedure within the IMB. When the complainant is informed of the decision of the Mediator, he is informed of his right to accept or reject the decision. If he accepts it, the decision is binding upon the insurance company. <sup>29</sup> If he rejects it, the decision is not binding on either party and the complainant is

free to take legal proceedings or to refer the matter to arbitration. The complainant has 14 days to inform the Mediator of his decision so that the insurance company may be informed accordingly.

Guidelines for the use of the scheme in simple language have been drawn up, but these are not readily available to consumers. Brochures in Bahasa Malaysia and English have been distributed to the public since 1992 through various organisations, and member companies. Steps are afoot to effect publicity campaigns through the mass media and to carry special feature articles about the IMB in the local vernacular newspapers.

The IMB is a new institution and public awareness of its existence is still low. Bank Negara (the regulating authority) and the General Insurance Association of Malaysia still maintain their own complaints handling mechanisms and therefore do not refer complaints to the IMB. This means that policyholders have not as yet got to use or even hear of the benefits of the new scheme. A method that is being considered by the Council is for information on the IMB to be included in every policy document issued to policyholders. All claimants or their advisers pursue the insurance policy, at least when making a claim. Including information about the IMB in the policy will mean that the existence of the IMB will be drawn to the attention of the policyholder at the most appropriate time.

The Articles of Association provide that the Bureau may, at the discretion of Council, charge such fees as it may specify<sup>30</sup>. No fee has yet been imposed and the services of the IMB remain free to complainants. The expenses of the IMB are wholly met from collections of levies, subscriptions and fees from insurers who are Members of the Bureau<sup>31</sup> 31. Costs for 1992 totalled RM 309,988; for 1993 the totalled RM 390,768 for 1993.

The IMB is currently located in Kuala Lumpur, the capital city. References to the Mediator may be made in writing and this, at least in theory, permits consumers away from Kuala Lumpur and its surrounding districts to seek the services of the Mediator.

## **Conclusion**

The IMB is an important development in the creation of viable and efficacious ADR mechanisms in Malaysia. Its success or failure may well determine the acceptability of industry-specific ADR mechanisms. There is no available data to determine whether the very existence of the IMB has served to make insurers more accommodating of policyholder complaints. The number of complaints to the Director General of Insurance and GIAM, however, do not show any significant decline since the established of the IMB.

In 1993, the Mediator received only 37 references. This is far too small a number to justify an ADR mechanism which in 1993 alone cost RM 390,768. Unless there is adequate publicity and the active support of the regulatory authority and the insurance industry, the demise of the scheme is a distinct possibility. Industry specific ADR schemes in Malaysia may not then be readily introduced.

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<sup>1</sup> 31st Annual Report of the Director-General of Insurance 1993, Bank Negara Malaysia, 1994. pp. xii-xiii.

<sup>2</sup> Ibid.

<sup>3</sup> In consumer insurances, the terms are part of a standard form contract not readily varied even if the proposer so desires

<sup>4</sup> See Table 2, Appendix B.

<sup>5</sup> See 27th Annual Report of the Director General of Insurance, Bank Negara Malaysia, 1989, p.12.

<sup>6</sup> Rachagan, S.S., Principles and Practice of Insurance and the Consumer, in *Proceedings of the Seminar: Towards a Consumer- Oriented Insurance Industry*, SCFTA, 1985, p.30

<sup>7</sup> Consumer Protection vis-a-vis the Insurance Industry, Proposed Changes to Insurance law and Practice, A Memorandum submitted to the Director-General of Insurance, SCTFA, 1987, pp.52-53.

<sup>8</sup> Article 9, Articles of Association of the Insurance Mediation Bureau (AA, IMB).

<sup>9</sup> Clause 3(a), Memorandum of Association, Insurance mediation Bureau (MA, IMB)

<sup>10</sup> Clause 3(a), MA, IMB.

<sup>11</sup> Clause 3(b), MA, IMB.

<sup>12</sup> Clause 3(h), MA, IMB.

<sup>13</sup> Art. 16(a) & (b), AA, IMB

<sup>14</sup> Art. 58(a)(iv) AA, IMB. The fifth member who currently acts as Chairman, is a distinguished retired lawyer, Mr. James Putcherry.

<sup>15</sup> A rt. 58(b) AA, IMB.

<sup>16</sup> A rt. 58(c) AA, IMB

<sup>17</sup> A rt. 62, AA, IMB.

<sup>18</sup> A rt. 63(b) AA, IMB.

<sup>19</sup> Art. 63(a), AA, IMB.

<sup>20</sup> Art. 65(b)(iv) AA, IMB

<sup>21</sup> Art. 65(b)(i) AA, IMB.

<sup>22</sup> Art. 65(b)(iv) AA, IMB.

<sup>23</sup> Art. 65(b)(v) AA, IMB.

<sup>24</sup> Art. 65(b)(vi) AA, IMB.

<sup>25</sup> A rt. 67(b) AA, IMB.

<sup>26</sup> A rt. 66(a) AA, IMB

<sup>27</sup> A rt. 66(c) AA, IMB.

<sup>28</sup> Art. 66(b) AA, IMB.

<sup>29</sup> A rt. 65(b)(iv), AA, IMB.

<sup>30</sup> Art. 65(d) AA, IMB.

<sup>31</sup> Clause 3(e) MA, IMB

**Table 1**  
**INSURANCE MEDIATION BUREAU**  
**Complaints Received**  
**October 1992-1993**

No. of cases referred: 37

Types of Policy	Causes of Disputes				
	Terms of Policy	Quantum	Non-Disclosure	Breach Of Warranty	Others
Houseowner	1	-	-	-	-
Medical	1	-	-	-	-
Motor	6	7	4	7	6
Personal Injury	1	1	-	-	1
Personal Property	2	-	-	-	-
<b>Total</b>	<b>11</b>	<b>8</b>	<b>4</b>	<b>7</b>	<b>7</b>

**Table 2**  
**Disputes Resolved by the IMB**  
**1992-1993**

**No. of Cases Resolved: 29**

Types of cases	Company Decision Revised	Company Decision Confirmed	Revised by Company before Mediation
Houseowner	-	1	-
Medical	1	-	-
Motor	7	8	7
Personal Injury	-	2	1
Personal Property	1	1	-
<b>Total</b>	<b>9</b>	<b>12</b>	<b>8</b>

**Table 3**  
**IMB**  
**Dispute Yet to be Resolved**  
**1992-1993**

Types of Policy	Causes of Dispute (Yet to be resolved)			
	Terms of Policy	Quantum	Breach Of Warranty	Others
Motor	1	2	1	1

**Table 4**  
**IMB**  
**Cases Falling Outside Terms of Reference**  
**1992- 1993**

Type of Policy	No of Classes
Motor	47
Personal Injury	1
Others	1
Total	49

**COMPLAINTS ACTION BUREAU, GIAM**  
**Number of Complaints received**  
**1986-1992**

Year	Complaints Received	Complaints Resolved
1986	322	203
1987	367	182
1988	268	206
1989	230	100
1990	207	178
1991	1527	1483
1992	244	237
1993	191	148

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Source: General Insurance Association of Malaysia

## APPENDIX C

TABLE 1

WRITTEN COMPLAINTS AGAINST INSURER'S RECEIVED BY YTHE  
DIRECTOR GENERAL OF INSURANCE, BANK NEGARA  
MALAYSIA FOR THE PERIOD 1980-1993

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
Nature of Complaints														
Against Life Insurers														
Delay in setting claim	22	5	10	3	10	29	16	18	21	30	36	20	20	28
Amount offered for settlement of claims	-	-	-	-	-	-	-	-	-	-	12	11	11	9
Amount of cash surrender value	5	9	13	7	7	16	18	20	10	17	7	5	12	14
Agency matters	2	5	8	3	11	14	22	25	8	14	13	3	16	12
Delay in the issuance of policy	-	-	2	-	5	6	18	7	2	3	-	3	5	8
Refusal to renew policy	-	-	-	-	-	-	-	-	-	-	1	3	1	1
Delay in reply to correspondence	12	2	5	1	1	8	23	14	10	11	10	9	28	16
Bonus entitlement	2	1	-	-	4	1	2	2	-	-	-	2	1	2
Repudiation of liability with reference to conditions of policy contract	7	15	12	1	8	6	13	10	11	21	11	12	11	21
Cancellation of policy	19	16	18	-	23	32	134	117	46	74	25	40	26	30
Miscellaneous	20	12	31	4	39	24	40	64	58	65	52	44	60	83
Sub total	89	65	99	19	108	136	286	277	166	235	167	152	191	224

Table (contd.)

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
Against General Insurers														
Delay in setting claims	247	169	322	188	273	424	676	1025	1107	1147	1350	1486	1422	918
Amount offered for settlement of claims	51	68	67	58	79	78	139	150	184	142	145	79	98	135
Cancellation of policy contract	170	112	25	11	18	13	23	37	22	27	16	25	44	35
Delay in reply to correspondence	102	33	46	56	43	99	163	131	246	66	162	224	129	73
Agency matters	19	25	28	16	8	11	23	22	21	13	12	19	62	30
Repudiation of liability with reference to conditions of policy contract	60	81	53	35	15	70	116	86	127	72	73	65	98	135
Delay in the issuance of policy	24	43	26	13	8	29	40	41	47	33	56	65	310	215
Refusal to renew policy	1	-	1	-	3	-	6	3	1	1	-	10	31	16
Delay in authorising repairs	80	52	45	28	34	39	47	48	62	10	20	28	37	50
No claim bonus entitlement	145	61	33	35	12	36	165	98	62	84	60	66	442	461
Miscellaneous	178	110	145	54	200	83	128	238	608	512	187	174	541	653
subtotal	1077	754	791	494	693	882	1526	1879	2487	2107	2081	2241	3214	2721
Total	1166	819	890	513	801	1018	1812	2156	2653	2342	2248	2393	3405	2945

Table 2

Number of complaints against Life Insurers  
compared with the number brought  
against General Insurers

Year	No of complaints against Life Insurers	No. of complaints against General Insurers	% of complaints brought against General Insurers
1980	89	1077	92.3
1981	65	754	92.0
1982	99	890	88.8
1983	19	494	96.2
1984	108	693	86.5
1985	136	882	86.6
1986	286	1526	84.2
1987	277	1879	87.15
1988	166	2487	93.7
1989	235	2107	89.9
1990	167	2081	92.5
1991	152	2241	93.6
1992	191	3214	94.3
1993	224	2721	92.3

Source : Annual Reports of the Director General of Insurance (DGI), Bank Negara Malaysia, 1984-1993