



# **APPENDIX**

# **PRIVATE MOTOR**

# **UNDERWRITING GUIDELINES**

**Effective date : 1<sup>st</sup> April 2013**

**AXA AFFIN GENERAL INSURANCE BERHAD**

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# 1. Legal framework

## 1.1 Legislation/Regulation

### 1.1.1 Governing Authority

Bank Negara Malaysia (BNM) is the governing authority for all insurance companies operating in Malaysia. The Insurance Act 1996 is the governing law for insurance companies.

### 1.1.2 Persatuan Insuram Am Malaysia (PIAM)

PIAM is an association of general insurance companies in Malaysia and it is mandatory for all general insurers to be member. Amongst others, PIAM regulates the registration of intermediaries in addition to coordinating the motor and fire insurance tariff in Malaysia.

### 1.1.3 Road Transport Act

This Act makes provision for the regulation of motor vehicles and of traffic on roads and other matters with respect to roads and vehicles thereon, including the provision for the protection of third parties against risks arising out of the use of motor vehicles.

## 1.2 Stamp/taxes

### 1.2.1 Stamp Duty

It is a requirement that a stamp duty of RM 10.00 is paid for each policy.

### 1.2.2 Service Tax

It is a requirement that a service tax of 6% of gross premium is paid for all policies issued to non individuals.

## 2. Philosophy

Motor insurance is a tariff business in Malaysia and is written as part of the general classes of business. As such, we are not able to compete on price nor are we able to increase the premium for vehicle models with bad loss experience. Thus, it is vital to have a strict underwriting policy to avoid any anti-selection of risk. A careful selection of risks will allow us to control the loss ratio, which will result in better profitability. Selection of the risks must be done both for new business and renewals. Our underwriting rules must be contained in the underwriting guidelines in order to achieve the following objectives:-

- To provide a clear understanding of the underwriting rationale and business rules in risk acceptance to our staff
- To maintain consistency in risk assessment and quality control
- To communicate a corporate strategy to our business partners
- To consistently achieve a modest underwriting profit every year.

It is the company's practice to ensure that we achieve a balanced portfolio without the motor portfolio overshadowing the other classes of business. The company tries to cap the portfolio of the motor business to not more than forty percent (45%) of the overall portfolio.

Motor own damage losses as well as theft losses are relatively easier to control compared to TPBI and TPPD and to this end, the following steps has been taken :

- Appointment of EP Ong Associates Sdn Bhd as our major motor loss adjusting firm
- Constant monitoring of industry theft trends
- Appointment of AXA panel workshops

### **AXA Panel Workshops**

To reduce the loss ratio, it is the strategy of the Company to direct all our customers to AXA Panel Workshops for all accident repairs.

Special benefits/services for our Insureds have been arranged with the Panel Workshops strategically located in Malaysia. The list of Panel Workshops is shown in the AXA SmartDrive Assistance Plan booklet.

The appointments or cancellations of the agreements with the workshops are subject to annual review by Claims Dept. with Senior Management's approval.

## **AXA SmartDrive Assistance Plan (ASAP)**

This plan is automatically available to all comprehensive SmartDrive policyholders and the benefits and services available are :

- 6 months warranty for accident repairs
- 24 hours hotline
- Free towing service for car breakdowns up to a maximum of RM 200.00
- Alternative Travel Assistance Referral
- Hotel Accommodation Assistance Referral
- Interpreter Services
- Medical Referral
- Transmission of Information
- Repatriation of Vehicle Assistance referral
- Chauffeur Assistance Referral
- Emergency Medical Evacuation Assistance
- Legal Assistance Referral

Please refer to the booklet for more details.

## **Business Acceptance**

Marketing staff must exercise their underwriting discretion by taking into consideration the 4 main factors when accepting motor business which are :

- The connection involved
- The size and profitability of the whole account
- The potential of the connection
- The competition involved

### 3. Treaty Acceptance Limits

Company Capacity - Motor Underwriting Limits for 2013	
Motor Own Damage any one accident	RM 5 million
Motor TP Property Damage	RM 25 million
Motor TP Bodily Injury	Unlimited

The Company practices prudent underwriting and for this reason (based on the risk portfolio of the motor business), we are of the view that a retention of **RM 1 million** is justifiable. Also it is important to ensure that we do not "burn" the treaty otherwise the next treaty renewal premium will be increased.

## 4. Reinsurance

### 5.1 MNRB cessions

There is an obligatory cession to MNRB for all Motor business as follows :  
• 2.5% cession from 1<sup>st</sup> Jan 2011 to 31<sup>st</sup> Dec 2013

### 5.2 Reinsurance Philosophy

It is AXA's philosophy to limit acceptance of reinsurance inwards business. Any acceptance, is subject to the Retail & Motor Underwriter's approval.

## 5. Coverage & Rating – Motor Tariff (Private Car)

Motor insurance in Malaysia is a tariff business whereby standard ratings, coverage and policy wordings etc are applicable to all insurance companies underwriting motor insurance.

There is no Motor Business which is non – tariff unless specifically published as such in the Motor Tariff and members must therefore submit to PIAM any cases which do not seem to be provided for.

Any changes in the tariff will be communicated to all insurance companies via PIAM circulars and these will be forwarded to all business units by the Retail & Motor Underwriter.

### 5.1 Types of Coverage

There are generally 4 types of coverage as follows :

- Comprehensive
- Third Party, Fire & Theft
- Third Party
- Act

### 5.2 Rating

#### WEST MALAYSIA

CC NOT EXCEEDING	COMPREHENSIVE	THIRD PARTY
1400	RM 249.50	RM 96.30
1650	RM 278.50	RM 108.00
2200	RM 308.50	RM 120.60
3050	RM 338.40	RM 133.20
4100	RM 367.40	RM 144.90
4250	RM 396.40	RM 156.60
4400	RM 426.40	RM 169.20
Over 4400	RM 455.40	RM 180.90
	Plus RM 26 for each RM 1,000 or part thereof on value exceeding RM 1,000	

Third party fire & theft – 75% of Comprehensive premium

## EAST MALAYSIA

CC NOT EXCEEDING	COMPREHENSIVE	THIRD PARTY
1400	RM 184.20	RM 55.50
1650	RM 206.20	RM 61.80
2200	RM 228.30	RM 69.60
3050	RM 249.70	RM 76.80
4100	RM 271.80	RM 83.10
4250	RM 293.20	RM 90.30
4400	RM 315.30	RM 96.60
Over 4400	RM 336.70	RM103.80
	Plus RM 20.30 for each RM 1,000 or part thereof on value exceeding RM 1,000	

Third party fire & theft – 75% of Comprehensive premium

## 5.3 Extensions

TYPE	ADDITIONAL PREMIUM	COMMENTS
Windscreen	15% of windscreen sum insured minimum RM 30.00	Endorsement 89
Strike Riot Civil Commotion	0.3% of sum insured	Endorsement 25
Flood, Typhoon, Hurricane, Storm, Tempest, Volcanic eruption, Earthquake, Landslide, Landslip or other convulsion of nature	0.5% of sum insured minimum RM 15.00	Endorsement 57
Vehicle Accessories	15% of sum insured of each item	Endorsement 97
Gas Conversion Kit & Tank	4.5% of NGV sum insured	Endorsement 97A
Legal Liability of Passengers for Act of Negligence	RM 7.50 per vehicle	Endorsement 72
Passengers Liability/Legal Liability to Passengers Cover	25% of Third Party premium. Additional RM 10 per pax in excess of 5 passengers	Delete Endorsement 100
Named Driver	First 2 drivers – free (including policyholder) Additional - RM 10 per name	
All Drivers	RM 50.00 per vehicle	Applicable only to vehicles registered in company

<b>TYPE</b>	<b>ADDITIONAL PREMIUM</b>	<b>COMMENTS</b>
		name
Extension of Cover to Thailand	Comprehensive – 20% of net annual premium Third Party – 50% of net annual premium (minimum RM 20.00)	Endorsement 101
Current Year NCD Relief Extension	15% on NCD entitlement of the current period of insurance minimum RM 50.00	Endorsement 111
Agreed value (subject to AXA Agreed Value criteria)	No additional premium	Endorsement 87
Increase of Third Party Property Damage Liability	RM 3 to RM 4 million – 15% of Third Party premium Up to RM 6 million – 30% of Third Party premium Up to RM 10 million – 45% of Third Party premium Up to RM 20 million – 60% of Third Party Premium	Endorsement 105
Compensation for Assessed Repair Time (CART)	Aggregate days of claim at any one policy : 7 days – RM50.00 14 days – RM100.00 21 days – RM200.00	Endorsement 112

## 5.4 NCB

A discount may be allowed in accordance with the following scales provided no claims have been made during the period of insurance :

<b>NO OF CLAIMS FREE YEARS</b>	<b>NCB</b>
After the first year of insurance	25%
After the second year of insurance	30%
After the third year of insurance	38 1/3%
After the fourth year of insurance	45%
After 5 of more years of insurance	55%

## 5.5 SHORT PERIOD RATES

Except as otherwise provided in General Regulations Nos. 7, 15, 16 and 24 of the Motor Tariff , the following scales of rates shall apply to policies issued or renewed for less than one year and shall also be used in calculating return of premiums on policies cancelled and not replaced :

PERIOD	% OF ANNUAL PREMIUM
Not exceeding 1 week	1/8 of the annual premium
Not exceeding 1 month	1/4 of the annual premium
Not exceeding 2months	3/8 of the annual premium
Not exceeding 3 months	1/2 of the annual premium
Not exceeding 4 months	5/8 of the annual premium
Not exceeding 6 months	3/4 of the annual premium
Not exceeding 8 months	7/8 of the annual premium
Exceeding 8 months	Full annual premium

## 5.6 PAYMENT OF PREMIUM

Payment must be paid on the assumption of risk i.e. cash before cover.

Under Section 141 of the Insurance Act 1996, no cover can be granted until the premium has been paid in accordance with the regulations issued under the Regulations issued under the Section. Any person who fails to comply with this Section shall be guilty of an offence and shall on conviction be liable to a fine not exceeding RM 500,000.00.

## 5.7 COMMISSION/DISCOUNT

A maximum commission of 10% is payable to registered intermediaries.

Other than a 10% discount for staff and their immediate family, no discount is permissible to any other person.

## 6. Underwriting Acceptance Authority

With effect from 1<sup>st</sup> April 2013, the maximum Underwriting Acceptance Limit is as follows:

**Tier A** : CEO, Chief Operating Officer & Underwriting Head

**Tier 1** : Head of Business Development

**Tier 2** : Branch Regional Manager, Agency Head & Broking Manager, Shareholder Manager

**Tier 3** : Branch/Agency Manager & Others

**Tier 4** : Branch/Agency Manager & Others

AUTHORITY LEVEL	MAXIMUM SUM INSURED
Tier A	RM 5,000,000
Tier 1	RM 2,000,000
Tier 2	RM 1,000,000
Tier 3	RM 800,000
Tier 4	RM 600,000

## 7. Underwriting Terms – Private Car

### 7.1 Standard Underwriting Terms

The maximum loading and excess that can be applied is subject to BNM Guidelines for Motor Insurance JPI 26/1996.

Age of vehicle is defined as current year less year of manufacture.

The excess applicable is not cumulative and the highest excess will be applicable, for e.g. if a 20 year old driver drives a 3000 cc vehicle, with sum insured of RM 600,000, the excess applicable will be 2% of SI only.

#### A. COMPREHENSIVE : SUM INSURED BELOW RM 10,000 -DECLINE

#### B. COMPREHENSIVE : SUM INSURED BETWEEN RM 10,000 TO RM 20,000

AGE OF VEHICLE	LOADING	EXCESS
0 to 3 years	Nil	Nil
Above 3 to 6 years	Nil	Nil
Above 6 to 10 years	10%	Nil
Above 10 to 20 years	15%	Nil
Above 20 years	Refer Risk	
AGE/EXPERIENCE OF DRIVER	LOADING	EXCESS
Below 25 years old	15%	Nil
Less than 2 years experience	15%	Nil
CLAIMS EXPERIENCE	LOADING	EXCESS
2 claims and more in the last 2 years	Refer Risk	
OTHERS	LOADING	EXCESS
Sports or other high performance vehicles as defined under item 8.4	Refer Risk	
MAXIMUM CUMULATIVE LOADING	35%	

**C. COMPREHENSIVE : SUM INSURED ABOVE RM 20,000 BUT < RM 300,000**

<b>AGE OF VEHICLE</b>	<b>LOADING</b>	<b>EXCESS</b>
0 to 3 years	Nil	Nil
Above 3 to 6 years	Nil	Nil
Above 6 to 10 years	Nil	Nil
Above 10 to 20 years	15%	Nil
Above 20 years	Refer Risk	
<b>AGE/EXPERIENCE OF DRIVER</b>	<b>LOADING</b>	<b>EXCESS</b>
Below 25 years old	15%	Nil
Less than 2 years experience	15%	Nil
<b>CLAIMS EXPERIENCE</b>	<b>LOADING</b>	<b>EXCESS</b>
2 claims in the last 2 years	Refer Risk	
<b>OTHERS</b>	<b>LOADING</b>	<b>EXCESS</b>
Sports or other high performance vehicles as defined under item 8.4	Refer Risk	
<b>MAXIMUM CUMULATIVE LOADING</b>	<b>35%</b>	

**D. COMPREHENSIVE : SUM INSURED ABOVE RM300,000**

<b>AGE OF VEHICLE</b>	<b>LOADING</b>	<b>EXCESS</b>
0 to 3 years	Nil	Refer excess table
Above 3 to 6 years	Nil	Refer excess table
Above 6 to 10 years	Nil	Refer excess table
Above 10 to 20 years	15%	Refer excess table
Above 20 years	Refer Risk	

<b>AGE/EXPERIENCE OF DRIVER</b>	<b>LOADING</b>	<b>EXCESS</b>
Below 25 years old	15%	Refer excess table
Less than 2 years experience	15%	Refer excess table
<b>CLAIMS EXPERIENCE</b>	<b>LOADING</b>	<b>EXCESS</b>
2 claims in the last 2 years		Refer Risk
<b>OTHERS</b>	<b>LOADING</b>	<b>EXCESS</b>
Sports or other high performance vehicles as defined under item 8.4		Refer Risk
<b>MAXIMUM CUMULATIVE LOADING</b>	<b>35%</b>	

#### E. THIRD PARTY

Third party motor insurance is not our target business and each branch/unit should limit the number of third party policies to no more than 10% of their total number of motor policies.

Where acceptance is made, the maximum loading as allowed by BNM must be applied without exception.

<b>AGE OF VEHICLE</b>	<b>LOADING</b>
0 to 3 years	25%
Above 3 to 6 years	50%
Above 6 to 10 years	75%
Above 10 to 20 years	100%
Above 20 years	100%
<b>AGE/EXPERIENCE OF DRIVER</b>	<b>LOADING</b>
Below 21 years old	Refer Risk
Less than 2 years experience	Refer Risk
<b>CLAIMS EXPERIENCE</b>	<b>LOADING</b>
Any claims in the last 2 years	Refer Risk
<b>OTHERS</b>	<b>LOADING</b>
Sports or other high performance vehicles as defined under item 8.4	Refer Risk
<b>MAXIMUM CUMULATIVE LOADING</b>	<b>150%</b>

## F. EXCESS TABLE

CC	EXCESS
cc < 1400	1% of SI or RM 500 whichever is lower
1401 < cc < 1600	1% of SI or RM 750 whichever is lower
1601 < cc < 1800	1% of SI or RM 1,000 whichever is lower
1801 < cc < 2000	1% of SI or RM 1,250 whichever is lower
2001 < cc < 2500	1% of SI or RM 1,500 whichever is lower (where SI < RM 150,000) 2% of SI (where SI > RM 150,000)
cc > 2500	2.5% of SI

### EXCEPTION:

For Private Motor – Refer Risk category, TIER 1 carries an underwriting authority up to 50% of the assigned limit, whilst TIER 2 carries an underwriting authority up to 25% of the assigned limit,

## 7.2 List of Refer Vehicles

This list is compiled based on the industry theft statistics and comprises of vehicles which are extremely prone to theft. Please refer to Section 6.2-(Private Motor) of the Underwriting Authority & Guidelines 2013.

## 7.3 Decline Drivers

- Driver who have been suspended from driving for a certain period for drunk driving, dangerous driving or for any other reason.
- Driver whose insurance has been declined by another insurance company.
- Driver who suffer from any medical condition or disability/handicap which affects his driving ability in any way.

Acceptance of these drivers can only be made by Retail & Motor Underwriter..

## 7.4 Sports/High Performance vehicles

This definition has been approved by Bank Negara

- Sports cars essentially designed as 2 seaters or designed for speed e.g. Ferrari, Porsche, Maserati, Lamborghini, Aston Martin, Lotus, etc.
- Modified vehicles where the modifications are for purposes of speed and/or acceleration beyond the manufacturers' specification.
- Any vehicle with a turbo charge

**Acceptance of LOTUS sports cars can only be granted by COO/CEO.**

## 8. Coverage & Rating – Motor Tariff (Motorcycle)

### 8.1 Types of Coverage

There are generally 4 types of coverage as follows :

- Comprehensive
- Third Party, Fire & Theft
- Third Party
- Act

### 8.2 Rating

#### WEST MALAYSIA

CC NOT EXCEEDING	COMPREHENSIVE	THIRD PARTY
50	RM 71.40	RM 29.40
100	RM 94.80	RM 35.20
125	RM 118.20	RM 39.70
225	RM 136.35	RM 48.65
350	RM 177.55	RM 61.75
500	RM 207.15	RM 70.65
Over 500	RM 236.45	RM 79.35
	Plus RM 1.75 for each RM 100 or part thereof on value in excess of RM 1,000	

Third party fire & theft – 75% of Comprehensive premium

#### EAST MALAYSIA

CC NOT EXCEEDING	COMPREHENSIVE	THIRD PARTY
50	RM 64.85	RM 19.15
100	RM 70.60	RM 19.15
125	RM 82.10	RM 19.15
225	RM 99.50	RM 22.00
350	RM 126.75	RM 29.55
500	RM 142.70	RM 35.35
Over 500	RM 158.45	RM 39.65
	Plus RM 1.45 for each RM 100 or part thereof on value in excess of RM 1,000	

### 8.3 Extensions

TYPE	ADDITIONAL PREMIUM	COMMENTS
Strike Riot Civil Commotion	0.3% of sum insured	Endorsement 25
Flood, Typhoon, Hurricane, Storm, Tempest, Volcanic eruption, Earthquake, Landslide, Landslip or other convulsion of nature	RM 10.00 per vehicle	Endorsement 57
Passenger Liability Cover	RM 15.00 per vehicle	Delete Endorsement 100
All Riders	50% on annual premium	Applicable to all motorcycles

### 8.4 NCB

A discount may be allowed in accordance with the following scales provided no claims have been made during the period of insurance :

NO OF CLAIMS FREE YEARS	NCB
After the first year of insurance	15%
After the second year of insurance	20%
After three or more years of insurance	25%

## 9. Underwriting Terms – Motor Cycle

Motorcycle is an accommodation business and when accepted, all riders extension is compulsory. Whilst referral to Retail & Motor Underwriter is not necessary, each branch or business unit should exercise their own judgement to limit acceptance to those motorcycles belonging to clients who has other classes of insurance placed with AXA.

<b>CC NOT EXCEEDING</b>	<b>LOADING</b>	<b>EXCESS</b>
100	Nil	RM 75.00
101 to 150	Nil	RM 100.00
151 to 250	Nil	RM 150.00
251 to 500	Nil	1% of SI or RM500 whichever is lower
Over 500	Nil	2.5% of SI or RM1,000 whichever is lower
<b>AGE OF VEHICLE</b>	<b>LOADING</b>	
	Comprehensive or Third Party Fire & Theft	Act or Third Party
0 to 3 years	Nil	25%
Above 3 to 6 years	5%	50%
Above 6 to 10 years	10%	75%
Above 10 years	15%	100%
<b>AGE/EXPERIENCE OF DRIVER</b>	<b>LOADING</b>	
	Comprehensive or Third Party Fire & Theft	Act or Third Party
Below 21 years old or above 65 years old	10%	25%
Less than 2 years experience	10%	25%
<b>CLAIMS EXPERIENCE</b>	<b>LOADING</b>	
	Comprehensive or Third Party Fire & Theft	Act or Third Party
2 claims in last 2 years	15%	50%
More than 2 claims in the last 2 years	25%	100%
<b>MAXIMUM CUMULATIVE LOADING</b>	<b>30%</b>	<b>150%</b>

## 10. Underwriting Terms for Specific Intermediaries

Due to business consideration and business volumes, some intermediaries will have specific underwriting guidelines, which might differ from the company's standard guidelines.

All such specific guidelines must be approved by Retail & Motor Underwriter

The following intermediaries have specific underwriting guidelines:

1. Tan Chong (TCCL)
2. Affin Bank-HP Division
3. Mercedes Benz Services Malaysia Sdn Bhd
4. Citibank
5. HSBC
6. Perodua Sales Sdn Bhd

Please refer to the Respective Business Units for the Underwriting Guidelines under these intermediaries.

# 11. General

## 11.1 Back-dating

No back-dating of cover/endorsements is allowed whatsoever.

## 11.2 Increase in Sum Insured

It is very remote for a policyholder to request for mid-term increase in sum insured. Before such request is granted it is essential that a survey of the vehicle is carried out to ensure that a loss has not occurred.

## 11.3 Conversion from Third Party/Third Party, Fire & Theft to Comprehensive cover

All such requests must be subject to a survey of the vehicle (new business/renewal/midway) to ensure that a loss has not occurred.

## 11.4 Extension to include additional cover

It is not uncommon to request for additional cover mid-term. However, such extension should be handled with caution, as Insureds will not pay additional premium unnecessarily.

Before such request is granted it is essential that a survey of the vehicle is carried out to ensure that a loss has not occurred.

## 11.5 Extension of Period of Insurance

It is very common for an Insured to request for extension of period of cover to coincide with the renewal of the road tax. Pro rata premium can be charged provided:

- the cover for the existing policy is effective for a minimum 12 months with the same insurer
- maximum extension period allowed is 6 months and only once
- proof of the purpose of the extension to be lodged with the insurer

The next level of NCB will not be allowed for such extension.

## 11.6 Transfer of Interest

Where possible the correct procedure is to refuse to transfer and the Insured/seller requested to cancel the policy.

Where it is absolutely necessary to do so, this is only to be done provided :

- Authority is produced from the seller and the Certificate of Insurance is returned
- A fully completed and satisfactory proposal form is obtained from the buyer
- The underwriting terms for the buyer must be applied and any additional premium must be collected e.g. recovery of NCB
- A RM 10 transfer fee must be charged.

## **11.7 Cancellation**

If the Insured requests for cancellation of the policy, the policy can only be cancelled upon receipt of the Certificate of Insurance by either AXA or our authorised intermediaries and must be accompanied by a written request from the Insured. If the Certificate is lost or mislaid by the Insured, then he must make a statutory declaration to the effect.

## **11.8 Minimum Premium**

The minimum premium for a motorcar and motorcycle policy is RM 50.00 and RM 20.00 respectively before service tax and stamp duty.

## 12. Renewals

The renewal process begins 2 months prior to expiry of policies. A renewal listing for all refer/decline vehicles under our books will be provided to all business units 2 months prior to expiry. Each business unit must review each policy and all underwriting considerations are invoked again at each renewal.

## APPENDIX A

### MOTOR INSURANCE ACCEPTANCE FORM FOR USE WITH VEHICLES UNDER REFER LIST/ DECLINE LIST/ EXCEEDING ACCEPTANCE AUTHORITY LIMITS

Branch/Unit :  
Insured :  
Producers :  
Type of vehicle :  
Registration No. :  
Year of manufacture :  
Sum Insured :  
NCD :  
New or Renewal :  
Policy No. :  
Reason for referral :  
Claims experience (last 3 years) :  
Proposed terms : Loading \_\_\_\_\_ Excess \_\_\_\_\_

#### Outturn for past 3 years

Year	Insured			Agent		
	GWP	Total Claim	Loss Ratio (%)	GWP	Total Claim	Loss Ratio (%)
2010						
2011						
2012						

#### Portfolio Mix

	Motor (%)	Non-Motor (%)
Insured		
Agent		

Reason for accommodation :

---

Referred by : \_\_\_\_\_

Designation : \_\_\_\_\_

Date : \_\_\_\_\_