

made by the FSP to address deficiency in the fund such as through *qard* or outright transfer.

2.3 During the term of the contract

- S** 2.3.1 For life insurance contracts, prior to the activation of an automatic premium loan (APL), a FSP shall send a reminder to financial consumers before the premium payment due date.
- S** 2.3.2 In the event of non-payment of premium by financial consumers, the FSP shall inform the financial consumers within thirty (30) calendar days after the premium payment due date-
- a. the APL that has been applied in accordance with the life policy to keep the policy in-force and the interest rate that will be charged on outstanding APL. The FSP must also inform the consumers that the outstanding APL will be deducted from the cash value of the policy; and
 - b. various non-forfeiture options that are available to the financial consumers and the advantages and disadvantages of each option:
 - i. *cash/surrender value* with the caution that financial consumers will only receive an amount which is much less than the premiums paid if the policy is surrendered;
 - ii. *reduced paid-up* and its effect on the sum assured; and
 - iii. *other non-forfeiture options* offered by the FSP such as extended term insurance.
- S** 2.3.3 After the APL has been applied for a maximum period of 12 months, a FSP shall write to financial consumers to offer all available non-forfeiture options. The FSP may inform the financial consumers of all available non-forfeiture options prior to the expiry of the 12-month period during which APL is applied. The FSP shall give the consumers ninety (90) calendar days to decide whether to continue the policy on APL or choose another non-forfeiture option such as reduced paid-up or extended term insurance. In the case of trust policies, the FSP shall alert the financial consumers to obtain the trustee's consent for conversion to reduced paid-up or extended term insurance. Once the financial consumers confirm in writing of the chosen non-forfeiture option, the new non-forfeiture option shall be effected on the date of election. The FSP shall continue to apply the default option pending the reply from the financial consumers.
- S** 2.3.4 For family takaful certificates, a FSP shall inform financial consumers of the various non-forfeiture options that are available and the advantage and disadvantages of each option should the financial consumers fail to pay takaful contributions within the grace period. The FSP shall provide the following information-
- a. cash/surrender value and surrender charges, if applicable, with the caution that financial consumers will only receive an amount which is much less than the takaful contributions paid if the takaful certificate is surrendered; and
 - b. an advance will be made from the PIF to pay the outstanding takaful contributions and the possibility of the takaful certificate lapsing upon exhaustion of the amount in the PIF.