



25 April 2016

Encik Felix Fernandez
Presiden
Car Rental Association of Malaysia
No.4, Jalan SS13/3E,
Subang Industrial Estate,
Subang Jaya,
47500 Selangor Darul Ehsan

Tuan,

Insurance Coverage and Premiums for Car Rental Industry

We refer to your later dated 30 Mac 2016 on the above.

2. As you may be aware, Bank Negara Malaysia (the Bank) has recently announced the roadmap for phased liberalisation of motor and fire insurance in its Financial Stability and Payment Systems Report 2015 (FSPSR 2015) which was released on 23 March 2016.

3. Under the phased liberalisation, tariff requirements will be gradually relaxed or removed. The first phase, which commences on 1 July 2016, will allow the introduction of new motor and fire products at market-based prices, while existing products remain available at tariff rates. In a market-based pricing environment, Motor premiums will be largely driven by the risks associated with the insured vehicle as well as its owner or driver. For example, vehicle fleets with low risk exposure or good claims experience could benefit from lower premium rates. New products may also be introduced to cater to the specific needs of fleet owners. Importantly, consumers will benefit from greater choice and potentially cheaper rates, as insurers and takaful operators compete on product features, price and quality of service.

4. The Bank will be having a series of engagement sessions with the relevant stakeholders to provide greater clarity on the liberalisation roadmap. In this regard, we will be pleased to include the Car Rental Association of Malaysia (CRAM) as one of the stakeholders we will be engaging. A formal invitation will be sent to CRAM in due course. Meanwhile, members of CRAM may obtain details on the liberalisation roadmap from the Bank's website at http://www.bnm.gov.my/files/publication/fsps/en/2015/cp02_001_box.pdf

Sekian.

Yang benar,

(Aznan Abdul Aziz)
Pengarah

Jabatan Pembangunan Sektor Kewangan

15/68/0