29th MARCH 2021 PRESS RELEASE: MOTOR INSURANCE A BANE TO THE SOCIETY Each and every vehicle on the road need to have both insurance as well as road tax. Without these vehicles are not allowed to be on the road. In fact, without insurance, car owners are not allowed to renew the road tax. In another word, insurance policy is very important for all car owners. Just imagine the number of vehicles on the road, from motorcycles to trailers. Although it is vital to own a vehicle insurance policy to protect the policy holder&#65533;s vehicle in the event of an accident, but are the insurance companies doing what they are supposed to do in the event of the accident? One peculiar situation faced by consumers are workshops who are not under the insurer&#65533;s panel. Although the workshops are registered with Persatuan Insurans Am Malaysia (PIAM) and Jabatan Pengangkutan Jalan Raya (JPJ), some insurance companies deny the consumers choice. This contradicts against the 8 pillars of the consumer&#65533;s right which is freedom to choose. Consumers have their regular visits to their workshops whom they feel confident of the mechanics working on their vehicles. To deny the policy holders to go to the workshops of their choice is equivalent to infringe on the freedom to choose. As long as the workshops are registered under PIAM and JPJ should suffice for the insurer to pay for the repair work in the event of an accident. On top of that the insurers will appoint their own adjuster to evaluate the amount of damage after the policy holder sends the vehicle to the workshop with the police report. So why does the insurer insist the policy holders to send the vehicles to the insurer&#65533;s panel workshop. Linking the idea of panel workshop assigned by the insurer, it puts a lot of issue on the plate and that leads to ponder if there is any connection between the panel workshops and the insurance company. If there is &#65533;tag team&#65533; concept, it will give room to a lot of speculation. We wonder if the work carried out in the workshop is precisely to repair work or to cut down of the cost of repair and just do a simple touch up which many consumers are not aware of. In another word, the term panel workshop should be taken out in the terms and conditions of the insurance policy and Bank Negara Malaysia (BNM) should come out with a proper standard operation procedure and consumers must be protected as stipulated in the Fair Treatment of Financial Consumers (FTFC) issued by BNM. It is stated in 8.1(b) of the FTFC that; financial consumers are not subject to unfair discriminatory practices, including unfair contract terms that significantly disadvantage financial consumers. <p

style="text-align: justify;">In a similar situation, all registered adjusters must also free from any form of connection with insurance company. They should be given the freedom to work on their own without fear of favour for any insurance company. When the adjusters are free from soliciting for insurance companies, then they will be able to do their job well without any intervention, hence creating ethically fit workforce in the insurance industry. Touching on the fine prints stated in the terms and Conditions (T&C) of the policy, how many agents or staff have indulged in advising the consumers of their right with regards to insurance claims. Consumers are not told of their right when they purchase their vehicle insurance policy. Most of the time, they were just given the cover note and asked to pay the amount for the renewal of insurance. Consumer were not briefed by the agents or staff of the content in the policy. In the FTFC, clause 10.4 to 10.8, touches on the staff who should have appropriate values, are well trained, play a good role, have the desired conduct and behavior and able to give quality advice with compliance with the financial service provider&#65533;s internal policies. However when it comes to claim, the process becomes so tedious and a nightmare for the consumer. The language used in the product disclosure sheet must be clear, concise and effective as per stated in the FTFC. Insurance claims become complicated and time consuming when it involves third party insurance claim. We received a peculiar case from a complainant where his less than 5 years car was involved in an accident. It was a third party claim and a registered adjuster was appointed to evaluate the damage cost. The adjuster quoted RM23000 as the repair cost. Unfortunately the insurance company only offered a lump sum of RM4000 for the cost of repair. What can the policy holder do with RM4000 when the damage incurred and repair work cost is RM23000? How much can he change with that amount? If the insurance company are paying this much for a serious damage and the workshop were to repair within the stipulated amount, surely the car is not safe to be on the road. This really doesn&#65533;t make sense at all. What is the ulterior motive the insurance companies have beyond this? BNM must regulate and ensure cars involving 3rd part claim should be made easier and within a specified time. In our neighbouring country, if the adjuster has evaluated a specific sum for repair work, the insurance will pay for the repair without further questions, taking into account of the safety of the vehicle and consumer and other road users. The waiting period is agonizing. In some cases the case can be dragged over 3 month&#65533;s period. If the vehicle owner will has only one vehicle to use and the car is kept in the workshop for months for no mistake of his. The insurance companies are taking their own time to investigate. To add salt to wound, no temporary replacement car is given or equivalent loss of use being given to the policy holder. BNM must come out with strict rules where vehicles which are kept too long in the yard or workshop without any repair work done beyond a stipulated period need to pay to the owner the loss of use. Workshops should also comply with the SOP of SIRIM MS2697:2018 4R (Repair, reuse, repair and

remanufacture) Certification Scheme. This Malaysian standard provides requirements for (4R) activities of motor vehicles parts and components. It also coves aspects relating to knowledge, process and method, materials, equipment, safety and environment impacts. While MS2696 if for motor vehicle aftermarket which focuses on service and spare (2S). The 4R and 2S standards were formulated to guide the automotive industry to enhance its infrastructure and services. Thus, achieving high standards for product and process quality, consumer safety and protection, environment safeguarding and business sustainability. As long as the workshops are registered under SIRIM MS2692:2018, they should automatically be in the panel. In Britain, BS10125 has been implemented where it specifies the best approach to conducting consistently safe, high quality repairs to accidents damaged vehicles. Insurance companies will pay for every damaged incurred by the vehicles and to make sure a road worthy car is on the road. There is definitely a different scenario here. Safety of the consumer&#65533;s car after an accident is not compromised at all. This does not only safe guard the owner of the vehicles but also the safety of other road users. Insurance company should look into saving consumers&#65533; lives than saving cost. Insurance companies should be free from any bonding with workshops as well as adjuster. If there is a linkage, there are probabilities some irregularities will take place. Endorsement 106 which states in the policy that in the event your vehicle is involved in an accident and give rise to a claim, your vehicle must be removed to a PIAM Approved Repairers Scheme (PARS) workshop selected and approved by the insurer for repairs. This policy has been revoked by BNM in 2016, unfortunately the insurance companies still insist to follow this endorsement although it is no more applicable. BNM and PIAM must instruct all insurance companies to adhere to the new ruling by allowing consumers to pick their own workshop which they are assured of good workmanship and safety issue is paramount. Insurance companies must also play their role in protecting road users. When it comes to a car involved in an accident and declared Beyond Economic Repair (BER) or total loss in layman&#65533;s term, the car should be sent to scrap. Unfortunately some workshops bid for these cars and buy them over. They will eventually do up the cars with some facelift and sell it to the consumers who are not aware that the cars were involved major accidents. Insurance companies must inform Ministry of Transport and JPJ that those cars which have been sold as scrap. Ministry of Transport must instruct vehicles which are declared BER to be off the road. Insurance companies must hold the original vehicle ownership and not giving it to the bidders but only the scrap. By doing this, vehicles which were involved in major accidents will not be on the road.
There are also evidence where workshop was instructed by the insurance company to repair and reconstruct the car&#65533;s chassis. How can insurance companies put the pressure on the workshop and ask them to perform a task which is absolutely mercenary? The second impact on such cars will surely be fatal to the passengers in such vehicles. The onus must be

on the insurance company to be transparent and inform the policy holders the parts that have to be changed or replaced as per the advice of adjusters. Workshop on the other hand must replace the parts mentioned by the insurance companies. Insurance companies and workshops should not compromise on the safety of the vehicles and the passengers. Most of the time, policy holders are not informed of the parts replaced and policy holders should be given the liberty to view the part changed. Consumers generally do not know whether the parts changed or replaced are authentic. Policy holders are paying the insurance policy duly as they have to do it to enable them to the road tax. When the policy holders pay the policy at the value of, why does it take a long time for the claims to be processed and cheap or unsafe parts are used to replace the damaged parts of the vehicles? This comes at a fraction of a cost to the actual part. Here the integrity of insurance companies and workshops has to be very high. They are supposed to provide equivalent support and services to the policy holders. Loss of use is another issue that the insurance companies need to revamp. Currently, loss of use is compensated to consumers from the day the mechanics in the workshop start their repair work till the work is settled. The numbers of days the car is stranded and lying idle is not taken into consideration. BNM must revise this term so that the insurance companies will expedite their work on the car from the day the vehicle is sent to the workshop. This will definitely accelerate the insurance companies, adjusters and workshops to put their heart and souls in getting ready the car with integrity, a culture that very much needed in our society. For consumers who are faced with this situation are advised to send emails to these relevant authorities such as BNM, Ombudsman Financial Services (OFS), the insurance company involved and PIAM. BNM must protected these vulnerable consumers from being bullied by insurance companies and OFS must stand firm with the stipulated rules set by BNM by advocating consumers&#65533; right. They should not be swayed by insurance companies. Workshops on the other hand must obtain MS2696 Certificate Scheme and adhere to the rules under MS2696:2018 for the safety of all road users.
Baskaran Sithamparam
Senior manager
FOMCA / NCCC