

# **Insurers and Takaful Operators-Repairers Code of Conduct**

Applicable to:

1. Licensed insurers carrying on general business
2. Licensed takaful operators carrying on general takaful business
3. Panel Repairers of licensed insurers and licensed takaful operators
4. Non-Panel Repairers of licensed insurers and licensed takaful operators who voluntarily signed-up to comply with the Code of Conduct

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## 1 Introduction

- 1.1 The promotion of a motor claims and repairs industry that is professional and efficient will enhance public trust and confidence in licensed insurers and takaful operators (“**ITOs**”) carrying out motor insurance and takaful business and Repairers in providing such essential services.
- 1.2 The Insurers and Takaful Operators-Repairers Code of Conduct (“**Code**”) sets out the minimum standards on fair, timely and professional conduct that must be adhered by ITOs and Repairers to promote more effective collaboration between ITOs and Repairers with the aim to further elevate the professionalism and efficiency among ITOs and Repairers in handling motor claims and Repairs.
- 1.3 In addition to the broad principles and specific obligations on minimum standards of fair, timely and professional services, which the ITOs and Repairers must strive to meet, the Code also provides for the establishment of a dedicated Internal Dispute Resolution (“**IDR**”) process by the ITOs aimed at resolving disputes between ITOs and Repairers in a fair, transparent and timely manner.
- 1.4 Notwithstanding the above, to preserve healthy competition in the motor claims and repairs industry that contributes to fairer outcomes for end consumers, the Code generally **does not** intervene or intrude on matters pertaining to the following unless otherwise specified in this Code:
  - (a) the type of vehicle parts to be used in Repairs;
  - (b) the ITOs’ Panel Repairer selection criteria;
  - (c) a compulsory choice of Repairer;
  - (d) requirements to allocate work among Repairers;
  - (e) particular conditions of guarantee;
  - (f) any cost components of ITOs and Repairers, such as cost accounting formula, methods of computing costs;
  - (g) any sales or production-related information, including sales volume and sales revenue target;
  - (h) any aspect of competitive bidding;
  - (i) business plans and strategies;
  - (j) details of engagement with suppliers, vendors, or customers; or
  - (k) limits or controls on production or output, or allocation of market.

## 2 Applicability

- 2.1 This Code is applicable to:
- (a) Licensed insurers carrying on general business;
  - (b) Licensed takaful operators carrying on general takaful business;
  - (c) Panel Repairers of licensed insurers and licensed takaful operators; and
  - (d) Non-Panel Repairers of licensed insurers and licensed takaful operators who voluntarily signed-up to comply with the Code.
- 2.2 For the avoidance of doubt:
- (a) the Panel Repairers agree to comply with the requirements under this Code in view of:
    - (i) the relevant agreement or arrangement including Service Level Agreement (collectively referred to as the “**SLA**”) entered into between the Panel Repairers and the ITOs; and
    - (ii) the relevant regulatory requirements imposed on ITOs in relation to Motor Vehicle Repair; and
  - (b) the Non-Panel Repairers who signed-up to become a participant to the Code voluntarily agree to be subjected to and comply with the requirements under the Code.

## 3 Legal Provisions

- 3.1 The requirements in this Code are specified to licensed insurers and takaful operators carrying on general business pursuant to sections 123 and 143 of the Financial Services Act 2013 (“**FSA**”) and sections 135 and 155 of the Islamic Financial Services Act 2013 (“**IFSA**”).
- 3.2 The guidance in this Code is issued pursuant to section 266 of the FSA and section 277 of the IFSA.

## 4 Effective Date

- 4.1 This Code comes into effect on 2 January 2025.

## 5 Definitions

- 5.1 The terms and expression used in this Code shall have the same meanings assigned to them in the FSA and IFSA, unless otherwise defined in this Code.
- 5.2 For the purpose of this Code:
- “**S**” in relation to:
- (a) an Insurer or Takaful Operator, denotes a standard, an obligation, a requirement, specification, direction, condition and any interpretative, supplemental and transitional provisions that must be complied with. Non-compliance may result in enforcement; and

(b) a Repairer who has agreed to be the participant of the Code, the mandatory obligations that must be complied with by such Repairer;

“**G**” denotes guidance which may consist of statements or information intended to promote common understanding and advice or recommendations that are encouraged to be adopted;

“**Administrator**” refers to the Administrator established in accordance with paragraph 14 of this Code;

“**Claimant**” refers to a Policy Owner/Takaful Participant covered by an Insurance Policy/Takaful Certificate, as the case may be, or a person who has a claim against the Policy Owner/Takaful Participant;

“**Customer**” refers to a Policy Owner, Takaful Participant or Claimant, as the case may be;

“**Internal Dispute Resolution**” or “**IDR**” refers to the dedicated internal dispute resolution process established and administered by an ITO in accordance with the requirements under paragraph 15 of the Code;

“**Industry**” refers to the motor vehicle insurance/takaful and motor repair (including motor smash repair) industries in Malaysia;

“**In-house Assessor**” refers to an ITO’s personnel who assesses repair estimates for the purpose of informing claims settlements by the ITO<sup>1</sup>. For the avoidance of doubt, this does not include a registered adjuster as defined under subsection 2(1) of the FSA;

“**Insurer**” refers to a licensed insurer carrying on general insurance business under the FSA and which, in the course of its business, engages or authorises Repairers to perform Repairs to Motor Vehicles;

“**Motor Vehicle**” refers to a motor vehicle insured or covered for damage under a Policy/Takaful Certificate;

“**Panel Repairer**” refers to a Repairer who is a member of ITO’s Panel Repairers Scheme;

“**Policy**” refers to a Motor Vehicle insurance policy for a Motor Vehicle issued by an Insurer;

“**Presentation**” refers to the visual appearance of the Repair performed on the Motor Vehicle;

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<sup>1</sup> This includes an ITO’s personnel carrying out desktop assessment and/or field inspection in assessing repair estimates of a damaged motor vehicle for the purpose of informing claims settlement by the ITO.

**“Repair”** refers to any work done by a Repairer to fix a Motor Vehicle including any of its components, systems or parts, where the work is insured or covered by a Policy/Takaful Certificate of a Claimant. Such work may include but is not limited to the following:

- (a) dismantling or assembling;
- (b) part or component replacement, adjustment, modification, installation or fitting; or
- (c) painting;

**“Repairer”** refers to a workshop who is a participant to the Code engaged in Repairs of accident Motor Vehicles in Malaysia, including a franchise Repairer;

**“Takaful Certificate”** refers to a Motor Vehicle takaful certificate for a Motor Vehicle issued by a Takaful Operator, who is a participant to the Code; and

**“Takaful Operator”** refers to a licensed takaful operator carrying on general takaful business under the IFSA which, in the course of its business, engages or authorises Repairers to perform Repairs to Motor Vehicles.

## 6 Related legal instruments and policy documents

- 6.1 This Code must be read together with other laws, relevant policy documents and legal instruments that have been issued by relevant authorities such as BNM, Jabatan Standard Malaysia (**“JSM”**), Jabatan Pengangkutan Jalan (**“JPJ”**) and the Ministry of Domestic Trade and Cost of Living (**“KPDN”**)<sup>2</sup>, including but not limited to-
- (a) Policy Document on Fair Treatment of Financial Consumers issued by BNM on 27 March 2024 (BNM/RH/PD 028-103);
  - (b) Policy Document on Claims Settlement Practices issued by BNM on 1 July 2024 (BNM/RH/PD 029-69);
  - (c) Policy Document on Registration Procedures and Requirements on Professionalism of Adjusters issued by BNM on 1 June 2023 (BNM/RH/PD 032-27);
  - (d) Malaysian Standard on Motor vehicle aftermarket - Smash repair – Requirements issued by JSM on 30 May 2024 (MS 2726:2024);
  - (e) Guidelines on Application of Structural Change for Vehicle Panel (Accident) issued by JPJ in April 2019;
  - (f) *‘Garis Panduan Pendaftaran Bengkel Pembaikan Kemalangan Kenderaan Automotif’* issued by JPJ (effective 1 January 2016); and
  - (g) Consumer Protection (Workshops Information Disclosure) Regulations 2002<sup>3</sup> under the Consumer Protection Act 1999 made by the Minister of Domestic Trade and Cost of Living<sup>4</sup>.

<sup>2</sup> Including any amendments or modifications made after the issuance date, as well as reissuances.

<sup>3</sup> Regulations made by the Minister on 26 June 2002 (published in the *Gazette* as P.U.(A) 271/2002) and to be read with the relevant amendments including Consumer Protection (Workshops Information Disclosure) (Amendment) Regulations 2022 made by the on 14 June 2022 (published in the *Gazette* as P.U.(A) 211/2022).

<sup>4</sup> Formerly known as the Minister of Domestic Trade and Consumer Affairs.

## 7 Signing-up to become participants to the Code

- S** 7.1 An ITO must ensure that its Panel Repairers sign-up through the Fermion Merimen Online eClaim platform<sup>5</sup> to become a participant to the Code.
- G** 7.2 A Non-Panel Repairer<sup>6</sup> of an ITO may sign-up to become a participant to the Code through the Fermion Merimen Online eClaim platform at [www.merimen.com.my](http://www.merimen.com.my).
- S** 7.3 At the point of sign-up, a Repairer will be required to accept and agree to comply with the requirements of the Code. Upon signing-up to participate in the Code, the Repairer must comply with the requirements under the Code.
- S** 7.4 A Repairer will be able to utilise the IDR process established under paragraph 15 of the Code for any disputes pertaining to any alleged non-compliances of the requirements under the Code.
- G** 7.5 For the avoidance of doubt, no fees or charges will be imposed for the sign-up process for Repairers to become a participant to the Code. This is to ensure that the participation of the Code is widely accessible to Repairers nationwide, with no charge.

## 8 Principles of the Code

### Professional and Fair Conduct

- S** 8.1 ITOs and Repairers shall observe high standards of honesty and integrity and transact in good faith and comply with all relevant laws when conducting their business with each other and in providing services to Customers.
- S** 8.2 ITOs and Repairers shall comply with the minimum standards of fair conduct and transparency in respect of the dealings between ITOs and Repairers. Except as specifically provided in this Code, no alteration to the commercial relationships between individual ITOs and Repairers is intended by virtue of the principles or requirements specified under this Code.
- S** 8.3 ITOs and Repairers shall ensure that ITOs, Repairers as well as their respective staff and representatives behave in a professional and courteous manner at all times. This includes not engaging in, condoning, or permitting behaviour that is offensive, harassing, threatening, inappropriate, abusive, bullying or intimidating any parties including Customers.

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<sup>5</sup> Refers to the collaborative and information exchange platform for the insurance industry in Malaysia established and administered by Fermion Merimen.

<sup>6</sup> Participation to the Code is on a voluntary basis for Non-Panel Repairers, while it is mandatory for Panel Repairers via service level agreements with respective ITOs.

## Effective and Transparent Dispute Resolution Process

- S** 8.4 An ITO shall establish and administer a fair, transparent and timely dispute resolution processes to address or resolve disputes which may arise between the ITO and Repairers.
- S** 8.5 ITOs and Repairers shall seek to resolve their disputes in accordance with the processes set out in paragraph 15 of the Code to avoid protracted delays in the Motor Vehicle claims process to ensure improved outcomes for consumers<sup>7</sup>.

## 9 Obligations of ITO and Repairer

### ITOs' Obligations

- S** 9.1 ITOs shall authorise Repairs with the objectives of:
- (a) restoring the safety, structural integrity, Presentation and utility of the Motor Vehicle; and
  - (b) fulfilling ITO's obligations to the Policy Owner/Takaful Participant in accordance with the provisions of their Policy/Takaful Certificate, the applicable laws, regulatory requirements issued by BNM including - the Policy Document on Claims Settlement Practices ("**PD on CSP**") and the Policy Document on Fair Treatment of Financial Consumers.
- S** 9.2 Where there is no SLA in place between the ITO and the Non-Panel Repairer, the ITO shall negotiate and agree with the Non-Panel Repairer on the terms and conditions that need to be observed prior to commencing the Repairs as authorised by the ITOs, and this agreement shall be documented.
- S** 9.3 ITOs shall ensure its approval of repair estimates and Repairs carried out by Repairers are in accordance with the following:
- (a) any applicable standards and requirements<sup>8</sup> imposed by the relevant authorities such as the Guidelines on Application of Structural Change for Vehicle Panel (Accident)<sup>9</sup> issued by JPJ;
  - (b) repair methods that are consistent with standard Motor Vehicle warranty conditions and manufacturer's technical specifications in circumstances where such information has been provided by the vehicle manufacturers; and
  - (c) any provisions of the law or requirements, specifications, standards *etc.* imposed pursuant to any relevant law.
- In circumstances under paragraphs 9.3(a) to (c), ITOs shall consider the age and condition of the Motor Vehicle.

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<sup>7</sup> An example of poor consumer outcomes which this Code aims to prevent is the unfair practice of holding the consumer's repaired Motor Vehicle at the workshop for extended periods pending the resolution of protracted disputes between the ITO and Repairer on claims settlement matters.

<sup>8</sup> Refers to standards and requirements that are in effect currently or may be issued or imposed in future by the relevant authorities.

<sup>9</sup> Guidelines on Application of Structural Change for Vehicle Panel (Accident) issued by JPJ in April 2019, including any subsequent amendments to it or any subsequent instruments replacing it.



- G** 9.4 ITOs' approval of repair estimates and Repairs carried out by Repairers should be guided by the Malaysian Standard on Motor vehicle aftermarket - Smash repair - Requirements issued by JSM<sup>10</sup>.
- S** 9.5 With respect to dealings with Repairers in relation to a Repair, ITOs shall do the following:
- (a) provide Repairers with relevant and sufficient details relating to the insurance/takaful claim that the Repairer requires in order to prepare an estimate or undertake the Repair;
  - (b) consider estimates submitted by Repairers in a fair, transparent and timely manner, and shall not refuse to consider the estimate on unreasonable grounds such as rejecting a claim without providing valid reasons or solely on the basis that the estimates on a supplementary claim were for damages which were not discovered during the initial vehicle inspection; and
  - (c) pay the Repairers the agreed amount for all completed Repairs that have been authorised or requested by the ITO in a timely manner.
- S** 9.6 ITOs shall work together with Repairers to do the following:
- (a) resolve Customer's complaints that relate to ITO's decision on the approval amount or scope of work in a timely and transparent manner; and
  - (b) promote seamless consumer experience through digitalisation efforts, as far as practicable<sup>11</sup>.
- S** 9.7 ITOs shall ensure that their in-house assessors comply with the minimum requirements on professionalism and conduct for in-house assessors as specified in paragraphs 11.11 to 11.15 of the PD on CSP<sup>12</sup> or other instruments issued by Bank Negara Malaysia.

### **Repairers' Obligations**

- S** 9.8 The Repairers shall carry out Repairs with the following objectives:
- (a) to restore the safety, structural integrity, Presentation and utility of the Motor Vehicle; and
  - (b) to fulfil their obligations to the ITOs under the provision of the applicable contract of repair in accordance to the SLA entered into with the ITOs or the terms and conditions agreed between the ITO and Repairers.
- S** 9.9 Repairers that carry out vehicle structural Repairs shall be registered as '*Bengkel Pembaikan Kemalangan Kenderaan Automotif*' with JPJ in line with the '*Garis Panduan Pendaftaran Bengkel Pembaikan Kemalangan Kenderaan Automotif*' issued by JPJ.

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<sup>10</sup> As published on JSM's website ([JSM - MySQL](#)).

<sup>11</sup> For example, reducing reliance or requiring the submission of physical copies of documents in favour of digital documentation.

<sup>12</sup> Refer to **Appendix 1** of the Code for reference to paragraphs 11.11 to 11.15 of the PD on CSP.

- S** 9.10 The repair estimates and Repairs carried out by Repairers shall be in accordance with the following:
- (a) any applicable standards and requirements<sup>13</sup> imposed by the relevant authorities such as the Guidelines on Application of Structural Change for Vehicle Panel (Accident) issued by JPJ;
  - (b) repair methods that are consistent with standard Motor Vehicle warranty conditions and manufacturer's technical specifications in circumstances where such information has been provided by the vehicle manufacturer; and
  - (c) any provisions of the law, or requirements, specifications, standards *etc.* imposed pursuant to relevant laws.
- In circumstances under paragraphs 9.10(a) to (c) above, Repairers shall consider the age and condition of the Motor Vehicle.
- G** 9.11 The repair estimates and Repairs carried out by Repairers should be guided by the Malaysian Standard on Motor Vehicle aftermarket - Smash repair - Requirements issued by JSM.
- S** 9.12 With respect to dealing with ITOs in relation to Repairs, Repairers shall carry out the following:
- (a) prepare estimates that provide an accurate and appropriate account of the scope of Repairs, as well as ensure that all Repairs are carried out in a safe, ethical, timely and professional manner and in accordance with the method of Repair and the parts specified and approved by the ITO;
  - (b) prepare estimates based on the centralised database for motor repairs estimations of Motordata Research Consortium Sdn Bhd. ("**MRC**") or any other credible database used by the ITO<sup>14</sup>, including replacement parts prices and labour times; and
  - (c) not dismantle a Motor Vehicle for the purpose of preparing an estimate or report unless requested or authorised to do so by the ITO.
- S** 9.13 Repairers shall not commence any Repair without obtaining the relevant ITO's agreement and authorisation to proceed<sup>15</sup>. Where there is no SLA in place between the ITO and the Non-Panel Repairer, the Non-Panel Repairers shall negotiate and agree on the terms and conditions that need to be observed prior to commencing the Repairs as authorised by the ITOs, and this agreement shall be documented.

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<sup>13</sup> Refers to standards and requirements that are in effect currently or may be issued or imposed in future by the relevant authorities.

<sup>14</sup> The prices in MRC or any other credible database is generally meant to be a reference price for individual part prices, alongside considerations for the age of the damaged vehicle and application of any parts discount as negotiated and agreed between the ITO and repairer.

<sup>15</sup> Where isolation work is required to be immediately performed for electric or hybrid vehicles for safety purposes, it is sufficient for the Repairer to proceed to perform the isolation procedures first and thereafter notify the ITO accordingly.

- S** 9.14 Repairers must ensure that new franchise parts are used for vehicles aged below five (5) years, with no betterment charges applied<sup>16</sup>.
- S** 9.15 Repairers shall repair Motor Vehicles in a timely manner and keep the Claimant and the ITO informed of the completion time. Repairers shall inform the Claimant of any changes to the repair estimates which have implication to the betterment charges that the Claimant may need to incur. In addition, the Repairers shall keep the ITO informed of any changes to the repair estimate in a timely manner, including any hidden damage that requires the submission of supplementary claims and changes in the method of Repair.
- S** 9.16 Repairers shall ensure that staff assigned to conduct Repair –
- (a) have the relevant qualifications and/or experience such as the relevant staff meet the requirements stipulated in the Malaysian Standard on Motor vehicle aftermarket - Smash repair - Requirements issued by JSM; and
  - (b) undertake Repair and conduct themselves in a professional manner, as well as comply with the relevant requirements of the automotive industry including those set by the relevant authorities.
- S** 9.17 Repairers shall handle Customer complaints promptly, fairly and effectively. To this end, Repairers shall –
- (a) have in place proper processes and documented procedures for complaints handling, including clearly identified contact points who are responsible for handling complaints received from Customers. Such procedures shall be clear, easily understood and readily accessible by Customers;
  - (b) escalate a complaint to the ITO - within **one (1) working day** from the date of receipt of the complaint or date of inspection of the vehicle by the Repairer (where an inspection is required), if the complaint relates to the ITO's decision on the approval, claims settlement amount or scope of Repair. In relation to this, the Repairer shall work together with the ITO to resolve the Customer's complaints; and
  - (c) notwithstanding paragraph 9.17(b) above, for any other complaints received other than in relation to the ITO's decision on the approval, claims settlement amount or scope of Repair, to address each complaint in an objective and timely manner, and shall adhere to the following timelines in its complaints handling:
    - (i) Repairers shall inform the Customer of the outcome of the complaint no later than **five (5) working days** from the date of receipt of the complaint;
    - (ii) Where the case is complicated or involves complex issues that require further investigation, the Repairer shall inform the Customer in writing on reasons for the delay and the estimated time needed to resolve the complaint; and
    - (iii) In any event, Repairers shall convey to the Customer a decision on the complaint no later than thirty (30) calendar days from the date the complaint was first lodged.

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<sup>16</sup> An ITO shall only apply betterment charges when new franchise parts are used for vehicles aged five (5) years and above. For the avoidance doubt, an ITO shall not apply betterment charges where non-franchise parts are used for vehicles aged five (5) years and above.

- G** 9.18 In addition to Repairers' obligations under paragraphs 9.8 to 9.17 above, Repairers should promote seamless consumer experience<sup>17</sup>, including supporting ITOs digitalisation initiatives, where relevant.

**Motor parts trade discounts, labour rate and labour time**

- S** 9.19 With respect to Repairs carried out by Non-Panel Repairers:
- (a) ITOs and Non-Panel Repairers shall negotiate the motor parts discounts and labour rate per hour<sup>18</sup> before the commencement of Repair. The agreed terms shall be in writing (e.g., incorporated as part of a written agreement, arrangement or terms and conditions between the ITOs and Repairers); and
  - (b) where the labour time for the repair work cannot be determined using the MRC database or other credible databases used by ITOs, the ITOs and the Non-Panel Repairers shall agree on the appropriate reference point to determine the standard hours for repair work before commencement of the Repair. This may include recommendations by the appointed registered adjuster. Such agreement between ITOs and Non-Panel Repairers must be documented<sup>19</sup>.
- S** 9.20 With respect to paragraph 9.19(b) above, the ITOs shall ensure that the database provider being used as a source of reference to determine the standard hours for a Repair is credible, having regard to the following principles:
- (a) Resilience: The database provider has a secure database and is able to preserve the continuity of critical services in adverse situations;
  - (b) Interoperable: The database provider's system is easily linked or integrated with other ITO-related systems; and
  - (c) Comprehensiveness: The database provides wide coverage and data on labour times that allows for better and faster comparison of prices to reduce price subjectivity.
- S** 9.21 ITOs and Repairers, as the case may be, shall not –
- (a) make misleading or deceptive statements about the quality, capability or timeliness of a Repairer or a group of Repairers;
  - (b) make misleading or deceptive statements about the quality, safety or timeliness of Repairs against an ITO or the approach the ITO uses to assign Repairs to Repairers or manage claims<sup>20</sup>; and
  - (c) make statements or engage in actions or behaviour designed or intended to prevent or discourage a Customer from having any necessary

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<sup>17</sup> For example, reducing reliance on and requiring physical copies of documents, where possible, particularly when digital copies are available.

<sup>18</sup> In determining the hourly labour rate, ITOs shall take into consideration the type of the vehicles.

<sup>19</sup> This provision is replicated under paragraph 10.3(b)(xii) to be incorporated into SLAs for Panel Repairers.

<sup>20</sup> For the avoidance of doubt, this does not preclude Repairer's obligations under the Consumer Protection (Workshops Information Disclosure) Regulations 2002 (the Regulations). The Code shall be read together with all relevant guidelines and standards and applicable on ITOs and repairers, respectively.

rectification work to their Motor Vehicle following a Repair undertaken by the Repairer who had completed the original Repairs, as the case may be.

## 10 Panel Repairers of ITOs

- S** 10.1 **Notification of Opportunities to Apply for Membership to become Panel Repairers of ITOs**
- (a) ITOs that have Panel Repairers Schemes (“**PRS**”) shall document and publish<sup>21</sup> the criteria for membership<sup>22</sup> of their PRS;
  - (b) ITOs shall establish mechanisms for Repairers to register their interest in participating in the PRS. These mechanisms shall be documented and be made publicly available; and
  - (c) ITOs shall also confirm a Repairer’s registration of interest in writing and provide details of the criteria used by the ITO to select a member of its PRS.
- S** 10.2 **Disclosure of information on PRS**
- (a) ITOs shall provide Repairers who are members of its PRS with the following:
    - (i) the criteria and requirements for retaining their membership status;
    - (ii) the key performance indicators (“**KPIs**”) used to evaluate the performance of the Repairer;
    - (iii) regular feedback on the Repairer’s performance against the KPIs; and
    - (iv) the circumstances under which a Repairer’s status in the PRS may be changed, including being re-evaluated for membership, terminated or suspended.
- S** 10.3 **Terms of the SLA**
- (a) ITOs shall enter into a written SLA with each Panel Repairer and must ensure that any business arrangement entered with Panel Repairers must have due regard to the SLA’s terms and conditions;
  - (b) At minimum, ITOs must ensure the SLA shall provide for, but is not limited to, the following:
    - (i) the period of the SLA between ITOs and the Panel Repairers shall be fair and reasonable and is not less than three (3) years<sup>23</sup>;
    - (ii) disclosure of information as set out in paragraph 10.2 of this Code;
    - (iii) for own damage claims, the ITO shall require its Panel Repairer to complete Repairs expediently, which in any case, shall not be more than **fifteen (15) working days** from the date of approval of the repair estimates by the ITO. The timeline specified herein is subject to

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<sup>21</sup> For example, publication on publicly accessible pages of an ITO's websites.

<sup>22</sup> The criteria may include minimum qualification and experience of relevant technicians, as well as minimum requirements relating to site area, facilities, security at workshop and insurance coverage requirements.

<sup>23</sup> This is intended to give due consideration to the time and investment a Repairer has to make to gain and/or maintain their status as a Panel Repairer with the ITOs.

- exceptional circumstances, such as extensive damage to the vehicle or non-availability of parts;
- (iv) specific, measurable and relevant KPIs that include KPIs on the following:
    - (A) quality of Repair work;
    - (B) accuracy of repair estimate quotes; and
    - (C) handling of customer complaints and feedback;
  - (v) obligations of the Panel Repairer to:
    - (A) comply with any applicable standards and requirements imposed by the relevant authorities, such as JPJ's Guidelines on Application of Structural Change for Vehicle Panel (Accident); and
    - (B) be guided by any applicable voluntary standards and guidelines specified by the relevant industry associations and agencies such as JSM's Motor vehicle aftermarket – Smash repair - Requirements, in carrying out its smash repair works;
  - (vi) circumstances or events which can result in the removal of a Panel Repairer from the ITO's panelship, including in the event there is evidence of collusion involving the Panel Repairer;
  - (vii) avenues for the Panel Repairer to resolve any disputes with the ITO on:
    - (A) actions taken by the ITO arising from the failure of the Panel Repairer to meet its obligations under the SLA;
    - (B) actions taken by the ITOs arising from the failure of the Panel Repairer to achieve the performance criteria or standards as agreed upon between the ITO and the Panel Repairer; and
    - (C) alleged non-compliances by the ITO with any standards or turnaround time set out in PD on CSP, where applicable;
  - (viii) an obligation for the Panel Repairer to abide by the Code established by the industry in collaboration with relevant stakeholders;
  - (ix) a requirement for the Panel Repairer to notify the ITO of any change in the business ownership structure of the Panel Repairer within fourteen (14) workings days from the date of change of such ownership<sup>24</sup>;
  - (x) the termination clauses as set out in paragraphs 10.8 to 10.11 of this Code;
  - (xi) the agreed terms on the specified rates of parts trade discounts and labour rate per hour based on negotiations between ITOs and Panel Repairers<sup>25</sup>;
  - (xii) the agreed reference point that will be used to determine the standard hours for repair work before the commencement of the Repair, where the labour time for a Repair is unable to be determined using the MRC database or any other credible database used by the ITO. This may include recommendations by the appointed registered adjuster;
  - (xiii) a Panel Repairer shall raise a dispute on any alleged non-compliance by the ITO with a requirement under the Code in accordance with the ITO's IDR process; and

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<sup>24</sup> The ITO shall determine whether a new evaluation of membership is necessary.

<sup>25</sup> In determining the hourly labour rate, ITOs shall take into consideration the type of the vehicles.

- (xiv) an agreement by the ITO and the Panel Repairer to be bound by any notice on changes arising from any laws, rules, regulations, directives or any requirement by the authorities, as relevant to the SLA; and
- (c) The terms and conditions of the SLA shall:
  - (i) take into consideration the Panel Repairers' feedback on matters such as parts price discounts and hourly labour rate;
  - (ii) be subject to periodical review; and
  - (iii) not include exclusivity clauses that prevent the Panel Repairers from working with other ITOs.

### **Fair terms**

- S** 10.4 An ITO must ensure that the terms and conditions of the SLA<sup>26</sup> entered into between the ITO and the Panel Repairer are fair<sup>27</sup> (i.e., strike a balance between the rights and obligations of the ITO and those of Panel Repairers) and reasonable. The ITO shall ensure that the terms and conditions of the SLA are written in a clear and easily understandable language.
- S** 10.5 An ITO must ensure that the terms and conditions in the SLA do not contribute to circumstances that can lead to poor consumer outcomes.
- S** 10.6 An ITO shall adhere to the requirements under paragraphs 10.4 to 10.7 in respect of pre-agreed terms or agreements negotiated between the ITO and Non-Panel Repairers.
- G** 10.7 For the avoidance of doubt, the requirements in paragraphs 10.4 to 10.7 do not apply to the terms of contract which reflect or are included in the SLA in accordance with the statutory or regulatory requirements.

### **Termination of SLA**

- S** 10.8 An ITO is allowed to review its business arrangement with its Panel Repairer, including considering the possibility of termination or suspension of panelship, in the event the Panel Repairer –
  - (a) becomes insolvent or declared a bankrupt pursuant to the Insolvency Act 1967;
  - (b) is convicted of a serious criminal offence;
  - (c) involved in fraudulent activities, particularly in connection with the operation of the Panel Repairer's business, or engaged in any other types of serious misconduct<sup>28</sup>;

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<sup>26</sup> Including pre-written contractual term.

<sup>27</sup> A term is regarded unfair if it has a tendency to create a significant imbalance, whereby it shifts the rights and obligations significantly in favour of the ITO to the detriment of its Panel Repairer. Whether a term is fair is to be determined by reference to the contract as a whole in light of the circumstances existing when the contract was entered into.

<sup>28</sup> Examples of serious misconduct include but are not limited to submission of false claims, collusion between repairer and customer to manipulate the circumstances of accident, replace new with used parts.

- (d) breached any of the terms of the SLA. In the occurrence of such breach, an ITO shall:
  - (i) notify in writing the Panel Repairer as soon as possible and inform the Panel Repairer what the ITO requires the Panel Repairer to do in order to remedy the breach; and
  - (ii) allow the Panel Repairer to remedy the breach within thirty (30) calendar days.If the breach is remedied in accordance with paragraph 10.8(d)(i) above, the ITO shall not terminate the SLA because of that breach unless it is a recurring matter; or
- (e) failed to meet the performance criteria or standard as required under the SLA. However, this is subject to ITOs providing a written notice to inform the Panel Repairer on the details of the breach and provide the Panel Repairer with a reasonable time to meet the performance criteria or standards.

- S** 10.9 With the exception of the causes of termination or suspension under paragraphs 10.8(a) to (e) above, an ITO shall not unreasonably terminate the SLA without due notice. In this regard, a minimum of six (6) months' notice must be provided by the ITO to the Panel Repairer to convey the ITO's intention to terminate the SLA together with explicit grounds and reasons for such termination<sup>29</sup>.
- S** 10.10 The ITO shall give Panel Repairers a reasonable opportunity to make a written representation to the ITO within **ten (10) working days** from the date of the notice of its intention to terminate the SLA. Upon expiry of the ten (10) working days' period and having considered the representation made by the Panel Repairer (if any), the ITO shall decide whether to proceed with the termination or to retain the Repairer as the ITO's Panel Repairer. In this regard, the ITO shall give the Panel Repairer a written notice of its decision where such decision shall take effect from the date specified by the ITO in the notice.
- G** 10.11 A Panel Repairer may terminate the SLA by notifying the ITO in writing with at least six (6) months' notice period. The Panel Repairer must include its grounds and reasons for the proposed termination.

## 11 Estimate, Repair and Authorisation Process

- S** 11.1 Where estimates are sought:
  - (a) ITOs and Repairers shall respectively ensure the estimation process is fair, transparent and timely;
  - (b) ITOs and Repairers shall respectively ensure that estimates provided are comprehensive, complete and inclusive of all ascertainable damage;
  - (c) In determining whether a damaged part of a Motor Vehicle needs to be replaced or repaired, factors for considerations shall include the severity of the damage and the safety of the Motor Vehicle after repair;

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<sup>29</sup> For the avoidance of doubt, the minimum six (6) months' notice is not applicable for non-renewal due to expiry of the SLA term.



- (d) ITOs shall ensure that Repairers are provided with access to view the claims assessments and recommendations made by the Registered Adjusters or In-house Assessors on motor claim estimates via the claims estimating systems;
- (e) In the event a Repairer does not have access to the claims estimating systems and submits its motor claim estimates manually, the ITO shall provide a copy of the claims assessments and recommendations of the Registered Adjuster or In-house Assessor to the Repairer; and
- (f) With respect to paragraphs 11.1 (d) and (e) above, an ITO shall ensure that the provision of access to the claims assessments and recommendations of the Registered Adjuster or In-house Assessor is applicable to repair estimates and areas relevant to deriving the repair estimate only. However, the ITO is not obliged to disclose confidential information, such as information relating to suspected fraud which require further investigations.

**G** 11.2 With respect to paragraph 11.1(c) above, consideration to replace a damaged part should not be based solely on the age of the Motor Vehicle or costs to the ITO.

**G** 11.3 An ITO may require Repairers to retain all replacement parts for re-inspection for up to **fourteen (14) working days** from the date of completion of Repairs. Where there is an SLA in place, the ITO should incorporate this expectation and timeframe in its SLA with the Repairers.

#### **Actual Total Loss and Beyond Economic Repair Claims**

**S** 11.4 Where an Actual Total Loss (ATL) or Beyond Economic Repair (BER) claim is handled, an ITO shall abide by Part 15 of the PD on CSP<sup>30</sup>. In particular, ITO and Repairers shall abide by the following requirements:

- (a) An ITO shall ensure effective management of its Repairers in handling ATL and BER vehicles by carrying out robust due diligence to ensure the credibility of its Repairers that handle ATL and BER vehicles, including towing and storage for the sale of BER vehicles;
- (b) An ITO shall impose clear obligations for its Repairers to put in place effective control measures in respect of the handling of ATL and BER vehicles;
- (c) The ITO and Repairers shall clearly disclose their respective obligations in relation to any fees or charges in the handling of ATL and BER vehicles. Such disclosure shall be made at the point of procuring or securing the services of the Repairer; and
- (d) The ITO shall ensure that the obligations and disclosure requirements referred to under paragraphs 11.4(b) and (c) are documented and stipulated clearly in any arrangement or agreement including the SLAs<sup>31</sup> between the ITO and the Repairer.

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<sup>30</sup> Refer to **Appendix 2** of the Code for reference to Part 15 of the PD on CSP.

<sup>31</sup> For example, where the Panel Repairer has an on-going contractual relationship with the ITO in handling ATL and BER vehicle.

### Actual Total Loss

- (e) Where the condition of a vehicle has sustained severe damage which has compromised the structural integrity of the main chassis, to the extent that the damaged vehicle cannot be repaired or restored to a safe state and thus, can only be scrapped, an ITO must declare the vehicle as an ATL.
- (f) An ITO and Repairer shall ensure proper deregistration and disposal of ATL vehicles by adhering to the following requirements:
  - (i) Where an Authorised Automotive Treatment Facility (“**AATF**”) is available, the ITO and Repairer shall ensure ATL vehicles are sent to the AATF within **five (5) working days** upon deregistration by the ITO, subject to exceptional circumstances such as difficulty in obtaining a Policy Owner’s<sup>32</sup> written consent;
  - (ii) the ITO and Repairer shall obtain proof of proper disposal of ATL vehicles such as obtaining the certification of destruction from the AATF;
  - (iii) the ITO and Repairer shall maintain relevant records and documentation on the disposal of the ATL vehicles; and
  - (iv) Where an ATL vehicle has a physical registration card, the ITO must ensure proper safekeeping and disposal of physical registration cards in line with JPJ’s requirements;

### Beyond Economic Repair

- (g) ITOs and Repairers shall ensure repairs of a BER vehicle are completed and the appropriate certification of roadworthiness from the VIP, such as PUSPAKOM are obtained, within **four (4) months**<sup>33</sup> from the date the Repairers receive the BER vehicle;
- (h) With respect to paragraph 11.4(g), the ITO or Repairer shall extend a copy of the certification of roadworthiness to the buyer of the BER vehicle;
- (i) In the event the Repairer fails to submit the appropriate certification of roadworthiness as specified under paragraph 11.4(g):
  - (i) the ITO must promptly seek written clarification from the Repairer on reasons for this failure to submit the certification of roadworthiness within the applicable timeline; and
  - (ii) the Repairer shall provide valid reasons to the ITO for the delays in writing. Toward this end, the Repairers shall ensure the delay does not compromise the safety of the Repairers and the security of the BER vehicle i.e. ensuring opportunity and risk for illegal and fraudulent activities does not arise due to the delay;
- (j) With respect to paragraph 11.4(i), in the event an ITO does not receive a response from the Repairer within **two (2) months** from the date of the ITO’s written request, the ITO shall:

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<sup>32</sup> Refers to Takaful Participant where applicable.

<sup>33</sup> As required under paragraph 15.19 of the PD on CSP (also refer to footnote 59 of the PD on CSP). Notwithstanding, this timeline is subject to exceptional circumstances, such as non-availability of parts, but in any event shall not exceed the total timeline to complete the repairs of a BER vehicle and obtain the appropriate certification of roadworthiness specified by the relevant authorities such as JPJ, i.e., currently set at 12 months.

- (i) reclassify the BER vehicle as an ATL vehicle; and
- (ii) comply with the requirements relating to ATL vehicles as specified in PD on CSP; and
- (k) ITOs and Repairers shall maintain relevant documents and information in relation to the BER vehicles, including the processes under paragraphs 11.4(i) and (j).

## 12 Repair Warranties

- S** 12.1 Repairers shall provide the necessary warranty for workmanship as stipulated in paragraph 7.5 of the Malaysian Standard on Motor vehicle aftermarket – Smash repair – Requirements issued by JSM are as follows:
- (a) **Body Panel Repair – Minimum 6 months or 5,000km (whichever comes first)**  
Body panel repairs are warranted against shrinking, leaking or cracking. The Repairer shall not be responsible for the cracking of old body filler on previous repairs;
  - (b) **Structural Replacement – Minimum 6 months or 5,000km (whichever comes first)**  
All materials used in the structural panel replacement are warranted. However, if additional or hidden damage which affect the performance of the Motor Vehicle is found during or after the smash repair process and not attributed by the accident, the Motor Vehicle owner/customer should be responsible for any additional cost required to make the necessary repairs. This warranty is voided should the repaired Motor Vehicle be involved in a subsequent accident, or if structural problem results from an original equipment manufacturer (“OEM”) design flaw, or if the Motor Vehicle is affected subsequently by natural disaster events, such as submersion in a flood. The Motor Vehicle shall be de-registered and sent to an AATF;
  - (c) **Rust Repair – Minimum 6 months or 5,000km (whichever comes first)**  
The Repairer shall not be responsible of corrosion cause by dirt and moisture accumulating due to automotive designs;
  - (d) **Surface Repairs – Minimum 6 months or 5,000km (whichever comes first)**  
The Repairer shall cover surface repair warranty including dent, crack, burr, sharp edge and related surface defect; and
  - (e) **Painting Warranty – Minimum 6 months or 5,000km (whichever comes first)**  
Panel painting is warranted against cracking, peeling, delamination, blister, blemish or orange peel. The Repairer shall not offer a warranty on the paint of any area where a Motor Vehicle owner/Customer did their own body work as noted on the repair order.

- G** 12.2 Repairers should also provide a warranty on parts and components as follows<sup>34</sup>:
- (a) Reused parts and components – not less than thirty (30) calendar days;
  - (b) Repaired parts and components – not less than forty-five (45) calendar days; and
  - (c) New or remanufactured parts and components – not less than ninety (90) calendar days or as provided by the manufacturer, distributor, supplier or importer of the parts, whichever is longer.
- S** 12.3 ITOs shall include the requirements under paragraphs 12.1 and 12.2 above in its SLA with Panel Repairers. With respect to Non-Panel Repairers, where no SLA is in place between the ITO and the Non-Panel Repairer, the ITO shall, as far as practicable, obtain the Repairer's agreement on repair warranties requirements and such agreement shall be documented.

### 13 Payment for Repairs

- S** 13.1 ITOs shall ensure any fees due to Repairers in the claims settlement process are paid in a timely manner to ensure that the interests of consumers are not compromised by issues affecting the performance of Repairers within the claims value chain.
- S** 13.2 ITOs shall make full payment to the Claimant or to his or her authorised representative, as the case may be, within **seven (7) working days** –
- (a) from the date of receipt of the acceptance of offer<sup>35</sup> and all relevant documents; or
  - (b) from the date of receipt of the sealed court order in relation to payment of judgement sum ordered by a court.
- G** 13.3 For the avoidance of doubt, with respect to own damage claims, an ITO may make payment of claims referred to under paragraph 13.2 to the Repairer authorised to undertake Repairs.

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<sup>34</sup> The requirement in paragraph 12.2 is adopted from JSM's Standard on Motor vehicle aftermarket - Smash repair - Requirements and Australia's Motor Vehicle Insurance and Repair Industry Code of Conduct.

<sup>35</sup> This may include the discharge voucher.

## 14 Administration of the Code – Code Administration Committee and Secretariat

- S** 14.1 A Code Administration Committee (“**CAC**”) shall be established for the purposes of administering the Code. The CAC shall be supported by a Secretariat.
- S** 14.2 The CAC shall perform the key responsibility of making decisions on non-administrative matters relating to the implementation of the Code to ensure the objectives of the Code are achieved, which includes the following:
- (a) establishing, reviewing and endorsing the Terms of Reference (TOR) that governs the CAC and the Secretariat for the purposes of the Code, including any subsequent amendments, subject to BNM’s approval. The TOR shall be reviewed regularly by the CAC to ensure continuing appropriateness with all applicable legislations and industry’s best practices;
  - (b) endorsing the letter or instrument of appointment for CAC members prepared by the Secretariat, for BNM’s approval, where applicable;
  - (c) responding to complex queries escalated by the Secretariat within **seven (7) working days** from the date of receipt of the complex query, including queries regarding the scope of eligible disputes under the IDR process (e.g., a dispute that an ITO considers outside the IDR’s scope but is contested by Repairers). In exceptional cases, where the CAC is unable to resolve or provide a definitive decision, the CAC may refer such complex queries to BNM for further clarification and guidance;
  - (d) endorsing the scope of regular periodic reviews, to be carried out by the Secretariat, on the implementation and effectiveness of the Code and the findings of the review, including remedial actions proposed, subject to BNM’s approval, if any;
  - (e) with respect to paragraphs 10.4 to 10.7, reviewing and endorsing the list of alleged unfair contract terms in the SLA between ITOs and its Panel Repairers referred to the CAC by the Secretariat; and
  - (f) monitoring and assessing outcomes from the IDR process, including notifications received by the Secretariat from Repairers regarding their dissatisfaction with the final IDR decisions made by the respective ITOs.
- S** 14.3 The key responsibility of the Secretariat is to provide administrative support to the CAC to ensure effective implementation of the Code, including:
- (a) providing administrative support for the CAC’s activities;
  - (b) receiving queries on the Code, responding to non-complex queries on the Code within **three (3) working days** from the date of receipt of the non-complex query and consolidate as well as escalate complex queries or non-administrative matters to the CAC;
  - (c) ensuring that periodic reviews on the implementation and effectiveness of the Code, where the Secretariat shall, subject to the CAC’s endorsement:
    - (i) conduct an initial internal review on the effectiveness of the Code in meeting its intended objectives, 12 months from the effective date of the Code; and

- (ii) ensure an external review<sup>36</sup> on the implementation and effectiveness of the Code is carried out at minimum once in every three (3) years from the effective date of the Code. Notwithstanding, a more frequent external review shall be carried out if warranted;
  - (d) with respect to paragraphs 10.4 to 10.7, compiling, updating and ensuring publication of the list of unfair contract terms arising from outcomes of disputes;
  - (e) managing funding for the implementation of the Code, including funding of the CAC's meetings and activities;
  - (f) providing support to the CAC on the establishment, review and endorsement of the TOR that governs the CAC and the Secretariat for the purposes of the Code, including any subsequent amendments, subject to BNM's approval;
  - (g) obtaining BNM's approval for the appointment of CAC members and preparing the relevant letter or instrument of appointment, where applicable;
  - (h) receiving<sup>37</sup> and monitoring notifications of Repairer's dissatisfaction with the final IDR decisions made by the respective ITOs; and
  - (i) receiving, collating and publishing an aggregated statement (quarterly reports), which shall include statistics and reports on the number of disputes lodged, quantum and nature of dispute, turnaround times and outcomes from the IDR process. These quarterly reports shall be submitted to BNM within **ten (10) working days** from the end of each quarter beginning 31 March 2025, until further notice.
- S** 14.4 The Secretariat function specified under paragraph 14.3 shall be jointly carried out by PIAM and MTA based on the TOR established by the CAC.
- S** 14.5 The CAC shall comprise of nine (9) members, as follows:
- (a) an Independent Chairperson;
  - (b) three (3) representatives from the insurance/takaful industry i.e., two (2) representatives from PIAM and one (1) representative from MTA;
  - (c) three (3) representatives from the motor repairs industry i.e., two (2) representatives from FAWOAM and one (1) representative from franchise Repairers;
  - (d) a representative from Motordata Research Consortium Sdn Bhd ("MRC"); and
  - (e) a representative from Association of Malaysian Loss Adjusters ("AMLA").

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<sup>36</sup> The external review shall be carried out by an independent party not associated with the Administrator of the Code. The scope of such external review shall include the effectiveness of dispute resolution processes under the Code, the awareness and accessibility of the Code, ITOs' and Repairers' compliance with the Code and the effectiveness and adequacy of governance of the Code and Administrator.

<sup>37</sup> Including acknowledging receipt and maintaining a record of Repairer's dissatisfaction with the final IDR decision notification.

- S** 14.6 In relation to paragraph 14.5(a), the Chairperson of the CAC shall be independent and shall have:
- (a) the relevant domain expertise concerning the insurance/takaful industry and the motor repairs industry; and/or
  - (b) strong track record and reputation for carrying out impartial and unbiased decision making.
- S** 14.7 In view of the confidentiality of the information obtained from relevant parties, the CAC members and Secretariat shall:
- (a) sign a mandatory non-disclosure agreement as an undertaking to ensure confidentiality of the information disclosed and will hold all members and personnel accountable for any unauthorised disclosure or misuse of information;
  - (b) ensure that all CAC members and Secretariat personnel are made aware of the confidentiality of the information disclosed prior to any disclosure and of their duty to maintain strict confidentiality at all times<sup>38</sup>;
  - (c) not use or circulate such confidential information except to the extent necessary for the purposes of carrying out the roles of the CAC and the Secretariat; and
  - (d) ensure the obligation to preserve the confidentiality of the relevant information continue to be in force notwithstanding the termination or cessation of their role in the CAC or Secretariat.
- S** 14.8 The operations of the CAC and the Secretariat shall be funded by the general insurance and takaful industry<sup>39</sup>.
- G** 14.9 BNM serves as the responsible authority overseeing the effective administration and implementation of the Code, as well as any subsequent reviews to the Code. The CAC and Secretariat may refer any enquiries pertaining to the Code to BNM for guidance or final decision.

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<sup>38</sup> For the avoidance of doubt, the obligation of confidentiality shall not apply to any information that is already in the public domain.

<sup>39</sup> For the avoidance of doubt, the ITO industry is required to fund the operationalisation of the Code which includes operations of the CAC and Secretariat. The funding by the general insurance and takaful industry is towards the first stage i.e., the operationalisation of the Code which includes the operations of the CAC and the Secretariat as well as the established IDR process within ITOs. The second stage i.e., finalisation of an escalation process, if any (e.g., independent External Dispute Resolution) and its funding, will be further reviewed in 2025.

## 15 ITO's Internal Dispute Resolution (IDR)

### S 15.1 ITO's IDR Function

- (a) The objective of requiring ITOs to establish the IDR function is to provide a dedicated dispute resolution platform for Repairers<sup>40</sup> to raise any disputes arising from any alleged non-compliance of ITOs with the requirements of the Code. This is intended to facilitate fair, transparent and timely resolution of disputes that may arise between ITOs and Repairers in the course of the Motor Vehicle repairs and claims process, in order to reduce protracted delays that result in poor consumer outcomes. Please refer to **Appendix 3** for the flowchart on the IDR process.
- (b) The ITOs shall ensure that the IDR process applies to all disputes<sup>41</sup> raised by Repairers on ITOs relating to alleged non-compliances with the Code except for the following<sup>42</sup>:
  - (i) disputes relating to coverage, liability, insurable interest and breach of conditions under the motor insurance policy/motor takaful certificate;
  - (ii) disputes relating to cases under investigation by law enforcement authorities;
  - (iii) disputes which are time barred under the Limitation Act 1953 or Limitation Ordinance (Sabah) (Cap.72) or Limitation Ordinance (Sarawak) (Cap. 49);
  - (iv) matters that the Code does not intervene or intrude on to preserve competition in the motor claims and repairs industry, as stipulated in paragraph 1.4 of this Code;
  - (v) where an external lawyer or legal firm has been appointed to act on the matter; and
  - (vi) matters filed or referred to any courts, the Ombudsman for Financial Services (OFS), or any arbitration process outside of the Code.
- (c) Upon the Repairer's submission of an applicable dispute under the IDR process, ITOs and Repairers shall agree to abide by the process outlined under paragraphs 15.2 to 15.9.

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<sup>40</sup> In order for Repairers to leverage on the IDR process specified in this Code, the Repairer must be a participant to the Code which means that the Repairer has agreed to adhere to all requirements of the Code i.e. at the point of becoming a participant.

<sup>41</sup> By signing-up to participate to the Code and agreeing to comply to the Code, Repairers, including Non-Panel Repairers, have agreed to comply with the IDR process as stipulated under paragraphs 15.2 to 15.9.

<sup>42</sup> For the avoidance of doubt: -

- (i) all disputes relating to an alleged non-compliance of ITOs with the requirements of the Code shall go through the IDR process, which includes disputes relating to ITO's in-house assessor's assessments;
- (ii) disputes on matters relating to business-as-usual discussions and negotiations between ITOs' claims officers and Repairers does not fall under the scope of IDR; and
- (iii) the IDR process shall only be invoked in the event that any dispute due to an alleged non-compliance of ITOs with the requirements of the Code cannot be resolved after all reasonable efforts have been exhausted under (ii) above.



### Implementation of the IDR Process

- S** 15.2 Each ITO shall establish an IDR function that facilitates fair, transparent and timely resolution of disputes raised by the Repairers.
- S** 15.3 Each ITO shall ensure its IDR process is independent and impartial, as far as practicable. This shall include ensuring:
- (a) an independent senior staff or a committee is involved in overseeing the deliberation and decision-making process under the IDR process; and
  - (b) ITO's staff involved in paragraph 15.3(a) must be independent from staff responsible for the review, assessment and/or approval of the claims in dispute<sup>43</sup>.
- G** 15.4 For the avoidance doubt, ITOs may:
- (a) consider designating an existing structure such as a Panel Workshop Management Committee or Vendor Management Department to carry out the responsibilities under the IDR process in relation to paragraph 15.3(a) above; or
  - (b) continue to request staff who handled the review, assessment and/or approval of the claims in dispute to the IDR process to provide necessary clarification on information required on the said claims<sup>44</sup>. This is intended to better inform the deliberation and decision-making process under the IDR.
- S** 15.5 Repairers shall raise a dispute on any alleged non-compliance by the ITO with a requirement under the Code in accordance with the ITO's IDR process. Repairers must lodge their disputes under the IDR process directly with the ITOs, containing, at minimum, the information as stated in **Appendix 4**.
- S** 15.6 The ITO shall acknowledge the dispute in writing within **one (1) working day** from the date of receipt of dispute notification.
- S** 15.7 The ITO shall conclude its IDR process no later than **ten (10) working days** from the date of the dispute notification is lodged by the Repairer to the ITO, in accordance with paragraph 15.5. However, the timeline specified is subject to exceptional circumstances, such as the dispute requiring an appointment of a second registered adjuster or where it is a complex case.
- S** 15.8 With respect to paragraph 15.7, in any event, the ITO shall conclude the IDR process for complex cases no later than **twenty (20) working days** from the date of dispute notification first lodged by the Repairer.

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<sup>43</sup> In the event a committee is established as part of the ITO's IDR process, ITO's staff involved in the review, assessment and/or approval of the claims in dispute, which includes ITO's Chief Claims Officer or Head of Claims, shall not be a member of such committee, to ensure independence and impartiality of the decisions made by the committee.

<sup>44</sup> In relation to paragraph 15.3(b).

- S** 15.9 If the Repairer is dissatisfied with the outcome and decision of an ITO's IDR process, the Repairer must notify the Secretariat for record-keeping and monitoring purposes. The notification must contain, at minimum, the information as stated in **Appendix 5**.

**Explanatory Note on the establishment of the second-stage independent External Dispute Resolution process (EDR):**

As explained during the townhall on 31 July 2024, Bank Negara Malaysia have considered appointing an independent external entity to administer the EDR process. This is to address the concerns on impartiality of the EDR process to avoid perceptions of decisions being unfairly biased to any party.

Nevertheless, some practical challenges have arisen in securing the services of an independent external entity for this purpose. The key issue is that of cost and pricing for such services, based on the assumption that the volume of cases lodged for EDR would be low. Drawing from Australia's experience, only four cases have been lodged for Australia's equivalent to the EDR process (i.e. Determination) over the last five years.

As such, to better inform the need and feasibility of the second-stage EDR process, we will be closely monitoring the data collected from GITOs' IDR process in 2025 and request Repairers to notify the Secretariat on any recurring or serious dissatisfaction with ITO's resolution of complaints raised via the IDR process. Any subsequent reviews or enhancements to the Code in this context will be considered as part of a holistic 12-month review after the commencement of the Code in January 2026.

**Appendix 1****Minimum requirements on professionalism and conduct for in-house assessors under the Policy Document on Claims Settlement Practices:**

- S** 11.11 An ITO shall ensure that its In-house Assessors are –
- (a) adequately qualified and competent to carry out objective assessments on the cause and circumstances of a loss and to ascertain the quantum of the loss in relation to a motor insurance/takaful claim;
  - (b) provided with relevant and continuous training to keep pace with the latest technical, technological, environmental and other developments in the motor ecosystem in order to deliver high-quality claims assessments;
  - (c) guided by clear internal policies and procedures to ensure that the claims assessment process is conducted in an independent, objective and professional manner;
  - (d) subject to adequate monitoring and controls to avoid situations involving any conflict of interest that can result in unfair outcomes for policy owners/takaful participants. This includes ensuring that the remuneration and incentives provided to In-house Assessors are not tied to claims costs; and
  - (e) acting with due care and diligence when conducting investigations and assessments of loss.
- G** 11.12 With respect to paragraphs 11.11 (a) and (b) above, the ITO should be guided by the qualification and training requirements under BNM's Policy Document on Registration Procedures and Requirements on Professionalism of Adjusters.
- S** 11.13 An ITO shall establish and implement mechanisms<sup>45</sup> to ensure new and inexperienced In-house Assessors are closely supervised by senior In-house Assessors<sup>46</sup> for at least one (1) year before they are allowed to conduct loss assessments independently.
- S** 11.14 An ITO shall ensure that any claims assessments produced by their In-house Assessors with less than five (5) years of experience in assessment of loss, is reviewed and signed-off by a senior In-house Assessor.
- S** 11.15 An ITO shall ensure that any claims assessment prepared by its in-house assessors includes sufficient details on key information, such as the facts, assumptions, methods, sources of information and databases used or referred to in producing its final assessment. The ITO must ensure that

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<sup>45</sup> Please refer to PD CSP's Frequently Asked Questions (FAQ), which will be issued by BNM.

<sup>46</sup> Senior In-house Assessor refers to the ITO's In-house Assessor who has acquired at least 5 years of experience in assessment of loss and the subject matter being assessed, taking into consideration:

- i. the number of relevant cases handled by the In-house Assessor; and
- ii. the achievement of satisfactory performance for all relevant cases handles by the In-house Assessor.

adequate records and supporting documentation including photographs or images of damaged properties or areas, losses or injuries sustained by claimants, police reports, medical reports, fire brigade reports, repair quotations, statements from witnesses, autopsy reports and forensics' reports are maintained for at least seven (7) years.

## Appendix 2

### **Part 15 of the Policy Document on Claims Settlement Practices: Actual Total Loss (ATL) and Beyond Economic Repair (BER) Motor Claims**

- S** 15.1 With respect to ATL or BER claims, an ITO shall clearly explain to the claimant:
- (a) the definition and meaning of these terms; and
  - (b) the basis for all settlements of this nature, in writing.
- S** 15.2 With respect to paragraph 15.1, an ITO must ensure that any deduction from ATL or BER settlements, such as due to depreciation, where applicable, is measurable, reasonable, specific and clearly explained to the claimant in writing.
- S** 15.3 An ITO must establish and implement robust internal policies, procedures, processes and controls on handling of ATL and BER vehicles.
- S** 15.4 An ITO shall ensure that the internal policies, procedures, processes and controls under paragraph 15.3 are:
- (a) in compliance with applicable standards or requirements imposed by the relevant authorities such as JPJ's Guidelines on Application of Structural Change for Vehicle Panel (Accident); and
  - (b) guided by the Malaysian Standard on Motor Vehicle Aftermarket: Smash Repair Requirements issued by Jabatan Standard Malaysia, where applicable.
- S** 15.5 With respect to paragraph 15.3, an ITO shall:
- (a) establish a robust framework to adequately monitor and ensure the effectiveness of its internal policies, procedures, processes and control for handling of ATL and BER vehicles; and
  - (b) periodically review and assess the effectiveness of these internal policies, procedures, processes and controls to ensure these remain fit for purpose and continue to achieve the objective of this Policy Document.
- S** 15.6 An ITO shall ensure effective management of its third-party service providers in handling ATL and BER vehicles by:
- (a) carrying out robust due diligence to ensure the credibility of its third-party service providers, such as auctioneers or repairers that handle ATL and BER vehicles, including towing, storage and undertaking of the tender process for the sale of BER vehicles;
  - (b) imposing clear obligations for its third-party service providers, such as auctioneers or repairers to put in place effective control measures in respect of the handling of ATL and BER vehicles;
  - (c) clearly disclosing to its third-party service providers on their respective obligations in relation to any fees or charges in the handling of ATL and BER vehicles<sup>47</sup>. Such disclosure shall be made at the point of procuring or securing the services of the relevant third-party service providers; and

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<sup>47</sup> Including the party responsible for bearing the cost of the inspection required for BER and contract repair vehicles.

- (d) ensuring that the obligations and disclosure requirements referred to under paragraph 15.6(b) and (c) are documented and stipulated clearly in any arrangement or agreement including the SLAs<sup>48</sup> between the ITO and its third-party service providers.

- G** 15.7 The flowchart on ATL and BER claims processing are set out in **Chart VIII** and **VIII(a)**.

### **Actual Total Loss (ATL)**

- S** 15.8 Where the condition of a vehicle has sustained severe damage which has compromised the structural integrity of the main chassis, to the extent that the damaged vehicle cannot be repaired or restored to a safe state and thus, can only be scrapped, an ITO must declare the vehicle as ATL.
- S** 15.9 Upon declaring a vehicle as ATL, an ITO must:
- (a) report the ATL status of the vehicle to JPJ via the established systems<sup>49</sup>, no later than **five (5) working days** from the date the vehicle is assessed as an ATL;
  - (b) ensure accurate and prompt submission of information on ATL vehicles through the established systems. This includes the ITO ensuring that regular reviews, at minimum on a fortnightly basis, are conducted on the status of their ATL vehicles submissions through the established systems. The ITO should promptly follow up with JPJ on any unsuccessful submissions until the submission is successful; and
  - (c) ensure the status of all of its ATL vehicles are publicly disclosed and such information is easily accessible via an industry-wide searchable database<sup>50</sup>.
- S** 15.10 The ITO shall also disclose information on ATL vehicles to VIPs such as PUSPAKOM, upon request.
- S** 15.11 An ITO shall ensure proper deregistration and disposal of ATL vehicles by adhering to the following requirements:
- (a) where an AATF is available, the ITO shall ensure ATL vehicles are sent to the AATF within **five (5) working days** upon deregistration, subject to exceptional circumstances such as difficulty in obtaining a policy owner's written consent;
  - (b) with respect to paragraph 15.11(a), the ITO shall obtain proof of proper disposal of ATL vehicles such as obtaining the certification of destruction from the AATF; and

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<sup>48</sup> For example, where the relevant third-party service providers (e.g. panel repairer) has an on-going contractual relationship with the ITO in handling ATL and BER vehicle.

<sup>49</sup> This refers to the existing systems that facilitate automated data exchange or transmission of data between the ITOs and JPJ such as the ISM's Claims & Underwriting Exchange (CUE) motor system which is interoperable with JPJ's MySikap system.

<sup>50</sup> An ITO may leverage on databases such as the MyCarInfo website administered by ISM which currently provides information on vehicles such as NCD, last known ITO which insured/covered the vehicle, market value of vehicles and vehicles reported as stolen or ATL.

- (c) the ITO shall maintain relevant records and documentation on the disposal of the ATL vehicles.

**S** 15.12 Where an ATL vehicle has a physical registration card, an ITO must ensure proper safekeeping and disposal of physical registration cards in line with JPJ's requirements.

### **Beyond Economic Repair (BER)**

**S** 15.13 An ITO must appoint a registered adjuster to assess a vehicle prior to declaring a vehicle as BER<sup>51</sup>.

**S** 15.14 With respect to paragraph 15.13, where a registered adjuster has recommended for the vehicle to be declared as ATL, an ITO must declare the vehicle as ATL accordingly and meet all the requirements for ATL vehicles as specified in this Policy Document.

**S** 15.15 In recommending and declaring a vehicle as BER, an ITO and a registered adjuster shall ensure the:

- (a) relevant approvals<sup>52</sup> are obtained, where applicable;
- (b) recommendation and decision reached is premised on the safety and roadworthiness of the claimants' vehicles; and
- (c) best interests of the claimants who are still registered as legal owners of these vehicles are preserved.

**S** 15.16 An ITO must ensure BER settlement is supported by sufficient documentation on the vehicle's condition.

**S** 15.17 If the wreck value of the vehicle is more than the BER claims settlement sum offered, an ITO shall provide the claimant the choice of either withdrawing his or her claim or accepting the ITO's BER offer.

**S** 15.18 Upon declaring a vehicle as BER, an ITO must:

- (a) report the BER status of the vehicles to JPJ via the established systems, no later than **five (5) working days** from the date the BER settlement offer is accepted by a policy owner/takaful participant<sup>53</sup>;
- (b) where a BER vehicle has a physical registration card, an ITO must ensure proper safekeeping of the physical registration card until it is required for the transfer of vehicle ownership of the BER vehicle; and
- (c) with respect to paragraph 15.18(b), an ITO shall not release the BER vehicle's physical registration card prior to obtaining the certification of roadworthiness as specified under paragraph 15.19.

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<sup>51</sup> For the avoidance of doubt, an ITO shall have the discretion to declare a damaged vehicle as BER based on the registered adjuster's recommendation, except in circumstances where the registered adjuster has recommended for the damaged vehicle to be declared as ATL.

<sup>52</sup> For example, obtaining approval from JPJ in relation to damaged vehicles which require structural repairs.

<sup>53</sup> This may include, upon the ITO receiving the discharge voucher signed by a policy owner/takaful participant.

- S** 15.19 An ITO shall ensure that the relevant repairers complete the repairs of a BER vehicle and obtain the appropriate certification of roadworthiness from the VIP, such as PUSPAKOM, within four (4) months<sup>54</sup> from the date the repairers receive the BER vehicle.
- S** 15.20 With respect to paragraph 15.19, an ITO shall extend a copy of the certification of roadworthiness to the buyer of the BER vehicle.
- S** 15.21 In the event the repairer fails to submit the appropriate certification of roadworthiness as specified under paragraph 15.19, an ITO must promptly seek written clarification from the repairer on reasons for this failure to submit the certification of roadworthiness within the applicable timeline.
- S** 15.22 With respect to paragraph 15.21, in the event an ITO does not receive a response from the repairer within 2 months from the date of the ITO's written request, the ITO shall:
- (a) reclassify the BER vehicle as an ATL vehicle; and
  - (b) comply with the requirements relating to ATL vehicles as specified in this Policy Document.
- S** 15.23 An ITO shall maintain relevant documents and information in relation to the BER vehicles, including the processes under paragraphs 15.21 and 15.22.

### **Insurance/Takaful Coverage for Repaired BER Vehicles**

- S** 15.24 Given that BER vehicles must be inspected by a credible VIP and obtain the necessary roadworthiness certification under paragraph 15.19, an ITO must treat consumers purchasing these vehicles fairly when applying for insurance/takaful coverage for their vehicles<sup>55</sup>.
- S** 15.25 Where a repaired BER vehicle has been inspected and certified as roadworthy, in line with requirements under paragraph 15.19, an ITO must not deliberately reject insurance/takaful coverage solely based on the vehicle's BER status or without reasonable effort to serve consumers who ultimately purchase the repaired BER vehicle.
- S** 15.26 Where an ITO decides not to offer insurance/takaful coverage on any BER vehicle based on its risk appetite, an ITO shall provide clear reasons in writing for rejection or refusal to provide coverage and refer the consumer to alternative coverage options such as Malaysia Motor Insurance Pool, where applicable.
- G** 15.27 Notwithstanding paragraphs 15.25 and 15.26, the ITO which had originally assessed and declared a vehicle as BER should offer insurance/takaful coverage for the said vehicle. This is in view of the ITO having full knowledge of

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<sup>54</sup> The timeline specified is subject to exceptional circumstances, such as non-availability of parts. In any event, the total timeline to complete the repairs of a BER vehicle and obtain the appropriate certification of roadworthiness shall not exceed timelines specified by the relevant authorities such as JPJ.

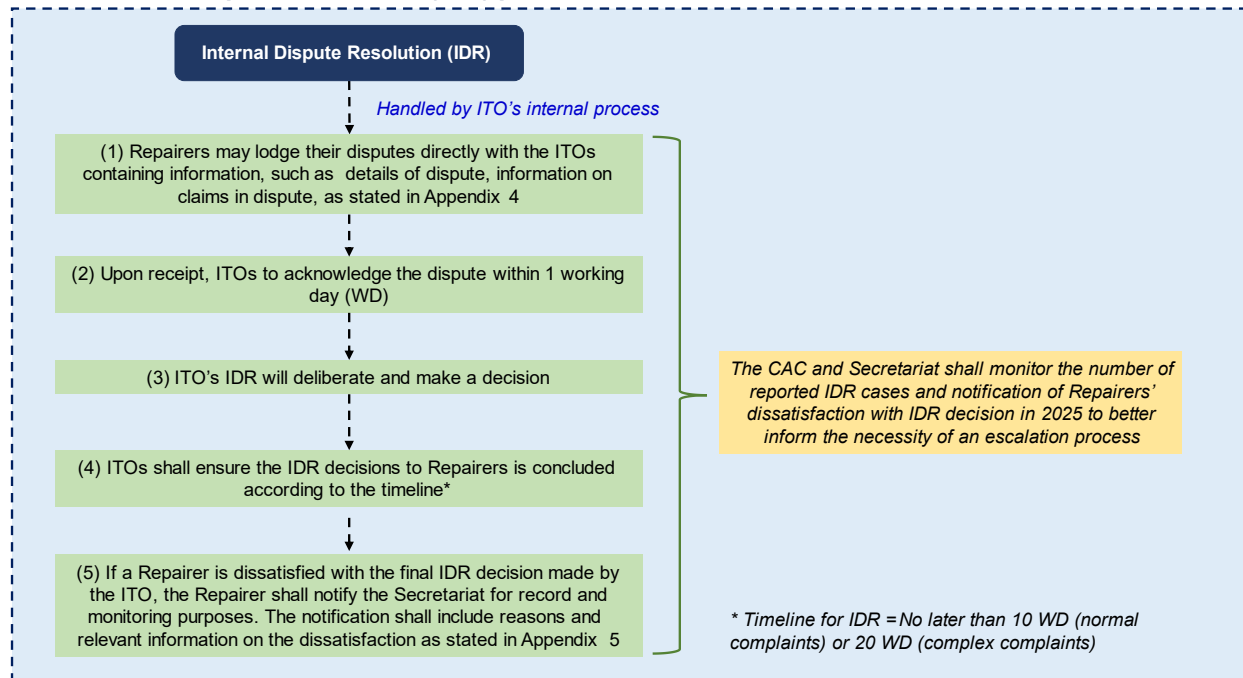
<sup>55</sup> Including the second year onwards from the point of purchase of the BER vehicle.



the vehicle's past claims history and extent of damages which had resulted in the vehicle's classification as BER and subsequent certification of roadworthiness for the repaired vehicle.

**Appendix 3**

**ITO's Internal Dispute Resolution (IDR) process flow chart**



**Appendix 4**

<b>NOTIFICATION OF DISPUTE</b>	
<b>A. Details of Dispute</b>	
1.	Date of claim reported to licensed insurer/takaful operator (ITO)
2.	The names and contact details of the ITO and the Repairer
3.	Claims reference number lodged with ITO (if any)
4.	Amount of claims (in RM)
5.	Nature of the dispute
6.	Date of incident
7.	Time of incident
8.	Place of incident
9.	Vehicle registration number
10.	Proposed solution by Repairer
11.	Other information <sup>56</sup>
<b>B. Affairs or Account of Policyowner/Takaful Participant Involved</b>	
1.	Name of policyowner/ takaful participant involved
2.	Types / details of policy/takaful certificate involved ( <i>Please provide the copy of relevant document</i> )
3.	Details of claim and complaint

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<sup>56</sup> Any other information that Repairers are of the view is relevant for ITOs to obtain to better assess and resolve the dispute.

**Appendix 5**

<b>NOTIFICATION OF DISSATISFACTION WITH IDR OUTCOME</b>	
<b>A. Details of Dissatisfaction</b>	
1.	Nature of the dispute
2.	Decision of ITO's IDR
3.	Date of receipt of ITO's IDR decision
4.	Reason for Repairer's dissatisfaction on the outcome of the internal dispute resolution (IDR), where relevant
5.	Please provide a copy of <b>Appendix 4</b> , including the relevant supporting documents provided