

P & C - For GELFAAM Members Only

Letter to GE Management on 14 Jan 2011

Re: **Takaful Contract**

We are dismayed with the sudden announcement by way of your circular dated 12-1-2011 that takaful accounts for all those agents who passed the TBE on or before 31-12-2010 will be activated on 3-1-2011. This action by GETSB will enable the agents to submit takaful business to the Operator.

We have on numerous occasions highlighted to the management that a discussion or dialogue with both the Associations should be carried out before the management sends out circulars on significant matters that will affect the whole agency force. However, this concern has been often arbitrarily overlooked by the management.

We are also deeply disappointed with the management for their abrupt action in posting the above circular on e-partner. As you are aware, discussions are still in progress on the takaful rules and regulations and the contract. We have not conclusively arrived at any concrete solution to-date. There are numerous matters which need to be addressed and firmed-up before we would encourage the signing of the Takaful contract by our agents.

The Operator is cautioned not to succumb to carefree haste to secure takaful business and commit the agents to serious legal consequences. **By section 35 of Takaful Act 1984 which read as follows: “(1) No person shall carry on takaful business in Malaysia as takaful agent for an operator not entitled under this Act..... and a person contravening this sub-section shall be guilty of an offence and shall, on conviction be liable to a fine not exceeding twenty thousand ringgit increased by four thousand for each day on which he is proved to have done so, or to an imprisonment for a term not exceeding twelve months or both”.**

The Operator has obviously overlooked the legal implications. The Operator will evidently as per sub-section (1) cause the agents to commit an offence when these agents submit takaful business without signing a contract. Is the management aware of the severity of the offence or are they blinded in their stupor of just securing business. Will the Operator assume responsibility to pay the fine of RM20,000.00 per agent? This scenario is a depiction of placing the cart before the horse which does not augur well for the organization.

Before we proceed further in encouraging our agents to sign the takaful contract we want to address the following matters with the management of GE and GETSB where the guidelines are not clearly spelt out:

- The production quota for maintenance
- Half-quota for maintenance
- Overriding commission and monthly minimum quota abolition
- Deferred benefit and dividend or profit sharing
- ROP for Takaful agents and its implications
- Uncertainty in the rules and regulation
- Clause 18 in the Takaful contract
- Takaful product to be sold just as another product

We are of opinion that the Operator or company should not discuss the Takaful contract with the agents as it has disturbed them and this will in turn affect the agency. We are disappointed with the management's constant agitation given to the agency force. We believe if the Takaful rules and regulations and contract matter is not handled well it may have serious repercussions which can be detrimental to the company, Operator and the agency force.

We hope you will allocate time to discuss the matter with us soon to iron out matters that are unclear and hazy before embarking on an optimistic business endeavor.

We look forward for your early reply.