

# MAZARS MALTA

## INSURANCE SECTOR OVERVIEW



### REGULATORY ENVIRONMENT

#### BASIS OF REGULATION

Malta's legal infrastructure incorporates the standards set by EU Insurance Directives, including the Insurance Mediation Directive, the Reinsurance Directive and the EU's Solvency II Directive.

#### CONDUCT REGULATION

The MFSA, through its Insurance and Pension Unit, regulates and supervises the sector. The MFSA Authorisation Unit handles new applications and issues new licenses.

#### DEGREE OF PRAGMATISM

The MFSA's style of regulation is firm and thorough, while adopting an open, constructive and responsive approach. The authorisation process adheres to mutually agreed timeframes.

#### CAPITAL NEEDS

The following minimum Own Fund requirements are applicable (of which initial paid up share capital must not be less than 50% of value of own funds):

#### GENERAL BUSINESS

€2.5M TO €3.7M

(DEPENDING ON INSURANCE CLASSES)

#### LONG-TERM BUSINESS

€3.7M

#### REINSURANCE (CAPTIVE UNDERTAKING)

€1.2M

#### REINSURANCE (OTHER)

€3.6M

#### ACCESS TO REGULATORS

The Malta Financial Services Authority (MFSA) is known to be proactive and responsive to the needs of the sector, whilst ensuring full compliance to international regulatory requirements. The MFSA encourages ongoing dialogue between regulators and licensed companies. An open communication channel is seen as a critical factor in ensuring a healthy and competitive industry that is able to operate to high standards, and take new opportunities as they arise.



## LICENSING

### REQUIREMENTS

A scheme of operation, including source of business, organisation of applicant and governance arrangements, risk management, underwriting and claims, financial projections and resources, investment strategy, IT systems, outsourcing and agreements with third parties, reinsurance or retrocession. Other requirements would include a Fit and Proper assessment of shareholders, directors, management and key function

### SPEED

Within six months for insurance; within three months for reinsurance and captives.

### REDOMICILIATION

The Continuance of Companies Carrying on Business of Insurance Regulations allow for the redomiciliation of insurance companies from other jurisdictions without a break in the company's existence.

### PROCESS

Applicants are encouraged to enter into pre-application discussions with the MFSA in order to ensure a smooth and efficient application process. Subject to such discussions, and upon completion of all documentation, the applicant can proceed with a formal submission of application to the MFSA

### COST

Application fees:

#### GENERAL BUSINESS

€300 PER CLASS (MINIMUM €3.5K)

#### LONG TERM BUSINESS

€500 PER CLASS (MINIMUM €5K)

#### REINSURANCE GENERAL BUSINESS

€250 PER CLASS (MINIMUM €2.5K)

#### REINSURANCE LONG TERM BUSINESS

€150 PER CLASS (MINIMUM €1.75K)

#### CAPTIVE INSURANCE & REINSURANCE

€5,000



## REPUTATION

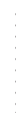
Malta enjoys a sound reputation, and is considered to be a cost-effective alternative jurisdiction with an approachable and responsive regulator.



## LOCAL LEGISLATION



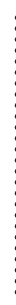
The Maltese legal infrastructure is heavily influenced by that of the UK. All laws and regulations are EU-harmonised.



## TAX

### CORPORATE TAX

A direct tax of 35% is applied on taxable profits. A 6/7th refund of tax paid is recoverable by a non-resident shareholder/s upon distribution of a dividend, resulting in an effective tax burden of 5%.



### INDIRECT TAX

VAT is charged at 18%. However, insurance companies are exempt without credit. Malta does not levy any duty (IPT) on documents with respect to insurance policies covering risks based outside Malta.

### PERSONAL TAX

Individuals are charged on their income at progressive tax rates (0%, 15%, 25% and 35%) up to a maximum of 35%. The 35% tax rate



is applicable to income in excess of €60,000. Highly qualified persons may qualify for a flat tax rate of 15% on their employment income.



## GOVERNANCE REQUIREMENTS

Substance in Malta is required. The Board must include at least one local resident (though not necessarily being a Maltese national), and to hold regular (generally quarterly) Board meetings in Malta (a board member may connect remotely if unable to be physically

present). The number of Board members is not specified, although the MFSA would expect that the Board would include non-executive directors and independent non-executive directors.

## ON-GOING EXPENSE BASE



Normal operating expenses include those related to rent, employees, and communications, together with annual

supervisory costs that vary between €3,250 and €50,000, depending on the level of premiums written.



## INFRASTRUCTURE

### IT CONNECTIVITY

Available throughout the Island, with very good and stable connections, served by three main service providers with redundancy connectivity.

### ROAD AND TRANSPORT

Own transport or taxi; public transport limited to buses. Driving is on the left-hand side of the road.

## EASE OF ACCESS



Malta International Airport provides a gateway to all major European cities, as well as other destinations including North Africa

and the Middle East. A number of daily flights to London are operated. Distance: three hours from London, two hours from Paris.



## SKILLS AND PEOPLE

### OPERATING MODEL

A sound educational background supported by local universities and international courses.

### SKILLS AVAILABLE

Malta has a highly skilled and flexible labour force. Specialists in the insurance, legal and accountancy professions are available locally, together with a pool extended to include all European citizens under the freedom of movement principle.

### LANGUAGE

Malta uses English as an official language, alongside Maltese. Use of English is universal, making Malta instantly accessible to anyone conversant in English. Many Maltese also speak a third language, usually Italian.

### LABOUR FLEXIBILITY AND LEGISLATION

Contracts are mainly indefinite (it is also possible to have definite contracts); a 3 to 12 months' probation period is applicable; a 40 hour working week is applied. Vacation leave of 24 days per annum is the statutory norm. The notice period varies from two weeks to 12 weeks depending on the duration of employment.

### MANAGED SERVICES

An insurance undertaking may be self-managed, or managed by an insurance manager, or a combination of both. There are various on the Island licensed insurance managers.

## DISCLAIMER

Although the greatest possible care has been taken with this publication, there is always the possibility that certain information may become out of date or no longer be correct after publication. Neither publisher nor compilers can therefore be held liable for the consequences of activities undertaken on the basis of the publication. Readers are advised to consult their business advisors before making any decisions.

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**Mazars is present in 5 continents.**

## CONTACTS

### **Mazars Malta**

32, Sovereign Building  
Zaghfran Road, Attard ATD 9012  
Malta  
Tel: +356 21345 760  
Fax: +356 21345 759  
E-mail: [contact@mazars.com.mt](mailto:contact@mazars.com.mt)

### **Alan Craig**

Partner – Business Advisory  
[alan.craig@mazars.com.mt](mailto:alan.craig@mazars.com.mt)

### **Tino Riolo**

Partner – Audit  
[tino.riolo@mazars.com.mt](mailto:tino.riolo@mazars.com.mt)

**Detailed information available on [www.mazars.com.mt/insurance](http://www.mazars.com.mt/insurance)**