



Affiliated Insurance Companies

Background

Malta has established itself as a model jurisdiction in financial services regulations, combining a reputable and all-encompassing regulatory framework with other advantages that it can offer in terms of competitiveness, EU membership, a skilled workforce, strategic geographical location, and an excellent working environment.

Malta provides the opportunity for companies to locate their captive insurance business (referred to as “Affiliated Insurance Companies”) within an OECD-recognized tax environment that combines tax efficiency with controlled foreign company legislation requirements and comparatively low costs.

Complementing an attractive fiscal and costs package is a comprehensive statutory regime, regulated by the Malta Financial Services Authority (MFSA) in terms of the Insurance Business Act, 1998. Affiliated Insurance Companies enjoy ‘regular insurer’ status in Malta, facilitating their access to the reinsurance market.

Insurance Business

Malta’s insurance legislation provides opportunities for affiliated insurance business and related businesses such as:

- Protected Cell Companies
- Insurance Management Companies
- Regional operations for insurers
- Reinsurance
- Insurance Brokers
- Insurance Intermediaries

Re-domiciliation

Malta’s re-domiciliation regulations enable Affiliated Insurance Companies operating in other jurisdictions to carry out any insurance business in Malta subject to the authorization of the MFSA.



Statutory Requirements

Affiliated Insurance Companies are required to meet a number of statutory requirements which faithfully transpose EU Directives regulating companies carrying out insurance business. Such statutory requirements may be summarized as follows:

Minimum Guarantee Fund

Affiliated Insurance Companies are required to possess their own funds, whether in Maltese Liri or in any other currency acceptable to the MFSA. The minimum guarantee fund required depends on the type of insurance business (long-term or general business insurance) and the risk insured.

Investment Requirements

An affiliated insurance company is required to cover its technical assets and margins of solvency requirements by admissible assets. To ensure safety, yield and marketability of the assets must be diverse and spread as prescribed by the Insurance Regulations, 2004.

Solvency Margins

Every insurer must maintain a margin of solvency which is calculated specifically with respect to long-term and general business and varies in accordance to the perils and the business class insured.

Equalisation Reserves

Every company authorised to carry on general business of a prescribed description must maintain an equalisation reserve in respect of its general business of that description.

The equalisation reserve is calculated by transferring a percentage of the net premiums at the end of each financial year.

As in the case of the minimum guarantee fund, the percentage of net premiums allocated to the equalisation reserves varies in accordance with the business group and the risks insured by the company.

Technical Provisions

An Affiliated Insurance Company must establish and maintain adequate technical provisions in respect of the business it is authorized to carry. These technical provisions must be set aside by the insurer to meet the liabilities under or in connection with contracts of insurance.

The assets covering the technical provisions take into account the business and the classes of the business carried out by a company in such a way as to secure the safety, yield and marketability of its investments and shall remain unencumbered at all times.

Contact

Mamo TCV advises clients on the various opportunities available in Malta, including Malta's favourable tax treatment, and assists with licensing and regulatory requirements, as well as with accessing to Malta's diffused double taxation network.

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