TRULY CAPTIVATING

MALTA A STRONG CAPTIVE INSURANCE DESTINATION

No longer just a destination for holiday makers, Malta is also an attractive location in the European Union for the establishment of captive and other insurance and reinsurance businesses, both life and non-life. In the difficult financial times the world is facing, the island offers security and opportunity for those looking to enter the insurance industry. Dr. Matthew Bianchi, Member of the FinanceMalta Insurance Expert Group, Secretary General of the Malta Insurance Managers Association (MIMA) and head of the Insurance Law and Regulatory Team at Ganado & Associates Advocates, Malta, explains the benefits that Malta has to offer as a location for captive insurance.

Since the early 1990s Malta has established itself as a renowned and stable financial services sector. The insurance industry was at the forefront of this development, with the Malta Financial Services Authority (the “MFSA”) working in consultation with the local market to create an innovative jurisdiction aimed at encouraging the growth of insurance and reinsurance business, including captive insurance companies passportsing their services throughout the European Union.

The insurance sector in Malta boasts a mature domestic market with a complement of life and non-life insurers and reinsurers as well as a burgeoning international captive sector. Total gross premium written in Malta for 2007 amounted to €764 million, a €223 million increase (or 41%) over the results of the previous year. At the end of 2008, Malta was home to 41 insurance companies, including three protected cell companies operating ten cells.

Despite the financial turmoil facing a majority of the world’s economies, confidence on the island remains strong. Local regulatory demand for transparency and compliance coupled with the intrinsic right of every insurer and reinsurer to passport its business throughout the EU indicate that the growth of the insurance sector is likely to continue.

INNOVATIVE LEGISLATION

Malta is the only full European member state to offer Protected Cell Company (“PCC”) legislation, allowing companies to establish a cell within a PCC and write risk through that cell. The PCC set-up allows the start-up and ongoing regulatory burden of an insurance company to be spread throughout the owners of the various cells and the core of the PCC without putting any individual cell owners’ assets at risk from liabilities of the others. Cells are particularly attractive to medium sized corporate groups wishing to establish their own insurance vehicle.

EU MEMBERSHIP

As a full member of the European Union, insurance businesses that incorporate in Malta can benefit from harmonised EU legislation and regulation with the benefit of an EU wide insurance licence which gives them the ability to passport business into other member states. This is of particular advantage to those establishing a captive insurance business in Malta whose core business remains in another European jurisdiction.

The international market, with a predominant focus in the European Union has flourished substantially since Malta’s EU accession in 2004. At the end of 2007, the overseas insurance market accounted for 60% of the gross premiums written, with insurance companies in Malta providing services across 27 EU countries.

A STABLE REGULATOR

The MFSA through its stable and consistent regulatory approach has ensured the growth of the insurance industry on the island. Throughout the licensing process of a potential insurance business, the MFSA encourages regular consultation sessions to ensure that both the interests of the business and compliance with all regulatory standards are met. The regulator is generally described as being open to the needs of insurance businesses but also firm in their approach to the regulation of the insurance industry.

INSURANCE MANAGEMENT SERVICES

Malta has thirteen licensed insurance management companies, ranging from well known international names to more boutique establishments. These insurance managers have the knowledge and experience to assist those who are new to the captive insurance market and can advise on the formation of as well as the day to day operation of a captive insurance business. All thirteen insurance managers are members of the MIMA, an association aimed at ensuring the highest levels of training and conduct amongst its members.

Contributed by FinanceMalta in collaboration with MIMA.