

A platform for growth

Malta's attractions are myriad whether you are a long established player or a recent arrival to the island's re/insurance market, explains Elizabeth Carbonaro in a Q&A



Can you chart the history of the Maltese insurance industry from its early beginnings to its present form?

Middlesea Insurance plc, the parent company of Bee Insurance Management Limited was incorporated in 1981 as the first Maltese insurer on the island, transacting business in all classes of insurance and reinsurance both in Malta and worldwide. At that time most international insurers, for example Norwich Union, Commercial Union, Royal Sun Alliance and Guardian Royal Exchange, to mention a few, were present on the island through various local agencies.

Bee Insurance Management Limited, formerly IIMS, was incorporated in 1991 under the old offshore regime. At that time IIMS managed the only international insurance company incorporated under that regime. In 1998, once Malta converted

into an onshore domicile, IIMS became Malta's first licensed onshore manager.

Malta's entry into the EU was the catalyst that changed the Maltese insurance industry. The international insurance companies gradually left Malta to be replaced by a number of local insurance companies and we can comfortably state that the Maltese market is primarily serviced by local insurance companies. Access to the EU also acted as the trigger for international insurance/reinsurance companies and captives to set up in Malta and passport to other countries. This also resulted in a number of international insurance managers setting up in Malta.

Bee Insurance Management today manages a number of insurance and reinsurance companies and we have a number of other projects in the pipeline.

Bee Insurance Management offers a wide spectrum

of services which include feasibility studies, target market studies, assistance in the incorporation of insurance companies in addition to the ongoing insurance management services.

What, are the advantages to setting up an insurance business in Malta?

There are numerous advantages to setting up an insurance business in Malta. In the first instance we have a very knowledgeable and accessible regulator in the MFSA coupled with a very experienced professional workforce, experienced both in insurance and other financial areas (be it accounting, investment management or legal). Being part of Europe all companies incorporated in Malta can passport directly, either through freedom of establishment or services, to all member states, increasing significantly their market throw. In addition Malta avails itself of a very favourable tax

THE BRIEF

Favourable tax and regulatory regime key advantage for Malta

EU membership allows opportunity for passporting to other regions

Malta only jurisdiction in EU to offer PCC concept



system which also includes a network of Double Tax Treaties with over 50 countries, including most EU countries and the US.

From an operational point of view Malta has a comparatively lower cost base when compared to other EU domiciles. In addition it has an excellent telecommunications infrastructure and easy access to Malta through its international airport. From a legislative point of view, whilst following EU solvency directives, Maltese legislation also caters for the creation of Protected Cell Companies (PCC) and Incorporated Cell Companies (ICC) legislation – the only domicile in the EU to have this legislation in place. In addition local legislation includes migration legislation which facilitates both entrance into Malta and exit from Malta.

From a statistical point of view, Malta is making a name for itself in the international insurance domicile front with over 35 insurance companies already licensed by the Malta Financial Services

Authority primarily for risks situated outside of Malta in addition to three PCCs already incorporated operating 12 cells between them.

What are the advantages to setting up a PCC in Malta?

The main benefit of a PCC is that a cell can use the core capital and therefore does not need to have its own Minimum Guarantee Fund. This can be very advantageous to those insurers who wish to have their own insurance vehicle but whose business might not justify the setting up of an individual insurance company from a capital point of view, primarily due to the relatively low level of business undertaken.

A PCC is a limited liability company which, in its entirety, needs to satisfy the minimum capital requirements at law. The core does not need to take on any insurance risk itself, but must be solvent at all times based on the business written by the whole company (ie including cells).

The cells are all independent of each other and from a legislative point of view are protected from each other. In addition each cell shareholder receives its own dividend stream and from a tax perspective each cell is treated as a separate entity.

More specifically what are Malta's advantages for a foreign investor?

From a foreign investor point of view, Malta is a very stable country both in terms of financial strength and in terms of legislation. Malta has a Sovereign Rating of A1 (Moody's) and from a currency point of view operates within the Eurozone. Central Bank of Malta statistics at March 2010 show unemployment of 6.9% (down to 6.5% in June 2010), a GDP annual anticipated growth of 1.1% for 2010 and an inflation rate of 2.1%.

Entry into Malta is very straightforward with an efficient licensing process. The MFSA has up to six months from the date of application to process

an application for an insurance license and up to the three months to license a captive or reinsurance company. There are also no exit barriers from Malta.

How easy is it to find good staff on Malta?

Middlesea as a group has been very active on the training front, being the first company to set up an insurance training school that was accredited by the Chartered Insurance Institute in the UK and it can be said that most insurance specialists in Malta have received training at this school.

More recently the group is sponsoring, together with the Malta Insurance Association, an insurance degree at the University of Malta. This degree, that is offered by the Faculty of Economics, Management and Accountancy, was launched in October 2008 and is now in its second scholastic year. In addition the Group is active in individually sponsoring students undergoing this course, offering

a number of students a stage throughout the whole course.

What about the opportunities for geographical expansion?

With Malta forming part of the EU, an insurance company can passport to any of the other EU jurisdictions. This can be done for all classes of business, ie life or non life and can take one of two forms; either under freedom of services (for example via brokers or internet) or under freedom of establishment (via a branch or offices physically present in that particular jurisdiction)

What are Malta's advantages compared with other financial centres including those in the EU?

The advantages are various. One advantage that we are seeing is the fact that Malta offers the PCC concept - we are in fact the only jurisdiction in the EU to offer this. In addition the transparent tax regime is seen as a significant advantage.

It is pertinent to point out that Malta features on the 'white list' in the OECD Global Forum tax list. A very versatile, multi lingual work force and an approachable regulator are also seen as key advantages. However the cherry on the cake is our weather – we certainly beat any other financial centre in Europe!!

How do you see the Maltese insurance market evolving in future?

At the risk of being accused of bias, I am very excited about the prospects of Malta as an insurance domicile. There has been a lot of interest, a substantial take-up and very interesting prospects in the pipeline. In my view, if we carefully sift the enquiries which come through, remain vigilant on the level of entities wishing to set up in Malta, and provide a professional and consistent service to our clients, I am confident that we will see further growth and development in this area.



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