

# Malta – A Captive Insurance Domicile

After ten years of meticulous preparation, Malta's captive insurance industry is now developing rapidly; EU membership bringing Single Passporting rights to Malta-domiciled companies giving the sector the impetus it spent ten years waiting for. Pivotal to this success is the island's flexible legislative framework, with its attractive redomiciliation potential, and the renowned excellence of the island's financial services regulator, the Malta Financial Services Authority (MFSA).

## Introduction

A Captive insurance company is formed by industrial, financial or commercial groups or governmental organisations, with the purpose of underwriting all, or a selection of, the risks of that institution and its affiliates.

Captives, referred to as 'affiliated insurance companies' under Maltese insurance legislation, are defined as: "insurance companies whose business of insurance is restricted to risks originating with shareholders or connected undertakings or entities".

Maltese captive companies may insure the risks of a wide range of persons:

- parent companies or associated or group undertakings;
- individuals or other entities having a majority ownership or controlling interest in the captive; and
- members of trade, industry or professional associations insuring risks related to the particular trade, industry or profession.

## Why Malta ?

There are numerous benefits which accrue to companies that set up shop in Malta:

*Ability to write policies directly into the EU and European Economic Area*

Full EU membership enables Maltese captives to dispense with the need for fronting companies into the EU/EEA.

*Effective but responsive regulation*

Regulation is to EU standards but with the flexibility and responsiveness for which the most successful established captive domiciles are favoured.



### *Established financial centre*

Insurance, legal and accounting expertise is all available within Malta's highly trained professional workforce.

### *Tax efficiency*

Similarly to all other Maltese companies, captive insurance companies are taxable at the normal corporate rate of 35%. However on a distribution of such captive insurance profits, shareholders are entitled to a refund of 6/7ths (i.e. 30%) of the tax suffered on the distributed profits. This can reduce the tax burden to 5%. In addition, Malta has concluded double taxation tax treaties with over 49 countries.

### *Protected cell companies*

PCC legislation enables a PCC to be formed in Malta whereby each cell's assets and liabilities are legally separated.

### *Migration from other jurisdictions*

The Continuation of Insurance Companies Regulations 2003 enables captives to be easily relocated from other jurisdictions which have similar legislation.

### *International Standards*

The application of IFRS enables companies to prepare their financial statements in a manner that easily integrates with those of their parents.

Malta will be worth considering as the location for a captive where the ability to issue policies directly into the EU/EEA may provide significant savings on fronting and collateral costs. This will be worth looking at for:

- Multinationals with operations in EU locations
- UK corporations paying significant Employers' Liability and Motor Third Party premiums
- Companies using captives to provide insurance to their customer base, eg travel, warranty, credit protection

## **Insurance Managers**

The first two international insurance managers to establish a presence on the islands were AON and Marsh, two market leaders that collectively manage more than half the captives registered across all domiciles. From June 2005, when the first of Malta's captive insurers had been established, the number of insurance companies domiciled in Malta grew fast: there were more than 20 registered by the end of March 2008, with more in the pipeline. However the majority of these have not been captive - or affiliated - insurers at all. After the first five were established, the next 15 were all direct writers, selling insurance beyond the confines of their parent group of companies.

As of the end of March 2008, there were 23 insurance companies being managed by a list of 12 insurance managers. The top three international managers - AON, Marsh and Willis - all participate in the market, along with HSBC. But a number of mid-tier operators - JLT, Heath Lambert and Guernsey-based Heritage - are also attracting their fair share of business, in partnership with Maltese insurers and brokers. And the local operations - including International Insurance Management Services Ltd, FirstUnited, Ark and Island Insurance are also attracting their fair share of business.

## Our Services

Through a collaboration with a major insurance manager, our multi-discipline team of professionals can provide the full range of consultancy, project management and ongoing management services for your Malta insurance vehicle:

- Feasibility study
- Incorporation and licensing
- Underwriting
- Reinsurance
- Accounting
- Corporate Secretary
- Cash management
- Compliance

We feel that Malta is a very interesting alternative when it comes to selecting a jurisdiction and we would be very happy to provide further information on the subject.

For further information please do not hesitate to contact:

***Karl Cini B.Accty (Hons), FCCA, FIA, Dip. Tax***

### **Brian Tonna & Co.**

'Pebbles'

Triq il-Mahsel

St. Thomas Bay

Marsascala MSK3649

email: [karl@briantonna.com](mailto:karl@briantonna.com)

This material has been reproduced with permission from the Investment Guide & Business Directory - 2008 Edition, published by Finance Malta. It is intended as a general guide only, and its application to specific situations will depend on the particular circumstances involved. Accordingly, we recommend that readers seek appropriate professional advice regarding any particular problems that they encounter. This information should not be relied upon as a substitute for such advice. While all reasonable attempts have been made to ensure that the information contained herein is accurate, Brian Tonna & Co. accept no responsibility for any errors or omissions it may contain whether caused by negligence or otherwise, or for any losses, however caused, sustained by any person that relies upon it.

