

11 March 2020

## Circular for Insurance and Reinsurance Undertakings - Measures in the light of COVID-19 Outbreak

The MFSA is closely monitoring developments in relation to the spread of COVID-19 (coronavirus). The purpose of this Circular is to bring to the attention of all insurance and reinsurance undertakings ("undertakings") the MFSA's expectations in this regard and to request the undertakings to provide the Authority with the relevant information as indicated below.

### 1.0 Contingency Plans

Following MFSA's communication of the 10<sup>th</sup> March 2020, the MFSA expects that all undertakings ensure continuity and regularity in the performance of their activities, including the development of contingency plans which are reviewed, updated and tested on a regular basis, as per requirements emanating from Chapter 6 of the Insurance Rules issued under the Insurance Business Act (Cap. 403). The activities referred to above include outsourced critical or important functions or activities.

In light of the spread of COVID-19 and the implications that this may bring along to the industry, the MFSA expects that undertakings immediately test their contingency plans unless they have not already done so, to ensure that all reasonable steps have been taken to meet regulatory obligations as well as to continue servicing policyholders (if any) with the least possible interruptions. The MFSA does not have any objections if undertakings are able to meet these standards and undertake these activities from backup sites or with staff working from home.

Should an undertaking has either not implemented an appropriate contingency plan or should its contingency plans failed to meet at least the expectations of the MFSA, it is required to notify the MFSA and to provide a plan as to how it will be ensuring service continuity, meet its regulatory obligations as well as timelines by when appropriate contingency plans will be in place.

Where the undertaking is servicing retail clients, the MFSA also expects such undertakings to ensure that their continuity of service procedures also address the need of vulnerable customers, in particular those suffering from a relevant underlying medical condition or are of a certain age.

The MFSA intends to also evaluate the undertakings' contingency plans through a thematic review.

## 2.0 Policy Terms and Conditions

In the light of current circumstances, it may be anticipated that undertakings will be faced with an increased number of claims. In this regard, undertakings servicing retail clients are to advise the MFSA as to the approach such undertakings will be taking with respect to the interpretation of current policies vis a vis claims arising due to the COVID-19 – as well as to the basis of the undertaking's position on this matter.

Undertakings are to also advise whether they have assessed the impact the aforementioned position would have on current policyholders – i.e. policyholders who have bought their insurance policy before the outbreak of COVID-19 and also regarding the position that will be adopted by the undertaking going forward with regards to new policies.

In addition, undertakings are also to advise whether the distributors of their products have also been made aware of their decisions referred to above. Where any communications have been issued to distributors, undertakings are to provide the MFSA with copies.

It is the MFSA's expectation that where undertakings are imposing product restrictions in relation to issues and risks arising from COVID-19 that these will be communicated to the Conduct Supervision 24 hours in advance of their implementation.

Undertakings are to send the information requested in this Circular by not later than 18<sup>th</sup> March 2020 on [ipsu@mfsa.mt](mailto:ipsu@mfsa.mt) and [csuinsurance@mfsa.mt](mailto:csuinsurance@mfsa.mt).