

13 May 2020

Note for Information on the Amendment to the Insurance Distribution Rules in Relation to Professional Indemnity Limits

1.0 Introduction

The MFSA is amending Section 1.9 on Professional Indemnity Insurance Guidelines of Chapter 1 of Part A of the Insurance Distribution Rules to bring it in line with the Commission Delegated Regulation (EU) 2019/1935 of 13 May 2019 amending Directive (EU) 2016/97 of the European Parliament and of the Council with regard to regulatory technical standards adapting the base euro amounts for professional indemnity insurance and for financial capacity of insurance and reinsurance intermediaries (hereinafter referred to as the "Commission Delegated Regulation"). The purpose of this circular is to provide information on the said amendments.

2.0 Professional Indemnity Limits

Article 10(4) of Directive (EU) 2016/97/EC of the European Parliament and of the Council of 20 January 2016 on insurance distribution (recast) (hereinafter referred to as the "IDD"), provides the minimum limits of indemnity applicable to the professional indemnity insurance which an insurance intermediary is required to hold. The applicable limits found in Article 10(4) of the IDD are for at least €1,250,000 applying to each claim and in aggregate €1,850,000 per year for all claims. The applicable limits found in Article 10(4) of the IDD are transposed in paragraph 1.9.6 of Chapter 1 of the Insurance Distribution Rules.

Article 10(7) of the IDD states that the European Insurance and Occupational Pensions Authority (EIOPA) shall regularly review the amounts referred to in paragraphs 4 and 6 in order to take account of changes in the European index of consumer prices as published by Eurostat.

The Commission Delegated Regulation states that over the period 1 January 2013 through 31 December 2017, the European index of consumer prices produced for the Union by Eurostat has increased by 4,03 %. As a result, the base amounts should be adapted by that percentage increase.

3.0 Amendments to Section 1.9 of Chapter 1 of the Insurance Distribution Rules - Professional Indemnity Insurance Guidelines

As a consequence to the above, the MFSA is amending paragraph 1.9.6 of Chapter 1 of the Insurance Distribution Rules so that the required minimum limited of indemnity shall be not less than €1,300,500 in respect of each and every claim and in aggregate €2,000,000 per year for all claims.

It is to be noted that the amounts indicated in paragraph 1.9.6 are the minimum amounts which an insurance intermediary is required to hold. The MFSA expects insurance intermediaries to take into account the size and nature of the insurance distribution activities and reinsurance distribution activities carried out in Malta, when deciding the amount of indemnity their policy of professional indemnity insurance will be covering.

Insurance intermediaries are required to revise the limits of their policy, as at renewal of their current professional indemnity insurance policies.

4.0 Contacts

Any queries or requests for clarifications in respect of the above should be sent by email on ipsu@mfsa.com.mt