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| MALTA FINANCIAL SERVICES AUTHORITY |  |
| **Second Schedule – Scheme of Operations** |  |
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| **This Scheme of Operations is required to be submitted pursuant to the Companies Act (Cell Companies Carrying On Business Of Insurance) Regulations and the Companies Act (Incorporated Cell Companies Carrying on Business of Insurance) Regulations issued under the Insurance Business Act** |
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| This scheme of operations is to be completed by:a) a Protected Cell Company authorised under the Act desirous of applying for the approval of a protected cell; or b) an undertaking desirous of applying for authorisation as an incorporated cell in an Incorporated Cell Company authorised under the Act; orc) by a non-cellular company to transform into an incorporated cell company. **Completion of the application**This document is to be completed in a comprehensive manner as much as possible and submitted together with the application form, the checklist fully ticked, relative fees and the declaration contained in the Second Schedule of the Insurance Business Rules in order for application pack to be considered as complete and for the review of the application to commence. In the instance where application documents are submitted in a piecemeal fashion or are incomplete, the processing of an application will not start and will be delayed until receipt of all the relevant documents and fees concerned. The time taken to determine an application is significantly affected by the quality of the application submitted. In this regard, applicants are advised to provide comprehensive information as much as possible regarding the regulated activities the applicant intends to carry out and how it will be carrying out those activities. The applicant's description of its business is an integral basis of the processing of the application. All of the questions should be answered. If the applicant believes that a question does not apply, the response should be left blank. Any supporting documents submitted as part of the application pack which are not in English should be officially translated into English before being submitted to the MFSA.**Transparency**It is important that applicants are transparent with the MFSA at all stages of the application process. It is essential that all pertinent matters are brought to the attention of the MFSA to enable the competent authority to form a complete and thorough understanding of the applicant and its proposal. Responsibility for the submission of all relevant information rests with the applicant. Timely responses from applicants are expected. Undue and unjustifiable lengthy delays in the submission of responses from applicants may require the re-submission of updated documents. The provision of false, misleading or inaccurate information or omission of provision of material information may prejudice the status of the application and also have a bearing on the fitness and properness of the person providing the information. any person who is knowingly or recklessly furnishes information or makes a statement which inaccurate, false or misleading or leave out any material aspect is guilty of an offence under the Insurance Business Act.**Changes**If after the application has been submitted, the applicant becomes aware that the information submitted has changed or if the applicant becomes aware of any material fact that affects the information submitted, the applicant must inform the MFSA immediately. If the proposal changes significantly and materially during the application process, then the processing time may be lengthier than in normal circumstances and a fresh application may need to be submitted, incorporating the new changes. |

| **Details of the Scheme of Operations** |
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| Applicant Name | (applicant name should be same as that found in the application form)Enter text |
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| **1** | **Background Information to the application** |
| 1.1 | Please provide a description of the applicant | Enter text |
| 1.2 | Please describe the risks or commitments which the cell proposes to cover | Enter text |
| 1.3 | Please provide a description of the past history of the book of business | Enter text |
| 1.4 | Please explain the rationale for establishing in Malta as a cell company | Enter text |
| **2** | **Shareholding structure** |
| 2.1 | Kindly submit the full shareholding structure of the cell, including percentage holding.  |
| **3** | **Business Strategy** |
| 3.1 | Please identify the countries in which business will be written and whether this will be on a freedom of services or freedom of establishment basis[[1]](#footnote-1)  | Enter text |
| 3.2 | If the applicant intends to write business in a country or countries outside the EU, an overview of how the applicant can underwrite that business in such country or countries as an authorised undertaking with head office in Malta, is to be provided | Enter text |
| 3.3 | Please explain how the specific market knowledge in relation to the such jurisdiction/s has/have been attained. | Enter text |
| 3.4 | If the cell (through the PCC) intends to operate exclusively or almost exclusively in one or more Member State or EEA State, other than Malta, on a freedom of services basis, please provide:(a) the reasons supporting such a strategy; and (b) an explanation of how the specific market knowledge in relation to the jurisdiction has been attained | Enter text |
| 3.5 | Please provide a detailed description of the main factors influencing the success of the proposed business model and how the cell intends to control the success and/or failure of its business model | Enter text |
| 3.6 | Please detail in the areas of competitive advantage which will keep the cell viable and sustainable | Enter text |
| **4** | **Source of business and distribution arrangements** |
| 4.1 | Please identify the proposed sources of business (e.g. insurance intermediaries, direct selling, branch offices, website etc.) | Enter text |
| 4.2 | Please indicate the approximate percentage of gross written premium expected from each source | Enter text |
| 4.3 | Where the source of business includes the use of a website, please provide details of the purpose of website, that is, whether for advertising purposes only or whether to carry on business of insurance | Enter text |
| 4.4 | Where the source of business includes intermediaries, please provide the following details:  |
|  | (a) a description of the procedure which will be used to approve intermediaries as well as the procedure used to ensure that on-going due diligence on the said intermediaries will be carried out | (This should extend to the type of due diligence and other checks carried out on intermediaries)Enter text |
|  | (b) details on the authority which the cell intends to assign to the intermediaries | (e.g. underwriting authority, claims handling and/or settling authority, premium collection, authority to appoint introducers/representatives, etc)Enter text |
|  | (c) a description of the controls/monitoring arrangements to be applied by the applicant in relation to the activity of the intermediaries | Enter text |
|  | (d) details in relation to the inducements that will be granted to the intermediaries, the basis of the commission, whether there will be any targets involved and commission levels | (When setting up commissions, applicants are recommended not to base such commission solely or to a large extent on sales generated but take into account other factors such as regulatory compliance, complaints record etc)Enter text |
|  | Please submit a draft copy of arrangement/agreement governing the appointment of the intermediaries. Please indicate where the requirements contained in Article 274 of the Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 are in the agreement. |
| 4.5 | **Modus Operandi**  |
|  | (a) Please provide an explanation regarding the manner, in which transactions will be affected in practice (from initiation till end) specifying what will be done, by whom and from where | (flow charts may be used to better represent the supply chain)Enter text |
|  | (b) Please identify the target market including its characteristics | Enter text |
|  | (c) Please confirm whether the protected cell company (on behalf of the cell) will be entering into a co-manufacturing agreement with other undertakings or intermediaries | Enter text |
|  | (d) Please submit a copy of the Insurance Product Information Document (IPID) in line with Article 20 of Directive (EU) 2016/97 and Commission Implementing Regulation (EU) 2017/1469 which lays down a standardised presentation format for the IPID in relation to non-life insurance contracts or the submission of a Key Information Document (KID) in respect of packaged retail and insurance-based investment products in line with the Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014  |
|  | (e) Please provide a copy of the Product Oversight and Governance policy in line with *the* Commission Delegated Regulation (EU) 2017/2358, supplementing Directive (EU) 2016/97 of the European Parliament and of the Council with regard to product oversight and governance requirements for insurance undertakings and insurance distributors  |
|  | (f) Please indicate the manner, in which the protected cell company (on behalf of the cell) will ensure that all the necessary disclosures at point of sales are being communicated | Enter text |
|  | (g) Please explain the manner, in which complaints shall be made and who will be responsible to handle them from within the undertaking  | Enter text |
|  | (h) Please provide details of the questions that will be used to carry out the demands and needs test | Enter text |
|  | (i) In the case of long-term business, details of the questions that will be used for the purpose of the suitability test and appropriateness test | Enter text |
| **5** | **Organisation and Governance Arrangements** |
| 5.1 | Please provide details of the role of any internal committees and frequency of meetings.  | (Please submit Terms of Reference for any committees to be established)Enter text |
| **6** | **Risk Management** |
| 6.1 | Please provide a description of the Risk Management (RMS) comprising of an overview of the general risk appetite of the undertaking, indicating the business that falls outside the risk appetite | Enter text |
| 6.2 | Please indicate the tolerance limits for each risk category | Enter text |
| 6.3 | Please identify the cell’s key dependencies | Enter text |
| 6.4 | Please identify the pressure points that can potentially cause severe deterioration to the cell’s financial position and solvency position | Enter text |
| 6.5 | Please explain how the risk appetite aligns with that of the protected cell company | Enter text |
| 6.6 | Please identify any conflict of interest that exists and how they will be managed | Enter text |
| 6.7 | What are the perceived anti-money laundering risks in relation to the proposed business | Enter text |
| **7** | **Business Continuity Plan** |
| 7.1 | Please summarise the steps that will be taken by the cell to ensure that in the event of disaster, it keeps the operations functional during the event and immediately after. Please also indicate when it is intended to be reviewed, updated and tested. | Enter text |
| **8** | **Underwriting activities** |
| 8.1 | Please explain how the underwriting function will be carried out | Enter text |
| **9** | **Claims activities** |
| 9.1 | Please explain how the claims function will be carried out | Enter text |
| **10** | **Financial projections** |
| 10.1 | The financial projections are to be provided under a separate cover. The detail pertaining to this section is found in Chapter 1 under sub-heading Financial Projections and resources. |
| 10.2 | Please note that for undertakings established as protected cell undertakings, applications for the approval of new cells should include the three-year projections for the new cells separately. For the remaining part of the undertaking (i.e. the core and cells), undertakings are required to submit the Solvency II results in the following excel format so as to assess the overall solvency position of the undertaking:

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|  | **SCR** | **EOF** | **Restricted OF** | **nSCR** | **AMCR (core only)** | **Solvency II Ratio** |
| **Core** | Enter text | Enter text | Enter text | Enter text | Enter text | Enter text |
| **Cell 1** | Enter text | Enter text | Enter text | Enter text |  | Enter text |
| **Cell 2** | Enter text | Enter text | Enter text | Enter text |  | Enter text |
| **Cell 3** | Enter text | Enter text | Enter text | Enter text |  | Enter text |

Further rows may be added by clicking on the at the bottom right corner of the table |
| **11** | **Information Technology** |
| 11.1 | Will the cell be using the IT systems of the protected cell company? If no, please provide details of the IT systems that will be used.  | Enter text |
| 11.2 | **Outsourcing and agreement with third parties** |
| 11.2.1 | Please provide a description of any material outsourcing or sub-contracting arrangements, in particular any outsourcing of critical and important functions, including but not limited to: |
| 11.2.2 | Will the protected cell company (on behalf of the cell) be entering into any outsourcing arrangements?  | Choose an item |
| 11.2.3 | Please provide background information concerning the third party to whom functions will be outsourced including whether the service provider is a regulated entity, whether it forms part of the same group of companies of the protected cell company | Enter text |
| 11.3 | Please submit a draft copy of the outsourcing agreement in line with Article 274 of the EU Commission Delegated Regulation. |
| **12** | **Reinsurance or Retrocession** |
|  | This section details the proposed reinsurance (or retrocession) strategy and the arrangements proposed to be put in place at authorisation. It may be appropriate for this to be represented graphically, especially for more complex programmes |
| 12.1 | Will the cell be part of the existing reinsurance strategy of the protected cell company? | Select: Yes or No**If yes, go to Section 12.3. If no, go to Section 12.2 (and exclude Section 13.3)** |
| 12.2 | Details of the principal reinsurers (or retrocessionaires), including name, address, country of incorporation and rating by the main rating agencies |

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| **Name** | **Address** | **Country of Incorporation** | **Rating** |
| Enter text | Enter text | Enter text | Enter text |

Further rows may be added by clicking on the at the bottom right |
| 12.3 | Please provide a brief explanation of the current arrangement and how the cell shall align with it | Enter text |
| 12.4 | Details of the reinsurance strategy (whether it is proportional or non-proportional) and the type of cover  | Enter text |
| 12.5 | Details of percentages of risks that will be retained by the protected cell company including maximum retention limits per reinsurance programme  | Enter text |
| 12.6 | Please confirm that what has been declared will actually be reflected in the agreement.  | (Please note that the MFSA reserves the right to request a copy of the agreement at any point in time)Enter text |

1. A separate notification is required to be submitted as contained in Annex I or Annex II of Chapter 10 on Freedom of Establishment and Freedom to provide Services by a Maltese Insurance Undertaking and a Maltese Reinsurance Undertaking of the Insurance Rules, depending to the type of notification. This is to be submitted once the undertaking obtains its authorisation. [↑](#footnote-ref-1)