

16 April 2025

## Circular on the Amendments to Insurance Rules and Insurance Distribution Rules

### 1.0 Introduction

On 5 March 2025, the MFSA issued a [Consultation Document on the Proposed Amendments to the Insurance Rules and the Insurance Distribution Rules](#) (MFSA Ref: 02-2025) proposing amendments to:

- a) Chapter 1 of the Insurance Rules;
- b) Annex II to Chapter 6 of the Insurance Rules;
- c) Chapter 8 of the Insurance Rules;
- d) Chapter 1 of the Insurance Distribution Rules;
- e) Chapter 2 of the Insurance Distribution Rules;
- f) Chapter 8 of the Insurance Distribution Rules;
- g) Chapter 9 of the Insurance Distribution Rules; and
- h) Chapter 10 of the Insurance Distribution Rules.

The period to submit comments to the consultation elapsed on 26 March 2025, and feedback was received from the market. The MFSA reviewed the feedback received and discussed further internally. Following the said discussions, a [Feedback Statement](#) is being published by the MFSA highlighting the comments raised by the insurance industry and the MFSA's replies thereto. The MFSA is also issuing a [Circular](#) to the market entitled Circular on group insurance and bancassurance to provide further detail in relation to the amendments carried out to Chapter 1 and Chapter 2 of the Insurance Distribution Rules. The MFSA is also issuing a [Circular](#) on the publication of the amendments to the Insurance Business Act, Insurance Business (Protection and Compensation Fund) Regulations, 2024, Insurance Business (Winding up of an insurance undertaking) (Amendment) Regulations, 2024 and Chapter 1 of the Insurance Rules to provide further background the Insurance Business (Protection and Compensation Fund) Regulations issued on 26 November 2024 and Chapter 1 of the Insurance Rules.

### 2.0 Amendments to Chapter 1 of Part A of the Insurance Rules

The Consultation Document proposed amendments to Chapter 1 of the Insurance Rules to require undertakings which intend to carry out motor vehicle liability insurance business in another Member State to contribute to the Protection and Compensation Fund. The MFSA received feedback with

suggestions from the market. Clarification has been provided in the feedback statement and the text proposed in the consultation will be retained as proposed.

### **3.0 Amendments to Annex II to Chapter 6 of the Insurance Rules**

The Consultation Document proposed amendments to Annex II to Chapter 6 of the Insurance Rules to clarify the term “independent”. The MFSA received feedback noting that paragraph 1.3 of the said Annex already referred to a clarification of the term independent. In this respect, the MFSA has amended paragraph 1.3 to refer to the MFSA Corporate Governance Code.

### **4.0 Amendments to Chapter 8 of the Insurance Rules**

In the spirit of proportionality, the MFSA proposed amendments to Chapter 8 of the Insurance Rules stating that a captive undertaking as defined under the Insurance Business Act will not be required to audit the Solvency and Financial Condition Report. The MFSA received a request for a clarification from the market as to whether in the case where one of the cells of the Protected Cell Company is a pure captive, the requirement to audit of this captive cell can be carved out. In this respect, the MFSA held internal discussions and will be introducing a new provision to include this requirement. Further clarifications were also provided in the Feedback Statement.

### **5.0 Amendments to Chapter 1 and 2 of the Insurance Distribution Rules**

Following the European Court of Justice Ruling in Case C-633/20 on 29 September 2022, the MFSA proposed amendments to Chapters 1 and 2 of the Insurance Distribution Rules. The MFSA received feedback requesting clarifications which have been provided in the Feedback Statement. For the avoidance of doubt, the MFSA included wording that the term remuneration shall be defined as the definition interpreted in the Insurance Distribution Act. With respect to Chapter 2 of the Insurance Distribution Rules, the MFSA amended the paragraph to clarify that the obligation is without prejudice to the Insurance Distribution (Exemption) Regulations.

### **6.0 Amendments to Chapter 8 of the Insurance Distribution Rules**

The MFSA proposed an amendment to the two-business-day requirement in Chapter 8 of the Insurance Distribution Rules in the Consultation Document. Clarification was provided in the Feedback Statement, however the MFSA would like to note that no further changes will be made to Chapter 8 of the Insurance Distribution Rules.

### **7.0 Amendments to Chapter 9 and 10 of the Insurance Distribution Rules**

The amendments proposed to Chapter 9 and 10 of the Insurance Distribution Rules were aimed to correct an anomaly in the manner in which the Fidelity Bond is calculated. The MFSA received

feedback from the market which were addressed in the Feedback Statement. Furthermore, the market also commented on the term “preceding year”. In this respect, the MFSA will be removing the said term and providing clarifications in relation to the same in the Feedback Statement.

## **8.0 Applicability**

The amendments to Chapter 1, the Annex to Chapter 6, Chapter 8 to the Insurance Rules and Chapters 8 of the Insurance Distribution Rules will come into force on the date of publication of this Circular.

The MFSA would like to note that with respect to the new obligations stipulated in Chapter 1 and 2 of the Insurance Distribution Rules, as from 5 May 2025, the MFSA will be in a position to accept applications for enrolment or extension of their enrolment, as applicable in the Tied Insurance Intermediaries List of credit and financial institutions to carry on tied insurance intermediaries activities in the classes of general insurance restricted to the contracts of insurance indicated in the Circular (enter link) by compiling the Fourth Schedule to Chapter 2 of the Insurance Distribution Act and submit it through the LH portal.

Furthermore, insurance distributors which are not in line with the requirements of Chapter 1 and Chapter 2 of the Insurance Distribution Rules be required to be aligned with the new requirements by 20 October 2025.

Finally, the amendments to Chapter 9 and 10 of the Insurance Distribution Rules are effective for the annual reporting periods beginning on or after 1 January 2025. In this respect the MFSA has uploaded the latest version of the First Schedule to Chapter 10 of the Insurance Distribution Rules with a note stating that this will apply for annual reporting periods beginning on or after 1 January 2025. With respect to insurance intermediaries whose reporting period commenced earlier than the 1 January 2025, the older template should be utilised when compiling their annual regulatory submissions.

## **9.0 Contacts**

Any queries or requests for clarifications in respect of the above should be sent by email on [ips\\_legal@mfsa.mt](mailto:ips_legal@mfsa.mt).