

Feedback Statement on the Informal Consultation for the Claims Handling Practices Guidelines

21 November 2025

Contents

Introduction	3
Feedback on the Main Topics of the Guidelines	4
General comments	4
Chapter 1 – Applicability	5
<i>Cross-Border</i>	5
<i>Insurance Intermediaries</i>	5
<i>Timeframes and Implementation</i>	6
Chapter 2 – Scope	6
<i>Timeframes and Implementation</i>	6
Chapter 3 – Roles, responsibilities, and internal controls	7
<i>Board of Directors</i>	7
<i>Quality Service Charter</i>	7
<i>Human Resources</i>	9
<i>Service Providers</i>	9
Chapter 4 – General Principles - Claims Processing	10
<i>Notifications of Claims</i>	10
<i>Status Updates</i>	11
<i>Market Values</i>	12
<i>Payment of Claims</i>	13
<i>Other Considerations</i>	14
Chapter 5 – Motor Claims Processing	14
<i>Survey Reports / Claims Assessment</i>	14
<i>Third-Party Motor Claims</i>	15
<i>Car Hire</i>	16
Conclusion and Next Steps	17
Coming into Force of the Guidelines and Transitory Periods	17

Introduction

On 20 June 2025, the Malta Financial Services Authority ('MFSA' or 'the Authority') convened an industry workshop with participants from the insurance sector to discuss the proposed Guidelines on Claims Handling Practices. The objective of the workshop was to communicate the Authority's expectations concerning claims handling standards applicable to personal lines insurance products.

This workshop followed the issuance earlier in the year of an informal consultation document ("Consultation"), which was circulated to industry stakeholders and incorporated input received from relevant parties. The Consultation was intended to provide regulatory guidance to assist Regulated Persons in fulfilling their obligations, including the requirement to treat clients fairly, honestly, and professionally, and to act in their best interests.

The Authority has received multiple submissions in response, comprising both individual contributions from insurance practitioners and comprehensive collective responses from industry bodies, namely the Insurance Association Malta ('IAM'), the Association of Insurance Brokers ('AIB'), and the Malta Insurance Management Association ('MIMA'). The Authority expresses its gratitude to all respondents for their substantive and constructive feedback, all of which has been duly noted and carefully considered.

Accordingly, significant amendments have been made to the initial consultation document issued in January 2025. These amendments are detailed within this Feedback Statement, which summarises the key updates, revisions, and clarifications made by the Authority to the proposed Claims Handling Guidelines, structured in alignment with the principal headings of the Guidelines.

Feedback on the Main Topics of the Guidelines

General Comments

Industry Feedback Received

Generally, all market participants welcomed the MFSA's Guidelines and the possibility to provide comments. A general comment that was raised amongst market participants was in respect of the general tone of the Guidelines which appeared to be too prescriptive, as opposed to being principles-based. In particular, reference was made to specific timelines in relation to communication and payment settlements.

Moreover, market participants suggested that the guidelines should distinguish between the policyholders and third parties, as well as between the relative lines of business.

MFSA Position

The Authority acknowledges and appreciates the general support expressed by market participants regarding the issuance of the Guidelines and the opportunity provided to submit feedback. The Authority also takes note of the concerns raised pertaining to the perceived prescriptive nature of certain provisions within the Guidelines, particularly with respect to the specified timelines for communication and payment settlements.

In response to this feedback, the Authority has undertaken a thorough review and has made amendments to ensure the Guidelines strike an appropriate balance between clarity and flexibility. The revised Guidelines have been adjusted to adopt a more principles-based approach, allowing Regulated Persons to exercise professional judgment in managing claims processes while maintaining clear expectations on timely and fair claims handling.

Furthermore, the Authority agrees with the merit of introducing greater differentiation to reflect the distinct legal, contractual, and operational considerations that may arise depending on the party involved and the nature of the insurance product. As such, the guidelines have been revised accordingly to provide clearer delineation where relevant.

The above adjustments are intended to promote greater clarity, proportionality, and practical applicability of the provisions, while ensuring that the overarching principles of fair treatment, transparency, and consistency continue to be upheld across all business lines.

Chapter 1 – Applicability

Cross-Border

Industry Feedback Received

Some market participants suggested that the applicability of the Guidelines should be confined to Maltese Insurance Undertakings conducting insurance business in Malta. Other market participants suggested that the Guidelines should be applicable also to Maltese Insurance Undertakings conducting insurance business in other EU member states. Certain market participants expressed concern whether foreign undertakings conducting business in Malta would be subject to the proposed Guidelines.

A market participant also suggested to exclude pure reinsurance cells and pure captive cells from the applicability even if the rest of the Protected Cell Company ('PCC') falls within the scope.

MFSA Position

The MFSA wishes to confirm that the local General Good Provisions ('GGP') will be updated accordingly to reflect the requirements set out in the proposed Guidelines. Regarding insurance undertakings engaging in cross-border activities, the MFSA clarifies that third-party service providers based within EU jurisdictions, which deliver claims handling services to Maltese insurance undertakings, shall remain subject to the General Good Provisions applicable in their respective jurisdictions.

The MFSA took note of the comment regarding the PCC and has amended the guidelines accordingly.

Insurance Intermediaries

Industry Feedback Received

Clarification was sought whether insurance brokers, which have been vested with delegation of authority in respect of claims handling or processing, are expected to rely on the application of the Guidelines by the insurance undertaking which has vested them with the delegated authority.

MFSA Position

The MFSA hereby clarifies that insurance intermediaries operating under a delegation of authority bear direct responsibility for compliance with the relevant provisions of the Guidelines, insofar as such provisions apply to the scope of their delegated functions.

Timeframes and Implementation

Industry Feedback Received

Reassurance and clarification was sought regarding the implementation of the guidelines for having adequate time to prepare / launch and comply to.

MFSA Position

The MFSA confirms that a minimum transitional period of two years will be granted to Regulated Persons prior to the formal incorporation of these Guidelines into the Conduct of Business Rulebook as binding rules. Additionally, the MFSA will actively engage with market participants during this period to monitor adherence to the Guidelines and to offer assistance and guidance as required.

Chapter 2 – Scope

Timeframes and Implementation

Industry Feedback Received

Reassurance and clarification was sought regarding the implementation of the guidelines for having adequate time to prepare / launch and comply to.

MFSA Position

The MFSA confirms that a minimum transitional period of two years will be granted to Regulated Persons prior to the formal incorporation of these Guidelines into the Conduct of Business Rulebook as binding rules. Additionally, the MFSA will actively engage with market participants during this period to monitor adherence to the Guidelines and to offer assistance and guidance as required.

Chapter 3 – Roles, responsibilities, and internal controls

Board of Directors

Industry Feedback Received

Some market participants expressed their concern on assigning the oversight of the claims function to a member of the Board of Directors. It was also stated that the Board collectively is responsible to carry out effective oversight of the critical functions rather than carry out an executionary role by directly monitoring claims handling.

MFSA Position

The MFSA has taken note of the feedback received from the market and has accordingly amended the relevant provision to reflect the collective responsibility of the Board of Directors in relation to the claims function. The requirement to designate a specific director with individual responsibility for the claims function has been removed.

Quality Service Charter

Industry Feedback Received

Generally, all market participants welcomed the adoption of a Quality Service Charter wherein it promotes principles of transparency and service quality. However, it was pointed out that it may not be possible to put in documentation of well-defined processes with detailed timelines for all aspects of the claim and in defining “fast track claims” across all types of claims.

As regards timelines, the industry commented that they would only be able to commit to timelines where they have control. Moreover, it was highlighted that the timelines in the Quality Service Charter should apply only to the insured persons with whom the insurance entity has a contractual relationship and not to third party claimants whose rights shall be determined and regulated by law or other more specific timeframes contained in the guidelines and applicable to all insurance undertakings.

It was argued that the rights and obligations of both the Regulated Person and the clients should not be listed in the Charter in view that they are listed in the policy wording and will be too lengthy to include.

It was also suggested that the publication of the Quality Service Charter should be limited to a summary of the charter that highlights the key elements. The summarised version

should include the core service commitments and expectations, thereby ensuring that it remains comprehensible and accessible to policyholders, without overburdening Regulated Persons with extensive documentation requirements.

MFSA Position

In consideration of the comments raised, the Authority acknowledges the operational complexities involved in prescribing detailed timelines for every stage of the claims process. These challenges are amplified by the variability across different claim types, cross-border considerations, and other inherent complexities. Consequently, the Authority has removed the requirement for detailed, prescriptive timelines within the Quality Service Charter. The Charter now prioritises the promotion of timely and transparent communication, while granting Regulated Persons appropriate flexibility to manage claims effectively, within the limits of their operational control and jurisdiction-specific regulatory obligations.

With respect to the designation of “fast track claims,” the Authority recognises that a number of market participants maintain internal procedures to expedite certain claims. However, the Authority concurs that a single, uniform definition applicable to all claim types is impractical and acknowledges that such procedures may constitute commercially sensitive information. Accordingly, the fast-track process has been excluded from the Charter to avoid undue prescriptiveness and to better reflect the diverse nature of claims handled by insurance undertakings.

Furthermore, the Authority clarifies that the timelines and service standards set out in the Quality Service Charter are intended exclusively for insured persons who have a direct contractual relationship with the insurance entity. The rights and obligations of third-party claimants continue to be governed by relevant legislation and specific regulatory timeframes outlined in other applicable guidelines.

With regard the rights and obligations being in the Charter, the Authority took note of the comments raised and agreed to remove such guidance from the Quality Service Charter.

Lastly, the Authority has welcomed the suggestion to provide a summarised version of the internal Quality Service Charter, recommending its publication on the Regulated Person’s website and/or inclusion as part of the policy documentation made available to clients.

Human Resources

Industry Feedback Received

A market participant pointed out that 'ensuring' adequate staff levels is not something any company can commit to, due to labour scarcity and quality in terms of knowledge, and therefore it is beyond any company's control to offer assurance in this respect. It was highlighted that it is difficult to commit to guaranteeing adequate staffing at all times in view that claims tend to be seasonal in nature, which makes the staffing issue even more problematic.

Another market participant pointed out that 'appointed loss adjuster/surveyors' may also capture freelancers, and the latter will be challenging to enforce and monitor.

MFSA Position

The Authority acknowledges the challenges concerning the ability to guarantee adequate staffing levels at all times. However, the Authority reiterates that Regulated Persons remain ultimately responsible for ensuring that sufficient and suitably qualified resources are allocated to meet their regulatory obligations effectively. This responsibility includes implementing appropriate workforce planning, training, and resource management strategies to address seasonal fluctuations and other operational demands. Maintaining adequate staffing levels is essential to uphold the standards of timely and fair claims handling, as well as to safeguard the interests of policyholders.

The Authority would like to clarify that external professionals are not expected to be subject to a Regulated Person's internal training programmes. However, Regulated Persons are still required to take reasonable steps to ensure that such individuals possess the necessary expertise, qualifications, and competence to perform their duties effectively and in line with applicable regulatory and professional standards. This includes conducting appropriate due diligence at the time of engagement and ensuring that such individuals are appropriately qualified and experienced to carry out their role in a manner that supports sound claims handling and the fair treatment of policyholders.

Service Providers

Industry Feedback Received

It was pointed out that Regulated Persons can only guarantee direct payment to the repairer and not the quality of the service that the repairer provides to the claimant. This is because the claimant chooses the repairer and the commercial and legal relationship between the claimant and the repairer cannot be regulated by our SLA.

MFSA Position

The MFSA would like to clarify that the requirement to establish Service Level Agreements (SLAs) applies specifically to third-party service providers with whom the Regulated Person has a direct commercial relationship and to whom it delegates part of the claims handling process.

In this context, the Authority does not expect Regulated Persons to extend SLAs to service providers independently selected by the claimant, where no contractual or delegated arrangement exists. However, where the Regulated Persons engages a service provider, such as an approved parts delivery network or any entity acting on its behalf, it remains the Regulated Person's responsibility to ensure that appropriate service standards are in place, monitored, and enforced.

Chapter 4 – General Principles - Claims Processing

Notifications of Claims

Industry Feedback Received

Market participants expressed their concerns that timelines to initiate the process of a claim should not be set the same for all lines of business, without taking into account the nature, scale and complexity of claims under consideration.

Furthermore, it was suggested that the prescribed period of 3 days for acknowledgement and 7 days for reminders should not be mandated as it may not be always each to achieve for various reasons.

It was also argued that providing a contact person for ease of enquiry by the policyholder may not work in practice in view of various reasons. Market players noted that, in some cases, claims may be reassigned during the claims lifecycle due to factors such as internal authority limits, the complexity of the claim, team structure, and staff availability (including temporary absences due to leave or other reasons). Additionally, some companies referenced the application of the four-eyes principle and operational models which do not allow for a single point of contact throughout the entire claims process.

Furthermore, it was raised that the expectation that the request for additional information should be made promptly upon receipt of notification of the claim, appears to be inappropriate as an assessment of all documentation involves initiating the processing of the claim itself.

MFSA Position

The Authority acknowledges the concerns raised by market participants regarding the application of uniform timelines for initiating the claims process across all lines of business. The Authority recognises that the nature, scale, and complexity of claims differ significantly, and as such, a one-size-fits-all approach may not adequately reflect operational realities.

Accordingly, the Authority has maintained a high-level approach to timelines within the Guidelines, refraining from imposing prescriptive deadlines. This allows Regulated Persons the necessary flexibility to tailor their claims handling processes proportionately, while continuing to uphold the overarching principles of fairness, transparency, and timeliness in the management of claims.

With respect to the suggested timelines of three days for acknowledgement and seven days for reminders, the Authority has removed the prescribed periods and encourage Regulated Persons to make use of these timelines as indicative best practices.

With regard to the contact details aspect, while the Authority recognises these operational considerations, it reiterates that, where practicable, the provision of appropriate contact details to policyholders remains an expected standard. This is in line with the overarching principles of transparency, accessibility, and fair treatment of customers embedded in the Authority's Conduct of Business Rulebook. Importantly, the Authority does not expect companies to assign a fixed individual for the entirety of the claims process. However, firms are expected to ensure that policyholders are able to easily identify and reach out to the appropriate contact point at any given stage of the claim. Firms are encouraged to establish clear internal procedures to manage customer communications effectively, including when claim responsibilities are reassigned. Such procedures should support continuity of service and responsiveness, even in cases where multiple individuals are involved in the claims lifecycle.

The Authority expects Regulated Persons to request any additional information or documentation promptly and at the earliest reasonable stage in the claims process, where foreseeable. This approach is essential to facilitate an efficient and thorough assessment of claims while ensuring transparency and timely communication with claimants.

Status Updates

Industry Feedback Received

Market participants were concerned with the requirement to notify a policyholder on the status of their claim within 14 working days which was deemed to be too prescriptive and excessive. It was suggested that the relevant timeframes should be left up to the Regulated

Person and the document should only state that the Regulated Person is expected to provide the policyholder with regular status updates.

Furthermore, it was suggested that such updates in case of fraud or adverse information, may prejudice the Regulated Person's position under other pieces of legislation.

MFSA Position

The Authority acknowledges the concerns raised by market participants. In light of this feedback, the prescribed timeframe has been removed from the Guidelines. Instead, the Authority has adopted a more principles-based approach, whereby Regulated Persons are expected to provide policyholders with timely and regular updates on the status of their claims, in a manner that is proportionate to the nature and complexity of the claim.

This change is intended to allow Regulated Persons the necessary flexibility to determine appropriate communication intervals, while still ensuring transparency and effective engagement with policyholders throughout the claims process.

Furthermore, the Authority recognises that in specific circumstances, such as where there is a suspicion of fraud, misrepresentation, or other forms of misconduct, issuing status updates may not be appropriate and could potentially prejudice ongoing investigations or the Regulated Person's position under other applicable laws. The Guidelines do not require status updates to be provided in such cases, and the Authority expects Regulated Persons to exercise sound judgment and ensure that any actions taken remain consistent with their legal and regulatory obligations.

Market Values

Industry Feedback Received

It was pointed out that a motor policy is based on indemnity which is the basis of insurance contracts. However, it was argued that such principle conflicts with the guidance provided in respect of ensuring that no depreciation is applied in case of total loss / beyond economical repair when the customer appoints a surveyor to carry out an inspection in order to establish the current market value of the risk to be insured.

MFSA Position

The MFSA has taken note of the feedback received from the market regarding the principle of indemnity as the foundational basis of insurance contracts. The Authority recognises the concerns expressed about the potential conflict, and in response, the Authority has removed

the specific guidance in question to avoid any misalignment with the fundamental principle of indemnity and to provide greater clarity and flexibility in the assessment of claims.

Payment of Claims

Industry Feedback Received

Market participants expressed concerns regarding the originally proposed timeframe of 7 working days for effecting settlement payments following the policyholder's acceptance of a settlement offer and submission of the relevant discharge documentation. It was noted that, in practice, the end-to-end process of settling claims payments may take longer, depending on the complexity of the case, internal processing times, and operational factors. A number of respondents proposed that the timeframe be extended to 15 working days, which was considered to offer a more reasonable and achievable period without unduly compromising customer experience.

A market participant raised concerns regarding the settlement of claims where other components arising from the same incident remain outstanding. Specifically, it was argued that making partial payments in such circumstances could increase the risk of duplicate payments, and that insurers should retain the right to make a single, full and final payment upon receipt of a signed discharge form covering all elements of the claim.

MFSA Position

Following consideration of this feedback, the Authority has agreed to revise the proposed timeframe to 15 working days. This amendment seeks to strike an appropriate balance between operational feasibility and the timely settlement of claims, in line with the principles of fair customer outcomes and efficient claims handling. The Authority emphasises, however, that 15 working days represents a maximum timeframe. Where it is possible to effect payment sooner, Regulated Persons are encouraged to do so. In all cases, Regulated Persons should ensure that internal processes support prompt settlement once all relevant documentation and discharge forms are received.

While the Authority acknowledges the operational concerns raised, it does not agree with the view that claims settlement should be withheld until all components are finalised. The Authority reiterates that delaying payment for undisputed amounts may result in unfair outcomes for claimants, particularly where specific elements of the claim have been fully assessed and accepted. In line with the principles of treating customers fairly and ensuring timely claims settlement, the Authority expects Regulated Persons to proceed with settlement of any undisputed claim components as soon as these are validated, even where other elements remain under investigation or negotiation. Appropriate internal controls

should be in place to manage the risk of overpayment or duplication, without unduly delaying settlement.

Other Considerations

Industry Feedback Received

Market participants raised the point that the proposed Guidelines may interfere where there is an expectation that a claim should not be affected from a policy condition breach which is not related to the claim. It was argued that while in general, insurers should commit to not refusing claims unreasonably, the Guidelines should not conflict with established and extensive jurisprudence on the subject.

MFSA Position

The MFSA has taken note of the feedback received from the market and has accordingly, removed the section related to 'Rejection / Refusal of Claim' in its entirety.

Chapter 5 – Motor Claims Processing

Survey Reports / Claims Assessment

Industry Feedback Received

Market participants expressed concerns regarding the expectation to provide policyholders with access to copies of the claims assessment or survey report. It was argued that it may create conflicts when clients know the total amount of repairs vs the amount being offered as per guidelines and market value.

Furthermore, a market participant agreed with the principle of having all communications in writing, if this applies solely to final agreed offers, and not for every offer or rejection must be made in writing, as it will hinder the process and undermine the need for expediency.

MFSA Position

Following careful consideration, the Authority has reviewed and refined its position to ensure that the expectation remains proportionate and does not compromise legitimate operational or legal considerations. Specifically, Regulated Persons are expected to provide copies of relevant excerpts from the surveyor or assessor's report, strictly limited to information directly relating to the repair estimate or assessment of the insured risk. The

excerpts shall include recommendations made by the surveyor or in-house assessor, provided they are relevant to the policyholder's understanding of the claims outcome. Provision of such information must not prejudice any ongoing investigations, where the disclosure of such information may prejudice the insurer's legitimate interests or legal proceedings. The Authority reiterates that this measure aims to strike an appropriate balance between transparency and fairness towards the policyholder, and the protection of commercially or legally sensitive information. Firms are expected to apply sound judgment when determining the scope of information to be shared, and to establish internal protocols that ensure consistent application of this requirement.

The Authority does not agree with limiting the written communication requirement solely to final offers. In line with the principles of transparency, accountability, and the fair treatment of policyholders and claimants, the Authority considers it essential that all offers and rejections, whether provisional, revised, or final, are made in writing. This practice provides clear documentation of the claims negotiation process, protects both parties in the event of disputes, and ensures that customers are adequately informed of their rights and the basis for any decisions taken. Written communication also supports effective oversight, auditability, and regulatory supervision.

Third-Party Motor Claims

Industry Feedback Received

A market participant argued that the responsibility to follow up on a third-party claim lies primarily with the third party, and therefore Regulated Persons should only be expected to respond promptly when approached, rather than being required to proactively keep third parties informed of the progress or outcome of their claim.

MFSA Position

The Authority reiterates that the expectation for Regulated Persons to assess and respond to third-party claims in a prompt and transparent manner is consistent with the principles of fair treatment and good claims handling practice. This includes the obligation to ensure that third parties are informed in a timely manner regarding the progress and outcome of their claims, regardless of whether a follow-up is initiated by the claimant. Proactive communication helps ensure that third parties, who may not always be familiar with insurance processes, are treated fairly.

Car Hire

Industry Feedback Received

Market participants argued against having a provision stating that the hire cost of a replacement vehicle being based on the type of the claimant's damaged vehicle and confirmed that that current market practice often applies a standard daily hire rate regardless of vehicle type.

The market expressed its frustration and stated that it is unfair that the insurance industry has to alone bear the cost of the fact that many vehicle importers do not retain a reasonable stock of crash parts or do not have in place arrangements for a timely supply, with particular reference to grey imports from Japan

A market participant also argued against including in the guidelines a provision which states that Regulated Persons shall regularly review and update the standard cost scales for replacement vehicle hire.

MFSA Position

Whilst the Authority maintains that where a replacement vehicle is provided, it should be reasonably comparable in type and utility to the damaged vehicle to ensure policyholders and third parties are restored as closely as possible to their pre-accident position, it also appreciates the operational and cost implications highlighted and will therefore remove the said guidance.

In relation to the concerns raised about delays in vehicle repairs due to the limited availability of spare parts, particularly in the context of grey imports, the Authority has taken note of the industry's feedback. Following further consideration, it has been decided that grey imports will be excluded from the scope of this specific provision. The Authority recognises the unique challenges surrounding the sourcing of parts for such vehicles, and the exclusion is intended to address instances where delays are clearly outside the control of the insurer.

With respect to the expectation that Regulated Persons shall regularly review and update standard cost scales for replacement vehicle hire, the Authority reaffirms its position. This requirement is consistent with the principles of market fairness and cost accuracy, ensuring that compensation reflects current and reasonable market rates. The Authority believes that maintaining up-to-date cost benchmarks is necessary to prevent both under- and over-compensation, and to promote consistency and transparency in claims handling.

Conclusion and Next Steps

Having considered stakeholders' feedback, the Authority shall be proceeding with issuing the Guidelines for Claims Handling.

Coming into Force of the Guidelines and Transitory Periods

The Authority confirms that the Guidelines for Claims Handling will come into effect on 1 November 2025. In order to facilitate a smooth transition, the Authority intends to allow for a minimum transitional period of two years before these Guidelines are formally integrated into the Conduct of Business Rulebook.

This transitional period is intended to provide Regulated Persons with sufficient time to assess, plan, and implement any necessary changes to their internal systems, processes, and procedures to ensure full alignment with the requirements set out in the Guidelines.

In this context, Regulated Persons are strongly encouraged to commence work on the integration of these Guidelines without delay, to ensure that by the end of the transitional period they are fully prepared to comply with the applicable standards. Early adoption and proactive implementation will support operational readiness and contribute to the consistent application of sound claims handling practices across the market.

Any queries or requests for clarifications in respect of the above should be addressed by email to conduct.policy@mfsa.mt.