

22 April 2026

Conduct Supervision
Tel: (+356) 21441155Dear Chief Executive Officer
Dear Compliance Officer**Re: Outcomes-Based Supervision: Insurance Undertakings – Complaints Handling**

You are receiving this letter as a Chief Executive Officer and/or Compliance Officer of an Insurance Undertaking (referred to herein as “undertakings” or “licenced entities”) authorised and supervised by the Malta Financial Services Authority (referred to herein as the “MFSA” or the “Authority”).

1. Background

The Authority remains steadfast in its commitment to promoting a sound and effective regulatory framework in which licensed entities are expected to uphold high standards of compliance, conduct their operations with integrity, and act consistently in the best interests of their clients. Adherence to all applicable legal and regulatory requirements, as well as to supervisory expectations is essential not only to safeguard consumers, but also for maintaining trust, stability, and confidence within the financial services sector. By enforcing these standards, the Authority seeks to foster a fair, transparent, and resilient market environment that supports sustainable growth and safeguards the interests of all stakeholders.

In pursuit of this objective, the Authority utilises a comprehensive range of supervisory tools, including on-site inspections, regulatory engagements, thematic reviews, and ongoing monitoring activities. These tools enable the Authority to assess whether licensed entities are operating with the required levels of transparency, fairness, and professionalism across all aspects of their business activities.

A key element of this framework is the effective handling of clients’ complaints. Insurance undertakings are required to maintain complaints management processes that are clear, accessible, fair and responsive, thereby enabling clients to raise concerns in a structured and transparent manner. The provision of timely and well-reasoned responses to complaints is indicative of an undertaking’s commitment to fair customer outcomes and serves as an important mechanism for identifying potential systemic issues. Robust complaints handling arrangements contribute to enhanced accountability, improved consumer outcomes, and the overall integrity and stability of the financial services sector.

Section 6 within Chapter 4 of the Conduct of Business Rulebook (“COBR”) establishes a comprehensive regulatory framework governing complaints handling by insurance undertakings operating in and from Malta. This framework requires undertakings to implement and maintain a robust, transparent, and consumer centric complaints

management system. In particular, undertakings are required to adopt a formal complaints management policy that is designed, approved, and overseen by senior management. Senior management is responsible for ensuring the effective implementation of such policy and for ensuring ongoing compliance.

Furthermore, insurance undertakings are required to establish an independent complaints management function with the necessary authority and capability to conduct impartial investigations and to identify and appropriately manage potential conflicts of interest. The COBR also requires undertakings to maintain an adequate and up-to-date complaints register, to provide complaints related information to the MFSa upon request, and to publish clear and accessible information on complaints procedures across marketing and disclosure materials for consumers.

The COBR further prescribes specific timelines for the acknowledgement and resolution of complaints, supported by structured procedures designed to ensure that investigations and responses are conducted in a fair, objective, and thorough manner. In addition, undertakings are required to implement ongoing monitoring and follow-up processes to identify recurring or systemic issues and to take appropriate remedial action. Collectively, these requirements are intended to provide consumers with an effective and accessible mechanism for raising concerns prior to seeking external dispute resolution.

During 2025 the Conduct Supervision function within the MFSa carried out a Thematic Review (“the Exercise”) amongst a number of licensed entities to assess the adequacy and effectiveness of their complaints procedures and processes. The aim of this exercise was to obtain a comprehensive understanding of how undertakings manage complaints received from clients, including the adequacy of internal procedures, the effectiveness of escalation mechanisms, and the timeliness and quality of responses issued.

Particular attention was given to assessing whether undertakings provide clear, accessible, and accurate information to clients regarding the manner in which complaints may be submitted and processed. The Exercise also sought to evaluate whether the complaints handling framework in place ensures fair treatment of clients, facilitates effective resolution, and aligns with the regulatory requirements and supervisory expectations set out by the Authority. Through this review, the MFSa aimed to identify good practices, highlight potential weaknesses, and promote a consistent, transparent, and consumer-centric approach to complaints handling across the sector.

This letter sets out the MFSa’s key findings arising from the Exercise and outlines the Authority’s supervisory expectations for insurance undertakings in this area. It also provides guidance, observations, and examples of good practices which undertakings are expected to consider and, where appropriate, implement in order to enhance the effectiveness, transparency, and governance of their complaints handling arrangements.

2. Scope and Methodology

A thematic review constitutes an important supervisory instrument through which the Authority focuses its oversight towards specific areas of regulatory focus or concern across a broad spectrum of regulated entities. Rather than examining the practices of a single authorised person, this approach enables the Authority to identify, assess and analyse recurring issues, emerging risks, and common practices at a sector-wide level.

The effectiveness of a thematic review is further strengthened through the publication of its outcomes, thereby enhancing transparency and ensuring that Authority's key findings, insights, and supervisory expectations are clearly communicated to both the industry and the public. Such transparency contributes to strengthening trust and confidence in the regulatory framework and underscores the Authority's commitment to accountability.

Moreover, thematic reviews serve to promote continuous improvement both within regulated entities and in the supervisory process itself. By assessing prevailing industry practices and levels of compliance, such reviews assist stakeholders in identifying areas requiring enhancement, implementing corrective measures, and raising overall standards across the sector. Accordingly, thematic reviews serve as a catalyst for better governance, more effective risk management, and better outcomes for consumers and the financial system.

The scope of this thematic review as part of an Outcomes-Based Supervision initiative, was to assess the extent to which insurance undertakings are adhering to the complaints handling requirements set out in the COBR. These requirements apply equally to business conducted on a cross-border basis and to products distributed through intermediaries. In this regard, the Authority emphasises the importance of clearly distinguishing between complaints relating to the services provided by the distributors and those relating to the product and/or its manufacturer.

Through this exercise the Authority sought to obtain a comprehensive understanding of how effectively a sample of eight (8) insurance undertakings have implemented its governance arrangements, procedural safeguards, and operational standards required under the COBR, particularly in relation to the fair, timely, and transparent handling of client complaints. The eight chosen companies represent approximately 22% of the undertakings under the supervision of the MFSA that currently service retail clients and amount for over 34% of policies sold to retail customers during 2024. Furthermore, the sample represents more than 85% of all complaints recorded in 2024 by all undertakings.

In order to carry out this assessment, the Authority issued a comprehensive questionnaire to the selected insurance undertakings. Undertakings were also required to submit detailed supporting information relating to their internal complaints handling frameworks, including their policies and procedures, escalation and decision-making mechanisms, record-keeping practices, reporting structures, and compliance monitoring mechanisms in order to substantiate their responses and enable the Authority to assess the adequacy and effectiveness of the measures reported.

The Authority subsequently analysed the information received with a view to identifying good practices, detecting instances of non-compliance or control weaknesses, and

determining whether further supervisory engagement was warranted. The submissions provided by each undertaking were cross-checked against supporting documentation, as well as information publicly available on the undertakings' websites, in order to verify the accuracy and completeness of the responses.

The findings arising from this exercise enabled the Authority to assess whether insurance undertakings have established and maintained complaints handling frameworks that are robust, effectively governed, and aligned with applicable regulatory requirements and supervisory expectations.

As a result of this analysis, the Authority identified a range of key findings, including deficiencies in internal processes, as well as gaps in governance and implementation. The undertakings included within the scope of the review have been individually notified of the Authority's findings and are required to take appropriate remedial action. Undertakings not directly included in the sample are nevertheless expected to take due consideration of the outcomes of this letter and, where necessary, enhance their complaints handling arrangements accordingly.

Given that this thematic review forms part of a multi-year Outcomes-Based Supervision initiative, undertakings have been afforded a remediation period of one (1) year to address the issues identified. The Authority intends to conduct a follow-up assessment during the third year of the supervisory cycle (2027) in order to evaluate the extent to which the required improvements have been implemented and to assess progress relative to the initial findings.

The following parts of this letter are divided into three sections:

- **Key Findings** which set out market-wide findings together with MFSA's expectations,
- **Good Market Practices** which highlight examples of good practices identified during the exercise; and
- **General MFSA Expectations** which outline the Authority's overarching supervisory expectations following the completion of this exercise.

3. Key Findings

3.1 Acknowledgement of Complaints

Regulatory Requirements

In accordance with R.4.6.10(a) of the COBR, insurance undertakings are required to formally acknowledge every complaint received, and such acknowledgement must be issued without undue delay following receipt of the complaint.

Finding

Following a review of the complaints handling procedure manuals submitted by the insurance undertakings within the scope of this outcome-based supervision review,

including the templates used to acknowledge complaints, the Authority identified inconsistencies in the timeliness of issuing such acknowledgements.

In particular, a number of undertakings did not issue an acknowledgement within the stipulated timeframe as required by the COBR. While certain undertakings provided the complainant with an acknowledgement upon receipt, others applied longer timeframes, mostly between two (2) to ten (10) working days. In addition, in some instances, companies failed to provide the Authority with the relevant supporting documentation evidencing their acknowledgment processes.

MFSA Expectations

Undertakings are expected to update their policies to reflect the complaint-resolution timelines as set by Rule R.4.6.10(a) in the COBR. This requirement is intended to provide assurance to complainants that their concerns have been duly received and are being processed in line with the undertaking's complaints handling procedures. It further reinforces the importance of timely and effective communication, ensuring that undertakings demonstrate transparency, responsiveness, and adherence to established complaints handling standards. In this context, undertakings are also expected to update their procedures to eliminate any ambiguities, ensure consistency, and provide clear guidance to staff, thereby safeguarding transparency, accuracy, and fair treatment of clients throughout the complaint-handling process.

3.2 Publication of Complaints Process

Regulatory Requirements

In accordance with Rule R.4.6.9(b) of the COBR, regulated persons are required to publish clear details of their complaints handling process in a manner that is easily accessible to policyholders. This ensures that policyholders are able to understand how to submit a complaint, the steps involved in its handling, and the expected timelines, thereby promoting transparency, accountability and appropriate consumer protection.

Finding

The Authority observed that, in number of instances, insurance undertakings are not ensuring that their complaints handling procedures are clearly published and easily accessible, as required under the COBR. Overall, the review identified a lack of clarity, visibility, and consistency in the manner in which such information is made available to clients.

During the review, the Authority identified examples illustrating these shortcomings. In one instance, an undertaking's primary website did not provide an easily identifiable or accessible complaints procedure and lacked essential information on the submission of complaints, including the documentation required to support the submission of a complaint. In another case, an undertaking indicated that its complaints procedure was available online however, the Authority was unable to locate the relevant information, and no supporting evidence was provided when requested.

Furthermore, independent verification undertaken by the Authority revealed multiple instances where only a generic contact email address was made available, with no detail explanation of the complaints handling process. In another case, the undertaking's website contained only limited and insufficient information, offering no structured guidance on how complaints may be lodged or the steps involved in the process.

In such instances, and in line with guidance G.4.6.10 of the COBR, undertakings were also unable to demonstrate that alternative channels were effectively utilised to communicate their complaints handling procedures to clients.

MFSA Expectations

The Authority expects all undertakings to fully comply with requirements of Rule R.4.6.9(b) ensuring that their complaints-handling procedures are clearly published and easily accessible, especially on their public website and also made available within branches where applicable. In an increasingly digitalised environment, where customers rely heavily on online platforms for information, services, and support, it is essential that all relevant and helpful information is made available online to facilitate ease of access and promote transparency.

This information must be complete, current, and prominently displayed so that clients can readily understand how to submit a complaint and what to expect from the process. Insurance Undertakings are expected to maintain full transparency in this regard, and the absence of published procedures will be considered a failure to meet regulatory obligations

3.3 Referral to Office of the Arbiter for Financial Services

Regulatory Requirements

In accordance with Rule R.4.6.10(f) of the COBR, insurance undertakings are required to provide complainants with clear, accurate and comprehensive information on how they may escalate their complaint where they remain dissatisfied with the undertaking's response or proposed resolution.

Where a final decision issued in terms of paragraph (e) above does not fully satisfy the complainant's demand, the Regulated Person shall provide the complainant with a thorough and reasoned explanation of its position on the complaint, clearly outlining the basis for the decision reached. The complainant shall also be informed that, should they remain dissatisfied with the manner in which the complaint has been resolved, they have the right to refer the matter to the Office of the Arbiter for Financial Services, established under the *Arbiter for Financial Services Act (Cap. 555)*. Such final decision and related information shall be provided in writing.

This includes providing clear guidance on how to refer a complaint to the OAFS, ensuring that all relevant contact details are accurate and up to date, and clearly indicating the circumstances under which such escalation is appropriate. Undertakings must ensure that such information is communicated in a manner that supports informed decision-making and facilitates access to appropriate redress mechanisms.

Finding

The Authority has identified that a number of insurance undertakings do not clearly outline how clients are informed of their right to escalate complaints to the Office of the Arbiter for Financial Services (“OAFS”) where they consider that their complaint has not been satisfactorily resolved.

In some instances, references to the OAFS were found to be incomplete, unclear, or missing. The Authority has also observed cases where incorrect or outdated contact details for the OAFS were provided. These shortcomings may hinder complainants’ ability to pursue further redress.

This issue appears to be more prevalent among undertakings operating on a cross-border basis, where complaints handling procedures often lack sufficient detail to ensure that complainants are adequately informed of the available escalation channels in cases where complaints remain unresolved.

MFSA Expectations

Insurance undertakings are expected to make certain that customers are clearly and prominently informed of their rights to escalate complaints externally, if they are dissatisfied with the outcome of the undertaking’s investigation following a complaint. This includes informing customers about the OAFS, outlining the specific timeframes within which an escalation may be made, and indicating any documentation that may be required. All such information must be presented clearly and transparently, without being hidden in fine print or expressed in overly technical language.

Undertakings operating on a cross border basis, whether through the freedom to provide services, freedom of establishment, or via intermediaries, shall clearly distinguish between complaints relating to the distribution of the product and those relating to the product itself.

Where the product is distributed by entities regulated in another Member State, complaints concerning distribution activities, including advice, disclosure and conduct of business, should be raised with the relevant distributor and shall be subject to the complaints handling and dispute resolution framework applicable in that Member State. It is expected that insurance undertakings request and monitor relevant information regarding the complaints lodged on their distributors, and act accordingly where necessary.

Complaints relating to the product, where the product is manufactured by a Malta licensed undertaking, shall be directed to the Maltese undertaking, without prejudice to the complainant’s right to refer the matter to the Office of the Arbiter for Financial Services in accordance with applicable legislation.

This distinction shall be clearly reflected in the undertaking’s complaints handling procedures and, in the information, provided to complaints, including details of the applicable escalation and redress mechanisms.

3.4 Treatment of verbal complaints

Regulatory Requirements

In accordance with Rule R.4.6.10(b) of the COBR, insurance undertakings are required to ensure that complainants are able to submit complaints orally, and that such channels are available and supported by clear documented procedures.

Finding

The Authority identified some inconsistencies in the manner in which insurance undertakings facilitate the submission and recording of oral complaints.

In some cases, undertakings did not clearly outline procedures for the receipt and handling of verbal complaints, effectively limiting or excluding the ability complainants to submit complaints through verbal channels. In other cases, while verbal complaints were recorded, undertakings did not request complainants to confirm the summary in writing, thereby creating a risk of inaccuracies or disputes regarding the content of the complaint.

MFSA Expectations

Undertakings must establish and implement processes that ensure oral complaints are appropriately received, accurately recorded, and formally acknowledged. In addition, undertakings are required to request complainants to confirm, in writing, the summary of the verbal complaint in order to ensure accuracy and completeness of the record.

These requirements apply equally to undertakings operating on a cross-border basis, including those whose business models primarily rely on non-oral communication channels. Undertakings must ensure that the ability to submit verbal complaints is not restricted and that all such complaints are handled in full compliance with the requirements set out in the COBR.

While COBR provides a broad definition of a complaint, capturing any general expression of dissatisfaction, the Authority expects undertakings to establish clear and proportionate internal procedures that distinguish between matters requiring formal treatment and those that do not. Undertakings should therefore internally define which types of “expressions of dissatisfaction” qualify as formal complaints and hence need to be recorded in the Complaints Register and hence be subject to the undertaking’s complaints management process, and those which constitute simple enquiries or issues resolved immediately and therefore fall outside the scope of formal reporting. This ensures consistency, proportionality, and regulatory compliance in the complaints-handling process.

4. Good Market Practices Identified

The Authority acknowledges the implementation of a number of sound practices by certain insurance undertakings in relation to complaints handling frameworks. These undertakings have established formal, Board-approved compliance management policies, supported by

ongoing compliance monitoring arrangements. Responsibility for the oversight of such frameworks is clearly assigned to senior management or to designated complaints handling officers, thereby promoting accountability and effective governance.

In this context, the Authority expects that the Compliance Officer be granted unfettered access to records relating to client complaints. Such access is essential to enable the Compliance Officer to effectively monitor the operation of the complaints-handling process and to ensure that complaints are treated as a meaningful source of information within the undertaking's ongoing compliance monitoring activities. The Complaints Management Policy should therefore include a dedicated section outlining how the Compliance Officer intends to consider Complaints as a source of relevant information in the context of the said function's general monitoring responsibilities. For the avoidance of doubt, this does not require the compliance function to have a role in determining the outcome of Complaints. In addition to maintaining structured and comprehensive complaints registers, these undertakings actively utilise complaints data for internal analysis and oversight purposes. This includes the monitoring of trends, the identification of recurring issues, and the assessment of whether particular products, distribution channels, intermediaries, or operational processes give rise to a disproportionate volume of complaints. In several instances, undertakings have implemented internal key indicators to monitor complaint volumes, response times, and the severity or nature of issues, with defined thresholds triggering escalation procedures or management review.

Furthermore, the Authority observed that documented complaints handling procedures are, in a number of cases, sufficiently detailed and clearly set out the steps to be followed during the investigation process. These typically include the systematic collection of relevant information, verification of supporting documentation, engagement with relevant parties, and the performance of a comprehensive and objective assessment of the complaint.

Certain undertakings have also demonstrated good practice by embedding controls to ensure that complaints are investigated and resolved within established timelines, while maintaining ongoing communication with complainants. Such embedded controls also cover the provision of timely acknowledgements upon receipt of complaints, as well as periodic updates on the progress of investigations, thereby reinforcing transparency and managing client expectations.

Collectively, these practices demonstrate that such undertakings are not only handling complaints in an effective and structured manner but are also leveraging complaints data as a strategic tool to enhance internal processes, improve customer outcomes, and ensure continued alignment with regulatory requirements and supervisory expectations.

5. General MFSa expectations

The Authority acknowledges the efforts undertaken by insurance undertakings to enhance their complaints handling frameworks in recent years, including investments in improved channels for receiving and managing customer complaints. These initiatives are intended to

facilitate timely and effective responses, while promoting fairness and transparency throughout the complaints handling process.

Notwithstanding these developments, the review identified material inconsistencies in the manner in which insurance undertakings implement the requirements of the COBR, particularly those relating to the clarity, adequacy of reasoning, and communication of final decisions.

It is evident that while most undertakings have established appropriate mechanisms for the logging, tracking, and resolution of complaints, gaps persist in the quality of responses, the provision of information to complainants, and the internal follow-up of complaints. The Authority emphasises that robust and effective complaints handling procedures constitute a fundamental component of sound conduct and consumer protection frameworks.

In this context, the Authority sets out the following expectations:

Insurance undertakings are expected to ensure that their complaints handling processes are conducted in a manner that promotes transparency, fairness, and accountability. Undertakings must provide customers with clear, complete and balanced information throughout the process. Responses, particularly final decisions, should be tailored to the specific circumstances of each case and supported by clear and comprehensive reasoning. The use of generic or templated responses, especially in complex cases should be avoided. Undertakings are expected to demonstrate that all relevant aspects of the complaint have been duly considered. The Authority expects undertakings to move beyond a purely procedural approach and adopt a genuinely consumer-centric approach to complaint resolution in line with their general overarching obligation to act fairly, honestly, professionally and in the best interest of their customers.

Insurance undertakings must also ensure that complainants receive timely, accurate, and meaningful updates on the progress of their complaint. This includes the communications of clear timelines and expected response dates, proactive notification of any delays, and the provision of communications that are consistent, traceable, and easy to understand. Transparent and effective communication is essential in maintaining customer confidence and managing expectations.

While the use of digital channels for the submission and tracking of complaints is encouraged, undertakings must ensure that access to complaints handling mechanisms remains inclusive. Customers who are less familiar with, or unable to use, digital channels must continue to have access to alternative means of submitting complaints, including non-digital channels such as telephone communication. Undertakings must also ensure that appropriate support is available for vulnerable customers and that clear guidance is provided for submitting complaints through both digital and non-digital channels. No category of customer should be disadvantaged in seeking redress.

Insurance undertakings are expected to maintain comprehensive, accurate, and well-structured records of all complaints in accordance with regulatory requirements. Such records should support effective monitoring of complaint trends, the identification of recurring or systemic issues, and the timely performance of root cause analysis and

remediation. Undertakings must be able to demonstrate that complaints data is actively utilised to enhance internal processes and strengthen consumer protection. The Authority reiterates that such analysis should, where appropriate, be integrated within the undertakings' product oversight and governance frameworks to ensure that any new products would not lead to current causes of complaints.

Undeniably, internal follow-ups of complaints are a critical component of an effective complaints-handling framework. They ensure that once a complaint is logged, it is actively monitored, progressed, and brought to a proper conclusion rather than left unresolved. Regular follow-ups reinforce accountability, enable the timely identification of delays or procedural gaps, and ensure that issues are escalated appropriately when required. This ongoing oversight is essential to maintaining the integrity of the complaints-handling process and safeguarding fair client outcomes.

Furthermore, the Authority stresses the importance of the Compliance Officer providing the Board of Directors with regular updates on complaints received, particularly during quarterly Board meetings. This ensures that the Board maintains adequate oversight and can review trends, emerging risks, and the effectiveness of the firm's complaints-handling arrangements. The compliance report should therefore include comprehensive information on complaint volumes, categories, resolution timelines, and any systemic issues identified. Such reporting is crucial to enabling the Board to exercise its governance responsibilities and to ensure that fair client outcomes remain central to the firm's operations.

The Authority expects that all staff involved in complaints handling receive regular and up-to-date training on the requirements of the COBR, including the relevant provisions under Chapter 4, Section 6 of the COBR, as well as on internal procedures, escalation processes, and standards for drafting clear, accurate, and well-reasoned responses. Undertakings should ensure the consistent application of policies and standards across all business lines and customer interaction channels.

From a cross-border perspective, insurance undertakings are expected to ensure that cross-border clients face no hindrance in submitting a complaint, thereby maintaining a consistent standard of consumer protection across all jurisdictions in which they operate. In the context of distribution by intermediaries authorised in host member states, insurance undertakings authorised in Malta are expected to ensure that the intermediaries which distribute their products have in place appropriate complaint management processes to deal with client complaints relating to distribution, including the possibility of escalation to the local dispute resolution mechanisms.

As insurance products are increasingly offered across borders, clients residing out of the home Member State must receive the same level of accessibility and support as domestic clients.

Finally, the Authority expects insurance undertakings to conduct periodic reviews of their complaints handling frameworks to ensure continued alignment with regulatory

requirements, evolving best practices, and changing consumer needs. Undertakings should be able to demonstrate that such reviews are conducted on a regular basis, that procedures are updated where necessary, and that improvements are driven by insights derived from complaints data and customer feedback.

6. Way Forward

The Authority expects all insurance undertakings falling within the scope of the Conduct of Business Rulebook to adhere strictly to the requirements established therein. To support full compliance, undertakings are expected to conduct a comprehensive gap analysis to identify any divergences between their existing practices and the regulatory obligations set out in the COBR, thereby enabling the timely implementation of any necessary enhancements to meet the prescribed standards.

The Authority will continue to engage with undertakings as this three-year supervisory project progresses, through follow-up assessments, to ensure that the obligations outlined above are being met and that continued compliance with the COBR is maintained.

Should you require any clarification on the above, please do not hesitate to contact the Authority's Conduct Supervision Function on csuinsurance@mfsa.mt.

Kindly be guided accordingly.

Yours Sincerely,
Malta Financial Services Authority

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