

14 October 2026

Outcomes-Based Review Highlights Good Practices and Supervisory Expectations for Effective Risk Management

MFSA Identifies Areas for Improvement in Risk Management Functions Across the (Re)Insurance Sector.

As part of its 2025 Supervisory Priorities, the Malta Financial Services Authority (MFSA) has completed an Outcomes-Based Review assessing the implementation and effectiveness of the Risk Management Function (RMF) within the (Re)Insurance sector.

The review combined a self-assessment questionnaire with onsite supervisory inspections. The self-assessment results indicated a strong level of alignment with Solvency II requirements among participating undertakings, with governance and risk management frameworks in place, supported by Board oversight and established policies and procedures.

The onsite inspections identified a number of good practices, alongside areas where further improvements are needed to strengthen the effectiveness of the RMF and Risk Management System (RMS).

Review Identifies Good Practices and Areas for Improvement

The review identified good practices in areas including the integration of the Own Risk and Solvency Assessment (ORSA) into strategic decision-making, oversight of outsourced RMFs, the use of Risk Registers and Key Risk Indicators, and the integration of risk appetite into day-to-day operations. At the same time, the onsite inspections identified areas requiring further attention, including the formalisation of risk identification and assessment processes, operational risk incident management, the tailoring of Risk Management Policies, Risk Management Workplans, and business continuity and succession planning.

MFSA Sets Expectations for Effective Risk Management Functions

The MFSA expects undertakings to review their Risk Management Systems and RMFs against the findings and expectations set out in the [Dear CEO Letter](#), identify any gaps and take the necessary action to address areas for improvement, applying proportionality according to the nature, scale and complexity of their business and risk profile.

The Authority also expects the RMF to operate as an effective second line of defence, with sufficient authority, independence, access to information and resources to challenge business decisions and escalate concerns where necessary.

Commenting on the review, Ray Schembri, Head of Insurance and Pensions Supervision at the MFSA, said:

“An effective Risk Management Function is fundamental to sound governance and the resilience of insurance undertakings. The review identified a number of good practices across the sector, while also highlighting areas where further enhancement is needed. Undertakings should continue to strengthen their risk management arrangements and ensure that the Risk Management Function has the authority, independence and resources necessary to effectively fulfil its role as a second line of defence.”

The MFSA will continue to monitor developments against the expectations communicated through its ongoing supervisory activities and follow-up engagements.

About MFSA

The Malta Financial Services Authority (MFSA) is the single regulator of financial services in Malta, covering banks, insurance companies, investment services, trusts and pensions. In 2018, the MFSA became the first European regulator to develop a framework to regulate virtual financial assets. The MFSA's mission, as enshrined in its Strategic Statement, is to enhance its position as an independent, proactive and trustworthy supervisory authority with the main purpose of safeguarding the integrity of markets and maintaining stability within the financial sector, for the benefit and protection of consumers. The MFSA licenses over 2,000 entities to operate in the financial services sector.