

MFSA

MALTA FINANCIAL SERVICES AUTHORITY

Consultation Document

Amendments to Insurance Business (Assets and Liabilities) Regulations, 2007

[MFSA REF: 02/2014]

10th January 2014

Closing Date: 14th February 2014

Note: The documents circulated by the MFSA for the purpose of consultation are in draft form and consist of proposals. Accordingly these proposals are not binding and are subject to changes and revisions following representations received from Licence Holders and other involved parties. It is important that persons involved in the consultation bear these considerations in mind.

Note for Consultation

Insurance Business (Assets and Liabilities) Regulations, 2014

1. Purpose

The MFSA is proposing to amend the Insurance Business (Assets and Liabilities) Regulations (the “regulations”) 2007 to change the manner in which the equity yield for variable interest rate is calculated. Any comments and feedback are to be addressed to the Insurance and Pensions Supervision Unit by email on ipsu@mfsa.com.mt. Interested parties are kindly asked to submit any comments in writing by not later than **Friday 14th February 2013**.

2. Background

Subregulation (6) of regulation 68 of the regulations sets out the methodology used to determine the yield on equity shares in the valuation interest rate to be used when calculating the present value of future payments by or to the authorised company. The current methodology does not allow authorised companies any credit for investing in equity shares where the dividend yield can be zero. Therefore, when dividend yields are zero, the contribution to the valuation interest rate would be zero.

3. Proposed Regulations to amend the Insurance Business (Assets and Liabilities) Regulations, 2007

As a consequence of the above, it is being proposed to amend subregulation (6) of regulation 68 of the regulations to allow authorised companies to calculate the equity yield as the value of the dividend yield, if the dividend yield is more than the earnings yield. In the event that the dividend yield is less than the earnings yield, the equity yield shall be calculated as 50% of the sum of the dividend yield and the earnings yield.

**Communications Unit
Malta Financial Services MFSA
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