

## **Consultation Procedure**

### **Proposals for Legal Notices / Ministerial Regulations and for new laws and amendments to existing laws**

#### *Explanatory 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 not only from licence-holders and other involved parties, but also following the necessary review and vetting by the Office of the Attorney General and the relevant Minister to whom the MFSA is required by law to provide advice on financial services matters. It is important that persons involved in the consultation bear these considerations in mind.

In the case of primary legislation in particular, Bills may and do undergo revisions during the Parliamentary stages.

This consultation is also being exercised at the request and on behalf of the Ministry of Finance.

# **Note for Consultation**

## **(Insurance Rules)**

### **1. Purpose**

- 1.1 Pursuant to article 32 of the Insurance Business Act (Cap.403)(“the Act”), companies authorised to carry on business of insurance under the Act are required to submit business of insurance statements as set out in Insurance Rule 12 of 2007. The MFSA is proposing to add a new Part D which will be dedicated exclusively to long term business and will contain the abstract of the valuation report prepared by the appointed actuary. It is being proposed to divide Part D into two parts. Companies will be required to submit long term business of insurance statements in accordance with Part D Part 1 and the abstract of the actuarial report will be found in Part D Part 2. In this respect, we are attaching, the draft long term business of insurance statements, the abstract of the actuarial valuation report as well as the instructions to the statements in order to seek consultation prior to implementation. Comments are to be provided to the MFSA, in writing, by not later than **10<sup>th</sup> August 2007**.

### **2. Insurance Rule 12 of 2007 – Part D**

#### **2.1 Part D part 1 - Long-term Business of Insurance Statements (Forms 1-20)**

- 2.1.1 Companies authorised to carry on long term business of insurance will be required to complete Forms 1-20 found in Part 1 of Part D. The proposed forms, designed for the purpose of the continuing supervision of an authorised company, will contain information to help to:
- improve transparency;
  - strengthen the governance of insurance companies in ways that are consistent with the responsibilities of directors and senior management;
  - ensure actuarial expertise is available to advise life insurers on key aspects of their business; and
  - simplify the certification of the insurance returns.

A copy of the proposed statements can be viewed in Annex A to this note.

#### **2.2 Instructions to complete Forms 1 - 20 in Part D Part 1**

- 2.2.1 Instructions to each of the business statements have been formulated in order to assist in correct completion and submission of the statements, as well as to specify the requirements to meet the regulatory disclosure of the information required.

These instructions should therefore be considered as an integral part of the statements themselves.

A copy of the instructions is set out in Annex B to this note.

### **2.3 Part D Part 2 - The Abstract of the Valuation Report**

- 2.3.1 Companies which carry on long term business of insurance are required to submit a valuation report which is to be prepared by the appointed actuary, carrying out the actuarial investigation of such company, in accordance with article 23 of the Act. The valuation report to be submitted to the MFSA by every insurer which carries on long term insurance business must comply with, and contain, the information specified in the abstract. The form and content of the abstract satisfy the requirements and responsibilities given in the said article 23 and the requirement made pursuant to the Rule.

The abstract is given in Annex C to this note.

### **3. Proposed timing for implementation**

- 3.1 The MFSA expects to bring the proposals into effect during 2008 so that the regulatory reporting proposals are intended to apply to reporting years ending on or after 31 December 2007. Insurance companies, whose reporting year corresponds to a calendar year, will be required to fill in Part D of the business statements with data for reporting year 2007 and forward them to the MFSA by not later than 30<sup>th</sup> June 2008. Where the financial year end of a company does not coincide with the reporting year end, the business statements are to be submitted by not later than such date approved by the MFSA.

**July 9, 2007**