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MFSA Commends Insurance Market for the Effective Implementation of New Financial Reporting Standard

The Malta Financial Services Authority (MFSA) has identified several best practices while carrying out a thematic review among (Re)Insurers on the implementation of the new financial reporting standard IFRS 17, which transformed insurance accounting practices. This new standard for insurance contracts was adopted in January 2023, ensuring undertakings provide clear, consistent, and comparable financial statements.

IFRS 17 standardises how insurance companies report their profits, insurance liabilities, and risks, making financial statements more transparent and comparable across different countries and companies. This consistency is essential for investors and analysts who evaluate and benchmark the performance of insurance companies worldwide. It is also important for Directors, Chief Financial Officers, Financial Analysts, Insurance Advisors, and Audit Firms.

The MFSA found a number of measures implemented by (Re)Insurers which have played a key role in the transition to this new financial reporting standard. On-the-job training, the formation of working groups and committees, as well as the engagement of consultants proved to be common practice and instrumental across the market.

As part of thematic review, the MFSA has also highlighted challenges encountered during the implementation process, such as difficulties with data consistency and quality. Additionally, the appetite of (Re)Insurers' to enter into new business might have been dampened as a result of the influence which this new accounting standard has on underwriting decision-making.

MFSA's Head of Insurance and Pensions Supervision, Ray Schembri, stated: *"We were pleased to observe that the close collaboration between the Finance and Actuarial functions of the (Re)Insurance undertakings and the industry consultants and audit firms was instrumental in the successful implementation of IFRS 17, ensuring the smooth integration of new processes and systems. On the other hand, the MFSA expects undertakings to continue improving and refining the quality of their data to ensure accuracy, consistency and compliance."*

To provide recommendations to (Re)Insurance undertakings on further enhancing their processes and meet the new standard's requirements, the MFSA has issued a [Dear CEO Letter](#) addressing top officials within the companies affected. In this letter, the Authority highlights the findings of its thematic review and guides the market on the next steps.

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.

