PROTECTION AND COMPENSATION FUND
Management Committee

Report on the Activities of the

Protection and Compensation Fund

For the Year 2021

Management Committee Meeting
Date: 31 May 2022

Table of contents

I. Background 1
Dual Purpose of the Fund 1
II. The Management Committee 1
III. Activities 1
Collection of Contributions 1
Approval of Accounts 2
Funds allocated to meet expenditure 2
IV. Issues considered by the Management Committee 3
Investment strategy 3
Payment of claims 3
V. Motor Insurers' Bureau (MIB) 3
Claims handled by MIB 3
VI. List of contributors in relation to Part III of the Regulations (2021) 4
General Business 4
Long Term Business 4

I. Background

This report is being drawn up pursuant to regulation 11(1) of the Protection and Compensation Fund Regulations, 2003, L.N. 435 of 2003 ("the Regulations") which requires the Protection and Compensation Fund Management Committee ("Management Committee") to submit to the Malta Financial Services Authority ("the Authority" or "MFSA") a report of the activities of the Protection and Compensation Fund ("the Fund" or "the PCF") during the year 2021.

Dual Purpose of the Fund

The Fund has been established to provide:

(1) For the payment of any claims against an insurer, remaining unpaid by reason of the insolvency of such insurer. Such claim must be in respect of *protected risks* (general business) situated in Malta and in respect of *protected commitments* (long term business) where Malta is the country of commitment.

(2) To compensate victims of road traffic accidents in certain specified circumstances (*protected liability*).

II. The Management Committee

In terms of article 51 of the Insurance Business Act ("the Act") and regulation 5 of the Regulations, the Authority has established the Protection and Compensation Fund Management Committee.

The Management Committee, appointed for the period of three years, is composed of the following:

Chairman -

Dr Joseph Borg Bartolo

Members -

Dr Andrea Zerafa
Mr Benny Borg Bonello
Mr David G Curmi
Mr Joseph Naudi Montaldo
Dr Marisa Attard (appointed in July 2021)
Ms Miriam Muscat (appointed in July 2021)

Secretary -

Dr Jessica Friggieri

During 2021, the Management Committee held two meetings.

III. Activities

Collection of Contributions

Article 50 of the Act provides that the Fund shall consist of all contributions made to it under the Act and any regulations made thereunder. Contributions are made by insurance undertakings authorised under the Act carrying on risks situated in Malta or commitments where Malta is the country of commitment, and by a

number of European insurance undertakings carrying out business of insurance in Malta under the freedom of establishment. A list of contributors is found in Part VI of this report.

For the purposes of Part III of the Regulations, under regulation 7 of the Regulations, every insurer carrying on general business or long term business in Malta, is to pay a pre-funded contribution of 0.125 per centum of gross premium income accounted for by the insurers for the year ending last before the beginning of that calendar year in respect of general business or long term business (in the latter case effected after 30 June 1986) to the Fund. These are to be utilised for the payment of claims which, by reason of the insolvency of an insurer, remain unpaid. Such funds shall be available to make payments of such claims made in respect of protected risks and protected commitments.

Since regulation 8 of the Regulations also requires every insurer to furnish the Fund with a statement of gross premium income, two forms devised by the Management Committee, one in respect of general business and the other in respect of long-term business were sent to all insurers required to contribute to the Fund.

Contributions were made by insurers carrying on general business amounting to €3,223,904 (2020: € 2,955,600) and insurers carrying on long term business amounting to € 4,671,097 (2020: €4,278,409). Therefore, the contributions for calendar year 2021 amounted to an aggregate amount of €11,855,685 (2020: €10,532,055).

For the purposes of Part IV of the Regulations, regulation 7 also lays down that every insurer carrying on business of motor insurance in Malta is required to pay a post-funded additional contribution whenever the need arises to be utilised for the payment of compensation relating to protected liabilities. In terms of regulation 6 of the Regulations, the Management Committee has delegated the function to compensate victims of road traffic accidents to the Motor Insurers' Bureau. Therefore, this additional contribution is collected by the Motor Insurers' Bureau on behalf of the Management Committee.

Approval of Accounts

The Annual Report and Financial Statements of the Fund for the year ended 31 December 2021 have been drawn up in accordance with regulation 14 of the Regulations. These were tabled at a Management Committee meeting of 31 May 2022 and approved by all the members present. As established by regulation 14(2), a copy of the profit and loss account, balance sheet and auditor's report were submitted to the MFSA.

Funds allocated to meet expenditure

As per regulation 7(6) of the Regulations, a sum not exceeding 5 per centum of the total amount of contributions payable to the Fund was kept at the disposal of the Management Committee to meet ordinary expenses incurred by the administration of the Fund. The

Committee determined that part of the interest generated from investments during the year could be allocated for this purpose and therefore regulation 7(6) would not be invoked.

IV. Issues considered by the Management Committee

Investment strategy

The Fund's sub-committee coordinated with Lombard Bank Malta plc, the Fund's Investment Manager, on matters relating to the Fund's investment services requirements.

The Investment Management Agreement with Lombard was renewed in October 2020.

Payment of claims

In so far as Part III of the Regulations is concerned, no claims were paid by the Fund in or for the year 2021.

V. Motor Insurers' Bureau (MIB)

In so far as Part IV of the Regulations is concerned, the following is a general overview of the issues discussed and handled by the MIB in 2021.

Claims handled by MIB

Number of outstanding claims submitted to MIB before 1 January 2021:

a) 70 pending claims (plus another 25 in respect of Government vehicles claims);
b) €1,010,500 (plus another €10,000 in respect of Government vehicles claims).

Number of new claims submitted to MIB during 2021 (01-01-2021 - 31-12-2021) in respect of:

a) uninsured vehicles: 34 (plus an additional 13 claims in respect of Government vehicles).
b) hit & run cases: 10

Amount paid during 2021 in connection with the new claims submitted during 2021 (item 1 above):

a) uninsured vehicles: €5,560 (€230 payments in respect of Government vehicles claims).
b) hit & run cases: €1,620

Total amount outstanding in connection with the new claims submitted during 2021 (item 1 above):

a) uninsured vehicles: €69,000 (plus another €10,500 in respect of Government vehicles claims).
b) hit & run cases: €11,200

Total amount paid in 2021 in connection with claims submitted before 2021:

a) uninsured vehicles: €250,500 (plus another €2,600 in respect of Government vehicles claims).
b) hit & run cases: €180,700

As at December 2021 the Bureau had 91 pending claims with a claim reserve of € 585,000 (inclusive of Government Vehicle claims)

VI. List of contributors in relation to Part III of the Regulations (2021)

General Business

- AIG Europe S.A
- Argus Insurance Company (Europe) Ltd
- Atlas Insurance PCC Limited
- AXA PPP Healthcare Ltd c/o Atlas Healthcare Insurance Agency Ltd
- BUPA Insurance Ltd c/o GlobalCapital Health Insurance Agency Ltd
- Citadel Insurance plc
- Cowen Insurance Company Limited
- Elmo Insurance Ltd
- GasanMamo Insurance Limited
- International Diving Assurance Limited
- LifeStar Health Limited
- Lloyd's Insurance Company SA/NV c/o Lloyd's Malta Limited
- Mapfre Middlesea Insurance plc
- Nissan International Insurance Limited
- Societa Italiana Assicurazioni e Riassicurazioni Spa (SIAT)
- Traveljigsaw Insurance Limited
- Vodafone Insurance Limited

Long Term Business

- Citadel Insurance plc
- LifeStar Insurance plc
- HSBC Life Assurance (Malta) Limited
- Mapfre Middlesea Insurance plc
- Mapfre MSV Life p.l.c
- Zurich Assurance Ltd

Dr Joe Borg Bartolo
Chairman – Protection and Compensation Fund
Attachment: Audited Financial Statements of the Protection and Compensation Fund as at 31 December 2021