PROTECTION AND COMPENSATION FUND
Management Committee

Report on the Activities of the
Protection and Compensation Fund
For the Year 2023

Management Committee Meeting
Date: 29 May 2024

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 require 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 2023.

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. Other meeting were held with the MFSA:

Chairman -

Dr Joseph Borg Bartolo

Members -

Dr Andrea Zerafa
Mr Benny Borg Bonello
Mr Etienne Sciberras (appointed on 5th January 2023)
Mr Joseph Naudi Montaldo
Dr Marisa Attard
Ms Miriam Muscat

Secretary -

Dr Jessica Friggieri

During 2023, the Management Committee held three 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 made, up to 31 December 2023, by insurers carrying on general business amounted to € 3,849,748 (2022: € 3,532,307) and by insurers carrying on long term business - amounted to € 5,446,724 (2022: €5,075,434). Therefore, the contributions up to 31 December 2023 amounted to an aggregate amount of € 9,296,472 (2022: € 8,607,741).

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 2023 have been drawn up in accordance with regulation 14 of the Regulations. These were tabled at a Management Committee meeting of 29 May 2024 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 committee coordinated with Lombard Bank Malta plc, the Fund's Investment Manager, on matters relating to the Fund's investment services requirements.

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 2023.

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 2023.

Claims handled by MIB

Number of outstanding claims submitted to MIB before 1 January 2023:

a) 27 pending claims (plus another 3 in respect of Government vehicles claims);
b) € 172,000 (plus another € 7,800 in respect of Government vehicles claims).

Number of new claims submitted to MIB during 2023 (01-01-2023 - 31-12-2023) in respect of:

a) 32 uninsured vehicles: (plus an additional 11 claims in respect of Government vehicles).
b) 16 hit & run cases:

Amount paid during 2023 in connection with the new claims submitted during 2023:

a) uninsured vehicles: € 800 (plus another € 30 payments in respect of Government vehicles claims).
b) hit & run cases: €340

Total amount outstanding in connection with the new claims submitted during 2023 (item 1 above):

a) uninsured vehicles: € 239,000.00 (plus another € 10,000 in respect of Government vehicles claims).
b) hit & run cases: €215,000

Total amount paid in 2023 in connection with claims submitted before 2023:

a) uninsured vehicles: € -48,700.00 (plus another € -580.00 in respect of Government vehicles claims).
b) hit & run cases: €-58,200.00*

*The amount of €16,400.00 was paid in 2023 in connection with claims submitted before 2023 for uninsured vehicle and €65,100.00 were recoveries, hence the negative €48,700.00.

Furthermore, the amount of €360.00 was paid in 2023 in connection with claims submitted before 2023 for government vehicles and €940.00 were recoveries, hence the negative €580.00.

As at December 2023 the Bureau had 132 pending claims with a claim reserve of approximately € 1,046,000 (inclusive of Government Vehicle claims)

VI. List of contributors in relation to Part III of the Regulations (2023)

General Business

- AIG Europe S.A
- Argus Insurance Company (Europe) Limited
- Atlas Insurance PCC Limited
- Citadel Insurance P.L.C
- Cowen Insurance Company Limited
- Elmo Insurance Limited
- Fortegra Europe Insurance Company P.L.C
- GasanMamo Insurance Limited
- IDA Insurance Limited
- Lloyd's Insurance Company SA/NV c/o
- Lloyd's Malta Limited
- Mapfre Middlesea P.L.C
- Nissan International Insurance Limited
- SIAT – Societa Italiana Assicurazioni e Riassicurazioni
- Societa Cattolica di Assicurazioni - Societa Cooperativa
- Traveljigsaw Insurance Limited
- Vodafone Insurance Limited
- QIC Europe Limited

Long Term Business

- Citadel Insurance P.L.C
- LifeStar Insurance P.L.C
- HSBC Life Assurance (Malta) Limited
- IVALIFE Insurance Limited
- Mapfre MSV LIFE P.L.C
- Mapfre Middlesea P.L.C
- Zurich Assurance Ltd

29.05.2024

Dr Joe Borg Bartolo
Chairman – Protection and Compensation Fund
Attachment: Audited Financial Statements of the Protection and Compensation Fund as at 31 December 2023