

PROTECTION AND COMPENSATION FUND
Management Committee

**Report on the Activities of the
Protection and Compensation Fund
for the Year 2013**

Management Committee Meeting
Date: 23 May 2014

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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 2013.

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 in 2013 for a period of three years, is composed of the following:

Chairman - Dr Joseph Borg Bartolo

Members - Dr Michelle Whitehead
Mr David G Curmi
Mr Benny Borg Bonello
Mr John P Bonett
Mr Joseph Naudi

Montaldo
Mr Joseph Felice Pace

Secretary - Mr Geoffrey Bezzina

During 2013, the Management Committee held one meeting.

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 companies 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 our 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 €165,895 (2012: €159,581) and insurers carrying on long term business amounting to €167,479 (2012: €217,623). Therefore, the contributions for calendar year 2013 amounted to an aggregate amount of €333,374 (2012: €377,302).

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 2013 have been drawn up in accordance with regulation 14 of the Regulations. These were tabled at a Management Committee meeting of 23 May 2014 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

European Commission – Dossier on Insurance Guarantee Schemes

Despite a wide consultation process held by the European Commission on a future legislative proposal for an EU-wide statute on insurance guarantee schemes in 2010, it appears that the Commission will not proceed with the publication of its proposal at least for the time being.

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.

In 2013, the Fund's cash was invested in Malta Government Stock, Treasury Bills and/or placed in term deposit accounts.

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 2013.

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 2013.

Claims handled by MIB

- 1) Number of new claims submitted to MIB during 2013 (01-01-2013 - 31-12-2013) in respect of:
 - a) uninsured vehicles : 33 (plus an additional 17 claims in respect of Government vehicles).
 - b) hit & run cases : 3 claims.

These claims are made up as follows:

- i. One claim against the Protection and Compensation Fund in respect of a Maltese victim of an alleged road accident caused by an unidentified vehicle (hit and run);
- ii. One claim against the Motor Insurers' Bureau, in its role as Compensation Body, made by the Italian Compensation Body in respect of an Italian national allegedly injured by an unidentified vehicle (hit and run).
- iii. One claim against the Motor Insurers' Bureau, in its role as Compensation Body, made by the Maltese solicitor of an Israeli national allegedly injured by an unidentified vehicle (hit and run).

- 2) Amount paid during 2013 in connection with the new claims

submitted during 2013 (item 1 above):

- a) uninsured vehicles : €3374 (plus another €3,422 in respect of Government vehicles claims).
- b) hit & run cases : NIL.

- 3) Total amount outstanding in connection with the new claims submitted during 2013 (item 1 above):

- a) uninsured vehicles : €114,391 (plus another €23,971 in respect of Government vehicles claims).
- b) hit & run cases : €52,000.

- 4) Total amount paid in 2013 in connection with claims submitted before 2013:

- a) uninsured vehicles : €40,463 (plus another €7,576 in respect of Government vehicles claims).
- b) hit & run cases : NIL.

Please note that the number of uninsured claims advised above relate solely to uninsured Maltese / unidentified vehicles involved in road accidents in Malta.

As at December 2013, the Bureau had 181 pending claims with a claims reserve of €2,265,408 (inclusive of Government vehicle claims).

VI. List of contributors in relation to Part III of the Regulations (2013)

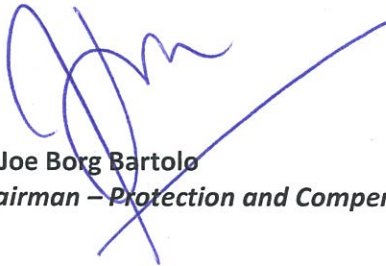
General Business

- AIG Europe Ltd
- Allcare Insurance Limited
- 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 , Gzira
- Citadel Insurance plc
- Elmo Insurance Ltd
- GasanMamo Insurance Limited
- International Diving Assurance
Limited
- Lloyd's Malta Limited c/o Lloyd's
Malta Ltd
- Middlesea Insurance plc
- Multi Risk Indemnity Company Ltd
- QIC International LLC
- Schwarzmeer und Ostsee
Versicherungs-Aktiengesellschaft
(SOVAG)

Long Term Business

- Citadel Insurance plc
- GlobalCapital Life Insurance
Limited
- HSBC Life Assurance (Malta)
Limited
- Middlesea Insurance plc
- 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 2013*