



**Risk powers performance**

The Maltese Insurance industry  
regulatory environment

Risk Advisory  
Deloitte Malta, 2017



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# What is the current situation for the Insurance industry in Malta?

The Insurance sector in Malta continues to evolve facing ever-increasing competition and regulatory requirements, amidst economic uncertainty.

## Challenges faced by the insurance industry

Malta's unemployment rate is at historically low levels and the growing insurance sector is finding it harder than ever to attract and retain suitable talent.

This issue is exacerbated by the introduction of Solvency II which is stretching human and other resources within organisations. 2017 and 2018 also look challenging in terms of new regulatory requirements. It is key for insurers to prepare effectively for upcoming regulatory changes.

The Insurance Distribution Directive is expected to be transposed into Maltese law in February 2018. It will require changes in sales and distribution processes, especially for the life and on-life sectors with regulatory effects likely to impact heavily on brokers and agents. May 2018 will see the introduction of an EU Regulation related to Data Protection (the GDPR). This regulation increases consumer privacy rights significantly and will have a number of important implications for the insurance industry.

In addition, insurers will be expected to maintain functions such as risk management and internal audit which are critical for ongoing compliance.



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## Leaders in providing professional services to the insurance industry worldwide

The insurance industry is facing change on an extraordinary scale. Armed with local insurance expertise, Deloitte can help you improve profitability while balancing the demands of regulatory change and shifting customer expectations. Our multidisciplinary approach brings together specialists in actuarial, risk management, strategy, operations, law, technology, tax and audit. Deloitte can help you to anticipate change and capitalize on emerging opportunities.

# Risk advisory for the local Insurance sector

Ours is a collaborative approach. We work with you on finding suitable solutions which meet your current needs whilst helping you prepare for future challenges.



## Internal audit

Apart from being a regulatory requirement under Solvency II, Internal Audit (IA) is an objective assurance and consulting activity designed to add value and improve an organisation's operations. It can help an organisation accomplish its strategic objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control, and governance processes.

Our IA services help boards and senior executives better manage enterprise risks. Through our experience, we can help insurers enhance the effectiveness, quality, and value received from IA. Deloitte's broad understanding of risks and areas of operational improvement—particularly the nuances of the insurance market in Malta—can help IA functions improve their performance and operate efficiently and bring value to their organisations.

## Risk Management

With our expertise, we can help your company keep on top of emerging changes in regulation and developments in risk management practices across the local and international markets. Our risk professionals can help:

- Design or review your:
  - Risk management framework
  - Risk appetite statement
  - Risk policies
  - Risk limits
- Create value by optimising capital allocation and proposing appropriate risk response strategies
- Assess and improve the risk culture within your organisation
- Act as, or provide support to, your risk function
- Provide tailored risk training programmes

## Internal Audit

We help transform internal audit functions by teaming with, or serving as, the internal audit function to make improvements in internal control and process efficiency and contribute to effective regulatory compliance. We provide input to established internal audit functions on their strategy and purpose, resourcing models and technology.

## Turn risk into a performance lever

Traditionally, risk management has been limited to value protection. But from our perspective, risk management also has the potential to power performance. Looking at risk through the lens of value creation presents business leaders with a previously untapped opportunity to seize competitive advantage without compromising value protection. Risk as a value creator is activated like other performance levers: It's embedded within strategic decisions, technology investments, product development, and global considerations.

### Extended Enterprise Risk Management

We evaluate and manage third-party risk related to outsourcing, licensing, alliances, and other business partnerships across the organization to maximize business performance, streamline information technology and licensing costs, and optimize supply chains.

### Operational Risk & Transformation

We help clients transform the ways in which they leverage people, technology, data, business processes and controls to address their operational risks and drive business performance.

### Regulatory Risk

Organizations must meet the demands of the complex regulatory landscape but be flexible enough that the regulatory program keeps pace with a rapidly changing environment—all with an industry-focus.

## Operational Risk

### Extended Enterprise Risk Management

Today's businesses face the increasing challenge of managing complex operations across multiple entities as they integrate business partners, suppliers, and even competitors into an extended enterprise. The need for an effective risk reduction and Business Continuity Management (BCM) program has never been so evident.

The reliability and continuity of these operations are critical to business survival, and to building competitive advantage. One company's business interruption brings a tremendous impact on the entire network of related entities.

At Deloitte, we take advantage of the efficient and effective Deloitte BCM Methodology divided into four phases to ensure the plan is developed around the specific needs of the organisation.

### Operational Risk & Transformation

Process reviews will be focused on the key business processes within insurance companies. Our work around business processes may include:

- Re-engineering of business processes: A number of processes within insurance companies are very labour intensive. A process review could provide an opportunity to identify duplicative controls, inefficient ways of working and identify options for improvement.
- Enhancing your governance framework: Defined processes, together with supporting policies and procedures

provide a suitable platform for effective risk management, robust managerial oversight and IA capability. They can also be the catalyst to achieving compliance with an internal control framework (e.g. COSO or ISO 31000).

## Regulatory Risk

### Assistance with current and upcoming regulations

#### Insurance Distribution Directive (IDD)

The upcoming IDD introduces enhanced rules for the protection of consumers, in line with consumer protection rules recently adopted in other financial sectors. This will require careful examination of the way in which you conduct the sales process so that you remain compliant and are well placed to grasp new business opportunities.

Our work in the area can start from a GAP analysis and continue with a business impact analysis, to full implementation support, depending on the specific needs of the company.

#### General Data Protection Regulation (GDPR)

In May 2018, the GDPR, which imposes extensive new obligations on data 'controllers' and data 'processors', will be implemented. Insurance business is data intensive and, for many organisations, the changes required to simply achieve compliance will involve a culture shift. A GDPR project is likely to involve stakeholder communications, readiness assessments and an implementation programme that will touch most parts of your organisation's extended enterprise.

With our expert resources in risk, law, cyber security and project management, we are ready to assist you at all stages of your project. We believe that advanced data management can be a key differentiator in your markets.

## Solvency II

Pillar I is not the only aspect of Solvency II that organisations need to consider. Pillar II of Solvency II sets out the governance, internal risk and capital management standards that undertakings are to follow. Specifically, insurers are expected to undertake an "Own Risk and Solvency Assessment" (ORSA) report to establish and assess the undertaking's own risk profile, tolerance limits and business strategy over both the long and short term.

The use of an internal model is not expected if the standard model is being used under Pillar I, but the ORSA will still be a quantitative and qualitative exercise. Pillar II contains many elements that may necessitate structural, reporting and organisational changes in the undertaking.

As part of its Solvency II offering, Deloitte already supports a number of undertakings in developing and delivering risk analysis and compliance programmes. This experience, coupled with our GAP analysis toolkits, helps our clients rapidly understand the important risk and compliance issues throughout their undertaking and consequently develop the appropriate solutions.

# Deloitte's global service offerings



Whether you are a life or non-life insurance company, a PCC, a reinsurer or broker, Deloitte offers a breadth of services designed to meet all your needs.

## Tax

Our [tax practice](#) can help your organisation understand national and international tax structures and align the tax function with your business objectives. Services include:

- **Global Business Tax Services**
- **Indirect Tax**
- **Global Employer Services**
- **Deloitte Legal**
- **Business Process Solutions (BPS)**

## Audit & Assurance

Our team is highly trained and fully committed to provide [audit and assurance services](#) to the highest standards. Our audit services go beyond merely meeting statutory requirements—we make an impact on our clients by helping them perform better; we listen to their needs, think about the business implications, and tailor our approach in a bold and innovative manner.

## Risk Advisory

Today's business climate is characterized by disruption and volatility. At Deloitte, we help businesses gain a new view of risk—seeing risk management as a vital performance level revealing untapped opportunities to create competitive advantage. Our [Risk Advisory](#) offering includes:

- **Strategic & Reputation Risk**
  - Corporate Governance
  - Strategic Risk
  - Brand & Reputation Risk
  - Crisis Management
  - Sustainability
- **Regulatory Risk**
  - Regulatory Strategy
  - Regulatory Compliance
  - Regulatory Response

• **Financial Risk**

- Market & Credit Risk
- Capital Management, Liquidity & Treasury Risk
- Accounting & Financial Reporting Risk

• **Operational Risk**

- Internal Audit
- Assurance
- Conduct Risk
- Extended Enterprise Risk Management
- Operational Risk & Transformation
- Technology & Data Risk

• **Cyber Risk**

- Cyber Strategy
- Cyber Security
- Cyber Vigilance
- Cyber Resilience

**Consulting**

As the world's largest management consulting business, Deloitte is distinct in its ability to help clients solve their most complex problems, from strategy to implementation. We are differentiated by our capability to execute the advice we provide to help clients in the markets where they operate today and where they want to be in the future. Delivering this kind of value requires the skills to integrate a broad range of talent and skills aligned to the unique needs of our clients' industry sectors, businesses, and organizations. [Consulting services](#) include:

• **Technology**

- Analytics & Information Management
- Application Managed Services
- Deloitte Digital
- SAP
- Oracle
- Systems Integration
- Technology Strategy & Architecture
- CIO & Executive Program

• **Strategy & Operations**

- Strategy
- Business Model Transformation
- Service Operations
- Supply Chain
- Mergers & Acquisitions
- Finance

• **Human Capital**

- Organization Transformation & Talent
- HR Transformation
- Actuarial, Rewards & Analytics
- Bersin by Deloitte

**Financial Advisory**

Our practitioners deliver highly specialised advisory solutions to member firm clients facing critical business events and financial transactions where significant value is at stake. With a network of trusted resources working across the globe, our Financial Advisory network has the reach, deep industry sector knowledge, extensive service capabilities and expertise to help clients capitalise on opportunities and navigate times of economic uncertainty and disruptive events. Deloitte's [Financial Advisory service lines](#) include:

- **Corporate Finance Advisory**
- **Mergers & Acquisition**
- **Transaction Services**
- **Valuation and Modeling**
- **Deloitte Forensic**
- **Restructuring Services**



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For further information please contact:

**Ian Coppini**

Risk Advisory Leader

[icoppini@deloitte.com.mt](mailto:icoppini@deloitte.com.mt)

+356 2343 2000

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