

YOUR GUIDE TO
Financial Services in Malta
2026

Captives



FinanceMalta



What is a Captive?

A captive is an 'in-house' insurance or reinsurance company, formed primarily to insure its owner and affiliated companies. It is a strategic enabler that gives companies control over their program design, allows them to fill coverage gaps and gives them access to the risk transfer market, allowing them to access alternative capacity while retaining control of their data.



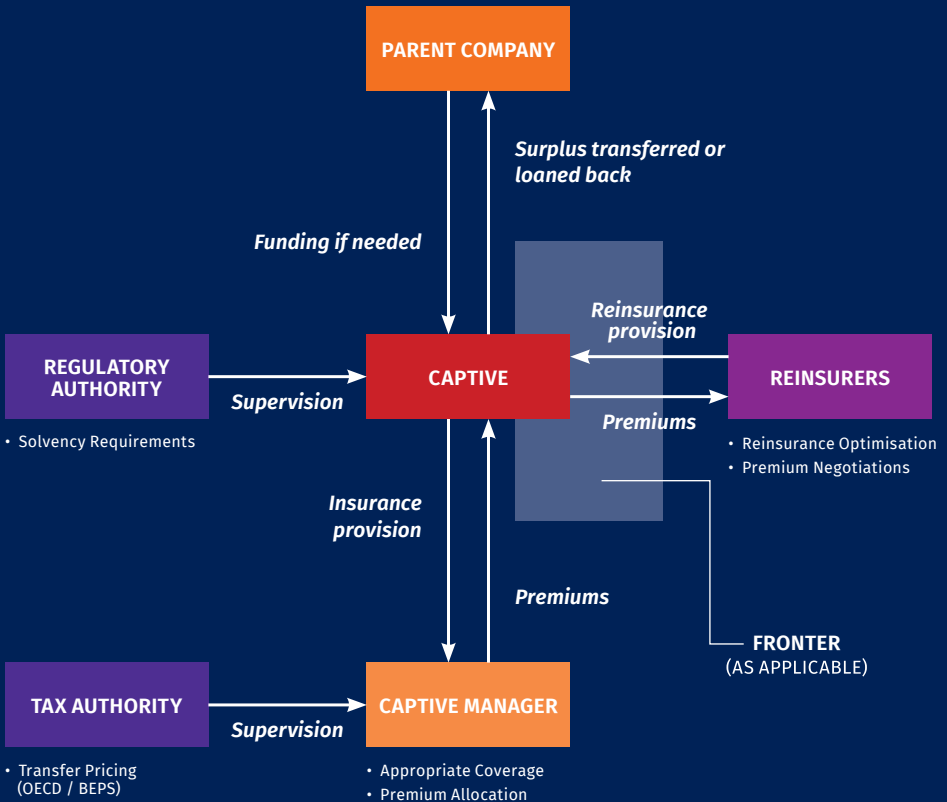
	3RD PARTY UTILISATIONS	ACCESS TO ALTERNATIVE CAPACITY	IMPROVEMENT IN COST OF RISK TRANSFER	RETAINED RISK FINANCE
BUSINESS PURPOSE	<ul style="list-style-type: none"> • Governance around retained risks; • Enhancing risk management efforts; • Better use of capital to retain risk than transfer; • Harmonisation of risks across global portfolios. 	<ul style="list-style-type: none"> • Reducing cost of risk transfer; • Reinsurance market cost of risk transfer is less than retail equivalent; • Managing TCOR; • Earning ceding commission. 	<ul style="list-style-type: none"> • Transferring risk to alternative forms of capacity, which may not be otherwise accessible in commercial retail market. 	<ul style="list-style-type: none"> • Accessing profitability embedded in insurances sold to affiliates / consumers / partners; • Creating 'stickiness' for core product offerings; • Further penetration into consumer / partner / affiliate wallets.
EXAMPLES	<ul style="list-style-type: none"> • Deductible buy-down; • Participation in excess programs; • Fronted global programs; • Multinational benefit pooling. 	<ul style="list-style-type: none"> • Reinsurance pass through; • Excess replacements; • Integrated risk programs; • Multinational benefit pooling. 	<ul style="list-style-type: none"> • Credit risk transfer; • ART solutions; • CAT bonds; • Integrated aggregates; • Parametric triggers; • Terrorism pools. 	<ul style="list-style-type: none"> • Consumer facing insurance programs; • Forced placed insurances; • Affiliate business; • Agency captives.
	<p>CAPITAL EFFICIENCY:</p> <ul style="list-style-type: none"> • Bringing together correlated and non-correlated risks to benefit from severity risk diversification effect; • Harmonising and aggregating global and individual risk programs to maximise risk transfer leverage and diversify market concentration risk portfolios. 			





How Captives Work

Support the execution of the organisation's risk strategy





Why Malta as your Captive Domicile

Primary advantages of Malta to Captive owners are the following:

- EU Single Passport, thus avoiding fronting costs
- EU Member State positioned as an efficient and competitive European onshore base
- Regulator (MFSA) has risk-based approach and adopts principle of proportionality.
- PCC Legislation that allows the captive to be set up as a Cell
- Over 80 Double Tax treaties creating an efficient fiscal system
- The ability to fully outsource the captive management to regulated captive managers thus ensuring the necessary expertise to manage the captive.
- Strong banking, legal and financial services sector
- English as a business language



Legal Framework

As a member of the European Union, captives have the ability to write directly cross border into all other EU countries, under the freedom of services regime, thereby removing the need for a fronting partner. Captives are governed by the Insurance Business Act (Cap 403 of the Laws of Malta) plus various subsidiary legislation and rules, including Protected Cell Company (PCC) legislation specific to (re)insurance undertakings.

Captives can therefore be set up either as a separate legal entity or as a Cell within a PCC, thereby reducing further the running costs of the captive. Immaterial of the captive structure, in line with the Insurance Business Act, a Maltese captive can write both non-life business on a direct basis and life business on a reinsurance inwards basis, using the same vehicle. This creates significant efficiencies for groups that wish to place both group P&C risks and their employee benefits risks into their captive.

Outsourcing

Solvency II review has introduced a new category of insurance undertakings, which are Small and Non-Complex Undertakings ("SNCU"). Under the Solvency II review, captives may be classified as SNCUs even if they do not meet all standard criteria, provided that certain criteria are met. Once classified as an SNCU, such a captive should, in principle, benefit automatically from proportionality measures. These cover key areas such as reporting, disclosure and governance.

While captives fall squarely under the Solvency II Regime from a capital point of view, operationally, proportionality is fully applied and the Supervisory Authority may allow the full outsourcing of the key functions to a licensed captive insurance manager. All major captive insurance managers are present on the Island, thereby ensuring the high level of expertise needed to manage a captive and its insurance programs.

Application Process

The Supervisory Authority, the Malta Financial Services Authority, is considered to be an ‘approachable’ regulator.

Accordingly the licence application is streamlined, with applicants required to submit a comprehensive “Scheme of Operations” covering the scope and background of the business plan, financial and capital projections and resources, business, underwriting, investment & risk management strategies, such as loans to parent and details of reinsurance and retrocession structures, particulars of outsourcing and internal controls.

The Supervisory Authority will allow this application to be fully handled by the outsourced captive manager, however, they would expect the Captive Owner to be actively involved in the process and a pre application meeting with the regulator is normally encouraged.

The law prescribes a maximum 6 month legal timeline for the granting of the licence from receipt of a complete application. However, track records show that, given the intensity of exchange of information, the authorisation process is managed within a much shorter period of time.

Regulatory Reporting

The Supervisory Authority requires the submission of quarterly management accounts plus the solvency calculation in the prescribed format, however, exemptions from submission of quarterly returns normally apply to captives. The annual audited accounts and solvency calculation, in addition to the annual Solvency and Financial Condition Report and Annual Quantitative Returns, also require submission.

In terms of accounting standards, while Captives have the flexibility to apply IFRSs, Malta recently introduced a new simplified Accounting Standard for Captives and certain other insurance entities - Accountancy Profession (General Accounting Principles in respect of certain Eligible Entities) Regulations, 2023 (Legal Notice 299 of 2023) (“GAPEE”). This has simplified the reporting requirements for captives, while still ensuring a robust reporting framework.

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