



From Review to Readiness:

MFSA's Solvency II 2020 Implementation Journey

Luciano Micallef
Deputy Head – Insurance and Pensions Supervision
Malta Financial Services Authority (MFSA)



Overview of the Insurance Sector in Malta

- The insurance sector has expanded significantly since Malta joined the EU in 2004.
- Malta has seen the insurance sector grow from 5 insurance undertakings to 70 over the past 20 years, now employing over 1,400 people and writing gross premiums amounting to Eur10 billion.
- Malta, considered to be an international financial services centre across all financial sectors. It is also the home of insurance undertakings which in their majority are conducting business on a cross-border basis.
- The MFSA established adequate and effective processes and procedures geared towards cross-border supervision, building and constantly maintaining strong collaboration with other regulators both within the EU and non-EU to maintain effective supervision.
- **Around 30% of all undertakings are expected to fall within the SNCU category**, whilst a significant number of undertakings (approx. 40%-50%) are expected to apply to benefit from proportionality measures.

SII REVIEW MFSA ROADMAP

Q1 2027

- Entry into force
- Application processing

Q4 2026

- Publish Feedback Statement
- Legislation
- Issue Circulars

Q3 2026

- Internal finalisation of processes review
- Finalisation of public consultation

Q1 2026

- Commenced active engagement with insurance market and stakeholders

Q2 2026

- Workshops with the Industry
- Public consultation

Q4 2025

- MFSA Preparatory work

MFSA preparatory work

Analysis

- Scrutiny of Directive’s provisions to identify critical issues deemed material for the Maltese insurance market.
- Numerous internal discussions on implementation strategy
- Assessment of how SII 2020 review will impact current MFSA supervisory processes, methodology and tools

EU Transposition workshops

- Physical participation to 2 Transposition Workshops organised by the EU Commission
- Queries were raised on the most salient issues and clarifications were received

Research and discussions

- Research on SII implementation
- Exchanges with other regulators to ensure supervisory convergence

Training

- MFSA participated in the EIOPA training on Solvency II 2020 Review
- Legal team provided internal training

Participation in EIOPA Expert Network Working Groups

- Involvement in the drafting of ITs and RTs

Creation of new tools to allow for efficient and timely implementation of SII 2020 Review

- Second transposition workshop
- Insurance conference
- Public consultation on principles
- Questionnaire



Engagement with insurance market and stakeholders

The **MFSA Insurance Conference 2026** held on **26th February 2026** brought together the regulators and industry leaders for a focused discussion on the next phase of regulatory transformation in the insurance sector - the implementation of the **Solvency II Review Package** and the **Insurance Recovery and Resolution Directive**.



- Second transposition workshop
- Insurance conference
- Public consultation on principles
- Questionnaire



Engagement with insurance market and stakeholders

Proportionality Framework Engagement Questionnaire

1. Name of the undertaking

2. Does the undertaking intend to

- notify the MFSA that it intends to be categorised as a small and non-complex undertaking (SNCU)
- apply to the MFSA to be eligible for proportionality measures
- not apply for any of the above

3. Where the undertaking intends to notify the MFSA that it intends to be categorised as a small and non-complex undertaking or apply for proportionality measures, such undertaking

- notify/apply to the MFSA in quarter 1 of 2027
- notify/apply to the MFSA in quarter 2 of 2027
- notify/apply to the MFSA in quarter 3 of 2027
- notify/apply to the MFSA in quarter 4 of 2027
- notify/apply to the MFSA in 2028
- has not decided yet

4. Where an undertaking does not qualify as a small and non-complex undertaking and wishes to apply for proportionality measures, which measures shall it apply for:

- to submit the regular supervisory report every three years in line with Article 35(5a) of the Solvency II Directive
- to make use of a combination of key functions in line with Article 41 of the Solvency II Directive
- to update its written policies every five (5) years in line with Article 41 of the Solvency II Directive
- a waiver from the consideration and analysis of the macro-prudential concerns in the Own Risk and Solvency Assessment referred to in Article 45(1)(e) of the Solvency II Directive, as provided for under Article 45(1b) of the Solvency II Directive
- to submit the Own Risk and Solvency Assessment every two years in line with Article 45(5) of the Solvency II Directive
- to make use of of a prudent deterministic valuation of the best estimate for long term business with options and guarantees that are not deemed material, as referred to in Article 77(8) of the Solvency II Directive
- to make use of the exemption from the obligation to draw up and submit a liquidity risk management plan as referred to in Article 144a(4) of the Solvency II Directive

5. What are the questions, concerns, issues or clarifications the undertaking would like to tackle during the workshops which will be lead by the MFSA?

Done



Engagement with insurance market and stakeholders

Annex with Open Questions

- Stakeholders were not expected to provide replies to the questions.
- The questions are intended to stimulate and provoke internal discussion with key function holders, senior management and the Board of Directors

Q: Is the undertaking anticipating any challenges to conduct the quantitative and qualitative assessments to classify the authorised insurance undertaking or authorised reinsurance undertaking as an SNCU as specified in Article 29a of the Amending Directive?

What operational or data challenges do you anticipate in meeting the SNCU criteria?

Q: How is the undertaking preparing towards any changes in relation to the revised governance requirements? What changes will be required in your governance structure to meet the new independence and diversity expectations?

Q: How is the undertaking implementing the necessary changes to the ORSA process and report to integrate the changes brought about by the Amending Directive? Are the systems capable of incorporating macro financial indicators and macro prudential risks into the ORSA?



Q2 2026

- Workshops with the Industry
- Public consultation on Law

Engagement with insurance market and stakeholders

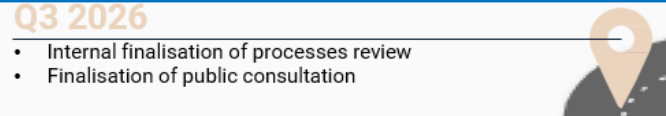
Workshops with Industry

- MFSA held 4 SII workshops in June 2026 with 3 different cohorts of insurance undertakings.
- Held at MFSA premises.
- Topics were decided by undertakings based on feedback provided questionnaire
- Sessions provided practical implications on revised reporting obligations, Q&A segments, and a review of strategic and operational implications.



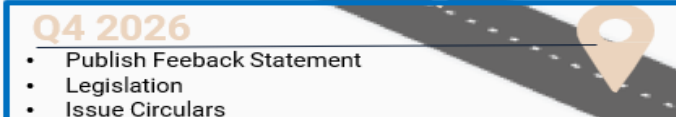
Next steps in Q3 and Q4

- Internal finalisation of processes review
- Finalisation of public consultation and publish Feedback Statement
- Work towards the Transposition of Legislation
- Issue Circulars



Q3 2026

- Internal finalisation of processes review
- Finalisation of public consultation

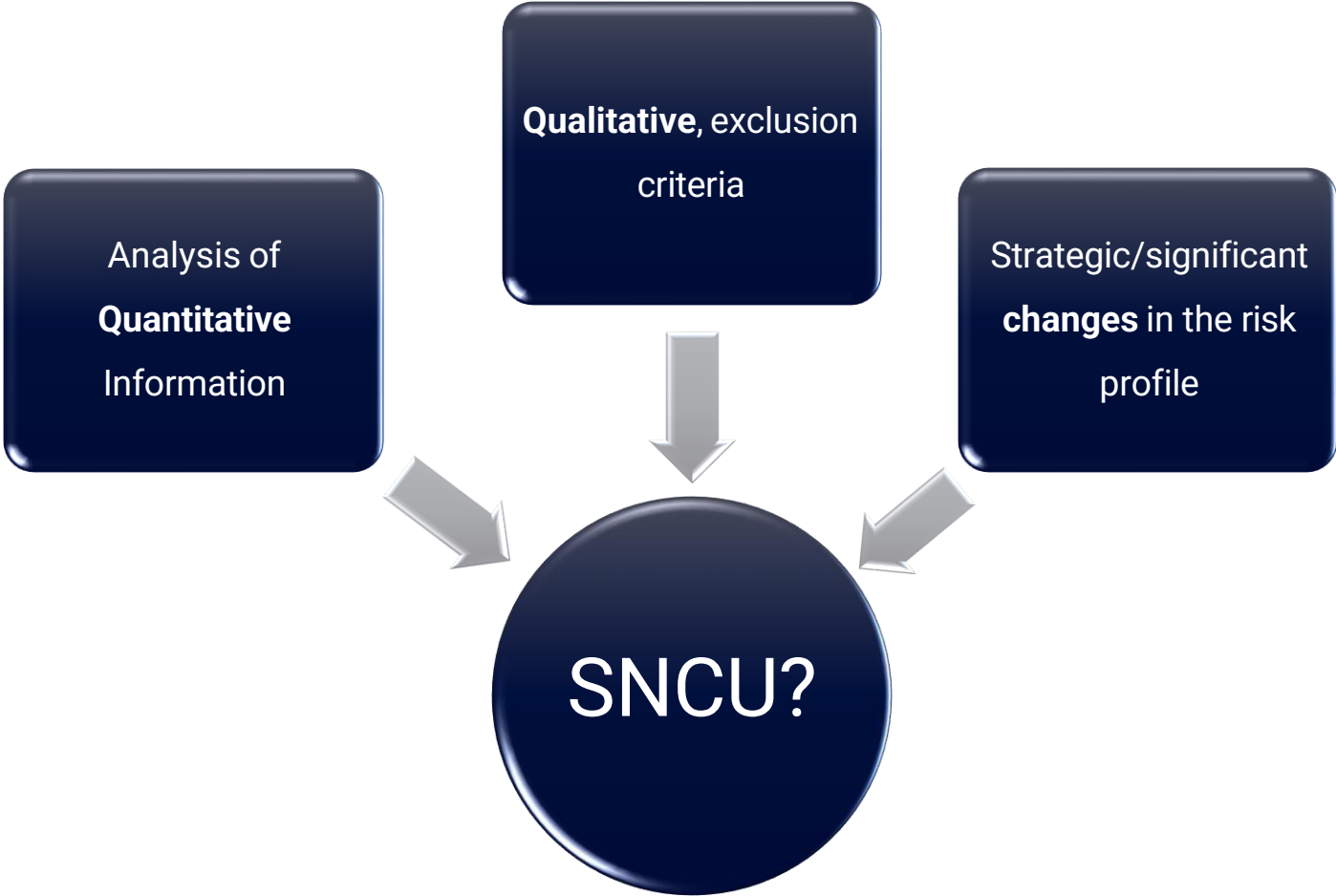


Q4 2026

- Publish Feedback Statement
- Legislation
- Issue Circulars

SNCU – How do you become one?

STEP 1
Self-Assessment of Eligibility



What changes if you qualify as SNCU?

STEP 2

As an SNCU, an undertaking can benefit from **all proportionality measures**



SNCU - How to apply?

STEP 3

SNCU – how to apply?

Once the self-assessment is done and it is confirmed that the Undertaking satisfies the eligibility criteria of an SNCU, the undertaking **must formally notify the MFSA** of its intention to be classified as an SNCU by **submitting the notification form**.

As an SNCU the Undertaking can benefit from **all proportionality measures, although it would still be required to identify the measures it chooses to apply and the how**.

Timeline: The MFSA has **two months** from the date of notification to oppose the classification. (If application is submitted between January and July 2027, the MFSA has four months).

Complete Notification: For the MFSA to be able to process the notification within the stipulated timeframe it is key that the notification is complete, along with supporting documentation.

Grounds for Opposition: The authority may block the status if the undertaking does not meet the legal criteria or if its risk profile is deemed too complex despite meeting the size thresholds.

Does the undertaking meet the SNCU criteria?

Self-Assessment

- Form AA126 has been drafted to assist LH in determining whether they fit within the SNCU criteria.
- If eligible, this form shall also be the form to be used by LH to apply for the SNCU status.

Note: the undertakings need to satisfy the SNCU criteria for the past **two consecutive financial years**, in accordance with the Technical specification for the calculation of criteria for Small and Non-Complex Undertakings (SNCUs) and Groups (SNCGs).

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AA126: Notification Form for the classification as Small and Non-Complex Undertakings

- This form structures Articles 29a, 29b and 29c of the SII Review Directive (Directive (EU) 2025/2).
- It is split into 6 sections.
- **Section 1** requests for identification of the Undertaking.
- In **Section 2**, the LH needs to fill only the applicable category, whether the UT in question is Life material, Non-Life material or material for both Life and Non-Life.
- If none are satisfied according to the criteria, the undertaking needs to refer to previous (for run-off entities)/current Authorisation classes

Section 2 - Quantitative Information and Criteria	
2.1	Business Classification
Select the applicable category of the Applicant/Authorised Person	
2.1.1	<input type="checkbox"/> Life / Mixed Undertakings (Note: Complete all details under Sub-Section 2.2 if this option is selected)
	<input type="checkbox"/> Non-Life/Mixed Undertakings (Note: Complete all details under Sub-Section 2.3 if this option is selected)
	<input type="checkbox"/> Mixed (both life and non-life) (Note: Complete all details under Sub-Section 2.4 if this option is selected)

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AA126: Notification Form for the classification as Small and Non-Complex Undertakings

- **Section 3** details the criteria which immediately excludes a LH from SNCU status.

Section 3 - Qualitative and Exclusion Criteria		
3.1	Qualitative and Exclusion Criteria	
3.1.1	Does the Applicant/Authorised Person use an approved partial or full internal model to calculate the Solvency Capital Requirement? If 'Yes', classification as SNCU is precluded under Article 29a(3)(a)	Select item
3.1.2	Is the Applicant/Authorised Person a parent undertaking of a financial conglomerate (within the meaning of Directive 2002/87/EC) or a group subject to group supervision under Article 213 of Solvency II Directive? If 'Yes', classification is precluded under Article 29a(3)(b)	Select item
3.1.3	Is the Applicant/Authorised Person a parent of an Undertaking referred to in Article 228(1), points (a) to (e)? ¹ If 'Yes', classification is precluded under Article 29a(3)(c)	Select item
3.1.4	Does the Applicant/Authorised Person manage group pension funds within the meaning of Article 2(3)(b)(iii)/(iv), where the assets exceed €1,000,000,000? If 'Yes', classification is precluded under Article 29a(3)(d)	Select item

- **Section 4** asks for the proportionality measures that the LH intends to apply. A brief explanation as to how the selected measures will apply to the business.

Section 4 - Proportionality measures to be implemented

4.1	Proportionality Measures		
	Under Article 29c, once classified as SNCU, the Applicant/Authorised Person may use all proportionality measures. Indicate which of the following measures the Applicant/Authorised Person intends to apply for and provide a brief explanation of how each of the selected measures will apply to the business.		
	Proportionality Measure/s	Intended to apply?	Explanation
4.1.1	Simplified calculation of technical provisions (e.g. best-estimate simplification, simplified method for technical provisions under Article 77(8))	<input type="checkbox"/>	Enter text
	Reduced frequency/content of ORSA	<input type="checkbox"/>	Enter text
	Reduced reporting requirements (SFCR, RSR, QRTs)	<input type="checkbox"/>	Enter text
	Simplified governance/key function arrangements (where permitted)	<input type="checkbox"/>	Enter text
	Liquidity risk management simplifications	<input type="checkbox"/>	Enter text
	Other proportionality measure(s) (specify)	<input type="checkbox"/>	Enter text

How cross-border affects SNCU Eligibility?

Likely to qualify as SNCU:

- Very limited cross-border exposure
- Simple product lines
- Strong governance and compliance culture
- No material conduct or operational risks



Unlikely to qualify as SNCU:

- Significant FOS business across multiple countries
- High reliance on intermediaries
- Delegation of uw/claims authority
- Complex products in host markets
- Rapid growth in foreign jurisdictions



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Group SNCG

A group can:

- Qualify as SNCG even if **some entities are not SNCUs**
- Fail SNCG even if **all subsidiaries are small individually**

Because:

The **overall group profile** drives the assessment.

What happens after becoming an SNCU?

- The undertaking remains classified as SNCU unless the non-compliance with the criteria persist for **two consecutive years** or if the undertaking falls under the category of undertakings that cannot be an SNCU - Exclusion Article 29a(3).
- If an SNCU no longer meets the criteria, **it must notify the MFSA without delay.**
- The MFSA, in line with Article 29c of the Amending Directive, may request SNCU to refrain using certain proportionality measures in case of **serious concerns in relation to the risk profile**, in cases of
 - (i) (risk of) non-compliance with SCR,
 - (ii) ineffective governance system,
 - (iii) material changes in the risk profile that could lead to non-compliance with SNCU criteria.

How to submit the notification for SNCU?

- Undertakings are required to submit either of the forms to the MFSA through the **LH Digital Portal**.
- **Early submissions** are welcomed as from January 2027.
- The evidence of compliance with the criteria may be based on the latest two sets of audited financial statements.
- Once reviewed a **decision will be communicated** to the LH.

Captive Insurance and reinsurance undertakings

Current situation vs upcoming changes

Captive undertakings already benefit from a range of proportionality measures under the current regulatory framework, including:

- the possibility of being fully managed; and
- the adoption of a more streamlined board composition.

With the upcoming changes, more proportionality measures can be applied.

- Captives are benefitting from simplified criteria but still need to apply the MFSa to be classified as SNCU
- Captive not qualifying as SNCUs may still apply to make use of proportionality measures.
- Captives that do not automatically qualify as SNCUs are still subject to a notification, but once an Undertaking meets the definition of captive the process is simpler, although it may still exceptionally not meet the SNCU thresholds, in which case it will need to apply for proportionality measures.

THANK YOU