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ta' Malta**

An analysis of the opportunities and challenges for
Maltese-licensed PCCs

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A dissertation submitted in partial fulfilment of the requirements
of the Master of Science in Insurance and Risk Management at the
University of Malta

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Abstract

This study set to find the opportunities and challenges faced by Maltese-licenced PCCs, thereby providing professionals and academics with one source of information capturing the local market. The academic literature places significant emphasis on the necessity of PCCs, yet it neglects to delve into the practical opportunities and challenges that they encounter. The interrelation thereto also remains unexplored. Notably, it is also yet to acknowledge the smaller niche PCC structures which include insurance managers and brokers, thus leaving another gap within this specific area of research.

To achieve the research objective, the author employed a qualitative methodology. Preliminary desk research was proactively undertaken to establish the aforementioned gap in the academic literature and understand the need thereto. Various M&As, SFCRs, and financial statements were consulted to gather the data necessary for the population demographics, which were then used to lay the context for the thematic analysis. The thematic analysis encapsulated primary data from 11 interviews and secondary data from the grey literature systematic review.

It has been noted that while the existing body of literature provides a comprehensive overview of PCCs, it has not fully captured the unique dynamics of the local PCC market. This peculiarity exists because, with the exception of Malta, this structure's original introduction and expansion took place in offshore countries. The potential and problems faced by Maltese-licenced PCCs are very different from those faced by PCCs in offshore countries, because Malta is a key component of the single market and works under EU regulation and supervision. The author later learned that the opportunities and difficulties faced by PCCs licenced in Malta are mostly caused by elements including their creditworthiness, the regulator's appetite to present new market opportunities, and the country's reputation.

The research found that despite the recent stagnancy emanating from increased regulatory burdens and reputational damage, the PCC structure will remain a success story for the local insurance industry. They have attracted significant foreign investment, reduced barriers to entry for small, niche, and cross-border insurance players, and were also instrumental in attracting quality talent to the local industry. The regulation, economic and technological advancements underway further imply that the local market has not reached the peak of its success and is set to continue growing.

Keywords: Protected Cell Companies (PCCs), Insurance Regulation -- Malta -- EU, Insurance Industry, Risk (Insurance)

To my loved ones

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Firstly, I would like to convey my sincerest appreciation towards my thesis supervisor,

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List of Abbreviations

Abbreviation	Full Term
AIC	Affiliated Insurance Company
AML	Anti-Money Laundering
ART	Alternative Risk Transfer
BOD	Board of Directors
BO	Beneficial Owner
CSRD	Corporate Sustainability Reporting Directive
D&O	Directors and Officers
DORA	Digital Operational Resilience Act (Regulation)
ECIROA	European Captive Insurance and Reinsurance Owner's Association
EEA	European Economic Area
EIOPA	European Insurance and Occupational Pensions Authority
ESG	Environmental, Social and Governance
EU	European Union
FCA	Financial Conduct Authority
FREC	Faculty Research Ethics Committee
GDP	Gross Domestic Product

IAIS	International Association of Insurance Supervisors
IAM	Insurance Association Malta
IBA	Insurance Business Act
ICC	Incorporated Cell Company
IDA	Insurance Distribution Act
IDD	Insurance Distribution Directive
ILS	Insurance-Linked Securities
IMF	International Monetary Fund
LN	Legal Notice
M&As	Memorandum and Articles of Association
MAIB	Malta Association of Insurance Brokers
MBR	Malta Business Registry
MCR	Minimum Capital Requirement
MFSA	Malta Financial Services Authority
MGA	Managing General Agent
MIMA	Malta Insurance Management Association
NAIC	National Association of Insurance Commissioners
nSCR	Notional Solvency Capital Requirement
NSO	National Statistics Office
ORSA	Own-Risk Solvency Assessment

P&C	Property and Casualty
PCC	Protected Cell Company
PCF	Protection Compensation Fund
PI	Professional Indemnity
PIE	Public Interest Entity
PRISMA	Preferred Reporting Items for Systematic Reviews and Meta-Analyses
RAC	Rent-A-Captive
reg.	registered
S.L.	Subsidiary Legislation
SCC	Securitisation Cell Company
SCR	Solvency Capital Requirement
SFCR	Solvency Financial Condition Report
SME	Small and Medium-Sized Enterprise
SPV	Special Purpose Vehicle
UN	United Nations
UREC	University Research Ethics Committee
XL	Excess-of-Loss

Chapter 1: Introduction

Chapter 1: Introduction

1.1 Context

Malta has a well-diversified and resilient economy. Fitch (2022) affirmed the country's F1+ short-term rating, denoting the lowest expectation of default risk. This is substantiated by the A+ long-term rating, projecting a consistently stable outlook. In its Spring 2023 economic forecast, the European Commission projected that Malta would moreover experience the second-highest economic growth rate in the EU with a 3.9% increase in real GDP during 2023, and at 4.1% during 2024, following Ireland at 5.5% and 5.0% respectively. This means that Malta is expected to perform relatively well when compared with the EU and EEA, for which growth is expected at 1.0% and 1.7% during 2023, and 1.1% and 1.6% during 2024 respectively.

As of March 2023, the unemployment rate has demonstrated a notable decline, shifting from 3.2% to 2.8%, as reported by the National Statistics Office (NSO, 2023). Projections suggest that this rate will persist through 2024 as well, aligning with the pace of population growth as the nation continues to attract foreign labourers (European Commission, 2023). Malta currently enjoys the Eurozone's lowest unemployment rate and holds the second lowest position within the EU, with the Czech Republic occupying the top spot at 2.8%. This decrease in unemployment is underpinned by a heightened demand for labour across various sectors of the economy, encompassing both the public and private spheres. Notably, this demand has been particularly robust within the tourism and administrative services sectors. Anticipated labour and skills shortages are expected to persist as the primary limiting factors in sustaining this economic trend. Nonetheless, Malta still offers a business-friendly environment characterised by operational cost advantages, especially in comparison to other EU jurisdictions. This favourable

business climate is complemented by a pool of highly qualified and experienced local workforce talent (Galea St. John, 2017).

Due to its creativity and flexibility, Malta has become an attractive destination for large-scale captive insurers, InsurTech companies, and global insurance giants (Finance Malta, 2021). Due to this, there has been an increase in non-domestic insurance businesses, and the expansion of insurance carrying cells and broker cells only serves to highlight its appeal (Bonnici, 2019). By September 2021, there were 62 non-domestic insurance undertakings, confirming Malta's position as a vibrant insurance centre. The flexibility of Malta's insurance industry is highlighted by an 18% increase of insurance carrying cells, which amounted to 72 during 2021, and included 13 insurance broker cells. The country's advantages as an onshore domicile for ILS and catastrophe bonds, further supported by advancements in blockchain technology and legal certainty, further increase its attractiveness (Zammit Laferla, 2021).

As the only EU member state with PCC legislation allowing cells beyond captives, direct insurers, and reinsurers, to include brokers and insurance managers, Malta has solidified its position as an innovative and accommodating domicile. This unique regulatory framework, overseen by the respected yet approachable MFSA, allows PCCs in Malta to offer direct access to the EU market, thereby reducing fronting costs and requirements (Fabri, 2022). The understanding of cell solutions in continental Europe has grown, leading companies to seek alternative approaches amid challenges such as the hard market, Brexit, and heightened stakeholder expectations (MFSA, 2019).

Maltese PCCs, powered by their shared economies of scale, offer valuable substance and resources to businesses seeking onshore EU presence without the complexities, costs, and time associated with standalone companies (Bonnici, 2019). Embracing the benefits of the EU-based regulatory regime, PCCs in Malta hold a unique advantage under Solvency II, providing

confidence to companies navigating the challenging insurance landscape. To this regard, PCCs offer potential cost savings in capital, serving as an agile and cost-effective solution for businesses in pursuit of EU risk coverage (Galea St. John, 2017).

Following Brexit, Malta's PCCs continued to prosper by enabling direct access to the UK market by opening UK branches (MFSA, 2019). Both existing and new cells continued to write new business in the UK by operating under the UK Temporary Permissions Regime, solidifying Malta's reputation as a forward-thinking jurisdiction, eager to retain successful relationships with its international partners (FCA, 2018).

Malta stands at the forefront of technological innovation, eager to facilitate blockchain technology while offering legal certainty (Bonnici, 2019). By instituting a framework for the optional certification of DLT and its service providers, the Malta Digital Innovation Authority aims to foster a conducive environment for projects driven by blockchain technology, the country aims to foster a conducive environment for blockchain-driven initiatives (Bonello, 2023). Due to the revolutionary nature of smart contracts, the future uses of blockchain also happen to touch upon matters including the structure of a PCC and its uses (Lloyd's of London, 2022).

Malta's appeal as an insurance and reinsurance innovation hub is therefore proving to be increasingly undisputable. With its well-diversified economy and regulatory competencies, Malta stands ready to continue navigating the dynamic seas of the insurance industry, embracing change and the opportunities that lie ahead.

1.2 Motivation

Malta is becoming more and more popular as a location for foreign businesses looking for effective EU risk coverage, thus generating a lot of interest in the country's insurance sector.

The Maltese-licensed PCC structure is one of the essential elements of this industry (Ernst & Young, 2022). This research seeks to offer a thorough study of both the opportunities and challenges presented by PCCs with Maltese licences. It also aims to shed light on the factors influencing their appeal by investigating their success, regulations, cost-effectiveness, and economic strength and challenges thereto.

This study is motivated by the rapid growth and successes of Maltese-licensed PCCs in the insurance industry. The 40% increase in total written premiums to €7.8 billion in 2021 by insurance companies, captives, and protected cells based in Malta serves as evidence of the industry's development (FinanceMalta, 2023). Given that cells consistently outperform individual businesses, it is important to investigate why this tendency emerges and the particular circumstances in which they function. Figure 1.1 in fact depicts the statistics as compiled by the IMF (2022), stipulating that non-life insurance undertakings structured as PCCs experienced the most growth at 152%, followed by other non-life undertakings at 133%.

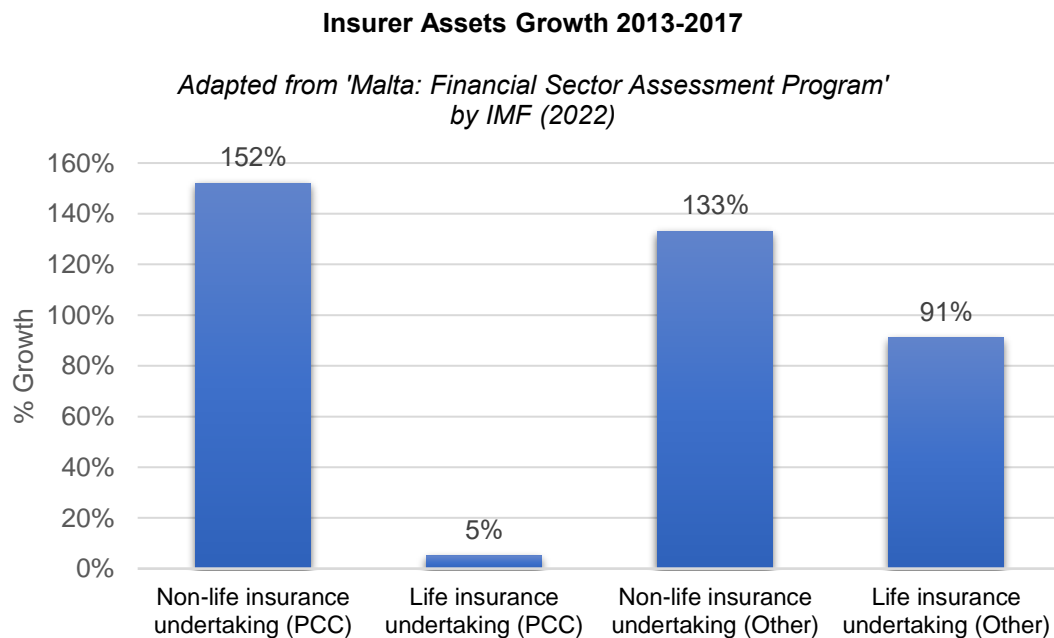


Figure 1.1 - Maltese-licensed Insurers Asset Growth 2013-2017

Due to Malta's unique position as the only PCC jurisdiction that provides direct passporting access to other EU member states, the study also aims to assess the potential cost-effectiveness and ramifications of EU-level compliance. Comprehending their possibilities and challenges is of utmost importance for many stakeholders in the insurance sector. To such extent, the findings of this investigation will stand as great assistance to international businesses looking to establish captives and manage risks successfully within the EU. Businesses will learn from the study the benefits of setting up protected cells in Malta, as well as the challenges and how they may overcome them.

The significance of conducting an in-depth analysis of the opportunities and challenges presented to Maltese-licensed PCCs becomes increasingly apparent as Malta solidifies its position as a leading option for businesses looking for adaptable and affordable solutions to evolving captive insurance complexities. The insights garnered from this study will hold substantial value for global corporations, policymakers, and insurance experts. These findings will empower them to make well-informed choices and leverage the advantages provided by this thriving domain. Ultimately, this research enriches our broader comprehension of the captive insurance market and its pivotal role within Malta's economic framework.

1.3 Statement of the Problem

Protected cells embody a form of financial engineering (MFSA, 2019) meticulously crafted to tackle distinct challenges within captive businesses. Beneath this structure's seeming simplicity however lies a realm of intricate innovation (Correri, 2005).

The use of protected cells in insurance followed the introduction of captives, which in Malta, are also known as AICs. According to Willis Corroon's (1993) industrial insights, a captive is a "limited purpose insurance company established with the specific objective of financing risks emanating from its parent group or groups." The two primary classifications for this concept are namely pure captives and RACs. In the case of pure captives, insurers establish their standalone captive company, while RACs offer the advantages of captives without the associated financial commitments. This facilitates smaller organizations in accessing captive-type structures by "renting" facilities from larger captives.

While RACs offer numerous additional benefits to the insurance industry, a significant drawback also exists. The RAC's assets are susceptible to unjustified third-party claims, as it is perceived to be a single entity in relation with third parties. Consequently, the assets of multiple renters become combined. This scenario may subsequently result in funds provided to the rented captive of one participant enterprise being utilised to cover unrelated and perhaps erroneous claims. To mitigate this risk, it became imperative to start segregating individual RAC programmes, thereby reducing the potential for funds from one renter's programme to offset the losses of another. The insurance industry created PCCs to overcome this drawback in containing patrimonial risk.

Existing literature has extensively examined both traditional captives and RAC schemes, exploring their opportunities and challenges and establishing their interconnections. It has been revealed that the foremost challenge for captives, namely contagion risk, has played a pivotal role in the emergence of PCCs, thus presenting an inherent opportunity (Feldman, 1999). Recent research by Spaeter (2021) further validates the presence of this risk and emphasizes the necessity to mitigate it. Her study investigates the impact of catastrophe risk subsequent to pandemic-related business interruption risk and its implication on contagion risk for RAC

structures. This impact is particularly notable for small firms, which face increased difficulties in immobilising capital due to their limited size.

Collectively, these observations show that the proliferation of PCCs is significantly influenced by the growth of the captive insurance market. This reciprocal relationship is highlighted by Zammit et al. (2018), who argue that the growth of the captive market is also propelled by PCCs. This sentiment was reinforced following the repercussions of the 2008 credit crunch, as discussed during a European Captive event in Luxembourg, where Aon Global acknowledged that cells were experiencing rapid growth within the captive sector (Essen, 2009). Despite their increasing global significance, PCCs might still be perceived as a specialised business, especially considering that Malta currently stands as the sole EU nation that has implemented legislation to allow them to operate (Zammit et al., 2018).

The academic literature places significant emphasis on the necessity of PCCs, yet it neglects to delve into the practical opportunities and challenges that they encounter. The interrelation between these aspects and their consequent influence on the local industry therefore remain unexplored. Notably, it has yet to acknowledge the smaller niche PCC structures, including insurance managers and brokers, thus leaving another gap in research in this specific area of research.

1.4 Objective and Significance

The primary objective of this study is to contribute to academic knowledge by identifying the specific opportunities and challenges that Maltese-licensed PCCs face. Professionals in the insurance industry, particularly those actively involved in the operations and business strategies of PCCs, will find great value in the thorough analysis and findings produced by this study. By

providing an extensive and thorough study of the prevalent local PCC market this study stands as an informative resource for students, and those looking to acquire insight into prospective PCC research in the future.

This study extends its scope beyond Malta's borders, driven by the fact that Malta remains the sole EU member state with a dedicated PCC legislative framework. This unique positioning enhances Malta's profile within the international captive and PCC market, a trend substantiated by the significant increase in local PCC registrations. Post the legislation's introduction.

1.5 Research Question and Approach

This study aims to address the following research question:

What are the opportunities and challenges for Maltese-licensed PCCs?

This study will employ a qualitative analysis to address the research question. The author plans to take a proactive approach by diligently documenting each step of the research process. This approach is geared towards facilitating replication and potential adaptations for future studies with similar objectives.

The literature review's academic sources will be curated using the PRISMA method. This systematic technique enables a comprehensive review of peer-reviewed research, legislation, and published books. PRISMA's value lies in its structured documentation of the literature search process during using a variety of resource databases. This method will also ensure consistency and reliability in analysing grey literature authored by industry professionals.

Supplementary primary data will be amassed by the author, enhancing the existing pool of secondary data garnered from the literature. Braun and Clarke's conceptual framework will guide the thematic analysis process, employing a flexible qualitative approach that identifies patterns and themes within qualitative data (Castleberry and Nolen, 2018).

Inherent limitations are anticipated, the first being the sample size and representation (Shahbazi et al., 2023). The participant sample size is relatively small given the population of local PCCs, thus this may limit the timeframe within which some results may be applied, however, they will still serve as a basis of replication. Interview bias is a further limitation. Due to respondents' preconceptions, a potential bias may also develop as the study comprises interviews with industry experts (Derous et al., 2016). To lessen this, the author will uphold a high standard of privacy and transparency in the collection of data, in addition to engaging with a vast selection of PCCs, as described in Chapter 3.

PCC business professionals, legal and judicial representatives from law firms, company secretaries, and external auditors are particularly well-positioned to appreciate the opportunities and challenges for Maltese-licensed PCCs. By including their perspectives, the author seeks to acquire a true grasp of the present situation to wholly answer the study's research question.

1.6 Thesis Outline

The thesis comprises five distinct chapters, the description of which is outlined in Figure 1.2.

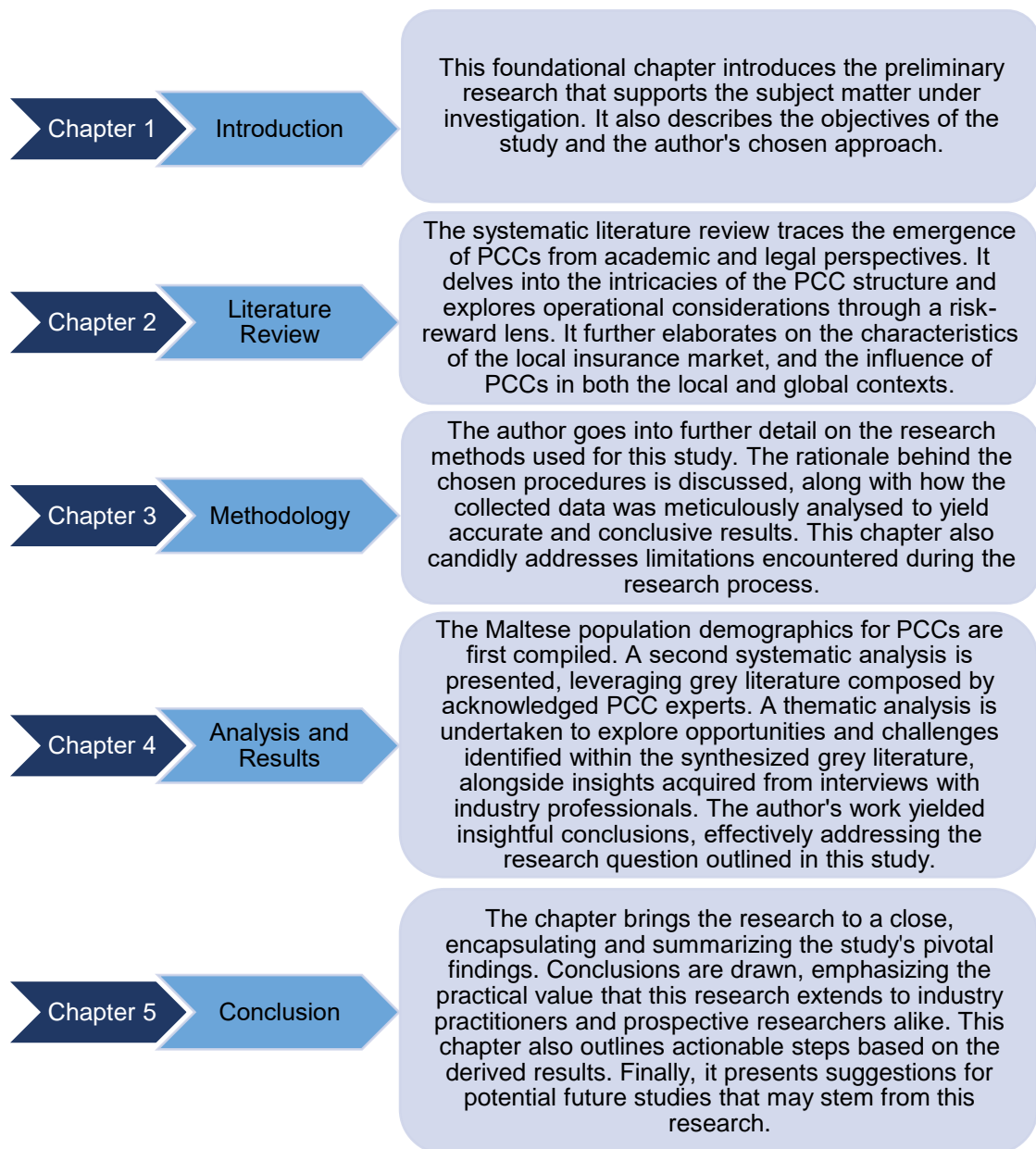


Figure 1.2 - Thesis Outline

Chapter 2: Literature Review

Chapter 2: Literature Review

2.1 Thematic mind-map

Figure 2.1 introduces the literature review to this study. It acts as a visual depiction of the main themes and sub-themes, and structure of this chapter thereto.

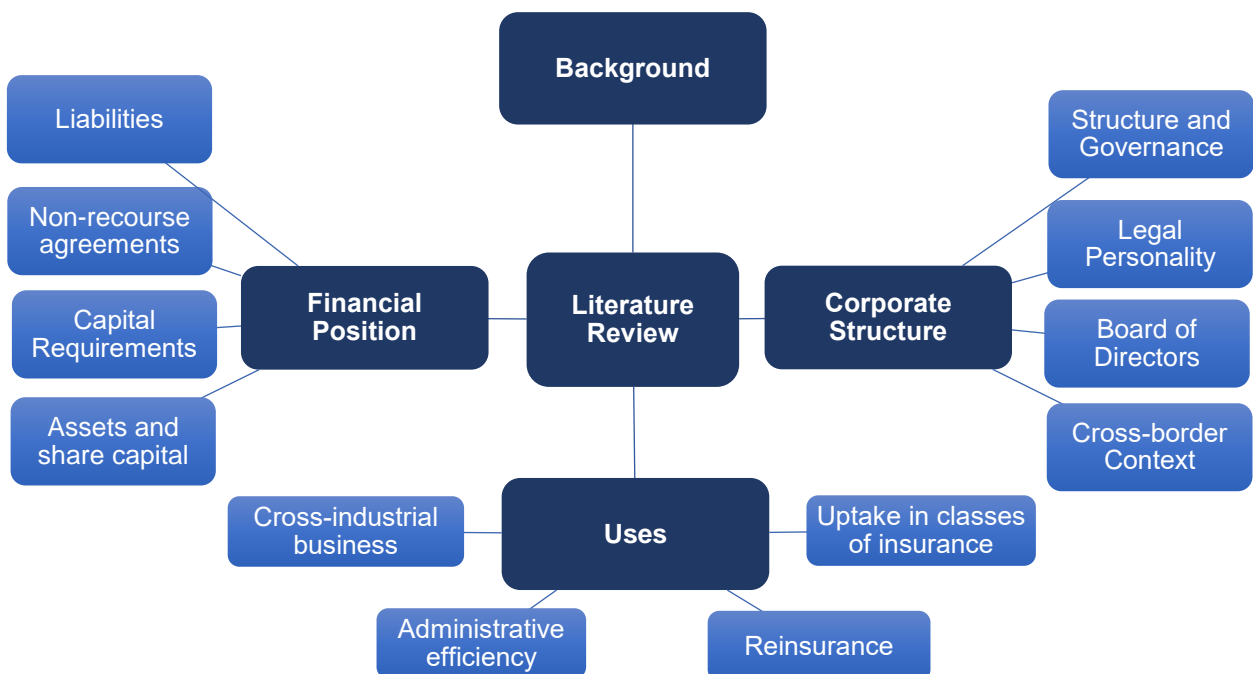


Figure 2.1 - PRISMA Mind-Map

2.2 Background

The concept of PCCs originated in Guernsey's insurance market under the Protected Cell Companies Ordinance of 1997. PCCs were developed in response to the demand for an

alternative captive risk management strategy in the Guernsey Fund sector, to prevent the assets of one class from being used in covering liabilities of another (Le Tissier, 2000). Various offshore jurisdictions followed Guernsey's lead, including The Cayman Islands, Mauritius, Bermuda, and Gibraltar (Smith, 2007).

PCC legislation has generally been introduced by jurisdictions with strong financial services markets, with the intention of boosting economic activity in the investments and insurance sector. Malta introduced the Cell Companies Carrying on Business of Insurance Regulations under the Companies Act, which came into effect on July 1, 2004 (Correri, 2005). They are authorised in terms of the IBA, Cap 403, and the Companies Act (Cell Companies Carrying on Business of Insurance) Regulations, S.L. 386.10.

2.3 Corporate structure of PCCs

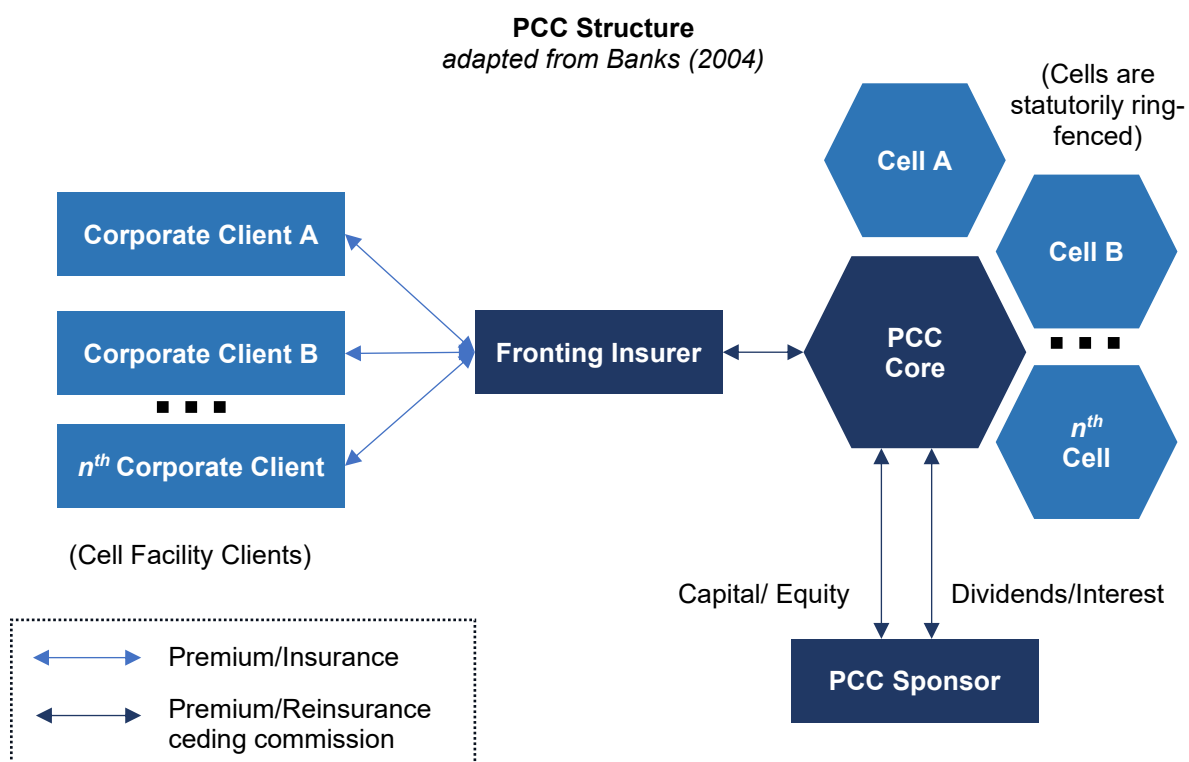
2.3.1 Structure and governance

A cell is created by a cellular company in accordance with Article 2 of the local PCC legislation, with the aim of segregating and securing the company's cellular assets. This comprises "cellular" separated accounts, segments, or business units who are irrespective of the names given to them. Each cell is allowed to have its own unique title or identification.

According to the aforementioned clause, a cell company is subsequently an organisation that is created or set up through the distribution of shares into a cell company structure, creating one or more cells contained within itself. As specified in these rules, this arrangement strives to separate and protect the company's cellular assets. The term "company" also refers to a

partnership en commandite or a related corporate organisation with divided capital in the context of insurance intermediary services.

As demonstrated in Figure 2.2, the core and the cells form a dual structure for a typical PCC. An external third party, such as a financial institution or a fronting insurance firm, assumes managerial duties and may own/sponsor the core by providing capital (plus interest) in return for equity (and dividends). As an alternative, these responsibilities could be delegated to a competent corporate manager. Every PCC client signs a contract agreeing to use one or more cells, in exchange for paying associated costs and a share of the capital provided by the core. Owners of PCC cells are obligated to collateralise risks, allowing sponsors to access collateral as needed. PCCs not only offer standard insurance coverage but also function as a means to insure joint ventures, manage catastrophic events, and implement segregated risk management for client subsidiaries (Banks, 2004).



Whereby article 2 from the PCC Regulations defines:

"Cell shares" as shares that a cell company establishes and releases for one of its cells, following the provisions of the regulation. The funds accrued from the issuance of these shares, referred to as "cell share capital," are encompassed within the cellular assets linked to that specific cell.

"Cell share capital" as the proceeds derived from the issuance of cell shares.

"Cellular dividend" as a dividend that a cell company is liable to disburse concerning cell shares.

Figure 2.2 - PCC Undertaking Structure

There are numerous alternative configurations accessible for the construction of a PCC, as stated by Griffen et al. (2021). According to the MFSA (2013), the two most common local PCC structures among them are categorised as follows: The traditional PCC model, Type 1 is one in which the core organisation refrains from taking part in insurance or reinsurance underwriting. On the other hand, Type 2 includes situations in which the individual cells as well as the core take part in the underwriting of insurance and/or reinsurance business. In the context of Type 2,

a cell has the ability to take on all insurance business categories that fall under the scope of the core or only a certain subset of them.

Corporate governance shapes a company's operations by balancing its laws and procedures with stakeholder interests (Almashhadani and Almashhadani, 2023). In Solvency II, it is crucial for a robust system of governance to address risks beyond SCRs. It segregates ownership and control to prevent conflicts of interest (Berle and Means, 1932). Solvency II governance includes key functions namely risk management, compliance, internal audit, and actuarial, and stresses that should be proportionately based on the nature, scale, and complexity of insurance operations. For a PCC, the segregation of cellular capital, assets, and liabilities is a guiding principle (Feetham and Jones, 2010). Figure 2.3 illustrates the typical governance structure of a local PCC whose ultimate responsibility lies with the BOD and respective committees thereto.

Typical PCC Corporate Governance Structure and Hierarchy
adapted from Camilleri (2012)

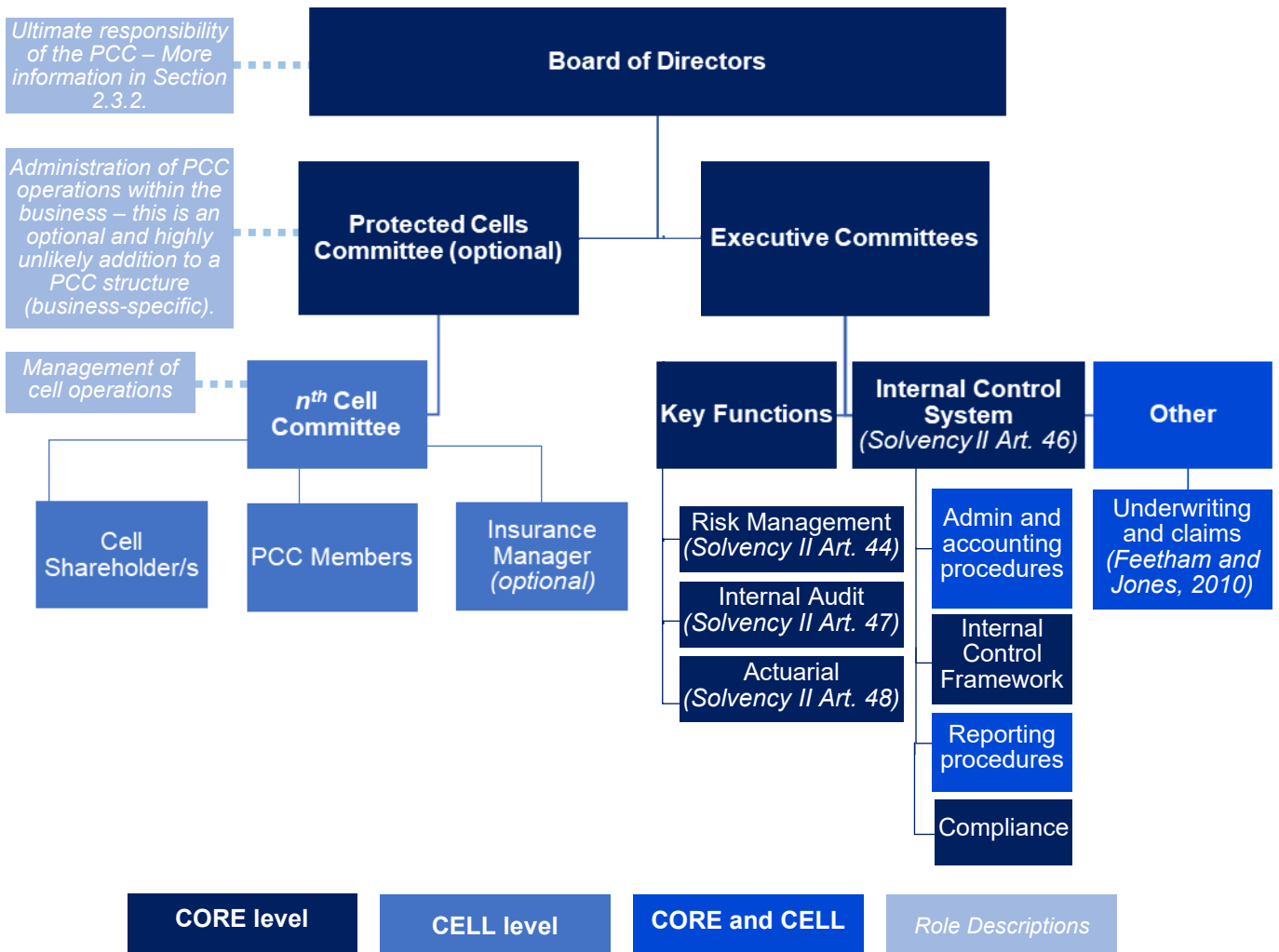


Figure 2.3 - Typical PCC Corporate Governance Structure and Hierarchy

2.3.2 Legal personality and court-challenged significance

2.3.2.1 Single legal entity

As outlined in Article 3 of the PCC legislation, it is established that a corporate entity has the option to be established or structured as a cell company, engaging in the insurance business. A company already engaged in insurance activities may also convert into a cell company, as long

as this conversion is permitted by its M&As. Even while a cell corporation might set up several cells, it still always constitutes as a single legal identity. It is crucial to understand that a PCC's establishment of a cell does not result in the emergence of a distinct legal entity in connection to that particular cell.

The PCC is the organisation in possession of the licence, and it must receive official regulatory authorisation. Given that cells frequently share a number of characteristics with independent captive entities, regulatory authorities need to also determine the justification for the addition of new cells within a PCC (Wenzel, 2019). According to IAIS (2015), PCCs can also function as rental captives, with the core typically controlled by an insurance management and the various cells either owned outright or leased to different businesses.

2.3.2.2 Pac Re 5-AT v. AmTrust North America, Inc (2015)

The concept that the primary advantage of the PCC's single legal entity structure was challenged successfully in the case of Pac Re 5-AT v. AmTrust North America, Inc (2015). This legal dispute emerged from a reinsurance contract between an insurer and a PCC based in Montana. Within the contract, an arbitration clause was present, and the insurer initiated an arbitration request directed at the PCC. In response, the PCC and the protected cell contended that solely the cell, not the PCC, should participate as a party in the arbitration. The presiding judge determined that a safeguarded cell does not possess the status of an independent legal entity eligible to bring forth or be subjected to legal actions. Consequently, it was ruled that the PCC, in which the safeguarded cell is encompassed, is the appropriate party for the arbitration process aimed at resolving the dispute.

Subsequent to the US federal court's ruling, Fitch (2015) revised its perspectives on PCCs, owing to the case's revelation of a fresh connection between individual cells and the PCC as an entirety. The verdict implied that the collapse of a protected cell's parent PCC could potentially generate disturbance or financial strain for the safeguarded cells housed within that particular PCC. Consequently, those contemplating sponsorship of a cell should take into account the financial soundness of the PCC itself during the process of establishing a protected cell. According to Don Thorpe (2015), a complete credit assessment of a PCC requires taking into account a number of interconnections in addition to the segregation of individual protected cells. The most vulnerable component of an entity frequently determines its ultimate credit rating, and in the case of a PCC, the weakest component might be the risk that the individual cells represent to one another.

2.3.3 Board of Directors

The BOD is responsible for upkeeping a rigorous segregation of assets and liabilities related to the individual cells. The financial standing of each cell is kept intact by this ring-fencing. A PCC's BOD also takes responsibility for all facets of its operating scope. This includes keeping a close watch on the decisions made by both management and cell owners. PCCs' operational environment can however be complex (Griffin et al., 2021). There is the possibility that the PCC contains a sizable number of cells that are unrelated to the core, spread throughout different regions, and engaged in a wide range of commercial activities. This intricate landscape enhances the risk that the board could face challenges in effectively monitoring and managing the diverse array of business activities undertaken by the PCC (Hira et al., 2019).

Given these difficulties, regulatory bodies are crucial for guaranteeing the efficient management and oversight of PCCs. As a result, it is essential for NCAs to confirm that the BOD has the

required knowledge, experience, and training. To such extent, the MFSA (2020) has transposed Solvency II's fitness and property requirements to local standards. The board should also have put in place reliable procedures and controls that provide it the ability to effectively control every aspect of the PCC's business activities. The importance of appropriate corporate governance practises transcends technical proficiency. The owners and administration of the PCC and those connected to its individual cells should be able to avoid any potential conflicts of interest due to these procedures' good identification and management (Galea St. John 2017).

2.3.4 Insolvency within a cross-border context

The recognition of PCCs and their cells in other countries is a major concern, especially in cases of insolvency. Due to the ambiguity surrounding the recognition of such companies outside of their home jurisdiction, this presents a substantial hurdle for PCC promoters. The main issue is that the statutory PCC's legal framework deviates from accepted standards such as *pari passu* and collective treatment (Ghadas and Hassan, 2022). Although local laws support the division of assets and liabilities among cells, difficulties could arise in cross-border circumstances. Here, determining whether a limitation of liability provision is "procedural" or "substantive" under the applicable PCC legislation is critical. The authors contend that the purpose of PCC law is to give the PCC notion substantive meaning rather than procedural status (Bezzina et al., 2021).

Feetham and Jones (2010) concluded that, under the principles of international law, the foreign court should use PCC legislation instead of local law, at least in common law nations or states based on UK law. In fact, they think that the answer to the earlier-posed question should be affirmative because they argue that:

“... the concept of a PCC should not be offensive to a foreign jurisdiction if we simply take a PCC as being a statutory limitation of liability of a company in a particular transaction. It is no different from a contractual limitation of liability clause; except that instead of the liability of the company being limited to the specific amount, the liability is limited to specific assets.”

When a PCC engages in mandated insurance activities, such as providing motor liability coverage, the situation will change. This is especially apparent when taking into account involuntary creditors. To ensure that each cell owner is legally isolated and that their assets, obligations, and financial results are fully distinct from those of other cells, a significant test has yet to be established. The main issue with PCC utilisation is the possible impact on neighbouring cells if a single cell runs into financial difficulties and is unable to perform its responsibilities. Cross-contamination within the PCC structure could result from the suffering cell's creditors turning to other cells for help (Verstein, 2019).

Given that the proper policy documentation is in place, according to James (2010), the chance of such a taking place is exceedingly improbable in practice. He contends that the likelihood of one cell having an impact on another is considerably reduced by appropriately constructing different types of PCCs and include crucial shareholder and management agreements. He emphasises the prospect of recourse being directed back to the core, which has been significantly reduced by recent legal amendments. Tijo (2021) goes on to explain that even in circumstances when a plan to obtain funding from other cells appears, the sponsor and the regulatory authority have the power to step in and stop such acts from happening. The local stance on non-recourse will be discussed in section 2.5.3.

2.4 Uses of PCCs

2.4.1 Uptake in classes of insurance

2.4.1.1 Local legal implications

According to Article 5(3) of the PCC legislation, the MFSA has the power to specify or limit the types of insurance that a cell company may provide, as well as the particular class or classes of consumers for whom a cell may be set by, through clauses laid out in the Insurance Rules.

Notably, there haven't been any restrictions on any IBA insurance class yet. Furthermore, the PCC legislation yields distinct implications for motor insurance. Article 18 from PCC

Legislation has specific bearings for motor insurance. An exemption from contributions to the PCF, as described in Article 49 of the IBA. This exemption applies exclusively to cells involved in affiliated insurance activities, thus sparing them from claim disbursements that the PCF would typically administer in connection to their operations.

2.4.1.2 Cells as transformer vehicles

The concept of cells extends to enabling the conversion of insurance risk into capital market instruments, as well as the reverse process. In instances where a company is involved in multiple arrangements aimed at risk management and profit generation, opting for the creation of cells proves advantageous. This approach ensures the segregation of distinct arrangements within the overall framework, thus streamlining management (McConvill, 2015). Operating as a service provider, the transformer specializes in establishing and managing securitization vehicles designed for the securities market, particularly those tied to actuarial risks. Acting on

behalf of investors, the transformer sets up an infrastructure facilitating the transformation of one or more title reinsurance contracts (Vuille, 2019).

2.4.2 Reinsurance

2.4.2.1 Reinsurer-PCC relationship

A significant number of cell owners are required to contain the risk within their cells, giving sponsors access to collateral as needed. The combination of protection and customization that PCCs offer is a key component of their popularity. PCCs are a flexible solution that go beyond providing client organisations with traditional insurance coverage. They expand the scope of their usefulness to include joint venture insurance, coverage for catastrophic events, and separate risk management programmes for client subsidiaries. Additionally, they are tailored for use as SPVs and can handle structured note tranche processing and derivative transformations (Banks, 2004).

The cell's primary objective is to provide a framework through which an insurer/reinsurer can carry out transactions involving insurance securitisation. This is accomplished by creating a separate account from the assets and liabilities included in the insurer's general account. It is vital to remember that these transactions are not the same as how the insurance business is conducted. The cell strategy, as opposed to the SPV trusts approach, maintains the link between the cell, its assets, and liabilities, and the insurer's larger account, sometimes known as the general account (Bradley and Hall, 2000).

According to Smith (2007), there has been a noticeable increase in interest in using PCCs to streamline complex reinsurance transactions. Bermuda is at the forefront of developing this

technology, and its applications include P&C insurance, life insurance, and annuity markets. In the area of life securitisations, notably for mortality catastrophe bonds or collateral arrangements, the PCC concept is being used more and more. Using an inbound reinsurance treaty, a cell assumes the risk in this situation and then issues notes to the capital markets or a single private investor. These notes may receive favourable statutory accounting treatment due to the PCC's dual character, which could be helpful to the cedent. Schröckenfuchs (2022) stipulates that this can be done by having an insurance manager/undertaking taking care of the core, and the reinsurer renting/owning the cells to carry out their business activities,

2.4.3 A model for regulatory risk reduction

According to Utkin and Kuznetsov (2021), economic sanctions, especially financial measures, will increasingly be used as a tool of strategy in international relations in the near future. Fenech (2023) also stated that this was the case for Malta after the jurisdiction was added to the FATF's grey listing. Both emphasise that this opens the door for the investigation and implementation of financial innovations intended to reduce risks associated with sanctions for companies. Important modern financial structures and instruments have developed in response to state attempts to control markets through administrative or legislative means. It is anticipated that the sanctions environment will develop similarly.

The legislative framework of a PCC presents a viable method for reducing the negative effects of sanctions on enterprises. This approach was initially an innovation for the captive insurance industry with the goal of lowering regulatory constraints. It is possible for organisations like PCCs to reduce the transparency of the national enterprises of sanction-targeted countries to external organisations including financial regulators and monitoring agencies. This methodology simultaneously maintains company transparency for the target nation's regulatory agencies and

the control that remains in its own hands. This strategy essentially creates a quasi-offshore legal framework that differs from conventional internal offshore areas because it aims to relieve external regulatory pressures rather than internal ones (Utkin and Kuznetsov, 2021).

2.4.4 Increased administrative efficiency

This PCC's ability to disperse legal and administrative costs, including claims administration, among the cells inside a single core is a key advantage. This interdependence makes the construction remarkably economical. A streamlined and standardised procedure is followed while starting a cell. A wide range of different business lines with hazards emanating from various countries can be accommodated by cells, which exhibit exceptional versatility. The structure's flexible investment term is advantageous to investors as well. They have the choice to sell shares at a predetermined price prior to the final claims settlement. Investors provide capital for a cell, while sponsors provide a reserve that is in line with best forecasts and a risk premium.

2.4.5 Cross-industrial business

The NAIC model saw their potential as a cutting-edge route for capital acquisition through insurance securitisation in addition to their application in utilising ART mechanisms to secure assets within a consolidated corporate framework.

2.4.5.1 Securitisation

According to Feetham and Jones (2010), PCCs are increasingly being used to organise investment vehicles as umbrella funds. Eldar and Verstein (2019), stipulate that they can

be specifically designed to form open-ended mutual funds in accordance with the Open-Ended Investment fund requirements in the UK context of umbrella fund legislation. Each cell has the ability to function as a separate sub-fund and is therefore bound by the same set of rules as funds. These regulations expressly state that a sub-fund's assets are solely related to it and cannot be tapped for such purposes to satisfy liabilities or claims against the umbrella or other sub-funds.

2.4.5.2 Investment Funds

The Commission de Surveillance du Secteur Financier of Luxembourg has established an analogous system for securitization funds managed by management corporations despite the absence of PCC legislation within its purview. This arrangement is similar to the idea of MGAs used in the insurance industry. Each securitization fund serves as a conduit for the securitization of various asset pools, the rules of which are outlined in the fund's management guidelines and then filed with the appropriate trade and company register. Similar to this, tripartite agreements between the core and third-party writing cells within PCCs reflect similar management regulations (FinanceMalta, 2016). These securitization funds can also be divided into additional compartments, which are like PCC cells in that they are separate pools that each have their own management rules (Altaee and Alnasri, 2023).

2.5 Financial position of PCCs

2.5.1 Context of assets, share capital and ring-fencing

According to the second provision of the PCC legislation, "cellular assets" that are connected to each of a PCC's individual cells are referred to as the company's cellular assets. Sums earned

from reserves linked to that cell's share capital and all other assets related to that cell make up the cellular assets (Alexander et al., 2021). The term "reserves" as used in the aforementioned sub-regulation includes share premiums, capital reserves, and retained earnings. The assets owned by the PCC that do not meet the definition of cellular assets, on the other hand, are referred to as non-cellular assets.

A cell company has the right to create and issue shares for any of its cells, as stated in Article 10 of the PCC legislation. The funds raised through the sale of these shares, which is known as "cell share capital," is included in the cellular assets connected to the particular cell for which the cell shares were first issued. In contrast, the company's non-cellular assets include the money raised from shares, with the exception of cell shares made and issued by the core.

A cell company has the choice to provide what is referred to as a "cellular dividend" in regard to cell shares. These cellular dividends may only be paid in relation to the cellular assets, obligations, or profits associated with the cell for which the cell shares were first issued. Therefore, the profits and losses, along with the assets and liabilities, ascribed to any other cell within the company, as well as the profits and losses, along with the assets and liabilities, unrelated to cellular aspects, shall not be taken into consideration when evaluating the availability of profits for the purpose of a cellular dividend (Alexander et al., 2021).

2.5.2 Capital Requirements

The intricate set of rules established by Solvency II, a comprehensive regulatory framework with enormous implications, carefully addresses the operational complexities of captives located within bigger multinational conglomerates. The fundamental goal of this framework is to consistently match the financial arrangements for these captives with their underlying risk

profiles. The complex structure of PCCs, referred to as "ring-fenced funds," gains relevance in this setting by mandating thoughtful capital allocation decisions. These choices are based on the complex idea that different "cells" inside the PCC structure might or might not have their own unique capital reserves. The PCC's core plays a crucial function in this complex architecture and is required to have enough capital to cover any potential solvency gaps that cells may experience (Grech, 2014).

2.5.2.1 MCR

Specific rules are provided for the MCR of insurance organisations in Article 129(1) of the Solvency II Directive. The MCR must be at least EUR 2,500,000 for non-life insurance companies, including captive insurance undertakings. A variation does, however, apply when part or all risks covered fall under classes 10 to 15, necessitating an MCR of at least EUR 3,700,000. A MCR of EUR 3,700,000 must be followed by life insurance enterprises, including captive insurance undertakings. Reinsurance companies are given an MCR of EUR 3,600,000, with the exception of captive reinsurance companies. The required MCR for captive reinsurance undertakings may not be less than EUR 1,200,000.

2.5.2.2 SCR

The calculation of the cellular SCR/nSCR in PCCs requires separate calculations for each cell as well as the core, using a methodology that is comparable to treating them as separate entities. The standard formula, Undertaking Specific Parameters, or an internal model, which can be either a whole or partial model, can be used to calculate this.

The nSCR of a cell is produced by applying the standard formula to the assets and liabilities particular to that cell, as if it were operating autonomously, if the capital requirement is calculated using the standard formula. The computation method employed for one cell can be applied to other equivalent cells in situations when numerous cells within the PCC structure share similar features, assuming that this methodology produces sufficiently accurate results for all such similar cells.

The basic SCR is formed by combining the capital requirements of each sub-module and risk module to calculate the nSCR for each cell. This amalgamation follows the steps provided in Article 104 of Solvency II for aggregating the standard formula. With this method, diversification effects between risk modules and sub-modules inside a cell and the core can be taken into account. When an internal model is used to calculate a cell's nSCR, it must be compatible with the calculation technique used to calculate the SCR of the PCC structure as a whole. Additionally, the nSCR for each individual cell and the nSCR of the core are added to determine the SCR for the complete PCC structure.

$$SCR_{PCC} = nSCR_{CORE} + nSCR_{Cell1} + nSCR_{Cell2} + \dots + nSCR_{CellN}$$

Other diversification benefits between cells or between cells and the core are not taken into account when calculating the nSCR. Before being combined with positive nSCR values from the cells and the core, any negative nSCR values are also set to zero (MFSA, 2013).

Within the realm of ring-fenced funds, the meticulous delineation of conditions for assessing materiality takes centre stage. This concept seamlessly aligns with the operational intricacies of PCCs, where distinct risk profiles and funding requirements characterise individual cells. This adjustment signifies a paradigm shift towards a more adaptable and nuanced approach,

aligning the regulatory framework with the burgeoning intricacies of the financial domain (Micallef et al., 2020).

2.5.3 Non-recourse agreements

According to Article 2(3), if there is an inconsistency between the PCC Regulations and the IDA or IBA, the latter's provisions take precedence. This results from the IDA and IBA being first-level laws that implement the IDD. Furthermore, a principles-based execution is required for the implementation of both EU and local rules, bringing consumer protection to the top priority. Given their goal of enhancing the protection of policyholders and beneficiaries, non-recourse agreements are incompatible with Malta's and the EU's principles-driven and risks-centred approaches. Accordingly, the integrity of the European Insurance Industry is actively upheld (ECIROA, 2012).

In cases when the cell does only affiliated insurance or reinsurance activity, non-recourse is an allowable option under provision 15 of the PCC legislation. The MFSA (2022) published a circular advising market players of its intentions to review the PCC Regulations and repeal the aforementioned provision after thoroughly analysing the methodology through which a PCC utilises the potential for non-recourse. The MFSA anticipates that all cell applications will have access to the PCC's non-cellular assets as of the date of the Circular and will be adequately capitalised at the level of their nSCR, without relying on terms such as "pay as paid" or "cell limitation" clauses when determining such nSCR.

2.5.3.1 NAIC Model

Under the NAIC model, a domestic insurer can create safeguarded compartments with approval from the commissioner, following a detailed operational plan that defines the cell's business and investment objectives. The NAIC model also places a strong emphasis on openness and "bankruptcy-remoteness." Investors may only seek recourse from a cell's assets in the event of insolvency, with the general account of the insurer being unaffected. The NAIC model also places a strong emphasis on openness and "bankruptcy-remoteness." Investors may only seek recourse from a cell's assets in the event of insolvency, with the general account of the insurer being unaffected. Similar to this, in the event of insolvency of the insurer, assets within a cell are protected from distribution to unrelated creditors and from claims by creditors of other cells established by the same insurer (Bradley and Hall, 2000).

2.5.3.2 Position of creditors

Creditors of a cell company are restricted to the precise rights outlined in this regulation and in rules 13 and 14 pursuant to Article 12 of the local PCC legislation. This prohibits any party from trying to use any cellular assets connected to a specific cell of the company to settle a liability unrelated to that cell. Additionally, if any party is successful in using cellular assets connected to a specific cell to perform a duty unrelated to that cell, they are required to pay the PCC an amount equal to the benefit they received from doing so.

After paying for any costs associated with the recovery of any asset or money, a cell firm must use these funds to give compensation for the impacted cell. If an executive warrant is executed on cellular assets linked to a specific cell in relation to a liability unrelated to that cell, and if such assets or corresponding compensation cannot otherwise be returned to the affected cell, the

company must engage its auditor to determine the value of assets lost by the impacted cell, acting as an expert rather than an arbitrator. The business must next transfer or pay funds to the afflicted cell from the applicable assets (cellular or non-cellular) connected to the liability, or from other sources that will fully restore the value of the lost assets. The PCC must then transfer assets sufficient to restore the value of the lost assets to the impacted cell from the appropriate assets (whether cellular or non-cellular) associated to the debt. The business must use its non-cellular assets to make up the difference when such a transfer or payment from cellular assets is insufficient. It's significant to note that, regardless of their location, a cell company's assets, both cellular and non-cellular, are subject to the local PCC regulations.

2.5.3.3 Recourse to cellular assets by creditors

According to Article 13 from PCC legislation, only the creditors who have claims relating to a specific cell of the company may access cellular assets linked to that cell. According to these rules, such creditors are legally entitled to use the cellular assets that are traceable to that particular cell. Importantly, these cellular assets are completely protected from the claims of the company's creditors who do not have any rights pertaining to that cell. The cellular assets connected to that specific cell are not accessible to these irrelevant creditors.

2.5.4 The context of liabilities

2.5.4.1 Limited liability

According to Moss (2001), regulations that evaluate the connection between the contract or tort and the concerned parties govern issues relating to a company's overall liabilities, such as contractual or tort liabilities. When it comes to contracts, the parties' stated intentions matter,

especially if they selected a certain legal system. On the other hand, English private international law considers matters involving the rights and obligations of a company's members in relation to third parties to be governed by the law of the company's incorporation.

The company's M&As would set the rules for how shareholders engage with one another and what rights come with membership. With the caveat that such limits only apply to the company's members, this strategy might allow for the limiting of claims to particular assets. The preference shareholder would enter into a shareholder's agreement designed with the goal of limiting claims to a predefined and clearly outlined fund in order to develop a way for the company to do so based on policyholder status. Contractual agreements help to achieve the objective of separating cells (Alexander et al., 2021).

2.5.4.2 Liability structure

The treatment of cellular liabilities within the context of a PCC is addressed in Article 14(1) of the regulation. This condition requires that any liability arising and attributable to a particular cell within the PCC will be first and foremost satisfied out of the assets of such cell. The company's non-cellular assets can be used as an alternative source to satisfy the obligation if the assets related to the relevant cell are insufficient to meet it. However, this won't be possible until all of the cellular resources linked to the concerned cell have been used. Importantly, this regulation emphasizes that any cellular assets not linked to the particular cell responsible for the liability cannot be employed to address that liability, reinforcing the principle of segregation within the cell structure.

The PCC legislation's provision 14(2) discusses cellular and non-cellular liabilities. According to this clause, the company's non-cellular assets are exclusively responsible for any liabilities that

are not connected to a particular cell. It also specifies that, notwithstanding this general rule, liabilities under sub-regulation relating to cellular assets associated with a specific cell of the cell company shall be proportionately decreased until the amount of such liabilities equals the value of the aggregate liabilities.

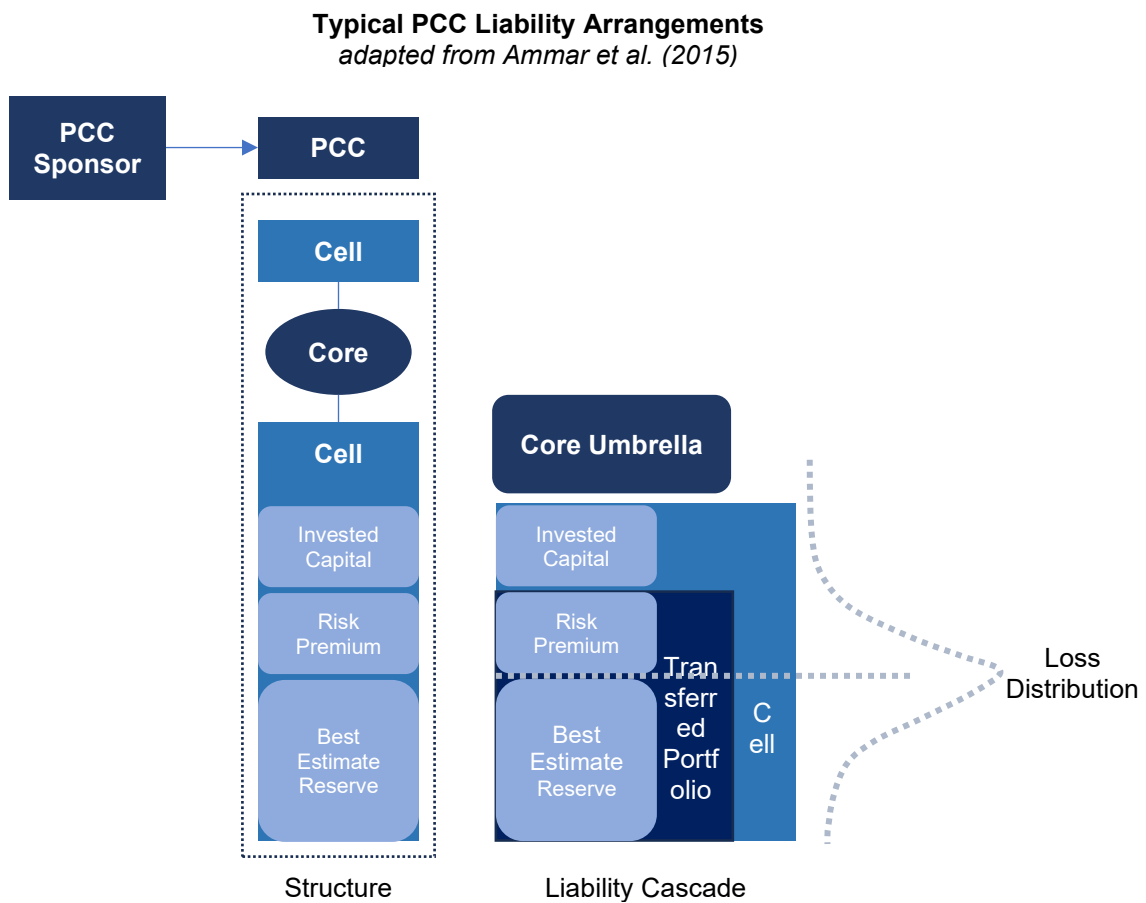


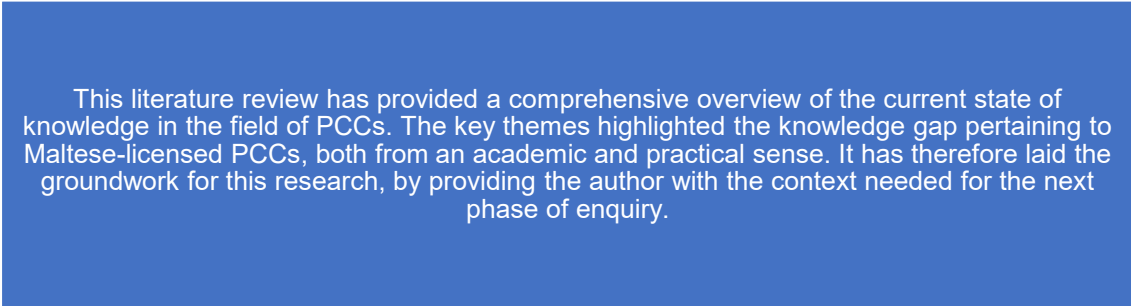
Figure 2.4 - PCC Liability Structure

Figure 2.4 depicts a common liability arrangement within a PCC. This approach adheres to Ghio's (2022) emphasis on segregation and insulation by separating the liabilities of the core from those of the individual cells. Each cell in the PCC structure is protected from the liabilities of both the core and other cells because to this isolation. The risk of overall PCC insolvency is

effectively reduced by this design, as further described, making this corporate structure particularly desirable for undertakings with higher degrees of risk.

2.6 Conclusion

Figure 2.5 depicts the concluding remarks for Chapter 2.



This literature review has provided a comprehensive overview of the current state of knowledge in the field of PCCs. The key themes highlighted the knowledge gap pertaining to Maltese-licensed PCCs, both from an academic and practical sense. It has therefore laid the groundwork for this research, by providing the author with the context needed for the next phase of enquiry.

Figure 2.5 - Chapter 2 Concluding Remarks

Chapter 3: Methodology

Chapter 3: Methodology

3.1 Introduction

This chapter will explore the research methodology employed by the author to complete the study. It will further rationalise the decisions made to structure it, and for achieving the research objectives outlined in Section 1.5.0. The author's choices, logical reasoning, exclusions, and strategies for addressing specific issues collectively contribute to a contextualised research design (Jonker and Pennink, 2010).

This line of reasoning ultimately assisted the author in gathering the necessary information to address this study's research question:

What are the opportunities and challenges of Maltese-licensed PCCs?

As a result, the author's methodology includes a rationale for the chosen approaches as well as an explanation of the procedures used for data gathering and analysis. In addition to highlighting a few potential difficulties encountered during the study, it also attests to the ethical clearance it received for the study's execution. The research process that will be covered in the following sections is illustrated in Figure 3.1.

3.2. Overview of the Research Process



Figure 3.1 - Research Process

3.3 Preliminary Research

The initial phase of determining a research objective involves defining a particular research subject (Levac et al., 2010). This was achieved through various consultations held with professors and professionals within the local insurance sector, offering the researcher insight into the topic before shaping the study's research objectives. Additionally, preliminary research was carried out to better understand the subject, recognize the study's necessity, and assess the feasibility of the research.

The initial sources employed in the desk research, as indicated in section 3.5.1.1, mainly included online scholarly articles, books about PCCs, the PCC legislation and pertinent subsidiary legislation, as well as legal notices. Following a comprehensive review of the literature, the researcher ascertained the presence of opportunities and challenges for PCCs at a macro level. Moreover, they identified notable gaps within the local literature pertaining to this precise topic, thereby reinforcing the purpose of this study.

The preliminary research phase facilitated the researcher in setting specific goals and coming up with the most suitable methodology.

3.4 Qualitative v. Quantitative Research

In the process of conducting research, it became imperative for the author to take diverse research philosophies into account. This factor is crucial because different techniques have an impact on how the study is conducted, how data collection methods are chosen, and how the results are ultimately interpreted (Saunders et al., 2016). As a result, the research design takes

on the function of a detailed plan explaining how the researcher intends to respond to the specified research question.

As outlined by Barbour (2014), the distinction between qualitative and quantitative research hinges upon the nature of the research question being investigated. Qualitative research is proficient in unveiling and examining the mechanisms connecting specific variables, through an analysis of the explanations or narratives provided by those directly involved. This happens to align precisely with the core motivation of this study.

Conversely, quantitative research excels in identifying statistically significant relationships between variables. It accomplishes this by discerning the relative impact of individual variables among sub-samples within the studied population or by analysing clusters of interrelated variables. Nonetheless, the quantitative approach falls short in explaining how the 'macro' level factors, such as the broader opportunities and challenges faced by the local PCC market, translate into the 'micro' level intricacies of individual local PCCs' experiences. This intricate translation is crucial in guiding the decisions of PCCs. Herein lies the realm where qualitative research steps in, offering a more comprehensive perspective (Barbour, 2014).

In light of the intricate and technical nature of the subject, and considering the established objectives, it was decided that a qualitative approach aimed at analysing and synthesising both primary and secondary data would be most suitable. The secondary data was sourced from relevant literature. Additionally, the primary data encompassed 11 interviews featuring a structured questionnaire, enabling participants to candidly share their insights and expertise concerning specific aspects that could lead to diverse opportunities and challenges for Maltese-licensed PCCs.

Subsequent to the preliminary desk research used to the formulation of objectives, as per the next section, the researcher configured a structured set of interview questions which included an open-ended section, to further encourage respondents to engage in an enhanced two-way communicative discussion (Weller et al, 2018). To guarantee that the questions were adjusted as necessary to do this, two pilot interviews were also conducted. More on this will be covered in Section 3.7.

3.5 Review of Data Collection Methods

3.5.1 Secondary Data

3.5.1.1 Desk Research

The author embarked on a crucial process of gathering secondary data, pivotal for interpreting the defined objectives and conducting research analysis (Hoover Green and Cohen, 2021). To gain a comprehensive grasp of the subject, this process commenced with preliminary desk research structured into two distinct stages. The initial stage involved extensive consultation of published secondary sources, primarily encompassing the Laws of Malta, including the PCC Legislation, legal notices, subsidiary legislation, scholarly articles, books, and court cases with official interpretations. Additionally, the author's inclusion criteria encompassed empirical and peer-reviewed research papers identified through various bibliographic database searches. The data was subsequently and meticulously examined for relevance, consistency, adequacy, and accuracy. Only after this scrutiny, it was compiled and integrated into the literature review presented in Chapter 2.

The second stage of the author's desk research allowed them to expand the inclusion criteria, by incorporating grey literature with the analysis discussed in Chapter 4. The decision was motivated by local scope of this study, as the writers' background from the articles chosen was fairly comparable to the background of the participants selected for the interviews. Thus, it was logical to analyse them collectively. Pedersen and Tingleff (2023) found that such grey literature enhances the relevance and scope of any research conducted, despite its value receiving little attention in the academic domain of research.

Integrating grey literature searches counters the potential of publication bias from the initial desk research stage, which according to Paez (2017), may skew the analysis solely towards the themes garnered from peer-reviewed articles. This would potentially limit the overall generalisability of the findings by leading the author to exclude any opportunities or challenges pertinent to practitioners from Maltese-licensed PCCs. Consequently, the incorporation of grey literature has empowered the study to achieve a balanced representation of all significant and accessible evidence to the author. This approach, as noted by Ramvi et al. (2023), contributed to a thorough and well-rounded analysis.

3.5.2 Primary Data

3.5.2.1 Semi-Structured Interviews

The collection of primary data was accomplished through a series of meticulously conducted structured interviews. According to Rogers (2008), structured interviews are organised by their level of standardisation. Interviews can be semi-structured, whereby the order of questions is standardised, and optional probes are allowed to achieve a standardised set of responses. They can also be fully structured, whereby probing is required to achieve a standardised set of

responses from the same set of questions. The difference is that practitioner-based inquiries would not be allowed.

To achieve this study's research objective, these interviews had to be administered to professionals who were affiliated with various PCCs and possessed substantial expertise in the local PCC industry. Given that practitioner-based inquiries were inherently needed to bridge practical application with academic research, semi-structured interviews were chosen as the most suitable research tool due to their inherent capacity for facilitating in-depth probing for further clarification.

Further given the specific scope of this research and the thoroughness with which the interview questions were formulated, probing was selectively employed, whereby it was restricted to instances where the author encouraged further discussion on particular questions for any warranted and additional clarifications. Distinguished professionals occupying prominent roles within various facets of PCC operations were identified and subsequently contacted for interviews. The decision to engage with these individuals was predicated upon their extensive knowledge and practical experience within the subject matter, ensuring a high likelihood of yielding valuable insights.

3.5.2.2 Interview Process

The potential respondents were sourced from corporate websites, primarily encompassing individuals occupying roles within the PCC's BOD, executive leadership, legal representatives, or functioning as external auditors. Contact details were gathered from these websites and LinkedIn profiles. Initial communication was then established through email and LinkedIn messages, which were accompanied by the UREC (2022) 'Combined Information Letter and

Consent Form'. This document served as a formal introduction and invitation to participate in the study. To learn more about local and European regulatory and industry issues, high-level industry specialists were also approached.

Prior to the interviews, the participants were also furnished with a description of the objectives of the study. The interviews were held during August 2023, some of which were online, and others at the respective firm's offices, depending on the most convenient option for the participants. The interview questions were also communicated prior to the day of the interview, in order to allow the respondents to prepare themselves from beforehand. The duration of the interviews lasted between thirty minutes to an hour.

3.5.2.3 Compilation of Questions

The formulation of interview questions drew upon a variety of sources including M&As sourced from the MBR website, SFCRs, and financial statements compiled by Maltese-licensed PCCs. This comprehensive approach was adopted to ensure that the discussions encompassed a well-rounded perspective which was capable of facilitating a thorough analysis subsequent to the research question presented in Chapter 4.

The interview questionnaire was structured into four distinct sections, with the initial three sections aligned with the key themes that had emerged from the literature review in Chapter 2. In the final section of the questionnaire, an open-ended approach was chosen. This allowed participants the freedom to steer the last part of the discussion themselves, thereby providing an avenue for them to express their views openly and offer deeper insights into the subject matter.

Upon finalizing the interview questionnaire, the questions underwent a comprehensive review and gained approval from the author's supervisor to ensure their accuracy and effectiveness.

3.6 Sample Selection

3.6.1 Secondary Data

During the first stage of desk research, a thorough review of the literature produced 2,641 legitimate records for Chapter 2, and the second stage produced an additional 884 valid records for Chapter 4. RePEc, ResearchGate, Academia, and Google Scholar were the databases used in the first systematic review. Captive Review, Captive Insurance Times, Captive International, Captive Intelligence, Finance Malta, and several local firm websites were used for the second systematic review. These websites featured posts from personnel who provided insightful commentary on the subject matter. All aforementioned databases and websites were selected in view of their prominence and usefulness in the research field.

This desk research spanned from October 2022 to August 2023, and included articles from 1997 to 2023. To avoid duplications and ensure that the results met the predetermined inclusion and exclusion criteria, the results underwent careful evaluation. In order to organise and synthesise the results, information from the chosen articles ($n_1 = 33$) and ($n_2 = 36$) was categorised into themes. The search was conducted using keywords such as "Protected Cell Company" OR "PCC" OR "Cellular Company" AND "Malta" OR "Europe". Each keyword and its combinations were applied throughout the designated databases. The search lists were then carefully examined, and publications that did not support the objectives of both reviews were eliminated, removing the need for repeated search terms. The preliminary study helped guide the selection of keywords.

In order to find and remove duplicate entries that remained, the findings were manually compared, which resulted in the elimination of 1477 academic papers and 247 grey literature articles. The respectively remaining 1164 and 637 articles underwent a thorough screening procedure utilising the thematic analysis strategy suggested by Braun and Clarke (2021). Works that were not closely aligned with the study's scope were excluded, bringing the total number of articles down to 921 and 382, respectively, and then to 203 and 194 after a second round of evaluation. After repeated article citations were removed, the most pertinent 32 and 68 citations were found, matching with the qualitative saturation of findings, and indicating that these publications provided the greatest value-added insights.

Figure 3.2 illustrates a clear visual representation of the collected search results and demonstrates how the filtered search results were led to the extraction of relevant articles.

The PRISMA Flow Diagram

		Stage 1	Stage 2
Identification	Studies identified through database searching	$n_1 = 2641$	$n_2 = 884$
	Number of studies after duplicates were removed	$n_1 = 1164$	$n_2 = 637$
Screening	Number of studies after relevance screening	$n_1 = 921$	$n_2 = 382$
Eligibility	Full-text articles assessed for eligibility after inclusion/exclusion criteria check and full text screening	$n_1 = 203$	$n_2 = 194$
Inclusion	Final number of articles included	$n_1 = 33$	$n_2 = 36$

Where n_1 = Chosen Academic Research Papers

Where n_2 = Chosen Grey Literature Articles

Figure 3.2 - PRISMA flow diagram

3.6.2 Primary Data

3.6.2.1 The Interview Process

The author used note taking as it allowed them to ensure clarity in the flow of ideas.

Probing questions were also used to dive deeper into the subject area where necessary, thus encouraging participant interaction. The author has also proceeded in speaking with additional respondents throughout the field research phase to ensure an exhaustive

understanding of the real opportunities and challenges the PCC market faces in the local setting. This outreach went on until it became evident that no additional interviews would add value to the study, thus suggesting that saturation had been reached.

3.6.2.2 Saturation

The notion of saturation was initially introduced to the realm of qualitative research by Glaser and Strauss in 1967. Since then, this notion has gained widespread acceptance in a variety of academic disciplines, as a method for determining the sufficiency of interviews held for a thematic analysis (Guest et al., 2020).

As the author immersed themselves in the data collected, iterative rounds of coding and theme development were conducted, as discussed in section 3.8. Following the conceptualisation of saturation as both 'data saturation' and 'thematic exhaustion' put forth by Guest et al. (2020), the analysis aimed to identify the point where new information ceased to bring about significant changes to the evolving codebook and where no new themes emerged from the data. This process had to be informed by the iterative comparison of new data with existing codes and themes (Braun and Clarke, 2021).

Through this process, the author established that saturation had indeed been achieved, as further data collection began to yield diminishing returns in terms of new code identification and theme emergence. In Section 4.2, the author will also explain how the study successfully collected a significant proportion of input from most of the local market participants, providing further evidence of saturation.

3.7 Pilot Study

Prior to conducting the main investigation, a pilot study, according to Malmqvist et al. 2019, enables the researcher to identify any potential weak points and areas of concern in the research instrument. The pilot study was consequently considered as an essential tool for ensuring that the interview questionnaire was in line with the overarching objectives of the study. It also made it easier to assess how well participants understood the questions' structure and content.

The pilot study consisted of two interviews, both of which assisted the researcher in understanding some of the more practical facets of successfully contacting the participants and completing the interviews. As a result, those interview questions that were challenging to understand or that seemed to add no substance to the study's objective were modified accordingly.

3.8 Method of Analysis

Following the completion of all interviews, the primary data was promptly transcribed on Microsoft Word and processed alongside the systematic review of the grey literature.

Thematic analysis is a technique for finding, examining, and interpreting important patterns of meaning, also referred to as themes in qualitative data. This method is nonetheless free of any specific theoretical affiliations, making it sufficiently adaptable to accommodate different conceptual frameworks and research objectives. The method's distinctive benefit is in fact its flexibility for when it comes to analysing research questions, using data from any sample size

and subsequent demographics, from various data collection methods, and techniques for meaning derivation (Clarke and Braun, 2017).

Therefore, it was appropriate to find patterns within and across data with respect to participants' practical experience, their standpoints, and preferred practices, as well as in relation to information gathered from grey literature.

The author used an open coding approach throughout the data analysis process, breaking the data down into codes and comparing them to find similarities and differences. As a result, the researcher was able to gain rich and valuable insights into the practical opportunities and challenges faced by Maltese-licensed PCCs.

3.9 Limitations

An inherent limitation within this study is that professionals from smaller firms encountered difficulty in providing detailed insights into specific interview questions. This challenge stemmed from their restricted knowledge or lack of applicability of their companies to aspects like accessing the reinsurance market, non-recourse agreements, and diverse cellular capital structures.

Another constraint arises from the systematic review of grey literature, where the available articles primarily focused on highlighting the potential of PCC insurance undertakings. Consequently, there remained gaps in understanding their corresponding challenges. It was also noted that PCC insurance brokers and managers are under-represented. To address this, further desk research was conducted and specifically oriented towards the challenges arising from the interviews. This was undertaken to ensure a balanced and appropriate representation of both the opportunities and challenges encountered by the local PCC market.

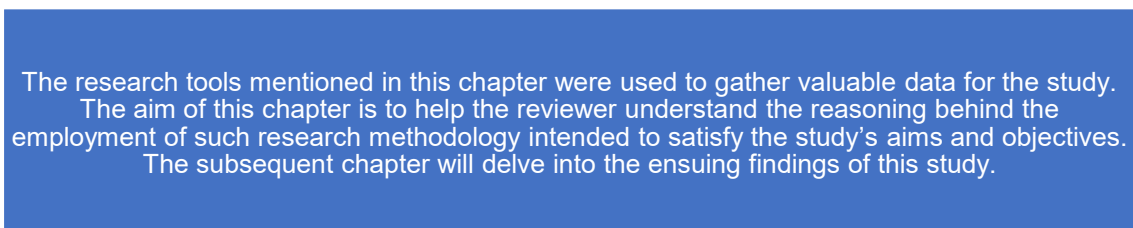
Although the saturation point was reached, and primary data from 85% of Maltese-licensed PCCs was successfully compiled, the task of identifying PCC practitioners with the necessary expertise and experience posed its own challenges at first. General limitations encompassed the word and time constraints imposed in completing this thesis.

3.10 Ethical Considerations

Specific information gathered from the interviews pertained to the operational aspects of the participant companies. Hence, before conducting the interviews, clearance was obtained with the approval of the author's research supervisor and FREC. Additionally, ahead of each interview, an invitation detailing the research goals, along with a confidentiality-assuring consent form, was provided to every interviewee. To such regard, the study has notably refrained from including the names of any PCC or individual personnel in the analysis and findings reaped from primary data.

3.11 Conclusion

Figure 3.3 presents the concluding remarks for this chapter.



The research tools mentioned in this chapter were used to gather valuable data for the study. The aim of this chapter is to help the reviewer understand the reasoning behind the employment of such research methodology intended to satisfy the study's aims and objectives. The subsequent chapter will delve into the ensuing findings of this study.

Figure 3.3 – Chapter 3 Concluding Remarks

Chapter 4: Analysis and Results

Chapter 4: Analysis and Results

4.1 Introduction

This chapter is dedicated to showcasing the primary data collected during the study, which is aimed at addressing the research question. The author begins by providing the participant and population demographics. The interview findings are then delved into, which are supplemented with the interview schedule found in Appendix I - these are then aligned with the second systematic review of grey literature. The findings are subsequently organised based on the themes identified through thematic analysis. Notably, many of these themes closely align with those uncovered during the literature review in Chapter 2, demonstrating a coherent progression in the research process. This alignment enhances the overall reliability of this study. In Section 4.4, a thematic mind-map is presented to visually illustrate these emerging themes.

4.2 Participant Demographics

A total of 11 interviews were conducted, all of which were carefully selected to ensure a comprehensive and representative exploration of the opportunities and challenges facing Maltese-licensed PCCs across the board.

As depicted in Figure 4.1, 2 interviews were held with experts from local insurance managers structured as PCCs, thus representing the full sub-population. Another two interviews were held with local insurance brokers structured as PCCs, and they represent 75% of this sub-

population. Another four interviews were held with individuals employed by insurance undertakings structured as PCCs, and these professionals represent circa 93% the sub-population. This means that an overall 90% of Maltese-licensed PCCs have contributed towards the findings to this study.

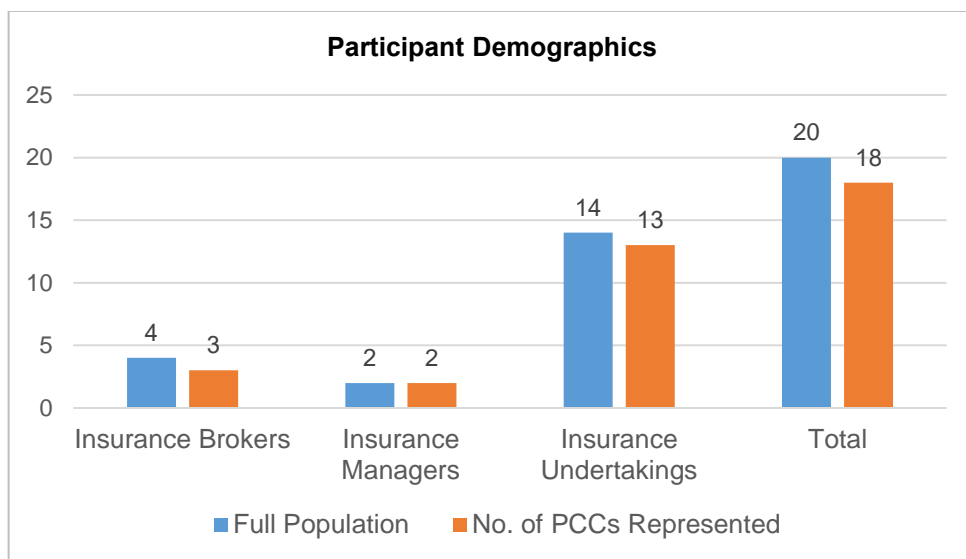


Figure 4.1 - Participant Demographics

The aforementioned 10 interviews also included members from MIMA, the MIAB and the IAM. The final interview was conducted with a representative from the MFSA, who was strategically included to ensure a well-rounded and informed analysis by also encompassing the regulatory standpoint.

4.3 Population Demographics (compiled by author)

To comprehensively evaluate the local opportunities and challenges for the PCC market, the author first conducted extra desk research relating to the population demographics. The data was initially retrieved from a search using the MFSA's Financial Services Register during July 2023, and subsequent searches from the MBR's company search were also conducted for each PCC that was ever registered (which the author has evidenced in Appendix II). Aside from adding substance to the background theme discussed in Chapter 2, this research fortified the foundation for insights drawn from the secondary systematic review and subsequent interviews.

4.3.1 Timeline of local PCC Registrations

The largest novelty of PCCs, according to FinanceMalta (2021), comes from Malta's ability to integrate the PCC legislation with more established laws, such as business law and insurance law. It is the only country in the EU with PCC legislation and the only country in the world to have PCC legislation that covers both insurers and intermediaries, such as insurance managers and brokers. When putting together the population demographics for the remainder of this section, the author has made distinctions between the three to this extent.

4.3.1.1 Core registration history

This section presents the history of PCC licence authorisations to date.

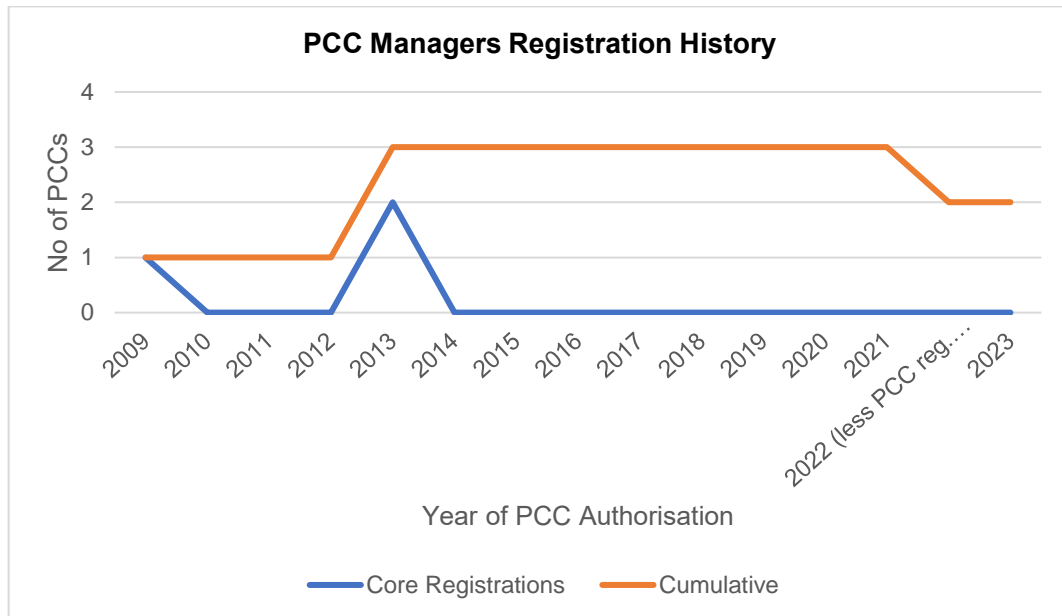


Figure 4.2 - PCC Managers Authorisation Timeline

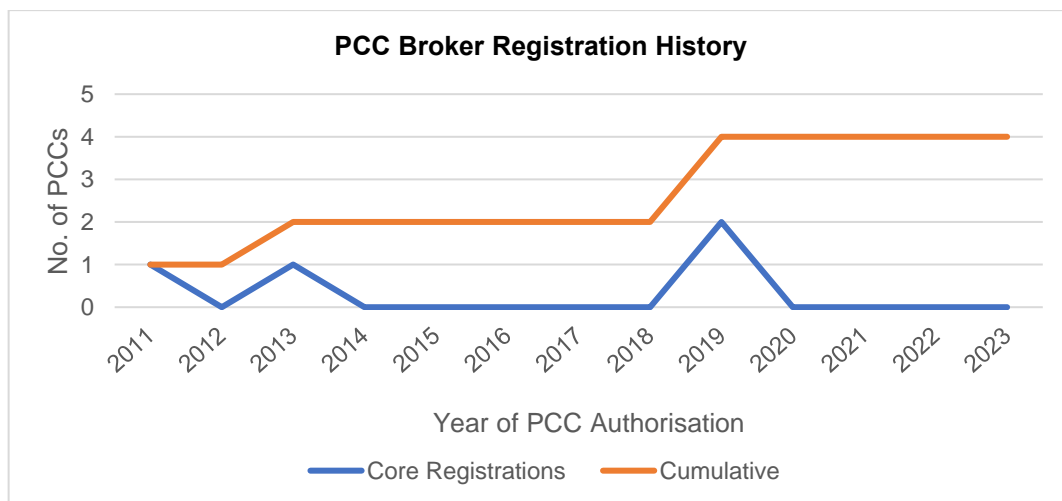


Figure 4.3 - PCC Brokers Authorisation Timeline

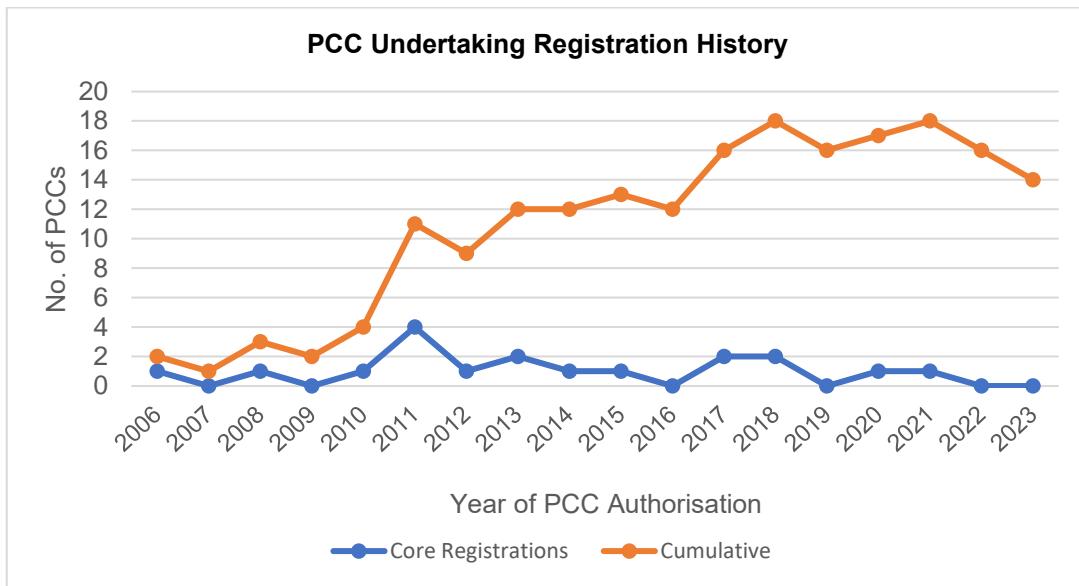


Figure 4.4 - PCC Undertakings Authorisation Timeline

4.3.1.2 New v. converted structure statistics

Figures 4.5, 4.6, and 4.7 indicate whether PCCs were established as protected cell structures at the time of incorporation, or whether they began as regular insurance managers, brokers, or undertakings before becoming PCCs. As of July 2023, the majority of intermediary structures had been converted to PCCs. The first and sole new PCC manager setup, which consisted of a core and one cell, was struck off in 2022, leaving only one new intermediary. The other intermediaries had to be converted.

As for the undertakings, there were only two structures which had converted, this meaning that the rest were newly incorporated PCC structures. It would be worth pointing out that the 2006 conversion, that of Atlas Insurance PCC Limited, was the first of its kind in the world (Feetham, 2010).

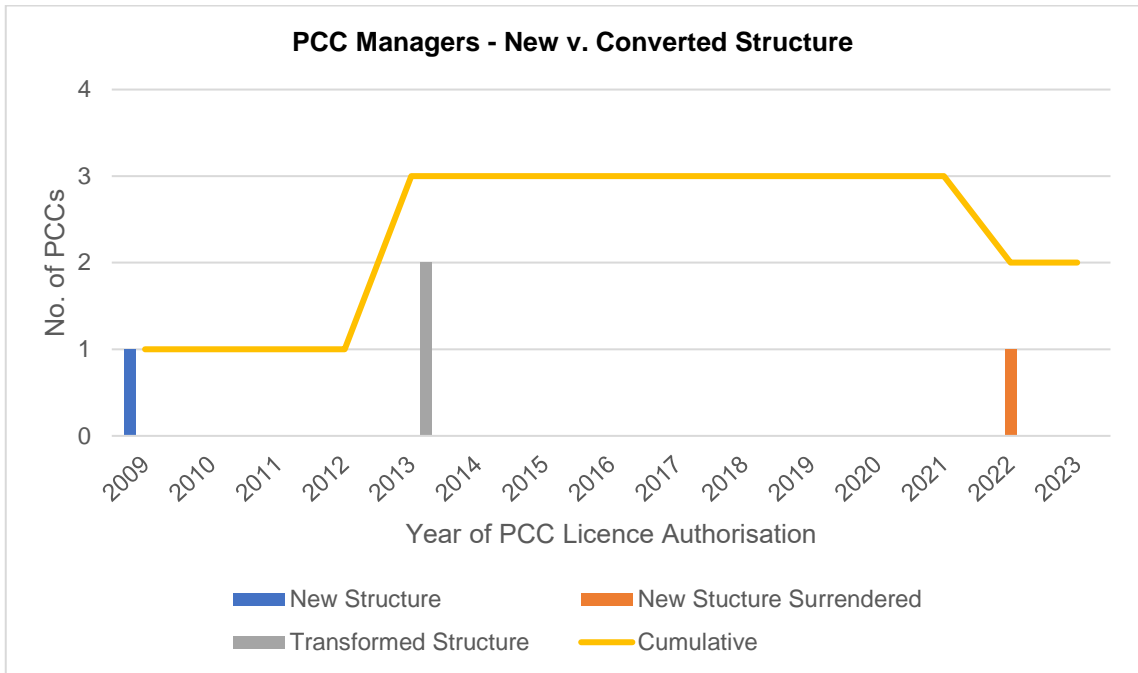


Figure 4.5 - PCC Managers Initial Set-Up

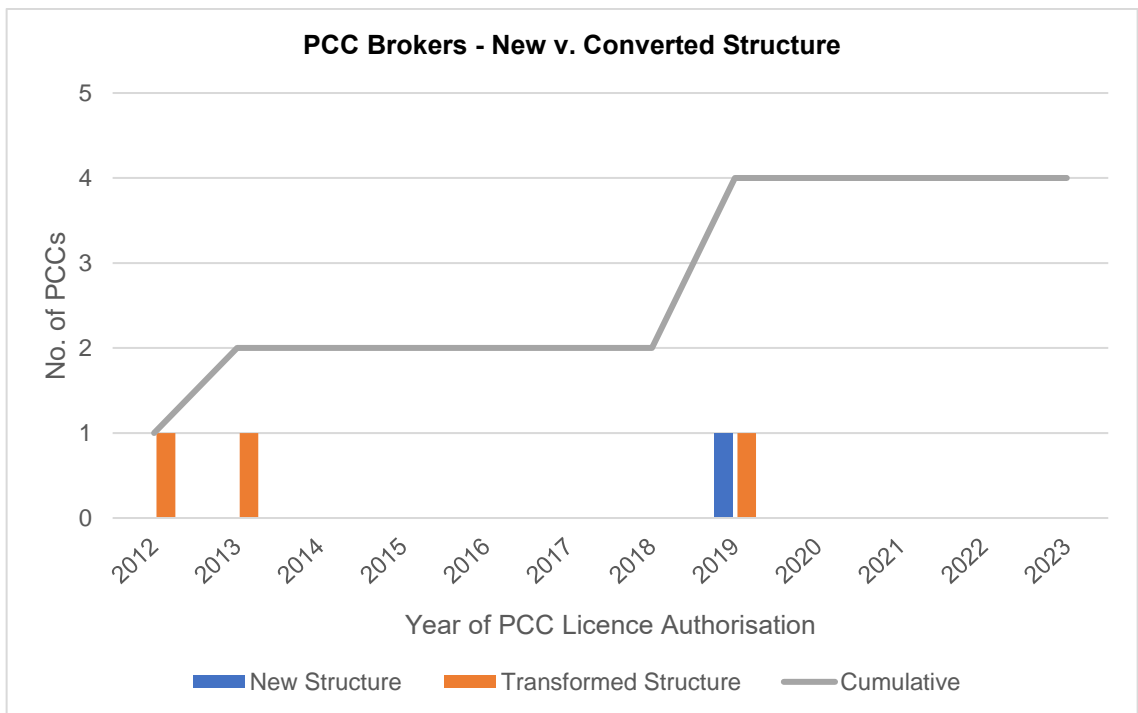


Figure 4.6 - PCC Brokers Initial Set-Up

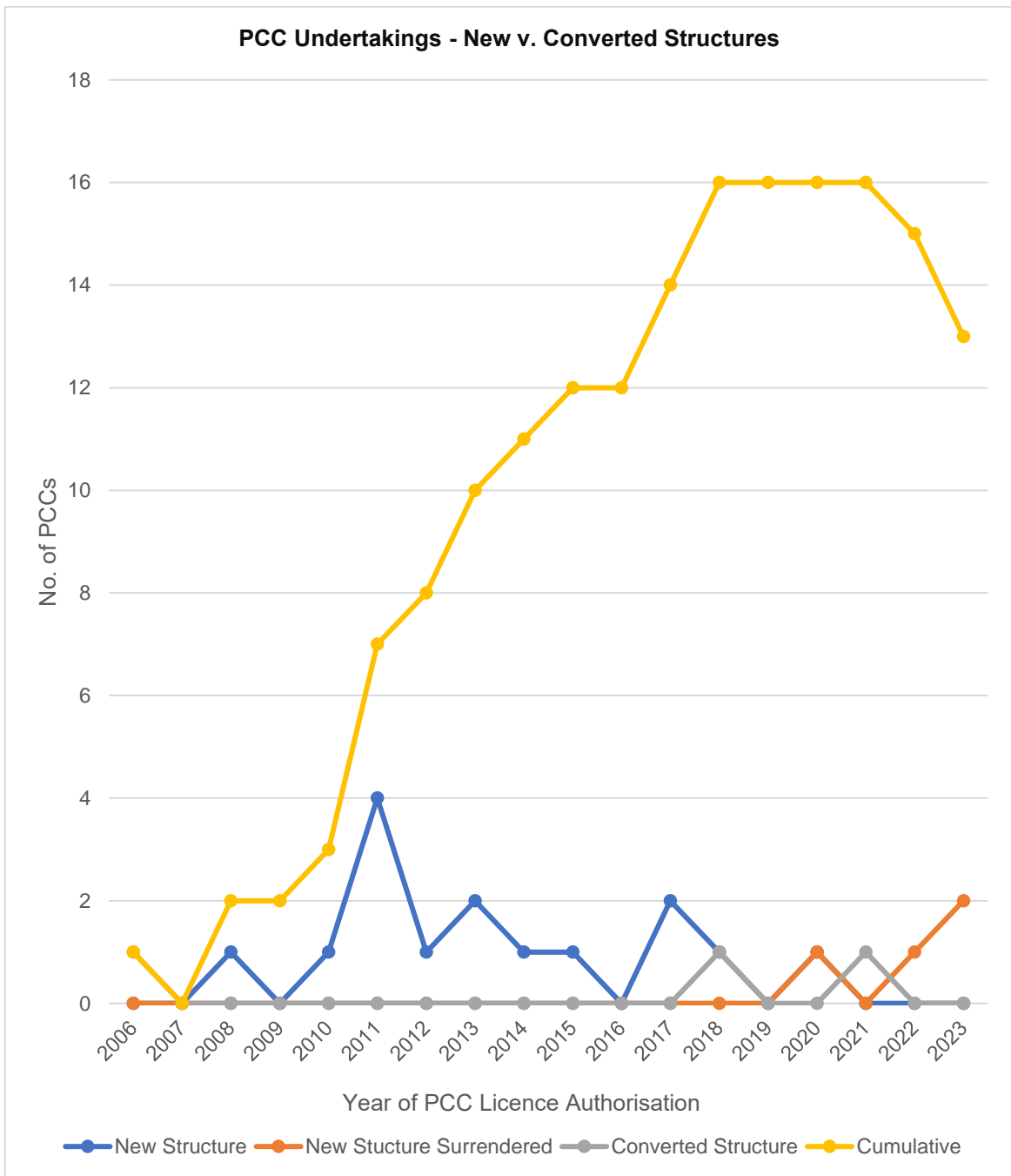


Figure 4.7 - PCC Undertakings Initial Set-Up

4.3.1.3 Cell registrations

This section presents all the authorised cells to date.

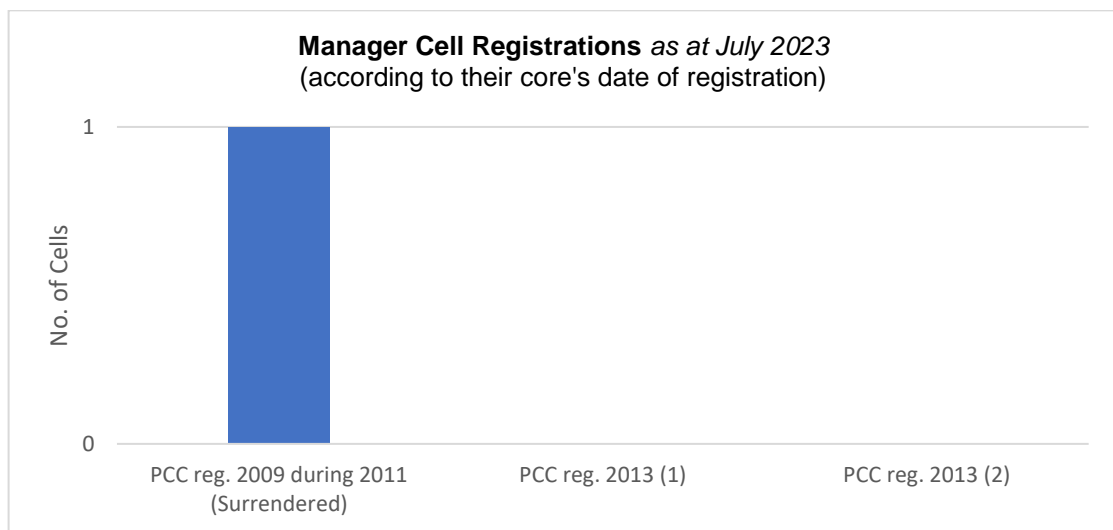


Figure 4.8 - PCC Manager Cell Registrations to date

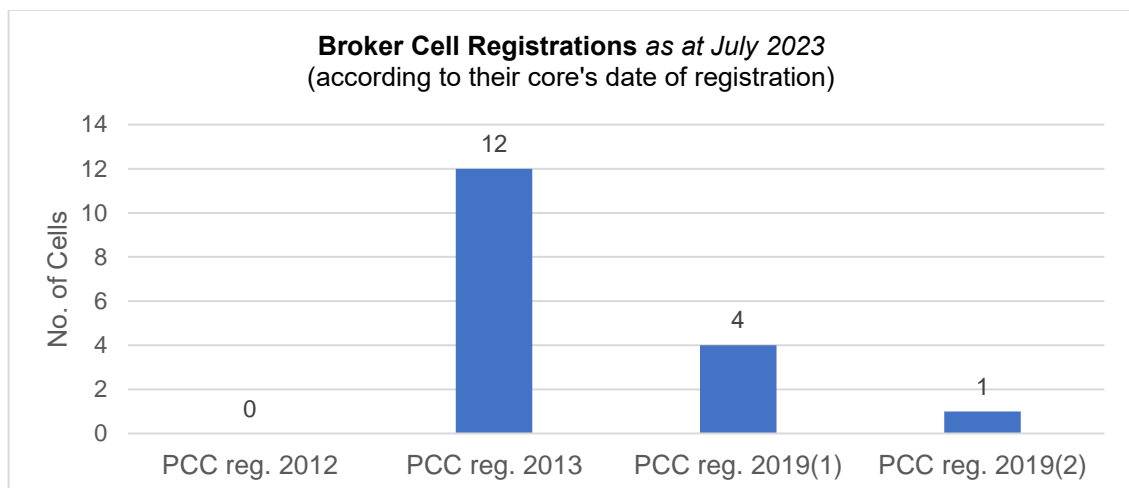


Figure 4.9 - PCC Broker Cell Registrations to date

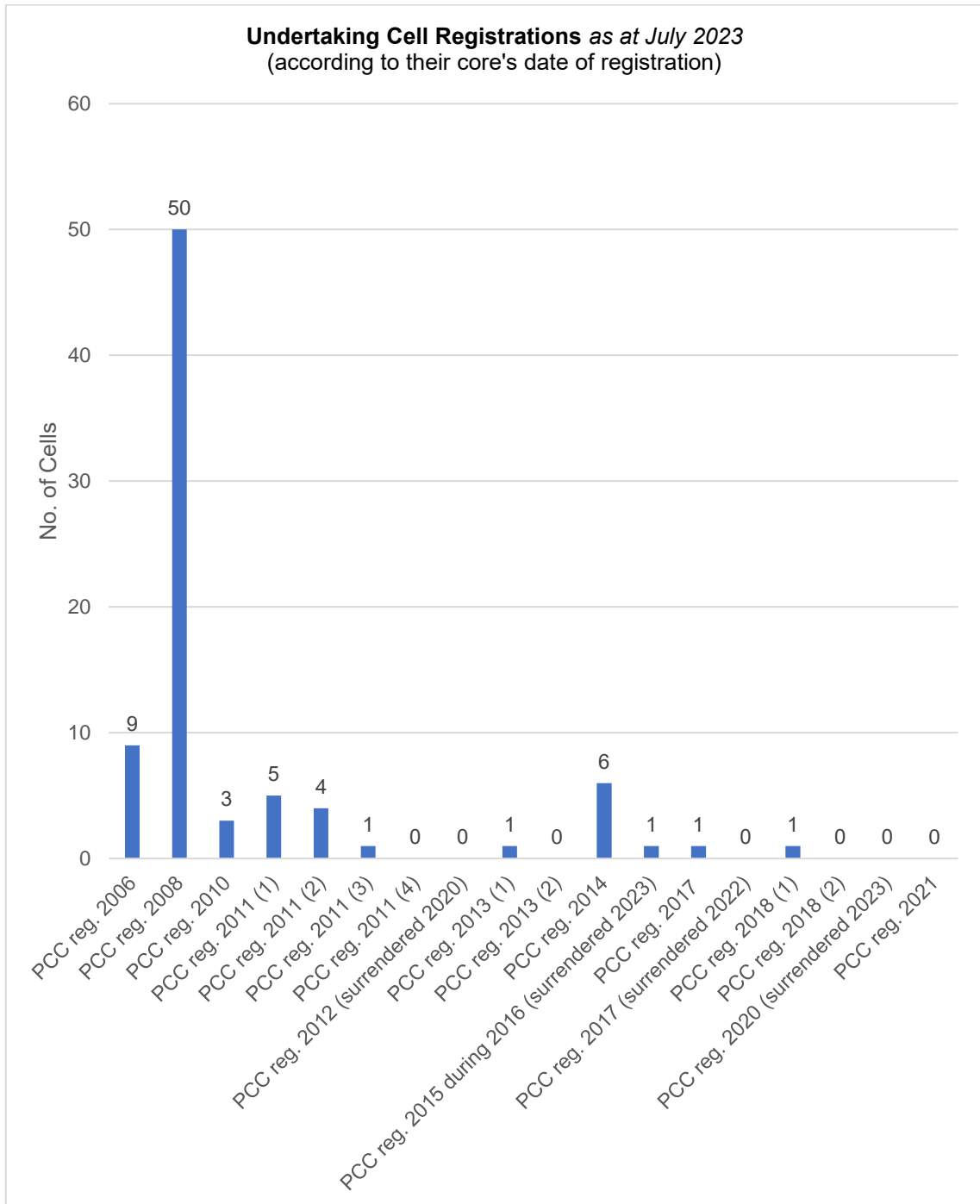


Figure 4.10 - PCC Undertakings Cell Registrations to date

4.3.2 Market share in terms of share capital value

For the first two demographics under this section, the author has compiled a list of issued share capital values for all PCCs and arranged them in ascending order from smallest to largest, the evidence of which are attached in Appendix II in the same order. In figures 4.11 and 4.12, the share capital is depicted on the Y-Axis. The X-axis depicts the PCCs position in the aforementioned list. Figure 4.13. subsequently depicts the market share held by managers, brokers, and undertakings respectively, the percentages of which were derived from the totals of the aforementioned lists.

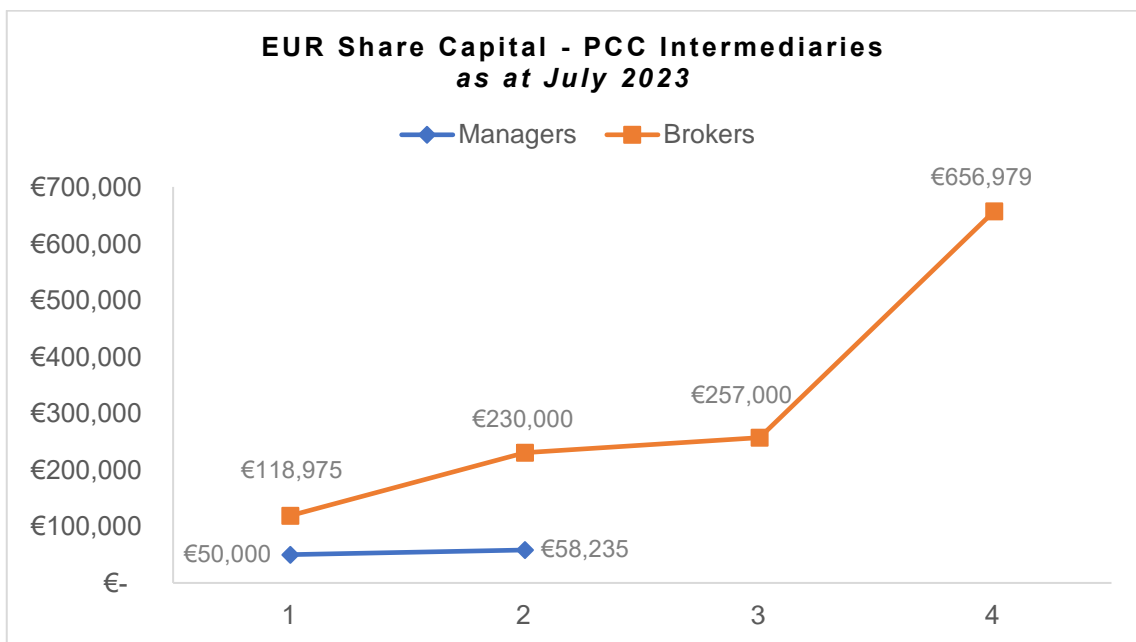


Figure 4.11 - PCC Intermediaries Issued Share Capital

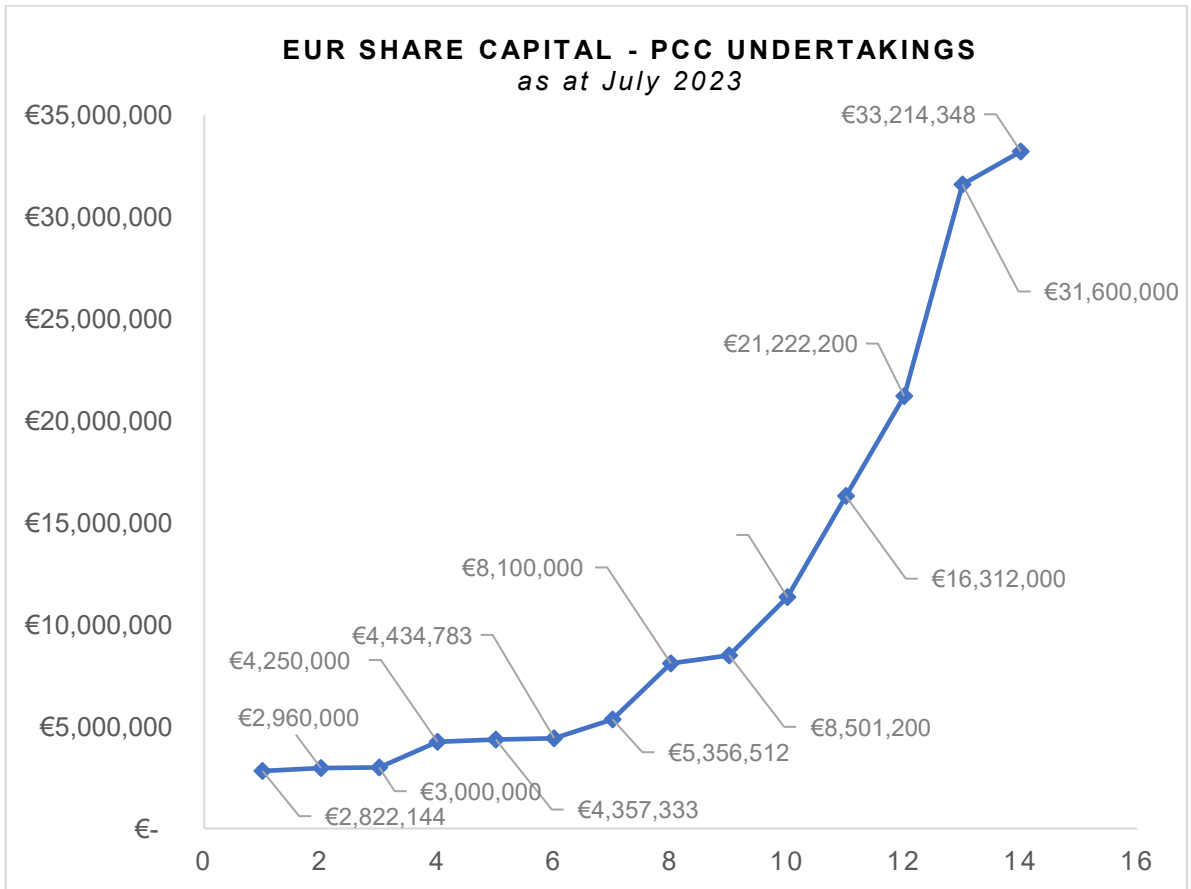


Figure 4.12 - PCC Undertakings Issued Share Capital

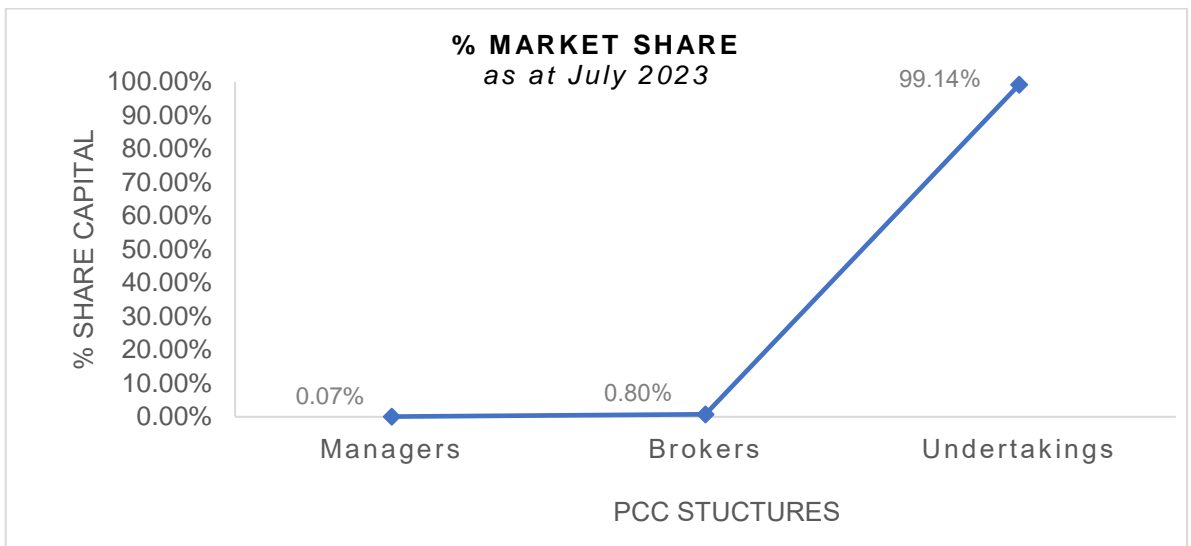


Figure 4.13 - Market Share by PCC Structure

Figure 4.13 depicts that more than 99% of the local PCC market consists of PCC undertakings. One participant had pointed out that they are in fact not very active locally, despite their innovation. The author has however referred to their shareholders from the MBR website, and subsequently found that most PCC intermediaries are partially owned or affiliated with other PCCs and traditional insurance undertakings. All the PCC undertakings are furthermore owned by large captive intermediaries. This further proves that the value they bring to the market lies in their service, more so than their income and their capital held in monetary terms. The OECD (2020) emphasises the matter, stating that because they reduce information asymmetries and the possibility of adverse selection, they play a critical role in the efficient functioning of insurance markets.

4.3.3 Cell Opportunities Available

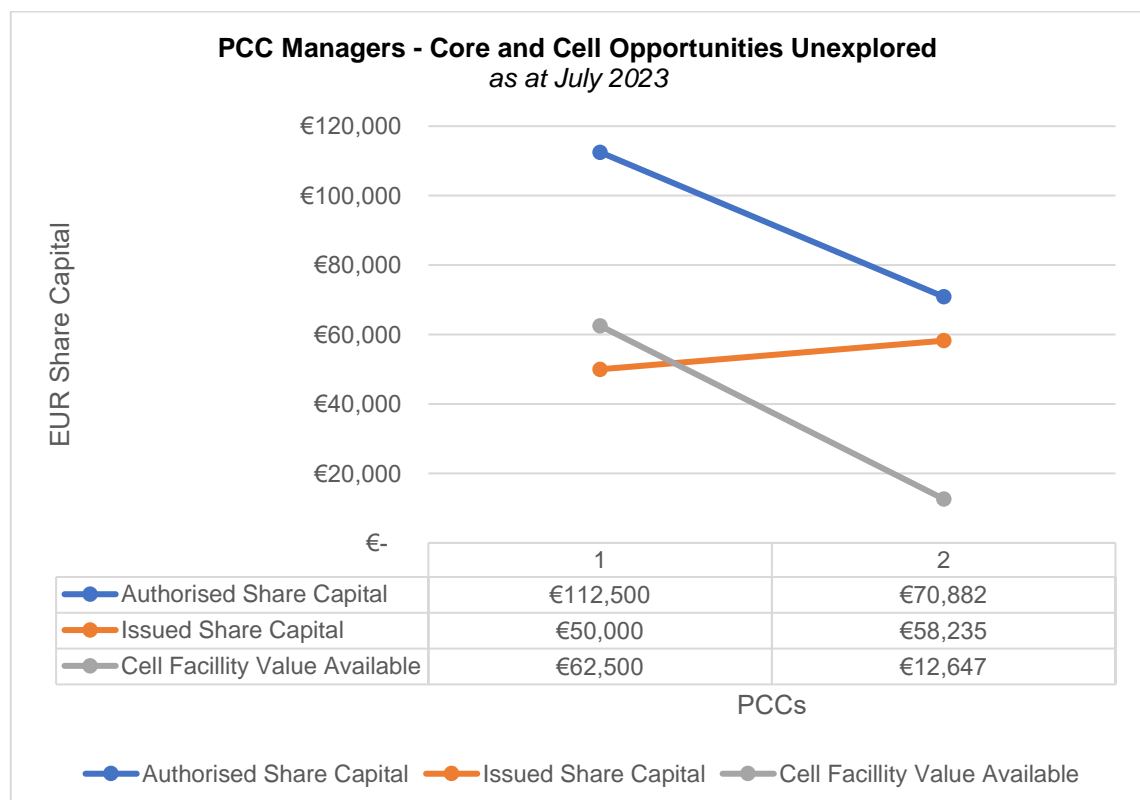


Figure 4.14 - PCC Managers Unexplored Opportunities

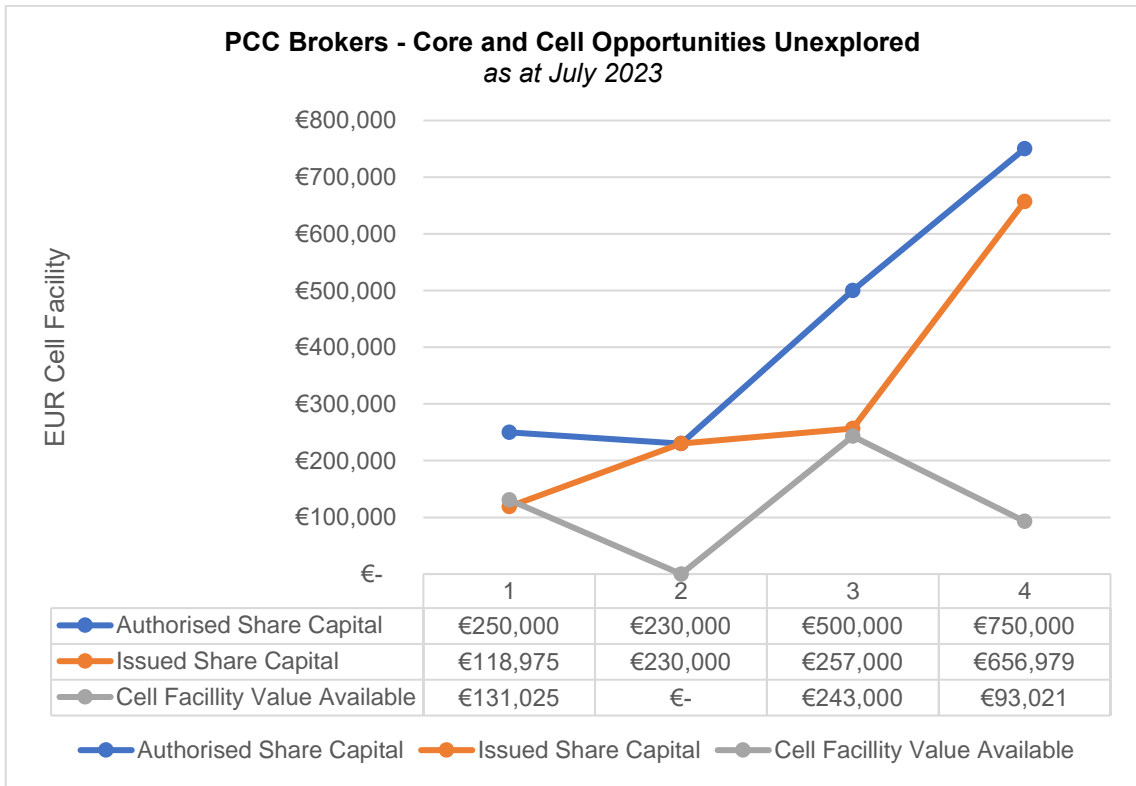


Figure 4.15 - PCC Brokers Unexplored Opportunities

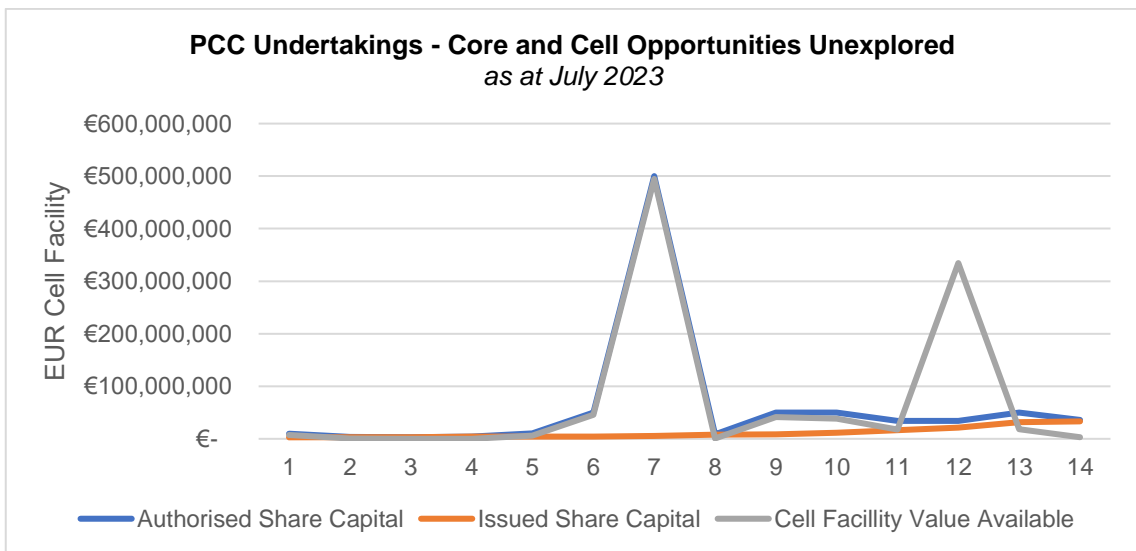


Figure 4.16 - PCC Undertakings Unexplored Opportunities

PCC	EUR Authorised Share Capital	EUR Issued Share Capital (Ascending Order)	Cell Facility Value Available
1	10,000,000	2,822,144	7,177,856
2	3,700,000	2,960,000	740,000
3	3,000,000	3,000,000	-
4	4,250,000	4,250,000	-
5	10,560,228	4,357,333	6,202,895
6	50,050,000	4,434,783	45,615,217
7	500,000,000	5,356,512	494,643,488
8	8,600,000	8,100,000	500,000
9	50,000,000	8,501,200	41,498,800
10	50,000,000	11,345,696	38,654,304
11	34,012,000	16,312,000	17,700,000
12	34,200,000	21,222,200	334,727,800
13	50,000,000	31,600,000	18,400,000
14	36,150,000	33,214,348	2,935,652

Figure 4.17 - Data Table for Figure 4.16

4.3.4 PCCs Types 1 and 2

4.3.4.1 PCC Intermediaries

As they ought to be, all intermediaries are Type 1 PCCs, as shown in Figures 4.18 and 4.19, because it is not the nature of their service to write insurance business. The author has confirmed this by referring directly to the objects clause.

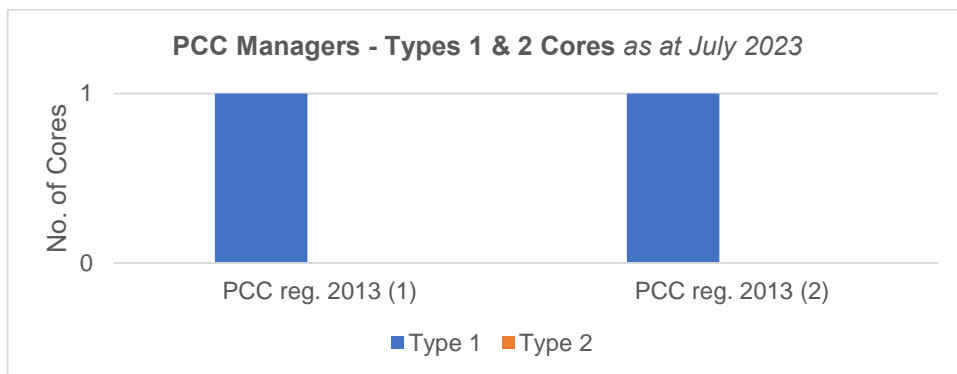


Figure 4.18 - PCC Managers Types

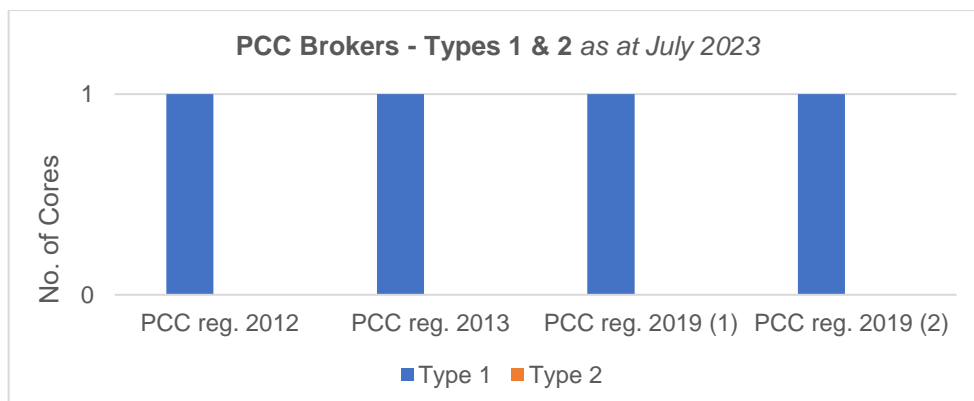


Figure 4.19 - PCC Brokers Types

4.3.4.2 PCC Undertakings

The objects clause of PCC undertakings' M&As does allow them the authority to write insurance business, given their organisational structure. However, it cannot be assumed that all PCC undertakings fall into the Type 2 category because the company's strategy will determine whether the core writes insurance or not. As a result, the author explicitly searched for insurance risk, insurance operations, reinsurance, and related party disclosures in the notes to their most recent financial statements.

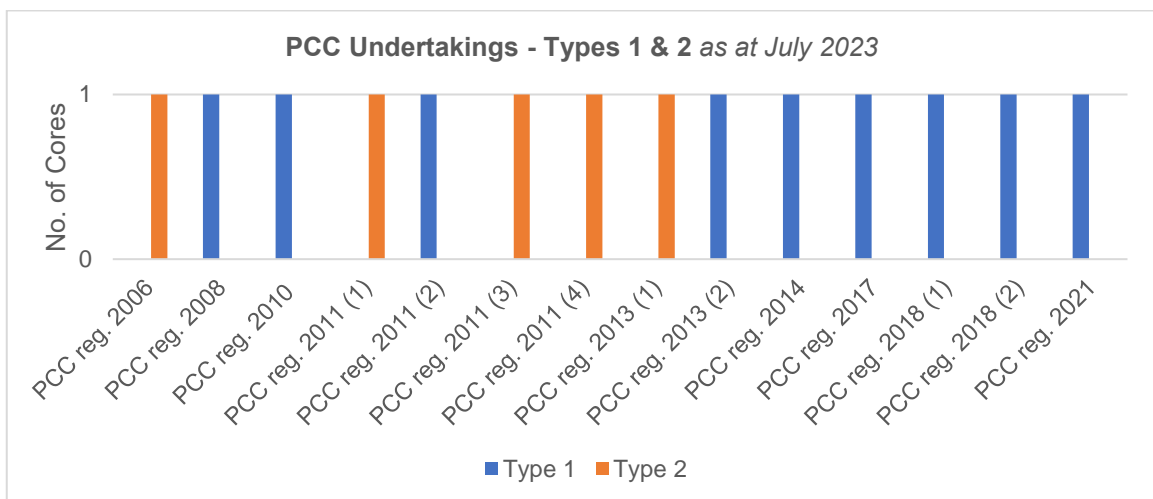


Figure 4.20 - PCC Undertakings Types

Figure 4.20 shows that while 35.71% of PCC undertaking cores do engage in these activities, 64.29% of them refrain from writing insurance and entering into reinsurance contracts. By considering section 4.3.2 (market share), this clearly indicates that the large captive conglomerates that established a PCC in Malta are more interested in providing cell facilities to their clients as opposed to assuming insurance risk. To such regard, a participant has pointed out that these Type 2 PCCs (64.29%) would most definitely have a non-recourse agreement in place.

4.4 Thematic mind-map

The structure of this thematic analysis is depicted in Figure 4.21, a thematic mind-map, in terms of the themes discussed in Chapter 2. By completing further research on the background of PCCs and delving into greater detail about the present local market in section 4.3, the author was able to retain a consistent framework. The next sections will provide further detail on the remaining themes as well as the new themes and sub-themes.

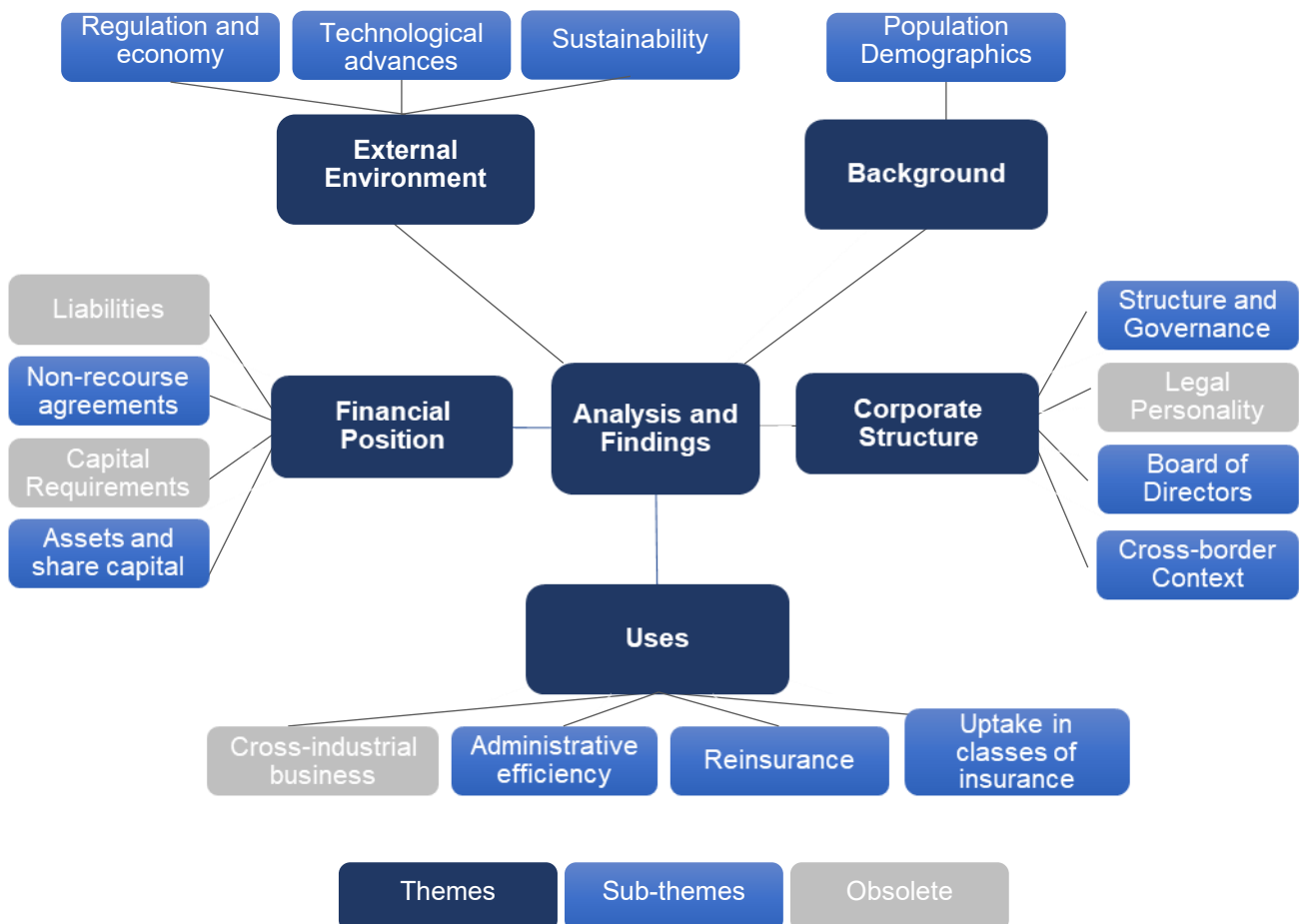


Figure 4.21 - Thematic Mind-Map

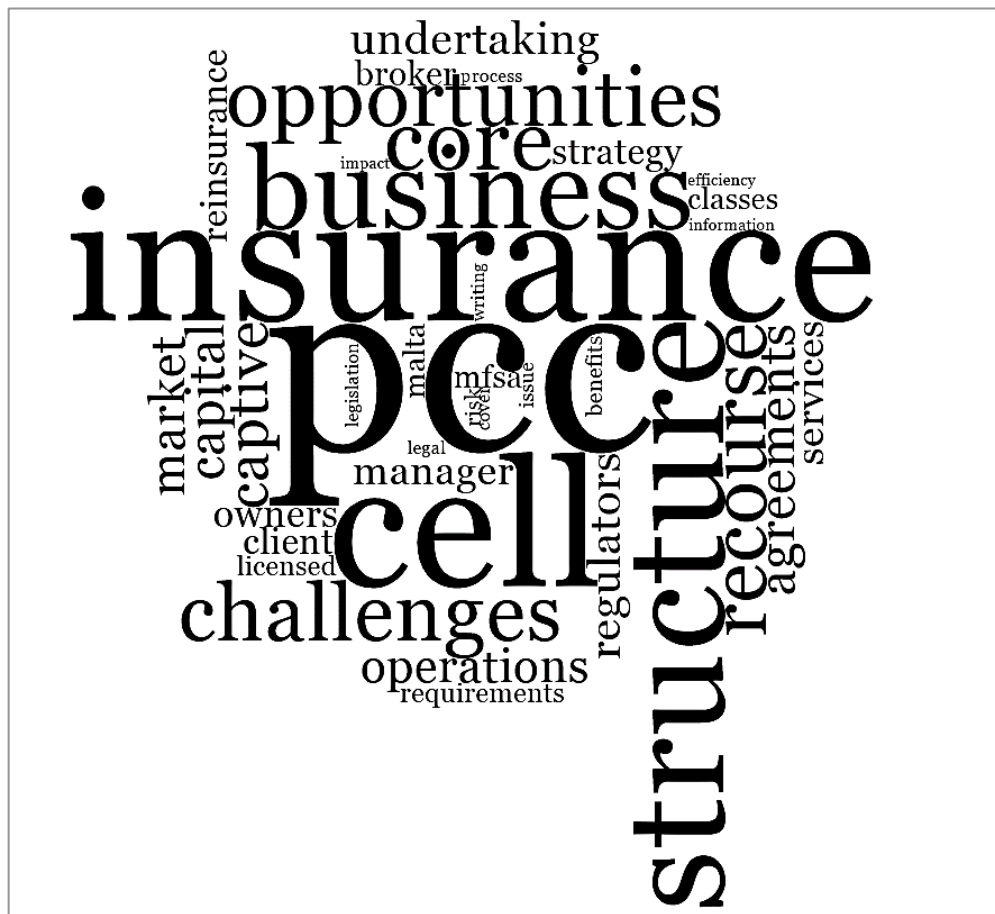


Figure 4.23 - Word Frequency Chart 2 (Interviews)

The most frequent words from the primary and secondary data collections are represented in the word frequency charts above, which both highlight the opportunities and challenges of Maltese-licensed PCCs. Data from interviews is displayed in Chart 2, whereas data from grey literature are presented in Chart 1. The word "insurance" is strongly emphasised in Chart 1 to draw attention to the significance of the underlying possibilities for PCC use in the insurance sector. In contrast, the term "PCCs" appears more frequently in Chart 2, indicating a change in attention towards the structure itself as well. Additionally, it illustrates themes related to share capital, recourse, and the regulator, all of which have been completely absent from grey literature. These visualisations compliment the author's thoughtful theme selection, which is shown in figure 4.21.

4.5 Structure and governance

4.5.1 Structure and governance strategy

4.5.1.1 Structure conversion

Four participants have disclosed that the process of converting a normal company to a PCC is two-fold. There is the Companies Act process via alterations to the M&As, and there is the application process with the MFSA, since it is a licensed entity. The two work in tandem as the company first needs to get the application process started with the MFSA, that effectively involves explaining the motivation behind this conversion. It has to cover what the intended modus operandi for the core and each cell. A participant has furthermore explained that forming a cell at the same time makes the process relatively smoother, as it helps justify the motivation for incorporating a PCC. Their reason was that they had a captive business with a number of subsidiaries and joint ventures which they aimed to ring-fence.

A participant stated that *"This conversion can be done legally, however, it ultimately depends on the intention of the shareholders."* Given the comprehensive authorisation process (for both the company and each cell), adopting a long-term strategy is more practical as it facilitates a more efficient use of resources. While such a transformation could be *"demand-driven"* if investors are dissatisfied with the structure's business, it is unlikely to become a trend.

Cells may also act as an incubator, and three participants have pointed out that the largest Maltese-licensed PCCs have been set up for such matter. This means that a mini-insurance company can begin as a cell then, as substance, business, or volume comes in, they may morph out into an independent organisation. The regulator does appear to the market to view this as a feasible possibility, but the law does not permit it as they would like. Several industry lobbyists are currently discussing this with the MFSA in order to explore what can be done from the standpoint of the market to make such a transition as feasible as possible (Bianchi and Carbonaro, 2022).

As demonstrated in Appendix II, the closest conversion experienced locally was from a PCC to a Societas Europaea, the reasons of which fall down to the company's strategy - for instance, due to the increased preference for utilising the freedom of establishment regime, or due to a more favourable floor for issued share capital at €120,000 (Your Europe, 2023).

4.5.1.2 Cell Autonomy

Leading insurance companies across Europe have acknowledged the importance of cell sales, especially since some PCCs have negotiated contracts with significant EU insurers and reinsurers. The capacity of third-party cells to preserve their distinctive personality is crucial because it allows customers to recognise and connect with them independently, yet within the larger structure. Broker cells have now been incorporated into the insurer model to such regard, as European market actors have demonstrated a willingness to expand this strategy to include brokers with the introduction of insurer cells.

There is a single organisation, frequently referred to as the primary investor, at the core of this structure. Malta has put in place particular procedures that are intended to help customers of larger insurance providers and brokers. In these specific arrangements, a self-management system is implemented, allowing each cell to function independently while being governed by the central owner. These arrangements, however, can also take shape in the form of joint ventures or investment possibilities that are managed by a group of financiers, providing them a great deal of discretion over managerial responsibilities.

It is important to note that some cells that are individually held by shareholders, most frequently under the Type 2 structure, are engaged in the underwriting of insurance contracts under Maltese law. Additionally, the central entity's strategy plan determines whether cells are owned by outside parties and whether they are managed by licenced intermediaries who also serve as PCCs (FinanceMalta, 2021).

4.5.1.3 Cell committees

The task of establishing a cell's formation is taken on by the central entity. Similar to traditional insurance businesses, the MFSA requires a thorough operating scheme and business strategy to be submitted with an application to establish a cell. The BOD reviews this business plan initially and decides whether to incorporate the cell based on its viability. This plan is jointly submitted by the board and the promoter or cell owner.

Depending on shareholder preference, any individual cell within this framework may set up its own cell committee, tasked with executive management. This choice is made during the cell

onboarding procedure, which includes the incorporation and shareholders for the cell, and the core entity. Account monitoring is one of the committee's duties, and members often come from the main entity, the board, the promoter or cell owner, and the manager. Shareholders are informed about cell accounts to ensure openness in business operations. These accounts are then disclosed to the core organisation and submitted to the board for supervision and advisory conversations. To address the unique strategic risks connected to each cell, the amount of detail in reporting is adjusted (FinanceMalta, 2021).

4.5.1.4 Insurance Manager PCCs

Insurance managers, according to Mamo (2011), use a bi-focal business model. It serves as a stand-alone solution for the needs of insurance companies that need continuous management or help with the feasibility and formation process. Without having to set up a full-fledged registered insurance manager, the PCC makes it accessible to service firms that want to take part in the insurance management process in an EU domicile.

By combining the duties of the accounting department, which are in charge of making financial arrangements for the core entity and all connected cells, this framework makes it easier to carry out some administrative chores through the core entity in an effective manner. As a result, this strategy enables managers to focus their efforts on the areas where they are most knowledgeable. The legal system has worked hard to give Malta access to a wide range of options, with a focus on substance in particular. The interesting thing about this is that all PCCs in Malta keep close relationships to businesses whose main activities are based in Malta, which makes them more appealing.

Collaboration between shareholders and directors is crucial under this structure, and financial statement approval requires their consent on both sides. However, the BOD is ultimately responsible for these financial statements in accordance with long-standing insurance company procedures. The PCC represents the cell in circumstances involving agreements, giving the board full responsibility for those matters. The registered insurance broker within the cell in the context of intermediaries is assumed by a designated person. This person is in charge of managing local operations and is a key member of the cell's management committee, which closely monitors compliance and financial issues. Individual cells' processes continue to be unique, yet they seamlessly converge and give information back to the core entity.

To explain further, a participant considered a captive insurance company that annually underwrites property and business interruption policies, with a specific focus on mitigating larger risks to reduce claims frequency. In this scenario, the cell committee convenes on an annual basis for policy renewal, conducts biannual reviews of outcomes, and initiates the assessment of the ORSA. Unlike traditional standalone captives, which typically require board meetings to be held in the insurer's home country, the cell model offers greater flexibility due to its established management structure. In the case of intermediaries, the management committee convenes at least quarterly, maintaining frequent interactions with the cell owner to tap into their expertise in policy formulation.

4.5.1.5 Broker PCCs

Brokers primarily use secondments from their parent firms to assist clients in using the cell model with operational assistance and advisory services. With a focus on broker-to-broker

relationships over direct consumer encounters, this strategy encourages more involvement in wholesale broking. Comparing marine, high-value, and large-scale risks to automobile and personal lines risks, the cell model performs particularly well in a broker-to-broker framework and for handling risks of a more commercial nature.

This operational structure is comparable to a "plug and play" design, which, for instance, proved to be successful in the Brexit scenario. This was especially important for UK brokers because they had smaller European portfolios that had to stay within their organisation. By using a cell structure, they were able to maintain their brand identity within the bigger company. At this point, it is clear that an undertaking PCC, which takes on the risk, differs from an intermediary PCC, which essentially gives the cell the ability to take on risk (FinanceMalta, 2021).

4.5.2 Cross-border context

4.5.2.1 Brexit Aftermath

According to Deakin (2023), established PCC structures can provide clients who require passporting rights for self-insuring risks in the EEA with a cellular facility. It's interesting to note that the first insurance broker to switch to a PCC structure made it clear that their main goal in doing so was to accomplish a steady and gradual expansion into international markets, extending their services internationally (Accord, 2023).

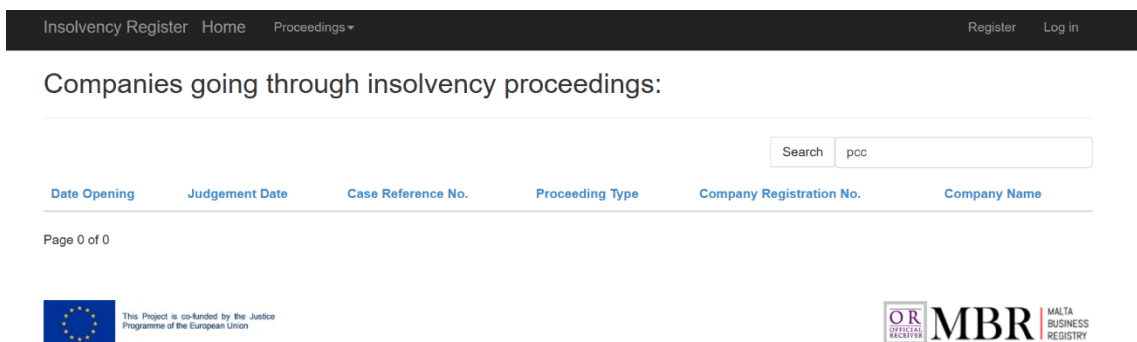
All participants agreed that a PCC offers a number of advantages over independent insurance intermediaries, operating in two separate segments: the corporate core and the individual cells. Reduced risks, decreased capital requirements, and cost effectiveness are the results of this bifurcation. It's important to note that Malta is the only EU member country having PCC legislation, and that only the largest PCC broker has successfully taken use of this chance to entice companies in need of an EU subsidiary to serve their EU/EEA clients.

Following the announcement of Brexit in 2016, Malta's PCC status—particularly for bigger and mid-sized intermediaries—became a highly sought-after alternative for UK brokers as a backup plan to preserve their passporting rights throughout the EU (Holmes, 2018). According to one expert, intermediaries needing an EU domicile can use a Malta-based cell without forming their own firm. They have access to the EU thanks to its passporting policies. As a result, the number of cells at Malta's biggest PCC brokerage increased significantly, rising by 66.67% (Spiteri, 2022).

During Brexit, Malta was home to a number of run-off consolidator vehicles, which provided an opportunity for portfolios to enter run-off status due to shifting conditions in the legacy business (Cutcher, 2017). The appeal of local PCC adoption in a cross-border setting increased as a result of this change, which made managing smaller portfolios less profitable (Irving, 2019). The regulatory constraints for UK brokers were also three times higher than those for the average EU member state, according to Accord (2023), which made this structural approach even more appealing.

4.5.2.2 Insolvency Implications

The author conducted a subsequent search on the MBR's insolvency register, dated 28/07/2023. As per Figures 4.20 and 4.21 respectively, the search yielded no results under local and foreign insolvency proceedings for PCCs, thus confirming the lack of case law and the legal precedent thereto. Further given the significance of some PCCs for financial stability, at both local and EU levels, exacerbates certain complexities relating to stakeholder uncertainty and future safeguards from subsequent interpretations. The local court's inexperience and time lag thereto would also be an issue, as currently demonstrated by the dissolution Setanta Insurance Company Limited, the proceedings of which have been taking place for 9 years since April 2014 (MBR, 2023).



The screenshot shows the MBR Insolvency Register interface. At the top, there is a navigation bar with 'Insolvency Register', 'Home', and 'Proceedings' (with a dropdown arrow). On the right side of the navigation bar are 'Register' and 'Log in' links. Below the navigation bar, the heading reads 'Companies going through insolvency proceedings:'. A search bar is present with a 'Search' button and the text 'pcc' entered. Below the search bar, a table header is visible with columns: 'Date Opening', 'Judgement Date', 'Case Reference No.', 'Proceeding Type', 'Company Registration No.', and 'Company Name'. Below the table header, it says 'Page 0 of 0'. At the bottom left, there is a logo for the European Union with the text 'This Project is co-funded by the Justice Programme of the European Union'. At the bottom right, there is the MBR logo with the text 'MALTA BUSINESS REGISTRY'.

Figure 4.24 - Local PCC Insolvencies

Insolvency Register Home Proceedings ▾ Registrar Log in

Foreign companies going through insolvency proceedings:

Search pcc

Case Reference No.	Proceeding Type	Company Registration No.	Company Name
Page 0 of 0			




 This Project is co-funded by the Justice Programme of the European Union
 

Figure 4.25 - Foreign PCC Insolvencies

4.5.2.3 Other legal implications

If they conduct business with retail clients based in a different member state, PCCs are faced with an additional challenge of needing a sufficient understanding of the risks present there. Additionally, the General Good Provisions must be followed. Since the MFSA's knowledge is limited, this challenge is efficiently mitigated by the host regulator, who deals with conduct issues. The regulator checks that the products are priced fairly and that the companies actually have the necessary knowledge to sell in that jurisdiction. New businesses selling on a cross-border basis are subject to more requirements locally.

A participant made the observation that many Maltese-licensed PCC clients are categorised as large risks under Solvency II. These include contracts with commercial policyholders with more than 250 workers, a turnover of more than €12.8 million, or a balance sheet of more than €6.2 million (EIOPA, 2018). They also include the maritime, aviation, and transport classes. The CJEU's decision in the case of *AAS Balta v. UAB Grifs AG* (2020) provides support for the notion that these clients, or these "large risk" contracting parties, are required to be aware of the

risks they are taking. According to EAPIL (2020), these contracting parties do not merit the same protections as retail clients, especially for insurance-related issues.

4.6 Uses

4.6.1 Uptake in insurance classes

“The aim is to operate different businesses”.

The structure did not have an impact on the uptake of a specific class of insurance. However, it has widened what classes of insurance held locally on the market players books. Marine and aviation business has for instance increased, so much so that a subsidiary legislation regarding Shipping and Aviation cell companies (MAPCCs), has been introduced under the Companies Act (Ghio, 2022).

From an insurer point of view, it has aided them to expand client services vis-à-vis the cells. It allows individuals to have a risk-taking vehicle, whether captive or non-captive, at what is effectively a lower cost in terms of funding and management time. To such extent, all participants confirmed that it allows the cells to rest on the governance and expertise of the core, thereby allowing them to concentrate on growing their business.

By looking at short-tail business, perhaps the very static types of products with very good loss ratios, there is a big advantage because it is cheaper to run a cell than it is to run a full-blown company. The statutory lines of business on the other hand (e.g. employer's liability, motor third-party liability), even the other complex business, become more challenging for the core because it is opening itself to longer tail and to third party claims. Given that the law requires full recourse, this exacerbates the challenge to the core.

A participant has also mentioned that in terms of life business, it's very rare for there to be a non-recourse agreement with the core. However, there still may be certain benefits depending on who the promoter is. The benefit there will relate more to governance and administrative expertise, as opposed to uptake. After conducting additional desk research to this point made, the author found that the M&As of the only local PCC writing life business does so through a cell, allowing non-recourse to the core. They do however have a reinsurance agreement in place, to mitigate their risks.

All participants have pointed out that new type of covers will make it into insurance for sure, an example being parametric insurance. Any type of cover can be offered in a PCC, as long as there is enough capital, adequate reinsurance was needed, and that there is a market.

4.6.1.1 Uptake via incubators

One notable distinction lies in the capability of cells to function as "mini-insurance companies." This essentially means that cells can operate as standalone insurance entities from an operational perspective. This versatile feature allows investors to leverage a single structure for

various entities. For instance, within a PCC, one cell may engage in captive insurance for a specific group, while another cell writes affinity business or direct insurance risks. Consequently, the structure accumulates diverse types of insurance with differing interests, all within the same framework. Consequently, PCCs are sometimes referred to as multi-insurance SPVs (Lloyds, 2021).

A situation where a captive cell within a Maltese-licensed PCC incubated a blockchain technology startup pilot project serves as an illustration of this idea. Through a fully digitalized solution with individualised cost and savings features, the initiative sought to provide insurance coverage for bicycles owned by competitive cyclists, triathletes, and commuters in Malta (Insurance Journal, 2020). The regulator's decision to forbid the trading of specific crypto assets, which were beyond the purview of regulatory oversight, forced the closure of this particular cell. Malta remains at the forefront of the blockchain business despite the regulator's appetite being a challenge in this situation. Malta was the first country in the world to guarantee legal certainty with the establishment of the Digital Innovation Authority (Stafrace, 2018).

PCCs also demonstrate ingenuity by acting as cell incubators. Mini-insurance firms profit from the core entity's capital, knowledge, and experience. As they expand, more regulatory capital (nSCR) is required, and eventually the cell may decide to become a stand-alone insurance firm. This procedure gives shareholders access to information about how an insurance company or captive operates and gives them the freedom to pursue their own strategic objectives apart from the main corporation (FinanceMalta, 2021).

The kinds of risks that are being underwritten have a big impact on whether cells are appropriate for Insurtech projects. Although their application varies depending on how tough and innovative the rules are, they can be perfect for niche InsurTech enterprises. In the insurance sector, risks are changing, plans are becoming more inventive, and speed is becoming more important (Bianchi and Carbonaro, 2022).

According to Owens (2014), cells are also useful tools for ring-fencing risks subsequent to ILS transactions. According to Cutcher (2014), despite the regulator's interest in establishing legislation for SCCs and ICCs, there was expectation among international market participants of major growth in this area, which did not manifest as anticipated.

4.6.1.2 MGAs

MGAs gain advantages from this framework by retaining a larger share of their underwriting profits that would otherwise go directly to the insurance company. Moreover, they benefit from accessing capacity (Harrison, 2023).

MGAs opt for protected cells instead of incorporated cells due to the non-adoption of ICCs, a distinction between local and global markets. It's crucial to note that MGAs depend on rated market capacity, and any alteration in the risk transfer approach jeopardizes market support. Consequently, PCCs must balance retaining profitable clients and their relationship with MGAs to safeguard clientele interest fundamentally (Harrison, 2023).

Three participants express the appeal of local PCC cell facilities for MGAs underwriting consumer-oriented coverages. Establishing a cell provides stability for cell owners who are already distributors or suppliers through their MGA structures, eliminating the need to change insurers regularly. This allows them to consistently sell coverages directly, requiring only sufficient capital for their own risks. The main challenge is amassing enough capital for a cell, particularly suitable for established portfolios, given the rapid capital depletion of cell-related overhead costs without adequate top-line income.

One participant has highlighted that MGAs cannot directly access the reinsurance market without going through a fronting insurer or a cell facility. In several instances, PCC cells have accessed the reinsurance market to provide protection for the cell. The extent of reinsurance involvement is contingent upon the severity and frequency of claims.

4.6.2 Reinsurance

All participants have confirmed that for a core, obtaining access to a reinsurer is very similar to a normal insurer, however the cell has easier access, especially if they are new to the market. A tripartite agreement has to be put into place because the cell cannot contract on its own. The core will therefore contract on behalf of the cell. The reinsurance agreement will subsequently be contracted between the PCC, the owner of the cell and the reinsurer. The cell owner as an interested party within that agreement (this is not compulsory, but it is ideal for all parties to the contract).

4.6.3 Administrative efficiencies

Two participants have pointed out that one of the biggest challenges in Europe is that more time is spent on discussion about risk management and compliance, as opposed to their execution. They are either insurance entities who write insurance products to make a profit, or they are captives writing insurance risks, who want to minimize their costs holistically from the point of view the group. This means that being a small insurer is becoming less and less viable, hence why the PCC structure is good.

“One of the biggest challenges in Europe is that we spend much more time talking about risk management and compliance than the business”.

Participants have also pointed out that BODs are spending so much time on risk management and compliance is a waste of time, so the PCC structure allows them to focus on it at core level only. The biggest opportunity is that it allows the cells to operate in a European environment, which is onshore, but with a regulatory light touch, as the cell owner doesn't see the regulator. This makes it easier to achieve economies of scale.

4.6.3.1 Administrative governance

The cells can more efficiently take advantage of the core's expertise as important functions are transferred to the core. Smaller captive owners may choose the PCC structure, as mentioned by Cutcher (2016), to lessen the regulatory costs imposed by Solvency II, notably in terms of capital and reporting requirements. Willis Towers Watson (2016) emphasised the justification for

this tactic. It should be noted that Malta had a high adoption rate of PCCs before they were fully implemented because there were so many cell facilities available, as was mentioned in section 4.3.3. This slight rise in adoption following the implementation of Solvency II is further illustrated in Section 4.3.3.1.

In reality, a corporation is more agile when it maintains total control via its BOD. This viewpoint contrasts from that of a cell, which might be thought to make decisions more slowly because it is dependent on a different board (Bianchi and Carbonaro, 2022). Due to the PCC structure's limited implementation, eight participants have thus acknowledged that it has produced more administrative hassles than efficiencies.

All participants have also noted that the administrative burden is more pronounced for the core entity than for the cells. The PCC structure necessitates expertise in compliance, accounting (especially in light of the introduction of IFRS 17), technological proficiency in anticipation of the forthcoming DORA regulations, among other areas. Seven participants have highlighted that this challenge is further compounded by the fact that approximately 200-300 specialized professionals are required within the local insurance market. While this number may not appear significant, considering Malta's size, it represents a considerable workforce requirement (Bianchi and Carbonaro, 2022).

4.6.3.2 Administrative Reporting

All type 1 PCC undertaking representatives have confirmed that dividends are the primary interest to investors. They explained that from a reporting perspective, dividend distribution and

corporate tax perspectives, each cell is treated as a separate entity. Each cell maintains its own internal and individual profit and loss account, with each investor in that specific cell entitled to receive dividends corresponding to their shares held.

The strict separation between cells ensures that there is no mixing of financial results. This means that situations can arise where one cell incurs losses whilst another generates profits. When losses are generated, corporate taxes are not incurred, but the cells have the ability to carry forward tax losses. Simultaneously, the department prepares tax calculations for each shareholder based on this set of accounts.

After the overall company approves the audited accounts for the entire structure, the accounts department of the core compiles mini profit and loss accounts for each cell as well as the MBR-publishable consolidated sets, which are then submitted to the relevant authorities. To this extent, several people are also needed for the issuance of the MBR business statements which the author has conferred with.

In the context of corporate tax, our focus remains on treating each cell as an individual entity. In practice, each cell is assigned a unique tax identification number and is separately recognized. This distinction underscores that the PCC operates as a unified structure in terms of governance, operations, and the composition of the BOD.

Within the legal framework of Malta, the legislation supports the practice of maintaining separate accounting and providing individualized reporting to regulators for each cell, both on an isolated and consolidated basis. Consequently, each cell maintains distinct sets of financial

records, conducts reconciliations, manages its own bank accounts, and handles relationships with insurers and reinsurers. As a result, commission rates may vary among different cells, and the nature of contracts may include both binding and non-binding authority.

4.6.3.2 Economies of scale

According to Bianchi and Boffa (2021), larger insurance firms and broker networks are the best candidates for PCC frameworks. This is particularly true when these companies merge or acquire other companies, which necessitates the unification of numerous international operations under one structure while maintaining a distinct distinction between the capital of individual cells and the core organisation. Existing cell promoters believe that the cell facility has been very successful in lowering barriers to entry for the neighbourhood insurance market. Startups that initially struggled to fulfil their own capital needs in the beginning of their operations can gain from the funds and knowledge offered by the main organisation.

The differences in economies of scale that may exist between smaller and bigger PCCs are further discussed by Cutcher (2018). Large international captives might, for instance, create a PCC in Malta to supplement those already established in other countries, especially given the increasingly complicated nature of the risk environment. This explains why there are more new undertaking structures shown in Figure 4.3.1.2 as opposed to conversions. Smaller captives may also benefit since they may maintain their economies of scale in the face of market cycle uncertainty and a subsequent lack of insurance coverage for uninsurable risks.

4.7 Financial position

4.7.1 Share capital structure

The advantage stems from how the PCC operates. A cell can be capitalized up to the level of the nSCR, therefore rendering *“The capital requirements are far less burdensome for cells”*. In certain cases, this nSCR may be lower than the MCR. This presents a benefit to cell owners because it allows them to deploy less capital while still meeting regulatory requirements. Consequently, it not only facilitates the entry of smaller market players who can establish their own captives but also enables shareholders to optimize their investments.

All type 1 PCC representatives explained that the fundamental structure of a cell remains consistent. However, the key distinction lies in whether a non-recourse agreement is in place. In the case of a standard cell, the presence of a non-recourse agreement may vary. For fronting cells, such an agreement can be established between the fronter and the core entity. On the other hand, third-party cells must have recourse to the core. The applicability of these arrangements depends on the nature of the business being transacted and the identity of the underlying policyholders. In the case of captives, it pertains to the captive cell, while in fronting arrangements, it pertains to the specific business being conducted.

4.7.2 Non-recourse agreements

Non-recourse agreements hold significant appeal for cell promoters, especially when these cells are offered to captives. A participant noted that these agreements are contracts established between the beneficiary of the policy, rather than the policyholder, and the core entity. They

specify that the beneficiary will not seek compensation from the core entity in case of certain events affecting the cell. Under the legislation governing PCCs, the cells are already segregated; however, creditors retain access to the core entity.

Type 2 participants disclosed that non-recourse agreements are commonly encountered in the captive insurance business, primarily because the owners and the insured parties are often one and the same. In some instances, a participant has noted that the beneficiary and policyholder are identical individuals or entities.

The issuance of a non-recourse notice by the MFSA raises significant concerns for all PCC participants (undertakings) that rely on such agreements as a cornerstone of their operational models. PCCs have been made aware that they may not be operating on a level playing field. While there is legislation in Liechtenstein, it does not encompass registrations. Gibraltar, while hosting both legislation and registrations, is no longer within the EU. Similarly, the UK is exploring PCC legislation but is also no longer an EU member. Additionally, offshore jurisdictions and the United States feature in this context. Within the scope of Malta's market, the subsequent challenge is that the cell may expose its balance sheet to the risk exposure of other parties.

4.8 External environment

4.8.1 Sustainability considerations

Due to worldwide penalties for "greenwashing," ESG is becoming an increasingly significant concern for many stakeholders, including investors, consumers, regulators, governments, and

businesses. From 2024, insurance companies in Malta will need to abide by the CSRD, in addition to the taxonomy, and sector-specific principles for sustainable insurance established by the UN. According to Fauser (2022), the PCC structure can help insurers achieve their sustainability goals since well-established PCCs can offer SMEs access to ESG expertise, sustainable investments, and insurance coverage for risks that were previously uninsurable in the local market. This emphasises how crucial scale and substance are for putting such concepts into practise.

A correlation analysis conducted by Marsh (2023) further suggests that due to such advantages, core owners are in a better position to exhibit a notable commitment to employment practices, diversity metrics, and employee turnover management. Their focus extends to people risks, regularly assessing ESG criteria within client portfolios and safeguarding customer data privacy. A heightened awareness of risk throughout their value chain is also evident. Captive owners stand out for their robust governance structures, with a greater incorporation of ESG issues. This attribute, although less statistically significant than their social initiatives, emerges as a distinctive trait defining captive owners.

4.8.2 Technological advances

“... we’re putting ourselves forward as an InsurTech domicile”.

Cells are becoming more popular in InsurTech-related affinity-style enterprises in Europe, but not in offshore jurisdictions. Typically, these companies provide straightforward insurance coverages like pet insurance, extended warranties, and mobile device insurance, which have short tail properties that mesh well with the cell structure (in fact only 1 PCC has InsurTech as part of their strategy). Particularly for operations outside the PCC, such online insurance

issuing, these operations frequently use technologies that are under the authority of the owners or their partners. The cell structure is beneficial for businesses with limited experience as well as those with smaller portfolios where the return on capital from achieving minimum capital requirements may not make economic sense. This structure's appeal lies in its cost-effectiveness, there again allowing these firms to tap into the core entity's expertise, often backed by major brokers, and benefit from economies of scale (FinanceMalta, 2021).

4.8.3 Regulatory and economic landscape

4.8.3.1 Economic implications

All participants have acknowledged a definite tendency towards a hardening market within the insurance business. As a result, there is less capacity available for products providing D&O, PI insurance, and property coverage. As a result, many insurance companies are becoming more likely to use cells for their captive insurance activities. They can attain higher levels of efficiency and cost-effectiveness thanks to the cell structure's inherent flexibility. Cells are taking up a large piece of the captive insurance market in both Malta and offshore jurisdictions (FinanceMalta, 2021).

4.8.3.2 The regulation

4.8.3.2.1 Local legislation

“PCC legislation is a home-grown legislation as it does not emanate from EU law. However, it does align”.

Currently, Malta is the only EU member state possessing PCC legislation. All participants agreed that the regulator's early action had given the sector long-term growth incentives, but one member noted that this would give Malta the impression of having discovered a grey area regarding SCRs. According to Sheehan (2019), local market actors are worried about the low adoption of PCCs, as it makes it difficult to establish credibility for the jurisdiction.

The legal framework in Malta encompasses the IBA and IDA as hard law at first level Insurance law. At secondary level, there are the subsidiary legislation and legal notices. The PCC legislation falls at this level, however it is subsequent to the Companies Act within the remit of the MBR, since the main scope relates to company structures. At the third level, the PCC legislation mentions the Insurance Rules and Insurance Distribution Rules, which are intended to respectively work as soft law. A participant has pointed out that a challenge for the Maltese market is that there is no soft law which is specific to PCCs, thereby leaving the market with a lack of precedent relating to portfolio transfers from one cell to another (subsequent to regulation 16 from PCC legislation, which just allows this transaction).

However, the participants speaking on behalf of PCC intermediaries emphasised that the Insurance Distribution Rules were successful in resolving proportionality issues brought up by the IDD and Solvency II. Instead of the MCR, the initial capital required for the core of a PCC intermediary is €58,250, the rationale being that it makes little sense to maintain the same capital as an insurer, when their risk is significantly lower. €19,510 is the initial capital requirement for their cells (up from €1164.69 in 2018, as per the Companies Act). This was also advantageous because it attracted investors of higher calibre who are more invested and interested. Given their small size, as was depicted by their market share, the rules prove

Ostrowska's (2022) argument relating to the effectiveness of the EU regulation's flexibility falling down to the NCA.

4.8.3.2.2 STM Malta Pension Services Limited v. Barrett (2022)

When conducting a search on the local eCourts database during July 2023, the author came across STM Malta Pension Services Limited v. Barrett (2022). It relates to a local retail investor who took their retirement scheme administrator to court, over losses made on their retirement plan. One of the underlying investments happened to be allocated to a student property fund managed by Guernsey-registered open-ended PCC.

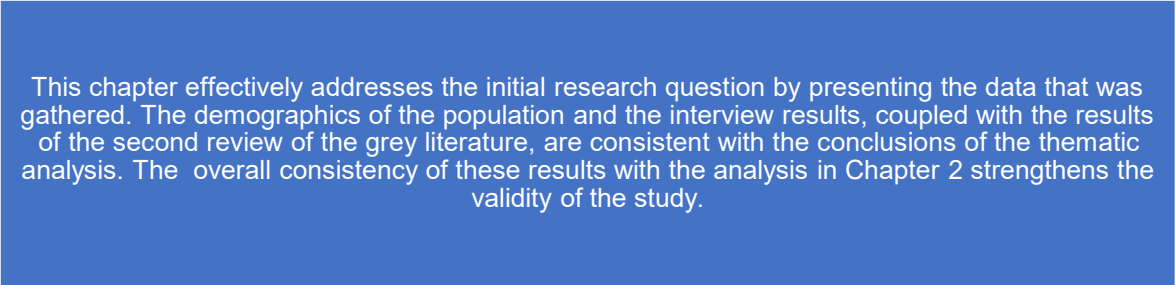
According to Financial Times (2015), the fund sought to liquidate after a year of halted redemptions due to liquidity issues. Regulatory Legal pursued various compensation claims for investors advised to invest in the fund, alleging misrepresentation. Commission disputes and regulatory changes further complicate the situation. The FCA (2016) had warned that such high-risk and unregulated funds from offshore jurisdictions should not be marketed to retail investors, so much so that they went on to recognise that they may only suit professional investors. Commission payments were subsequently banned in the UK, however the problem still persisted for pre-ban fund sales.

The author's perspective on the long-term implications of the case is that despite the local regulatory challenges when compared to offshore jurisdictions, the Solvency II framework in the EU proves more adept at establishing a strong economic and legal foundation for insurers, including PCCs. It would in fact be plausible to assert that Solvency II encourages the uptake of

PCCs, as they present insurers with an efficient business model which incentivises them to overcome such regulatory challenges by achieving economies of scale.

4.9 Conclusion

Figure 4.26 presents the concluding remarks for this chapter.



This chapter effectively addresses the initial research question by presenting the data that was gathered. The demographics of the population and the interview results, coupled with the results of the second review of the grey literature, are consistent with the conclusions of the thematic analysis. The overall consistency of these results with the analysis in Chapter 2 strengthens the validity of the study.

Figure 4.26 - Chapter 4 Concluding Remarks

Chapter 5: Conclusion

Chapter 5: Conclusion

5.1 Introduction

By bringing this thesis to a close, Chapter 5 discusses the main findings and their significance within the study. It furthermore extends its purview by offering a number of suggestions for prospective directions of future research.

5.2 Summary of findings

Maltese-licensed PCCs have become increasingly prominent in the financial sector, offering a combination of promising prospects and intricate challenges. In this exploration, the nuanced interplay between these elements was delved into, shedding light on the inherent complexities in the operation of PCCs in Malta. To this extent, chapter 4 has provided a multi-faceted analysis to answer the research question to this study: **“What are the opportunities and challenges for Maltese-licenced PCCs?”**

PCCs give firms the chance to convert their standard business model into this unique structure, which has benefits including risk segregation and asset protection. However, this approach is complex and includes both legal M&A modifications and an MFSA application process. Due to the intricate relationships between these elements, careful navigation is required to ensure regulatory compliance and a smooth conversion process. In this way, PCCs serve as efficient

incubators, giving startups access to resources, knowledge, and the chance to become independent businesses. They are great for specialist InsurTech enterprises and other fields because their suitability for InsurTech operations relies on the kinds of risks being insured.

Individual cells inside PCCs run autonomously, maintaining their particular identity, and even forging partnerships with significant insurers and reinsurers in the EU. Customer confidence and distinctiveness are encouraged by this freedom. However, it might be difficult to properly coordinate and report between these cells and the central entity. Finding the ideal mix between autonomy and efficient operations was crucial to Malta's success as a PCC hub.

Each cell within PCCs has the freedom to set up its own executive management committee. Cells can now adapt their operations to meet certain needs thanks to this customisation. These committees play a crucial part in regulating finances and guaranteeing openness. The difficulty, however, lies in preserving customised reporting while adhering to standardised monitoring criteria, as well as coordinating the duties of various committees.

The introduction of Insurance Manager PCCs, a Maltese invention in and of itself, has created a chance to reorganise administrative procedures through the core company. Managers can concentrate on their specialist areas of competence thanks to this consolidation. However, meticulous planning is required for shared decision-making between shareholders and directors. Optimising decision-making procedures while maintaining regulatory compliance is difficult.

On the other hand, Insurance Broker PCCs work under a "plug and play" approach, enabling brokers to maintain their brand identity and operational flexibility in international business. This concept became important in the years following Brexit, as UK brokers tried to preserve their passporting privileges inside the EU. Understanding the distinctive tasks and responsibilities linked to various PCC structures can be difficult, particularly when it comes to risk management and adherence to legal requirements.

In the wake of Brexit, established PCC institutions have the chance to grant passporting privileges for self-insured risks within the EEA. This drew brokers from the UK and aided in global expansion. However, maintaining regulatory compliance while adjusting to changing EU legislation post-Brexit creates complications. To maintain ongoing cross-border operations, PCCs must manage changing regulatory environments.

Malta has the most comprehensive PCC legislation in the EU, despite significant reservations about the reliability of the market and ambiguities surrounding SCRs. PCC insolvency cases in Malta are still quite rare, a sign of stability already supported by their share capital structure. However, the lack of legal precedents, soft law, and experience managing these instances point to potential difficulties. Finding the ideal balance between stability and effective insolvency processes is still crucial, despite their propensity to cause uncertainty and delays during insolvency proceedings.

Additionally, it was determined that captive cells inside PCCs frequently use non-recourse agreements. These agreements specify that, under certain circumstances, beneficiaries will not demand payment from the core organisation, which benefits captive owners in situations where owners and insured parties frequently overlap. The biggest issue was determined to be the

MFSA's notice about the possibility that the non-recourse provision would be eliminated, which could have a negative impact on the balance sheets of various PCCs.

Expanding into new markets through the sale of products across borders represents an opportunity for PCCs. However, adhering to local regulations, complying with General Good Provisions, and conducting comprehensive market research can be intricate. Coordinating with host regulators becomes essential, particularly in areas where the MFSA's expertise may be limited. The challenge lies in ensuring compliance while effectively expanding into new jurisdictions.

Maltese-licensed PCCs offer a versatile array of uses and benefits in the insurance industry, encompassing the expansion of client services, operational streamlining, and the promotion of innovation. However, the effectiveness and efficiency of PCCs are influenced by several critical factors. These include the types of risks underwritten and the level of regulatory compliance and governance expertise within both the core entity and individual cells. It is essential to emphasise nonetheless that these factors are integral to the core drivers of PCC success and should not be underestimated.

5.3 Significance of findings

The study has added value to the literature by identifying the commonalities and peculiarities of the opportunities and challenges for all types of PCCs, be it insurance managers, brokers, and undertakings. The peculiarities of the opportunities and challenges between the core and cells were also identified.

It was also found that existing grey literature is biased towards the opportunities for Maltese-licensed insurance undertaking PCCs. The challenges they face are not adequately represented. Moreover, it fails to represent the opportunities and challenges faced by insurance brokers and managers structured as PCCs.

In addition, further first-hand information about the operations of a PCC was provided and analysed. This thesis has therefore provided a practical insight into the way they are managed, thereby adding value to the information subsequent to existing knowledge. These new perspectives were crucial in proving the need for a study with a predominantly local focus.

5.4 Recommendations

The author's recommendations for a better PCC market are depicted in Figure 5.1, 5.2 and 5.3.

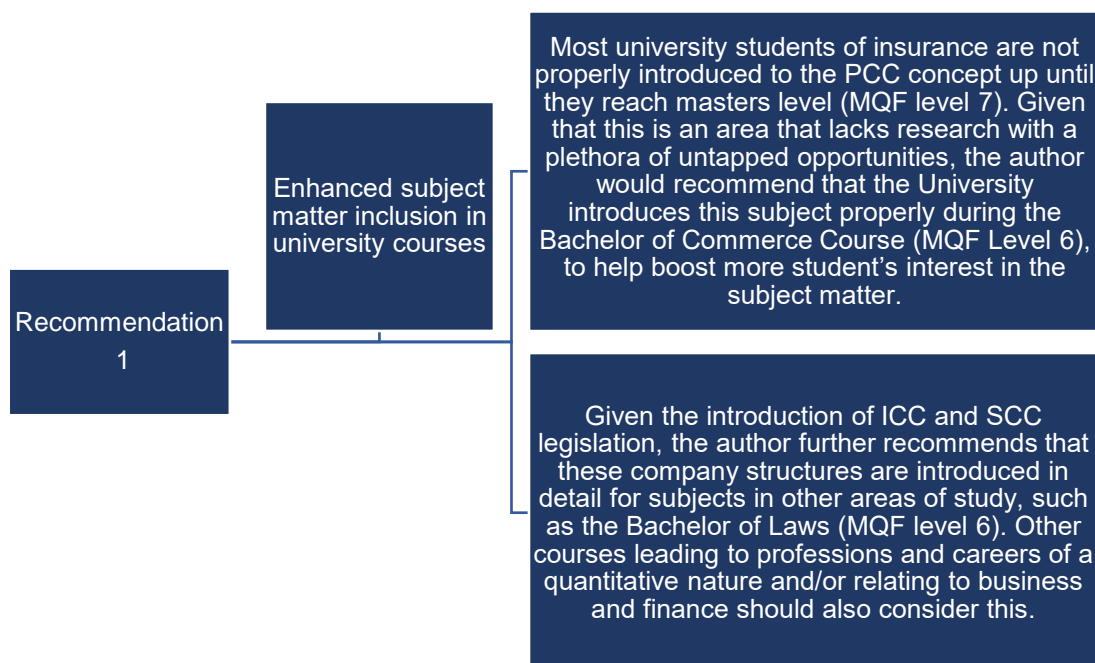


Figure 5.1 - Recommendation 1 for a better PCC Market (University)

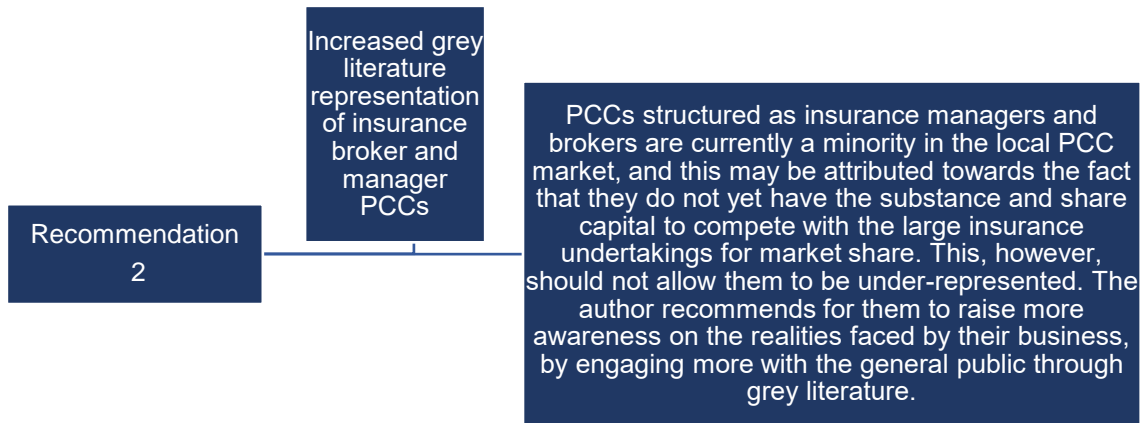


Figure 5.2 - Recommendation 2 for a better PCC Market (Existing PCCs)

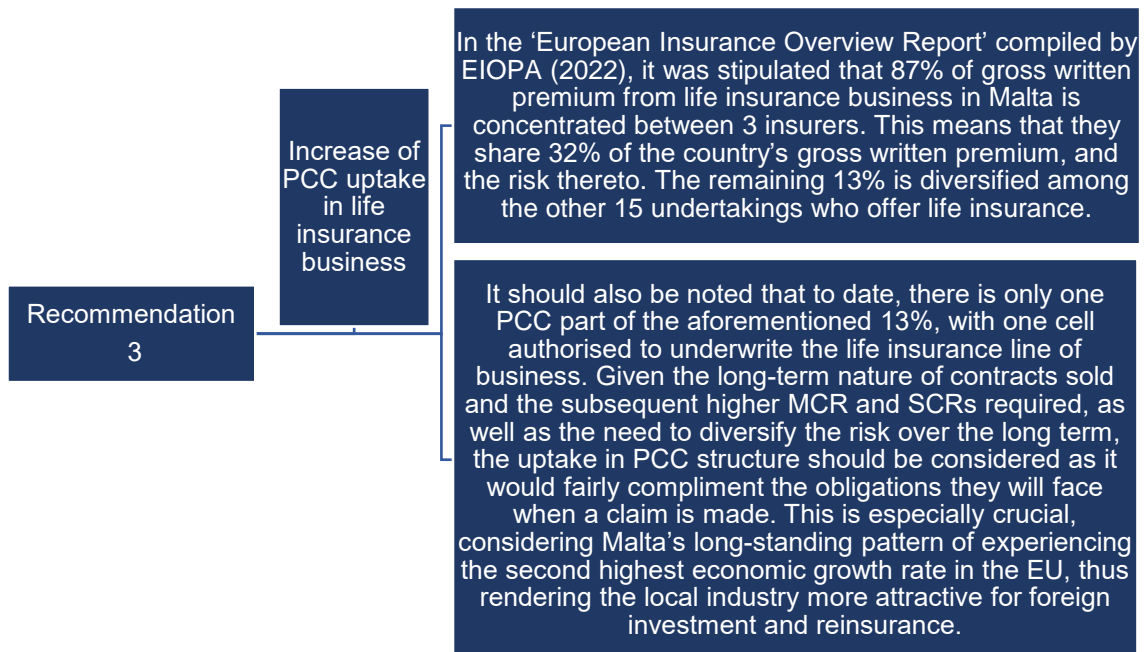


Figure 5.3 - Recommendation 3 for a better PCC Market (Existing Life Insurers)

5.5 Areas for further research

This section will depict all of the author's recommendations for further areas of research.

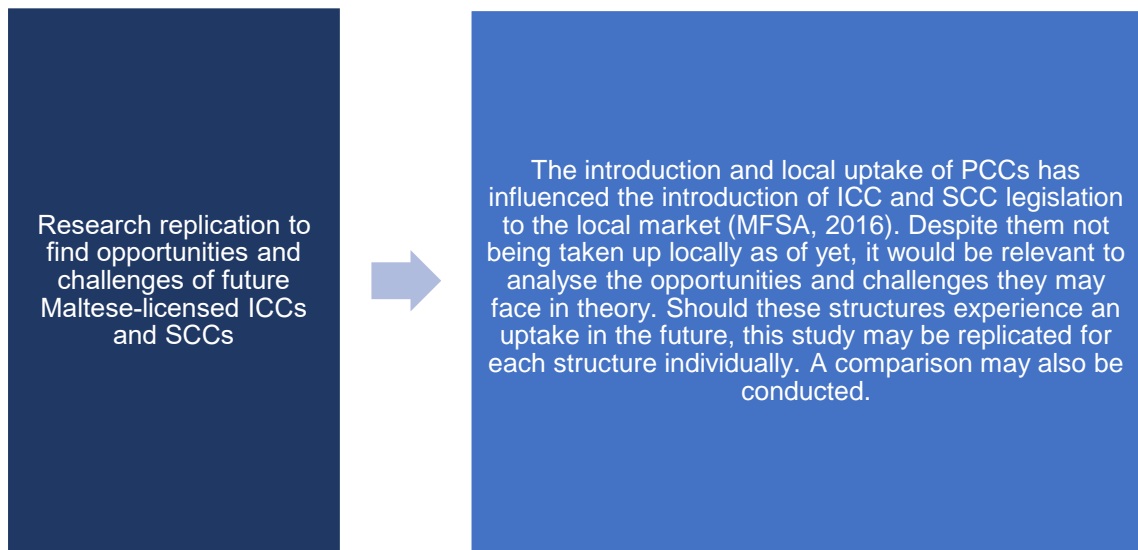


Figure 5.4 - Area for Further Research 1



Figure 5.5 - Area for Further Research 2

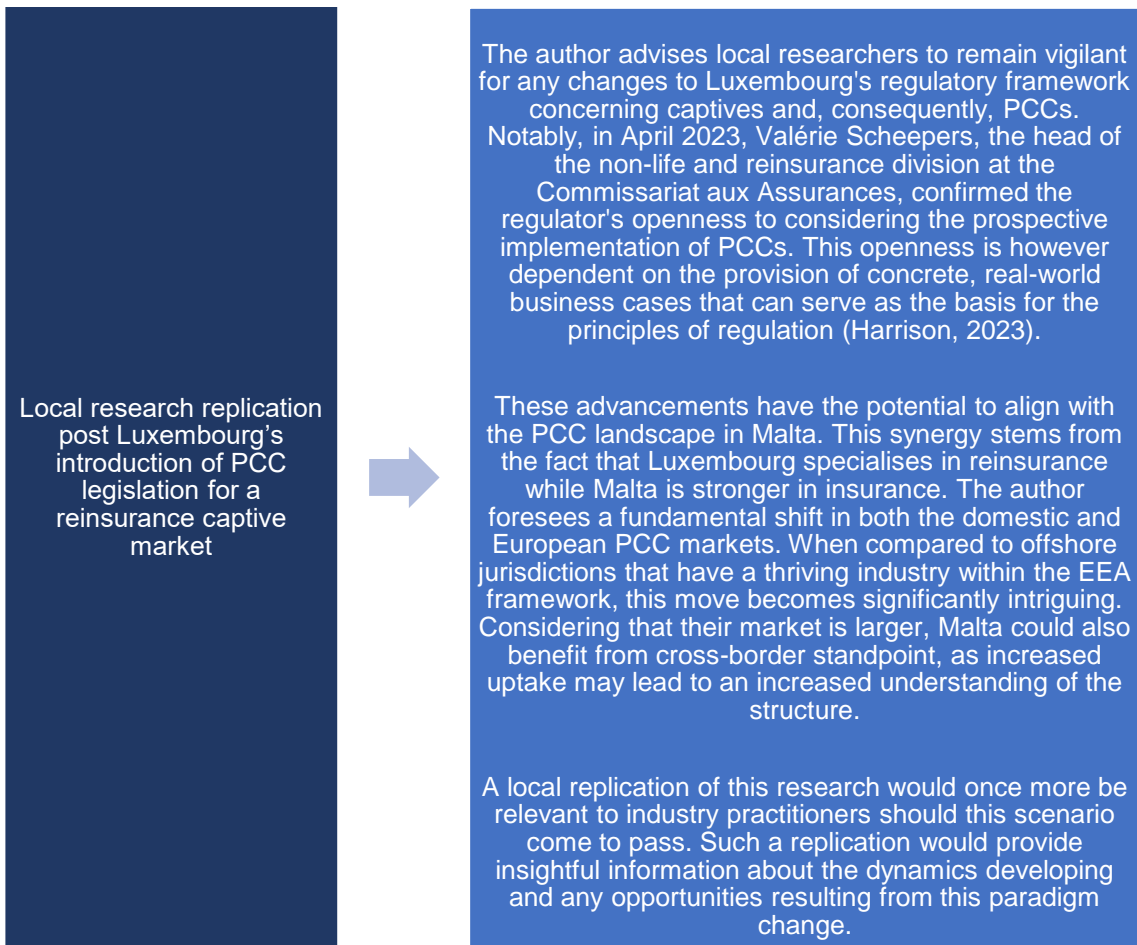


Figure 5.6 - Area for Further Research 3

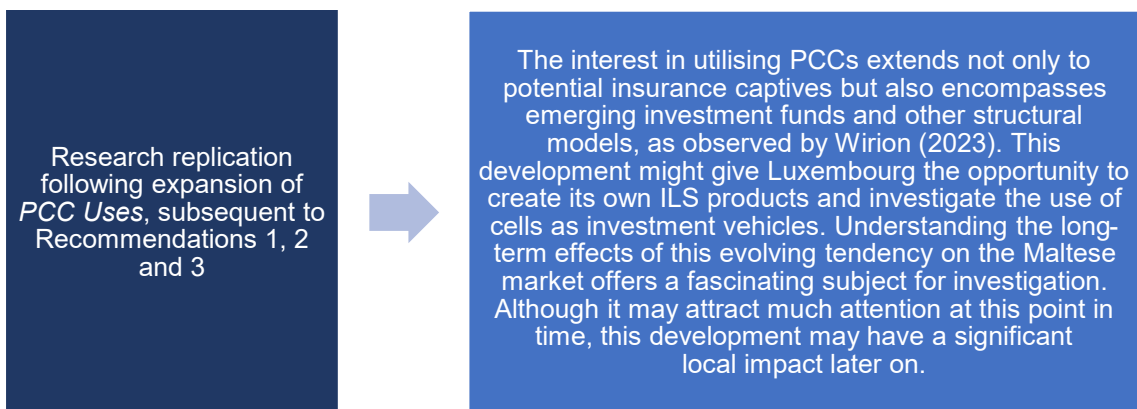


Figure 5.7 - Area for Further Research 4

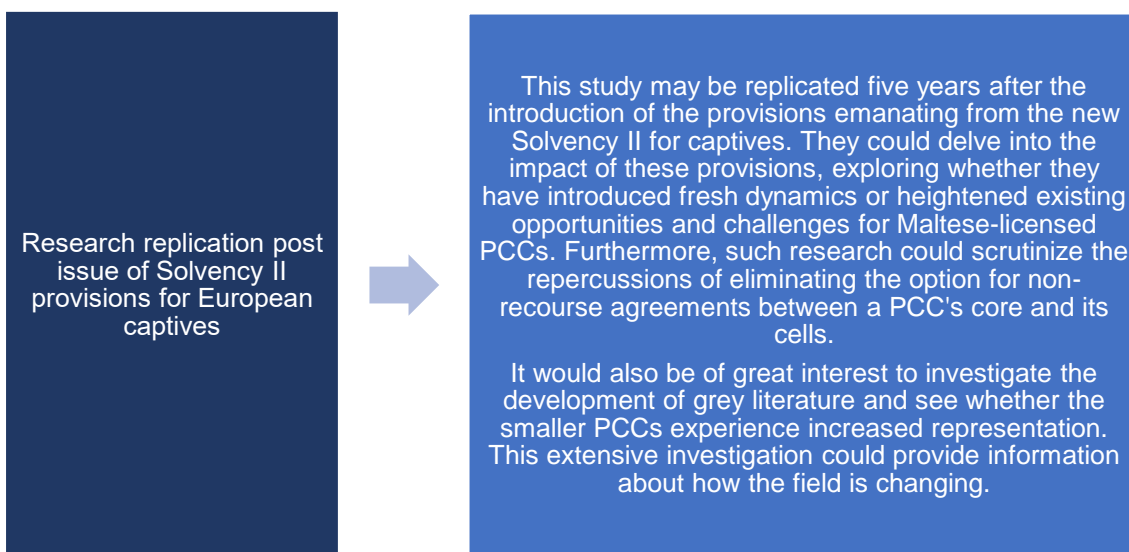


Figure 5.8 - Area for Further Research 5

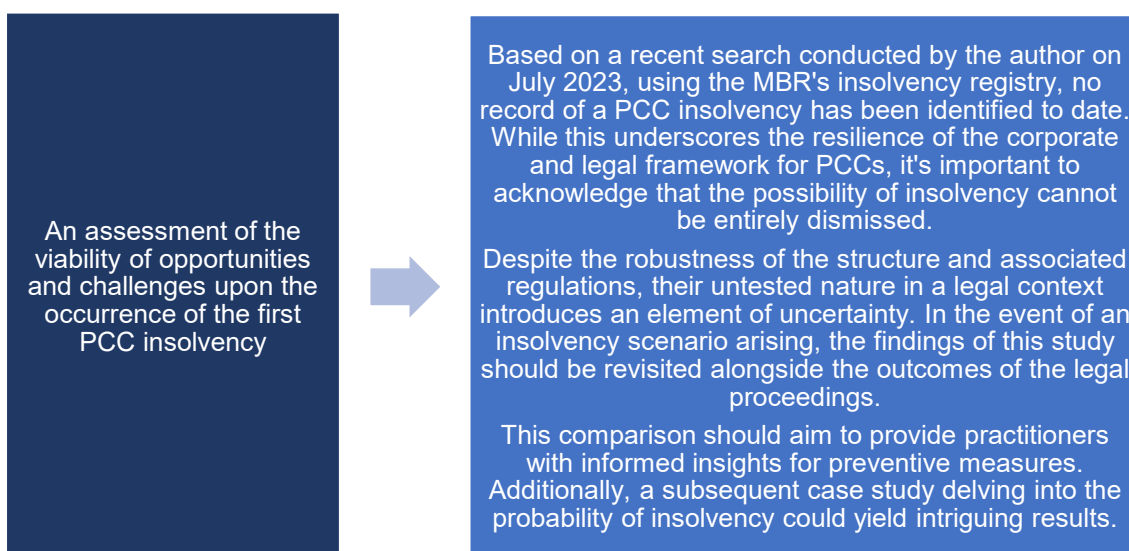


Figure 5.9 - Area for Further Research 6

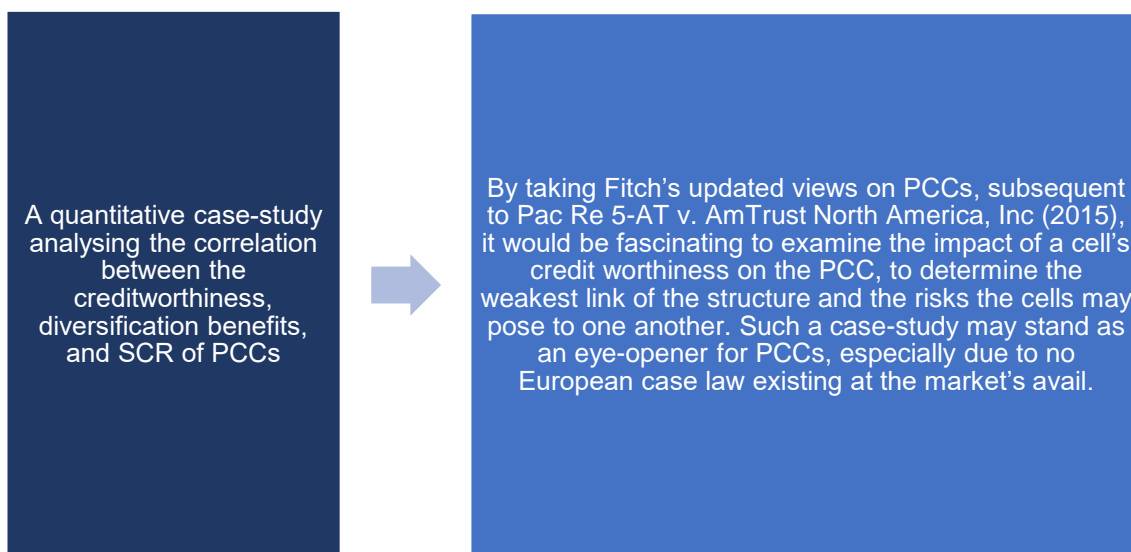


Figure 5.10 - Area for Further Research 7

5.6 Concluding Remarks

Figure 5.11 presents the author's concluding remarks for this chapter.

The aim of this study was to delve into the local PCC market from a practical standpoint. It has successfully achieved the goal of contributing to the academic literature, by exploring the current opportunities and challenges faced by Maltese-licensed PCCs. This is the first study of its kind to encapsulate an understanding of the entire local market for a specific type of company structure. Its value is proven from the author's realisation that most of the literature available pertains to PCCs licensed in offshore jurisdictions, and despite that it has effectively laid the foundation for the *raison d'être* to this research, they operate within a different environment, and the subsequent knowledge available cannot be assumed to apply to Malta.

Figure 5.11 - Chapter 5 Concluding Remarks

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Appendices

Appendix I: Interview schedule for research participants

Interview Questionnaire

Foreword

For the context of this interview, it would be ideal to address the subject matter of the questions provided below, from the perspectives of a regulator/insurance manager/broker/undertaking (as applicable).

Company Structure of PCC

1. Would it be possible to provide information about the transformation from a normal insurance manager/broking/undertaking to a PCC (and vice versa)? / Would it be possible to provide information about why the company decided to open a PCC, as opposed to opening as another type of company structure?
2. Has the PCC structure aided the company in expanding their client services and operations? If so, how?
3. Do PCCs present any benefits/limitations in the uptake of any specific classes of insurance (perhaps some more than others)?

4. The PCC is licensed under the freedom to provide services regime. How does the PCC structure facilitate cross-border activity for the insurance undertaking? Are they presented with any limitations?
5. Did the Covid-19 pandemic have an impact on the PCC structure?

Use of PCC

1. Is the PCC a long-term strategy? Or is it more beneficial as a short/medium-term strategy?
2. Does the PCC facilitate access to the reinsurance market? If so, how?
3. Was the PCC structure instrumental in increasing the efficiency of administrative reporting and managerial operations?
4. Has it introduced any new efficiencies/challenges?
5. Did the PCC structure introduce the need for more qualified professionals and advanced technologies? If so, in which fields, and in which timeframe?

Share Capital

1. The objects clause in the M&As of most PCCs include a provision allowing the cells to enter into non-recourse agreements. Do non-recourse agreements present PCCs with any opportunities and limitations? If so, what are they?
2. Has the increased variation of share capital (core and cellular) presented the PCC with any opportunities/limitations (perhaps from a funding/legal/operational point of view)?
3. There are 3 types of cells which may provide a PCC with cellular share capital, namely captive cells, fronting cells, and third-party writing cells (Finance Malta, 2016). How does the different scope of these cells prompt any opportunities/limitations for the company?

Open Questions

1. Are there any future opportunities and limitations expected to emanate from the PCC structure?
2. Are there any opportunities and limitations which have not been considered, but would fit into the scope of this study?

Information Letter and Consent Form

Information Letter and Consent Form

Friday 08th August 2023

Information about the study

My name is Nicole Azzopardi and I am a post-graduate student at the University of Malta, reading for a Master of Science in Insurance and Risk Management. I am presently conducting research as part of my thesis titled "An analysis of the opportunities and limitations for Maltese-licensed PCCs" which is being supervised by Professor Simon Grima (simon.grima@um.edu.mt). The aim of my study is to address the academic research gap relating to the relationship between current opportunities and challenges specific to PCCs in Malta. The study also aims to explore the commonalities and peculiarities of the opportunities and challenges for insurance managers, brokers, and undertakings, structured as PCCs.

Your Participation

Any data collected from this research will be used solely for purposes of this study.

Should you choose to participate, you will be asked to take part in a 30-minute interview, which will be conducted in person, over the phone, or via video conferencing, based on your preferred method. The interview will consist of questions inviting you to voluntarily share any relevant insights or experiences, relevant to aim of this research.

Data collected will be collected through use of a structure questionnaire supplemented by the aforementioned 30-minute interviews.

Participation in this study is entirely voluntary; in other words, you are free to accept or refuse to participate, without needing to give a reason.

You are also free to withdraw from the study at any time, without needing to provide any explanation and without any negative repercussions for you. Should you choose to withdraw, any data collected from you will be erased as long as this is technically possible (for example, before it is anonymised or published), unless erasure of data would render impossible or seriously impair achievement of the research objectives, in which case it shall be retained in an anonymised form.

If you choose to participate, please note that there are no direct benefits to you.

Your participation does not entail any known or anticipated risks.

Data Management

The data collected will be anonymised. Data from the interviews will be transcribed and digitally stored in a location with password-restricted access, limited solely to the researcher.

Updated by UREC on 7 March 2022

Figure I.1 Combined Consent Form and Information Letter (Part 1/2)

Please note also that, as a participant, you have the right under the General Data Protection Regulation (GDPR) and national legislation to access, rectify and where applicable ask for the data concerning you to be erased.

All data collected will be erased following publication of results within 6 months.

Your identity will be revealed/attributed only with your consent.

Participant's consent

- I hereby declare to have read the information about the nature of the study, my involvement and data management.
- I have had the opportunity to ask questions about the study and my questions have been satisfactorily answered.
- I declare that I am 18 years or older.
- I understand that should I have any further queries, I can contact Nicole Azzopardi (nicole.azzopardi.19@um.edu.mt).
- I agree to participate in this research study.

MARK ONLY IF APPLICABLE

- I agree to be identified in the research records.
- I agree to be identified in the research publications.

Participant's name (in block)

NICOLE AZZOPARDI
Researcher's name (in block)

Participant's signature

N. Azzopardi
Researcher's signature

Date

Updated by UREC on 7 March 2022

Figure 1.2 Combined Consent Form and Information Letter (Part 2/2)

Appendix II: Foundational evidence for the Population Demographics in section 4.3

The author has consulted with the first issued M&As for each PCC, to determine whether the companies were initially registered as PCCs or not. In the cases for conversions, the author looked for the M&As effecting the alteration from the MBR Documentation, which was clearly labelled and dated in most cases, rendering it as easily identifiable. The author then proceeded to identify the number of cells owned by different PCCs from their latest M&As and financial statements. Reference to the most recent financial statements was also made, to determine whether the PCCs are type 1 or 2.

After retrieving the below lists of PCCs in the market from the MFSA Website, the author consulted there again with the MBR to retrieve the current issued share capital of each registered PCC. Evidence of the search is presented hereunder, and the figures were sorted in ascending order of share capital value, for ease of reference.

PCC Managers

1. SRS Management Europe PCC Limited

The screenshot displays the 'Company Share Capital' page for SRS Management Europe PCC Limited (Company Registration Number C 36142). The page includes a navigation menu on the left with 'Other Links', 'Searches', 'Company Search', and 'Companies'. The main content area shows the company name and registration number, followed by key statistics: Company Registration Number C 36142, Total No. of Authorised Shares 45,000 (EUR 112500.00), and Total No. of Issued Shares 20,000 (EUR 50000.00). A table below details the authorised share capital by type, nominal value, and issued shares.

Authorised Share Capital	Type	Nominal Value Per Share in EUR	Issued Shares
12,000	Ordinary CORE A	2.500000	10,500
5,000	Ordinary CORE B	2.500000	3,500
6,000	Ordinary CORE C	2.500000	6,000
22,000	Redeemable Preference CELL	2.500000	Unallocated

Figure II.1 - SRS Management Europe PCC Limited - Share Capital

The screenshot displays the 'Company Details' page for SRS Management Europe PCC Limited (Company Registration Number C 36142). The page includes a navigation menu on the left with 'Other Links', 'Searches', 'Company Search', and 'Companies'. The main content area shows the company name and registration number, followed by key details: Company Registration Number C 36142, Company Name SRS MANAGEMENT EUROPE PCC LIMITED, Registration Date May 03, 2005, Registered Office IL-PIAZZETTA, BLK A SUITE 21, TOWER ROAD, City/Locality SLIEMA SLM 1607, and Country MALTA.

Company Registration Number	C 36142
Company Name	SRS MANAGEMENT EUROPE PCC LIMITED
Registration Date	May 03, 2005
Registered Office	IL-PIAZZETTA, BLK A SUITE 21, TOWER ROAD,
City/Locality	SLIEMA SLM 1607
Country	MALTA

Figure II.2 - SRS Management Europe PCC Limited - Registration

Additional evidence:

- M&As dated 03 May 2005 (as at date of incorporation)
- M&As dated 26 Mar 2013 (as at date of conversion)
- Financial Statements for the Financial Year 2020
- No registered cells as per issued share allocation

2. AON Insurance Managers (Malta) PCC Limited

Company Registration Number C 35578 - AON INSURANCE MANAGERS (MALTA) PCC LIMITED

Company Registration Number	C 35578
Total No. of Authorised Shares	31,000 (EUR 70882.00)
Total No. of Issued Shares	25,000 (EUR 58235.00)

Authorised Share Capital	Type	Nominal Value Per Share in EUR	Issued Shares
1,000		1.000000	Unallocated
30,000	Ordinary	2.329400	25,000

Figure II.3 - AON Insurance Managers (Malta) PCC Limited - Share Capital

Company Registration Number C 35578 - AON INSURANCE MANAGERS (MALTA) PCC LIMITED

Company Registration Number	C 35578
Company Name	AON INSURANCE MANAGERS (MALTA) PCC LIMITED
Registration Date	Feb 03, 2005
Registered Office	AVENUE 77, BLOCK A AND BLOCK B, LEVEL 3, TRIQ IN-NEGOZJU, ZONE 3, CENTRAL BUSINESS DISTRICT,
City/Locality	BIRKIRKARA CBD 3010
Country	MALTA

Figure II.4 - AON Insurance Managers (Malta) PCC Limited - Registration

Additional evidence:

- M&As dated 03 February 2005 (as at date of incorporation)
- M&As dated 13 May 2013 (as at date of conversion)
- Financial Statements for the Financial Year 2022
- No registered cells as per issued share allocation

PCC Brokers

1. Assikura Insurance Brokers PCC Ltd

Company Registration Number C 28074 - ASSIKURA INSURANCE BROKERS PCC LTD

Company Registration Number	C 28074
Total No. of Authorised Shares	107,325 (EUR 249999.96)
Total No. of Issued Shares	51,076 (EUR 118975.06)

Authorised Share Capital	Type	Nominal Value Per Share in EUR	Issued Shares
440	Ordinary	2.329373	Unallocated
11,538	Ordinary A	2.329373	11,538
6,978	Ordinary B	2.329373	6,978
6,978	Ordinary C	2.329373	6,978
16,996	Ordinary D	2.329373	16,996
64,395	Redeemable Preference A	2.329373	8,586

Figure II.5 - Assikura Insurance Brokers PCC Ltd - Share Capital

Company Registration Number C 28074 - ASSIKURA INSURANCE BROKERS PCC LTD

Company Registration Number	C 28074
Company Name	ASSIKURA INSURANCE BROKERS PCC LTD
Registration Date	Apr 20, 2001
Registered Office	ASSIKURA OLD RAILWAY TRACK,
City/Locality	SANTA VENERA SVR9017
Country	MALTA

Figure II.6 - Assikura Insurance Brokers PCC Ltd - Registration

Additional evidence:

- M&As dated 20 April 2001 (as at date of incorporation)
- M&As dated 31 December 2019 (as at date of conversion)
- Financial statements for the Financial Year 2020
- 1 registered cell (as confirmed by issued share capital and Atlas Group SFCR dated 2021)

2. Accord Insurance Brokers PCC Limited

Company Registration Number C 38979 - ACCORD INSURANCE BROKERS PCC LTD

Company Registration Number C 38979
 Total No. of Authorised Shares 230,000 (EUR 230000.00)
 Total No. of Issued Shares 230,000 (EUR 230000.00)

Authorised Share Capital	Type	Nominal Value Per Share in EUR	Issued Shares
78,200	Ordinary A CORE SHARES	1.000000	78,200
75,900	Ordinary B CORE SHARES	1.000000	75,900
37,950	Ordinary C CORE SHARES	1.000000	37,950
37,950	Ordinary D CORE SHARES	1.000000	37,950

Figure II.7 - Accord Insurance Brokers PCC Limited - Share Capital

Company Registration Number C 38979 - ACCORD INSURANCE BROKERS PCC LTD

Company Registration Number C 38979
 Company Name ACCORD INSURANCE BROKERS PCC LTD
 Registration Date Jun 22, 2006
 Registered Office 141, OLD BAKERY STREET
 City/Locality VALLETTA VLT 1457
 Country MALTA

Figure II.8 - Accord Insurance Brokers PCC Limited - Registration

Additional evidence:

- M&As dated 22 June 2006 (as at date of incorporation)
- M&As dated 14 July 2011 (as at date of conversion)
- Financial statements for the Financial Year 2021
- No cells registered as per issued share capital allocation

3. Artex Insurance Brokers (Europe) PCC Limited

Company Registration Number C 91762 - ARTEX INSURANCE BROKERS (EUROPE) PCC LIMITED

Company Registration Number C 91762
 Total No. of Authorised Shares 500,000 (EUR 500000.00)
 Total No. of Issued Shares 257,000 (EUR 257000.00)

Authorised Share Capital	Type	Nominal Value Per Share in EUR	Issued Shares
62,000	Ordinary AMARIZ CELL SHARES	1.000000	62,000
20,000	Ordinary AMBER CELL SHARES	1.000000	20,000
53,000	Ordinary CELL	1.000000	Unallocated
250,000	Ordinary CORE SHARES	1.000000	60,000
80,000	Ordinary COVERWISE CELL SHARES	1.000000	80,000
35,000	Ordinary LEBRON CELL SHARES	1.000000	35,000

Figure II.9 - Artex Insurance Brokers (Europe) PCC Limited - Share Capital

Company Registration Number C 91762 - ARTEX INSURANCE BROKERS (EUROPE) PCC LIMITED

Company Registration Number C 91762
 Company Name ARTEX INSURANCE BROKERS (EUROPE) PCC LIMITED
 Registration Date May 09, 2019
 Registered Office LANDMARK, LEVEL 1 SUITE 2, TRIQ L-ILJUN,
 City/Locality QORMI QRM 3800
 Country MALTA

Figure II.10 - Artex Insurance Brokers (Europe) PCC Limited - Registration

Additional evidence:

- M&As dated 09 May 2019 (as at date of incorporation)
- No conversion (newly incorporated PCC)
- Financial statements for the Financial Year 2021
- 4 registered cells as per issued share capital allocation

4. Jatco Insurance Brokers PCC Limited

Company Registration Number C 9233 - Jatco Insurance Brokers PCC Limited

Company Registration Number C 9233
 Total No. of Authorised Shares 505,710 (EUR 750000.00)
 Total No. of Issued Shares 451,380 (EUR 656979.00)

Authorised Share Capital	Type	Nominal Value Per Share in EUR	Issued Shares
39,510	Ordinary Cell	1.000000	39,510
156,200	Ordinary Core	2.500000	137,066
25,186	Ordinary unclassified	1.000000	Unallocated
234,804	Redeemable Preference Cell	1.000000	234,804
10	Redeemable Preference Cell.	1000.000000	Unallocated
50,000	Redeemable Preference Core	1.000000	40,000

Figure II.11 - Jatco Insurance Brokers PCC Limited - Share Capital

Company Registration Number C 9233 - Jatco Insurance Brokers PCC Limited

Company Registration Number C 9233
 Company Name Jatco Insurance Brokers PCC Limited
 Registration Date Dec 04, 1987
 Registered Office THE REED CENTRE,
 BLUE HARBOUR, TA' XBIEX SEAFRONT,
 City/Locality TA' XBIEX XBX1027
 Country MALTA

Figure II.12 - Jatco Insurance Brokers PCC Limited - Registration

Additional evidence:

- M&As dated 04 December 1987 (as at date of incorporation)
- M&As dated 18 September 2013 (as at date of conversion)
- Financial statements for the Financial Year 2022
- 12 cells registered, all of which bought into 1 class of shares, as per M&As dated 19 Jun 2023 (most recent alterations to the M&As) and company website [Accessed: 28 August 2023]

PCC Undertakings

1. Mangrove Insurance Europe PCC Limited

Company Registration Number C 84502 - MANGROVE INSURANCE EUROPE PCC LIMITED

Company Registration Number C 84502
 Total No. of Authorised Shares 10,000,000 (EUR 10000000.00)
 Total No. of Issued Shares 2,822,144 (EUR 2822144.00)

Authorised Share Capital	Type	Nominal Value Per Share in EUR	Issued Shares
9,999,900	Ordinary CORE	1.000000	2,822,142
98	Redeemable Preference CELL	1.000000	Unallocated
1	Redeemable Preference CLASS B CELL	1.000000	1
1	Redeemable Preference CLASS C CELL	1.000000	1

Figure II.13 - Mangrove Insurance Europe PCC Limited - Share Capital

Company Registration Number C 84502 - MANGROVE INSURANCE EUROPE PCC LIMITED

Company Registration Number C 84502
 Company Name MANGROVE INSURANCE EUROPE PCC LIMITED
 Registration Date Jan 25, 2018
 Registered Office THE HEDGE BUSINESS CENTRE, LEVEL 3, TRIQ IR-RAMPA TA' SAN GILJAN, BALLUTA BAY
 City/Locality ST. JULIANS STJ 1062
 Country MALTA

Figure II.14 - Mangrove Insurance Europe PCC Limited - Registration

Additional evidence:

- M&As dated 25 January 2018 (as at date of incorporation)
- No conversion (newly incorporated PCC)
- Financial Statements for the Financial Year 2022
- 1 cell registered as per issued share capital and M&As dated 15 December 2022 (most recent alterations to the M&As)

2. White Rock Insurance Netherlands (PCC) Limited

Company Registration Number C 63569 - WHITE ROCK INSURANCE (NETHERLANDS) PCC LIMITED

Company Registration Number	C 63569
Total No. of Authorised Shares	3,700,000 (EUR 3700000.00)
Total No. of Issued Shares	2,960,000 (EUR 2960000.00)

Authorised Share Capital	Type	Nominal Value Per Share in EUR	Issued Shares
1,850,000	Ordinary CORE SHARES	1.000000	1,850,000
185,000	Redeemable Preference INSURANCE SHARES A	1.000000	185,000
185,000	Redeemable Preference INSURANCE SHARES B	1.000000	185,000
185,000	Redeemable Preference INSURANCE SHARES C	1.000000	185,000
185,000	Redeemable Preference INSURANCE SHARES D	1.000000	185,000
185,000	Redeemable Preference INSURANCE SHARES E	1.000000	185,000
185,000	Redeemable Preference INSURANCE SHARES F	1.000000	185,000
740,000	Redeemable Preference UNALLOCATED	1.000000	Unallocated

Figure II.15 - White Rock Insurance Netherlands (PCC) Limited - Share Capital

Company Registration Number C 63569 - WHITE ROCK INSURANCE (NETHERLANDS) PCC LIMITED

Company Registration Number	C 63569
Company Name	WHITE ROCK INSURANCE (NETHERLANDS) PCC LIMITED
Registration Date	Jan 21, 2014
Registered Office	AVENUE 77, BLOCK A AND BLOCK B, LEVEL 3, TRIQ IN- NEGOZJU, ZONE 3, CENTRAL BUSINESS DISTRICT,
City/Locality	BIRKIRKARA CBD 3010
Country	MALTA

Figure II.16 - White Rock Insurance Netherlands (PCC) Limited - Registration

Additional evidence:

- M&As dated 21 January 2014 (as at date of incorporation)
- No conversion (newly incorporated PCC)
- Financial Statements for Financial Year 2021
- 6 registered cells as per issued share capital and M&As dated 03 April 2023 (most recent alterations to the M&As)

3. European Insurance Solution PCC Limited

Company Registration Number C 62414 - EUROPEAN INSURANCE SOLUTION PCC LIMITED

Company Registration Number C 62414
 Total No. of Authorised Shares 3,000,000 (EUR 3000000.00)
 Total No. of Issued Shares 3,000,000 (EUR 3000000.00)

Authorised Share Capital	Type	Nominal Value Per Share in EUR	Issued Shares
1,000,000	Ordinary CELL	1.000000	1,000,000
2,000,000	Ordinary CORE	1.000000	2,000,000

Figure II.17 - European Insurance Solution PCC Limited - Share Capital

Company Registration Number C 62414 - EUROPEAN INSURANCE SOLUTION PCC LIMITED

Company Registration Number C 62414
 Company Name EUROPEAN INSURANCE SOLUTION PCC LIMITED
 Registration Date Oct 29, 2013
 Registered Office 4TH FLOOR, DEVELOPMENT HOUSE,
 ST. ANNE STREET,
 City/Locality FLORIANA FRN9010
 Country MALTA

Figure II.18 - European Insurance Solution PCC Limited - Registration

Additional evidence:

- M&As dated 29 October 2013 (as at date of incorporation)
- No conversion (newly incorporated PCC)
- Financial Statements for the Financial Year 2022
- 1 cell registered as per issued share capital and M&As dated 29 October 2013 (no alterations made to the M&As)

4. Oney Life (PCC) Limited

Company Registration Number C 53199 - ONEY LIFE (PCC) LIMITED

Company Registration Number	C 53199
Total No. of Authorised Shares	4,250,000 (EUR 4250000.00)
Total No. of Issued Shares	4,250,000 (EUR 4250000.00)

Authorised Share Capital	Type	Nominal Value Per Share in EUR	Issued Shares
4,250,000	Ordinary	1.000000	4,250,000

Figure II.19 - Oney Life (PCC) Limited - Share Capital

Company Registration Number C 53199 - ONEY LIFE (PCC) LIMITED

Company Registration Number	C 53199
Company Name	ONEY LIFE (PCC) LIMITED
Registration Date	Jun 21, 2011
Registered Office	171, OLD BAKERY STREET,
City/Locality	VALLETTA
Country	MALTA

Figure II.20 - Oney Life (PCC) Limited - Registration

Additional evidence:

- M&As date 21 June 2011 (as at date of incorporation)
- No conversion (newly incorporated PCC)
- Financial Statements for the Financial Year 2021
- No cells registered as per issued share capital

5. Building Block Insurance PCC Limited

Company Registration Number C 63128 - BUILDING BLOCK INSURANCE PCC LIMITED

Company Registration Number C 63128
 Total No. of Authorised Shares 10,560,228 (GBP 10005602.28)
 Total No. of Issued Shares 4,357,333 (GBP 3925957.33)

Authorised Share Capital	Type	Nominal Value Per Share in GBP	Issued Shares
9,999,999	Ordinary CORE A	1.000000	3,921,599
1	Ordinary CORE B	1.000000	1
560,228	Ordinary CORE C	0.010000	435,733

Figure II.21 - Building Block Insurance PCC Limited - Share Capital

Company Registration Number C 63128 - BUILDING BLOCK INSURANCE PCC LIMITED

Company Registration Number C 63128
 Company Name BUILDING BLOCK INSURANCE PCC LIMITED
 Registration Date Dec 16, 2013
 Registered Office Development House
 St. Anne Street
 City/Locality FLORIANA FRN 9010
 Country MALTA

Figure II.22 - Building Block Insurance PCC Limited - Registration

Additional evidence:

- M&As dated 16 December 2013 (as at date of incorporation)
- No conversion (newly incorporated PCC)
- Financial Statements for the Financial Year 2022
- No cells registered as per issued share capital

6. White Rock Insurance (Europe) PCC Limited



			
Other Links	Company Share Capital		
Searches	Company Details	Authorised Shares	Involved Parties
Company Search	Company Registration Number C 45413 - WHITE ROCK INSURANCE (EUROPE) PCC LIMITED		
Companies	<p>Company Registration Number C 45413</p> <p>Total No. of Authorised Shares 55,000,000 (EUR 50050000.00)</p> <p>Total No. of Issued Shares 4,434,848 (EUR 4434782.66)</p>		
Authorised Share Capital	Type	Nominal Value Per Share In EUR	Issued Shares
50,000,000	Ordinary Core Shares	1.000000	4,434,782
14	Ordinary Nominal	0.010000	14
1	Redeemable Preference Insurance Share Cell "A12"	0.010000	1
1	Redeemable Preference Insurance Share Cell "A16"	0.010000	1
1	Redeemable Preference Insurance Share Cell "A17"	0.010000	1
1	Redeemable Preference Insurance Share Cell "A18"	0.010000	1
1	Redeemable Preference Insurance Share Cell "A21"	0.010000	1
1	Redeemable Preference Insurance Share Cell "A22"	0.010000	1
1	Redeemable Preference Insurance Share Cell "A23"	0.010000	1
1	Redeemable Preference Insurance Share Cell "A26"	0.010000	1
1	Redeemable Preference Insurance Share Cell "A27"	0.010000	1
1	Redeemable Preference Insurance Share Cell "A29"	0.010000	1
1	Redeemable Preference Insurance Share Cell "A30"	0.010000	1
1	Redeemable Preference Insurance Share Cell "A32"	0.010000	1
1	Redeemable Preference Insurance Share Cell "A33"	0.010000	1
1	Redeemable Preference Insurance Share Cell "A34"	0.010000	1
1	Redeemable Preference Insurance Share Cell "A35"	0.010000	1
1	Redeemable Preference Insurance Share Cell "A36"	0.010000	1
1	Redeemable Preference Insurance Share Cell "A37"	0.010000	1

Figure II.23 - White Rock Insurance (Europe) PCC Limited - Share Capital (Part 1/2)

1	Redeemable Preference Insurance Share Cell "A37"	0.010000	1
1	Redeemable Preference Insurance Share Cell "A39"	0.010000	1
1	Redeemable Preference Insurance Share Cell "A4"	0.010000	1
1	Redeemable Preference Insurance Share Cell "A40"	0.010000	1
1	Redeemable Preference Insurance Share Cell "A42"	0.010000	1
1	Redeemable Preference Insurance Share Cell "A43"	0.010000	1
1	Redeemable Preference Insurance Share Cell "A44"	0.010000	1
1	Redeemable Preference Insurance Share Cell "A45"	0.010000	1
1	Redeemable Preference Insurance Share Cell "A48"	0.010000	1
1	Redeemable Preference Insurance Share Cell "A49"	0.010000	1
1	Redeemable Preference Insurance Share Cell "A50"	0.010000	1
1	Redeemable Preference Insurance Share Cell "A51"	0.010000	1
1	Redeemable Preference Insurance Share Cell "A54"	0.010000	1
1	Redeemable Preference Insurance Share Cell "A56"	0.010000	1
1	Redeemable Preference Insurance Share Cell "A57"	0.010000	1
1	Redeemable Preference Insurance Share Cell "A58"	0.010000	1
1	Redeemable Preference Insurance Share Cell "A59"	0.010000	1
1	Redeemable Preference Insurance Share Cell "A60"	0.010000	1
1	Redeemable Preference Insurance Share Cell "A61"	0.010000	1
1	Redeemable Preference Insurance Share Cell "A62"	0.010000	1
1	Redeemable Preference Insurance Share Cell "A64"	0.010000	1
1	Redeemable Preference Insurance Share Cell "A65"	0.010000	1
1	Redeemable Preference Insurance Share Cell "A66"	0.010000	1
1	Redeemable Preference Insurance Share Cell "A68"	0.010000	1
1	Redeemable Preference Insurance Share Cell "A69"	0.010000	1
1	Redeemable Preference Insurance Share Cell "A70"	0.010000	1
1	Redeemable Preference Insurance Share Cell "A74"	0.010000	1
1	Redeemable Preference Insurance Share Cell "A75"	0.010000	1
1	Redeemable Preference Insurance Share Cell "A76"	0.010000	1
1	Redeemable Preference Insurance Share Cell "A77"	0.010000	1
1	Redeemable Preference Insurance Share Cell "A79"	0.010000	1
2	Redeemable Preference Insurance Share Cell "A8"	0.010000	2
1	Redeemable Preference Insurance Share Cell "A80"	0.010000	2
1	Redeemable Preference Insurance Share Cell "A81"	0.010000	1
1	Redeemable Preference Insurance Share Cell "A82"	0.010000	Unallocated
4,999,934	Redeemable Preference Unclassified shares	0.010000	Unallocated

Figure II.24 - White Rock Insurance (Europe) PCC Limited - Share Capital (Part 2/2)



Other Links Company Details

Searches Company Details Authorised Shares Involved Parties Documents -

Company Search

Companies

Company Registration Number C 45413 - WHITE ROCK INSURANCE (EUROPE) PCC LIMITED

Company Registration Number	C 45413
Company Name	WHITE ROCK INSURANCE (EUROPE) PCC LIMITED
Registration Date	Oct 24, 2008
Registered Office	AVENUE 77, BLOCK A AND BLOCK B, LEVEL 3, TRIQ IN-NEGOZJU, ZONE 3, CENTRAL BUSINESS DISTRICT,
City/Locality	BIRKIRKARA CBD 3010
Country	MALTA

Figure II.25 - White Rock Insurance (Europe) PCC Limited - Registration

Additional evidence:

- M&As dated 24 October 2008 (as at date of incorporation)
- No conversion (newly incorporated PCC)
- Financial Statements for the Financial Year 2022
- 50 cells as per issued share capital and M&As dated 05 September 2023 (most recent alterations to the M&As)

7. Marco Insurance PCC Limited

Company Registration Number C 95748 - MARCO INSURANCE PCC LIMITED

Company Registration Number C 95748
 Total No. of Authorised Shares 500,000,000 (EUR 500000000.00)
 Total No. of Issued Shares 5,356,512 (EUR 5356512.00)

Authorised Share Capital	Type	Nominal Value Per Share In EUR	Issued Shares
50,000,000	Ordinary CELL	1.000000	Unallocated
450,000,000	Ordinary CORE	1.000000	5,356,512

Figure II.26 - Marco Insurance PCC Limited - Share Capital

Company Registration Number C 95748 - MARCO INSURANCE PCC LIMITED

Company Registration Number C 95748
 Company Name MARCO INSURANCE PCC LIMITED
 Registration Date Jun 03, 2020
 Registered Office 171, Old Bakery Street
 City/Locality VALLETTA VLT 1455
 Country MALTA

Figure II.27 - Marco Insurance PCC Limited - Registration

Additional evidence:

- M&As dated 03 June 2020 (as at date of incorporation)
- M&As dated 16 April 2021 (as at date of conversion)
- Financial Statements for the Financial Year 2021
- No cells registered as per issued share capital

8. Oney Insurance (PCC) Limited

Company Registration Number C 53202 - ONEY INSURANCE (PCC) LIMITED

Company Registration Number C 53202
 Total No. of Authorised Shares 8,600,000 (EUR 8600000.00)
 Total No. of Issued Shares 8,100,000 (EUR 8100000.00)

Authorised Share Capital	Type	Nominal Value Per Share in EUR	Issued Shares
1	Ordinary CELL 'A'	1.000000	1
2,999,999	Ordinary CELL 'B'	1.000000	2,499,999
5,600,000	Ordinary CORE	1.000000	5,600,000

Figure II.28 - Oney Insurance (PCC) Limited - Share Capital

Company Registration Number C 53202 - ONEY INSURANCE (PCC) LIMITED

Company Registration Number C 53202
 Company Name ONEY INSURANCE (PCC) LIMITED
 Registration Date Jun 21, 2011
 Registered Office 171, OLD BAKERY STREET,
 City/Locality VALLETTA
 Country MALTA

Figure II.29 - Oney Insurance (PCC) Limited - Registration

Additional evidence:

- M&As dated 21 June 2011 (as at date of incorporation)
- No conversion (newly incorporated PCC)
- Financial Statements for the Financial Year 2021
- 1 cell registered (with 2 classes of shares) as per issued share capital and M&As dated 23 April 2019 (most recent alterations to the M&As)

9. EUCARE Insurance PCC Limited

Company Registration Number C 88658 - EUCARE INSURANCE PCC LIMITED

Company Registration Number C 88658
 Total No. of Authorised Shares 50,000,000 (EUR 50000000.00)
 Total No. of Issued Shares 8,501,200 (EUR 8501200.00)

Authorised Share Capital	Type	Nominal Value Per Share in EUR	Issued Shares
25,000,000	Ordinary Cell A - NLCARE Cell	1.000000	6,000,000
25,000,000	Ordinary CORE	1.000000	2,501,200

Figure II.30 - EUCARE Insurance PCC Limited - Share Capital

Company Registration Number C 88658 - EUCARE INSURANCE PCC LIMITED

Company Registration Number C 88658
 Company Name EUCARE INSURANCE PCC LIMITED
 Registration Date Oct 08, 2018
 Registered Office 16, EUROPA CENTRE,
 TRIQ JOHN LOPEZ,
 City/Locality FLORIANA FRN 1400
 Country MALTA

Figure II.31 - EUCARE Insurance PCC Limited - Registration

Additional evidence:

- M&As dated 08 October 2018 (as at date of incorporation)
- M&As dated 01 November 2018 (as at date of conversion)
- Financial Statements for the Financial Year dated 2022
- 1 registered cell as per issued share capital and M&As dated 23 May 2023 (most recent alterations to the M&As)

10. Advent Insurance PCC Limited

Company Registration Number C 52394 - ADVENT INSURANCE PCC LIMITED

Company Registration Number C 52394
 Total No. of Authorised Shares 50,000,000 (EUR 50000000.00)
 Total No. of Issued Shares 11,345,696 (EUR 11345696.00)

Authorised Share Capital	Type	Nominal Value Per Share in EUR	Issued Shares
37,481,960	Ordinary	1.000000	Unallocated
2,765,000	Ordinary ABSOLUT CELL SHARES	1.000000	2,765,000
572,344	Ordinary AIF CELL SHARES	1.000000	Unallocated
1,431,375	Ordinary AUTORAMA CELL SHARES	1.000000	1,431,375
4,440,000	Ordinary CORE	1.000000	4,440,000
600,000	Ordinary FINANCE ONE CELL SHARES	1.000000	Unallocated
1,045,201	Ordinary FREEDOM HEALTH CELL SHARES	1.000000	1,045,201
1,379,120	Ordinary UIB ORDINARY CELL SHARES	1.000000	1,379,120
285,000	Ordinary UNLIMITEDCARE CELL SHARES	1.000000	285,000

Figure II.32 - Advent Insurance PCC Limited - Share Capital

Company Registration Number C 52394 - ADVENT INSURANCE PCC LIMITED

Company Registration Number C 52394
 Company Name ADVENT INSURANCE PCC LIMITED
 Registration Date Mar 28, 2011
 Registered Office THE LANDMARK, LEVEL 1, SUITE 2, TRIQ L-IJJUN,
 City/Locality QORMI QRM3800
 Country MALTA

Figure II.33 - Advent Insurance PCC Limited - Registration

Further evidence:

- M&As dated 23 March 2011 (as at date of incorporation)
- No conversion (newly incorporated PCC)
- Financial Statements for the Financial Year 2020
- 5 registered cells as per issued share capital and M&A dated 07 April 2022 (most recent alterations to the M&As)

11. Highdome PCC Limited

MBR MALTA BUSINESS REGISTRY

Other Links | Company Details

Searches | Company Details | Authorised Shares | Involved Parties | Documents

Company Search

Companies

Company Registration Number C 54503 - HIGHDOME PCC LIMITED

Company Registration Number C 54503
 Company Name HIGHDOME PCC LIMITED
 Registration Date Nov 23, 2011
 Registered Office ALFRED CRAIG STREET,
 City/Locality TA' XBIEX XBX 1111
 Country MALTA

Figure II.34 - Highdome PCC Limited - Share Capital

MBR MALTA BUSINESS REGISTRY

Other Links | Company Share Capital

Searches | Company Details | Authorised Shares | Involved Parties | Documents

Company Search

Companies

Company Registration Number C 54503 - HIGHDOME PCC LIMITED

Company Registration Number C 54503
 Total No. of Authorised Shares 6,802,400 (EUR 34012000.00)
 Total No. of Issued Shares 3,262,400 (EUR 16312000.00)

Authorised Share Capital	Type	Nominal Value Per Share in EUR	Issued Shares
2,540,000	Ordinary CELL	5.000000	Unallocated
272,400	Ordinary CLASS D REI CELL	5.000000	272,400
2,000,000	Ordinary CLASS E CELL EUROPE	5.000000	2,000,000
200,000	Ordinary CLASS F CELL COOPEX	5.000000	Unallocated
200,000	Ordinary CLASS G CELL SHARES	5.000000	200,000
80,000	Ordinary CLASS H CELL SHARES	5.000000	80,000
800,000	Ordinary CORE	5.000000	Unallocated
69,999	Ordinary CORE A	5.000000	69,999
640,000	Ordinary CORE B	5.000000	640,000
1	Ordinary CORE C	5.000000	1

Figure II.35 - Highdome PCC Limited - Registration

Additional evidence:

- M&As dated 23 November 2011 (as at date of incorporation)
- No conversion (newly incorporated PCC)
- Financial Statements for the Financial Year 2021
- 4 registered cells as per issued share capital and M&As dated 29 November 2022 (most recent alterations to the M&As)

12. Lime Street Insurance PCC Limited

Company Registration Number C 50711 - LIME STREET INSURANCE PCC LIMITED

Company Registration Number C 50711
 Total No. of Authorised Shares 355,950,000 (EUR 34200000.00)
 Total No. of Issued Shares 21,222,000 (EUR 21222000.00)

Authorised Share Capital	Type	Nominal Value Per Share in EUR	Issued Shares
2,200,000	Ordinary BASEL FIDES CELL SHARES	1.000000	2,200,000
2,222,000	Ordinary BOBST CELL SHARES	1.000000	2,222,000
5,950,000	Ordinary CORE	1.000000	4,000,000
12,800,000	Ordinary CRYSTAL CELL SHARES	1.000000	12,800,000
7,778,000	Ordinary UNCLASSIFIED	1.000000	Unallocated
325,000,000	Ordinary UNCLASSIFIED.	0.010000	Unallocated

Figure II.36 - Lime Street Insurance PCC Limited - Share Capital

Company Registration Number C 50711 - LIME STREET INSURANCE PCC LIMITED

Company Registration Number C 50711
 Company Name LIME STREET INSURANCE PCC LIMITED
 Registration Date Sep 20, 2010
 Registered Office DEVELOPMENT HOUSE,
 ST. ANNE STREET,
 City/Locality FLORIANA FRN 9010
 Country MALTA

Figure II.37 - Lime Street Insurance PCC Limited - Registration

Additional evidence:

- M&As dated 20 September 2010 (as per date of conversion)
- No conversion (newly incorporated PCC)
- Financial Statements for the Financial Year 2022
- 3 registered cells as per issued share capital and M&As dated 19 August 2022 (most recent alterations to the M&As)

13. Munich Re PCC Limited

Company Registration Number C 81097 - MUNICH RE PCC LIMITED

Company Registration Number C 81097
 Total No. of Authorised Shares 40,000,100 (EUR 50000000.00)
 Total No. of Issued Shares 25,600,060 (EUR 31600000.00)

Authorised Share Capital	Type	Nominal Value Per Share in EUR	Issued Shares
10,601,000	Ordinary CELL	1.000000	Unallocated
100	Ordinary CORE	100000.000000	60
25,600,000	Ordinary PENSIONS CELL	1.000000	25,600,000
3,799,000	Ordinary SAVINGS AND INVESTMENTS CELL	1.000000	Unallocated

Figure II.38 - Munich Re PCC Limited - Share Capital

Company Registration Number C 81097 - MUNICH RE PCC LIMITED

Company Registration Number C 81097
 Company Name MUNICH RE PCC LIMITED
 Registration Date May 29, 2017
 Registered Office LEVEL 4, WHITEHALL MANSIONS,
 City/Locality TA' XBIEX XBX 1026
 Country MALTA

Figure II.39 - Munich Re PCC Limited - Registration

Additional evidence:

- M&As dated 29 May 2017 (as at date of incorporation)
- No conversion (newly incorporated PCC)
- Financial Statements for the Financial Year 2022
- 1 registered cell as per issued share capital

14. Atlas Insurance PCC Limited

Company Registration Number C 5601 - ATLAS INSURANCE PCC LIMITED

Company Registration Number	C 5601
Company Name	ATLAS INSURANCE PCC LIMITED
Registration Date	Aug 13, 1981
Registered Office	48-50, TA' XBIEX SEAFRONT,
City/Locality	TA' XBIEX XBX 1021
Country	MALTA

Figure II.40 - Atlas Insurance PCC Limited - Share Capital

Company Registration Number C 5601 - ATLAS INSURANCE PCC LIMITED

Company Registration Number	C 5601
Total No. of Authorised Shares	14,460,000 (EUR 36150000.00)
Total No. of Issued Shares	13,285,739 (EUR 33214347.50)

Authorised Share Capital	Type	Nominal Value Per Share in EUR	Issued Shares
4,797,000	Ordinary A	2,500000	4,797,000
1,174,261	Ordinary CELL SHARES	2,500000	Unallocated
2,249,831	Ordinary CELL SHARES IN AMPLIFON CELL	2,500000	2,249,831
480,000	Ordinary CELL SHARES IN ASSERVO MALTA	2,500000	480,000
620,000	Ordinary CELL SHARES IN AUTORAMA CELL	2,500000	620,000
745,284	Ordinary CELL SHARES IN BLEVINS FRANKS CELL	2,500000	745,284
369,032	Ordinary CELL SHARES IN GEMINI CELL	2,500000	369,032
1,500,000	Ordinary CELL SHARES IN GRIFFIN CELL	2,500000	1,500,000
480,000	Ordinary CELL SHARES IN L'AMIE CELL	2,500000	480,000
1,497,377	Ordinary CELL SHARES IN OCADO CELL	2,500000	1,497,377
544,215	Ordinary CELL SHARES IN TVIS CELL	2,500000	544,215
3,000	Preference B	2,500000	3,000

Figure II.41 - Atlas Insurance PCC Limited - Registration

Additional evidence:

- M&As dated 13 August 1981 (as at date of incorporation)
- M&As dated 01 November 2006 (as at date of conversion)
- Financial Statements for the Financial Year 2021

9 registered cells as per issued share capital and M&As dated 05 September 2023 (most recent alterations to the M&As)

Surrendered Licences

Abacus Risk Management Services PCC Limited (First PCC Manager – Struck off 2022)

The screenshot displays the MBR Malta Business Registry interface. The main header shows 'MBR MALTA BUSINESS REGISTRY'. The navigation menu includes 'Other Links', 'Company Share Capital', 'Searches', 'Company Search', and 'Companies'. The 'Company Share Capital' section is active, showing details for 'Company Registration Number C 45947 - ABACUS RISK MANAGEMENT SERVICES PCC LIMITED'. The details include:

- Company Registration Number: C 45947
- Total No. of Authorised Shares: 10,700,000 (EUR 800000.00)
- Total No. of Issued Shares: 297,000 (EUR 297000.00)

Authorised Share Capital	Type	Nominal Value Per Share in EUR	Issued Shares
403,000	Ordinary	1.000000	Unallocated
133,650	Ordinary A	1.000000	133,650
133,650	Ordinary B	1.000000	133,650
29,700	Ordinary C	1.000000	29,700
10,000,000	Preference CELL	0.010000	Unallocated

Figure II.42 - Abacus Risk Management Services PCC Limited (Struck off) - Share Capital

The screenshot displays the MBR Malta Business Registry interface. The main header shows 'MBR MALTA BUSINESS REGISTRY'. The navigation menu includes 'Other Links', 'Company Details', 'Searches', 'Company Search', and 'Companies'. The 'Company Details' section is active, showing details for 'Company Registration Number C 45947 - ABACUS RISK MANAGEMENT SERVICES PCC LIMITED'. The details include:

- Company Registration Number: C 45947
- Company Name: ABACUS RISK MANAGEMENT SERVICES PCC LIMITED
- Registration Date: Jan 07, 2009
- Registered Office: LF3, THIRD FLOOR, GASANMAMO HEAD OFFICE, MSIDA ROAD,
- City/Locality: GZIRA GZR 1405
- Country: MALTA
- Status: Struck Off
- Effective Date: 02/05/2022

Figure II.43 - Abacus Risk Management Services PCC Limited (Struck off) - Registration

Additional evidence regarding Abacus as a new structure and its number of cells:

MaltaToday, (2011). *Abacus risk management becomes Europe's first protected Cell Company*

Available at: https://www.maltatoday.com.mt/business/business_news/7737/abacus-risk-management-becomes-europe-s-first-protected-cell-company (Accessed: 06 August 2023).

Genghis Limited (PCC Undertaking – Struck off 2020)

Company Registration Number C 55194 - GENGHIS LIMITED

Company Registration Number: C 55194
 Total No. of Authorised Shares: 15,000,000 (USD 15000000.00)
 Total No. of Issued Shares: 9,858,000 (USD 9858000.00)

Authorised Share Capital	Type	Nominal Value Per Share in USD	Issued Shares
15,000,000	Ordinary	1.000000	9,858,000

Figure II.44 - Genghis Limited (Struck off) - Share Capital

Company Registration Number C 55194 - GENGHIS LIMITED

Company Registration Number: C 55194
 Company Name: GENGHIS LIMITED
 Registration Date: Feb 02, 2012
 Registered Office: DEVELOPMENT HOUSE, ST. ANNE STREET, FLORIANA FRN 9010
 City/Locality: FLORIANA FRN 9010
 Country: MALTA
 Status: Struck Off
 Effective Date: 07/11/2020

Figure II.45 - Genghis Limited (Struck off) - Registration

Additional evidence regarding Genghis as a new structure:

Opencorporates, (2020). *Events for GENGHIS LIMITED*. Available at: <https://opencorporates.com/companies/mt/C55194/events> (Accessed: 09 August 2023).

London & Leith SE (PCC Undertaking – Conversion from PCC to Societas Europaea 2020)

The screenshot shows the MFSA website interface. At the top, there is a navigation bar with links for 'About us', 'Consumers', 'Our Work', 'Newsroom', 'FSA', and 'Financial Services Register'. Below this, there are two main sections:

Authorised Person Basic Details

Authorised Person Name	LONDON & LEITH SE
MBR Registration Code	SE 8
Authorised Person ID	LLPC
LEI Code	2138004MKSJ447N91922
Registered Address	62-64, PROGETTA HOUSE, LEVEL 0, TOWER STREET, SWATAR, BIRKIRKARA MALTA BKR 4013
Business Address	MALTA

Other Authorisations held by LONDON & LEITH SE

Insurance Undertakings Passporting outside Malta under Freedom of Services	Licence Surrendered Voluntarily
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Authorisation Details

Authorisation	Insurance Undertaking - PCC
Status	Licence Surrendered Voluntarily
Authorisation Issue Date	28-06-2017
Authorisation Surrendered Date	13-11-2022

Figure II.46 - London & Leith SE (Converted) - PCC Licence Surrender

The screenshot shows the MBR Malta Business Registry website. The header includes the MBR logo and 'MALTA BUSINESS REGISTRY'. Below the header, there is a navigation bar with 'Other Links', 'Company Details', 'Authorised Shares', 'Involved Parties', and 'Documents'. The main content area displays the following details for 'Company Registration Number SE 8 - LONDON & LEITH SE':

Company Registration Number	SE 8
Company Name	LONDON & LEITH SE
Registration Date	Jun 28, 2017
Registered Office	62-64, PROGETTA HOUSE, LEVEL 0, TOWER STREET, SWATAR, BIRKIRKARA BKR 4013
City/Locality	BIRKIRKARA BKR 4013
Country	MALTA

Figure II.47 - London & Leith SE - Registration

Additional evidence regarding the structural conversion London & Leith SE as a new structure:

- M&As dated 21 November 2022 (most recent alterations to M&As)

GCP 1 Ltd (PCC Undertaking – Licence Surrendered 2022, Dissolution in progress as at August 2023)

The screenshot shows the MFSA website interface. At the top, there is a dark blue navigation bar with the MFSA logo and several menu items: About us, Consumers, Our Work, Newsroom, FSA, and Financial Services Register. Below the navigation bar, there are two main content areas. The first area, titled 'Authorised Person Basic Details', lists the following information for GCP 1 LTD: MBR Registration Code (C 95732), Authorised Person ID (GCIPCOR), LEI Code (485100E309CM10LWPM08), Registered Address (NO.4, ST ANDREW STREET VALLETTA MALTA VLT 1341), Business Address (MALTA), and Email (annamaria@vallettalegal.com, ja@gossmann-cie.com). The second area, titled 'Other Authorisations held by GCP 1 LTD.', states 'No other authorisations for this Authorised Person.' Below these areas is a section for 'Authorisation Details' which shows: Authorisation (Insurance Undertaking - PCC), Status (Licence Surrendered Voluntarily), Authorisation Issue Date (01-07-2020), and Authorisation Surrendered Date (30-09-2021).

Figure II.48 - GCP 1 Ltd (In Dissolution) - PCC Licence Surrender

The screenshot shows the MBR (Malta Business Registry) website interface. At the top, there is a dark grey header with the MBR logo and the text 'MALTA BUSINESS REGISTRY'. Below the header, there is a navigation bar with several tabs: Other Links, Searches, Companies, Company Share Capital, Company Details, Authorised Shares, Involved Parties, and Documents. The 'Company Share Capital' tab is selected, and the page displays the following information for GCP 1 LTD (Company Registration Number C 95732): Company Registration Number (C 95732), Total No. of Authorised Shares (10,000 (EUR 10000.00)), and Total No. of Issued Shares (1,200 (EUR 1200.00)). Below this information is a table showing the authorised share capital details:

Authorised Share Capital	Type	Nominal Value Per Share in EUR	Issued Shares
10,000	Ordinary	1.000000	1,200

Figure II.49 - GCP 1 Ltd (In Dissolution) - Share Capital

MBR MALTA
BUSINESS
REGISTRY

Other Links Company Details

Searches Company Details Authorised Shares Involved Parties Documents -

Companies

Company Registration Number C 95732 - GCP 1 LTD.

Company Registration Number	C 95732
Company Name	GCP 1 LTD.
Registration Date	Jun 01, 2020
Registered Office	NO.4, ST ANDREW STREET
City/Locality	VALLETTA VLT 1341
Country	MALTA
Status	In Dissolution

Figure II.50 - GCP 1 Ltd (In Dissolution) - Registration

Darag Malta Limited (PCC Undertaking – Struck Off 2023)

Authorised Share Capital	Type	Nominal Value Per Share in EUR	Issued Shares
5,000,000	Ordinary	1.000000	4,000,100

Figure II.51 - Darag Malta Limited (Struck off) - Share Capital

Company Registration Number	C 70072
Company Name	DARAG MALTA LIMITED
Registration Date	May 29, 2015
Registered Office	3RD FLOOR, DEVELOPMENT HOUSE, ST. ANNE STREET,
City/Locality	FLORIANA FRN 9010
Country	MALTA
Status	Struck Off Following Merger
Effective Date	26/07/2023

Figure II.52 - Darag Malta Limited (Struck off) - Registration

Additional evidence regarding the new structure and cells:

- DARAG Malta Insurance and Reinsurance PCC Limited, (2022). *Solvency and Financial Condition Report for the Financial Year ended 31 December 2021*. Available at:
[efaidnbmnnnibpcajpcglclefindmkaj/https://editoruploads.s3.juneapp.com/darag/e32587087e3869ae997b31273578eac1.pdf](https://editoruploads.s3.juneapp.com/darag/e32587087e3869ae997b31273578eac1.pdf) (Accessed: 07 August 2023).