

**Atlas Insurance Limited  
has converted to  
Atlas Insurance PCC Limited  
from 1 November 2006**

**FAQ List**

**What do the letters PCC in Atlas Insurance PCC Limited (“Atlas”) stand for?**  
Protected Cell Company.

**What is a Protected Cell Company (“PCC”)?**

A PCC is a new type of company authorized and regulated by the Insurance Business Act (Cap 403) and a set of Regulations called Companies Act (Cell Companies Carrying on Business of Insurance) Regulations, 2004. The purpose of forming a PCC or converting into a PCC is to create, within an insurance company, one or more cells and to segregate and protect the assets of each cell. The assets of a PCC are either cellular assets or non-cellular assets.

**Are the cellular assets kept separate from non-cellular assets?**

Yes. The directors of a PCC are obliged to keep both types of assets separately identifiable from each other. Moreover the cellular assets of each cell have also to be separately identifiable from each other. Separate records and accounts must be maintained to ensure this distinction.

**Is it possible for Cells to own shares in the PCC?**

Yes. A PCC may create and issue cell shares, the proceeds of which are comprised in the cellular assets attributable to that cell. A PCC may pay a dividend in respect of cell shares.

**Can the assets of a cell be used towards settling liabilities of another cell or the non-cellular liabilities?**

No. Assets attributable to a cell are only available to the creditors in respect of that cell and are absolutely protected from creditors of the PCC that are not entitled to have recourse.

**How are the liabilities of cellular assets satisfied?**

Where any liability arises which is attributable to a particular cell the cellular assets of that cell shall be primarily used to satisfy the liability. The company’s non-cellular assets shall be secondarily used to satisfy the liability, provided that the cellular assets of that relevant cell have been exhausted.

**Is each cell required to maintain a solvency margin?**

Yes. Each cell is required to maintain its solvency margin calculated in accordance with the requirements under the Insurance Business Act (Cap 403).

**Is the creation of a cell subject to prior authorization by the MFSA?**

Yes. Before a cell is created, an application has to be made to the MFSA for authorization. The application process follows the same pattern as that of an insurance company. A due diligence exercise is carried out on the owners of each cell to determine that they are fit and proper persons. A detailed business plan has to be submitted with the application in order for the MFSA to assess the feasibility of the proposal.

**Are Cells regulated and supervised by the MFSA?**

Yes. Each cell created by the PCC will continue to be individually regulated and supervised by the MFSA, as if it were a separate company, as far as it is applicable.

**Why did Atlas convert into a PCC?**

This new company structure has been introduced with success in other captive insurance domiciles. The success of the captive insurance industry since Malta became a European Member State has surpassed expectations. The Board of Directors has noted with

satisfaction this development and decided to venture into the PCC activity, which has as yet not taken on in Malta. Atlas is the first and only PCC authorized in Malta. A research exercise was carried out to identify the potential and we were happy to notice that there is a substantial interest in filling this vacuum. The Board is confident that the facility created by Atlas' conversion will attract a reasonable number of clients from European countries. The ability of insurers authorized in Malta to passport their activities into all the European Union States should prove a very attractive opportunity. This conversion was considered to be the less costly method and the most prudent way of attaining gradual expansion overseas.

This move positions Atlas as a forward-looking insurer with ambitions for growth and always ready to identify and exploit new business opportunities. Atlas has always undertaken a prudent underwriting approach and this approach will be maintained in the evaluation and the management of each and every cell proposal.

**What are the implications of the conversion of Atlas Insurance Limited to Atlas Insurance PCC Limited for its existing policyholders?**

Atlas Insurance PCC Limited may apply to the MFSA to create within itself one or more cells for the purpose of segregating and protecting its cellular assets. In accordance with the Regulations, where any liability arises which is attributable to a particular cell, the cellular assets attributable to that cell shall be primarily used to satisfy the liability. Atlas Insurance PCC Limited's non-cellular assets shall be secondarily used to satisfy the liability of that cell, in the circumstance that the cellular assets (including reinsurance arrangements and guarantees which the shareholders of the cell may have pledged) attributable to the relevant cell have been exhausted. It is sound practice for a PCC to obtain bank guarantees or letters of credit from cell owners, where necessary, in order to protect the non-cellular assets. The business of insurance of Atlas Insurance Limited carried on before 1 November 2006 will continue to be carried on through the non-cellular section of Atlas Insurance PCC Limited. It is emphasised that the rights and obligations of the policyholders under their policy of insurance will not be altered in any way.

**What are the advantages of this venture for the Maltese economy?**

The financial services industry in general and the insurance sector has grown considerably over the past two years. This added facility will allow insurance managers to promote Malta as a cell destination for smaller and medium sized companies that do not wish to set up their own captive. Atlas PCC will add a new level of depth to the services provided by the insurance industry locally.