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FINANCIAL SECTOR ASSESSMENT PROGRAM

# MAURITIUS

IAIS INSURANCE CORE PRINCIPLES

# DETAILED ASSESSMENT OF OBSERVANCE

APRIL 2012

THE WORLD BANK  
FINANCIAL AND PRIVATE SECTOR DEVELOPMENT VICE PRESIDENCY  
AFRICA REGIONAL VICE PRESIDENCY



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## Glossary

IA	Insurance Act 2005
IAIS	International Association of Insurance Supervisors
IBNR	Claims “incurred but not reported”
IFRS	International Financial Reporting Standards
FATF	Financial Action Task Force
FIAMLA	Financial Intelligence and Anti Money Laundering Act 2002
FSA	Financial Services Act 2007
FSC	Financial Services Commission

All amounts are in Mauritian Rupees unless indicated.  
1 USD = MUR 28.5 Rupees at the time of the mission.

## I. INFORMATION AND METHODOLOGY USED FOR THE ASSESSMENT

1. **This assessment focused on the supervision and regulation of the insurance sector and the role of the Financial Services Commission (FSC) in Mauritius.** The FSC has responsibility for licensing and supervision of all players in the insurance market – insurance companies, distributors; loss adjusters; reinsurance companies; reinsurance brokers, and actuaries and auditors<sup>1</sup>. In addition to its role as a supervisor, the FSC is also responsible for the development of rules and regulations applicable to the insurance industry, issuing rules in by its own authority and regulations though the ultimate authority of the Minister.
2. **Mauritius participated in the FSAP program in 2002 and an update in 2006,** but neither of these missions included an insurance sector assessment. This report relates to a dedicated assessment mission conducted in July 2011.
3. **The assessment was performed using the 2007 version of the Core Principles** for Insurance Supervision issued by the International Association of Insurance Supervisors (IAIS). A newer version is under development and may be adopted by IAIS before the end of 2011. The 2007 version is the latest version available to the public at the time of the mission.
4. **In preparation for the FSAP mission, FSC staff prepared a self-assessment against the ICPs.** They also provided details in response to an advance questionnaire sent to them by the mission.
5. **The FSC maintains a fairly detailed website** ([www.fscmauritius.org](http://www.fscmauritius.org)) that contains copies of relevant laws and regulations applicable to insurance companies in Mauritius. Also available on the website are copies of guidelines of general application that have been issued to the insurance companies, statistics of the industry's performance, and copies of the annual reports issued by FSC.
6. **In addition to its discussions with FSC personnel, mission members met with representatives of the trade association and with executives of a representative sample of companies,** both life and general insurance, operating in the market. Other contacts included brokers and auditors.

## II. INSTITUTIONAL AND MACRO PRUDENTIAL SETTING

7. **The insurance sector in Mauritius is material although not fully developed** in terms of size. Insurance premium stands at MUR 17.5 billion represented at 68% life and 32% non life insurances. Insurance penetration (premium as a percentage of GDP), at 5.86 per cent, has been growing in real terms, especially through continuing growth in the life insurance sector, and compares well with emerging markets although represents a way to go before reaching comparable levels of mature markets. Sector growth has been strong in nominal and real terms over the short, medium and longer term (refer Table 1). By way of comparison, OECD countries average around 8.5 percent for the measure of insurance penetration.

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<sup>1</sup> Strictly, auditors and actuaries appointed by insurers are subject to FSC “approval” whilst auditors are “licensed” by the Financial Reporting Council.

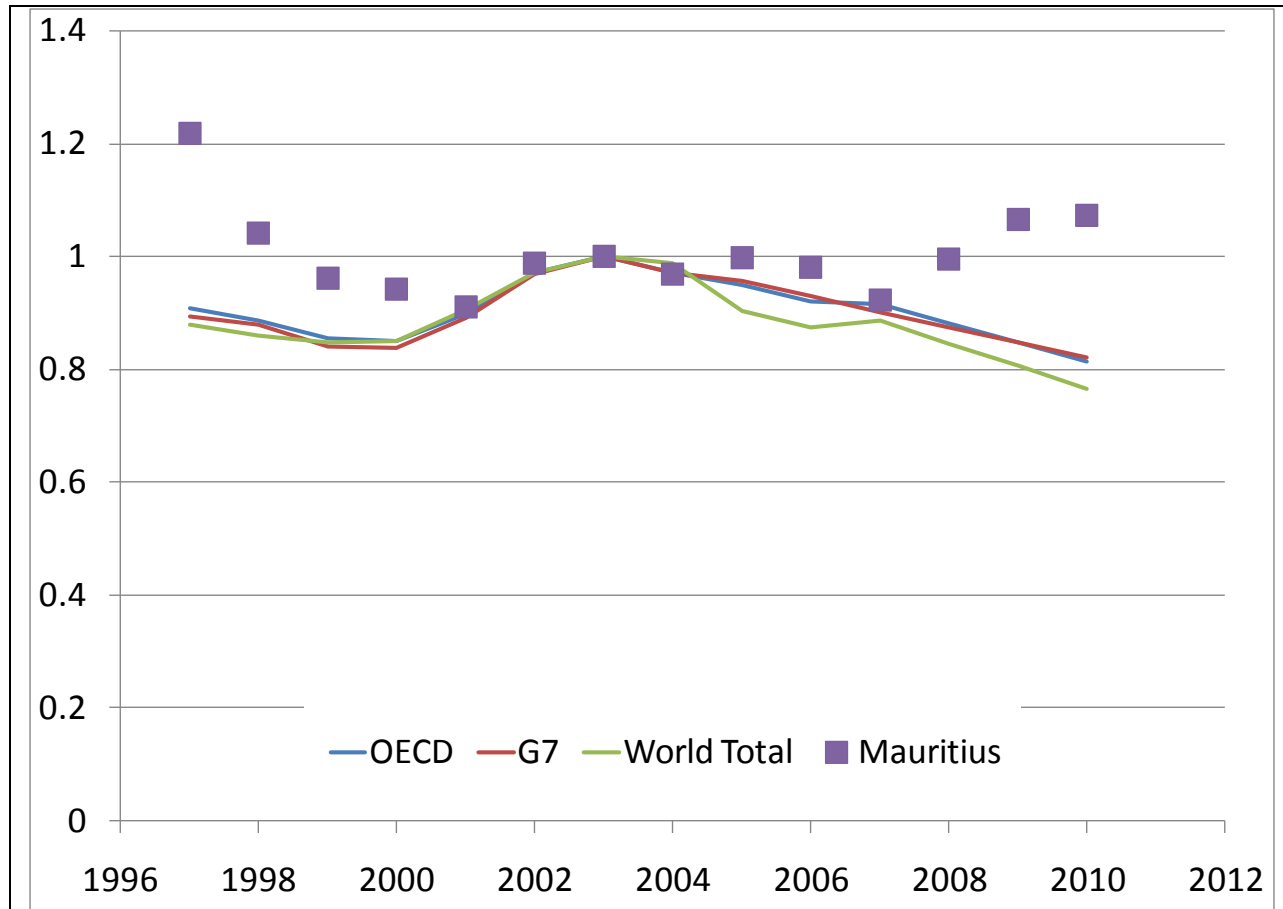
**Table 1. Trends in Premium, Penetration and Density**

	Year Ending							Rate of Change (per cent per annum) to 2010		
	2000	2005	2006	2007	2008	2009	2010	1 year	5 years	10 years
Insurance Premium (in local currency millions)										
Life Insurance	2,770.3	5,739.3	6,875.0	7,743.0	9,091.0	9,510.0	11,963.0	25.79%	15.82%	15.75%
Non-life Insurance	1,965.8	3,315.5	3,634.0	3,904.0	4,735.0	5,235.0	5,574.0	6.48%	10.95%	10.98%
Total	4,736.2	9,054.7	10,509.0	11,647.0	13,826.0	14,745.0	17,537.0	18.94%	14.13%	13.99%
Insurance Penetration (Insurance Premium to GDP)										
Life Insurance	2.30%	3.00%	3.22%	3.17%	3.31%	3.36%	3.99%	19.01%	5.90%	5.66%
Non-life Insurance	1.63%	1.73%	1.70%	1.60%	1.73%	1.85%	1.86%	0.73%	1.45%	1.31%
Total	3.94%	4.73%	4.92%	4.77%	5.04%	5.20%	5.86%	12.52%	4.36%	4.05%
Insurance Density (Insurance Premium per capita)										
Life Insurance	87.95	155.64	172.07	194.73	249.64	230.67	301.29	30.62%	14.12%	13.10%
Non-life Insurance	62.41	89.91	90.95	98.18	130.03	126.98	140.38	10.56%	9.32%	8.44%
Total	150.35	245.55	263.02	292.91	379.67	357.64	441.67	23.49%	12.46%	11.38%

Source: FSC, AXCO, Staff Analysis

8. **Life insurance growth has been more impressive than non life insurance performance.** Although both segments have shown healthy nominal growth rates, real growth has been less spectacular for the non life sector. Interpreting non life sector premium performance can be confused by global pricing cycles. As a result, by standardising penetration measures and comparing them to large aggregates of developed markets (that can be taken to reflect the pricing cycle without the impact of changes in insurance utilisation) trends can be considered. Figure 1, standardised to 2003, indicates that the Mauritian statistic has largely followed global price trends since that time until a more recent pick up suggesting that the market had made little progress in increasing insurance uptake until more recently although there is considerable support for the view that local price increases in the motor market from unsustainable levels have contributed to recent growth.

**Figure 1. Trends in Non Life Insurance Penetration compared to Global Price Level Indicators**

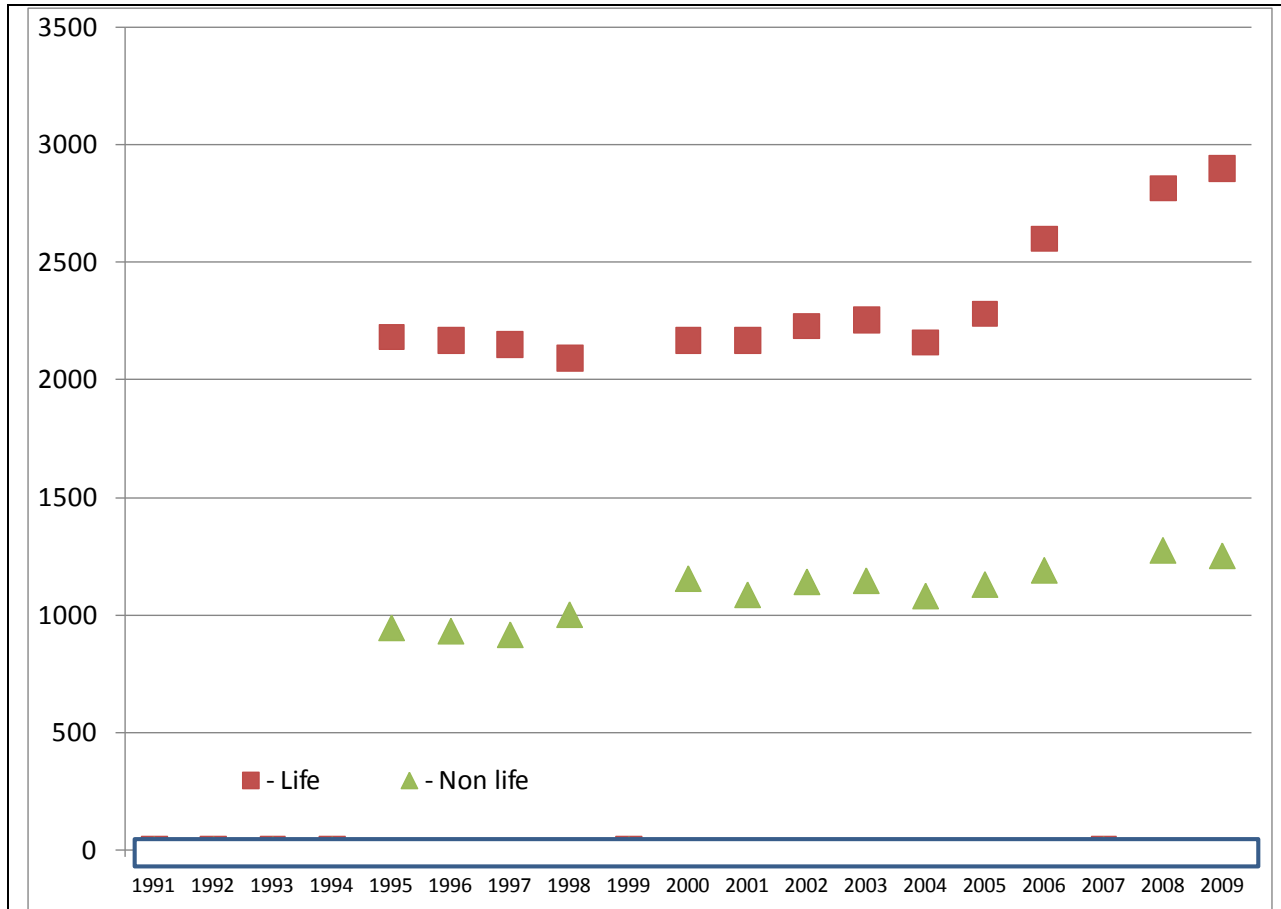


Source: AXCO, Staff Analysis

9. **After a transition period under the new Insurance Act (IA) that concluded at the beginning of 2011, there are now no composite direct insurers.** As at the end of 2010, there were 21 insurers licensed by the FSC comprised of 8 life insurers and 13 non life insurers. Both Africa Reinsurance and Munich Re have a business presence in Mauritius, Africa Re being exempt from the Act and Munich Re operating as a regional “global business” and servicing both local and other African insurers as a composite.

10. **Competition, as measured by the Herfindahl Index, has been showing some consolidation driven by the regulatory changes but also consistent with market realities.** For non life insurance, after a period where competition has been fierce and often irrational, the current index at 1,250 is approaching more neutral levels based on international benchmarks. Life insurance, at 2,899, has been increasing above the neutral benchmark level since 2006 suggesting further consolidation is less likely on competition grounds alone and that new entrants may find opportunities in the market if current trends continue (refer Figure 2)<sup>2</sup>.

<sup>2</sup> For more information on international benchmarking of the Herfindahl Index, see Thorburn C., (2008) *Insurers: Too Many, Too Few, or ‘Just Right’*, World Bank Working Paper 4578

**Figure 2. Trends in Herfindahl Index for Life and Non Life Segments**

Source: AXCO, Staff Analysis

11. **The sector provides a range of products reflecting a more developed sector.** Motor insurance, although compulsory, is only 41 percent of the total premium in the non life segment although the balance of products remains primarily “short tail”. Life products include both traditional and investment linked life products and a material pension line that provides for those that do not participate in the national provident scheme or are looking for “top-up” benefits (refer Table 2).

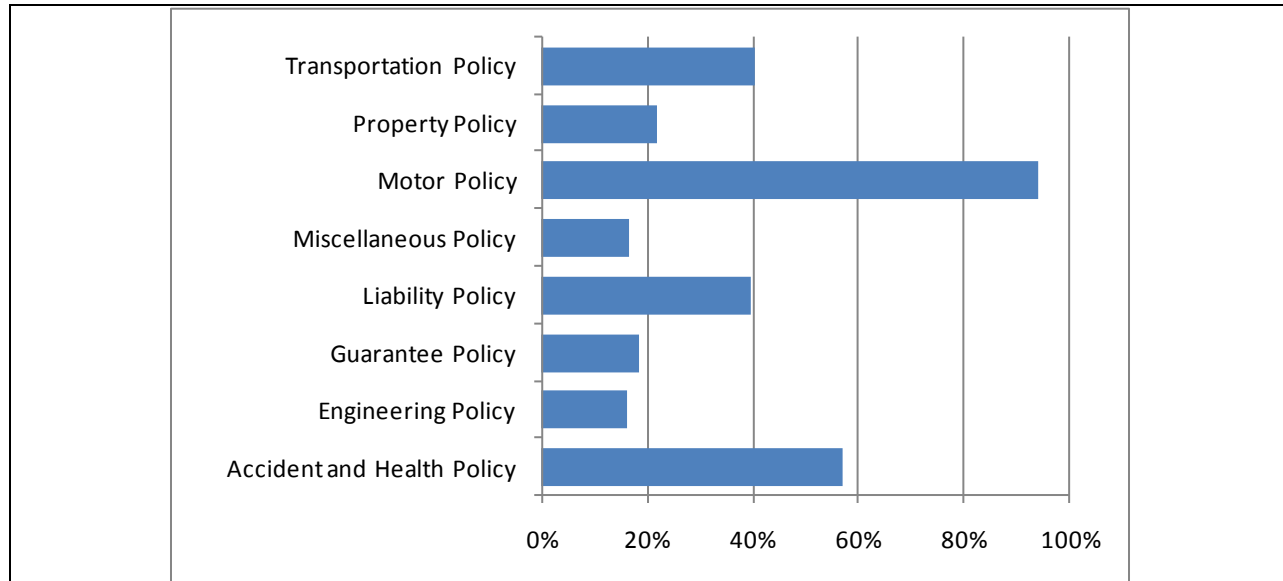
**Table 2. Product Mix - Based on Premium Income 2009 in MUR millions**

Life Insurance			Non Life Insurance		
Category	Premium	Percent	Category	Premium	Percent
Traditional savings and risk	6,654	70	Accident and Health	943	18
Pensions	1,945	20	Engineering	290	6
Accident and Health	7	0	Guarantee	7	0
Unit Linked	904	10	Liability	340	6
			Miscellaneous	213	4
			Motor	2,150	41
			Property	907	17
			Transport	386	7
Total	9,510	100	Total	5,235	100

Source: FSC, Staff Analysis

12. **Reinsurance is used to provide capacity to the local market** particularly for larger commercial property risks. Life insurers retained 97 percent of premium on average in 2009 (individual company ranges from 82 percent to 100 percent). Non life insurers retained 60 percent of premium (ranging by company from 35 percent to 92 percent). Reinsurance retentions for non life business reflected the business mix differentials with motor largely retained whereas those classes where capacity for larger single risks is required or expertise is more limited needing a greater level of reinsurance support (refer Figure 3).

**Figure 3. Retention Rates by Class of Non Life Insurance**



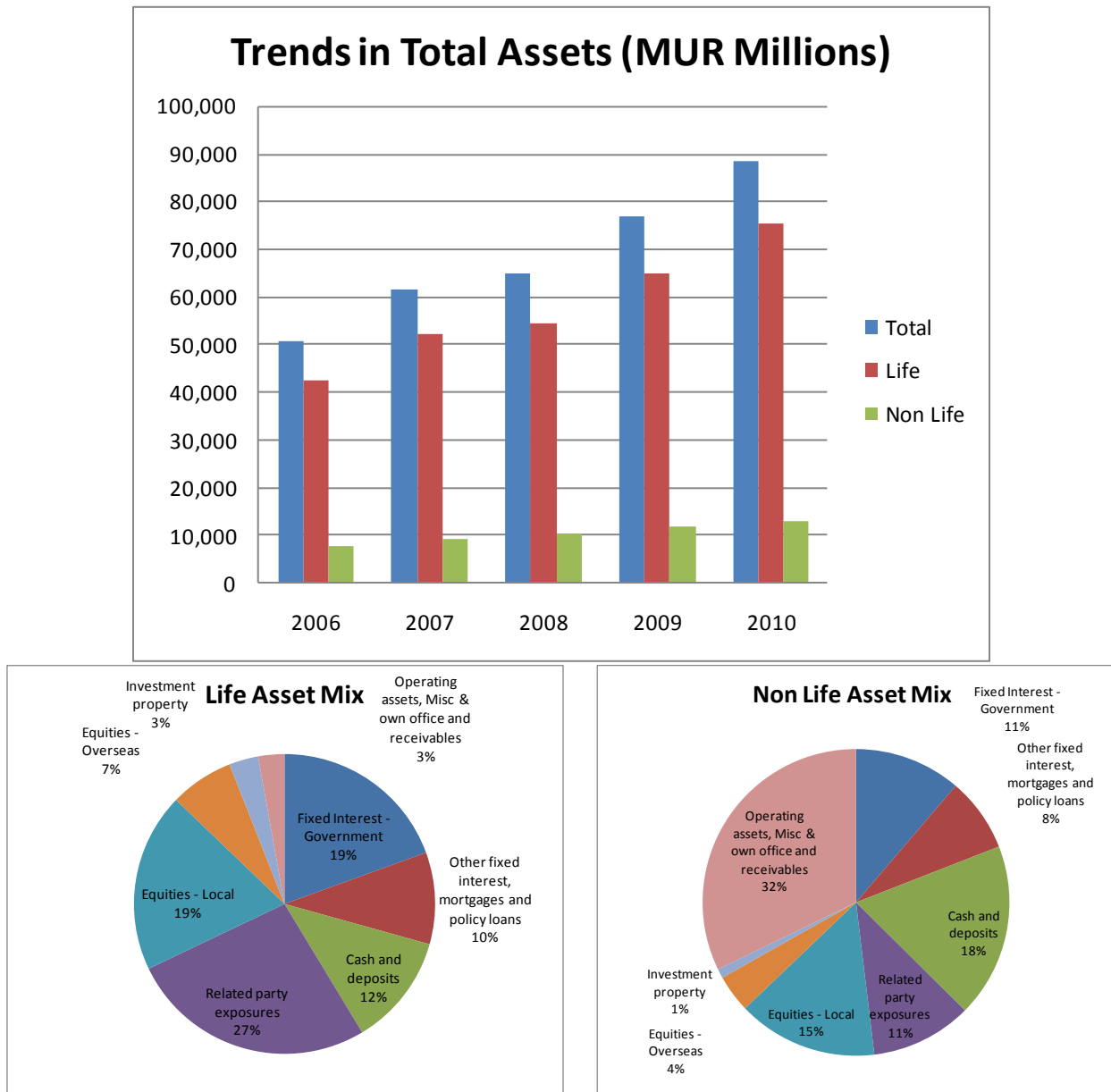
Source: FSC, Staff Analysis

13. **Although the sector has been profitable, this has not been universal for all insurers.** Both life and non life sectors have shown a positive result in each year from 2006 to 2010 inclusive, most recently at MUR 3,963 millions in 2010. This positive result masks some negative experiences reflecting competitive pressures and the quest for economies of scale. In 2009, the latest year where individual insurer results have been published, four non life insurers made a loss on their underwriting account and one insurer made an operating loss after investment income was taken into account.

14. **Assets have grown to over MUR 88 billion dominated by the growth of the life sector.** High levels of related party assets reflect the size of the economy but deserve diligence from the supervisor coupled with efforts by the sector to reduce them (refer Figure 4).



**Figure 4. Asset Trends and 2009 Composition**



Source: FSC, Staff Analysis

15. **The sector is regulated under various acts that charge the FSC with oversight responsibilities.** In 2005, the Insurance Act was passed with transitions calling for the development of rules and regulations and for some application to take effect effectively in full in 2011. The Financial Services Act (FSA), creating the integrated non-bank financial institutions regulatory body (the FSC) was passed in 2007. Banks, Non bank deposit takers, foreign exchange dealers and money changers are regulated and supervised by the Bank of Mauritius.

### III. PLANNED CHANGES TO REGULATORY FRAMEWORK

16. **The recent budget has indicated that the government is considering the transfer of the FSC responsibilities to the Bank of Mauritius.** This assessment is based on the current structure of supervision and, in particular, the legal arrangements governing the FSC.

17. **Under clause 3(2) of the Insurance Regulations, it will become possible for assets in Mauritius to be insured with “an insurer”** not “registered or licensed in Mauritius” after 1 May 2013 subject to certain (as yet undefined) “terms, conditions or restrictions”. The effective date for this clause was extended from May 2010. There has been no discussion of the “terms, conditions or restrictions”.

18. **The FSC has been active in developing the regulatory rules that are required under the Insurance Act** taking into account international developments and the Mauritian context. This effort is close to complete. Key rules that remain under development relate to the oversight of sales agents and of a compensation scheme.

### IV. MAIN FINDINGS

19. **For a sector that has undergone a complete and quite radical renovation of its regulatory and supervisory arrangements, the Mauritian insurance sector and the FSC as supervisor have made exceptional progress.** This has been achieved coincident with some challenges including the removal of favourable taxation treatment for life insurance, the suspension of business of an insurer, and the technical challenges associated with a significant ‘raising of the bar’ in the new law, organisational and consequent capital requirements. Each of these issues could have been expected to limit development in premium volumes in the shorter term however, positively, the sector and the FSC have clearly taken advantage of and adapted to the changing environment.

20. **Some domestic market consolidation was to be expected and, in the context of both the regulatory and market context, is likely to be a positive outcome** despite the challenges for some market players. However, as is the case in many smaller countries, the challenges remain associated with a limited supply of investable assets for long term insurers, risks associated with interconnectedness and connected parties, and the challenges of finding sufficient high calibre expertise for risk management, strategic and directorial roles in sufficient numbers. Never the less, the continued vibrancy and credibility of the off shore sector will both draw and require such expertise to expand in the country.

21. **The development of the sector will continue, and opportunities will come forward as the social contract between government provision and self-reliance changes** with the increasing income per capita. The growth of health insurance has been one illustration of how this can occur in Mauritius and similar growth could be delivered, with sound policies, for long term saving and old age income security.

22. **With limited exceptions, the regulatory reform work is complete.** The FSC has been and continues to develop a risk based approach which is the right direction. The key remaining regulatory issues are the policyholder protection scheme and the opportunities to elaborate more on what is “acceptable” in terms of guidance especially as the system relies on obligations on

boards – something that remains somewhat more open than is useful when defining acceptable practices. More defined practices would be useful for both supervisors and insurer boards.

23. **Supervisory intensity, however, is now the key priority.** The FSC has been rightly focussed on regulatory efforts. Because of geographic proximity, supervisory interventions have been more informal and reactive. With the regulatory effort complete, supervisory intensity can increase including through on site efforts and the development of off-site risk-based approaches in line with the current plans of the FSC.

**Table 3. Summary of Observance of the Insurance Core Principles**

<b>Insurance Core Principles (ICP)</b>	<b>Observance</b>	<b>Comments</b>
<i>Conditions</i>		
ICP1 - Conditions for effective insurance supervision	Largely Observed	There is a considerable reliance on actuaries outside Mauritius and, as a result, on the standards established elsewhere. Although provisioning standards are in place, standards of a broader nature envisaged under this particular principle do not exist. An actuarial professional body is in the process of development.
<i>The Supervisory System</i>		
ICP2 - Supervisory objectives	Observed	To date, as the FSC was newly established and because a considerable volume of subsidiary rules were developed, there has been an ongoing discussion of the way that the objectives are to be achieved. Going forward, as this phase is substantially complete, the FSC may consider how it might communicate supervisory priorities and emphasis.
ICP3 - Supervisory authority	Largely Observed	Consideration should be given to amending the FSA so as to specify the circumstances that could apply to the resignation or dismissal of a Board Member or the Chief Executive of the FSC including appropriate disclosures in such cases as is envisaged under the Core Principle. The ability to engage consultants in emergency situations should be made explicit to avoid uncertainty.
ICP4 - Supervisory process	Observed	It would be timely for the FSC to provide more information on its supervisory processes through public statements and reports.
ICP5 - Supervisory cooperation and	Largely Observed	Where the FSC is the home supervisor, it should proactively provide information to host supervisors.

information sharing		
<i>The Supervised Entities</i>		
ICP6 – Licensing	Largely Observed	<p>Although it is generally assumed, there is no precision as to the permissible legal form of insurer given the reliance on legal person wording forms except that foreign companies must also be registered under the Companies Act in Mauritius.</p> <p>Under clause 3(2) of the Insurance Regulations, it will become possible for assets in Mauritius to be insured with “an insurer” not “registered or licensed in Mauritius” after 1 May 2013. Depending on the “terms, conditions or restrictions” (if any) that may be applied, the assessment of this ICP (and of criterion a) could be different after that clause commences to have practical effect.</p> <p>The licensing criteria do not include collective fitness and propriety assessments such that supervisory review can be exercised. Forms focus on individual assessments. There is no explicit requirement in public criteria for the FSC to obtain home supervisory input.</p>
ICP7 – Suitability of Persons	Largely Observed	Publicly available obligations on insurers should be explicitly extended to include ongoing assessments that cover both individual and collective fitness, and the position regarding prohibitions on inappropriate dual positions.
ICP8 – Changes in control and portfolio transfers	Partly Observed	Requirements should be extended to include changes in control that take place outside the jurisdiction and much higher in the organisational structures, an assessment of whether or not structures are created where supervision would be hindered, and give deeper attention to both financial and non financial aspects of applications. All portfolio transfers should be subject to supervisory oversight.
ICP9 – Corporate governance	Partly Observed	Although a wide reading of the corporate governance requirements, given that some are broad in nature so can be considered to encompass all requirements, there is no clear and consistent view as to the range of acceptable compliance. Observance of the criteria relies on both the encompassing nature of the local requirements being seen to cover the ICP specificities, and verification of observance by the authorities based on a consistent internal view and embedded practice – both of which could benefit from further development to complete

		<p>implementation of the intent of the legislative provisions.</p> <p>The IA could also be amended at a convenient time to make more specific reference to some of the Essential Criteria under this ICP.</p>
ICP10 – Internal Controls	Largely Observed	<p>The FSC should enhance its inspection practices to give greater emphasis on the adequacy of internal controls, going beyond compliance with the Code. Particular attention is needed in cases where the internal audit function is not established including the rigour of the required annual processes to review this requirement. Consideration may be given to strengthening the requirement to justify such an approach by boards.</p>
<i>Ongoing Supervision</i>		
ICP11 – Market Analysis	Observed	<p>The FSC can improve the timeliness of publications of market data and also can continue to develop the depth and scope of the analysis conducted.</p>
ICP12 – Reporting to supervisors and off-site monitoring	Observed	<p>The FSC can continue to develop the depth and scope of the analysis conducted.</p>
ICP13 - On-site inspection	Observed	<p>The FSC could look to establish more formal and regular communication with external auditors as a way to leverage their role and to ensure communication is as open as possible. It would also be useful to consider increasing the use of targeted inspections so as to enable a more conspicuous presence in the market.</p>
ICP14 - Preventive and corrective measures	Largely Observed	<p>The FSC should continue to develop its risk based approach to supervision including intervention. It has, as is normal with a relatively new law, been increasing its confidence in terms of which measure to use in which circumstance to achieve the desired outcome.</p>
ICP15 - Enforcement or sanctions	Largely Observed	<p>The FSC could to further develop supervisory practices with respect to issues that arise when insurers are part of a group.</p>
ICP16 - Winding-up or exit from the market	Partly Observed	<p>The policyholder protection scheme or a mechanism that has a similar effect should be advanced to reduce the disruption to the provision of benefits to policyholders.</p>

ICP17 - Group-wide supervision	Partly Observed	The ICPs call for a more explicit approach to group issues than is the case in Mauritius and has been intensified as a result of international standard setters making revisions to their recommendations following the Global Financial Crisis.
<b><i>Prudential Requirements</i></b>		
ICP18 - Risk assessment and management	Largely Observed	Insurers reported that they tend to operate a limit based risk management system but were less able to elaborate a risk tolerance in more sophisticated terms suggesting that risk management skills are still developing both in terms of operational and governance level approaches.
ICP19 - Insurance activity	Largely Observed	Not all insurers have developed risk management processes to the extent that would facilitate an explicit connection between reinsurance retentions and capital positions as most large risks are substantially reinsured as a matter of policy. The FSC may develop more proactive rather than reactive reviews of reinsurance arrangements.
ICP20 - Liabilities	Largely Observed	As part of the development of risk based supervisory analysis, once the new analysis is employed, the observance of this principle will increase. Increased supervisory intensity will also be useful.
ICP21 - Investments	Largely Observed	The FSC could consider a more intensive on and off site review of how insurers develop and maintain investment policies that support a financially sound condition and are consistent with their risk appetite, retention, and capital policies. This may lead to more specific requirements regarding diversification, matching, valuation, liquidity, credit and other risk management aspects if found to be necessary. Investment staff should also be fit and proper (refer criterion f) and, if relying on the board for this regulatory obligation then it should be specifically inspected. The exemption from the rules via collective investment schemes should be altered to better reflect a look through provision.
ICP22 - Derivatives and similar commitments	Partly Observed	It is recommended that the regulation of derivative use is subject to review and that either supervisory oversight move from general reliance to specific attention regarding such issues as fitness and propriety, internal controls, and risk management or that a more precise rule might be elaborated.

ICP23 - Capital adequacy and solvency	Observed	Monitoring market developments to ensure that group capital issues remain covered by the indirect requirements is important.
<i>Markets and Consumers</i>		
ICP24 - Intermediaries	Observed	Although the circular regarding sales agents is not yet complete, whereas the broker circular is in place, the IA provides sufficient powers to observe the ICP. That said, there is merit in concluding the agent circular to ensure consistent agent quality for the benefit of the sector.
ICP25 - Consumer Protection	Largely Observed	Although the agent rules are under development, the ICP is largely observed due to the legal obligation however this is not to understate the usefulness of completing the rule process. Agent needs assessment requirements and general client disclosure rules would be the highest priority to enhance observance.
ICP26 – Information, disclosure & transparency towards markets	Largely Observed	The FSC might consider a general requirement to have annual reports made more comparable and timely across the sector and to elaborate further on the minimum content appropriate to the insurance sector as anticipated under the core principle. Greater accessibility of reports would also be beneficial beyond shareholders.
ICP27 – Fraud	Partly Observed	The FSC should consider specific supervisory and regulatory interventions relating to insurer fraud.
<i>AML/CFT</i>		
ICP28 - Anti-money-laundering, combating the financing of terrorism	Largely Observed	

(O=7,LO=15,PO=6,NO=0,NA=0)

## V. RECOMMENDED ACTION PLAN AND AUTHORITIES' RESPONSE TO THE ASSESSMENT

### *Recommended Action Plan*

With the work to establish the FSC and the deal with the considerable volume of subsidiary rules now substantially complete, the focus of the FSC with respect to insurance supervision can now be enhanced by:

- Finalising the rules that remain critical, particularly the efforts related to sales processes and intermediation and the policyholder protection scheme. More detailed guidance can also be developed that is more specific to the insurance context to flesh out how the broader requirements on corporate governance and internal controls should be implemented by insurers.
- The FSC can refocus its supervisory efforts on the oversight function given that the regulatory function has been progressed as far as it has. In particular, increased intensity both in breadth and depth to support supervisory verification would be in line with both off site and, particularly, on-site efforts having a higher focus.
- Supervisory process transparency would be enhanced through greater communication on the process and its implementation in line with good practice models and the expectations of the ICPs.
- Emphasising some aspects of the existing broadly defined obligations, both through supervisory guidance, inspection processes, and explicit elaboration in some areas would seem to be important.
- Supervisory cooperation should be extended, with a priority on the jurisdictional relationships needed where the FSC is a home supervisory.

### *Authorities' Response to the Assessment*

We thank you for the IAIS RoSC on insurance carried out in Mauritius. We have noted your recommendations in the recommended Action Plan and wish to point out that action has already been initiated on several recommendations. Hence, our disagreement on some of the assessments.



## VI. DETAILED ASSESSMENT

**Table 4. Detailed Assessment of Observance of the IAIS Insurance Core Principles**

<b>Conditions for Effective Insurance Supervision</b>	
<p><b>Principle 1. Conditions for effective insurance supervision</b></p> <p>Insurance supervision relies upon:</p> <ul style="list-style-type: none"> <li>- a policy, institutional and legal framework for financial sector supervision</li> <li>- a well developed and effective financial market infrastructure</li> <li>- efficient financial markets.</li> </ul>	
Description	<p><b>Financial sector policy framework</b></p> <p>The financial sector oversight is established and disclosed through the FSA and associated sector legislation.</p> <p><b>Financial Market Infrastructure</b></p> <p>Accounting and Auditing standards are established by the Financial Reporting Council in Mauritius. Auditors and accountants are largely competent and experienced. Competent actuaries are supplemented by access to foreign actuarial resources. Financial information on both the wider economy and firms in the real sector are considered to be credible and reliable.</p> <p>Basic economic and financial statistics are available, published by the Central Statistical Office and the Bank of Mauritius.</p> <p><b>Efficient financial markets</b></p> <p>There is a developed financial market in Mauritius that provides a range of investment opportunities for insurers that are generally considered to be liquid in normal market conditions, although insurers note that the supply of investments is a constraint to be managed as part of normal business operations.</p>
Assessment	Largely observed
Comments	There is a considerable reliance on actuaries outside Mauritius and, as a result, on standards established elsewhere. Although provisioning standards are in place, standards of a broader nature envisaged under this particular principle do not exist. An actuarial professional body is in the process of development.
<b>The Supervisory System</b>	
<p><b>Principle 2. Supervisory objectives</b></p> <p>The principal objectives of insurance supervision are clearly defined.</p>	
Description	The objectives of insurance supervision are set out in the IA (section 3(2)) to include “maintaining fair, safe, stable and efficient insurance markets for the benefit and protection of the public; promoting confidence in the insurance industry, ensuring fair treatment to policyholders, reducing as far as is reasonably possible the risk that the insurance business is used in furtherance of, or for a purpose connected with a financial

	<p>crime; and ensuring orderly growth of the insurance industry in Mauritius”.</p> <p>The IA recognises that the objectives need to be balanced (clause 3(3)(a)). The authority prepares an annual report that outlines its priorities in the year under review but has, to date, not included substantive forward looking commentary on priorities.</p>
Assessment	Observed
Comments	To date, as the FSC was newly established and because a considerable volume of subsidiary rules were developed, there has been an ongoing discussion of the way that the objectives are to be achieved. Going forward, as this phase is substantially complete, the FSC may consider how it might communicate supervisory priorities and emphasis.
<b>Principle 3.</b>	<p><b>Supervisory authority</b></p> <p>The supervisory authority:</p> <ul style="list-style-type: none"> <li>- has adequate powers, legal protection and financial resources to exercise its functions and powers</li> <li>- is operationally independent and accountable in the exercise of its functions and powers</li> <li>- hires, trains and maintains sufficient staff with high professional standards</li> <li>- treats confidential information appropriately.</li> </ul>
Description	<p>The FSC is identified as the insurance supervisor under the IA (section 3(1)). The FSC has extensive powers to issue rules and considers that they can be enforced through directions powers, including explicit statements to this effect in those rules. The powers provided to the authority are extensive both in terms of their scope of coverage and the range of instruments for intervention that are available.</p> <p>The governance structure of the authority is defined in the FSA. Internal procedures are also publicly elaborated and understood by insurers to ensure consistency. The FSA requires the FSC to act independently. The Chair of the FSC is appointed by the Prime Minister and other Board Members are appointed by the Minister, each for a period of 3 years with the option of reappointment. The law is silent on dismissal of board members. The Chief Executive of the FSC is appointed by the Board with the concurrence of the Minister.</p> <p>The FSC is financed by levies. It retains a reserve equal to three years of expenses so has very substantial financial flexibility to ensure supervisory work is maintained in the event of a contraction in the levied sector. The FSC has full autonomy in employing staff under such terms and conditions as it sees fit however, regarding consultancies, it is constrained somewhat, at least in theory, to be able to do so in an emergency situation due to following wider government procurement requirements. The annual report includes financial information.</p> <p>Supervisory processes are understood by supervised entities to be consistent as a result of public statements made when the risk based approach was launched.</p> <p>Consultation on regulatory revisions has been a feature of their development.</p> <p>FSC staff are bound by a code of conduct and confidentiality rules and have legal protection when carrying out their duties in good faith.</p>

Assessment	Largely observed
Comments	Consideration should be given to amending the FSA so as to specify the circumstances that could apply to the resignation or dismissal of a Board Member or the Chief Executive of the FSC including appropriate disclosures in such cases as is envisaged under the Core Principle. The ability to engage consultants in emergency situations should be made explicit to avoid uncertainty.
<b>Principle 4.</b>	<b>Supervisory process</b> The supervisory authority conducts its functions in a transparent and accountable manner.
Description	The primary dissemination of supervisory processes lies in the IA and the FSA. The FSC has adopted a risk based approach to supervision based on a rating system that is being improved with experience. Under the FSA, decisions of the FSC can be reviewed by a formal review panel although decisions would, unless specifically granted, remain in place while the review is undertaken. Review panel decisions are subject to judicial review.  The FSC publishes an annual report that includes a discussion of the year under review. It also maintains a web site with all material circulars and laws as well as statistics and other information on the FSC role.
Assessment	Observed
Comments	It would be timely for the FSC to provide more information on its supervisory processes through public statements and reports.
<b>Principle 5.</b>	<b>Supervisory cooperation and information sharing</b> The supervisory authority cooperates and shares information with other relevant supervisors subject to confidentiality requirements.
Description	Although the FSA does empower the FSC to enter into agreements at its absolute discretion for the exchange of information (section 7(4)), such agreements are not preconditions to information exchange (FSA section 83(7)) and apply to any information that would be relevant for supervisory purposes. The FSC assesses the confidentiality obligations on recipients of information. Strict reciprocity is not a requirement. The FSC has entered into 19 agreements regarding information exchange.
Assessment	Largely observed
Comments	Where the FSC is the home supervisor, it should proactively provide information to host supervisors.
<b>The Supervised Entity</b>	
<b>Principle 6.</b>	<b>Licensing</b> An insurer must be licensed before it can operate within a jurisdiction. The requirements for licensing are clear, objective and public.
Description	Insurers are defined as legal “persons” that “carry on insurance business”. Conducting

	<p>insurance business requires a license and unlicensed activity is currently prohibited. After the introduction of the Insurance Act, composite insurers had to split into separate corporate entities by January 2011 so, at the time of this assessment, there are no composites remaining and they are not permitted under the Insurance Act. Public licensing criteria are found in the IA and associated rules and include individual fitness and propriety for owners, directors, senior managers, actuaries and auditors. Minimum capital requirements apply continuously. A general obligation to have “organisation” and “management capacities” under the IA section 11(3) and to comply with the rest of the IA that leads to an indirect obligation covering internal controls, boards of directors to establish risk management (section 31(b)). Three year business plans are required.</p>
Assessment	Largely observed
Comments	<p>Although it is generally assumed, there is no precision as to the permissible legal form of insurer given the reliance on legal person wording forms except that foreign companies must also be registered under the Companies Act in Mauritius.</p> <p>Under clause 3(2) of the Insurance Regulations, it will become possible for assets in Mauritius to be insured with “an insurer” not “registered or licensed in Mauritius” after 1 May 2013 subject to certain (as yet undefined) “terms, conditions or restrictions”. As a result, depending on the “terms, conditions or restrictions” (if any) that may be applied, the assessment of this ICP (and of criterion a) could be different after that clause commences to have practical effect.</p> <p>The licensing criteria do not include collective fitness and propriety assessments. Forms focus on individual assessments. There is no explicit requirement for the FSC to obtain home supervisory input in public criteria although the FSC have advised that this is their usual practice.</p>
<b>Principle 7.</b>	<p><b>Suitability of persons</b></p> <p>The significant owners, board members, senior management, auditors and actuaries of an insurer are fit and proper to fulfil their roles. This requires that they possess the appropriate integrity, competency, experience and qualifications.</p>
Description	<p>Significant shareholders, directors, officers, actuaries and auditors are all subject to requirements to be fit and proper. Under the FSA (section 24(7) for directors and senior managers and section 23(3) for owners), the FSC can remove an “officer” or beneficial owner that it considers not to be fit and proper. Under the IA (section 42(1)) auditors and actuaries can be removed. Ongoing obligations to ensure fitness and propriety are interpreted by the FSC to be implied by the obligations for sound governance.</p>
Assessment	Largely observed
Comments	<p>Publicly available obligations on insurers should be explicitly extended to include ongoing assessments that cover both individual and collective fitness, and the position regarding prohibitions on inappropriate dual positions.</p>

<p><b>Principle 8. Changes in control and portfolio transfers</b></p> <p>The supervisory authority approves or rejects proposals to acquire significant ownership or any other interest in an insurer that results in that person, directly or indirectly, alone or with an associate, exercising control over the insurer.</p> <p>The supervisory authority approves the portfolio transfer or merger of insurance business.</p>	
Description	<p><b>Change in control:</b></p> <p>A “controller” is defined to include those with a 20 per cent holding or more, or the power to exert significant influence, appoint directors, etc and includes both direct and indirect influence and covers both direct owners and those that are one entity above the direct owner in the organisational structure. Affiliates and associates are broadly defined. The FSC’s approval is required for all transfers of interests in an insurer (Section 23 of FSA). General powers exist under the FSA to consider any matter that may be relevant in terms of fitness and propriety.</p> <p><b>Portfolio transfer:</b></p> <p>Domestic portfolio transfers are subject to approval under part VI of the IA.</p>
Assessment	Partly observed
Comments	Requirements should be extended to include changes in control that take place outside the jurisdiction and much higher in the organisational structures, an assessment of whether or not structures are created where supervision would be hindered, and give deeper attention to both financial and non financial aspects of applications. All portfolio transfers should be subject to supervisory oversight.
<p><b>Principle 9. Corporate governance</b></p> <p>The corporate governance framework recognizes and protects rights of all interested parties. The supervisory authority requires compliance with all applicable corporate governance standards.</p>	
Description	The FSC requires insurers to comply with the national Code of Corporate Governance. Sections 31 to 35 of the IA also place obligations on directors regarding the role and responsibilities of boards and on conflicts of interest. Adherence to the policies and procedures set by the board is subject to an annual attestation. The expectations of the details in the ICP criteria, particularly criteria b and c, are implied in general obligations on boards of directors rather than specifically elaborated. The FSC has developed a risk governance element to its early warning and rating systems and intends to make use of it in the future to develop its on-site processes.
Assessment	Partly observed
Comments	Although a wide reading of the corporate governance requirements, given that some are broad in nature so can be considered to encompass all requirements, there is no clear and consistent view as to the range of acceptable compliance. Observance of the criteria relies on both the encompassing nature of the local requirements being seen to cover the ICP specificities, and verification of observance by the authorities based on a consistent

	<p>internal view and embedded practice – both of which could benefit from further development to complete implementation of the intent of the legislative provisions.</p> <p>The IA could also be amended at a convenient time to make more specific reference to some of the Essential Criteria under this ICP.</p>
<p><b>Principle 10. Internal control</b></p> <p>The supervisory authority requires insurers to have in place internal controls that are adequate for the nature and scale of the business. The oversight and reporting systems allow the board and management to monitor and control the operations.</p>	
Description	<p>Under section 31(b) of the IA, directors should “establish adequate internal controls ... in accordance with sound corporate governance and risk management”. This is extended to cover checks and balances, risk management, board reporting, and the roles of internal audit, external audit, and actuaries. Internal audit may be achieved by alternate means at the discretion of the insurers but must be subject to annual review at board level and disclosure in annual reports if an internal audit function is not established.</p> <p>Internal controls are inspected against the requirements of the Code of Corporate Governance.</p>
Assessment	Largely observed
Comments	<p>The FSC should enhance its inspection practices to give greater emphasis on the adequacy of internal controls, going beyond compliance with the Code. Particular attention is needed in cases where the internal audit function is not established including the rigour of the required annual processes to review this requirement. Consideration may be given to strengthening the requirement to justify such an approach by boards.</p>
<p><b>Ongoing Supervision</b></p>	
<p><b>Principle 11. Market analysis</b></p> <p>Making use of all available sources, the supervisory authority monitors and analyses all factors that may have an impact on insurers and insurance markets. It draws the conclusions and takes action as appropriate.</p>	
Description	<p>The FSC has established a systematic process for the analysis of market conditions as part of its internal review systems. This effort has legislative support under sections 6(i) and (j) of the FSA. It includes quantitative ratio analysis, trends, and qualitative information. Aggregated market data is published on the FSC web site through a statistical bulletin and in the annual report plus the results of a wider “coordinated portfolio investment survey (CPIS). The FSC also contributes to the Financial Stability Report published by the Bank of Mauritius.</p>
Assessment	Observed
Comments	<p>The FSC can improve the timeliness of publications of market data and also can continue to develop the depth and scope of the analysis conducted.</p>

<p><b>Principle 12. Reporting to supervisors and off-site monitoring</b></p> <p>The supervisory authority receives necessary information to conduct effective off-site monitoring and to evaluate the condition of each insurer as well as the insurance market.</p>	
Description	<p>The FSC is empowered and has put in place a complete reporting regime including requirements for annual external audit (section 50 of the IA), and the power to collect information on an ad hoc or more frequent basis should it feel the need. Actuarial reports are required from all insurers under section 47 with a copy of the report being provided to the FSC as a matter of course. The reporting requirements apply in a consistent fashion to locally incorporated insurers, whether state owned or privately owned, and to foreign branch operations. Although the focus of reporting to the FSC is most detailed with respect to the insurance entities, group wide accounts and reports that are prepared for any other regulatory agency inside or outside Mauritius, and reports made to other stakeholders such as policyholders, do have to be provided to the FSC. A general power to demand information is included in section 94 of the IA that applies to “licensees and registered persons” but also to “any person who, in the opinion of the Chief Executive, appears to be in possession of such information and document” so is quite wide ranging and would cover subsidiaries, licensed or not. Reporting using IFRS has been adopted explicitly under section 30 of the FSA. Penalties for non compliance include fines and imprisonment.</p> <p>The FSC has developed a system to review returns received and industry reports that they actively pursue any questions that arise.</p>
Assessment	Observed
Comments	The FSC can continue to develop the depth and scope of the analysis conducted.
<p><b>Principle 13. On-site inspection</b></p> <p>The supervisory authority carries out on-site inspections to examine the business of an insurer and its compliance with legislation and supervisory requirements.</p>	
Description	<p>The FSC has wide-ranging and general powers under both section 43 and 95 of the IA to conduct on-site inspections and to gather information relevant to the performance of its duties. This may include inspections by FSC staff or by others appointed for the purpose by the FSC. The verification of financial returns is largely achieved through external audit certification. Information demanding powers are provided to inspectors. The FSC practice and procedure includes providing inspection reports to insurers and includes defined timelines for both the reporting and the response from insurers and other licensees.</p>
Assessment	Observed
Comments	<p>The FSC could look to establish more formal and regular communication with external auditors as a way to leverage their role and to ensure communication is as open as possible. It would also be useful to consider increasing the use of targeted inspections so as to enable a more conspicuous presence in the market.</p>

<p><b>Principle 14. Preventive and Corrective Measures</b></p> <p>The supervisory authority takes preventive and corrective measures that are timely, suitable and necessary to achieve the objectives of insurance supervision.</p>	
Description	<p>In the event that an insurer is considered not to be maintaining a financially sound condition, the FSC has a range of powers including inspections, demands for information, requirements for corrective action plans, directions to the insurer or other persons, and the appointment of a conservator or an administrator. Revocation of licenses and applications to wind up an insurer are also available. Although the Act is relatively new, the FSC has made use of a number of these powers to address its concerns.</p> <p>The Commission is developing its approach to supervision based on risk and is developing the tools required to better inform a graduated intervention approach.</p>
Assessment	Largely observed
Comments	The FSC should continue to develop its risk based approach to supervision including intervention. It has, as is normal with a relatively new law, been increasing its confidence in terms of which measure to use in which circumstance to achieve the desired outcome.
<p><b>Principle 15. Enforcement or sanctions</b></p> <p>The supervisory authority enforces corrective action and, where needed, imposes sanctions based on clear and objective criteria that are publicly disclosed.</p>	
Description	<p>The FSC has a broad directions power over all licensees that is not limited to any particular subset of aspects of insurance supervision or regulation. Failure to comply with a direction is an offence subject to fines or imprisonment. This includes powers regarding the issue of new policies or the renewal of existing policies. The generality of the directions power implies that the FSC has powers to direct the transfer of obligations, increase in capital, limitation of dividends, change of ownership, dealing with assets, reinsurance or liabilities for the overall protection of policyholders. Compliance with directions is subject to verification. Misleading or false statements in returns, to inspectors, or in license applications is subject to fine or imprisonment. Local insurers that are part of a group cannot be wound up without separate application. Consistency of approach to enforcement is achieved through the internal supervisory processes of the FSC and the Enforcement Committee of the FSC Board.</p> <p>Other than in the case of wind-up, FSC supervision and regulation is more focussed on a solo supervision approach.</p> <p>The law prohibits unlicensed activity and it is considered that this requirement meets with compliance.</p>
Assessment	Largely observed
Comments	The FSC could further develop supervisory practices with respect to issues that arise when insurers are part of a group. Clarification of requirements could include continuous assessment of fitness and propriety, and specific powers to bar individuals.



<p><b>Principle 16. Winding-up and exit from the market</b></p> <p>The legal and regulatory framework defines a range of options for the orderly exit of insurers from the marketplace. It defines insolvency and establishes the criteria and procedure for dealing with insolvency. In the event of winding-up proceedings, the legal framework gives priority to the protection of policyholders.</p>	
Description	<p>The IA provides for the FSC to apply to the court for the wind-up of an insurer in the event that it does not meet the solvency margin requirements of section 15. Voluntary wind-up is also addressed in the IA. The IA (section 63(2)) provides for absolute priority for policyholders in the event of a wind-up.</p> <p>Sections 88 to 92 of the IA provide for a compensation fund which would deal with both motor claims that involve uninsured or unidentified drivers as well as insolvent insurers. To date, the regulations elaborating the scheme have not been put in place and are being resisted by insurers. As a result, recent experience is that there can be long delays between the time an insurer is frozen under a wind-up process and when claimants may access any funds.</p>
Assessment	Partly observed
Comments	The policyholder protection scheme or a mechanism that has a similar effect should be advanced to reduce the disruption to the provision of benefits to policyholders.
<p><b>Principle 17. Group-wide supervision</b></p> <p>The supervisory authority supervises its insurers on a solo and a group-wide basis.</p>	
Description	<p>The regulatory arrangements in Mauritius do not explicitly address group wide supervision in express terms, however, several aspects of group wide supervision are addressed. These include powers to review shareholdings of ultimate controllers, approve changes to such control, and to assess the fitness and propriety of controllers. The FSC also relies on broad prudent requirements to suggest that insurers that are part of groups would have prudent policies with respect to other issues such as exposures to related parties within groups, exposure limits to counterparties that may aggregate across groups, limits on overall asset exposures that also act to limit group investments, and prohibitions on encumbering insurance company assets. The code of corporate governance also requires disclosure of certain group related issues in the annual reports to shareholders. Cooperation within Mauritius is in place and is also being extended to other jurisdictions where insurers have operational linkages (up or downstream).</p>
Assessment	Partly observed
Comments	The ICPs call for a more explicit approach to group issues than is the case in Mauritius and has been intensified as a result of international standard setters making revisions to their recommendations following the Global Financial Crisis. It is clear that some group wide risk exists in Mauritius and the insurers that operate such structures reported only limited awareness of any supervisory or regulatory constraint specifically arising with respect to these issues.

<b>Prudential Requirements</b>	
<p><b>Principle 18. Risk assessment and management</b></p> <p>The supervisory authority requires insurers to recognise the range of risks that they face and to assess and manage them effectively.</p>	
Description	Insurers are required to have sound risk management and internal controls under the IA and the Code of Corporate Governance that extends the responsibility to board level. Boards have to make a regular evaluation of the performance and effectiveness of such processes. Risk management committees are addressed in the Code of Corporate Governance.
Assessment	Largely observed
Comments	Insurers reported that they tend to operate a limit based risk management system but were less able to elaborate a risk tolerance in more sophisticated terms suggesting that risk management skills are still developing both in terms of operational and governance level approaches.
<p><b>Principle 19. Insurance activity</b></p> <p>Since insurance is a risk taking activity, the supervisory authority requires insurers to evaluate and manage the risks that they underwrite, in particular through reinsurance, and to have the tools to establish an adequate level of premiums.</p>	
Description	For long term insurers, strategic underwriting and pricing policies are approved by the board as part of the actuarial reporting requirements. Underwriting and pricing is included in on-site inspection procedures. There is a compulsory cession of 5% of premiums in place under the IA and reinsurance treaties may, if determined by the FSC, be excluded for solvency purposes for either a life or a non life insurer. Liabilities have to be adequate and, in the event that they are deemed insufficient, the FSC may make a direction to increase them.
Assessment	Largely observed
Comments	Not all insurers have developed risk management processes to the extent that would facilitate an explicit connection between reinsurance retentions and capital positions as most large risks are substantially reinsured as a matter of policy. The FSC may develop more proactive rather than reactive reviews of reinsurance arrangements.
<p><b>Principle 20. Liabilities</b></p> <p>The supervisory authority requires insurers to comply with standards for establishing adequate technical provisions and other liabilities, and making allowance for reinsurance recoverables. The supervisory authority has both the authority and the ability to assess the adequacy of the technical provisions and to require that these provisions be increased, if necessary.</p>	
Description	Section 16(1) of the IA provides the legal support for adequate legal provisions including

	life and non-life classes, IBNR etc. These requirements call upon sound actuarial and accounting principles through the requirements for actuarial investigations, the role of auditors, and the financial reporting council and IFRS. Valuation methods, and in the case of life business, minimum parameters, are established by FSC rules. The adequacy of provisions is reviewed as part of off-site reviews. The FSC has the power to require increases in provisions. New analytical software is being introduced to enable the FSC to make a fuller assessment of the adequacy of provisions.
Assessment	Largely observed
Comments	As part of the development of risk based supervisory analysis, once the new analysis is employed, the observance of this principle will increase. Increased supervisory intensity will also be useful.
<b>Principle 21. Investments</b>	
The supervisory authority requires insurers to comply with standards on investment activities. These standards include requirements on investment policy, asset mix, valuation, diversification, asset-liability matching, and risk management.	
Description	There are broad requirements relating to investments that can be derived from the requirement to maintain a financially sound condition and certain other more specific requirements in section 20(2) of the IA. At least 50% of assets supporting technical provisions with respect to local business must be maintained in Mauritius. Assets can only be mortgaged or charged with the approval of the FSC. Concentration is addressed within the capital rules. Other parametric requirements exist substantially through the solvency rules (as is appropriate) but, in the main, are not binding constraints.
Assessment	Largely observed
Comments	The FSC could consider a more intensive on and off site review of how insurers develop and maintain investment policies that support a financially sound condition and are consistent with their risk appetite, retention, and capital policies. This may lead to more specific requirements regarding diversification, matching, valuation, liquidity, credit and other risk management aspects if found to be necessary. Investment staff should also be fit and proper (refer criterion f) and, if relying on the board for this regulatory obligation then it should be specifically inspected. The exemption from the rules via collective investment schemes should be altered to better reflect a look through provision.
<b>Principle 22. Derivatives and similar commitments</b>	
The supervisory authority requires insurers to comply with standards on the use of derivatives and similar commitments. These standards address restrictions in their use and disclosure requirements, as well as internal controls and monitoring of the related positions.	
Description	Insurers are permitted to use derivatives for investment linked savings business, for hedging or efficient portfolio reasons, or with respect to expected assets at the maturity date of the derivative (section 20(2) of the IA). With the overlay of general obligations on internal controls, fitness and propriety, and prudent management, the regulations can be construed as sufficient but they are less specific and more facilitative than in most

	countries. That said, market practice generally limits derivative use to hedging.
Assessment	Partly observed
Comments	It is recommended that the regulation of derivative use is subject to review and that either supervisory oversight move from general reliance to specific attention regarding such issues as fitness and propriety, internal controls, and risk management or that a more precise rule might be elaborated.
<b>Principle 23. Capital adequacy and solvency</b>	
The supervisory authority requires insurers to comply with the prescribed solvency regime. This regime includes capital adequacy requirements and requires suitable forms of capital that enable the insurer to absorb significant unforeseen losses.	
Description	The IA and associated “solvency” rules have put in place a solvency regime that is risk-based and consistent with the market conditions in Mauritius. Risk mitigation is addressed in the regulatory arrangements through both the explicit requirements on assets and liabilities and on an inadmissibility option. Target capital is defined above an absolute minimum, providing a tiered intervention system and control levels. Asset and liability values are defined in the rules. Both the life and non-life Insurance regimes are well designed and modern. Parameters appear adequate based on available data at the date of the assessment. Group capital leverage is addressed indirectly through other requirements within the capital formula.
Assessment	Observed
Comments	Monitoring market developments to ensure that group capital issues remain covered by the indirect requirements is important.
<b>Markets and consumers</b>	
<b>Principle 24. Intermediaries</b>	
The supervisory authority sets requirements, directly or through the supervision of insurers, for the conduct of intermediaries.	
Description	A licensing regime is in place covering insurance agents and brokers and includes obligations on salespersons engaged by them. They are required to have an adequate familiarity with the insurance market and its products, to analyse the needs of clients, and to render appropriate advice including information for clients on their obligations under insurance contracts recommended. Requirements for disclosure to clients are specified.  Arrangements to separate client funds in separately maintained insurance broking accounts subject to legal constraints on their use and to audit are in place.  Sanctions, including directions, license conditions, revocation of licenses etc. are available and are used in practice. Sanctions are also available against unlicensed broking and agency activity.
Assessment	Observed

Comments	At the time of the assessment, the FSC is preparing rules for insurance agents. Although the circular regarding sales agents is not yet complete, whereas the broker circular is in place, the IA provides sufficient powers to observe the ICP. That said, there is merit in concluding the agent circular to ensure consistent agent quality for the benefit of the sector.
<b>Principle 25. Consumer protection</b> The supervisory authority sets minimum requirements for insurers and intermediaries in dealing with consumers in its jurisdiction, including foreign insurers selling products on a cross-border basis. The requirements include provision of timely, complete and relevant information to consumers both before a contract is entered into through to the point at which all obligations under a contract have been satisfied.	
Description	Insurers and intermediaries are required to treat customers honestly, with care, diligence and skill through section 31 of the IA and through broker rules. Fair treatment has been elaborated further, in particular, with a comprehensive scheme placing obligations on insurers to provide separate client complaint handling processes with high visibility. Broker rules oblige client needs assessments. The IA sections 80, 85 and 74 all support the need for effective disclosure to clients and potential clients and provide for rules to elaborate details.
Assessment	Largely observed
Comments	Although the agent rules are under development, the ICP is largely observed due to the legal obligation however this is not to understate the usefulness of completing the rule process. Agent needs assessment requirements and general client disclosure rules would be the highest priority to enhance observance.
<b>Principle 26. Information, disclosure &amp; transparency towards the market</b> The supervisory authority requires insurers to disclose relevant information on a timely basis in order to give stakeholders a clear view of their business activities and financial position and to facilitate the understanding of the risks to which they are exposed.	
Description	Insurers are required to produce annual reports within six months under section 218 and 219 of the Companies Act and send them to shareholders. Most companies also provide this information to the general public on request.  All disclosures made to shareholders or policyholders are provided to the FSC.
Assessment	Largely observed
Comments	The FSC might consider a general requirement to have annual reports made available beyond shareholders.
<b>Principle 27. Fraud</b> The supervisory authority requires that insurers and intermediaries take the necessary measures to prevent, detect and remedy insurance fraud.	
Description	Section 6(g) of the FSA provides the FSC with powers to investigate and suppress illegal,

	<p>dishonourable and improper practices.</p> <p>High standards of integrity are specifically allocated as a responsibility of boards of all licensees. Obligations on insurers to deter, detect, record and report fraud are ascribed under the general heading of appropriate internal controls.</p> <p>There is no specific offence of making a fraudulent claim.</p>
Assessment	Partly observed
Comments	The FSC should consider specific supervisory and regulatory interventions relating to insurer fraud.
<b>Anti-money laundering, combating the financing of terrorism</b>	
<p><b>Principle 28. Anti-money laundering, combating the financing of terrorism (AML/CFT)</b></p> <p>The supervisory authority requires insurers and intermediaries, at a minimum those insurers and intermediaries offering life insurance products or other investment related insurance, to take effective measures to deter, detect and report money laundering and the financing of terrorism consistent with the Recommendations of the Financial Action Task Force on Money Laundering (FATF).</p>	
Description	The FIAMLA has been enacted closely following the FATF requirements and applies to insurers and intermediaries. The FSC has also issued a code on money laundering and financing of terrorism. The FSC has authority to make full use of its powers and interventions regarding AML and CFT issues. At the same time, a separate FIU is established under the FIAMLA.
Assessment	Largely observed
Comments	