



Financial Services Commission
Mauritius

Annual Report 2006

Online version

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Financial Services Commission

Annual Report
for the year 1 July 2005 to 30 June 2006

Members of the Board



Mr Said Laloo
Chairman

Mr Laloo has worked at directorate level in the Finance Departments of the African Development Bank, from 1981 to 1990. Prior to this, he has been the Chief Accountant at the Ministry of Finance from 1971 to 1981. He had previously worked at the Government Audit Department for 16 years.

He was the Director of the National Investment Trust from 1994 to 2005 and held the post of Chairman (2003-2004). He has also served as Chairman of the National Housing Development Corporation from 1993 to 2000, and as Director of the State Investment Corporation from 1994 to 2004. Mr Laloo is a fellow member of the Association of Chartered Certified Accountants.



Mr Satyajit Boolell
Vice Chairman

Mr Boolell was admitted to the Lincoln's Inn England and called to the Mauritian Bar in 1985. He holds a post-graduate law degree in Finance and Banking from Kings College, University of London. He joined the Attorney-General's Office in 1986 where he served in various capacities until 2003, when he was appointed Parliamentary Counsel, post which he occupies to date. He has attended various international conferences and on a number of occasions was called upon to chair expert meetings. He has represented the Government of Mauritius before the Judicial Committee of the Privy Council in several cases. He is also a member of the Law Reform Commission and conducts courses for prospective law practitioners at the Council of Legal Education.



Mr Radhakrishna Chellapermal

Director, Financial Policy Analysis, Ministry of Finance & Economic Development. After working in the private sector for 6 years, Mr Chellapermal joined the Ministry of Finance in 1983, where he has been involved in various projects relating to the financial services sector including the establishment of the Stock Exchange, the review of company legislation and the regulatory framework governing international business. He has also served on various committees, including the Company Law Advisory Committee and the Mauritius Accounting and Auditing Standards Committee. Mr Chellapermal was admitted as a member of the Association of Chartered Certified Accountants in 1980.



Mr Sanjay Gopaul

Mr Gopaul has been a management consultant over the past 13 years, with research and project experience in Europe and Africa relating to public sector reform and privatisation, organisational reviews, corporate plan development, economic and sectoral analysis, marketing strategy and stakeholder perception surveys. From 1992 to 1999, he held the position of Economist and then Senior Economist at the Mauritius Export Development and Investment Authority. He joined De Chazal Du Mée in 1999 and, since then, he has actively pursued and developed projects in Southern and Eastern Africa.

Members of the Board



Mr Oliver Lew Kew Lin

Managing Director,
Diadeis Maurice Ltée.
After graduating from Oxford University in Engineering and Computing Science, Mr Lew Kew Lin set up one of the first BPO companies in Mauritius in 1990, specialising in Desktop Publishing for export. He is presently the CEO of the local branch of the French-based Diadeis Group. He was formerly the Chairperson of the Mauritius Institute Advisory Council and of the Board of the Export Processing Zone Development Authority. He has also served on various boards and committees, including the National Computer Board, the Board of Governors of the University of Technology, Mauritius as well as the board of a private bank.



Mr Raj Makoond

Executive Director,
Joint Economic Council.
Mr Makoond holds a Master's degree in Tourism Planning. Prior to his present responsibilities at the Joint Economic Council, he was the Deputy Secretary-General of the Mauritius Chamber of Commerce and Industry until 1993. He has also worked for the Ministry of Commerce, the Ministry of Economic Planning and Development, and the Ministry of Tourism. He is a member of the Mauritius Negotiating Team on ACP-EU relations and the WTO Standing Committee. He is also involved at policy level in a number of institutions, such as Business Parks of Mauritius Ltd and the Board of Investment. Mr Makoond is a Director of the European Centre for Development Policy Management, a Dutch foundation.



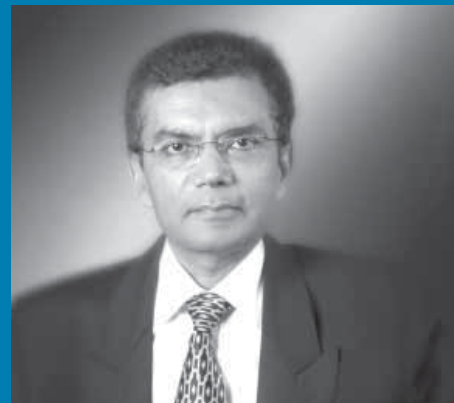
Ms Mary Anne Philips

Ms Philips is a practising Attorney since 1995.

She holds a Maîtrise en droit.

She has previously worked in the banking sector as in-house lawyer for the BNPI Group. She specialises in company law, commercial law, bankruptcy law, insurance, financial services and banking, as well as civil law.

Chief Executive



Mr J.N. Meetarbhan

Mr Meetarbhan has long been associated with the development of the financial services sector in Mauritius.

He acted as legal adviser to the Ministry of Finance from 1986 to 1990 and was involved in the setting up of the Stock Exchange of Mauritius. He was subsequently appointed as a member of the Stock Exchange Commission. He served as the Chairperson of the Financial Services Consultative Committee, set up by the Government in 1997 to review a comprehensive set of legislation relating to the financial services sector.

Mr Meetarbhan was called to the Bar at the Middle Temple in London. He also obtained a Doctorate in International Law from the Sorbonne in Paris.

As a legal consultant, he has been actively engaged in the global business sector since 1994. He has advised a number of international corporations operating in the sector and has also served as a director on the boards of several companies and funds.

Previously, he was Senior Policy Adviser to the Prime Minister from 1995 to 1998 and served as Chairperson of Mauritius Telecom from 1998 to 2000.

He was also formerly Associate Professor of Law and Head of the Law Department at the University of Mauritius.

Chairman's Statement

"The Commission is fully committed to its developmental objectives for the sector. The Board will continue to exercise its duties within an efficient institutional framework, which favours transparency, good governance and a strong sense of vision, to spearhead the development of the non-banking financial services sector."

The Financial Services Commission has had to operate in a rapidly changing environment over the past year and our work, therefore, has been geared towards ensuring that we remain responsive to recent market developments and the new challenges facing the non-banking financial services sector, against a backdrop of economic reforms. The Mauritian economy has had to deal with triple external shocks, with the reduction in the price the EU pays for our sugar, reduced tariff protection on textiles and increasing oil prices on the international market.

To ensure that the non-banking financial services sector can work effectively in this evolving macro-economic environment, the new FSC Board, appointed in November 2005, set out to review the philosophy and strategies of the Commission, so that we can align our objectives with the country's new orientations and challenges, in the context of growing globalisation and competition.

Financial services are poised to be an even more important pillar of the Mauritian economy and must become more resilient to external factors. The Commission has reviewed its strategies to help the sector expand and create new investment opportunities in our jurisdiction.

Whilst the FSC aims at maintaining a sound regulatory framework, it also encourages a high level of professionalism within the industry. The Commission is committed to demonstrate its commitment to nurturing a collaborative, open and strategic partnership with its stakeholders.

Regulation not only depends on legal powers, but also on the effective, appropriate and fair exercise of those powers. As the focus shifts from hands-on approach of intervention in the marketplace to creating a business environment conducive to strengthening our jurisdiction's reputation as a competitive regional hub for financial services, we have reviewed our policies and practices to make Mauritius a more business-friendly financial services centre.

The Commission's drafting of rules and regulations, under the Insurance Act 2005 and the Securities Act 2005, was done in such a way as to align the sector with our developmental objectives, whilst ensuring that our jurisdiction continues to be compliant with international norms.

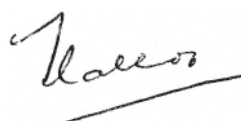
The Doing Business 2007 Report¹ ranks Mauritius 32nd, and Mauritius aims at being among the top 10. However, to enhance the competitiveness of the jurisdiction, the sector has to maintain and enhance high standards of service, and show itself to be flexible, welcoming and able to adapt. It needs to exploit fully existing opportunities for growth, and innovate and modernise whenever necessary.

The implementation of the Finance Act 2006 and the Business Facilitation Act 2006 will reinforce the business-friendly approach to industry and also provide the necessary framework for market efficiency and sector

expansion. In turn, this will contribute to the transformation of the financial services sector into a strong pillar of the Mauritian economy.

Expectations are high. The Commission is fully committed to its developmental objectives for the sector. The Board will continue to exercise its duties within an efficient institutional framework, which favours transparency, good governance and a strong sense of vision, to spearhead the development of the non-banking financial services sector. We shall continue to work closely with all stakeholders to reinforce Mauritius' position as an attractive hub for financial services, and as a well regulated international financial centre.

I wish to seize this opportunity to express my sincere thanks to the Vice-Chairman and to the members of the Board, as well as to the Chief Executive and his staff, for responding positively to the challenges facing the financial services sector over the past year. I am sure that our team will continue working constructively together, sharing, as we do, an exciting vision of Mauritius in the years ahead.



Said Lalloo
Chairman

¹ *Doing Business 2007 – How to reform*, World Bank/International Finance Corporation, 2006.

Foreword from the Chief Executive

"We have reengineered the responsibilities of our teams and clusters to achieve more effective regulation and to streamline our operations and management flow. Effective enforcement and regulating with a purpose have been the new directions which we gave ourselves."

Mid-way through the year under review a new Board and Chief Executive were appointed.

A change in management in any organisation is an opportunity to revisit certain fundamentals. The exercise is one which can be beneficial to the organisation, its staff and its customers (in the case of a regulator, it would be the industry it regulates). If conducted without any a priori, the exercise may, on the one hand, identify the existing strengths and confirm what is being done properly and efficiently. On the other hand, it may allow the organisation to question what may be taken for granted in its day-to-day running.

As a regulator, it is important that we ask ourselves what is the purpose of regulating and, indeed, the purpose behind almost every regulatory decision we make. The contrarian view is that the regulator is a law enforcement agency and its task is to enforce the law.

During the year under review, the FSC has moved towards more purposive regulation.

The Commission has, since the beginning of 2006, clearly spelt out its intention to adopt a "business friendly" approach. This approach is possible if there is a clear view as to what is the Commission's purpose in regulating the non-banking financial services sector. Is it to ensure market integrity, consumer protection and the sound reputation of the financial centre? These objectives are among the *raison*

d'être of any regulatory framework. However, we have to ask ourselves why these objectives are worth pursuing.

In developing its new approach, the Commission takes the view that a sound, reputable and trusted financial centre is required to enhance the contribution of financial services to the national economy.

If this is the ultimate purpose of regulation, then, the regulator has to ascertain the impact on business of the decisions it makes.

The regulator which adopts a rule-based approach, and is satisfied with its role as a law enforcement agency, and is not concerned with the impact of its action on the business it regulates (or whether regulation hinders or promotes growth of the sector and eventually economic development), may end up with an excellent theoretical model of regulation – with little business development to showcase.

Regulating for the sake of regulating takes place in a vacuum.

There is no ulterior purpose other than applying the rules. The term “Developmental Regulation” encompasses the spirit of what the Commission has sought to put in place during the year under review: regulating business in such a way that regulation promotes the development of the business being regulated.

The objects of the Commission as set out in Section 5 of the Financial Services Development Act 2001 include:

- “to work out objectives, policies and priorities for the development of the financial services sector and to make recommendations to the Minister”; and

- “to study new avenues for development in the financial services sector, to respond to new challenges and to take full advantage of new opportunities for achieving economic sustainability and job creation”

The Commission has, in improving its approach to regulation, moved closer towards better fulfilling these statutory objects.

The contribution of the non-banking financial services sector to GDP is around 4%. If this is to increase, all stakeholders will have to ensure that there are innovative financial products and services, as well as the appropriate legal and regulatory framework which will promote development and expansion.

The financial services sector can become an engine of growth and innovation for the services sector in general, and the FSC, as a regulator, may contribute to making this happen.

Foreword from the Chief Executive

How has the Commission sought to achieve this?

Organisational effectiveness

- To ensure more effective sectoral co-ordination among the various functional clusters, Group Co-ordinators were appointed for Global Business, Insurance and Securities respectively.
- A new specialised CIS unit was set up and the processing time for applications for CIS was sharply reduced from 4-6 weeks to 2 weeks.
- The Commission also started in the year under review a major overhaul of its registry and database.

Streamlining processes

- The Personal Questionnaire, which certain applicants are required to fill, was considerably streamlined and a new PQ was introduced in April 2006.
- The procedures relating to lapse and revocation of licences in the global business sector have been reviewed.
- The conduct of on-site inspections and the contents of inspection reports have been reviewed.
- The Commission has also initiated during the year under review new systems and procedures that would enable it to distinguish between service providers and investors in its supervision of licensees. Whilst the law provides

for a licensing regime for Global Business Companies and whilst the Commission is fully conscious of the need to ensure that its licensing policies and practices are consistent with the need to maintain the good repute of Mauritius as an International Financial Centre, we have started to adapt our licensing and surveillance functions so as to differentiate where necessary or desirable between licensees who are investors and those who are licensed to provide services.

Partnership with the industry

- The Commission held regular meetings with industry associations in the Global Business, Insurance and Securities sectors to maintain a constructive dialogue.

During the year, the Commission set out revised strategies for better regulation and improved processes in key areas of its activities.

We have reengineered the responsibilities of our teams and clusters to achieve more effective regulation and to streamline our operations and management flow. Effective enforcement and regulating with a purpose have been the new directions which we gave ourselves.

Regulatory developments

Work started on a draft Financial Services (Miscellaneous Provisions) Bill to be submitted to Government, which would bring the necessary amendments to various pieces of legislation relating to non-banking financial services sector. The Commission also worked with consultants on finalising the various rules and regulations that will be made under the Securities Act 2005 and the Insurance Act 2005.

During the year under review, the Commonwealth Secretariat commissioned a study on the costs and benefits of implementing AML/CFT norms in three jurisdictions, one of which was Mauritius. The study looked at the costs incurred by several public sector agencies and by operators in the financial services sector to comply and enforce new AML/CFT requirements.

The Commission welcomed the Commonwealth Secretariat's initiative and cooperated fully with the study. Whilst our jurisdiction should remain committed to implementing international norms relating to AML/CFT and ensure the soundness of our financial centre, the international normative framework and the manner in which the norms are enforced should be kept under review. Furthermore, the absence of a level playing field which enables some competing jurisdictions not to adhere to international norms, and thus reduce the cost of doing business, is a matter which the international community needs to address.

Challenges ahead

The challenges which the financial services sector, and global business in particular, will face in the coming years call for a concerted strategy that will both ensure the reputation of the jurisdiction as a sound financial centre and promote development of the sector. The Commission for its part will continue its efforts to strike the right balance between regulating business and promoting development of the business.

It is imperative that in the coming years, the global business diversifies in a manner which enables Mauritius to firmly establish itself as financial centre in its own right. The insurance industry is expected to change its marketing strategy and products following fiscal changes. The securities industry will also undergo changes as a new second market, the Development and Enterprise Market, becomes operational and derivatives trading is introduced on yet another new market. The regulatory framework for pensions will have to be revamped and a comprehensive framework for regulating

Collective Investment Schemes put in place.

The Commission will, with the added dimension of Developmental Regulation in the exercise of its functions, work with all stakeholders in ensuring that NBFIs operate in accordance with internationally accepted standards whilst enhancing the competitiveness of the jurisdiction and increasing the contribution of the sector to the national economy.

Our ability to respond positively to the challenges lying ahead will depend greatly on our human capital. The Commission is fully committed to enhancing the knowledge, skills and capabilities of its people and to unleashing their potential.

I thank the Chairman, Vice Chairman and members of the Board for their valuable support and guidance in the exercise of the Commission's statutory duties and functions by the management.



J.N. Meentarbhan
Chief Executive

Corporate Overview

Who we are

Organisational Structure

The environment in which we work





Financial Services Commission

1.1 Who we are

The Financial Services Commission (FSC) was established in 2001 as the integrated regulator for non-banking financial institutions under the Financial Services Development Act 2001.

The setting up of a single regulator, the FSC, in December 2001 was the culmination of wide consultations held on the subject and followed the recommendations of a report entitled "A New Regulatory Framework for the Financial Services Sector in Mauritius", dated 26 February 2001. It encompasses the activities of former regulatory bodies for securities (Stock Exchange Commission), insurance (Insurance Division of the Ministry of Economic Development, Financial Services and Corporate Affairs) and global business (Mauritius Offshore Business Activities Authority).

One of the statutory functions of the Commission is to license, regulate, monitor and supervise non-banking financial institutions in Mauritius. Non-banking financial institutions include, amongst others, operators involved in Insurance and Pensions, Securities, Leasing and Credit Finance, as well as Global Business.

The current supervisory regime of the Commission, founded on a risk-based approach, integrates and

harmonises the supervision of financial services. It also establishes a coherent policy for prudential regulation and supervision, whilst promoting transparency and enhancing supervision.

The FSC is committed to the sustained development of Mauritius as a sound, stable and competitive international financial services centre. Consequently, the Commission promotes the development, fairness, efficiency and transparency of non-banking financial institutions and capital markets in the jurisdiction, whilst also ensuring the protection of investors.

In line with the stage that the non-banking financial services sector has reached, the Commission is also geared towards developmental regulation, which entails the mapping out of a regulatory framework that matches the requirements of our financial centre, while simultaneously promoting its expansion.

The FSC believes that this approach is a pre-requisite for the sustained development of the financial services sector and for positioning Mauritius as a competitive International Financial Centre on the global stage.

"The financial services sector should be the engine of growth for the services industry, which is expected to be a key pillar of the Mauritian economy. Consequently, while refining the regulatory landscape and including consultation at the heart of its approach, the Commission also looks forward to collaborating with all stakeholders for the overall expansion of this sector, in building a financial centre of excellence and in positioning Mauritius as a sound and competitive international financial centre."

Chief Executive, Mr J.N. Meetarbhan – March 2006.

1.2 Organisational Structure

The Licensing teams process applications for licences, registration and authorisations for non-banking financial institutions operating in the domestic and global business sectors falling under the FSC's remit. Through this process, appropriate licensing criteria relating to, inter alia, financial soundness, competence and integrity are applied.

The Surveillance teams are responsible for ensuring compliance with laws and undertaking inspection visits to licensees at frequencies determined in accordance with their risk profile. The latter are required to comply with laws, regulations, rules, licensing conditions and other guidelines and codes. Inspections are undertaken on a risk-based approach and in line with established best practice². Both off-site and on-site inspections are conducted by the Surveillance teams, and investigations are carried out in cases of serious breaches and alleged offences.

NBFIs licensed by the FSC

For an updated list of licensed service providers, please log on to our website and refer to the Registry section: <http://www.fscmauritius.org/registry/>

Enforcement is an important tool in the regulatory framework since it contributes to ensuring a sound financial market/environment. The Enforcement team carries out investigations and takes measures to suppress illegal or improper practices, market abuse and financial fraud in relation to the non-banking financial services sector. It may further make recommendations to the Board for any disciplinary action including the revocation of licences.

The main function of the Policy and Research team is to format the policies in relation to regulation and supervision of the non-banking financial services sector. In particular, the policy and Research team analyses regulatory developments, both locally and abroad, and

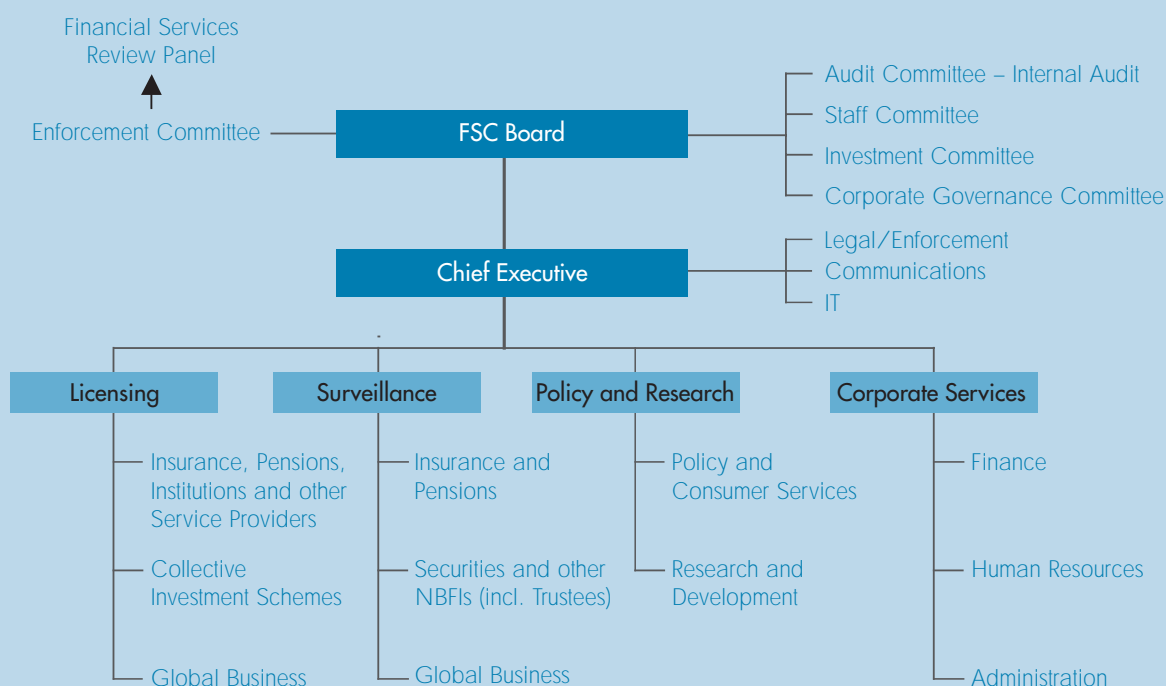
proposes legislative and regulatory changes with a view to upgrading current practices to international standards.

To assist the Commission in the formulation of policy, a broad range of studies on specific themes relevant to the activities of the Commission are carried out by the Policy and Research team.

² The objectives of inspections include:

- a) ascertaining compliance with relevant laws and regulations;
- b) checking adherence to anti-money laundering laws, regulations and codes;
- c) determining whether dealings with policyholders and members of the public are fair and transparent;
- d) obtaining assurance to the effect that corporate governance arrangements and procedures are sound;
- e) evaluating financial solvency and performance

Organisational Chart



1.3 The environment in which we work

The supervisory effectiveness of the FSC comes from the synergy between the regulatory expertise it has achieved and the common principles of supervision it has implemented across the non-banking financial services sector.

The regulatory landscape of the non-banking financial services sector is defined by the integrated framework for the regulation and supervision of Insurance, Securities and Global Business and other non-banking financial institutions.

The prime objective remains positioning and sustaining the jurisdiction as a premier International Financial Centre, while adhering to local and international norms and best practices.

To this end, the FSC's approach is founded on the following:

- a business and investor-friendly environment within a refined regulatory framework
- working in partnership with the industry
- enhancing capability and competence within the industry
- a concerted national approach towards promoting Mauritius as a sound financial centre.

Opening up to the global environment

In recent years, to a large extent regulatory policies at national level have been influenced by international trends and events. Indeed, the FSC has evolved by establishing strong collaboration with international standard-setting and regulatory bodies.

The FSC applies the norms adopted by the world's standard-setting bodies such as the Basel Committee, the Financial Action Task Force (FATF), the International Organisation of Securities Commissions (IOSCO), the International Association of Insurance Supervisors (IAIS) and the International Organisation of Pension Supervisors (IOPS).

A business and investor-friendly environment within a refined regulatory framework

A strong and properly regulated non-banking financial services sector is the cornerstone of a diversified and efficient financial system, capable of sustaining growth. The nature of regulation is also a determinant factor, as it may stimulate or hinder the growth of the industry.

The Commission supports progressive regulation, which takes into account the dynamic and progressive nature of the industry being regulated, as well as the developmental stage it has reached. It also aims at striking the right balance between regulation and the commercial viability of the activities supervised.

The FSC has therefore integrated a “business-friendly” approach within its regulatory function, which nurtures an open business culture, underpinned by high standards of business conduct and compliance with domestic and international norms.

Adopting a business and investor-friendly approach is of paramount importance in the opening up of business avenues and the facilitation of investment. This provides the potential for creating and capitalising on business opportunities and the FSC believes that the most important element in success is partnership with the industry.

Partnership with the industry

Implementing a business-friendly regulatory approach relies on on-going dialogue with the industry. In this respect, the

FSC works in close collaboration with all stakeholders and acts as a facilitator for the enhancement of business and investment opportunities in the non-banking financial services sector.

The FSC encourages a situation where the industry's own initiatives and feedback are able to complement the FSC's initiatives.

Enhanced capability and competence

To safeguard our jurisdiction's competitive edge, the industry needs to be able to pool expertise and competence specific to the financial services sector.

The FSC considers it important to consolidate the strengths of the existing skilled and multilingual workforce, which has already gained experience in dealing with international investors, in order to develop the standards and competency which a strong financial centre needs.

Ongoing training by and within the industry, therefore, plays a key role in enhancing the capability and competence of our financial centre.

A concerted national approach towards promoting Mauritius as a sound financial centre

The FSC favours a concerted national approach to promoting Mauritius as a sound international financial centre, and thus works in close collaboration with all stakeholders to maintain, consolidate and further enhance our jurisdiction's competitiveness as an international financial centre.

Organisational Initiatives

The FSC recognises that to enhance its ability to achieve its statutory objects, there is a need to invest in its human resources and to enhance its organisational processes and systems.

Building on human capital

Human capital is the most important asset in the development and growth of an organisation. The Commission recognises that quality people, who are competent, motivated and committed, make a significant difference in our endeavour to make the Commission an efficient organisation.

The FSC is thus strongly committed to upgrading and enhancing the knowledge, skills and capabilities of its staff. In view of the constantly changing environment within which it is called to function both nationally and internationally, the FSC has to make sure that its staff have all the competencies required to ensure that the Commission's regulatory role is in line with international norms.

The Commission spares no efforts in investing in the training and development of its staff for capacity building. Over the past year, 25 staff members attended training programmes and seminars, both locally and overseas, in such areas as domestic regulation, WTO issues, international tax planning, corporate governance, insurance regulation, securities market operations and capital markets.

Some 20 new staff members joined the Commission in the year 2005-2006 and have by now been fully integrated into the FSC family. The Commission has started implementing a number of initiatives with the aim of creating an organisational culture that is conducive to staff commitment and development. This is critical in ensuring that our success is sustainable.

Information Technology

Enhancing the Commission's capabilities whilst maintaining a high level of confidentiality and security

The objective of our IT strategy is to take advantage of information technology to enhance our licensing and supervisory capabilities whilst maintaining a high level of confidentiality and security in the way the Commission operates and handles information. This is achieved by making risk management an intricate part of all IT activities. The Commission's effort is geared towards providing maximum performance in terms of computing facilities, availability of services and the security of the IT infrastructure. The objective is to improve our business capability and effectiveness by using to the maximum the opportunities information system solutions offer. The Commission, therefore, continually monitors the size, cost, performance, and capacity of its IT infrastructure, along with the range of services provided.

The Information Systems Cluster initiated a number of projects during the past year, in line with the 2003-2005 IT plan, which was prepared to address the needs of the Commission in the medium term. The major focuses of those projects were the consolidation of the IT infrastructure, the enhancement of security systems, internal controls and business continuity planning.

Consolidating the IT infrastructure

The initial IT set-up was enhanced to respond to the future needs of the Commission in terms of increasing manpower, emerging business needs and the mitigation

of risks. This further allowed the Commission to meet the expected level of services it provides, both internally and externally, in terms of performance (availability, response and resolution times in dealing with service requests).

Security and contingency planning

The FSC has to protect its information assets. The Commission has ensured that IT resources are used in a manner that safeguards confidentiality. Contingency measures were enhanced to ensure business operations could continue without being vulnerable to external factors. In this respect, security systems are continually monitored, re-evaluated, and updated to respond to new threats. During the past year, the Commission has implemented systems and procedures to minimise the risk of security breaches.

As part of our objectives to encourage a learning culture and to improve IT services, the Commission conducted a benchmarking exercise against an external regulator, in order to take advantage of the experience of a larger established regulator in dealing with common technical issues, with the focus on contingency planning and security.

Moreover, during the past year, substantial progress has been made in the development of an Integrated Licensee System, which will enable better supervision of licensees.

Our future challenges include continuing to provide sound regulation, attracting and retaining highly competent professionals, focusing on the strategic use of resources, becoming progressively more efficient and staying abreast of rapidly changing technology.

The Regulatory Framework

Supervisory and regulatory developments

Licensing

Surveillance

Insurance and Pensions

Securities

Global Business

Policy and Research

Keeping pace with international developments



Supervisory and regulatory developments

2.1 Licensing

2.1.1 Standardisation of licensing conditions

During the previous financial year, the Commission initiated an exercise to standardise the Licensing Conditions applicable to non-banking financial institutions, both in the domestic and the Global Business sectors, in order to ensure consistency between similar activities in these two sectors (FSC Circular Letter CL020105, issued on 14 January 2005, refers). The FSC regularly consults stakeholders with a view to improving its processes and implementing reforms in a spirit of transparency. While the new Licensing Conditions were applicable to entities licensed under the Financial Services Development Act 2001 as from 2 February 2005, the licensing conditions of existing licensees were replaced by the new Licensing Conditions as from 1 January 2006.

2.1.2 New Personal Questionnaire

The Commission issued on 1 June 2006 a revised Personal Questionnaire (PQ), which is a condensed version of the previous PQ. The PQ is intended, amongst others, for Beneficial Owners, Directors, Principal Officers and controlling shareholders of companies applying to offer financial services or providing a related service, and for those promoting or managing Collective Investment Schemes. Further, the Commission may, where it deems necessary, also request other applicants for a licence or any officer, shareholder or beneficial owner of an applicant company or an existing licensee to submit a PQ.



2.2 Surveillance

2.2.1 Insurance and Pensions

2.2.1.1 Off-site inspection

The off-site supervision of Insurers involves reviewing statutory returns, audited financial statements, re-insurance treaties and actuarial reports. Off-site reviews enable the FSC to assess on an on-going basis the solvency of Insurers as well as to identify early warning signs, thereby allowing appropriate regulatory and prudential measures to be recommended.

During the period under review, the overall observations emanating from the off-site assessment of the Insurers included:

- Non-compliance with the Insurance Act 1987 with respect to the Statutory Reserve Fund and to the calculation of the Margin of Solvency
- Non-submission of information as required under the Insurance Act 1987 (Appointment of Actuary)
- Failure to submit statutory returns within the prescribed time frame
- Non-compliance with International Financial Reporting Standards
- Incomplete actuarial valuation report.

Through open and constructive dialogue, prompt corrective measures are usually taken by the Insurers concerned.

On-site inspections carried out the previous year were also followed up during the off-site inspection exercises. The off-site supervision also included the on-going monitoring of Insurers who are in "running off" situations and in liquidation process. This exercise entailed consultation and liaison with both internal and outside counsel, as well as attendance in Court.

2.2.1.2 On-site inspection

The FSC intensified its on-site inspection programme for the period ended 30 June 2006. Inspections of six Insurers were conducted. These inspections related to operational aspects and business models used by the insurers.

With respect to the National Code of Corporate Governance, the FSC drew the attention of the Insurers to the importance of appointing independent directors, setting up of board sub-committees and reporting on corporate governance in their Annual Reports.

Many Insurers were in the process of revisiting their information systems and operational procedures. The FSC welcomed this initiative and recommended that Insurers take such opportunities to enhance risk management in their systems and procedures.

The FSC also encourages broader disclosure, and the need to provide the right information and risk warnings to clients, which ultimately lead to better protection of policyholders.

Pensions

Over recent years, occupational pensions have expanded significantly to play a central role in the provision of retirement income, and to find alternatives to potentially financially unsustainable public systems, especially in light of ageing population.

In this context, the FSC is contributing towards establishing a framework that enables occupational pensions to function fairly and efficiently, and to provide a high level of security. In coordination with the National Committee for Pensions Reform, the FSC is contributing towards the finalisation of a Private Occupational Pensions Bill. Consequently, a Pension Bill was drafted and the FSC carried out some initial consultation. In light of the consultation, the FSC is now putting the last touches to the Bill. A working team has also been established at the FSC to draft the rules and regulations under the Bill.

2.2.2 Securities

2.2.2.1 Off-site inspection

Off-site supervision of licensed entities operating in the securities sector (Stockbroking Companies and other NBFIs) involved the review of audited financial statements and statutory returns submitted by the licensees, as well as checking compliance with relevant laws, regulations and licensing conditions.

The securities market surveillance activities of the FSC consisted of monitoring daily trading activities and public information, and keeping track of market events through the press, Stock Exchange of Mauritius' (SEM) communiqués, weekly bulletins and monthly newsletters. The FSC also monitored weekly reports from the Central Depository & Settlement Co Ltd (CDS) on trades effected from July 2005 to June 2006. No failed trades were reported to the FSC during that period.

Whenever unusual trading patterns were noted, preliminary enquiries were conducted by the FSC. This entailed obtaining trade details from the CDS as well as analysing price movements and transactions effected for the securities before and after the event.

2.2.2.2 On-site inspection

The FSC conducted on-site inspections at 12 companies licensed under section 14 of the FSD Act 2001 (comprising seven Investment/Asset Managers, two Distributors of financial products, one Investment Adviser, one Administrator/Transfer Agent), and one stockbroking company during the year ended 30 June 2006.

The on-site inspection teams noted that issues pertaining to (i) compliance with the Code on the Prevention of Money Laundering and Terrorist Financing issued by the FSC (ii) corporate governance, risk management and internal control and (iii) market conduct, needed to be followed up.

2.2.3 Global Business

2.2.3.1 Off-site inspection

Off-site inspection in the Global Business sector entailed reviewing and analysing the audited financial statements of Management Companies and GBCs 1 for year-end 2005 but filed within the period under review. The number of audited financial statements received and reviewed from MCs was 68. As for the GBCs 1, the audited financial statements of some 3,500 entities were received and examined. The review exercise enabled the Commission to ascertain compliance of the GBCs 1 with provisions of the FSD Act 2001, licensing conditions as well as with International Financial Reporting Standards (IFRS).

2.2.3.2 On-site inspection

On-site inspection in the Global Business sector was limited to MCs and focused on on-going Customer Due Diligence (CDD) checks conducted by MCs, internal controls and procedures (including Anti-Money Laundering/Combating the Financing of Terrorism – AML/CFT procedures) in place, corporate governance issues and monitoring of the client companies' business.

For the period under review, 23 inspections were carried out, compared to 17 last year. As at 30 June 2006, a total of 51 MCs have been inspected since the beginning of the inspection cycle, which started in September 2002. Inspections gained momentum during the period under review, in which recruitment of additional staff enabled the setting up of more inspection teams.

Following the inspections, the FSC monitored the effective implementation of the recommendations and requirements contained in its Inspection Reports.

2.2.3.3 Revocation of licences³

To ensure a properly regulated market, it is necessary for serious breaches of regulations to be dealt with by the FSC, so as to protect the market as a whole. For the period ending 30 June 2006, 112 Global Business licences were revoked for the reasons described above, out of which 94 were GBCs 2.

³ The FSC is empowered under section 22(3) of the FSD Act 2001 to revoke the licence of a Global Business Company where it:
(a) has reason to believe that the holder of the licence is acting or has acted (i) in contravention with this Act or the Financial Intelligence and Anti-Money Laundering Act 2002 or any regulations made under those Acts; (ii) in breach of any conditions of the licence;
(b) is of opinion that the cancellation or revocation is necessary to protect the good repute of Mauritius as a centre for Qualified Global Business.

Table 1: Analysis of GBCs struck off (2003-2006)

	30 June 2006	30 June 2005	30 June 2004	30 June 2003
No. of cumulative GBCs 1 struck off	1,936	1,716	1,430	1,119
No. of cumulative GBCs 2 struck off	2,005	1,632	982	511
No. of net GBCs 1 on FSC Register ¹	6,770	6,017	5,831	5,728
No. of net GBCs 2 on FSC Register ¹	18,280	16,535	15,352	14,056
No. of GBCs 1 struck off during the year	220	286	311	227
No. of GBCs 2 struck off during the year	373	650	471	191

Source: Registrar of Companies

¹ Cumulative figures, excluding struck-off entities

2.2.3.4 Analysis of strikings-off from the register of GBCs

Table 1 indicates the number of GBCs 1 and GBCs 2 struck off from the Register of Companies. As at 30 June 2006, a cumulative total of 3,941 GBCs have been struck off from the Register of Companies. For the year ended 30 June 2006, 220 GBCs 1 and 373 GBCs 2 were struck off, compared to 286 GBCs 1 and 650 GBCs 2 for the year ended 30 June 2005.

2.3 Policy and Research

Reinforcing our regulatory framework

2.3.1 Insurance and Securities regulations and rules

Work was initiated on the drafting of rules and regulations pertaining to the Insurance Act 2005 and Securities Act 2005. The assistance of several insurance and securities experts was enlisted in this connection.

Two workshops were conducted in December 2005, during which draft rules and regulations made under the Securities Act 2005 were discussed with the industry. The review of these regulations was conducted in collaboration with the industry's representatives on the Collective Investment Schemes Regulations committee, to discuss their impact on the market.

2.3.2 Financial Services Development (Amendment) Act 2005

In March 2005, the Financial Services Development (Amendment) Act 2005 amended the Financial Services Development Act 2001 to enhance the enforcement powers of the Commission. The enhanced range of powers and functions will enable the Commission to better pursue its statutory objectives.

The amendments, in line with international standards, entrust the Commission inter alia with the power to impose a wider range of disciplinary sanctions. In particular, the Commission will be able to impose administrative fines. The amendments also provide for the establishment of an Enforcement Committee and a Financial Services Review Panel. Such measures will contribute to a sound, secure financial market and adherence to the principles of good governance.

2.3.3 Practice Notes on Managed Corporate Service Providers

The Practice Notes (PN 010105) on Managed Corporate Service Providers (MCSPs), issued on 1 January 2005, set out the regulatory approach of the FSC towards MCSPs and clarified the obligations of both the MC and the MCSP. The latter had to submit to the FSC by 31 December 2005 a fresh application stating whether they wished to continue operating as a MCSP or whether they intended to set up as an independent stand-alone operation.

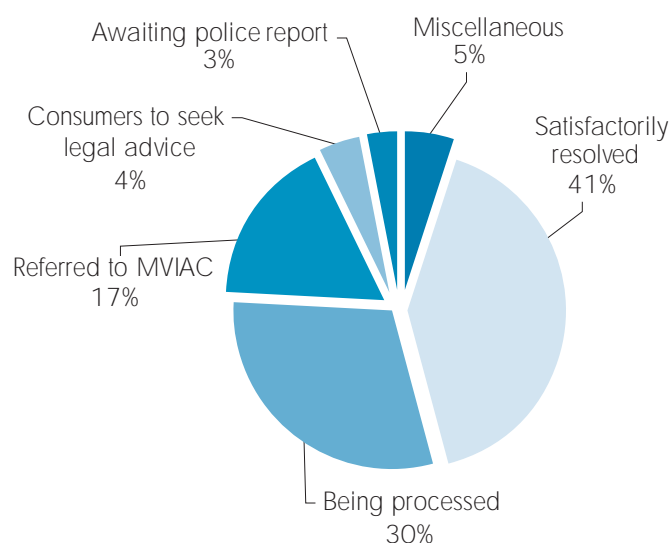
The Commission received representations from a number of MCs and MCSPs. An internal committee was set up to look into them.

2.3.4 Handling complaints

The FSC accords great importance to the fair treatment of consumers and the Commission sees the efficient handling of complaints as a vital part of this process.⁴

During the period under review, 837 complaints were received at the Commission, 95% of which related to motor insurance, 3% to life insurance and the remaining 2% concerned fire, theft and travel insurance (see Chart 1). The FSC successfully resolved 41% of all complaints received. The chart below shows the status of complaints handled by the FSC.

Chart 1: Consumer Complaints



Complaints pertaining to life business resulted from consumers' limited understanding of the terms and conditions of cancelling policies, consumer dissatisfaction with surrender values paid by Insurers and non-observance of contractual agreements by the consumers. As part of its complaints' handling process, the FSC continues to educate consumers on their rights and obligations under insurance contracts.

New complaints' handling procedures

The FSC is currently reviewing its procedures for handling complaints. Draft guidelines for the handling of complaints by insurance companies have been issued for consultation with the industry in June 2006. The draft guidelines require licensees to deal fairly and promptly with consumer complaints. Under the new arrangements, companies are requested to set up in-house complaint-handling mechanisms to address grievances from their clients.

⁴ Under the FSD Act 2001, the Commission is responsible for safeguarding consumers' interests in financial markets.

2.3.5 Secondary bond market

A Technical Committee, consisting of representatives of the FSC, the Bank of Mauritius, the Ministry of Finance, the SEM and the CDS, continued its work on the setting up of a secondary market for government securities in Mauritius.

A secondary bond market will help in the process of creating a yield curve as a benchmark for the pricing of corporate securities. These securities will be priced in a competitive manner and in the best interest of the market.

Such a market will avoid concentrating intermediation uniquely on banks. It will facilitate the generation of market interest rates that reflect the opportunity cost of funds at each maturity, which is essential for efficient investment and financing decisions.

2.3.6 Collecting and disseminating statistical information

In line with its statutory obligations, the FSC conducted quarterly and annual statistical surveys of NBFIs.

During the period under review, the FSC also participated in various international statistical initiatives: the IMF Coordinated Portfolio Investment Survey, the IMF Information Framework and the IOSCO Survey on CIS.

2.4 Keeping pace with international developments

To keep pace with international developments, the FSC participates actively in regional and international regulatory debates. Our staff's interaction with other regulators and international organisations strengthens the FSC's team and its ability to respond positively and effectively to challenges in the regulatory environment.

International Cooperation

The FSC is a member of the International Association of Insurance Supervisors (IAIS), the International Organisation of Securities Commissions (IOSCO), the International Organisation of Pension Supervisors (IOPS), the Offshore Group of Insurance Supervisors (OGIS) and the Committee of Insurance, Securities and Non-bank Financial Authorities (CISNA).

The Commission has also participated in surveys organised by the International Monetary Fund (IMF), the OGIS, as well as in IOSCO, CISNA, COMESA and FATF Questionnaires.

Bilateral Cooperation

The FSC has signed several Memoranda of Understanding (MOU) for the exchange of information. These MOUs aim at strengthening the cooperation between the FSC and local and international regulatory authorities.

Exchange of Information

The FSC collaborated with several entities and market regulators in other countries. The FSC entertained 68 requests for exchange of information during the period under review, out of which 56 were with overseas regulators, and related to licensing issues, supervisory standards, investigations and enforcement action taken.

List of parties to MOUs

1. Bank of Mauritius
2. Securities and Exchange Board of India
3. Committee of Insurance, Securities and Non-bank Financial Authorities
4. Financial Services Board of South Africa
5. Malta Financial Services Authority
6. Pensions and Insurance Authority of Zambia
7. Capital Markets Authority of Uganda
8. Namibia Financial Institutions Supervisory Authority
9. Securities and Exchange Commission of Zambia
10. Insurance Supervisory Department of Tanzania
11. Financial Intelligence Unit, Mauritius
12. Isle of Man's Financial Supervision Commission
13. Reserve Bank of Malawi
14. South Asian Securities Regulators Forum
15. Central Bank of Lesotho
16. Jersey Financial Services Commission

World Bank conference

Aligning financial supervisory structures with country needs

The FSC's Chief Executive, Mr J.N. Meetarbhan, participated in a two-day global conference at the World Bank in Washington, D.C. on "Aligning financial supervisory structures with country needs" on the 5th and 6th of June 2006. The conference offered a platform for worldwide policymakers and supervisors, as well as World Bank and International Monetary Fund specialists, to share their experiences and discuss supervisory models in relation to country needs.

During the session on 'Supervisory Models from Small, Open Economies', Mr Meetarbhan gave an insight into regulatory developments in the non-banking financial services sector in Mauritius in recent years.

In his presentation, entitled "Mauritius: The Structural Decision Process in Retrospect", he explained the rationale for an integrated regulatory structure, and consequently the establishment of a single regulator for the non-banking financial services sector, the normative framework adopted in Mauritius as well as the evaluation of the process. He further outlined the challenges facing the Commission by relating these to the financial supervisory concerns of small and open economies.

"The FSC collaborated with several entities and market regulators in other countries. The FSC entertained 68 requests for exchange of information during the period under review, out of which 56 were with overseas regulators."

2.4.1 International Association of Insurance Supervisors (IAIS), and Offshore Group of Insurance Supervisors (OGIS)

The FSC participated in the 12th IAIS Annual Conference in Vienna in October 2005. The theme of the Conference was Solvency, Governance and Market Conduct. The FSC took part in the meetings of the Technical Committee, Emerging Market Committee, Insurance Laws Sub-committee and Financial Conglomerate Sub-committee.

The Commission also participated in the IAIS Triannual Committee meetings in Ottawa in May/June 2006. In conjunction with these meetings, the IAIS and the OSFI's International Advisory Group conducted a training programme, which was attended by an FSC staff member.

The FSC attended the OGIS Annual Meeting in Vienna in October 2005 and its Annual Working Group Meeting in St Lucia in May 2006. The FSC has participated in the drafting of the Captive Insurance Issues Paper, which was tabled for adoption at the IAIS Annual Meeting in Beijing in October 2006. The paper was intended to act as a source of reference for supervisors on the nature of captive insurance and to increase the understanding of both its role and its relationship to traditional insurance and reinsurance markets. It also covered some of the economic aspects of captive insurance and was prepared for information and educational purposes. FSC staff also attended OGIS training programmes that took place during the period under review.

2.4.2 International Organisation of Securities Commissions (IOSCO)

During the period under review, the FSC participated in three events organised by IOSCO. The FSC attended the training workshop on the IOSCO MMOU (IOSCO Multilateral Memorandum of Understanding) in Madrid in October 2005, followed by the 16th Meeting of the Africa and Middle East Regional Committee in March 2006 in Rabat, and the 31st IOSCO Annual Conference, hosted by the Securities and Futures Commission of Hong Kong, held in Hong Kong in June 2006.

The FSC has expressed interest in becoming a signatory to the IOSCO MMOU, and has obtained the support of the IOSCO Secretariat to that end.

2.4.3 International Organisation of Pension Supervisors (IOPS)

The FSC attended the IOPS Technical Committee meeting in Paris in December 2005. The 10 draft IOPS Principles of Private Pension Supervision and various projects for the development of international standards for pension supervision were discussed. The organisation is still at an early stage in developing international regulatory and supervisory standards and is cooperating with other international standard-setting bodies, such as the IAIS and the OECD.

2.4.4 Committee of Insurance, Securities and Non-Bank Financial Authorities (CISNA)

The FSC participated in the first bi-annual meeting of CISNA held in Zimbabwe in April 2006.

The FSC presented the final "Report on Regulatory Gap in CISNA Member Countries" at the meeting. The Report provided an indication of the level of compliance of each CISNA member country's regulation, with respect to IOSCO, IAIS and IOPS/OECD principles and standard of regulation. Each member country was encouraged to prepare its own action plan to move towards the full implementation of IOSCO, IAIS and IOPS/OECD principles of regulation. Each member country is to submit a progress report at the next meeting of CISNA.

Member countries were informed that FIRST initiative has approved technical assistance funding for the Training Programme Project for NBFIs Regulators within SADC and EASRA. International consultants have started work on developing a strategy for addressing the training needs of NBFIs regulators in SADC countries and East Africa. FIRST Initiative is also financing other projects on capacity building and strengthening financial regulations within EASRA countries, specifically Malawi, Tanzania, Angola and Mauritius.

Expanding Business

Analysis Reports on Non-Banking Financial Institutions

Applications approved

Insurance Overview

Securities Overview

Global Business Overview



Analysis Reports on Non-Banking Financial Institutions

This section of the Report focuses on market and financial developments pertaining to licensees operating in the Insurance, Securities and Global Business sectors. Statistical analyses and market trend developments are provided.

3.1 Applications approved

As at 30 June 2006, the number of applications approved stood at 33,211, representing an increase of 12% over 30 June 2005 (see Table 2). As part of our mission of making it easier to do business with the FSC, a number of issues have been looked into. The application process for licences has been streamlined and, consequently, processing time has been reduced.

3.1.1 Domestic sector analysis

The figures in Table 2 show that, for the period ended 30 June 2006, there was a growth of 9% in the total number of applications approved for entities and individuals operating in the domestic sector. As at 30 June 2006, 43 entities were licensed under section 14 of the FSD Act 2001, that is, an increase of 26% over the past year. There was an overall increase of 9% in the number of registered Insurance Intermediaries (Insurance Brokers, Insurance Agents and Insurance Salespersons) during the period 2005/2006. One new Stockbroking Company was licensed during the period under review.



Table 2: Analysis of applications approved (2002-2006)

Type of Licensee	As at 30 ¹ June 2006	As at 30 ¹ June 2005	As at 30 ¹ June 2004	As at 30 ¹ June 2003	As at 30 ¹ June 2002
GBCs 1 ²	8,706	7,733	7,261	6,847	6,546
GBCs 2 ²	20,285	18,167	16,334	14,567	12,803
Management Companies	78	79	76	76	72
Corporate Trustees	23	25	24	21	19
Captive Insurance Managers	6	6	6	6	6
Section 14 Licensees:	43	34	20	12	1
Fund / Portfolio Managers ³	16	16	9	5	1
Investment Advisers / Agents	6	5	3	2	0
Leasing Companies	3	3	2	0	0
Credit Finance Companies	3	2	1	1	0
Factoring Companies	3	1	0	0	0
Pension Scheme Managers	3	2	2	1	0
Actuaries	1	1	1	1	0
Treasury Managers	4	3	1	1	0
Custodian	4	1	1	1	0
Insurers	23 ⁴	23	23	23	23
Insurance Brokers	18	17	12	10	9
Insurance Agents ⁵	289	257	245	130	169
Insurance Salespersons ⁵	3,681	3,372	2,941	2,692	2,571
Investment Schemes authorised ⁶	25	23	22	21	19
Stockbroking Companies	12	11	11	11	11
Stockbrokers	22	22	22	25	28
Total applications approved (Global Business sector)	29,098	26,010	23,701	21,517	19,446
Growth rate (Global Business sector) (%)	12	10	10	11	
Total applications approved (Domestic sector)	4,113	3,759	3,296	2,924	2,831
Growth rate (Domestic sector) (%)	9	13	13	3	
Total applications approved	33,211	29,769	26,997	24,441	22,277
Growth rate (Overall) (%)	12	10	10	10	

"As part of our mission of making it easier to do business with the FSC, a number of issues have been looked into. The application process for licences has been streamlined and, consequently, processing time has been reduced."

1 Revised figures

2 Includes entities struck off from the Register of Companies

3 Includes two entities which were merged in December 2004 into one company

4 Includes one foreign underwriter, three Insurers in process of liquidation and one Insurer in "run-off" situation

5 Figures include Insurance Agents/Salespersons who have been struck off from the FSC Register

6 Includes schemes that were authorised under distinct laws prior to the setting up of the FSC

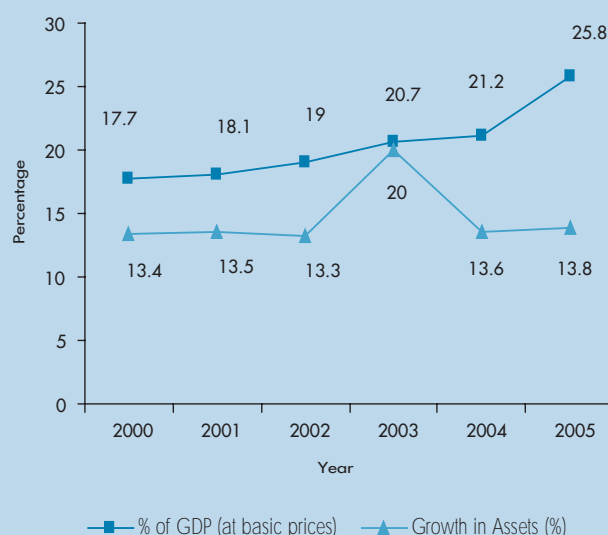
3.2 Insurance Overview

The insurance industry continues to play a key role in the development of the non-banking financial services in Mauritius. As at 30 June 2006, there were 23 registered Insurers including one foreign underwriter. For the period under review, 19 Insurers were active (including one in a "run-off" situation), while three were in process of liquidation. Out of the active Insurers, four carried out solely life business, five companies provided only general business, and ten transacted both life and general business.

The insurance industry experienced sustained growth in 2005. Long-term business continues to dominate the local insurance industry. Total long-term gross premiums amounted to Rs 5.7 billion in 2005, representing 63% of total premiums and a growth of 24% over last year's reported premiums.

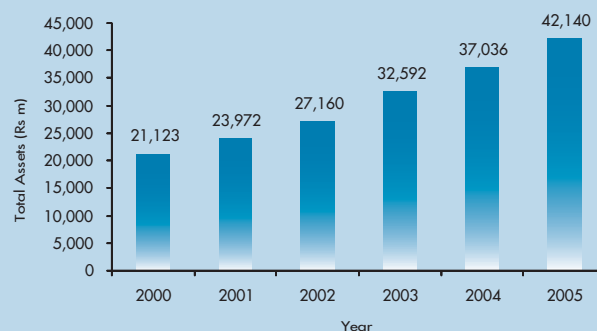
With consistent growth and improved profitability in the local life insurance market, the industry is poised to face the challenges posed in the global marketplace in terms of new products and modes of distribution, and the new regulatory framework provided under the Insurance Act 2005.

Chart 2a:
Contribution of Insurers' Assets to GDP / Growth of Insurers' Assets (2000-2005)



Source: Statutory Returns

Chart 2b:
Total Assets of Insurers (2000-2005)



Source: Statutory Returns

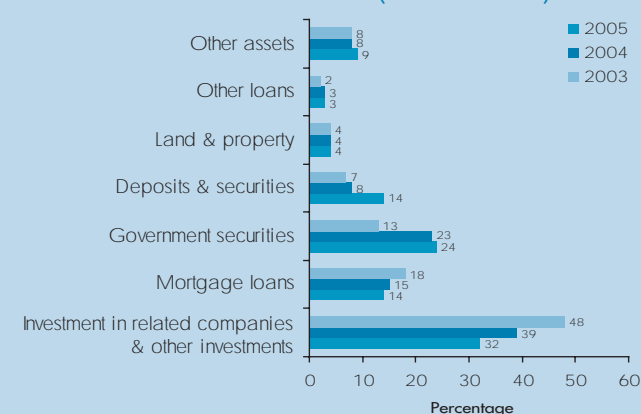
3.2.1 Assets of Insurers

For the period ended 2005, total assets of the 19 active Insurers reached Rs 42 billion, with 83% attributed to long-term business. As indicated in Chart 2a, the growth of total assets in 2005 was 13.8% compared to 13.6% in 2004, while the share of total assets of Insurers in national GDP stood at 25.8% in 2005, representing a slight increase from 2004.

With regard to the asset allocation of Insurers, as shown in Chart 3, the share of "Investments in related companies & other investments", which relate essentially to equity investments, continues to be the largest in the total investments of Insurers although it has been decreasing over past years. The figure was 32% in 2005 compared to 39% in 2004. Investments in "Government securities" increased slightly in 2005 to reach 24%, while investments in "Deposits & securities" increased significantly in 2005, with its share at 14%, compared to 8% in 2004. The contribution of "Mortgage loans" was 14% in 2005. As far as investments in other types of assets are concerned, asset allocation has remained relatively stable over recent years. Overall, the investment portfolio of Insurers continues to follow a well-diversified pattern, reflecting Insurers' conservative investment approach.

A detailed breakdown of the assets and liabilities of individual Insurers (segregated into long-term and general business) is provided in Appendix 1 and Appendix 2 respectively.

Chart 3:
Asset Allocation of Insurers (2003-2005)



Source: Statutory Returns

Table 3: Key Indicators of Insurers (2001-2005)

	2005	2004	2003	2002	2001
Number of active Insurers	19	19	19	20	22
Total assets (Rs m)	42,140	37,036	32,592	27,160	23,972
Total gross premiums (Rs m)	9,054	7,653	6,871	6,203	5,334
<i>of which long-term business</i>	5,739	4,610	4,142	3,760	3,247
<i>of which general business</i>	3,315	3,043	2,729	2,443	2,087
Total gross premiums (Percentage of GDP at basic prices)	3.52	3.02	3.01	2.99	2.76
Total net premiums (Rs m)	7,256	5,962	5,313	4,826	4,234
<i>of which long-term business</i>	5,553	4,440	3,982	3,624	3,123
<i>of which general business</i>	1,703	1,522	1,331	1,202	1,111
Gross claims (Rs m)	5,536	5,101	4,240	3,683	2,780
<i>of which long-term business</i>	3,821	2,898	2,224	2,294	1,671
<i>of which general business</i>	1,715	2,203	2,016	1,389	1,109
Net claims (Rs m)	4,948	3,879	3,039	2,980	2,298
<i>of which long-term business</i>	3,759	2,843	2,192	2,265	1,639
<i>of which general business</i>	1,189	1,036	847	715	659
Technical provisions (Rs m)	35,897	31,220	27,007	22,442	19,871
<i>of which long-term fund</i>	31,569	29,106	25,120	20,906	18,592
<i>of which general fund</i>	713	657	618	577	522
<i>of which statutory reserve funds</i>	283	258	227	203	197
<i>of which other reserve funds</i>	3,333	1,199	1,042	756	560
Total profit before tax (Rs m)	3,388	3,582	3,806	3,196	2,915
<i>of which from long-term business</i>	2,873	3,321	3,467	2,778	2,505
<i>of which from general business</i>	515	261	339	418	410

Source: Statutory Returns

3.2.2 Overview of Insurers' financial performance

The financial performance of the insurance industry in Mauritius in 2005 led to overall growth in all indicators except profit before tax, as highlighted in Table 3.

An analysis of the financial performance of Insurers indicates the following:

- i) Total net premiums for the insurance industry amounted to Rs 7.3 billion in 2005, representing growth of 22% compared to 12% in 2004. Net premiums from long-term insurance business constitute 77% of total net premiums, indicating the dominance of long-term business in the local insurance industry and the slower growth of general insurance business.
- ii) Total net claims paid amounted to Rs 4.9 billion in 2005, representing a growth rate of 28% almost similar to that in 2004. Net claims from long-term insurance business constitute 76% of total net claims paid.
- iii) Total technical provisions for the industry were Rs 35.8 billion in 2005, representing an increase of 15% over the previous year. Almost the totality of the reserves derived from long-term insurance funds, indicating once more the importance of the long-term insurance business.
- iv) Total profit before tax decreased to Rs 3.4 billion in 2005, shrinking by 5%. This reduction was attributed to the decrease in profits in long-term business. Total profit before tax for general business increased by 97% in 2005, to reach Rs 515 million.

3.2.3 Concentration of Insurers' business

Concentration of business amongst Insurers followed the same trend in 2005. Segregating the Insurers in groups as per the range identified for each indicator (see Table 4) shows the following:

- i) 93% of the total assets are held by eight Insurers holding assets of more than Rs 1 billion.
- ii) For long-term insurance business, 80% of total net premiums were generated by the three largest Insurers (those with net premiums higher than Rs 500 million). 83% of total net claims were paid by the same three Insurers.
- iii) General insurance business continues to be less concentrated than long-term business. Seven Insurers (with net premiums over Rs 100 million) generated 75% of total net premiums, while four Insurers paid out 53% of total net claims.

The following statistics (Table 4) relating to 2005 indicate the strong dominance of a few leading players in the domestic insurance market⁵.

⁵ More detailed statistics are provided in Appendices 1 to 11.

Table 4: Concentration of Business in Total Insurance Market (2005)

Range for assets (Rs '000)			
Total assets	> 1,000,000	500,000 - 1,000,000	< 500,000
No. of Insurers	8	3	8
Concentration of assets (%)	93	4	3
Range for net premiums (Rs '000)			
Net premiums (Long-term Business)	> 500,000	100,000 - 500,000	< 100,000
No. of Insurers	3	4	7
Concentration of net premiums (%)	80	16	4
Range for net claims (Rs '000)			
Net claims (Long-term Business)	> 500,000	100,000 - 500,000	< 100,000
No. of Insurers	3	2	9
Concentration of net claims (%)	83	9	8
Range for net premiums (Rs '000)			
Net premiums (General Business)	> 100,000	50,000 - 100,000	< 50,000
No. of Insurers	7	5	3
Concentration of net premiums (%)	75	22	3
Range for net claims (Rs '000)			
Net claims (General Business)	> 100,000	50,000 - 100,000	< 50,000
No. of Insurers	4	6	5
Concentration of net claims (%)	53	37	9

Source: Statutory Returns

3.3 Securities Overview

Trading activity on the Mauritian Stock Market was strong during the period under review, with an unprecedented bullish trend, despite occasional volatility during the last quarter.

The period under review was marked by a series of events. Firstly, the Stock Exchange of Mauritius Ltd (SEM) was admitted as a member of the WFE at the 45th General Assembly and Annual Meeting of the Federation held in Mumbai on 1 November 2005. The attainment of WFE membership status constitutes an important milestone that has enabled SEM to join the league of stock exchanges compliant with the stringent standards and market principles established by the WFE. Membership identifies SEM as having assumed the commitment to prescribed business standards, recognised as such by users of exchanges, as well as by regulators and supervisory bodies. It will also enable SEM to attract investment from institutional investors who are restricted by law to dealing only on WFE member exchanges when purchasing securities outside their home country.

Secondly, the final process for the setting up the new Development and Enterprise Market (DEM) were completed. The DEM, which will overhaul the existing Over-The-Counter market, will provide an alternative market and route for raising capital for future growth. Small and Medium Enterprises as well as expanding companies will benefit from such a market.

During the period 1 July 2005 to 30 June 2006, the stock market indices in Mauritius registered strong gains overall. The SEMDEX rose by 14%, the SEMTRI (Rs) by 19%, the SEMTRI (US\$) by 14%, and the SEM-7 by 17%. The volume of shares traded increased by 88.3% during 2005/2006 compared to the preceding period, while the value of shares registered a 40.8% increase⁶ on the Official market. On the Over-The-Counter market, volume of shares rose by 50% during the period under review while the value of shares increased by 28%.

At market close of the financial year, market capitalisation reached Rs 83.8 billion – a favourable position compared to the previous period, i.e. Rs 62.2 billion

A net purchase of Rs 1.3 billion was recorded in respect of foreign investors from July 2005 to June 2006.

⁶ Details of the stockmarket statistics and indices are fully described in SEM publications.

The Development and Enterprise Market

The Development and Enterprise Market is designed for companies currently quoted on the Over-The-Counter (OTC) Market, Small and Medium-sized Enterprises (SMEs) and newly set-up companies which possess sound business plans and demonstrate good growth potential.

The DEM is meant for companies wishing to avail themselves of the advantages and facilities provided by an organised and regulated market to raise capital to fund their future growth, improve liquidity in their shares, obtain an objective market valuation of their shares and enhance their overall corporate image.

Two indices will track the evolution of the DEM: the DEMEX, which is a price index, and the DEMTRI, which is a total return index.

The rules governing the DEM were approved by the Financial Services Commission on 25 May 2006.

These rules are less stringent than those of the official market. The trading of securities of DEM companies will be effected through the SEM Automated Trading System (SEMATS), as per SEM Trading Rules and ATS Schedule of Procedures. All transactions will be cleared and settled through the Central Depository & Settlement Co Ltd (CDS) in accordance with CDS Rules and Procedures.

With the implementation of the DEM, the OTC Market will be gradually phased out. The OTC Market will continue to operate normally until its closure, scheduled after the trading session of Thursday 25 January 2007.

3.3.1 Investment Schemes

For the period ended 31 December 2005, the FSC authorised 22 Investment Schemes in the form of Unit Trusts, Authorised Mutual Funds, Private Equity Funds and other CIS. The appellations of these structures will change with the forthcoming implementation of the Securities Act 2005. The statistics compiled in FSC Quarterly Statistical Surveys (QSS)⁷ indicate that, as at 31 December 2005, the net asset base of the 22 Investment Schemes amounted to Rs 6.4 billion, representing an overall decrease of 13% over the previous year, as indicated in Table 5. The aggregate turnover of Investment Schemes reached Rs 483 million in 2005, representing a decrease of 18% from the previous year. Aggregate net profit after tax declined by 7% in 2005 and amounted to Rs 393 million.

Appendix 12, which provides details on a quarterly basis of each Investment Scheme for 2005, indicates that the schemes that dominate the market in terms of asset size are the state-driven schemes. Only a few private sector driven schemes have comparable large assets. This indicates the important role that Government continues to have in mobilising investment funds.

⁷ The Quarterly Statistical Survey on Investment Schemes is undertaken so as to enable the Commission to monitor the financial performance of Investment Schemes.

Data are reported on established quarters: Quarter ending 31 March, Quarter ending 30 June, Quarter ending 30 September and Quarter ending 31 December. The time frame for submitting the required data is one month after the end of each Quarter. Quarterly statistics submitted may be un-audited figures except for the data relating to the end of the financial year, which remain audited.

The information currently requested by the FSC relates to:

- Respondent's details;
- Summary of financial information on Investment Schemes managed and /or administered by Fund/Investment/Portfolio Managers

Table 5: Financial Performance of Surveyed Investment Schemes (2004-2005)

	2005	2004
No. of Schemes		
Authorised Mutual Funds	6	5
Unit Trusts	9	10
Private Equity Funds	5	5
Other CIS	2	2
Total no. of Schemes	22	22
Net assets (Rs m)		
Authorised Mutual Funds	1,924	1,388
Unit Trusts	2,642	2,550
Private Equity Funds	946	982
Other CIS	882	2,401
Total net assets (Rs m)	6,395	7,321
Growth / (Contraction) in net assets (%)	(13)	31
Turnover (Rs m)		
Authorised Mutual Funds	111	188
Unit Trusts	89	202
Private Equity Funds	65	104
Other CIS	218	92
Total turnover (Rs m)	483	586
Growth / (Contraction) in turnover (%)	(18)	12
Profit after tax (Rs m)		
Authorised Mutual Funds	91	172
Unit Trusts	109	183
Private Equity Funds	37	(6)
Other CIS	156	72
Total profit (Rs m)	393	421
Growth / (Contraction) in profit (%)	(7)	1

Source: FSC Quarterly Statistical Surveys (January-December)

Table 6: Aggregate Portfolio Composition of Investment Schemes (2004-2005)

	2005	2004
	%	%
Equities	67	66
Locally-traded Government Bonds	5	8
Externally-traded Government Bonds	0	0
Corporate Bonds	1	0
Bank Deposits (Time Deposits)	10	9
Money Market Instruments	2	3
Other	15	14
Total	100	100

Source: FSC Quarterly Statistical Surveys (January-December)

3.4 Global Business Overview

As at 30 June 2006, there was a total of 101 entities on the FSC's Register that held Management Licences. This included 78 Management Companies and 23 Corporate Trustees as indicated in Table 2. Seven applications for a Management Licence were received, out of which five licences were issued, one rejected and one was being processed as at 30 June 2006.

The growth of Global Business Companies licensed by the Commission maintained its momentum. From 1 July 2005 to 30 June 2006, 973 licences were issued to Category 1 Global Business Companies (GBCs 1), bringing the total number of GBCs 1 licensed to 8,706. This is an increase of 12% over the previous financial year. Meanwhile, 2,118 Category 2 Global Business Companies (GBCs 2) were licensed during the period under review, resulting in a total of 20,285 GBCs 2. This represents a growth of 13% in GBCs 2, compared with the last financial year.

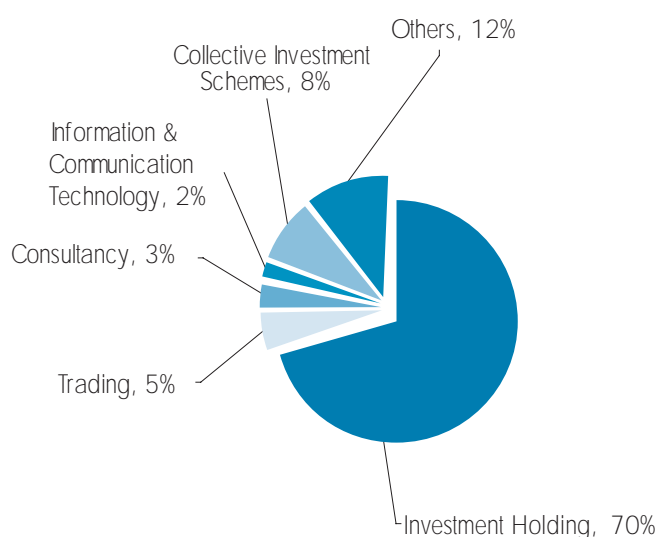
As at 30 June 2006, the FSC Register of GBCs 1 included 353 authorised Mutual Funds/Collective Investment Schemes⁸ representing an increase of 21% on the previous year. The Net Asset Value of the authorised CIS as at 30 June 2006 was US\$ 33.3 billion, compared to US\$ 16.7 billion for the same period last year.

⁸ This figure includes 10 companies in the process of winding up.

3.4.1 Activities of GBCs 1

During the period under review, 70% of the GBCs 1 licensed reported investment holding as their main activity, 8% as Collective Investment Schemes, 5% were involved in trading activities, and 17% were engaged in miscellaneous activities as indicated in Chart 4.

Chart 4: Breakdown of Activities of GBCs 1 (2005)



3.4.2 Management Companies

A review of the audited financial statements of Management Companies with a 2005 year-end, as

shown in Table 7⁹, indicated that 69 MCs generated a total turnover of US\$ 48,646,195 in 2005, compared to US\$ 39,940,055 generated in 2004 by 75 MCs, which represents a 22% growth in turnover. The aggregate profit before tax stood at US\$ 21,041,548 in 2005, compared to US\$ 12,214,451 in 2004, representing a significant 72% increase.

The review exercise further indicated that 62% of the aggregate turnover was generated by only 15% of MCs in 2005. As far as profit before tax is concerned, the pattern was the same as 15% of the MCs generated 75% of the aggregate profit before tax in 2005, as indicated in Table 8.

3.4.3 Corporate Trustees

A review of the audited financial statements of Corporate Trustees indicated that an aggregate turnover of US\$ 1.5 million was generated in 2005 by the 25 licensed entities, compared to US\$ 1.34 million in 2004 by 16 Corporate Trustees. As indicated in Table 9, the aggregate profit before tax stood at US\$ 1.36 million in 2005, compared to US\$ 0.29 million in 2004, while aggregate assets amounted to US\$ 3.75 million in 2005.

⁹ The exchange rate used was calculated on a weighted average basis and all currencies were converted to US Dollars. Exchange rates were sourced from Oanda, the currency website (www.oanda.com)

Table 7: Summary of Financial Results of Management Companies (2003-2005)

	2005	2004	2003
No. of MCs' accounts reviewed	68	75	84
Turnover (US\$ m)	48.646	39.940	36.633
Profit before tax (US\$ m)	21.042	12.214	10.430

¹ Includes revised figures

Table 8: Concentration of Management Companies' Business (2003-2005)

	2005	2004	2003
Percentage of total MCs	15	13	12
Value of aggregate turnover (US\$ m)	30	25	19
Percentage of aggregate turnover	62	64	52
Value of aggregate profit before tax (US\$ m)	16	9	8
Percentage of aggregate profit before tax	75	72	81

Table 9: Summary of Financial Results of Corporate Trustees (2004-2005)

	2005	2004
No. of Corporate Trustees' accounts reviewed	25	16
Aggregate assets (US\$ m)	3.75	1.34
Aggregate turnover (US\$ m)	1.52	0.79
Aggregate profit before tax (US\$ m)	1.36	0.29

Corporate Governance Committee Report



Corporate Governance at the FSC

Background

The FSC is a statutory corporation set up under the Financial Services Development Act 2001 (the Act). All Board members are appointed in accordance with the requirements of the Act and are nominated in their individual capacity and not as representatives of specific organisations.

FSC's commitment to Good Corporate Governance

The Commission remains committed to achieving high standards of corporate governance in line with the governance principles laid down in the National Code of Corporate Governance issued by the National Committee on Corporate Governance under the Financial Reporting Act 2004 and other relevant international norms and best practice proportionate and consistent with the FSC's responsibilities as a regulator.

The FSC is subject to a number of accountability mechanisms, which help to ensure that it takes account of the interests of all stakeholders, whether local or international. Firstly, the Commission is required under the Act to publish a report, on its functions, activities, affairs and financial position, which must be laid down before the National Assembly through the Minister of Finance, who has responsibility for the financial services sector.

Moreover, the requirement to promote good corporate governance within the financial services sector is receiving increased international attention. As a member of a number of international organisations, including the IOSCO and the IAIS, the FSC has embraced standards of best practices, including those of good corporate governance. In this respect, the Board of the FSC had on 11 November 2002 established an Audit Committee. Under its terms of reference the Audit Committee was required to, inter alia, ensure that the Commission is conducting its affairs in compliance with the principles of good governance and standards of best practices. To further enhance the overall governance framework of the Commission, the Board has set up a Corporate Governance Committee, a Staff Committee and an Investment Committee.

Corporate Governance Committee Report

The Corporate Governance Committee is tasked, inter alia, with the responsibility to determine, agree, develop and monitor the FSC's general policy on corporate governance, to prepare the corporate governance report to be published in FSC's annual report, and to ensure that all relevant disclosures are made in the annual report. The investment committee oversees the investment activities of the Commission whilst the primary role of the Staff Committee is to define broadly and monitor activities which positively influence the effectiveness, competency and motivation of staff as they work towards the achievement of the Commission's goals and objective.

During the year under review, the Board, which under the Act is required to meet at least once every month, held 15 meetings while the Board Sub-committees met 5 times.

The members of the Corporate Governance Committee have assessed the extent of compliance with the principles of good corporate governance consistent with the FSC's responsibilities as a regulator and are satisfied that during the year under review the Commission was broadly compliant with these principles although the overall framework needs to be refined during the future.

Membership of the Corporate Governance Committee

The Corporate Governance Committee is chaired by Mr Raj Makoond and the other members are Ms Mary Anne Philips and Mr Oliver Lew Kew Lin. The secretary of the Board of the Commission also acts as secretary of the Corporate Governance Committee.

Looking ahead

Board members must under the law make a disclosure of interest where they or their spouse or next of kin have any direct or indirect interest in relation to any matter before the Board. In addition, with a view to further promote a strong culture of ethical conduct that is required of regulators, the Corporate Governance Committee is also tasked with developing of a code of ethics for the members of the Board of the Commission.

Corporate Governance and licensees

The National Code applies to all non-bank financial institutions, that is, all companies providing financial services licensed under the Act, the Stock Exchange Act and the Insurance Act. These include, Management Companies, companies licensed under section 14 of the Act, insurance companies and stockbroking companies. The National Code does not apply to companies holding a Category 1 or a Category 2 Global Business Licence except those Category 1 Global Business Companies which provide financial services or which are involved in handling funds belonging to third parties, such as insurance companies and collective investment schemes.

All licensed NBFIs were required to comply with the Code and report on their compliance status in their annual report as from the reporting year (financial period) ending 30 June 2005. All annual reports filed with the FSC as from the financial year ending 30 June 2005 were required to contain a section on corporate governance pursuant to clause 1.6 of the Code. Where a licensee has a particular difficulty in complying with any aspect of the Code or any parts thereof, or where it has failed to comply in any particular respect, it should proactively advise the FSC and should state the reasons for the difficulty or failure in complying. The licensee must also indicate the alternative practices adopted (if any) or any measures that are being taken to ensure compliance.

Pursuant to Clause 1.8 of the Code, regulators are responsible for monitoring the application by reporting companies of the principles set out in the Code. The extent to which a licensee is able to demonstrate compliance with the Code is considered by FSC in the supervision of its licensees. Failure to comply with the Code does not constitute a criminal offence. However, where circumstances so warrant, the FSC may direct a licensee under section 7(1)(d) of the Act to comply with the Code or any part thereof.



R. Makoond
(Chairman)



M.A. Philips
(Member)



O. Lew Kew Lin
(Member)

Audit Committee Report



Report of the Audit Committee to the Board of the Financial Services Commission

Report for the year ended 30 June 2006

Following the appointment of the new Board of the FSC in November 2005, the Audit Committee (the Committee) was reconstituted and comprised three non-executive Board members, namely Mr Oliver Lew Kew Lin (Chairman), Mr Sanjay Gopaul and Mr Radhakrishna Chellapermal. The Secretary of the Board, Mr R. Sokappadu acted as secretary of the Committee.

1. Terms of reference

The fundamental duties of the Committee are to have an in-depth oversight of the financial reporting process. It also provided the Board with the reassurance of an effective system of internal control, to ensure quality and reliability of the financial and non-financial information used for decision making.

The Committee also has a key role in ensuring compliance with the principles of good governance and standards of best practices, and to ensure that the financial disclosures made by management in its financial reporting reasonably reflect the results of its operations, plans and commitments.

2. Internal and external audit processes

2.1 The External Auditors and the Committee

The Committee's role is also to keep under review the scope and results of the audit and its cost effectiveness as well as the independence and objectivity of the auditor. Chokshi & Chokshi Chartered Accountants was appointed as external auditor for the period under review and was responsible for performing an independent audit of the Commission's financial statements in accordance with auditing standards and to issue a report thereon. The Committee's responsibility was to monitor the audit process and ensure its effectiveness.

2.2 The Internal Auditor

The Committee's role is to monitor and review the activities of the internal auditor. As part of this process, the internal auditor was requested to submit a report together with the Management Accounts.

The Committee also requested the internal auditor to devise systems and procedures and to look into a broader risk of management of the financial reporting system.

The Committee also recommended the outsourcing of the internal auditing which will cover licensing, management, enforcement, procurement and budgetary procedures.

3. Activities of the Committee

In discharging its responsibilities with respect to financial reporting, the Audit Committee also looked into the relevant risks, policies, procedures and control systems of Management. The following measures were undertaken:

- (i) New procedures for granting loans and for procurement and payment were laid down.
- (ii) Investment Committee, Staff Committee and Corporate Governance Committee were set up.
- (iii) As from the 21st February 2006, recommendations of the Audit Committee, in its policy paper on expenses, for an effective utilisation of resources were implemented.
- (iv) The Committee decided that Management Accounts should show cumulative results i.e. revenue and expenditure for the different sub sectors like Global Business, Securities, and Insurance.
- (v) The Committee considered that since the Commission depends heavily on licence fees from Global Business, Management should work on the fees structure to be prescribed under Insurance Act 2005, Securities Act 2005 and FSD Act 2001, as amended.
- (vi) The Audit Committee Charter was finalised.
- (vii) The Board agreed to the recommendation of the Committee that necessary disclosures regarding related party transactions, foreign currency transactions would be made.
- (viii) A Contingency Fund was set up with annual contribution of 10 percent on surplus before adjustments for exchange rate fluctuations.

4. External Auditor's Remuneration

The annual audit fee approved by the Commission for the current year was US\$ 11,500 plus out of pocket expenses.

5. Conclusion

In reliance on the reviews and discussions referred to above, the Committee is satisfied with the quality of financial reporting and recommends that the Board approve the audited financial statements for inclusion in FSC's Annual Report 2005/2006.

Yours faithfully,



O. Lew Kew Lin
(Chairman)



R. Chellapermal
(Member)



S. Gopaul
(Member)

Financial Statements

Board's Report

Auditors' Report

Balance Sheet

Income and Expenditure Statement

Cash Flow Statement

Notes to the Financial Statements



Board's Report

The Board of the Commission presents its report and the audited financial statements of the Commission for the year ended 30 June 2006.

Review of activities

The Commission is an independent regulatory authority established under the Financial Services Development Act, 2001 to regulate the non banking financial services sector. The Commission licenses, regulates, monitors and supervises the conduct of business activities in the said sector.

Statement of Board's responsibilities in respect of the financial statements

The Board of the Commission is responsible for the preparation of the financial statements for each financial year, which gives a true and fair view of the state of affairs and income and expenditure account of the Commission.

In preparing those financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards i.e. the International Financial Reporting Standards (IFRS) have been followed, subject to any material departures and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Commission will continue in business.

The Board confirms that they have complied with the above requirements in preparing the financial statements.

The Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Commission. They are also responsible for safeguarding the assets of the Commission and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Board of the Commission on 28 September 2006

Signed on their behalf



S. Lalloo
Chairman



S. Boolell
Vice Chairman



J. N. Meetarbhan
Chief Executive

Auditors' Report

CHOKSHI & CHOKSHI (Regd.)

Chartered Accountants

Report of the independent auditors to
The Chairman of the Board of Financial Services Commission
(Under Section 8 of the Statutory Bodies (Accounts & Audit) Act 1982 as amended), the Act

We have audited the accompanying Financial Statements of the Financial Services Commission (The Commission) for the year ended 30 June 2006, which are set out on pages 62 to 75. These financial statements have been prepared under the historical cost convention, on the basis of the accounting policies set out on pages 65 to 67 and comply with the International Financial Reporting Standards (IFRS).

Responsibilities of the Board of the Commission

The Board of the Commission is responsible for the preparation of the financial statements and safeguarding the assets of the Commission and hence taking reasonable steps for the prevention of fraud and other irregularities.

Responsibilities of the Auditors

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with the International Standards on Auditing. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board of the Commission in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Commission's circumstances and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations, which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements. In forming our opinion we also evaluate the overall adequacy of the presentation of the information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

We have no relationship with or interests in the Commission other than in our capacity as auditors.

Opinion

- we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of the audit;
- proper books of account have been kept by the Commission as far as appears from our examination of those books;
- the balance sheet and the statement of income and expenditure of the Commission are in agreement with the books of account;
- the financial statements give a true and fair view of the income and expenditure for the year and of the state of affairs, of the Commission, as at 30 June 2006;
- in relation to the accounts, **the Act** has been complied with and no directions have been received from the Minister; and
- as far as could be ascertained from our examination of the accounts and *relying on Board explanation in note 21*, no expenditure was of an extravagant or wasteful nature judged by normal commercial practice and prudence.



For CHOKSHI & CHOKSHI
Chartered Accountants

M.R.Chokshi, Partner

28 September, 2006
Port Louis, Mauritius.

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Balance Sheet as at 30 June 2006

	NOTE	2006 Rs	2005 Rs
ASSETS			
Non Current			
Property, Plant & Equipment	5(a)	10,825,887	12,812,353
Intangible	5(b)	5,294,473	72,833
		16,120,359	12,885,186
Current			
Debtors and prepayments	6	41,487,305	35,504,786
Treasury Bills		117,894,198	195,713,325
Bank and cash balances	7	21,136,344	4,052,138
Bank deposits		410,050,758	258,148,093
		590,568,605	493,418,342
TOTAL ASSETS		606,688,964	506,303,528
LIABILITIES			
Non current			
Retirement benefit obligations	8	3,740,000	6,330,000
Current			
Creditors and payables	9	158,867,561	129,438,138
TOTAL LIABILITIES		162,607,561	135,768,138
NET ASSETS		444,081,403	370,535,390
REPRESENTED BY GENERAL FUND	10	444,081,403	370,535,390

Approved by the Board of the Commission on 28 September 2006

Signed on their behalf



S. Laloo
Chairman



S. Boolell
Vice Chairman



J. N. Meetarban
Chief Executive

The accounting policies on pages 65 to 67 and the notes on pages 68 to 75 form an integral part of these financial statements

Income and Expenditure Statement for the year ended 30 June 2006

	NOTE	2006 Rs	2005 Rs
INCOME			
Fees		256,510,324	222,078,570
Interest	11	34,360,523	26,907,876
		290,870,847	248,986,446
EXPENDITURE			
Salaries and allowances	12	67,726,831	64,148,948
Training and seminars	13	6,075,278	7,648,082
Legal and professional fees		1,692,335	5,339,673
Office and administrative	14	31,804,113	31,043,587
Depreciation and amortisation	5(a), 5(b)	9,192,879	7,426,996
		116,491,436	115,607,285
SURPLUS OF INCOME OVER EXPENDITURE		174,379,411	133,379,161
Exchange fluctuation gain/(loss)		(9,739,787)	29,314,250
TRANSFER TO GENERAL FUND		164,639,624	162,693,411

The accounting policies on pages 65 to 67 and the notes on pages 68 to 75 form an integral part of these financial statements

Cash Flow Statement for the year ended 30 June 2006

	NOTE	2006 Rs	2005 Rs
Cash Flow from operating activities	15	160,328,883	215,534,226
Cash Flow from investing activities			
Interest		34,360,523	26,907,876
Fixed Assets		(13,796,315)	(4,819,255)
Proceed from disposal of fixed assets		274,654	-
Net Cash (used in) from investing activities		20,838,862	22,088,621
Cash flow from financing activities			
Contribution to Capital Budget		(90,000,000)	(70,000,000)
Net Cash (used in) from financing activities		(90,000,000)	(70,000,000)
Net Increase in Cash/Cash Equivalents		91,167,745	167,622,847
Cash/Cash Equivalents at 1 July		457,913,555	290,290,708
Cash/Cash Equivalents at 30 June		549,081,300	457,913,555
Cash and bank balance		431,187,102	262,200,231
Treasury Bills		117,894,198	195,713,324
		549,081,300	457,913,555

The accounting policies on pages 65 to 67 and the notes on pages 68 to 75 form an integral part of these financial statements

Notes to the Financial Statements for the year 1 July 2005 to 30 June 2006

1. CONSTITUTION OF THE COMMISSION

The Commission is an independent regulatory authority established under the Financial Services Development Act 2001 to regulate the non-banking financial services sector.

2. ACCOUNTING POLICIES

The principal accounting policies adopted by the Commission are as follows:

2.1 Basis of Preparation

These financial statements have been prepared on accrual basis, are in accordance with the historical cost convention, and comply with the International Financial Reporting Standards (IFRS) adopted by the International Accounting Standard Board (IASB) and interpretations issued by the Standing Interpretations Committee of the IASB. The presentation of the financial statements in accordance with the IFRS requires the management to make estimates and assumptions that affect the reported amount and disclosures in the financial statements. Actual results could differ from those estimates.

2.2 Revenue

Revenues arising from processing, annual licence, registration and brokerage, where no significant uncertainty as to its collectibility exists, have been accounted on accrual basis and those with significant uncertainty are accrued as and when realised.

Interests on bank deposits and state treasury bills have been accounted for on accrual basis.

3.3 Expenditure

All expenses / outflows have been accounted on accrual basis.
Office rental payments termed as operating expenses are charged off on straight line basis over the lease period.

2.4 Employee entitlements

The Commission contributes to a defined benefit plan for non-contractual employees, the assets of which are held independently and administered by an Insurance company, taking account of the recommendations of independent qualified actuaries.

For defined pension benefit plans, the pension costs are assessed using the projected unit credit method. The costs of providing pension are charged to the income statement so as to spread the regular cost over the service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the plans. The pension obligation is measured as the present value of the estimated future cash outflow using interest rates of government securities which have terms to maturity approximating the terms of the related liability. Actuarial gains and losses are recognised over the average remaining service lives of the employees.

Financial Statements

Notes to the Financial Statements for the year 1 July 2005 to 30 June 2006

2.5 Property/Plant/Equipment and Depreciation

Tangible assets are stated at historical cost less accumulated depreciation or fair value, whichever is lower.

Depreciation is calculated on the straight line method to write off the cost of each asset to their residual value over their estimated useful life as follows:

Item	%
Motor Vehicles	20
Furniture	20
Office Equipment	20
Computer Equipment	33.33
Renovations / Fitting out at rental premises	over the lease period

2.6 Intangible Assets

All computer software and development costs are considered as Intangible Assets and will be amortised over the estimated period of utilisation not exceeding three years.

Costs associated with maintaining software are recognised as an expense when incurred.

2.7 Cash and Cash Equivalents

Cash comprises cash at bank and in hand. Cash Equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

2.8 Foreign Currency Translation

Transactions during the year are translated at the rates of exchange ruling at the date of transaction (transactions are occurred on the date of recording)

Assets and liabilities denominated in foreign currencies are translated to Mauritian rupees at the rates of exchange ruling at the end of the financial year.

Gains or losses resulting from settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the Income and Expenditure account.

2.9 Taxation

The Commission is exempt from the provisions of the Income Tax Act 1995 (as amended).

2.10 Impairment

The Commission reviews the carrying amounts of the tangible and intangible assets during the year to determine whether there is any indication that those assets have suffered an impairment loss and is accounted for /adjusted to the carrying cost of the asset with a corresponding charge to the Income and Expenditure account.

2.11 Contribution to the Capital Fund of the Government of Mauritius

The Commission contributes a sum to the capital fund of the Government of Mauritius from the General Fund in terms of the provisions of the Financial Services Development Act 2001 based on income and expenditure estimates, and as determined by the Board of the Commission

2.12 Comparatives

Comparative figures have been reclassified to confirm with presentation of current year.

3 Contingent Liabilities / Commitments

3.1 Contingent Liabilities

3.1.1 There are pending lawsuits against the Commission with claims estimated at Rs 25 million (Previous year: Rs 17,771,958). The Commission is of the view that the liabilities, if any, that may arise in future, shall be appropriately dealt with in the year of settlement of the claims.

3.2 Financial Commitments

3.2.1 The Commission rents office accommodation at premises in Port Louis. There are no sub-leases during the current year, the amount charged to the Income & Expenditure Statement is Rs 18,161,765 (previous year: Rs 18,220,182).

The rentals on the premises expire at different points of time, payable up to the date of expiry amount to Rs 28,675,334 (Previous year: Rs 18,515,732) and amounts due within one year Rs 18,632,454 (Previous year: Rs 13,961,340)

3.2.2 The Commission has approved an Information Technology (IT) Plan aimed at putting in place state-of-the-art infrastructure and applications commensurate with the scale of operations. The total amounts committed to date are Rs 2,839,012, which include amounts committed but not provided for and due within one year of Rs 2,839,012 (Previous year: Rs 13,886,938).

3.3 Statutory deposits of Insurance Companies

Statutory security deposits of Insurance Companies amounting to Rs 362,871,061 (Previous year: Rs. 278,778,345) are in the physical custody of the Commission in terms of the Insurance Act 1987 and not included in the Balance Sheet.

4 Compensation Fund

Section 18 of the Financial Services Development Act 2001 provides for the setting up of Compensation Funds. Whilst no such Fund has been created to date, it is anticipated that under the new Insurance Act 2005, it will be established.

Financial Statements

Notes to the Financial Statements for the year 1 July 2005 to 30 June 2006

5 NON CURRENT ASSETS

(a) Property, Plant and Equipment

	MOTOR VEHICLE Rs	FURNITURE Rs	COMPUTER EQUIPMENT Rs	OFFICE EQUIPMENT Rs	RENOVATION Rs	TOTAL Rs
COST						
At 1 July 2005	9,873,034	11,295,574	8,336,741	1,891,103	4,682,246	36,078,698
Additions	4,600,250	78,500	1,140,512	89,969	-	5,909,230
Disposal	(3,250,000)	-	(49,000)	(40,022)	-	(3,339,022)
At 30 June 2006	11,223,284	11,374,074	9,428,253	1,941,049	4,682,246	38,648,906
DEPRECIATION						
At 1 July 2005	4,388,959	6,041,383	7,059,713	1,094,044	4,682,246	23,266,345
Disposal	(1,950,000)	-	(8,950)	(11,809)	-	(1,970,759)
Impairment of Assets			22,781			22,781
Charge for the year	2,264,730	2,274,815	1,576,898	388,210	-	6,504,653
At 30 June 2006	4,703,689	8,316,198	8,627,661	1,493,226	4,682,246	27,823,020
NET BOOK VALUE						
At 30 June 2006	6,519,595	3,057,876	800,592	447,823	-	10,825,886
At 30 June 2005	5,484,075	5,254,191	1,277,029	797,059	-	12,812,353

(a) Intangibles

	2006 Rs	2005 Rs
COST		
At 1 July	4,901,806	4,792,556
Purchases	7,887,085	109,250
At 30 June	12,788,891	4,901,806
AMORTISATION		
At 1 July	4,828,973	4,792,556
Charge for the year	2,665,445	36,417
At 30 June	7,494,418	4,828,973
NET BOOK VALUE		
At 30 June	5,294,473	72,833

6 DEBTORS AND PREPAYMENTS

	2006 Rs	2005 Rs
Debtors (Unsecured, considered good)		
Debtors	1,161,700	1,328,505
Staff loan		
Receivable within one year	4,472,356	
Receivable beyond one year	16,982,897	17,459,957
Other receivables	1,052,279	638,152
Prepayments		
Prepayment	4,486,660	4,264,861
Accrued Interest	13,331,413	11,813,310
	41,487,305	35,504,786

Financial Statements

Notes to the Financial Statements for the year 1 July 2005 to 30 June 2006

	2006 Rs	2005 Rs
7 BANK & CASH BALANCES		
Cash in hand	23,900	10,000
Bank Balances	21,112,444	4,042,138
	21,136,344	4,052,138

8 RETIREMENT BENEFIT OBLIGATIONS

The pension scheme is a defined benefit plan and is partly funded. The assets of the funded plan are held independently and administered by SICOM.

	2006 Rs	2005 Rs
Present value of funded obligations	34,560,000	28,710,000
Fair value of plan assets	(30,810,000)	(23,990,000)
Unrecognised actuarial gain		
Liability in the balance sheet	3,750,000	4,720,000
Unrecognised Transitional Liability	-	-
Unrecognised actuarial gain (Loss)	(10,000)	1,610,000
The amount recognised in the Income and Expenditure Statement are as follows:		
Current Service cost	2,220,000	1,840,000
Interest cost	3,010,000	2,800,000
Expected return on plan assets	(2,830,000)	(2,320,000)
Total included in staff cost	2,400,000	2,320,000
Actual return on plan assets	3,400,000	2,050,000
Movement in liability recognised in the balance sheet		
As determined by the Actuarial Valuation	6,330,000	7,100,000
Expense for the year	2,400,000	2,320,000
Contribution paid	(3,460,000)	(3,090,000)
Less: Special contributions paid	(1,530,000)	
As at the close of the year	3,740,000	6,330,000
The principal actuarial assumptions used for accounting purposes were:		
Discount Rate	10.50%	10.50%
Expected return on plan assets	11.00%	11.00%
Future pension increase	3.00%	5.00%
Future salary Increase	7.50%	7.50%

	2006 Rs	2005 Rs
9 CREDITORS & PAYABLES		
Accruals	953,926	2,549,357
Other Creditors	12,184,627	5,286,759
Prepaid Licence Fee	145,729,008	121,602,022
	158,867,561	129,438,138

10 GENERAL FUND

Statement of Changes in General Fund

Balance at 30 June 2005	370,535,390	277,841,979
Prior period adjustments*	(1,093,611)	-
Balance at 1 July 2005 as restated	369,441,779	277,841,979
Surplus for the year	164,639,624	162,693,411
	534,081,403	440,535,390
Contribution to capital budget 2005-2006	(90,000,000)	(70,000,000)
At 30 JUNE	444,081,403	370,535,390

* Represents asset disposal loss pertaining to previous period contracts

11 INTEREST

Treasury Bills	12,214,467	9,741,631
Bank deposits	20,914,419	16,605,575
Staff loans	1,231,637	560,670
	34,360,523	26,907,876

12 SALARIES AND ALLOWANCES

Staff salaries and allowances	56,441,625	54,418,897
Passage benefits	2,271,342	1,173,709
Board and Committee fees	2,100,000	2,040,000
Travelling	5,648,508	5,151,851
Staff welfare	1,265,356	1,364,491
	67,726,831	64,148,948

Financial Statements

Notes to the Financial Statements for the year 1 July 2005 to 30 June 2006

Salaries, Sitting fees and Allowances		2006		2005	
		Board Fees Rs	Salaries Rs	Board Fees Rs	Salaries Rs
Mr S. Laloo, Chairman	Dec 05-Jun 06	280,000			
Mr S. Boolell, Vice Chairman	Dec 05-Jun 06	175,000			
Ms M. Philips	Dec 05-Jun 06	140,000			
Mr S. Gopaul	Dec 05-Jun 06	140,000			
Mr O. Lew Kew Lin	Dec 05-Jun 06	140,000			
Mr R. Chellapermal	Jul 05-Jun 06	240,000		240,000	
Mr R. Makoond	Jul 05-Jun 06	240,000		240,000	
Chief Executive	Dec 05-Jun 06		1,693,042		--
Director - Licensing	Jul 05-Jun 06		3,525,963		3,367,333
<i>Previous Engagements</i>					
Mr B. R. Gujadhur, Ex Chairman	Jul 05-Nov 05	200,000		440,000	
Mr D. Basset, Ex Vice Chairman	Jul 05-Nov 05	125,000		300,000	
Mr J. Lallchand	Jul 05-Nov 05	100,000		240,000	
Mr Y. Y. Pat Fong	Jul 05-Nov 05	100,000		240,000	
Mr R.P. Ramlugun	Jul 05-Nov 05	100,000		220,000	
Ex Chief Executive	July 2005		2,058,726		4,689,750
Ex Deputy Chief Executive	Jul 05-Jan 06		7,172,595		6,356,356
Director - Surveillance	-		-		1,056,320

13 TRAINING, SEMINARS AND CONFERENCES

	2006 Rs	2005 Rs
Overseas conferences and seminars	5,577,266	5,970,088
Local events	104,500	1,491,795
Staff training	393,512	186,200
	6,075,278	7,648,083

14 OFFICE AND ADMINISTRATIVE EXPENSES

Rental and maintenance of Office premises	19,706,463	19,635,914
Post, telephone, internet and fax charges	2,425,561	1,983,181
Electricity	1,458,875	1,004,772
Stationery	1,738,794	1,511,565
Subscription	* *	2,842,392
General office expenses	1,016,805	2,354,019
Vehicle expenses	669,799	922,164
Press notices and publications	624,050	789,579
	31,804,113	31,043,586

* * Includes membership fees for IOSCO, OGIS, software licences, etc.

15 RECONCILIATION OF SURPLUS OF INCOME OVER EXPENDITURE TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2006 Rs	2005 Rs
Surplus of Income over Expenditure	164,639,624	162,693,411
Adjustments for:		
Interest Income	(34,360,523)	(26,907,876)
Non Recurrent Expenditure	-	-
Increase/(decrease) in Retirement benefit obligations	(2,590,000)	(770,000)
Depreciation and amortisation	9,192,879	7,426,996
Cash Flow from operating activities, before working capital changes	136,881,980	142,442,531
Decrease in Debtors	166,805	10,099,496
Increase in Staff Loan	(3,995,296)	(5,355,332)
Increase in Interest Receivable	(1,518,103)	(4,244,259)
Increase in Other Receivables	(414,127)	11,839,315
Increase in Prepayments	(221,799)	(3,842,807)
Increase in Accrued Expenses and Other Payables	29,429,423	64,595,282
Net Cash Flow from operating activities	160,328,883	15,534,226

Financial Statements

Notes to the Financial Statements for the year 1 July 2005 to 30 June 2006

16 RELATED PARTY DISCLOSURE

For the period from July 2005 to November 2005, the Chairman of the Investment Committee of the Commission has also held office as the First Deputy Governor of the Bank of Mauritius. The Commission has purchased Treasury Bills of Rs 79,927,137 (2005: Rs 195,713,325) from the Bank during the said period. These transactions have been undertaken at market quotations and are at arms length price.

17 INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT

The Commission has adopted and implemented an internal control system. The Audit Committee, the Investment Committee, the Corporate Governance Committee and Applications Committee have been set up to deal with specific issues. Additionally the internal auditor submits specific reports to the Audit Committee and a plan is being formalised for providing assurance regarding the implementation, operation and effectiveness of internal control. The adequacy of the internal control system is reviewed on an ongoing basis, commensurate with the growing size and nature of operations of the Commission. The Commission has appointed a Compliance Officer whose main responsibility is to assist in managing the Commission's compliance risk. The Commission has implemented new IT projects focused on risk management that have improved operational and information security controls. The Commission aims at enhancing and refining the risk management system in the future.

18 LIQUIDITY RISK

The liquidity risk with regard to outflows is limited to contribution to capital budget and operative expenses. The outflows to capital budget are matched with the corresponding bank deposits of maturities around the expected time of outflows. The outflows to operative expenses are matched with the corresponding licence fee income based on budget estimates. The surplus based on decisions of the Investment Committee, are invested with maturity profiles as at 30 June 2006.

Maturity profiles are as under:

	Maturity	
	0 - 1 Year	> 1 year
Cash and bank balances	21,136,344	nil
Treasury Bills	117,894,198	nil
Bank deposits	410,050,758	nil

The Committee monitors the adequacy of cash inflows in terms of the budget estimates at all times.

19 CREDIT RISK

Credit risk with regard to accounts receivable is limited as the Commission is a regulatory body, and fees are charged in terms of the legislation.

20 EXCHANGE RISK

Substantial revenues of the Commission are received in foreign currency and the Commission is subjected to Exchange Fluctuation Risk. Based on the potential foreign exchange fluctuation estimate by the Investment Committee, the investments are made in foreign currency to minimise losses.

Currency profile is as under:

	2006	2005
Australian Dollars (AUD)	--	1,366,307
New Zealand Dollars (NZD)	13,344,220	10,002,744
US Dollars (USD)	5,100,000	925,114

The assessment of currency fluctuation is being reviewed by the Investment Committee from time to time.

21 DEVELOPMENT EXPENDITURE

The Commission is firmly committed to upgrading and enhancing the knowledge, skills and capabilities of its staff. In view of the constantly changing environment within which the Commission is called to function and so as to be aligned within National and International practices the Commission continues to work on a long-term plan, concerning staff employment, training and development expenses which represent the Commission's main expense. The rationale for such expenses arising is considered to be entirely justifiable and reflects plans for overall future development. The Board believes that these have been incurred with the long-term development objective of the Commission and that their quantum compares favourably with the levels in other jurisdictions. Furthermore, there is a tendering policy in place. Every procurement is based on the tendering procedure under the supervision of the respective Board Committee.

22 CORPORATE GOVERNANCE

The Commission remains committed to achieving high standards of corporate governance in line with governance principles laid down in the National Code of Corporate Governance issued by the National Committee on Corporate Governance under the Financial Reporting Act, 2004 and other relevant international norms and best practice proportionate and consistent with the FSC's responsibilities as a regulator. The Board has established a Corporate Governance Committee which is tasked, *inter alia*, with the responsibility to determine, agree, develop and monitor the FSC's general policy on corporate governance and to ensure that all relevant disclosures are made in the annual report. The members of the Corporate Governance Committee are satisfied that during the year under review, the Commission was broadly compliant with good governance principles and the overall framework will be kept under constant review.

23 CURRENCY

The Financial Statements have been presented in Mauritian rupees.

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	Long-Term	General	Long-Term	Long-Term	Long-Term	General	Long-Term	General	Long-Term	General	Long-Term	General	Long-Term	General	Long-Term	General
INVESTMENT ASSETS	875,031	222,571	11,299,173	3,059,926	44,879	70,845	57,956	71,080	94,717	81,802	602,008	16,241	43,882	84,231	846,237	303,523
1. Government Securities	0	0	2,038,447			2,057		915							85,720	8,016
2. Mortgages on Property	204,306	0	2,147,652	441,587	6,277			16,518			85,652		26,871	322	110,435	
3. House & Landed property	0	0	304,350	630,150	14,448	43,538	1,429	0	3,160	0	55,000	0	0	34,760	10,595	21,189
4. Loans	65,710	0	325,884	11,143	2,591	0	167	4,075	0	22,750	36,781	0	481	0	55,610	700
4.1. Loans to Directors								312							10,296	
4.2. Loan on Insurance Policies	11,456	0	89,315	11,143	2,591			3,733			9,172		481		31,062	
4.3. Loan on Personal Securities			4,948					30							4,268	
4.4. Other Loans	54,254	0	231,622				167			22,750	27,609	0	0	0	9,984	700
5. Deposits and Securities	115,469	112,166	1,622,842	(52,832)	21,564	25,250	52,562	34,841	70,749	56,972	225,627	16,241	15,783	46,671	95,709	22,114
5.1. Fixed Deposits							23,352	25,650	34,150	13,000	5,300	6,813	7,340	36,510		
5.2. Short-Term Deposits	20,000	0	1,574,241	40,000	12,510	16,250	14,041		8,650		79,041				83,210	5,662
5.3. Cash on Hand	3,411	8,614		127			129	559	12	3	931		0	4	17	21
5.4 Bank Balance	83,397	93,678	40,601	(134,051)	1,054	1,000	7,041	632	19,937	34,969	63,931	809	443	2,157	4,482	8,431
5.5. Other Securities & Deposits	8,661	9,874	8,000	41,093	8,000	8,000	8,000	8,000	8,000	9,000	76,425	8,619	8,000	8,000	8,000	8,000
6. Investment in related companies		4,948	125,724	1,877,983						2,080	27,420				400	25,750
7. Other Investments	489,546	105,457	4,734,273	151,895			3,798	14,732	20,807	0	171,527		747	2,477	487,769	225,754
OTHER ASSETS																
8. Receivables and other debtors																
8.1 Outstanding Premium	38,519	231,217	437,705	1,204,459	9,792	74,497	7,041	2,547	6,959	47,173	36,268	13,686	4,171	33,674	61,624	104,648
8.2 Amt receivable from Insurers																
8.3 Amt receivable from Reinsurers	7,356	16,304	12,743	1,911					2,037	1,285						
8.4 Other Accounts receivable	4,348	10,793	204,800	77,392							17,300	13,091				
8.5 Interest, Dividend & Rent Receivable	99	95	7,803	815,607	1,011	172		1,507	2,439					121	4,009	1,006
8.6 Sundry Debtors	5,688	7,965	41,565	193,871	1,460	54,782				2,898		29	2,150	(370)	7,687	1,530
9. Other Assets	1,436	72,383	132,602	110,179	7,321	6,899	3,625	1,040	694	8,191	9,064	446	760	8,641	15,023	19,115
TOTAL ASSETS	913,550	453,788	11,736,878	4,264,384	54,672	145,342	64,997	73,627	101,676	128,975	638,276	29,927	48,053	117,905	907,861	408,171

Source : audited returns and accounts

ASSET ALLOCATION OF INSURERS (2005) (BY INDIVIDUAL INSURER)

APPENDIX 1(ii) (Amount Rs '000)

	LIC		MTIAN EAGLE		MTIUS UNION		NEW INDIA		RAINBOW		SICOM		SUN		SWAN		TOTAL	
	Long-Term	Long-Term	General	Long-Term	General	Long-Term	General	Long-Term	General	Long-Term	General	Long-Term	General	Long-Term	General	Long-Term	General	TOTAL
INVESTMENT ASSETS	1,589,668	184,985	247,800	1,589,095	796,334	259,845	89,255	12,443,304	2,241,271	280,366	191,499	652,018	33,038,888	5,409,937	38,448,825			
1. Government Securities	779,340					214,586		6,248,083	686,874	123,469	84,454	1,098	9,275,973	997,085	10,273,059			
2. Mortgages on Property	288,797	108,593		238,891	69		10,454	1,335,901	771,960	63,232		59,149	5,085,164	831,500	5,916,664			
3. House & Landed property	35,727		53,355	75,551	71,866	1,320	27,453	226	145,548	23,825	31,540	0	1,177,325	435,158	1,612,483			
4. Loans	20,817	0	0	108,071	120,771	0	5,630	242,513	47,609	6,404	25,846	10,312	885,710	228,154	1,113,864			
4.1. Loans to Directors								284	7,405	2,482			13,373	7,405	20,778			
4.2. Loan on Insurance Policies	20,817			45,848			4,530	70,773		3,651			304,570	0	304,570			
4.3. Loan on Personal Securities							1,100		7,199				10,346	7,199	17,545			
4.4. Other Loans				62,223	120,771			171,457	33,006	271	25,846	10,312	557,420	213,551	770,971			
5. Deposits and Securities	260,987	76,392	137,132	82,823	117,585	43,440	13,392	2,251,631	154,520	34,839	36,028	224,211	4,799,066	1,125,745	5,924,811			
5.1. Fixed Deposits		11,000	11,500			23,021		46,000	4,000	1,000	1,000		96,290	153,346	249,636			
5.2. Short-Term Deposits		26,031	39,658	48,069	15,366		130	234,520	36,243	14,500	16,100	178,660	2,132,251	330,629	2,462,880			
5.3. Cash on Hand	1,489		2	4	73	1	14	20,321	2,307	3	20	4	26,875	11,450	38,325			
5.4 Bank Balance	169,488	9,710	16,481	26,750	94,146	11,418	5,224	258,511	28,500	10,934	10,048	37,547	541,106	367,939	909,045			
5.5. Other Securities & Deposits	90,010	29,652	69,491	8,000	8,000	9,000	8,025	1,692,278	83,469	8,402	8,859	8,000	2,002,545	262,381	2,264,925			
6. Investment in related companies			6,313	34,308	141,010			2,235,049	400,036			31,039	4,300,884	611,176	4,912,060			
7. Other Investments	204,000		51,000	1,049,452	345,034	500	52,326	129,901	34,724	28,598	13,632	326,209	7,514,766	1,181,120	8,695,885			
OTHER ASSETS	34,808	0	197,690	60,065	146,700	48,074	15,480	202,604	155,191	1,783	48,185	389,492	2,109,825	1,580,994	3,690,818			
8. Receivables and other debtors	26,865	0	185,474	34,898	111,086	48,074	4,756	202,604	110,718	229	45,247	284,658	1,787,011	1,247,305	3,034,317			
8.1 Outstanding Premium	26,865		126,741	4,619	101,444	30,239	31,991	5,128	43,542		41,764	160,057	145,965	806,725	952,690			
8.2 Amt receivable from Insurers							818	24,835			3,262		25,653	17,039	42,692			
8.3 Amt receivable from Reinsurers			41,778	2,704	4,180	23,677	28,606	28,528	31,159	82		118,814	53,324	267,839	321,163			
8.4 Other Accounts receivable				16,046	1,424	70	2,495					5,787	322,380	31,165	353,545			
8.5 Interest, Dividend & Rent Receivable							1,276	127,964	25,177	147	221		959,423	29,532	988,955			
8.6 Sundry Debtors			16,955	11,529	4,038	(5,911)	166	16,150	10,840				280,266	95,006	375,272			
9. Other Assets	7,943		12,216	25,167	35,614		10,724	0	44,473	1,554	2,938	104,834	322,814	333,688	656,502			
TOTAL ASSETS	1,624,476	184,985	445,489	1,649,159	943,035	307,919	124,734	166,052	2,396,461	282,149	239,684	1,041,510	35,148,713	6,990,931	42,139,643			

Source : audited returns and accounts

BREAKDOWN OF LIABILITIES & FINANCING OF INSURERS (2005) **(BY INDIVIDUAL INSURER)**

APPENDIX 2(i)

(Amount Rs '000)

	ALBATROSS		ANGLO MTIUS		BAI		CEYLINCO STELLA		GFA		IOGA		ISLAND GEN		ISLAND LIFE		JUBILEE		LAMCO		LA PRUDENCE	
	Long-Term	General	Long-Term	General	Long-Term	General	Long-Term	General	Long-Term	General	Long-Term	General	Long-Term	General	Long-Term	General	Long-Term	General	Long-Term	General	Long-Term	General
1. Creditors	24,150	102,887	80,098		127,385	11,623	1,743	11,623	1,609	2,129	2,805	13,351	10,745	1,280	2,178	10,820	29,159	42,108				
1.1. Amount due to Insurers			0							28												
1.2. Amount due to Reinsurers	8,638	66,059	10,054		-2,973	8,242	1,000	8,242	874	135	36	6,491	2,501		683	8,599	9,961	30,735				
1.3. Amt. payable to Policy Holders			9,989		12,855					29		1,697										
1.4. Other Creditors	15,512	36,828	60,055		117,503	3,381	743	3,381	735	1,937	2,769	5,162	8,244	1,280	1,494	2,221	19,198	11,373				
2. Ouls. Claims Reserves		30,452	6,972		11,451	32,726		32,726	12,453		28,675	45,734	3,373	6,263		21,381		63,423				
3. Borrowings	0	0	0		17,212	27,841	74	27,841	1,814	0	0	0	9,505	12,728	0	4,350	0	20,013				
3.1. Short-Term Borrowings					4,926	19,765	74	19,765	271				9,505	28		991						
3.2. Long-Term Borrowings					12,286	8,075		8,075	1,543					12,700		3,360		20,013				
4. Taxation		8,012	3,850						393	1,054	275	3,016	2,934			195						
5. Other liabilities		12,922	0			5,365	0	5,365	0	50	1,193	1,350	0	0	20	4,534						
TOTAL LIABILITIES	24,150	154,273	90,920		156,048	77,555	1,817	77,555	16,269	3,234	32,947	63,451	26,557	20,271	2,198	41,281	29,159	125,544				
1. Paid Up Share Capital		26,400	25,000		81,434	67,500		67,500	25,000		25,000	25,000	25,000	30,000		30,091	8,000	17,000				
2. Profit & Loss A/C		127,933			207,426	-59,618		-59,618	1,828		21,649	9,714	1,759	-21,614		-7,106		75,041				
3. Technical Provisions	889,400	145,182	11,620,959		3,819,476	52,855	52,855	59,905	21,901	70,394	22,080	30,808	584,961	1,270	45,856	53,638	870,702	190,587				
3.1. Statutory Reserve Fund		32,832				1,395		1,395	3,447		1,600	5,462		922		8,975		26,517				
3.2. Long-Term Insurance Fund	889,400		9,328,690		3,690,400	51,344				62,659			583,606		45,763		870,702					
3.3. General Insurance Fund		56,703				47,907		47,907	15,496		2,802	23,030				33,413		65,382				
3.4. Other Reserves		55,647	0		129,076	9,474	1,310	9,474	2,958	7,736	17,677				92	11,250		98,688				
3.5. Other Funds			2,292,269			1,130	200	1,130				2,316	1,355	348								
TOTAL FINANCING	889,400	299,515	11,645,959		4,108,336	67,787	52,855	67,787	48,729	70,394	68,729	65,523	611,719	9,656	45,856	76,623	878,702	282,629				
TOTAL LIABILITIES AND FINANCING	913,550	453,788	11,736,879		4,264,385	145,342	54,672	145,342	64,997	73,628	101,676	128,974	638,276	29,927	48,053	117,904	907,861	408,173				

Source : audited returns and accounts

BREAKDOWN OF LIABILITIES & FINANCING OF INSURERS (2005) **(BY INDIVIDUAL INSURER)**

APPENDIX 2(ii)

(Amount Rs '000)

	LIC		MTIAN EAGLE		MTIUS UNION		NEW INDIA		RAINBOW		SICOM		SUN		SWAN		TOTAL	
	Long-Term	Long-Term	Long-Term	General	Long-Term	General	General	General	Long-Term	General	Long-Term	General	Long-Term	General	Long-Term	General	Long-Term	General
1. Creditors	26,562		3,187	65,716	17,963	42,529	39,061	13,083	3,356	97,466	88,576	6,230	20,751	155,441	432,350	611,640	1,043,990	
1.1. Amount due to Insurers	0									4,207	4,742				4,235	4,742	8,978	
1.2. Amount due to Reinsurers				42,996	5,036	19,194	33,681	10,170	396	38,863	7,109		5,000	78,273	74,293	317,458	391,751	
1.3. Amt. payable to Policy Holders	10,815				5,854	3,425				27,967	58,560				67,509	63,682	131,190	
1.4. Other Creditors	15,748	3,187		22,720	7,074	19,910	5,381	2,913	2,961	26,428	18,166	6,230	15,751	77,168	286,314	225,738	512,071	
2. Ous. Claims Reserves	333			70,836	644	134,024	62,525	2,361	2,361	86,075	87,012	251	87,888	87,012	25,385	796,844	822,229	
3. Borrowings	16,131	0	0	0	0	0	572	51,789	1,276	67,389	779,039	0	0	0	111,587	898,146	1,009,733	
3.1. Short-Term Borrowings	16,131						572	18,829	1,171	67,389	66,258				99,197	106,714	205,911	
3.2. Long-Term Borrowings								32,960	104		712,781				12,390	791,432	803,822	
4. Taxation	26,337			7,000			2,276			11,954	39,662	1,299	1,320	7,569	47,427	69,718	117,146	
5. Other Liabilities					0	16,032				75,476	2,753	860	1,971	38,786	76,406	84,907	161,313	
TOTAL LIABILITIES	69,364	3,187	143,552	18,607	192,585	104,434	104,434	92,251	6,993	252,284	996,105	8,640	111,930	288,808	693,156	2,461,255	3,154,411	
1. Paid Up Share Capital			26,667		200,400			25,000			25,000		53,143	35,857	139,434	612,058	751,493	
2. Profit & Loss A/C			137,340		169,673		132,503	-984		1,134,947			6,548	399,314	209,184	2,127,168	2,336,353	
3. Technical Provisions	1,555,112	181,798	137,930	33,803	1,630,552	380,377	70,982	49,787	117,741	12,393,624	240,409	273,509	68,062	317,531	34,106,939	1,790,450	35,897,390	
3.1. Statutory Reserve Fund						33,515	12,181	5,325			23,525		21,971	71,236	0	282,706	282,706	
3.2. Long-Term Insurance Fund	1,504,067	179,802			1,628,412			98,848		12,381,658		253,178			31,568,528	0	31,568,528	
3.3. General Insurance Fund			56,754		149,693		58,801	25,596					36,644	141,080	0	713,300	713,300	
3.4. Other Reserves	51,046	1,997	47,373		195,030			18,867	18,894		210,116	20,331	9,448	105,215	230,481	781,743	1,012,224	
3.5. Other Funds					2,140					11,966	6,768				2,307,930	12,702	2,320,632	
TOTAL FINANCING	1,555,112	181,798	301,937	750,450	203,485	117,741	73,803	12,393,624	1,400,356	273,509	127,753	752,702	34,455,558	4,529,677	38,985,235			
TOTAL LIABILITIES AND FINANCING	1,624,476	184,985	445,489	1,649,159	943,035	307,919	166,054	12,645,908	2,396,462	282,149	239,683	1,041,510	35,148,713	6,990,932	42,139,646			

Source : audited returns and accounts

INCOME AND EXPENDITURE FOR LONG-TERM INSURANCE BUSINESS BY TYPE OF BUSINESS (2005) (AGGREGATE)

(Amount Rs 000)

	Ordinary Life	Industrial Life	Annuity	Pension Business	Permanent Health Insurance	Total
1. PREMIUMS						0
Gross Premium Received & Receivable	4,044,722	55,078	41,768	1,596,796	895	5,739,260
Individual	3,917,893	55,078	34,458	949,452	895	4,957,777
Group	126,829	0	7,310	647,344	0	781,483
Premium On Reinsurance Ceded	160,124	30	0	25,507	492	186,152
Net Premium Received & Receivable	3,884,598	55,049	41,768	1,571,290	403	5,553,107
	0	0	0	0	0	0
2. CLAIMS	0	0	0	0	0	0
Gross Claims Paid & Payable	2,777,113	52,815	1,573	989,549	85	3,821,135
Claims Recovered & Recoverable From Reinsurers	49,399	0	0	12,292	0	61,690
Net Claims Paid & Payable	2,727,714	52,815	1,573	977,257	85	3,759,445
	0	0	0	0	0	0
3. NET PREMIUM FLOWS	1,156,884	2,234	40,195	594,032	319	1,793,663
	0	0	0	0	0	0
4. COMMISSIONS	0	0	0	0	0	0
Commission Received & Receivable	28,933	0	277	5,493	130	34,834
Commission Paid & Payable	182,354	5,132	754	21,796	29	210,065
Net commissions earned	(153,421)	(5,132)	(477)	(16,303)	101	(175,231)
	0	0	0	0	0	0
5. OTHER INCOME	0	0	0	0	0	0
Investment Income Received & Receivable	854,823	1,380	11,650	929,182	34	1,797,069
Other Income (Interest-Sundry)	167,056	(0)	(30)	117,212	0	284,238
	0	0	0	0	0	0
6. TOTAL INCOME	4,935,410	56,430	53,665	2,623,176	567	7,669,248
	0	0	0	0	0	0
7. ADMINISTRATION COSTS	0	0	0	0	0	0
Staff Salaries & Other	187,498	2,386	1,642	56,553	0	248,078
Directors' Fees & Other	5,108	40	60	568	0	5,775
General Management Expenses	227,805	3,350	569	19,202	1	250,927
Professional Fees :	0	0	0	0	0	0
Auditor	2,645	23	21	635	0	3,325
Actuary	8,569	61	46	3,463	0	12,139
Legal	24,836	674	4	1,099	0	26,613
Medical	4,353	39	31	1,350	0	5,773
Other	16,465	89	765	5,717	0	23,035
Maintenance & Repairs	79,962	2,195	287	3,255	0	85,699
Motor Vehicles Expenses	15,198	186	122	5,609	0	21,114
Other	92,616	732	2,110	51,193	0	146,651
	0	0	0	0	0	0
8. TOTAL ADMINISTRATION COSTS	665,055	9,776	5,655	148,643	1	825,186
	0	0	0	0	0	0
9. TOTAL EXPENDITURE COSTS	3,572,875	67,724	7,982	1,147,696	115	4,746,566
	0	0	0	0	0	0
10. SURPLUS / DEFICIT BEFORE TAXATION	1,362,536	(11,294)	45,684	1,475,480	452	2,872,857
						0
11. TAXATION						109,376
12. SURPLUS / (DEFICIT) AFTER TAXATION						2,926,023

PREMIUMS BREAKDOWN FOR LONG-TERM INSURANCE BUSINESS (2005)
(BY INDIVIDUAL INSURER)

APPENDIX 4

(Amount Rs 000)

Analysis of Premium	ALBATROSS	ANGLO MTIUS	BAI	CEYLINCO STELLA	IOGA	ISLAND LIFE	LA PRUDENCE	LAMCO	LIC	MTIAN EAGLE	MTIUS UNION	RAINBOW	SICOM	SUN	Grand Total
Gross Premium Received & Receivable															
Ordinary Life	98,452	554,003	1,892,126	14,424	8,851	60,168	178,982	7,350	264,466	60,453	181,164	24,472	658,408	41,405	4,044,722
Industrial Life			55,051								28				55,078
Annuity							5,359				20,875	1,365	14,169		41,768
Pension Business	83,827	681,260	35,745				42,722	23		23,754	56,832	2,381	670,253		1,596,796
Permanent Health Insurance							846							49	895
Total	182,279	1,235,263	1,982,921	14,424	8,851	60,168	227,908	7,373	264,466	84,207	258,898	28,218	1,342,878	41,405	5,739,260
Net Premium Received & Receivable															
Ordinary Life	91,211	524,092	1,874,727	12,410	8,416	57,906	169,753	6,800	264,466	76,147	163,822	24,076	594,675	39,851	3,908,351
Industrial Life			55,021								28				55,049
Annuity							5,359				20,875	1,365	14,169		41,768
Pension Business	74,989	665,320	35,491				42,247	23			56,832	2,381	670,253		1,547,536
Permanent Health Insurance							355							49	403
Total	166,200	1,189,413	1,965,240	12,410	8,416	57,906	217,712	6,823	264,466	76,147	241,557	27,822	1,279,146	39,851	5,553,107
Premium On Reinsurance Ceded															
Ordinary Life	7,241	29,910	17,399	2,014	435	2,262	9,229	550	0	8,060	17,341	396	63,733	1,553	160,124
Industrial Life			30												30
Annuity															0
Pension Business	8,838	15,940	254				475								25,507
Permanent Health Insurance							492								492
Total	16,079	45,850	17,682	2,014	435	2,262	10,196	550	0	8,060	17,341	396	63,733	1,553	186,152

CLAIMS BREAKDOWN FOR LONG-TERM INSURANCE BUSINESS (2005)
(BY INDIVIDUAL INSURER)

APPENDIX 5

(Amount Rs 000)

Analysis of Claims	ALBA-TROSS	ANGLO MTIUS	BAI	CEYLINCO STELLA	IOGA	ISLAND LIFE	LA PRUDENCE	LAMCO	LIC	MTIAN EAGLE	MTIUS UNION	RAINBOW	SICOM	SUN	Grand Total
Claims Recovered & Recoverable From Reinsurers	(400)	(2,057)	(14,516)	(58)	(69)	(620)	(2,597)	0	0	(592)	(8,665)	0	(19,440)	(386)	(49,399)
	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	(28)	(12,264)	0	0	0	0	0	0	0	0	0	0	0	0	(12,292)
	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gross Claims Paid & Payable	(428)	(14,321)	(14,516)	(58)	(69)	(620)	(2,597)	0	0	(592)	(8,665)	0	(19,440)	(386)	(61,690)
	28,292	350,460	1,444,653	7,742	6,626	45,227	58,070	6,157	180,957	32,028	139,804	23,126	427,748	26,223	2,777,113
	0	0	52,721	0	0	0	0	0	0	0	95	0	0	0	52,815
	0	0	932	0	0	0	0	0	68	0	78	0	496	0	1,573
	66,006	449,538	402	0	0	0	3,021	0	0	0	22,720	766	447,095	0	989,549
Net Claims Paid & Payable	0	0	0	0	0	0	0	0	0	0	0	0	85	0	85
	94,298	799,999	1,498,708	7,742	6,626	45,227	61,091	6,157	181,025	32,028	162,696	23,892	875,424	26,223	3,821,135
	27,892	348,403	1,430,137	7,685	6,558	44,608	55,473	6,157	180,957	31,436	131,139	23,126	408,308	25,836	2,727,714
	0	0	52,721	0	0	0	0	0	0	0	95	0	0	0	52,815
	0	0	932	0	0	0	0	0	68	0	78	0	496	0	1,573
Total	65,978	437,275	402	0	0	0	3,021	0	0	0	22,720	766	447,095	0	977,257
	0	0	0	0	0	0	0	0	0	0	0	0	85	0	85
Total	93,870	785,678	1,484,192	7,685	6,558	44,608	58,494	6,157	181,025	31,436	154,031	23,892	855,984	25,836	3,759,445

**NET CLAIMS ANALYSIS FOR LONG-TERM INSURANCE BUSINESS (2005)
(BY INDIVIDUAL INSURER)**

APPENDIX 6

(Amount Rs 000)

ORDINARY LIFE :															
On Death	985	24,368	50,591	1,340	208	1,910	50	5,521	9,918	1,756	5,474	4,983	27,916	1,350	136,369
On Maturity	8,350	285,249	658,657	6,273	5,445	28,745	5,148		165,321	24,119	118,162	16,537	276,218	23,442	1,621,665
On Surrender	18,557	38,785	461,274	72	905	4,040	396	49,953	5,718	5,346	7,598	1,606	44,109	1,045	639,403
Bonus Cashed			312,335			5,970	563						60,066		378,933
ANNUITY BUSINESS:															
On Death													73		73
By Way of Lump Sum			466										259		725
By Way of Periodical Payments			466						68	808	78		165		1,584
On Surrender															0
PENSION BUSINESS															
On Death		19,102								-592		271	9,660		28,441
By Way of Lump Sum	9,466	132,410				643						288	157,155		299,961
By Way of Periodical Payments	6,136	116,298	402			2,585		1,463			22,720	207	277,662		427,473
On Surrender	50,376	169,465				716		1,558					2,618		224,733
PERMANENT HEALTH INSURANCE :															
By Way of Periodical Payments													85		85
TOTAL CLAIMS															
On Death	985	43,470	50,591	1,340	208	1,910	50	5,521	9,918	1,165	5,474	5,254	37,648	1,350	164,883
On Maturity	8,350	285,249	658,657	6,273	5,445	28,745	5,148	0	165,321	24,119	118,162	16,537	276,218	23,442	1,621,665
By Way of Lump Sum	9,466	132,410	466	0	0	643	0	0	0	0	0	288	157,414	0	300,686
By Way of Periodical Payments	6,136	116,298	868	0	0	2,585	0	1,463	68	808	22,797	207	277,912	0	429,142
On Surrender	68,933	208,250	461,274	72	905	4,756	396	51,511	5,718	5,346	7,598	1,606	46,727	1,045	864,136
Bonus Cashed	0	0	312,335	0	0	5,970	563	0	0	0	0	0	60,066	0	378,933
TOTAL	93,870	785,678	1,484,192	7,685	6,558	44,608	6,157	58,494	181,025	31,436	154,031	23,892	855,984	25,836	3,759,445

ASSURANCES AND ANNUITIES FOR LONG-TERM INSURANCE BUSINESS : BUSINESS IN FORCE FOR YEAR 2005 (BY INDIVIDUAL INSURER)

APPENDIX 7

ASSURANCES (R\$) :	ALBATROSS	ANGLO-MTIUS	BAI	CEYLINCO STELLA	IOGA	ISLAND LIFE	LA PRUDENCE	LIC	MTIAN EAGLE	MTIUS UNION	RAINBOW	SICOM	SUN	TOTAL
NO OF POLICIES :														
Individual	27,015	42,422	90,214	3,811	1,719	9,149	11,611	52,644	6,090	21,546	606	57,204	9,103	329,323
Group	103	577	20			22	24	1	15	2	0	236	1	1,001
SUM ASSURED :														
Individual	5,332,918,621	8,785,289,615	15,583,784,242	324,404,700	137,210,500	1,036,545,874	1,892,930,482	4,652,156,250	1,287,797,549	3,713,799,000	80,031,977	10,684,544,249	689,997,749	53,877,006,108
Group	1,692,179,963	10,177,510,940	771,994,879			211,286,344	3,315,329,150	15,700,000		264,454,000	0	8,315,047,176	37,088,904	24,800,591,356
ANNUAL PREMIUM :														
Individual	160,750,192	500,932,016	575,700,308	20,464,039	8,594,524	57,532,537	104,490,952	312,568,269	58,911,176	174,482,000	2,708,444	593,834,199	44,978,881	2,595,483,498
Group	52,784,579	651,659,937	998,651			2,228,610	17,312,070	58,875		890,000	0	78,363,688	0	804,296,410
SINGLE PREMIUM :														
Individual	15,075,161	14,866,983	1,786,245,139	47,557	0	1,387,594	60,607,363	5,854,681	12,478,499	352,334	250,582	18,330,922	1,425,891	1,916,875,149
Group	1,451,573	21,953,549	0			0	210,362			0	0	24,794,374	162,825	48,572,683
ANNUITIES (R\$) :														
NO OF POLICIES :														
Individual	25	0	32		0	303	1,197	178	0	4,751	70	602	755	7,913
Group	207	1,659	2			22	20		0	3	0	7	0	1,920
PREMIUM														
Individual	5,295,940	0	5,022,151		0	783,343	24,221,418	112,071	0	55,206,000	146,200	8,506,127	1,868,400	101,161,650
Group	48,145,487	0	543,994			10,277,975	9,393,115		0	3,429,696	0	1,951,472	0	73,741,739
ANNUITIES														
Individual	582,420	0	482,238		0	146,100	1,102,324	8,386,200	0	212,421,732	81,098	3,186,399	95,950,560	322,339,071
Group	5,695,596	116,298,135	51,953			642,608	4,256,230		0	0	0	5,032,686	0	131,977,208

**ASSURANCES & ANNUITIES FOR LONG-TERM INSURANCE BUSINESS : NEW BUSINESS FOR YEAR 2005
(BY INDIVIDUAL INSURER)**

APPENDIX 8

ASSURANCES (Rs) :	ALBATROSS	ANGLOMTIUS	BAI	CEYINCO STELLA	IOGA	ISLAND LIFE	LA PRUDENCE	IUC	MTIAN EAGLE	MTIUS UNION	RAINBOW	SICOM	SUN	TOTAL
NO OF POLICIES :														
Individual	6,203	5,384	18,764	2,378	79	852	1,659	4,515	1,184	1,844	4,829	5,525	721	51,559
Group	5	87	10			2	1	1		0	3	17	0	126
SUM ASSURED :														
Individual	1,185,857,714	2,256,657,475	3,615,807,967	179,998,000	9,973,000	117,319,720	356,444,746	595,627,750	242,777,462	475,284,559	516,514,288	1,468,330,180	74,153,332	10,914,748,193
Group	1,847,170,589	5,563,987,660	108,065,048			38,401,584	848,160	15,700,000		52,875,000	16,266,781	85,304,773	0	7,728,619,595
ANNUAL PREMIUM :														
Individual	10,444,483	87,033,417	94,032,121	14,167,270	590,261	7,384,995	16,035,861	40,503,702	14,096,679	23,559,868	31,874,482	71,195,062	4,514,747	401,265,679
Group	7,622,785	30,157,935	79,520			266,844	55,416	58,875	7,810,525	407,591	0	1,525,903	0	47,985,393
SINGLE PREMIUM :														
Individual	6,660,108	45,252,262	814,205,187	43,308	0	874,875	60,607,363	2,162,454	2,830,971	53,847	0	12,480,529	120,617	945,248,212
Group	0	23,180,959	0			0	210,362			0	5,388,736	40,847	0	28,820,904
ANNUITIES (Rs) :														
NO OF POLICIES :														
Individual	10	0	9		0	14	251	0	0	670	155	133	8	1,250
Group	25	182	0			2	6		0	0	4	0	0	219
PREMIUM														
Individual	2,242,478	0	1,564,716		0	3,845	10,458,095	0	0	17,015,008	1,731,900	2,478,172	114,000	35,608,214
Group	9,326,785	133,243,706	0			1,027,488	4,974,985		0	46,844	789,916	0	0	149,409,724
ANNUITIES														
Individual	267,636	0	131,673		0	52,000	1,102,324	0	0	37,508,544	301,702	649,401	3,563,700	43,576,980
Group	993,036	6,644,133	0			173,370	4,256,230		0	0	494,288	0	0	12,561,057

INCOME & EXPENDITURE FOR GENERAL INSURANCE BUSINESS (2005) (BY INDIVIDUAL INSURER)

APPENDIX 9

(Amount Rs 000)

	ALBATROSS	BAI	CEYLINCO STELLA	GFA	IOGA	ISLAND GENERAL	JUBILEE	LA PRUDENCE	LAMCO	MTIAN EAGLE	MTIUS UNION	NEW INDIA	RAINBOW	SICOM	SUN	SWAN	Grand Total
1. PREMIUMS																	
Net premiums received & receivable	128,449	0	125,528	38,537	6,192	54,637	0	173,619	82,932	174,122	299,385	114,522	70,431	99,262	73,287	262,448	1,703,350
(Increase) / Decrease in Unearned Premium Reserve	(5,965)	0	(3,987)	(2,233)	430	1,678	2,249	(9,013)	(1,609)	9,542	(8,189)	(9,092)	(3,304)	(4,565)	(1,380)	(25,980)	(61,418)
Net earned premiums	122,484	0	121,541	36,304	6,622	56,315	2,249	164,606	81,324	183,664	291,196	105,430	67,127	94,696	71,907	236,468	1,641,932
2. CLAIMS																	
Net claims paid	79,200	0	0	20,377	5,169	31,029	(6,051)	112,867	58,472	120,803	244,113	81,302	48,970	72,423	61,273	154,336	1,084,285
Net increase / (decrease) in outstanding claims reserve	(4,376)	0	(79,954)	3,627	474	9,375	3,934	7,263	1,919	5,946	11,210	(7,072)	(1,727)	(11,275)	(2,745)	(7,163)	(70,562)
Net claims incurred	74,824	0	(79,954)	24,004	5,643	40,404	(2,117)	120,131	60,391	126,749	255,324	74,230	47,243	61,148	58,529	147,173	1,013,722
3. COMMISSIONS																	
Commissions received & receivable	55,968	0	2,488	713	282	31,348	(257)	15,257	(4,629)	33,452	13,500	(12,555)	4,019	24,243	9,143	83,504	256,476
Commissions paid & payable	(23,195)	0	(20,139)	(3,857)	(127)	(24,391)	1,201	(22,620)	13,194	(29,818)	(39,579)	28,117	(6,442)	(6,568)	(9,737)	(61,194)	(205,154)
Net commissions	32,773	0	(17,650)	(3,144)	155	6,957	944	37,876	8,565	3,634	(26,079)	15,562	(2,423)	17,675	(594)	22,310	96,561
4. ADMINISTRATION COSTS																	
Staff salaries & Other Benefits	33,665	0	9,807	3,548	1,766	9,395	2,896	21,276	11,814	22,593	19,343	4,781	11,992	107,061	13,156	78,517	351,609
Directors' Fees, etc. ...		0	0	3,134	58	1,928		2,814	2,814	171	703		3,140	973	4,536	839	18,295
General Management Expenses		0	11,904	3,649	681	6,743	2,364	12,588	8,055	10,079		9,377	2,428	20,481	5,714	22,637	116,699
Professional Fees:																	0
Auditors	220	0	423	79	73	1,195	138	397	135	115	250	102	267	554	93	937	4,977
Legal		0	221	10	17	8		361	39	97	61	77	588	586	105	20	2,189
Survey		0				138		269	12					29		37	483
Other		0		7	27	2,781	2,215	23	143	496	20,907		1,625	843	41	1,326	30,433
Maintenance & Repairs	1,077	0	462	71	109	330	103	1,101	243	520	3,252		289	6,051	436	1,493	15,535
Motor Vehicles Expenses	1,693	0	797	288	39	1,123		1,661	961	2,642	1,437	245	1,089	517	607	4,104	17,203
Other	14,924	0						5,626			19,042						39,592
Total administration costs	51,579	0	23,614	10,785	2,770	23,640	7,716	43,301	24,213	36,713	64,995	14,583	21,417	137,095	24,686	109,910	597,015
5. UNDERWRITING PROFIT/LOSS	28,854	0	323	(1,628)	(1,636)	(772)	(6,640)	39,050	(11,846)	23,836	(55,202)	1,056	(3,956)	(85,871)	(11,903)	1,695	(84,639)
6. INTEREST & INVESTMENT INCOME	7,712	0	5,309	3,413	5,715	5,463	1,949	13,499	3,612	10,920	88,850	19,916	887	139,112	14,289	52,916	373,562
7. OPERATING PROFIT/LOSS CARRIED FORWARD TO PROFIT & LOSS ACCOUNT	36,566	0	5,632	1,785	4,080	4,692	(4,691)	52,550	(8,233)	34,756	33,647	20,971	(3,069)	53,241	2,386	54,611	288,923

PREMIUMS, CLAIMS & COMMISSIONS FOR GENERAL INSURANCE BUSINESS BY TYPE OF BUSINESS (2005) (BY INDIVIDUAL INSURER)

APPENDIX 10
(Amount Rs 000)

PREMIUM	ALBATROSS	BAI	CEYLINCO STELLA	GFA	IOGA	ISLAND GENERAL	JUBILEE	LAMCO	LA PRUDENCE	MTIAN EAGLE	MTIUS UNION	NEW INDIA	RAINBOW	SICOM	SUN	SWAN	TOTAL
GROSS :																	
FIRE	110,432	0	6,274	1,489	569	70,293	0	6,680	50,114	131,951	41,172	50,772	5,209	38,387	18,112	161,485	692,938
MOTOR	78,674	0	121,834	38,891	6,861	37,816	0	93,056	78,725	107,306	270,126	100,431	72,803	92,815	75,902	128,881	1,304,121
PERS. ACC.	45,054	0	4,937	496	4	7,797	0	695	17,754	83,854	9,645	1,126	2,922	12,898	3,165	43,947	234,295
TRANSPORT	155,840	0	205	561	31	12,425	0	2,169	10,996	52,029	9,932	4,823	1,824	116,004	2,726	80,896	450,461
MISCELLANEOUS	80,596	0	1,966	2,116	562	64,476	0	6,067	98,874	24,904	46,120	19,329	9,946	4,932	12,269	261,504	633,661
TOTAL	470,596	0	135,216	43,553	8,027	192,807	0	108,667	256,463	400,044	376,996	176,481	92,704	265,037	112,173	676,713	3,315,476
NET :																	
FIRE	5,154	0	1,493	442	102	1,074	0	373	11,130	20,313	9,527	15,662	817	3,379	1,447	24,271	95,183
MOTOR	62,240	0	118,141	36,431	6,047	34,090	0	81,241	71,694	93,161	249,539	87,503	66,513	82,634	69,255	111,212	1,169,701
PERS. ACC.	10,541	0	4,204	448	4	1,319	0	102	7,031	26,517	5,482	1,070	526	843	13	13,887	71,987
TRANSPORT	17,050	0	19	135	0	1,293	0	401	4,617	31,686	3,794	3,081	430	11,826	281	31,173	105,785
MISCELLANEOUS	33,464	0	1,670	1,081	38	16,861	0	816	79,147	2,445	31,044	7,207	2,146	581	2,290	81,905	260,695
TOTAL	128,449	0	125,528	38,537	6,192	54,637	0	82,932	173,619	174,122	299,385	114,522	70,431	99,262	73,287	262,448	1,703,350
CLAIMS																	
GROSS :																	
FIRE	13,189	0	2,385	250	0	1,429	476	1,144	13,996	19,366	27,541	71,204	933	33,878	4,982	24,313	215,084
MOTOR	64,666	0	90,800	25,348	7,199	28,510	8,305	61,780	61,514	106,622	220,743	70,323	40,060	88,865	60,760	82,842	1,018,335
PERS. ACC.	18,571	0	0	2	0	3,616	0	115	4,426	31,507	4,942	210	1,925	3,542	1,786	14,852	85,494
TRANSPORT	12,011	0	0	4	0	1,200	0	381	871	23,524	2,353	560	44	14,545	235	14,269	69,996
MISCELLANEOUS	41,099	0	1,418	13	0	30,257	612	301	59,387	14,536	33,552	1,321	8,410	1,079	1,498	132,997	326,478
TOTAL	149,536	0	94,603	25,617	7,199	65,011	9,393	63,720	140,193	195,555	289,131	143,617	51,373	141,907	69,261	269,273	1,715,387
NET :																	
FIRE	2,826	0	1,954	34	0	115	143	39	4,585	4,536	4,826	12,649	98	3,058	378	10,032	45,272
MOTOR	60,514	0	87,324	20,336	5,169	27,630	5,747	58,161	61,045	86,676	213,075	66,803	46,038	65,429	60,097	77,986	942,029
PERS. ACC.	1,475	0	(4,269)	2	0	498	0	4	1,814	13,228	3,133	200	227	446	109	5,718	22,585
TRANSPORT	4,277	0	0	4	0	56	0	128	347	15,280	1,416	396	33	3,343	35	9,449	34,762
MISCELLANEOUS	16,639	0	1,418	0	0	2,731	161	141	45,077	1,084	21,665	1,255	2,574	147	654	51,151	144,697
TOTAL	85,731	0	86,427	20,377	5,169	31,029	6,051	58,472	112,867	120,803	244,113	81,302	48,970	72,423	61,273	154,336	1,189,344
COMMISSION																	
RECEIVED :																	
FIRE	17,221	0	1,320	44	138	15,261	(5)	2,018	6,515	14,567	5,199	8,895	770	7,630	4,346	38,831	122,749
MOTOR	2,688	0	0	3,716	0	77	(318)	6	226	546	746	1,507	203	203	562	510	10,469
PERS. ACC.	5,646	0	100	4	0	1,594	0	199	2,472	13,492	1,210	20	749	4,396	1,003	8,441	39,326
TRANSPORT	22,703	0	134	10	0	3,099	0	614	1,271	1,409	1,374	496	473	9,092	541	7,355	48,571
MISCELLANEOUS	7,710	0	934	83	145	11,317	66	1,792	4,772	3,438	4,970	1,638	2,027	2,921	2,691	28,367	72,872
TOTAL	55,968	0	2,488	3,857	282	31,348	(257)	4,629	15,257	33,452	13,500	12,555	4,019	24,243	9,143	83,504	293,987
PAID :																	
FIRE	5,444	0	750	44	5	8,553		1,233	5,287	7,962	5,094	7,318	69	2,519	1,237	22,024	67,538
MOTOR	3,878	0	18,406	3,716	122	3,625		10,747	10,515	7,933	26,509	18,120	6,200	1,897	7,170	12,155	130,993
PERS. ACC.	2,220	0	789	4	0	870		130	1,658	9,685	1,453	121	106	806	387	4,289	22,517
TRANSPORT	7,681	0	18	10	0	1,387		163	1,245	3,785	1,081	372	14	1,110	148	6,079	23,093
MISCELLANEOUS	3,972	0	175	83	0	9,956	1,201	922	3,916	455	5,443	2,185	54	236	795	16,647	46,038
TOTAL	23,195	0	20,139	3,857	127	24,391	1,201	13,194	22,620	29,818	39,579	28,117	6,442	6,568	9,737	61,194	290,179

POLICIES IN FORCE - DIRECT BUSINESS GENERAL INSURANCE BUSINESS (2005)
(BY INDIVIDUAL INSURER)

APPENDIX 11

Total Policies in Force in Respect of Direct Business (No.)	ALBATROSS	BAI	CEYLINCO STELLA	GFA	IOGA	ISLAND GENERAL	JUBILEE	LAMCO	LA PRUDENCE	MTIAN EAGLE	MTIUS UNION	NEW INDIA	RAINBOW	SICOM	SUN	SWAN	Grand Total
Fire	2,091	0	488	220	157	929	0	710	15,420	3,714	4,659	1,382	1,212	1,429	655	7,683	40,749
Motor	5,336	0	53,145	15,604	2,488	2,349	0	33,388	13,192	9,623	22,742	17,159	12,036	9,273	12,845	8,990	218,170
Personal Accident	3,853	0	44	467	14	875	0	349	7,268	4,396	2,073	268	1,382	327	139	2,648	24,103
Transport	3,301	0	43	376	8	3,918	0	598	3,408	4,911	3,242	630	221	2,414	772	588	24,430
Miscellaneous	3,470	0	577	424	134	2,528	0	600	7,408	465	4,409	693	1,446	625	482	6,367	29,628
Total	18,051	0	54,297	17,091	2,801	10,599	0	35,645	46,696	23,109	37,125	20,132	16,297	14,068	14,893	26,276	337,080

2005

Type of Funds	S/N	Fund/Investment/Portfolio Manager	Investment Schemes	1st Qtr Rs	2nd Qtr Rs	3rd Qtr Rs	4th Qtr Rs
Private Equity Funds	1	Venture Capital Partners Ltd	Mauritius Venture Capital Fund Ltd	84,799,188	49,883,138	49,280,371	70,918,826
Private Equity Funds	2	Venture Capital Partners Ltd	Indian Ocean Regional Fund Ltd	133,790,641	134,115,017	33,624,139	1,086,514
Private Equity Funds	3	SIC Fund Management Ltd	National Equity Fund Ltd	103,879,055	112,469,527	112,624,502	113,047,199
Private Equity Funds	4	I & P Management (Indian Ocean) Ltd	I & P Capital (Indian Ocean) Ltd	34,471,721	30,269,899	65,377,376	126,969,750
Private Equity Funds	5	SBM Mauritius Asset Managers Ltd	First Republic Fund Ltd	582,643,758	594,225,411	623,963,263	634,409,415
Authorised Mutual Funds	1	Capital Asset Management Ltd	Port Louis Fund	887,448,477	880,751,318	944,213,087	951,960,444
Authorised Mutual Funds	2	Tomfin Asset Management Ltd	Liberty Investment Trust Ltd	155,294,935	152,675,213	167,046,093	166,581,251
Authorised Mutual Funds	3	National Mutual Fund Ltd	NMF General Fund	271,703,072	289,888,867	320,520,132	324,640,178
Authorised Mutual Funds	4	National Mutual Fund Ltd	NMF Property Trust	101,525,867	99,843,834	101,920,323	103,342,484
Authorised Mutual Funds	5	ASMO Securities & Investments Ltd	Authorised Long-Term Ethical Equity Fund	14,580,429	14,822,149	16,016,554	16,216,651
Authorised Mutual Funds	6	Investment Professionals Ltd	Cirne Growth Fund	328,742,914	317,391,213	343,855,200	361,639,296
Unit Trusts	1	Investment Professionals Ltd	Policy Growth Fund	166,949,083	168,960,359	182,638,158	192,817,650
Unit Trusts	2	Sicom Financial Services Ltd	Sicom General Fund	123,679,859	149,113,456	148,168,233	146,301,456
Unit Trusts	3	SBM Mauritius Asset Managers Ltd	SBM Universal Fund	162,907,796	228,570,052	228,604,130	214,076,927
Unit Trusts	4	Multipiant Management Co. Ltd	Multipiant General Fund	264,622,863	264,628,378	294,811,379	289,209,000
Unit Trusts	5	Multipiant Management Co. Ltd	The Penny Indexed Fund	95,087,490	91,470,779	110,869,347	104,882,000
Unit Trusts	6	Multipiant Management Co. Ltd	The Penny Yield Fund	62,887,805	76,663,958	73,632,054	71,063,000
Unit Trusts	7	Multipiant Management Co. Ltd	The MFL Fund	44,731,430	44,838,036	52,662,997	32,661,000
Unit Trusts	8	National Investment Trust Ltd	National Investment Trust Ltd	1,451,094,750	1,474,094,117	1,623,307,000	1,544,388,000
Unit Trusts	9	Bramer Asset Management Ltd	Indian Ocean Privatisation & Equity Fund	50,482,243	47,000,000	48,300,000	46,200,000
Others	1	Investment Professionals Ltd	Policy Limited	n.a	730,767,000	n.a	882,441,000
Others	2	Sugar Investment Trust	Sugar Investment Trust	n.a	n.a	n.a	n.a
TOTAL				5,121,323,376	5,952,441,720	5,541,434,337	6,394,852,042

FINANCIAL YEAR-ENDS OF INSURERS

1 Albatross Insurance Company Ltd	30 June
2 Anglo-Mauritius Assurance Society Ltd	31 December
3 British American Insurance Co (Mtius) Ltd	31 December
4 Ceylincostella Insurance Company Ltd	31 December
5 GFA Insurance Ltd	31 December
6 Indian Ocean General Assurance Ltd	30 June
7 Island General Insurance Co Ltd	31 December
8 Island Life Assurance Co Ltd	31 December
9 Jubilee Insurance (Mauritius) Ltd	31 December
10 Lamco International Insurance Ltd	30 June
11 La Prudence (Mauricienne) Assurances Ltée	31 December
12 Life Insurance Corporation of India	31 March
13 Mauritian Eagle Insurance Company Ltd	31 December
14 Mauritius Union Assurance Company Ltd	31 December
15 New India Assurance Company Ltd	31 March
16 Rainbow Insurance Company Ltd	31 December
17 State Insurance Company of Mauritius Ltd	30 June
18 Sun Insurance Company Ltd	30 June
19 Swan Insurance Company Ltd	31 December



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This Report contains references to relevant Acts and secondary legislation. The authoritative version of the text of any Act or other secondary legislation, which prevails in the event of any inconsistency, is published in the Government Gazette.

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Photos: FSC, Fisheye, M.S.M. Ltd.
Concept: FSC - Design & printing: M.S.M. Ltd.

Abbreviations and Acronyms

AML/CFT	Anti-Money Laundering and Combating the Financing of Terrorism
ATS	Automated Trading System
CDD	Customer Due Diligence
CDS	Central Depository and Settlement Co Ltd
CIS	Collective Investment Scheme
CISNA	Committee for Insurance, Securities and Non-Bank Financial Authorities
COMESA	Common Market of Eastern and Southern Africa
CSO	Central Statistics Office
CPIS	Co-ordinated Portfolio Investment Survey
CT	Corporate Trustee
DEM	Development and Enterprise Market
EASRA	East African Securities Regulatory Authority
FSC	Financial Services Commission
FSD Act 2001	Financial Services Development Act 2001
GBC 1	Category 1 Global Business Company
GBC 2	Category 2 Global Business Company
GDP	Gross Domestic Product
IAIS	International Association of Insurance Supervisors
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IOPS	International Organisation of Pension Supervisors
IOSCO	International Organisation of Securities Commissions
IS	Investment Scheme
MC	Management Company
MMOU	Multilateral Memorandum of Understanding
MCSP	Managed Corporate Service Provider
MVIAC	Motor Vehicle Insurance Arbitration Committee
NBFI	Non-Banking Financial Institutions
OECD	Organisation of Economic Co-operation and Development
OFC	Offshore Financial Centres
OGIS	Offshore Group of Insurance Supervisors
OSFI	Office of the Superintendent of Financial Institutions
OTC	Over-the-Counter
PQ	Personal Questionnaire
RoC	Registrar of Companies
SADC	Southern African Development Community
SEM	Stock Exchange of Mauritius
TRC	Tax Residence Certificate
WFE	World Federation of Exchanges
WTO	World Trade Organisation



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