

Financial Services Commission
Speech of the Chief Executive
IAIS Governance Working Group Meeting
Westin Turtle Bay Hotel, Balaclava
15 March 2023

Mr Mardayah KONA YERUKUNONDU, First Deputy Governor of the Bank of Mauritius and Chairperson of the Financial Services Commission

Ms. Anna Jernova, Chairperson of the IAIS Governance Working Group

Ms. Lauren Eckermann, Senior Policy Advisor IAIS

Delegates and Participants present here and those joining us virtually

Ladies and Gentlemen,

All protocols observed

A very good morning to you all.

On behalf of the Financial Services Commission, I wish to extend a warm welcome to all the distinguished guests for your presence in Mauritius, at this International Association of Insurance Supervisors (IAIS) Governance Working Group Meeting. We feel very privileged to host you here and hope that you enjoy our hospitality and your stay in Mauritius.

I must say that this is the first time in the history of the FSC that we are hosting an IAIS event and this bears testimony to FSC's commitment towards the IAIS. I wish to share that I attended the last IAIS AGM and Annual Conference held in Chile in November last year. The event was an eye opener on various initiatives being undertaken by the IAIS especially the work in the area of climate risks. The hosting of this workshop represents our part of contribution to the overall objective and mandate of the IAIS.

Ladies and Gentlemen,

The FSC became a signatory to the Multilateral Memorandum of Understanding (MMoU) of the IAIS on 23 December 2013. Since then, in order to maintain the reputation of Mauritius International Financial Centre (IFC), the FSC has shown its unwavering commitment to comply with Standards and Core Principles set by the IAIS.

Adherence to international standards and benchmarking with the IAIS insurance core principles represent the achievement of a long-held ambition to place our regulatory framework at an undisputed sound pedestal that would cater for greater protection to policyholders and beneficiaries; and for fair market conduct of players.

Over the years, Mauritius has been contributing to the laudable works undertaken by the IAIS and we can proudly state that Mauritius is represented and actively participating in 6 Working Groups namely:

1. Signatories Working Group
2. Climate Risk Steering Group
3. Audit and Risk Committee
4. Governance Working Group
5. Market Conduct Working Group
6. Retirement Income and Pensions Forum

Ladies and gentlemen,

The insurance industry is based on trust and reliability and sound governance is what builds trust. In this respect, I find the work of the GWG as a very important component of the overall objectives of the IAIS which is to develop effective corporate governance in the insurance sector. At the FSC, through smarter rules and regulations, we are committed to act as a gatekeeper to ensure the soundness of the insurance sector and the protection of policyholders. The FSC continues to forge a robust regulatory framework with the right balance between regulation and business development.

As it is the case in other jurisdictions, the insurance sector of Mauritius has also played a significant role in the overall financial landscape. The growth of the sector depends largely on the role played by its main stakeholders. In the field of insurance, the FSC issues licences for general insurers, long term insurers, captive insurers, professional reinsurers and intermediaries such as insurance brokers, managers, agents and salespersons.

The insurance sector in Mauritius has performed relatively well over the past years and has shown resilience during the pandemic. Indeed, the contribution of Insurance, Reinsurance and Pensions to GDP in 2021 was 2.2%, with a growth rate of 2.7%, and we are expecting this contribution to remain stable.

In 2021, the total value of assets for the long term insurance sector stood at 106 billion Rupees, representing a growth of 21%. Similarly, gross premiums for long term insurance witnessed an increase of 10% to exceed 11 billion Rupees.

Regarding general insurance business, assets grew by 11% in 2021 to exceed 23 billion Rupees. The gross premiums for general insurance showed an increase of 5% to exceed 12 billion Rupees.

Ladies and gentlemen,

There are also challenges and risks that the industry faces such as climate change, cyber threats, disruptive technology, amongst others. Allow me to give you an overview of initiatives undertaken by the FSC to address some of those challenges. These include the introduction of Structured Investment – Linked Insurance Business (SILIB), Regulations for Third Party Administrators, Regulations for Third Party Captive, IFRS 17, Reinsurance Hub and the National Insurance Claims Database (NICD).

Regulatory framework for Structured Investment - Linked Insurance Business (SILIB)

We have amended our Insurance Act by introducing a new class of policy, namely the SILIB under the long term insurance business category. The introduction of SILIB will further enhance the development and competitiveness of the financial services sector by consolidating wealth management which is one of the pillars mentioned in the Blueprint Report entitled “Innovation and transforming the Mauritius IFC of 2030: a blueprint for success”.

Regulations for Third Party Administrators

We have introduced a new set of regulations for TPAs which caters for licensing and regulatory requirements. TPAs would now operate in a structured environment which will benefit policyholders and which is aligned to our mandate of ensuring orderly growth of the insurance industry in Mauritius.

Third Party Captive

The FSC is also finalising the regulations on third party captives. The Captive Insurance Act provides for the licensing of pure captive insurance businesses and the legal framework for their operation. The Act currently regulates only pure captive insurance. We believe that Mauritius will benefit a lot from this new set of Regulations.

IFRS 17

As you are aware, the International Accounting Standards Board has issued International Financial Reporting Standard (IFRS) 17 on Insurance Contracts which is the first comprehensive global accounting standard for insurance contracts. This impacts financial reporting and all business aspects of insurers and reinsurers. In our pursuit to meet international standards, FSC has awarded a contract to an international firm for the provision of consultancy services with respect to the implementation of IFRS 17.

Reinsurance Hub

The National Budget 2022/23 has announced that the FSC will revamp its framework to enable reinsurance companies to set up operations in Mauritius. We are establishing a regulatory framework for reinsurance, one that sets Mauritius as the jurisdiction of choice for reinsurers to domicile and also attract African insurance business. Work is in progress on this front.

National Insurance Claims Database

Governance, ladies and gentlemen, especially in the field of insurance comes with a dose of social responsibility from the regulator in particular, when it comes to motor insurance claims. We are aware of the difficulties the end users normally face when it comes to settlement of claims and we believe that mere regulations do not always address the problems faced by the consumers of insurance products.

In this respect, the FSC deemed it important to intervene in the market and to set up a rule based approach, a transparent system, whereby motor insurance claims would be dealt with, settled in a predictive way, rather than being left at the discretion of the insurance companies, which in the current state might take a very long time. We have since 2021, started the National Insurance Claims Database Project, which is in alignment with the government's policy on road safety for the implementation of a bonus malus system for the personalization of insurance responsibilities of drivers. The National Insurance Claims Database will be a repository for insurance claims information of drivers which will be collectively fed to the system by the insurance companies and will also be linked with the Mauritius Police Force and the National Land Transport Authority. This repository will be used by insurance companies to effectively assess the worthiness of the driver and come up with personalized policies. The end objective is that the good drivers would be rewarded for their driving and the bad drivers would be penalized in terms of the insurance premium.

I wish to highlight that our system is not only a repository of data, but comes with a settlement component of the claims on a multilateral basis, so that whatever claims that the insurance companies are agreeable on, these are automatically cleared and settled with the central bank on a regular basis. We have been able for this purpose to create the federation of all the insurance companies which will therefore be together engaged as a clearing house for the system. This system in line with FSC's FinTech development policy and is currently under the final stages of testing and will be soon launched.

Ladies and gentlemen,

The FSC regulatory framework is aligned with the IAIS standards and principles and focusses on regulatory issues relating to capital adequacy, solvency, corporate governance, early warning systems and the protection of policyholders.

For the future development of the Mauritius International Financial Centre (IFC), we cannot ignore the need to harmonise the practices in Corporate Governance internationally. Good Corporate Governance for the insurance sector is of paramount importance to maintain its relationship with policyholders and sustain long term performances for the industry.

A key component of insurance supervision is the consideration for governance and decision-making process. The National Code of Corporate Governance for Mauritius (2016) is effective from 1st July 2017. Currently Mauritius is in its 5th year of implementation and the Code comprises of 8 principles, which employ an "apply and explain" approach. I must say that Mauritius was one of the first countries to adopt this approach.

FSC monitors the application of the Code and adherence to corporate governance principles by its licensees. The FSC is empowered under the Financial Services Act and

Insurance Act to require licensees to comply with the Code or in case of non-compliance to impose regulatory sanctions.

I wish to apprise that I am myself Board member of the National Committee on Corporate Governance and I am also given to understand that two of my fellow colleagues will address you during the course of these 2 days' meeting.

On the Climate change front, I am delighted to inform that our central bank has already set up a Climate Change Centre. FSC has actively participated in the Task Force set up by central bank for assessing the Climate related and Environmental Financial risks, mainly from an Insurance point of view. Its mandate, amongst others, is to enable a coordinated approach between the Bank and the FSC on climate-related and environmental financial risks. FSC is also a member of the IAIS Climate Risk Steering Group which is responsible for the overall coordination of the IAIS work on climate risk, which a strategic theme of the IAIS 2020-2024 Roadmap. We are also engaging with our international partners to achieve ESG compliance of our bonds, and also setting up an ESG framework for the FSC.

Ladies and Gentlemen

The reliability and credibility of our financial system depend on the integrity of our institutions. It is of paramount importance for our financial institutions to keep promoting principles of good corporate governance in order to further enhance transparency and confidence in the system.

On this note, I thank you, ladies and gentlemen, for your kind attention and wish you successful and productive meeting ahead. And of course a pleasant stay with us in Mauritius.

Mr Dhanesswurnath Thakoor

15 March 2023