

CONSULTATION PAPER

REGULATORY FRAMEWORK PEER-TO-PEER ('P2P') INSURANCE

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1.0 INTRODUCTION

- 1.1 Advancements in digital technologies have, in recent years, enabled significant transformations in the insurance sector and have facilitated the entry of new players, with different business models or offering alternative methods of service provision, in the insurance market.
- 1.2 As a forward-looking regulator, the Financial Services Commission, Mauritius ('FSC') is supportive of the use of digital technologies in the insurance sector. In this respect, and in line with its mandate to encourage the efficient and orderly growth of the insurance sector, the FSC is proposing to establish a regulatory framework for peer-to-peer insurance ('P2P insurance').
- 1.3 The FSC is confident that a new regulatory framework for P2P insurance will encourage new players to establish business in Mauritius, provide a boost to the insurance sector, foster a conducive and vibrant Fintech ecosystem and ultimately support economic growth and development of the Mauritian jurisdiction.

2.0 PURPOSE OF CONSULTATION PAPER

- 2.1 This Consultation Paper sets out the proposed requirements to be imposed on the eventual holders of a P2P insurance licence. It has been prepared following a benchmarking exercise of the regulatory frameworks and best practices on P2P insurance in other jurisdictions.
- 2.2 In line with its consultative approach, the FSC is inviting its stakeholders and the public to share their perspectives on the essential components of a regulatory framework for P2P insurance, as stipulated in this Consultation Paper.

3.0 PROPOSED DEFINITIONS

- 3.1 P2P insurance is a type of risk sharing model which enables persons, both natural and legal, to form communities of peers with common interests in order to protect themselves against losses. The P2P insurance is usually facilitated by a regulated P2P insurance service provider which is responsible to provide the P2P insurance services.
- 3.2 For its services, the P2P insurance service provider normally charges an administration fee which is a proportion of the total sum of the P2P insurance contribution, as specified in the P2P insurance contract.
- 3.3 It is to be noted that under a P2P insurance model, neither the members of the P2P insurance community nor the P2P insurance service provider are obliged to compensate losses in excess of the P2P insurance pool, in case of an insured event. Nonetheless, such risk may be further insured/reinsured with a duly licensed conventional insurer, depending on some specific models.
- 3.4 For the avoidance of any confusion, a person who underwrites liability and assumes the risks of consumers, under an insurance contract or insurance policy, will be considered as an insurer and as such, regulated under the [Insurance Act](#). Moreover, any person who by way of business facilitates the provision of an insurance cover between an insurer and a consumer shall be regulated under Part VIII of the Insurance Act.
- 3.5 Therefore, P2P insurance contracts are not deemed to be insurance policies as defined in the Insurance Act.
- 3.6 The terminology proposed to be used in the forthcoming regulatory framework is as follows:

"P2P insurance" means a financial business activity whereby a P2P insurance service provider provides P2P insurance services through a P2P insurance platform;

"P2P insurance community" means a group of persons with the common interest of protecting themselves against an agreed risk of loss, through the sharing of the risk under the terms and conditions of a P2P insurance contract, and through which compensation for the loss is made out of the P2P insurance pool;

"P2P insurance platform" means a technology agnostic online portal or electronic platform used to provide P2P insurance services;

"P2P insurance pool" means the combined contributions paid by the members of a P2P insurance community to compensate for the losses specified in a P2P insurance contract;

"P2P insurance services" means the facilitation of the formation of a P2P insurance community, including the stipulation of P2P insurance rules, assessment of the risk of loss stated in a P2P insurance contract, collection of P2P insurance contributions, safekeeping of the P2P insurance pool, arranging for insurance / reinsurance if required, compensation of losses out of the P2P insurance pool and, where applicable, refunding of contributions not used for loss compensation;

"P2P insurance service provider" means a body corporate licensed by the FSC to provide P2P insurance services.

4.0 LICENSING AND RELATED REQUIREMENTS

4.1 It is proposed that the activity of P2P insurance be regulated by the FSC and licensed under Part IV of the Financial Services Act ('FSA'). Licences shall be granted upon the FSC being satisfied that the applicant has adequate resources, infrastructure, and staff to operate a P2P insurance platform and provide P2P insurance services.

4.2 The P2P insurance service provider shall be a legal person incorporated in Mauritius. It shall have its registered office and principal place of business in Mauritius.

5.0 GOVERNANCE AND STAFFING

5.1 The P2P insurance service provider shall, at all times –

- (a) ensure that its governance structure provides effective oversight of its activities and clear division of responsibilities, taking into consideration the nature, scale and complexity of its business activity;
- (b) have adequate internal controls and adopt strategies, policies, processes and procedures in accordance with principles of sound corporate governance and risk management; and
- (c) have in place adequate arrangements to identify, manage, mitigate and report on conflicts of interests.

5.2 The P2P insurance service provider shall be managed by a board of directors composed of a minimum of 3 directors, of which at least –

- (i) 30 per cent shall be independent directors; and
- (ii) one shall be resident in Mauritius.

5.3 The P2P insurance provider shall be required to employ adequate staff in Mauritius. The staff shall be fit and proper, and have the appropriate competence, experience and proficiency to operate the P2P insurance platform and provide the P2P insurance services.

5.4 The P2P insurance service provider shall have at least one full-time designated officer who understands the duties of the P2P insurance service provider and who shall be responsible for the day-to-day administration of the affairs of the P2P insurance service provider as well as the provision of P2P insurance services.

5.5 The designated officer mentioned at paragraph 5.4 shall have at least 5 years' experience in the insurance business or in the provision of P2P insurance service and shall hold –

(a) a relevant bachelor's degree; or

(b) a professional qualification in insurance equivalent to at least a diploma.

5.6 The P2P insurance service provider shall submit to the FSC a declaration attesting that the designated officer –

(a) meets the requirements of paragraph 5.5; and

(b) is of good character.

6.0 SCOPE OF ACTIVITIES

6.1 The activities of the P2P insurance service provider shall be based on a business plan which demonstrates that the interests of members of the P2P insurance community will be adequately protected and that the P2P insurance service provider's obligations arising out of the P2P insurance contracts will be met.

6.2 P2P insurance services should only be offered to protect interests of the P2P insurance community with respect to damage, destruction or loss of property of a relatively low value. P2P insurance services may also be offered for the protection of property interests of a relatively low value arising out of civil liability for damage caused to an injured third party or his/her property.

6.3 P2P insurance services shall not cover risks relating to –

(a) any classes of long term insurance business specified in Part I of the First Schedule to the Insurance Act,

(b) any accident and health policy as specified in Part II of the First Schedule to the Insurance Act,

(c) any insurance purporting to cover risks in respect of which there is a compulsory insurance requirement under any enactment.

6.4 The annual amount of P2P insurance contributions under one P2P insurance contract shall not exceed MUR 100,000 except as otherwise approved by the FSC.

6.5 The scope of services to be provided by the P2P insurance service provider, including any administration fees to be charged, shall be clearly stipulated in a P2P insurance contract. The executed P2P insurance contract shall be transmitted electronically or otherwise to each member of the P2P insurance community, and also be kept on record and made available for inspection upon request by the FSC.

7.0 REASONABLE PRICING

7.1 The pricing of P2P insurance services shall be based on mathematical modelling so that the risk of losses in the P2P insurance community is properly assessed and adequate P2P insurance contributions are set to allow for the collection of sufficient funds to cover loss compensation and offer services that meet the expectations of the P2P insurance community. The pricing of the P2P insurance services shall be certified by an actuary who shall be a fellow of such professional body as the FSC may approve.

7.2 Where insurance contracts or other risk mitigation measures are used to manage the risk of insufficiency of the P2P insurance pool, the risk management policy of the P2P insurance service provider shall describe how these measures are taken into account in the design of the P2P insurance products and calculation of P2P insurance contributions.

8.0 PROTECTION OF FUNDS IN THE P2P INSURANCE POOL

8.1 The funds of the P2P insurance pool shall be kept in appropriately segregated bank accounts and such accounts shall be separate from any account which the P2P insurance service provider may open and maintain for its own funds.

8.2 The dedicated bank accounts, as referred in paragraph 8.1, shall be non-interest bearing, and held with a commercial bank duly licensed by the Bank of Mauritius.

- 8.3 The P2P insurance pool shall be kept and managed by the P2P insurance service provider in a fiduciary capacity and shall be clearly identified, at all times, as obligations of the P2P insurance service provider towards the members of the P2P insurance community.
- 8.4 In addition, to limit the risk of non-fulfilment of its obligations to members of the P2P insurance community, the P2P insurance service provider should guarantee the fulfilment of these obligations with equity capital. Consequently, the P2P insurance service provider shall, at all times, have a minimum unimpaired stated capital of MUR 1 million or its equivalent in any other currency, or such higher amount as the FSC may determine.
- 8.5 The P2P insurance service provider shall not engage in activities other than P2P insurance, such as insurance business under the Insurance Act or other financial services, except if adequate Chinese walls are implemented and the prior approval of the FSC is sought.

9.0 RISK MANAGEMENT

- 9.1 P2P insurance service providers are subject to a number of risks which may include operational risks, cybersecurity risks, risks of misuse of personal data and money laundering and terrorism financing risks. In this respect, the P2P insurance service provider shall set up and maintain, at all times, a risk management framework to identify, assess, manage, mitigate and report risks associated to its business.
- 9.2 The risk management framework shall be evaluated and updated in the light of latest developments and risks, both internal and external, faced by the P2P insurance service provider.
- 9.3 The P2P insurance service provider shall ensure the uninterrupted provision of P2P insurance services and at all times, accordingly have a disaster recovery and

business continuity plan in place to address major and unforeseen disruptive events and risks.

- 9.4 The disaster recovery and business continuity plan shall be tested periodically to ensure that it is effective in the event of an emergency. The results of testing shall be documented and the plan must be updated on the basis of the test results.

10.0 OUTSOURCING

- 10.1 The P2P insurance service provider shall have a documented policy regarding the outsourcing of any of its functions.

- 10.2 When outsourcing any function, the P2P insurance service provider shall conduct appropriate due diligence to ensure that the delegate is fit and proper and has the capacity to fulfil the delegated function. The performance and results of the delegate shall be assessed on a regular basis.

- 10.3 Notwithstanding any outsourcing arrangement, the P2P insurance service provider shall ensure that all books and records of the service or transaction outsourced is available for inspection by the FSC.

- 10.4 The P2P insurance service provider shall not be discharged of its responsibilities upon any delegation or outsourcing arrangement and shall, at all times, ensure compliance with the requirements of the relevant Acts and any other regulatory requirements imposed by the FSC.

11.0 INFORMATION TECHNOLOGY AND CYBERSECURITY

- 11.1 The P2P insurance service provider shall have adequate measures in place to ensure
- - (a) that its information technology systems are resilient and not prone to failure;
 - (b) protection of its information technology systems from damage, tampering, misuse or unauthorised access; and

(c) the integrity of data forming part of, or being processed through, its information technology systems.

11.2 The P2P insurance service provider must review the measures, as referred in 11.1, at least annually to ensure they are adequate. The findings of the review exercise shall be kept on records for a period of at least 7 years and in such manner that they are swiftly made available to the FSC, upon request.

11.3 Without prejudice to the review exercise mentioned at paragraph 11.2, the P2P insurance service provider shall appoint a suitably qualified external expert to undertake an audit of the information technology systems at least once every 3 years or at such other interval as may be determined by the FSC.

11.4 The findings of the audit, as referred in 11.3, shall be submitted to the FSC within 1 month after completion of the audit.

12.0 STATUTORY COMPLIANCE AND REPORTING

12.1 The P2P insurance service provider shall comply with all statutory obligations imposed by the relevant laws in force in Mauritius, including the relevant Acts, the Data Protection Act, the Financial Intelligence and Anti-Money Laundering Act and any relevant Regulations, Codes and Guidelines governing AML/CFT in Mauritius.

12.2 The accounting system of a P2P insurance service provider shall operate in such a way that the financial statements give a true and fair view of its financial condition and performance, and allow for the verification and assessment of the financial condition and performance of each P2P insurance contract, of each P2P insurance community and of the P2P insurance service provider.

12.3 Moreover, in order to enable current and potential members of P2P insurance communities to have knowledge of the financial condition and performance of the

P2P insurance service provider, the latter shall publish annual audited financial statements and interim quarterly unaudited financial statements on its website.

13.0 DUE DILIGENCE

13.1 The P2P insurance service provider shall conduct due diligence on each member of the P2P insurance community.

13.2 The due diligence shall be in addition to the due diligence requirements to be conducted under the AML/CFT framework and shall include, at a minimum, the following checks on all members of the P2P insurance community -

- (a) identity and proof of address, if a natural person;
- (b) identity including details of its incorporation, business registration and good standing, if a legal person;
- (c) assessment of the fitness and propriety of the directors, officers and controllers, if a legal person;
- (e) knowledge of financial products
- (f) risk assessment and rating; and
- (g) source of funds.

14.0 DISCLOSURES

14.1 Before the conclusion of a P2P insurance contract, the P2P insurance service provider shall provide key information about the P2P insurance product to the targeted consumer in the form of a written summary containing answers to the following questions:

- (a) what is the object of the P2P insurance contract;
- (b) what is covered and what is not covered by the P2P insurance contract;
- (c) whether there are any limitations to the P2P insurance cover;

- (d) where the insurance cover applies;
- (e) when and how the P2P insurance contributions should be paid;
- (f) how and under what terms the administration fees will be charged;
- (g) how the P2P insurance pool is used for loss compensation;
- (h) whether and how P2P insurance contributions unused for loss compensation are refunded;
- (i) what are the obligations of the member of the P2P insurance community;
- (j) when the P2P insurance cover comes into effect and ends;
- (k) how and under what terms a P2P insurance contract can be terminated.

14.2 Members of a P2P insurance community shall, at all times, have access to all information relating to their P2P insurance contract and their P2P insurance community and shall moreover receive on an annual basis a statement covering the following salient, but non-exhaustive information:

- (a) amount of P2P insurance contributions received;
- (b) amount of administrative fees;
- (c) number of claims for loss compensation and amount of compensation paid;
- (d) amount of refunded P2P insurance contributions unused for loss compensation, if applicable;
- (e) amount of the P2P insurance pool.

14.3 The P2P insurance service provider shall prominently disclose on its website or P2P insurance platform the following key information -

- (a) Explanation of P2P insurance and how it operates;
- (b) Differences between P2P insurance and traditional insurance;

- (c) P2P insurance service provider is not an insurance company and is therefore not regulated under the Insurance Act;
- (d) P2P insurance contracts are not considered to be insurance policies; and
- (e) Limitations of P2P insurance.

14.4 The P2P insurance service provider shall avoid the use of terms common to the insurance industry such as “insurer” and “policyholder” to avoid situations that could mislead consumers the nature of the services provided.

14.5 The P2P insurance service provider shall stipulate rules governing the operation of the P2P insurance platform. The rules, which shall be published on the website or P2P insurance platform of the P2P insurance service provider and made available to the consumers prior to the conclusion of the P2P insurance contract, shall include the following:

- (a) the procedure for entering into the P2P insurance contract and joining the P2P insurance community;
- (b) the objects of the P2P insurance;
- (c) the circumstances in which losses are compensated and not;
- (d) the procedure for computing and paying P2P insurance contributions and consequences of non-compliance;
- (e) the procedure for determination of losses;
- (f) the procedure for the use of the P2P insurance pool
- (g) the procedure and time limits for the computation and payment of loss compensations and administration fees;
- (h) the procedure and time limits for the computation and refund of P2P insurance contributions unused for loss compensation, if applicable;
- (i) the rights and obligations of the P2P insurance service provider and the member of the P2P insurance community;
- (j) the procedure for termination of the P2P insurance contract;

- (k) the procedure for settlement between the parties in the event of termination of the P2P insurance contract;
- (l) the procedure for settlement of disputes between the member of the P2P insurance community and the P2P insurance service provider; and
- (m) such other disclosures, as the FSC may deem necessary.

15.0 RISK ACKNOWLEDGEMENT FORM

15.1 The P2P insurance service provider shall ensure that each member of the P2P insurance community sign a risk acknowledgement form prior to entering into a P2P insurance contract.

15.2 The risk acknowledgement form shall –

- (a) set out clearly all the risks involved in entering into a P2P insurance contract;
- (b) require the members of the P2P insurance community to confirm that they understand all the risks; and
- (c) be provided to each member of the P2P insurance community prior to, or at the same time as, the signing of the P2P insurance contract.

16.0 COMPLAINTS HANDLING

16.1 The P2P insurance service provider shall handle complaints from members of the P2P insurance community and shall, in this respect, have a procedure in place for dealing with such complaints and for responding to them in a way that ensures that conflicts of interest are avoided. The complaints handling procedure shall be published on the website or P2P insurance platform of the P2P insurance service provider.