



Financial Services Commission
Mauritius

Speech of FSC Chief Executive, Ms Clairette Ah-Hen

The Insurance Institute of Mauritius Forum on Insurance Crime Detection

Le Labourdonnais Waterfront Hotel, 30th April 2013

President of IIM, Mr. Jean-Yves Violette

Committee Members of the Insurance Institute of Mauritius (IIM)

Distinguished resource person, Mr. Hugo Van Zyl

Distinguished guests

Ladies and gentlemen

A very Good morning to you all

I do not think that when you were organizing this programme, you thought that the topic of financial crime would be so much in the limelight. But as you all know, the past two months have been challenging for the country with the outburst of the ponzi schemes scandal which has revealed the extent to which Mauritians are vulnerable to illegal and fraudulent activities.

For the FSC, the best methods of combatting such a plague are consumer education and capacity building of the operators and professionals. On this note, may I thank the Insurance Institute of Mauritius (IIM) for organising this Forum on Insurance Crime Detection and the two day workshop on Insurance Fraud Detection and Crime, which will be held at the end of this week.

Insurance companies have existed in Mauritius since 1835. The industry has taken its time to develop benefitting from the stable macroeconomic environment and sound regulation. The establishment of the Financial Services Commission (FSC) as the integrated regulator for non-banking financial services in 2001, therefore the regulator for the Insurance sector, has further contributed in the development of the sector by strengthening the legal and regulatory infrastructure in which the industry evolves.

Furthermore, the Insurance Act 2005 ('The Act'), which was introduced and proclaimed in 2007, aims to improve the soundness of the insurance market by enhancing the supervisory framework and providing greater protection to policyholders and other beneficiaries.

The Insurance Act provides for the application of the International Association of Insurance Supervisors' (IAIS) principles and standards. The Act focuses on specific regulatory issues relating to capital adequacy, solvency, corporate governance, early warning systems and the protection of policyholders. Some of the Salient features of the Act and rules and regulations are:

1. Licensing and other restrictions

There are specific provisions which prohibit the conduct of insurance business in or from within Mauritius without being licensed.

The Act requires the separation of long term and general insurance business by restricting an insurer from carrying on both long term insurance business and general insurance business.

In addition, all insurance managers, agents and brokers must be licensed and all insurance salespersons have to be registered with Commission. All insurance managers, agents and brokers are thus subject to regulation and supervision by the FSC and are required to comply with several obligations.

2. Fit and proper test

In accordance with international best practices including IAIS requirements, the regulatory framework provides that insurers should ensure that their officers and controllers are fit and proper persons. As such, to be entitled to a licence, the applicant, its substantial shareholders and officers must satisfy the fit and proper test and must have, inter alia, necessary financial resources and organisation and management capacities that are adequate for conducting insurance business.

3. Solvency and Capital Adequacy

In relation to Solvency and Capital requirements, the Insurance Act strengthens the existing standards concerning both funding and capital requirements of insurers. These requirements are based on each insurer's own risk profile - its appetite for underwriting risks and choice of business risk.

4. Protection of policyholders

A summary of the salient features of the policy has to be provided to policyholders by the Insurers or their agents. When a policy with profit is issued, an annual statement

including a report on the performance of the investments made, has to be given to the policyholder.

In cases where an insurance policy is required for the purpose of the protection of a creditor /creditors, the person who is required to make that policy should be given freedom to make his own choice as to the insurer with whom he wants to deal and as to whether he wishes to enter into a new policy or use an existing policy or use a combination of both options.

In its pursuit to ensure that insurance companies offer a better service to policyholders, FSC has required insurers to establish a complaints handling office.

Developments

With Insurance products becoming more sophisticated and complex, blended with investment components, the FSC has recently released for public consultation, Rules on Linked Long Term Insurance Business aimed to enhance disclosure and market conduct and Rules on intermediaries to ensure fair treatment to policyholders.

A working committee has been set up to work out the compensation fund for ‘hit and run’ as announced in the last budget. Public comments have been sought on these draft regulations.

Market consolidation and development have resulted in financial conglomerates and other types of insurance groups, sometimes operating across many jurisdictions. This phenomenon requires new regulations to address supervisory gaps in group-wide supervision and capital and solvency requirements both at company and group level.

New distribution channels e.g. via mobile operators and internet - are new features that are being explored by insurers in Mauritius. With these new challenges, policyholder protection is being upgraded.

Supervision

The FSC believes that strong governance in the insurance sector is the first line of defence. The management, the systems of risk management, internal audit and internal controls, the company’s actuary and the Board having oversight of them all are crucial. Under Whistle blowing provisions, the Act places regulatory responsibility on auditors and actuaries and requires auditors and actuaries to promptly report an insurer’s non-compliance with the legislation.

FSC has strengthened both its regulatory reporting requirements in the form of statutory returns, actuarial valuation reports amongst others for better monitoring. It has consolidated its supervisory oversight with the conduct of cyclical and thematic on-site inspection. A second cycle of on-site inspections of Insurance Companies was kicked off in 2012 and is gaining

momentum. The resulting effects of these enhanced measures have reinforced FSC's early warning systems.

To ensure good market conduct, the FSC Commission has issued rules for brokers and has been supervising intermediaries using both its onsite and offsite supervisory tools.

Consumer Education

As mentioned earlier, financial literacy and consumer education are key tools for the better protection of policy holders and beneficiaries.

At the FSC, consumer education has been on the priority list in 2012 with consumer roadshows in different regions of Mauritius and in Rodrigues and the sensitization of the younger generation with the Young Talent Competition for students of secondary schools and universities.

For year 2013, the outreach programme in respect of consumer education for targeted adult audience is well underway. The FSC has purposely chosen the Insurance Industry as a main theme in its Young Talent Competition 2013.

Conclusion

Looking at today's topic, many of you, professionals of the industry, will ask "what's in it for me – burdens and more burdens". It would seem that the Regulator, the FSC, has left the providers of insurance products and services to fend for themselves, even if, it is within a sound legislative framework.

But demonstrating professional conduct among the operators and a better protection of consumers are necessary for the sustainable development of the sector.

The experience of the last two months has shown that there are some unscrupulous players around and you can rest assured that such behaviour will not be tolerated.

Professionals of the sector and providers of insurance products and services can count on the FSC, the regulator for insurance, to protect the sector from such criminal activities and improve professional conduct through training of this type.

I thank you for your attention.