The text below is an internet version of the Rules made by the Financial Services Commission under section 93 of the Financial Services Act 2007 and sections 23 and 130 of the Insurance Act 2005 and is for information purposes only. Whilst reasonable care has been taken to ensure its accuracy, the authoritative version is the one published in The Government Gazette of Mauritius.

Insurance (General Insurance Business Solvency) Rules 2007

(Consolidated version with amendments as at 01 July 2013)

FSC Rules made by the Financial Services Commission under section 23 and 130 of the Insurance Act

1. These rules may be cited as the Insurance (General Insurance Business Solvency) Rules 2007.

2. In these Rules,

"Act" means the Insurance Act 2005;

"minimum capital requirement" means such capital that is required to be held by an insurer calculated in accordance with these rules. The minimum capital requirement is the sum of capital required for balance sheet assets as per rule 6, capital required for investment above concentration limit as per rule 7, capital required for policy liabilities as per rule 8, capital required for catastrophes as per rule 9 and capital required for reinsurance ceded under rule 10;

"capital requirement ratio" means the ratio of capital available to minimum capital requirement;

"collective investment scheme" has the same definition as in the Securities Act 2005;

"Commission" means the Financial Services Commission established under the Financial Services Act 2007;

"general insurance business" has the same meaning as under the Act;

"IBNR" refers to claims which are incurred but not reported, and includes claims incurred but not enough reported;

"insurer" for the purposes of these rules means a person conducting general insurance business;

"related company" has the same meaning as under the Companies Act 2001;

"solvency margin" has the same meaning assigned to it by rule 3(2);

"property" for the purposes of these rules, includes direct investment in investment properties, mortgages and land and building for an insurer's own use.

3. (1) An insurer shall at all times keep and maintain a solvency margin in accordance with the following rules.

(2) The Solvency margin shall at all times be at least 100% of the minimum capital requirement.

(3) The capital requirement ratio shall at all times be at the target level of at least 150%.

(4) An insurer shall, immediately inform the Commission, if it anticipates its capital requirement ratio to fall below the targeted level as defined in subparagraph (3) and submit to the Commission, for approval, a contingency plan to meet the targeted level.

Valuation of assets

4. (1) The asset value for the purposes of calculating the minimum capital requirement of an insurer shall be taken at fair value.

(2) "fair value" means the value of assets for the purpose of determining the solvency margin and minimum capital requirement under these rules –

(a) in the case of an asset which is listed on the Official List of a licensed stock exchange and for which a price was quoted on that stock exchange on the date as at which the value is calculated, the price last so quoted;

(b) in any other case, the price which could have been obtained upon a sale of the asset between a willing buyer and a willing seller dealing at arm's length, as estimated by the insurer;

(c) the Commission's estimate of the assets where the Commission suspects market abuses under (a) or is not satisfied with the estimate under (b).

Capital available

5. (1) The capital available to an insurer shall consist of Shares issued and paid up, Share premium, Retained Earnings and Reserves.

(2) Notwithstanding paragraph (1), subject to the prior approval of the Commission, the capital available to an insurer may include subordinated loans.

(3) The Commission may grant an approval under paragraph (2) where –

(a) the title deed setting out the terms of the subordinated loan explicitly mentions that the loan is legally subordinated to the claims of policyholders and other creditors of the insurer;

(b) the subordinated loan is unsecured;

(c) the subordinated loan has an original maturity period of over 5 years;

(d) the subordinated loan may be redeemed before maturity only at the option of the insurer and with the prior written approval of the Commission; and

(e) the subordinated loan shall not, in the event of the winding up of the insurer, be repaid until the claims of policyholders and other creditors have been fully satisfied.

Amended by [GN No. 256 of 2010]

Capital required for Balance Sheet Assets

6. (1) an insurer shall, for the purposes of calculating the minimum capital requirement apply such factors to each balance sheet asset as per the First Schedule.

(2) The total of these amounts represents the capital required to be held for balance sheet assets.

(3) In addition to the above, an insurer shall be required to hold capital equivalent to the extent to which any asset has been encumbered.

Capital required for investment above concentration limit

7. (1) An insurer shall –

(a) set out in writing internal policies on investment concentration as part of their overall prudent portfolio investment policy and;

(b) also have in place management information and control systems necessary to give effect to their written policies.

(2) The aggregate value of investments as reported on the balance sheet by an insurer in any corporation, commodity or group of related corporations, except property, whose shares are listed on a licensed exchange in Mauritius or listed on such exchanges as are specified in the Second Schedule, shall not exceed 10 per cent of the assets of the insurer.

(3) The aggregate value of investments as reported on the balance sheet by an insurer in any corporation, commodity or group of related corporations, except property, whose shares are other than shares described in (2) above, shall not exceed 5 per cent of the assets of the insurer.

(4) An insurer may invest up to 10% of its assets in any property.

(5) When an insurer and its related company, other than a Long Term Insurance Company, make an investment in any corporation or commodity, the aggregate value of that investment in that corporation or commodity shall not exceed –

(a) in the case of listed shares described in (2), 10 per cent of the assets of the insurer; and

(b) in the case of shares described in (3), 5 per cent of the assets of the insurer.

(6) The aggregate value of investments of an insurer in one or more of its related companies shall not exceed 10 per cent of the assets of the insurer.

(6A) Any insurer who does not meet the requirements of paragraph (6) shall take such measures as may be necessary to comply with the provisions thereof by 30th June 2014.

(6B) Any insurer who is unable to comply with paragraph (6A) may apply to the Commission for an extension of the deadline referred to in paragraph (6A).

(6C) Where the Commission is satisfied that the non-compliance referred to in paragraph (6B), is due to a just or reasonable cause, it may extend the deadline referred to in paragraph (6A) for a period not exceeding 6 months, on such conditions as it deems fit.

(7) When an insurer is a branch of a foreign company –

(a) the aggregate value of investments reported in its balance sheet in any corporation, commodity or group of related corporations, except property, whose shares are listed on a licensed exchange in Mauritius or listed on such exchanges as are specified in the Second Schedule, shall not exceed 10 per cent of the assets of the insurer;

(b) the aggregate value of investments reported in its balance sheet in any corporation, commodity or group of related corporations, except property, whose shares are other than shares described in (a) above, shall not exceed 5 per cent of the assets of the insurer.

(8) The branch of a foreign company shall not invest more than 10% of the Company's assets in any property. Property includes direct investment in Investment Properties, mortgages and Land and Building for insurer's own use.

(9) This rule shall not apply to an investment in a collective investment scheme.

(10) Any investment above the limits set above shall be fully supported by capital.

(11) For the purposes of this rule, “investment” means any kind of investment including investment in the form of receivables, deposits or loans.

Amended by [GN No. 111 of 2013]

Capital required for Policy Liabilities

8. (1) An insurer shall, for the purposes of calculating the minimum capital requirement, apply such margin as defined under the Third Schedule on its policy liabilities.

(2) The total of these margins represents the capital required to be held for policy liabilities.

Capital required for Catastrophes

9. An insurer shall, when calculating its minimum capital requirement, record an additional provision of 5% of the preceding year's Net Written Premiums on all classes of insurance.

Capital required for Reinsurance ceded

10. An insurer shall, when calculating its minimum capital requirement, impose a capital charge on premium ceded to reinsurance depending on the ceding ratio and the rating of the reinsurers as per the Fourth Schedule.

11. These rules shall be deemed to have come into operation on 28 September 2007.

Made by the Financial Services Commission on 28 September 2007

FIRST SCHEDULE
(Rule 6)

1. Capital Factors for Balance Sheet Assets

(a) 0% - Capital factors

(i) Cash

(ii) Deposits in an institution licensed by the Bank of Mauritius

(iii) Obligations (Securities, loans and account receivable) of the Government of Mauritius

(b) 2% - Capital factors

(i) Investment income due and accrued

(ii) Receivables from other insurance companies

(iii) Receivable outstanding for less than 8 months from re-insurers

(c) 3% - Capital factors

(i) Premiums receivable for less than 60 days

(d) 4% - Capital factors

(i) Term deposits, Bonds and Debentures expiring or redeemable in one year or less from related companies

(ii) Term deposits, Bonds and Debentures expiring or redeemable in one year or less from Corporations

(iii) Residential Mortgage

(e) 8% - Capital factors

(i) Term deposits, Bonds and Debentures expiring or redeemable in one year or more from related companies

(ii) Term deposits, Bonds and Debentures expiring or redeemable in one year or more from Corporations

(iii) Commercial Mortgage

(iv) Other secured loans

(v) Loans to Corporations

(vi) Premiums outstanding for 60 days to 1 year

(vii) Land and Building for insurer's own use

(f) 10% - Capital factors

(i) Preference shares

(ii) Receivables from Corporations

(g) 15% - Capital factors

(i) Shares in listed companies

(ii) Investment in Collective investment vehicles

(iii) Investment Properties

(iv) Receivables from related companies outstanding for less than 12 months

(h) 17% - Capital factors

(i) Investments in related companies

(ii) Shares in unlisted companies

(2) Where information is not available to determine the redemption/maturity of an asset, and the asset falls in more than one category in (1), insurers must use the category with the highest capital factors for that asset.

(3) New assets, not currently listed, shall be categorized according to their inherent risk and this categorization shall be agreed with the Commission.

(4) (a) Capital required for "Other Assets" is equal to 35% of the lesser of –

(i) Other Assets; or

(ii) 1% of Total Assets

(b) Other Assets refer to the assets not listed in rule 1

(5) Assets with a Capital Requirement of 100%.

The following assets will need a 100% capital requirement –

(i) Unsecured loans

(ii) Loans to related companies

(iii) Loans to directors, Agents and their Associates (including those from related companies)

(iv) Outstanding premiums for more than 1 year

(v) Outstanding receivables from related companies for more than 1 year

(vi) Outstanding receivables from re-insurers for more than 8 months

(vii) Goodwill and Intangible assets

(viii) Fixed assets in excess of their written down values

(ix) Any excess of "Other Assets" over 1% of total assets.

SECOND SCHEDULE
(Rule 7)

(1) exchanges which are members of the World Federation of Exchanges.

THIRD SCHEDULE
(Rule 8)

1. Margins on Unearned Premium liability and Outstanding Claim liability are applied to the net amount at risk (i.e. net of reinsurance) by class of insurance.

2. The margins are as follows:

Class of Insurance	Margin on Unearned Premium Liability	Margin on Outstanding Claim liability
Property	14%	10%
Motor	14%	10%
Transport	15%	11%
Engineering	15%	11%
Guarantee	15%	11%
Accident and Health	19%	15%
Liability	19%	15%
Miscellaneous	19%	15%

3. Unearned Premium liability is the sum of Unearned Premiums and Unexpired risks, while Outstanding Claim liability is the sum of Outstanding Claims and IBNR.

FOURTH SCHEDULE
(Rule 10)

(1) The following capital charges shall be applied in determining the minimum capital requirement for reinsurance:

	Ratings		
	1	**2**	**3**
Standard & Poor's	Above A	BBB	Below BBB
Moody's	Above A	Baa	Below Baa
AM Best	Above B+	B, B-	Below B-
Fitch Corporation	Above A	BBB	Below BBB
Ceding Ratio	**Charge on Premium**		
For 1st 50%.	0%	15%	100%
Above 50%	10%	25%	100%

(2) The capital charge shall be calculated and imposed for each class of business.

(3) The Commission may, on application by an insurer, consider other rating agencies and determine the charge on premium.