

Linked Long Term Insurance Business

Objective: To provide Rules for linked long term insurance products (LLTIP).

Gist of Legislation: These Rules will help to maintain sound insurance principles when it comes to LLTIP

Safeguard: To protect interest of those individuals investing in LLTIP

Main Features:

- (a) defined rules for valuation of assets.
- (b) defined rules for disclosure relating to -
 - (i) product summary and policy.
 - (ii) statement and reports to policyholders.
 - (iii) advertisements and publications.
- (c) defined rules for transaction with related parties.
- (d) defined rules for frequency of valuation.
- (e) defined rules for rounding differences.
- (f) defined rules for valuation errors and compensation.

INSURANCE (LINKED LONG TERM INSURANCE BUSINESS) RULES 2012

FSC Rules made by the Financial Services Commission under section 130 of the Insurance Act 2005

1. These Rules may be cited as the Insurance (Linked Long Term Insurance Business) Rules 2012.

2. In these Rules,

“Act” means the Insurance Act 2005;

“actuary” has the same meaning as under the Act;

“auditor” has the same meaning as under the Act;

“Commission” has the same meaning as in the Financial Services Act 2007;

“insurer” for the purposes of these Rules means a person carrying on long term insurance business who issues linked long term insurance policy;

“linked long term insurance policy” has the same meaning as under the Act;

“linked long term insurance policy sub-fund” (“LLTIP sub-fund”) refers to each separate sub-fund within a linked long term insurance policy to which a policyholder can choose to allocate his or her premium under the linked long term insurance policy;

“manager” means –

- (a) an insurer, if the insurer fully or partly manages the LLTIP sub-fund itself; or
- (b) a fund manager, other than the insurer, if the fund manager fully manages the LLTIP sub-fund or the underlying third-party fund(s) in which the LLTIP sub-fund is fully invested;

“net asset value” or “NAV” means value of total assets less total liabilities (excluding policyholders’ interest if this is classified as a liability);

“organised market” refers to an exchange, over-the-counter market or government securities market:

- (a) that is of good repute;
- (b) that is open to the public or a substantial number of market participants; or
- (c) on which financial instruments are regularly traded.

“policyholder”, in relation to an LLTIP or LLTIP sub-fund, means a policy owner of the LLTIP;

“property LLTIP sub-fund” means a sub-fund which invests or proposes to invest primarily in real estate and real estate-related assets (“property sub-fund”). The property sub-fund may or may not be listed on a organized market;

“quoted” means being listed for quotation, quoted or traded on an organised market.

Words and expressions used and not defined in these Rules shall have the same meaning as defined under the relevant Acts or regulations and FSC Rules made thereunder, as the case may be.

Notification to the Commission

3. For the purposes of these Rules, an insurer shall notify the Commission of -
 - (a) the insurer’s intention to launch any LLTIP sub-fund at least 30 days before the LLTIP sub-fund is established; and
 - (b) any significant change to any LLTIP sub-fund at least 30 days before the change is to take effect such as the following:
 - (i) a change in the investment objective or focus of the LLTIP sub-fund or in the investment approach of the manager as stated in the product summary or policy, where the “investment approach” refers to how the manager selects securities for the portfolio of the LLTIP sub-fund;
 - (ii) an increase in the remuneration payable to the insurer or manager (even where the remuneration is not increased beyond the maximum amount provided for in the product summary or policy) or a change in the basis upon which such remuneration is determined;
 - (iii) an increase in any other fees or charges payable out of the LLTIP sub-fund that are 0.1% or more of the NAV of the LLTIP sub-fund;
 - (iv) a new form of remuneration or expense payable out of the LLTIP sub-fund;
 - (v) the replacement, removal or appointment of a new manager, sub-manager, or investment adviser to the LLTIP sub-fund;
 - (vi) a variation in the rights or obligations of a policyholder as set out in the product summary or policy where the variation is materially prejudicial to policyholders;

- (vii) the closure of the LLTIP sub-fund except when it is a termination due to the maturity of the LLTIP sub-fund; and
- (viii) a change in the collateral policy from that disclosed in the product summary.

4. Notwithstanding rule 3(b), where an insurer is unable to determine whether a significant change would occur at least 30 days before the change is to take effect, the insurer shall inform the Commission and existing policyholders in writing of the significant change as soon as practicable, which includes any change which may materially affect the risks and returns of an LLTIP sub-fund¹.

5. For the purposes of rule 3(a), an insurer shall submit a copy of each of the following to the Commission:

- (a) a premium certificate containing the information specified in First Schedule;
- (b) a product summary containing the information specified in Second Schedule;
- (c) the policy containing the information specified in Third Schedule;
- (d) a benefit illustration of the LLTIP containing the information specified in Fourth Schedule; and

6. For the purpose of rule 3(b), where there is any significant change to any LLTIP sub-fund that will result in a change to any of the documents listed in rule 5, the insurer shall submit a copy of that document, where the change has been made, to the Commission for notification purpose.

7. The Commission may issue direction to the insurer to withdraw any LLTIP sub-fund which does not meet the regulatory standards required under these Rules.

Valuation of units in the LLTIP sub-fund

8. The units of an LLTIP sub-fund shall be issued, redeemed or repurchased at a price arrived at by dividing the NAV of the LLTIP sub-fund by the number of units outstanding. The price of units may be adjusted by adding or subtracting, as the case may be, fees and charges, in compliance with the fees and charges as disclosed in the product summary of the LLTIP.

9. Rule 8 does not apply during the initial offer period of the LLTIP sub-fund.

¹ Changes that may materially affect the risks and returns of an LLTIP sub-fund include significant unexpected changes in the general market conditions, the industry, sector or country or specific aspects of the financial instruments which the LLTIP sub-fund invests in.

10. At the maturity of a capital guaranteed LLTIP sub-fund, the units shall be redeemed at a price equal to the guaranteed amount or the NAV of the LLTIP sub-fund divided by the number of units outstanding, whichever is the higher.

Audit certificate relating to LLTIP sub-funds which are terminated or matured

11. For every LLTIP sub-fund which is terminated or matured, the insurer shall appoint an external auditor/require its appointed auditor to prepare an audit certificate certifying that it has not come to the auditor's notice, through the course of the audit, that:

- (a) the insurer has failed to realize all the assets of the LLTIP sub-fund as at the date of termination or maturity;
- (b) the insurer has failed to distribute all resultant proceeds (net of outstanding liabilities) to policyholders in the same proportion as their holdings in the LLTIP sub-fund; and
- (c) the insurer has failed to comply with any requirements as set out in these rules in relation to the LLTIP sub-fund from the date immediately after the period of the latest completed audit to the date of termination or maturity (final distribution to policyholders).

A list and description of liabilities which have not been settled but have been accrued to the LLTIP sub-fund and exclude from the final distribution shall be attached in the Appendix to the audit certificate.

12. The insurer shall ensure that the audit certificate is completed within 6 months after the termination or maturity of the LLTIP sub-fund.

13. The insurer shall send to the Commission a copy of the audit certificate on the LLTIP sub-funds which are terminated or matured within 30 days after the completion of the audit.

14. The insurer shall retain a copy of the audit certificate on the LLTIP sub-funds which are terminated or matured for a period of 7 years, from the date of termination or maturity of the LLTIP sub-fund.

15. The insurer shall make available the audit certificate to the policyholder, within 30 days of the policyholder's request, if such request is made within 7 years from the date of termination or maturity of the LLTIP sub-funds.

Disclosure

Guiding principles

16. An insurer issuing LLTIPs shall not provide any information about the LLTIP or LLTIP sub-fund that is false or misleading.
17. An insurer shall inform existing policyholders of any significant change to be made to the LLTIP or LLTIP sub-fund, not later than 30 days before the change is to take effect.
18. Any notification made by an insurer shall be in clear and simple language that policyholders can easily understand. The insurer shall avoid using technical terms but where the use of such terms is unavoidable, the insurer shall provide the policyholders with clear explanations of the meanings of such terms.
19. An insurer shall not market any LLTIP or LLTIP sub-fund with any sales material, including product summary and brochure, containing information which has not been updated within 12 months prior to such marketing.

Product summary and policy

20. An insurer issuing an LLTIP shall ensure that –
 - (a) information specified in the Second Schedule (information to be disclosed in the product summary) is disclosed in the product summary;
 - (b) information specified in the Third Schedule (information to be disclosed in the policy) is disclosed in policy.

Statement and reports to policyholders

21. The insurer shall prepare, or cause to be prepared for each LLTIP and LLTIP sub-fund a statement to policyholders containing the information required in Fourth Schedule (information to be disclosed in the statements to policyholders).
22. The insurer shall send, to all policyholders, the statement to policyholders within 30 days after each policy anniversary or a specified date by the insurer in each policy year. The insurer may send the statement to policyholders by electronic means.

Advertisements and publications

23. An insurer issuing an LLTIP or an LLTIP sub-fund shall ensure that the advertisements and publications relating to the LLTIP or LLTIP sub-fund comply with the requirements specified in the Fifth Schedule (information to be disclosed in advertisements and publications).

Payments from the LLTIP sub-fund

24. The insurer shall not pay or cause or permit to be paid, out of the assets of the LLTIP sub-fund:

- (a) any marketing or promotion expenses such as, expenses for advertisement in the media, mailer, facts sheets;
- (b) any fees from LLTIP sub-fund that have not been provided for in the product and policy contract; and
- (c) any payment which is unfair to, or materially prejudices the interests of, any policyholder or prospective investor.

Naming of LLTIP sub-fund

25. An insurer shall name an LLTIP sub-fund clearly. It shall not give potential investors a misleading view of the true nature and risks of the LLTIP sub-fund.

26. (a) The LLTIP sub-fund's name should:
- (i) be appropriate;
 - (ii) not be undesirable; and
 - (iii) not be misleading.
- (b) In assessing whether a name is undesirable or misleading, the Commission will consider factors including whether the name:
- (i) is substantially similar to the name of another LLTIP sub-fund;
 - (ii) implies that the LLTIP sub-fund has merits which are not, or might not be, justified;
 - (iii) implies that the manager of the LLTIP sub-fund has particular qualities, which may not be justified;
 - (iv) is inconsistent with the LLTIP sub-fund's investment objective or approach;
 - (v) implies that the LLTIP sub-fund is not LLTIP (for example, describing the LLTIP sub-fund as a "plan" or "account"); and
 - (vi) might mislead prospective policyholders into thinking that persons other than the manager are responsible for the LLTIP sub-fund.

(c) The use of the following terms, or any other derivative or form of such terms, in an LLTIP sub-fund's name and description is prohibited:

- (i) "capital protected"; and
- (ii) "principal protected".

Transactions with related parties

27. The manager should not invest funds belonging to the LLTIP sub-fund under its management in the securities of any related corporation of such insurer or manager, as applicable. However, the manager of an LLTIP sub-fund which is benchmarked against a widely accepted index constructed by a party independent of the insurer or manager, as applicable, may invest the monies of the LLTIP sub-fund in its own securities or those of any of its related corporations up to the weight of those securities in such index.

28. The manager should not lend monies of the LLTIP sub-fund under its management to related corporations of such manager or the insurer, as applicable.

Transaction at arm's length

29. The insurer and manager should conduct all transactions with or for an LLTIP sub-fund at arm's length.

Transactions consistent with the LLTIP sub-fund's objective and approach

30. The manager should acquire investments and enter into transactions which are consistent with the investment objective and approach of the LLTIP sub-fund

Use of credit rating

31. The manager should not rely solely or mechanistically on rating issued by credit rating agencies. The manager should, where possible, make its own credit assessments to verify ratings issued by credit rating agencies. In the event of a difference between the ratings issued by credit rating agencies, or between such external ratings and the manager's internal credit assessment, the lowest rating should be used. For the avoidance of doubt, all ratings used should be based on a rating scale that is globally comparable.

Significant influence

32. The insurer and manager should not, through the LLTIP sub-fund, carry out its investments activities in manner which would enable it to exercise significant influence over the management of an issuer of investments.

Exercise of voting rights

33. In the case where the insurer exercises the votes or has appointed another party to exercise the votes on its behalf in relation to investments of an LLTIP sub-fund, the insurer or manager should:

- (a) maintain a record of how the votes should be exercised; and
- (b) ensure that there is no conflict of interest in the exercise of the votes.

Suspension of dealings

34. The insurer may suspend dealing in units in an LLTIP sub-fund only in exceptional circumstances², after having determined that a suspension is in the best interest of policyholders.

35. The insurer should immediately notify the Commission if the dealing in units is suspended, stating the reasons for the suspension.

36. The suspension should cease as soon as practicable when the exceptional circumstances cease to exist, and in any event, within 21 days of the commencement of the suspension. The period of suspension may be extended if the insurer is satisfied that it is in the best interest of policyholders for the dealing in units to remain suspended. Such extension should be subject to weekly review by the insurer.

Resumption of dealings

37. The insurer should notify the Commission when dealing in units is resumed.

Valuation of assets of an LLTIP sub-fund

38. The value of the assets of an LLTIP sub-fund, in the case of quoted investments, should be based on:

- (a) the official closing price or the last known transacted price on the organised market on which the investment is quoted; or
- (b) the transacted price on the organised market on which the investment is quoted at a cut-off time specified in the product summary and applied consistently by the manager;

unless such price is not representative or not available to participants of the organised over-the-counter market. The manager of an LLTIP sub-fund should be

² Difficulties in realizing LLTIP sub-fund assets or temporary shortfalls in liquidity may not, on their own, be sufficient justification for suspension.

responsible for determining, with due care and in good faith, whether the price should be considered representative.

39. The value of the LLTIP sub-fund's assets, in the case of unquoted investments and quoted investments where the transacted prices are not representative or not available to the market, should be based on the fair value. The fair value should be the price that the sub-fund would reasonably expect to receive upon the current sale of the investment. Fair value should be determined with due care and in good faith, and the basis for determining the fair value of the investment should be documented.

40. Except for quoted securities, all the assets of an LLTIP sub-fund should be valued by a person approved by the insurer as qualified to value such assets.

41. When the market value or fair value, as the case may be, of a material portion of the LLTIP sub-fund's assets cannot be determined, the manager should suspend valuation and trading in the units of the LLTIP sub-fund.

Calculation of NAV using basis other than market quotations

42. The NAV of an LLTIP sub-fund may be determined using methods other than those specified in rules 38 to 41 above, provided that the insurer agrees with the alternative method and the prior approval of the Commission is obtained. Such a valuation may be performed by a person approved by the insurer as qualified to value the LLTIP sub-fund's investments.

Frequency of valuation

43. The insurer should ensure that the units of an LLTIP sub-fund should be valued every business day.

Where the LLTIP sub-fund:

- (a) does not offer dealing every business day, it should be valued every regular dealing day, but in any event, at least once a month;
- (b) is a property LLTIP sub-fund, it should have a full valuation at least once yearly.

Rounding differences

44. When calculating the price at which the units in an LLTIP sub-fund may be issued, redeemed or repurchased, it may be necessary to round up or down the resultant figure in order to obtain a finite rupee value. When calculating the number of units to be issued to a policyholder, it may also be necessary to round up or down the resultant figure in order to obtain a finite number of units. Rounding differences arising from calculating

the price of units in an LLTIP sub-fund or arising from calculating the number of units to be issued should be credited to the LLTIP sub-fund.

Valuation errors and compensation

45. When the insurer or manager becomes aware of an error in the calculation of an LLTIP sub-fund's NAV per unit, the insurer or manager should notify the Commission of the error, using the template set out in the Sixth Schedule, as soon as practicable. A revised valuation should be performed by the person responsible for the valuation, for each valuation date during the period of the error to ascertain the size of the error.

46. When a valuation error represents 0.5% or more of the LLTIP sub-fund's NAV per unit, the insurer or manager should:

- (a) compensate affected policyholders and notify them of the compensation made; and
- (b) compensate the LLTIP sub-fund for any losses incurred as a result of the valuation error.

The requirement to compensate policyholder does not apply if the amount of the compensation due to any single policyholder does not exceed Rs. 250. For any avoidance of doubt, the requirement to compensate the LLTIP sub-fund for any losses incurred would apply in all circumstances where the valuation error represents 0.5% or more of the LLTIP sub-fund's NAV per unit.

47. When a valuation error represents less than 0.5% of the LLTIP sub-fund's NAV per unit, there is no requirement for the insurer or manager to compensate policyholders or the LLTIP sub-fund for any losses incurred by them as a result of the valuation error. However, if the insurer or manager chooses to compensate one or more policyholders, then the insurer or manager should compensate all other policyholders in the LLTIP sub-fund on the same basis.

48. The insurer or manager should not pay or cause to be paid from the LLTIP sub-fund any expenses incurred as a result of effecting compensation for a valuation error.

49. The insurer should notify the Commission when such compensation has been completed in compliance with rules 46 to 48.

Delegation

50. An LLTIP sub-fund may be managed in part or in whole by a fund manager(s) other than the insurer (such management referred to herein as "sub-managed" and such LLTIP sub-fund referred to herein as "a sub-managed LLTIP sub-fund"). Where an LLTIP sub-fund is sub-managed, the insurer should ensure that the LLTIP sub-fund is invested in accordance with these rules and there are:

(a) adequate procedures in place to monitor the conduct of its delegate and to ensure that the function delegated or outsourced is performed in a proper and efficient manner; and

(b) controls in place to ensure compliance with these rules.

Performance fees

51. (a) Performance fees payable by the LLTIP sub-fund should meet the following requirements:

(i) the calculation of performance fees payable should be equitable to all policyholders;

(ii) the performance fee should be calculated and paid after consideration of all other payments;

(iii) the period over which the performance fee accrues and the frequency with which it crystallizes should be appropriate. Crystallisation of performance fee should be no more frequent than once a year; and

(iv) the calculation of performance fee should be based on an appropriate benchmark such as an index, a defined positive rate of return which may be fixed or variable or any other factor given the LLTIP sub-fund's investment objectives and consistently applied.

Disclosure requirements

(b) Where performance fees are payable by the LLTIP sub-fund, the product summary should disclose:

(i) that a performance fee is payable and to whom it is payable;

(ii) if applicable, that a performance fee can be levied even if the return of the LLTIP sub-fund is negative;

(iii) the maximum amount or percentage of the LLTIP sub-fund's NAV that the performance fee might represent in an annual accounting period.

Prohibited activities

52. An LLTIP sub-fund should not engage in:

(a) direct lending of monies;

(b) the granting of guarantees;

(c) underwriting; or

(d) short selling.

Insurance agent and salesperson

53. An insurer shall provide adequate training to its insurance agents and salespersons before they start selling LLTIPs.

Report of breaches

54. The insurer should inform the Commission, within 3 business days after the insurer becomes aware, of any breach of the requirements set out in these rules.

Commencement

55. These Rules shall come into operation on the date of its publication in the Government Gazette.

Made by the Financial Services Commission on2012

DRAFT

FIRST SCHEDULE
(rule5(a))

INFORMATION TO BE DISCLOSED IN PREMIUM CERTIFICATE

1. The following particulars are to be supplied-
 - (a) the basis of determining premium allocation;
 - (b) the mortality table;
 - (c) investment objectives and approach of the LLTIP sub-fund;
 - (d) the provision included in the premium rates for -
 - (i) initial commission;
 - (ii) other initial expenses;
 - (iii) renewal commission;
 - (iv) renewal expenses;
 - (v) mortality charges;
 - (vi) other expenses, e.g. after expiry of the premium paying period;
 - (e) the provision included for contingencies;
 - (f) the adjustments made for large sums insured and for the payment of premiums more frequently than annually;
 - (g) the basis on which the actuarial reserve of the policy would be made;
 - (h) frequency of valuation;
 - (i) bid-offer spread and/or redemption charges; and
 - (j) a certificate by a qualified actuary that the mortality charges are suitable and in accordance with sound insurance principles.
2. The description of each provision for expenses shall be made in a form which is readily understandable by a person with reasonable knowledge of long term insurance business and shall include details of the rates of all commissions which will be paid (including overriding commission) and the conditions for payment.
3. The certificate of the actuary shall be accompanied by a statement setting out the relationship of the assumptions made by the actuary as to mortality and expenses to the actual experience of the company in respect of each of these components of the premium for this type of policy or for similar types of policy.

SECOND SCHEDULE
(rules 5(b) and 20(a))

INFORMATION TO BE DISCLOSED IN THE PRODUCT SUMMARY

Description of policy

1. The insurer shall provide in the product summary for the LLTIP a general description, in non-technical terms, of the principal features of the LLTIP, including a description of the manner in which the benefits shall reflect the investment performance of each LLTIP sub-fund and factors affecting the policy benefits.
2. The insurer shall comply with the requirements set out on paragraphs 4 to 44 in this Schedule for each of the LLTIP sub-funds selected for investment under the LLTIP when providing information in the product summary.

Available LLTIP sub-funds

3. List the name of each of the LLTIP sub-funds available for investment under the LLTIP.

Information on the manager

4. List the manager of each of the LLTIP sub-funds.
5. State the track record of the manager, including the number of years the manager has managed LLTIP sub-funds, including long term insurance funds whether in Mauritius or elsewhere (if applicable).

Other parties

6. State the name of the person (if any) who advises the manager in his management of the LLTIP sub-fund. The manager retains full discretion over the investments of the LLTIP sub-fund.
7. State the name of the auditor for each LLTIP sub-fund.

Structure of the LLTIP sub-fund

8. State if the LLTIP sub-fund is a single fund or a sub-fund under an umbrella fund.

Investment objectives, focus and approach

9. State the investment objectives and focus of the LLTIP sub-fund, including the types of investment, the countries or markets in which the LLTIP sub-fund invests, and the target industry or sector, where applicable.

Risks

10. Provide warning statements on the general risks of investing in the LLTIP and each LLTIP sub-fund.
11. State the risks specific to each LLTIP sub-fund by -
 - (a) describing and explaining any major risk peculiar to the LLTIP sub-fund, including any risk arising from the markets, countries or sectors in which the LLTIP sub-fund invests;
 - (b) where the LLTIP sub-fund has an investment in a market outside Mauritius, stating whether the manager intends to hedge its foreign currency exposure and, if so, how it shall do so (e.g. whether an active or passive hedging policy shall be adopted);
 - (c) where the LLTIP sub-fund is not denominated in Mauritian Rupee, stating whether the manager intends to fully hedge the foreign currency exposure, and if not, stating the policyholders shall be exposed to exchange rate risk.

Fees and charges

12. Set out the fees and charges listed below (where applicable) for the LLTIP and LLTIP sub-fund. Where there is a provision for a maximum fee or charge payable, highlight that fact and state that maximum.

Payable through deduction from premium or cancellation of units

- (a) initial charge
- (b) redemption fee
- (c) switching fee between LLTIP sub-funds
- (d) charges for insurance coverage
- (e) premium allocation rate
- (f) surrender charges (if and when applicable)
- (g) any other fee or charge payable by policyholder, including policy fee

Payable through deduction from asset value of the LLTIP sub-fund

- (a) management fee

- (b) additional fee charged by other underlying funds in which the LLTIP sub-fund invests (if applicable)
- (c) performance fee (if applicable)
- (d) any other substantial fee or charge (i.e. 0.1% or more of the LLTIP sub-fund's asset value). Where a fee or charge is expected to be substantial (i.e. 0.1% or more of the LLTIP sub-fund's asset value) but is currently indeterminable, state that fact and explain why it cannot be determined currently.

Subscription of units

- 13. State how units in the LLTIP sub-fund may be purchased and how they are to be paid for.
- 14. State the minimum single premium, regular premium and top-up premium amount.
- 15. In the case of a new LLTIP sub-fund, state the initial purchase price and initial offer period.
- 16. State, in plain language, the dealing deadline and whether pricing is done on a forward or historical basis. State also whether pricing is done on an offer-bid or single pricing basis.
- 17. Give a numerical example of how the number of units allotted to a policyholder under an offer-bid or single pricing basis is derived, based on an investment of Rs. 1,000.
- 18. Where the launch of an LLTIP sub-fund or the continued operation of an existing LLTIP sub-fund is conditional upon a minimum LLTIP sub-fund size, state that fact and the minimum LLTIP sub-fund size.
- 19. In the case of an LLTIP sub-fund where the insurer has a right not to proceed with the launch of the LLTIP sub-fund and to return the contributions to the applicants of the LLTIP sub-fund, state this fact, the circumstances under which this may occur (e.g. where a minimum LLTIP sub-fund size is not reached) and whether the refund shall include any interest accrued.
- 20. Where there are two or more different classes of units available for subscription, describe the features of each class and the rights or obligations of policyholders of each class.

Redemption of units

- 21. State how units in the LLTIP sub-fund may be redeemed or sold.

22. State the minimum holding amount and minimum redemption amount (if applicable).

23. State, in plain language, the dealing deadline and whether pricing is done on a forward or historical basis.

24. Give a numerical example of how the amount paid to a policyholder under an offer-bid or single pricing basis is calculated, based on the sale of 1,000 units in the LLTIP sub-fund taking into account all fees or charges payable by the policyholder upon redemption.

25. State the period within which redemption proceeds shall be paid to policyholders.

Switching of units

26. State the procedure for switching of units (where applicable).

Obtaining prices of units

27. State how policyholders may obtain the buying and selling prices of units in the LLTIP sub-fund and the dealing days to which the prices apply. Where prices are available from certain publications or media in Mauritius, state the names of such publications or media. State the frequency of valuing the units.

Suspension of dealings

28. Describe any exceptional circumstances under which the issue or redemption of units may be suspended.

Past performance (where applicable)

29. Where the LLTIP sub-fund has been set up for at least a year, state the return on the LLTIP sub-fund over the last 1 year and where applicable, the return on the LLTIP sub-fund over the last 3, 5 and 10 years and since inception of the LLTIP sub-fund.

30. Where the LLTIP sub-fund has been constituted for less than 1 year, state the fact that a track record of at least one year is not available.

31. State the basis of calculation of past performance and where applicable, include a statement that fees and charges payable through deduction of premium or cancellation of units are excluded from this calculation.

32. Where dividends have been declared or distributions have been made by the LLTIP sub-fund, state the return on the LLTIP sub-fund, calculated on the assumption that all dividends and distributions are reinvested, taking into account all charges which

would have been payable upon such reinvestment and include a statement that the return is calculated on this basis.

33. Where the total return on the LLTIP sub-fund is presented for a period exceeding 1 year, state the average annual compounded return on the LLTIP sub-fund over the same period.
34. Indicate the period to which the return on the LLTIP sub-fund relates, of which -
 - (a) the last day of the period shall not be earlier than 6 months prior to the disclosure; and
 - (b) the first day and last day of the period shall be determined on either of the following bases -
 - (i) the first business day or last business day of a month; or
 - (ii) the first dealing day or last dealing day of the LLTIP sub-fund in a month.
35. Include an appropriate warning that any past performance of the LLTIP sub-fund is not necessarily indicative of the future performance of the LLTIP sub-fund.
36. The insurer shall not include in the product summary or in any of the documents provided to the policyholders any information on past performance based on the simulated results of a hypothetical fund.

Comparison of past performance of the LLTIP sub-fund with that of another LLTIP sub-fund or an index

37. The insurer shall not include in a product summary any comparison of the past performance of the LLTIP sub-fund with that of another LLTIP sub-fund, unless:
 - (a) such other LLTIP sub-fund has investment objectives and an investment focus similar to those of the LLTIP sub-fund; and
 - (b) the insurer states the basis of calculation of past performance and where applicable, that fees and charges payable through deduction of premium or cancellation of units are excluded from this calculation.
38. The insurer shall not include in a product summary any comparison of the past performance of the LLTIP sub-fund with that of an index, unless:
 - (a) such index is the benchmark selected pursuant to paragraph 49 of this Schedule for the LLTIP sub-fund or reflects the investment focus of the LLTIP sub-fund; and

- (b) the insurer states the basis of calculation of past performance and where applicable, that fees and charges payable through deduction of premium or cancellation of units are excluded from this calculation.

39. The insurer shall not make any comparison of the past performance of the LLTIP sub-fund with that of another LLTIP sub-fund or index, unless:

- (a) such comparison is made using a common currency and where the currencies of the entities being compared are different, the conversion to the common currency is based on prevailing exchange rates at the beginning and end of the comparison period; and
- (b) such comparison is based on a period of not less than a year, except where the LLTIP sub-fund has been constituted for less than a year, in which case, any such comparison is based on a period commencing from the inception of the LLTIP sub-fund.

40. Paragraphs 31 to 36 of this Schedule shall also apply in the calculation of past performance referred to in paragraphs 37 to 39 of this Schedule.

Comparison of past performance of the LLTIP sub-fund with that of another form of investment

41. The insurer shall not include in the product summary any comparison of the past performance of the LLTIP sub-fund with that of another form of investment, unless:

- (a) such other form of investment has a risk profile similar to that of the LLTIP sub-fund; and
- (b) the insurer states the basis of calculation of past performance and where applicable, that fees and charges payable through deduction of premium or cancellation of units are excluded from this calculation.

42. The insurer shall not make any comparison of the past performance of the LLTIP sub-fund with that of another form of investment unless it is based on a period of not less than a year, except where the LLTIP sub-fund has been constituted for less than a year, in which case, any such comparisons shall be based on a period commencing from the inception of the LLTIP sub-fund.

43. Paragraphs 31 to 36 of this Schedule shall also apply in the calculation of past performance referred to in paragraphs 41 to 42 of this Schedule.

Future performance of the LLTIP sub-fund

44. Subject to paragraph 46 of this Schedule, the insurer shall not, in the product summary -

- (a) include any prediction or forecast as to the future or likely performance of the LLTIP sub-fund; or
- (b) use words such as ‘targeted’, ‘expected’ or any similar words or description in relation to a rate of return.

45. The insurer may include in the product summary a prediction, projection or forecast on the economy, stock market, bond market or the economic trends of the markets which are targeted by the LLTIP sub-fund but the insurer shall juxtapose such prediction, projection or forecast with a prominent statement to the effect that the prediction, projection or forecast is not necessarily indicative of the future or likely performance of the LLTIP sub-fund.

46. The Commission may by notice in writing allow the insurer to include in the product summary a prediction, projection or forecast on any matter, other than that referred to in paragraph 45 of this Schedule, in relation to the future or likely performance of the LLTIP sub-fund.

47. Where the Commission has granted the insurer an allowance under paragraph 46, such product summary shall not include a prediction, projection or forecast on any matter under paragraph 46 of this Schedule unless -

- (a) the person making the prediction, projection or forecast has reasonable grounds for making it; and
- (b) the product summary discloses such assumptions, warning statements and other information as may be required by the Commission.

48. Where the return on the LLTIP sub-fund is guaranteed or, where the use of a prediction, projection or forecast has been allowed by the Commission under paragraph 46 of this Schedule, the insurer shall present any guaranteed return or, prediction, projection or forecast on an average annual compounded basis.

Performance of benchmark (where applicable)

49. Disclose the benchmark against which the LLTIP sub-fund’s performance is or shall be measured. If a customised benchmark or combination of multiple benchmarks is used, describe how the benchmark is derived.

50. In the case of an existing LLTIP sub-fund, disclose the performance of the benchmark over the last 1, 3, 5 and 10 years and since inception of the LLTIP sub-fund (where applicable).

51. If there has been a change in benchmark at any point in the life of the LLTIP sub-fund, state the fact and explain the reason for the change.

52. Where no benchmark is used, explain why no benchmark is used.

Conflicts of interest

53. Describe any conflict of interest which exists or may arise in relation to the LLTIP sub-fund and its management, state whether these conflicts of interest shall be resolved or mitigated, and if so, how they shall be resolved or mitigated.

54. The factors to be taken into account by the insurer and manager when determining if there are any conflicts of interest include -

- (a) the nature and extent of the interest of the insurer, manager, investment adviser or sub-manager, or any of its directors, in respect of the LLTIP sub-fund or any property acquired or proposed to be acquired by the LLTIP sub-fund;
- (b) any possibility of the insurer or manager acquiring an interest in the LLTIP sub-fund;
- (c) any affiliation between the insurer, manager or sub-manager, or any of the directors of the insurer, manager or sub-manager, and entities which provide services to the LLTIP sub-fund; and
- (d) where the insurer, manager or sub-manager manages other funds with a similar investment focus, how orders for transactions of the same property are allocated between the funds.

Other material information

55. State all other material information that investors and their professional advisers would reasonably require and expect to find in the product summary, for the purpose of making an informed decision about the merits and risks of the LLTIP and LLTIP sub-fund.

THIRD SCHEDULE
(rules 5(c) and 20(b))

INFORMATION TO BE DISCLOSED IN THE POLICY

In the policy for linked long term insurance policies, the insurer shall do the following-

Fees and charges

1. Set out the fees and charges payable, including those payable through deduction of premium or cancellation of units, and those payable from the assets of the LLTIP sub-fund. Where the fee or charge is not fixed, highlight that fact and state the maximum if there is a provision for a maximum fee or charge payable. Set out how changes in fees and charges shall be disclosed to policyholders.

Subscription and redemption of units

2. State the dealing deadline and the pricing basis, whether done on a forward or historical basis. State also whether pricing is done on an offer-bid or single pricing basis.

3. Where there are two or more different classes of units available for subscription, describe the features of each class and the rights or obligations of policyholders of each class.

4. State how units in the LLTIP sub-fund may be redeemed or sold.

5. State the minimum holding amount and minimum redemption amount.

6. State how policyholders may obtain the buying and selling prices of units in the LLTIP sub-fund and the dealing days to which the prices apply.

7. State the circumstances in which the insurer or manager for the LLTIP sub-fund or any other person may be required to purchase from a policyholder any unit subscribed for or acquired by the policyholder and the method of determining the price at which the unit is to be purchased.

Switching of units

8. State the procedure for switching of units (where applicable).

Suspension of dealings

9. Describe any exceptional circumstances under which the issue or redemption of units may be suspended.

FOURTH SCHEDULE
(rule 21)

**INFORMATION TO BE DISCLOSED IN THE STATEMENT TO
POLICYHOLDERS**

The insurer shall submit to policyholders a statement on the performance and status of their investment-linked policies on at least an annual basis, which shall contain the following information -

- (a) number and value of units held at the end of the previous statement period;
- (b) number and value of units (at point of subscription) bought during the statement period including the average unit price*;
- (c) number and value of units (at point of redemption or deduction) sold or deducted during the statement period including the average unit price;
- (d) number and value of units held at end of current statement period;
- (e) fees and charges payable through deduction of premium or deduction of units, identifying each by the purpose for which the fees and charges relate such as initial charge, charge for insurance coverage or switching fee;
- (f) premiums received during the statement period;
- (g) current death benefit at the end of the current statement period;
- (h) net cash surrender value at the end of the current statement period; and
- (i) amount of outstanding loans, if any, at the end of the current statement period.

* “Average unit price” is calculated as the Value of units/Number of units.

Information to be contained in benefit illustrations:

Sample Illustration

Prepared for: Mr. Prospect

Age next birth: 35, Male Non-smoker

Single premium: Rs. 500,000

Sum assured: Rs. 625,000

Fund allocation:

Policy term: To age 99

- Global Equity Fund.....10%
- Global Fixed Income Fund.....10%
- Capital growth Fund.....80%

Capital Growth Fund matures in 10 years. For the purpose of this benefit illustration only, it is assumed that all units in this fund upon maturity will be switched into another fund with comparable charges.

End of Policy Year	Total Premium Paid	Total Dist'n Cost	Surrender Value Non-guaranteed (Rs.)		Death/Terminal Illness/TPD Benefit (Rs.)			Effect of Deduction (Rs.)
	(Rs.)	(Rs.)	5%	9%	Guaranteed	5%	9%	
1	500,000	13,750	504,552	523,774	625,000	625,000	625,000	21,226
2	500,000	13,750	522,201	562,746	625,000	625,000	625,000	31,304
3	500,000	13,750	540,468	604,618	625,000	625,000	625,000	42,896
4	500,000	13,750	559,373	649,606	625,000	625,000	649,606	56,185
5	500,000	13,750	578,939	697,942	625,000	625,000	697,942	71,370
6	500,000	13,750	599,190	749,874	625,000	625,000	749,874	88,677
7	500,000	13,750	620,150	805,670	625,000	625,000	805,670	108,350
8	500,000	13,750	641,842	865,617	625,000	641,842	865,617	130,664
9	500,000	13,750	664,293	930,025	625,000	664,293	930,025	155,921
10	500,000	13,750	687,530	999,226	625,000	687,530	999,226	184,456
15	500,000	13,750	816,489	1,430,567	625,000	816,489	1,430,567	390,674
20	500,000	13,750	969,636	2,048,107	625,000	969,636	2,048,107	754,098
25	500,000	13,750	1,151,509	2,932,224	625,000	1,151,509	2,932,224	1,379,316
30	500,000	13,750	1,367,495	4,197,993	625,000	1,367,495	4,197,993	2,435,846
35	500,000	13,750	1,623,993	6,010,162	625,000	1,623,993	6,010,162	4,196,822
40	500,000	13,750	1,928,603	8,604,600	625,000	1,928,603	8,604,600	7,100,110

FIFTH SCHEDULE
(rule 23)

INFORMATION TO BE DISCLOSED IN ADVERTISEMENTS AND PUBLICATIONS

Advertisement shall not be false or misleading

1. No insurer shall provide any information in any advertisement or a publication that is false or misleading, or that cannot be justified on the facts known to the person responsible for the advertisement or publication, at the time the advertisement or publication is advertised or published.
2. No insurer shall, whether by the prominence given to specific information or otherwise, create in any advertisement or publication in relation to an LLTIP or LLTIP sub-fund a false or misleading impression as to the LLTIP or LLTIP sub-fund in question.

Contents of advertisement

3. Where an offer or invitation in respect of units in an LLTIP sub-fund is being made at the time an advertisement or publication in relation to the LLTIP sub-fund is advertised or published, the insurer shall not advertise or publish the advertisement or publication unless such advertisement or publication -
 - (a) states -
 - (i) that a product summary in relation to the LLTIP sub-fund is available;
 - (ii) how a copy of the product summary may be obtained;
 - (iii) that a potential investor should read the product summary before deciding whether to subscribe for units in the LLTIP sub-fund; and
 - (iv) that the value of the units in the LLTIP sub-fund and the income accruing to the units, if any, may fall or rise;
 - (b) states the name of the insurer of the LLTIP and the manager of the LLTIP sub-fund if the advertisement or publication does not otherwise clearly identify the insurer or manager;
 - (c) where the name of the LLTIP sub-fund is not indicative of the LLTIP sub-fund's investment objectives and focus, states the LLTIP sub-fund's investment objectives and focus;

(d) where the advertisement or publication includes a quotation expressing acclaim or approval for or recommending the LLTIP sub-fund or the manager for the LLTIP sub-fund, states the source of such quotation;

(e) where there is no guarantee or warranty given as to -

(i) the protection of the principal sum a policyholder invests in the LLTIP sub-fund (whether including or excluding the subscription fee); or

(ii) the rate of return on the LLTIP sub-fund,

does not contain words such as “guarantee”, “warranty” or any other expression suggesting that the principal sum invested in or rate of return on the LLTIP sub-fund is guaranteed, or that a policyholder cannot lose money;

Past performance of LLTIP sub-fund

4. No insurer shall order the publication of an advertisement or publication in relation to an LLTIP sub-fund that includes information on the past performance of the LLTIP sub-fund unless the advertisement or publication -

(a) includes a prominent statement that the past performance of the LLTIP sub-fund is not necessarily indicative of the future performance of the LLTIP sub-fund;

(b) states the return on the LLTIP sub-fund and include a statement on the basis of calculation of the return;

(c) where dividends have been declared or distributions have been made by the LLTIP sub-fund, states the return on the LLTIP sub-fund, calculated on the assumption that all dividends and distributions are reinvested, taking into account all charges which would have been payable upon such reinvestment, and includes a statement that the return is calculated on this basis;

(d) presents the return on the LLTIP sub-fund in relation to a period of not less than one year, except that in the case of an LLTIP sub-fund that has been constituted for less than 12 months, presents the return on the LLTIP sub-fund in relation to a period commencing from the inception of the LLTIP sub-fund;

(e) where the total return on the LLTIP sub-fund is presented for a period exceeding one year, states the average annual compounded return on the LLTIP sub-fund over the same period; and

(f) indicates the period to which the return on the LLTIP sub-fund relates, of which -

- (i) the last day of the period shall not be earlier than 3 months prior to the day on which the advertisement or publication is advertised or published; and
- (ii) the first day and last day of the period shall be determined on either of the following bases-
 - (A) the first business day or last business day of a month; or
 - (B) the first dealing day or last dealing day of the LLTIP sub-fund in a month.

5. Where any past performance of an LLTIP sub-fund included in an advertisement or publication in relation to that LLTIP sub-fund is due to exceptional circumstances that may not be sustainable, the insurer shall include in the advertisement or publication a prominent warning statement to that effect.

6. For the purposes of paragraph 5 of this Schedule, exceptional circumstances include, but is not limited to –

- (a) an investment in an initial public offer of securities which has a large impact on the return on the LLTIP sub-fund but where such return is unlikely to be sustained; and
- (b) a high annual return for a particular year where the LLTIP sub-fund has, or LLTIP sub-funds with a similar investment focus have, yielded a much lower historical long term average annual compounded return.

7. No insurer shall include in an advertisement or publication in relation to an LLTIP sub-fund any information on past performance based on simulated results of a hypothetical LLTIP sub-fund.

Comparison of Past Performance of LLTIP Sub-Fund with that of another LLTIP Sub-Fund or an Index

8. No insurer shall order for publication an advertisement or a publication in relation to an LLTIP sub-fund with a comparison of the past performance of the LLTIP sub-fund with that of another LLTIP sub-fund unless –

- (a) such other LLTIP sub-fund has investment objectives and an investment focus which are similar to those of the LLTIP sub-fund to which the advertisement or publication relates; and
- (b) the advertisement or publication states the basis of calculation of past performance and where applicable, that fees and charges payable through deduction of premium or cancellation of units are excluded from this calculation.

9. No insurer shall order for publication an advertisement or a publication in relation to an LLTIP sub-fund that includes a comparison of the past performance of the LLTIP sub-fund with that of an index unless –

- (a) such index is the benchmark chosen pursuant to paragraph 49 of the Second Schedule for the LLTIP sub-fund or an index which reflects the investment focus of the LLTIP sub-fund; and
- (b) the advertisement or publication states the basis of calculation of past performance and where applicable, that fees and charges payable through deduction of premium or cancellation of units are excluded from this calculation.

10. No insurer shall make any comparison of the past performance of an LLTIP sub-fund with that of another LLTIP sub-fund or with an index unless such comparison uses a common currency and where the currencies of the entities being compared are different, such comparison must base the conversion to the common currency on prevailing exchange rates at the relevant time.

Comparison of Past Performance of LLTIP Sub-Fund with that of another form of Investment

11. No insurer shall, in an advertisement or publication in relation to an LLTIP sub-fund, include a comparison of the past performance of the LLTIP sub-fund with that of another form of investment unless –

- (a) such other form of investment has a risk profile which is similar to that of the LLTIP sub-fund; and
- (b) such advertisement or publication states the basis of calculation of past performance and where applicable, that fees and charges payable through deduction of premium or cancellation of units are excluded from this calculation.

12. Any person making a comparison of past performance of an LLTIP sub-fund with that of another form of investment shall also comply with the requirements set out in paragraphs 4 to 7 of this Schedule.

Performance of Manager or Sub-Manager

13. No insurer shall include any information on the past or present performance, skills or techniques of the manager for the LLTIP sub-fund or a person managing the assets of the LLTIP sub-fund on behalf of the manager (referred to in this Schedule as a sub-manager) in any advertisement or publication in relation to an LLTIP sub-fund, unless the advertisement or publication –

- (a) states the source of such information;

- (b) indicates the period to which such information relates; and
- (c) includes a prominent statement that the past performance of the manager or sub-manager is not necessarily indicative of its future performance.

14. No insurer shall, in any advertisement or publication in relation to an LLTIP sub-fund, present any information on the past or present performance, skills or techniques of the manager or sub-manager for the LLTIP sub-fund, or the past or present performance of any other LLTIP sub-fund under the management of the manager or sub-manager, in a selective or biased way, such that any particular success is exaggerated or lack of success is disguised.

Future Performance of LLTIP Sub-Fund

15. Subject to paragraph 17 of this Schedule, no insurer shall, in an advertisement or publication in relation to an LLTIP sub-fund -

- (a) include any prediction or forecast as to the future or likely performance of the LLTIP sub-fund; or
- (b) use words such as “targeted”, “expected” or any similar words or description in relation to a rate of return.

16. No insurer shall include any prediction, projection or forecast on the economy, stock market, bond market or the economic trends of the markets which are targeted by the LLTIP sub-fund in any advertisement or publication unless such advertisement or publication is accompanied by a prominent statement to the effect that the prediction, projection or forecast is not necessarily indicative of the future or likely performance of the LLTIP sub-fund.

17. The Commission may by notice in writing allow, in an advertisement or publication in relation to an LLTIP sub-fund, inclusion of a prediction, projection or forecast on any matter other than that referred to in paragraph 16 of this Schedule.

18. No insurer shall include in an advertisement or publication in relation to an LLTIP sub-fund a prediction, projection or forecast on any matter under paragraph 17 of this Schedule unless –

- (a) the person making the prediction, projection or forecast has reasonable grounds for making it; and
- (b) the advertisement or publication discloses such assumptions, warning statements and other information as may be required by the Commission.

19. Where the return on an LLTIP sub-fund is guaranteed, the insurer shall present any guaranteed return on an average annual compounded basis.

20. A person presenting any prediction, projection or forecast allowed by the Commission under paragraph 17 of this Schedule, shall present such prediction, projection or forecast on an average annual compounded basis.

Legibility and audibility

21. Where an advertisement or publication in relation to an LLTIP sub-fund is in a visual form, the insurer shall cause the publication of such advertisement or publication containing the information required under paragraphs 3 and 20 of this Schedule -

- (a) to be clearly legible; and
- (b) in the case of an advertisement or publication appearing in any document, including a newspaper, periodical, magazine or letter, electronic mail or website, to be in a font size of at least 10-point Times New Roman.

24. Where an advertisement or publication in relation to an LLTIP sub-fund in a visual form contains a footnote, the insurer shall cause the footnote -

- (a) to be in a font size which is at least half the font size of the word or statement to which it relates; and
- (b) in the case of an advertisement or publication appearing in any document, including a newspaper, periodical, magazine or letter, electronic mail or website, to be in a font size which is at least 10-point Times New Roman but need not be larger than 14-point Times New Roman.

7. Where an advertisement or publication in relation to an LLTIP sub-fund is shown or broadcast over the radio, television, cinema or other similar means, the insurer ordering the publication of such advertisement or publication shall cause the information required under paragraph 3(a)(iii) of this Schedule to be contained in the advertisement or publication to be audible, unless the advertisement or publication is only in visual form, in which case such person shall cause such information to be visually displayed in a legible size for at least 5 seconds.

SIXTH SCHEDULE
(rule 45)

VALUATION ERROR REPORT TEMPLATE

The valuation error report should be made using the insurer's company letterhead and sent by registered post. The report should contain the following information:

1. State the name of the LLTIP sub-fund and class(es) of units affected by valuation error.
2. Describe the nature of the error (e.g. overvalued or undervalued) and state the magnitude of error as a percentage of the LLTIP sub-fund's Net Asset Value (NAV).
3. Attach a calculation of the valuation error.
4. State when and how the valuation error was discovered.
5. Provide detailed reasons for the valuation error.
6. Name the entities responsible for the valuation error.
7. State the time period over which the valuation error occurred.
8. If compensation (i.e. valuation error represents 0.5% or more of the LLTIP sub-funds NAV per unit) is required:
9. State the number of affected Mauritian policyholders (as recorded in the sub-fund register) who (a) subscribed; and (b) redeemed, during the time period over which the valuation occurred, if any.
10. State the amount of compensation to be paid to (a) policyholders; and (b) the LLTIP sub-fund, if any.
11. State the name of the entity that pays for the compensation.
12. Attach a calculation of the total compensation to be made.
13. Describe the measures taken, or to be taken, to improve internal controls and prevent the occurrence of similar incidents.