Financial Services Commission
Mauritius

Release

Section 81 of the Insurance Act 2005 « Free choice to provide an insurance policy »

The public is hereby informed that according to the provisions of Section 81 of the Insurance Act 2005, any person who has to provide an insurance policy in order to guarantee a debt or other obligation with respect to a:-

(1) loan;
(2) leasing arrangement; or
(3) a credit facility

has a free choice as to the insurance policy required to guarantee this transaction. The insurance policy to be provided can take the form of:-

(1) a new insurance policy;
(2) an existing insurance policy; or
(3) a combination of the two above.

A person who chooses to contract a **new insurance policy** may freely:-

(1) choose his insurer or if required his insurance agent;
(2) decide if the benefits of this insurance policy would be provided in an event other than death or disability of the insured; and
(3) decide if the value of the benefits provided under this new insurance policy taken in aggregate with the value of the benefits to be provided under any other insurance policy, shall exceed the value of that debt or other obligation.

A person who chooses to provide an **existing insurance policy as a guarantee** has the right to decide if modifications are required to that insurance policy in order to provide that:-

(1) policy benefits would be available in an event other than death or disability of the insured; or

(2) the value of the policy benefits provided under that existing insurance policy taken in aggregate with the value of the benefits to be provided under any other insurance policy, shall exceed the value of that debt or other obligation.

Any person who is required to provide an insurance policy to guarantee a debt or other obligation must be able to confirm, in writing, that he has been informed of his right to this free choice under Section 81 of the Insurance 2005 and that he has exercised this right freely and willingly.

The benefits provided under an insurance policy would be paid to the creditor up to the value of his debt or any other obligation and any surplus thereof would be paid to the insured.

In case the above requirements have not been complied with, the guarantee provided by the insurance policy would be considered as void and the benefits provided thereunder would be paid to the insured.

However, the provisions of Section 81 of the Insurance Act 2005 which provide for free choice of policy do not apply to a loan granted by a long term insurance company to a long term insurance policyholder where this loan is to be guaranteed by the said long term insurance.

This press release is issued by the FSC pursuant to the exercise of its functions under Section 6(m) of the Financial Services Act 2007 for the protection of consumers of financial services.

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