



# Newsletter

## NOVEMBER 2020

### Vision

Our Vision is to make Mauritius a clean and transparent jurisdiction of substance and repute offering high standard financial services at the national, regional and international level.

### Mission

To transform Mauritius into a Financial Centre of Excellence anchored on principles of good governance, global best practices and high ethical standards.

## Launching of Skills Development Programme for Insurance Sector



The Skills Development Programme for the Insurance Sector was officially launched by the Minister of Financial Services and Good Governance, Hon. Mahen Kumar Seeruttun on 27 November 2020 at the Labourdonnais Waterfront Hotel Port-Louis in the presence of Mr Bertrand Casteres, and Mr Vasish Ramkhalawon, President and Secretary General of the Insurer’s Association of Mauritius (IAM).

The Hon. Minister pointed out that this Programme will provide enormous opportunities and career pathways to current employees, besides opening doorways for people who are thinking of making a career change and bring our youth to the world of work and ensure that they earn decent livelihoods. As the industry continues to modernise in the digital age, successful insurers

will be those that address shortage of human capital in expert areas and successfully conduct talent transformations. According to the President of the IAM Mr Bertrand Casteres, the Insurance sector in Mauritius is well developed

*“This project is very compelling in an era whereby the Insurance sector is witnessing major transformation and is being deeply challenged by a raft of trials from digital advancements, regulatory overhauls to a prolonged low yield environment.”*

and regulated by the Financial Services Commission (FSC) under the Insurance Act 2005. Over the last 15 years, the insurance industry has witnessed a major transformation of

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its business model. With a contribution to GDP of 2.6%, the insurance sector plays an important role in maintaining the stability in the financial system by safeguarding the risks of households and businesses. Insurance companies are not only large investors which carry most of the investible assets in the country but they employ around 2600 people directly. However, the insurance sector including brokers, accredited agents and insurance professional employs more than 3000 people. *(continued on page 3)*

## Listing of CIM Financial Services Ltd on the Stock Exchange of Mauritius



Cim Financial Services Limited (CFSL) is headquartered in Mauritius. It is regulated by the Bank of Mauritius (BOM) as a non-banking deposit taking institution and licenced by the Financial Services Commission (FSC) as a credit financing institution offering a range of credit. The company avails individual consumers, SMEs and large corporates with financial services such as consumer finance, credit card, forex, leasing and factoring. The CFSL is listed on the Stock Exchange of Mauritius. The listing by way of Private Placement of CFSL Rs 3 Billion Multicurrency Medium Term Note Programme, took place on SEM's Official Market on 30 October 2020, only nine months after having raised Rs 2 billion in February 2020.

During a function held at Caudan Arts Centre, the Hon. Minister congratulated the Board of Cim Financial Services Ltd as well as its management team for their success in raising Rs 3 Billion only 9 months after having raised Rs 2 Billion. In a COVID stricken environment characterised by extreme uncertainty and little visibility of the near-term future, the raising of a total of Rs 5 Billion within a period of less than 1 year is not only a praiseworthy achievement but also constitutes a strong testimony of investors' trust in CFSL.

The listing of the recent Notes of CFSL has increased the number of debt securities listed on the SEM to 62 and this listing has also contributed to increasing the total number of listed securities on the SEM to 202.

According to the Hon. Minister *“the pursuit of innovation by the SEM, both at the operational level as well as at the regulatory level, as well as its internationalisation strategy are not only giving the Exchange another dimension within the exchange space in Africa, but have also created an environment conducive to the listing of a wide variety of asset-classes.”*

In fact, the growth and development of a vibrant capital market is central to the positioning of Mauritius as an international financial centre, as it not only constitutes a critical funding platform for local as well as niche international companies, but it also provides local retail and institutional investors with a wide range of investment opportunities that match their risk-appetite.

The Ministry has collaborated with SEM and other institutions for the development of a Sustainable Bond market in Mauritius. The issuance of sustainable bonds will not only add a new product to the financial products spectrum available in the country, but it will also showcase our determination to embrace sustainable development and position Mauritius as a sustainable island.

The success of this initiative will depend on the Government as a potential issuer, but also on private sector companies as potential issuers of sustainable bonds. The Hon. Minister invited companies, such as CIM, to use this opportunity to raise funds through Sustainable Bonds in the future, which will help to position Mauritius as a hub for Sustainable Bonds.

The Hon. Minister also mentioned that the Financial Services Consultative Council (FSCC) has been reactivated and is currently working on a list of implementable measures to take our financial services to its next level of development and fulfil the objectives set in the Blueprint Report.

## “Climate Change Bill: A big threat to our life”

The Minister of Financial Services and Good Governance, Hon. Mahen Kumar Seeruttun intervened in National Assembly on the Climate Change Bill on 24 November 2020. Global warming has been a concern for 40 years internationally. The first world climate conference was organized in Geneva in 1979 under the auspices of the United Nations. The Paris Agreement, resulting from the COP 21 entered into force on 04 November 2016. It sets the objective of containing by 2100 global warming well below 2 degrees Celsius compared to the pre-industrial level and, if possible, to continue efforts to limit temperature rise to 1.5 degrees Celsius.

The disastrous effects of climate change on all continents are already being felt, including: the melting of icebergs, hurricanes, typhoons, high intensity cyclones, rising of water levels, flooding, deforestation, destruction of forests by fires, extreme humidity, heat wave, the destruction of habitats in which animals and plant species live and thrive, in addition to food insecurity, poverty and malnutrition. Many countries are facing the consequences of the adverse effects of this phenomenon of climate change. According to the Inter-governmental Panel on Climate Change, global warming is likely to reach 1.5 degrees Celsius between 2030 and 2052, if it continues at its current rate. This will happen by disrupting our world. In his speech, the Hon. Minister highlighted that COVID-19 pandemic has issued a clarion call across the globe for higher ethical standards and greater humanity. This pandemic has placed the accountancy profession across the world in unprecedented ethical predicaments.

### Launching of Skills Development Programme for Insurance Sector *(continued from page 1)*

However, in spite of the industry being well regulated, well organised and offering various competitive services and products, the insurance penetration is less as compared to mature markets with similar GDP per capita and infrastructure. He is of the opinion that insurance companies, through stronger skills and talents, can create more consumer awareness in terms of explaining the products features and benefits, strengthening confidence, gaining insights on customer needs. This can be achieved through more important roles and stronger presence of well trained and qualified insurance professionals.

The Skills Development Programme in Insurance besides meeting the specific needs and requirements of the Mauritius Insurance Industry will enhance consumer understanding, foster business and professional skills, and promote industry best practices to build and sustain a reputation for excellence amongst local insurers.

This is a very big threat to our life, our biodiversity and our ecosystem which is even more serious than COVID-19. The paradox here is that the countries that contribute the least to this situation will be the most affected, particularly small island states like Mauritius.

The Hon. Minister observed that Mauritius' greenhouse gas emissions are 0.01% of global emissions but Mauritius is already suffering the full impact of the effects of climate change thus all the more reason for the Climate Change Bill. It is essential to strengthen the legal framework and to comply with the Agreements and Conventions signed by Mauritius, in order to act in a coherent and responsible manner to fight against the adverse effects caused by climate change.

One sector that is directly affected by climate change is the agricultural sector. The impacts of Climate Change results in a decrease in the yield of agricultural production. Taking these risks into account, the Government since December 2014 had already initiated a number of measures, not only to mitigate the impacts of climate change, but also to adapt to this change.

*Everything possible is going to be done to ensure that our contribution against climate change is counted worldwide throughout the Climate Change Bill.*

*Mr Vasish Ramkhalawon, Secretary General of the Insurers' Association of Mauritius (IAM) pointed out that:*

*“The digitalisation of the insurance industry including the digital transformation of the distribution channel and even with more active role of insurance companies and more visibility will not suffice to raise the insurance penetration. Insurance companies through stronger skills and talents will need to bring more emotional connection in terms of explaining products purpose and benefits, strengthening confidence, gaining insights on customer needs, providing professional & strategic guidance through time of crisis.”*

## Mauritius ranks 1st in the Mo Ibrahim Index for 10 consecutive years

According to the latest Report of the Mo Ibrahim Index of African Governance (IIAG), published on 16 November 2020, Mauritius was again ranked as Africa's best country for governance, with a top score of 77.2% and is followed by Cape Verde (73.1%), Tunisia (70.4%), Botswana (66.9%), South Africa (65.8%), Namibia (65.1%), Ghana (64.3%), Senegal (63.2%) and Morocco (61.0%). Mauritius' score of 77.2 is -0.5 for the period 2010-2019, while Cape Verde has experienced a +0.2 to reach 73.1 during the same timeframe. Mauritius maintained its top position in 2019 while Somalia remained bottom because of security challenges in parts of the country posed by Al-Shabaab militants.

Countrywise, Mauritius maintains the top position in Overall Governance in 2019 for the 10th consecutive year. Somalia, meanwhile, remains bottom for the 10th consecutive year with a score of 19.2. Mauritius' Overall Governance score has declined over the decade driven by weakening social protection and deteriorating human rights.

Mauritius is not the only high-ranking country to display concerning trends, with 6th placed South Africa declining at an accelerating rate since 2015 and 5th placed Botswana displaying warning signs. Similarly, Zimbabwe ranked 33rd, is among the five most improved.

IIAG, which has been running since 2007, has modified its methodology this year, to include the "expanding needs" of users. The index now takes into account a new governance landscape, which includes a young and rapidly urbanising population which faces 21st century challenges and has increased expectations of its governments. The IIAG has reviewed its Index for the Edition 2020 by enhancing its theoretical framework.

IIAG has also overhauled its data, increasing the number of sources and giving greater prominence to the voices of African citizens through data compiled by Accra-headquartered research and analysis provider Afrobarometer, which considered the perceptions of governments and officials, providing a "reality check" to the data. Africa faces a growing governance crisis, a situation made worse by COVID-19, but not caused by it. The quality of governance across Africa has declined for the first time in a decade, a worrying trend which cannot be attributed to the coronavirus pandemic.

Mo Ibrahim Foundation Executive Director Nathalie Delapalme said "sixty percent of Africans live in countries where governance is better in 2019 than it was in 2010. However, since 2015, this progress has been slowing, which is a bit worrying."

A further cause for concern is that in 2019 the African average governance score has declined for the first time over the decade, while between 2010 and 2018 overall governance had either maintained or increased in score every year. It is worth noting that besides a balanced approach to governance progress, the rule of law, justice, inclusion, and equality appears to be the main common denominators among best-performing countries.

### *The Mo Ibrahim Index on African Governance*

*Created in 2006, the Mo Ibrahim foundation named after its founder, has set itself the mission of promoting good governance in Africa. The 2020 Ibrahim Index on African Governance (IIAG) is a tool that measures and monitors governance performance in 54 African countries annually.*

*The foundation defines governance as providing the political, social, and economic public goods and services that every citizen has the right to expect from the government, and that a government has the responsibility to deliver to its citizens. Over the last decade, governance dimensions have followed diverging paths, that is, while there has been an increase in improved infrastructure, economic opportunities, and human development, there is a decline in the rule of law and security. The framework comprises four categories:*

- *Security and rule of law (security and safety, rule of law and justice, accountability and transparency, and anti-corruption),*
- *Participation, rights and inclusion (participation, rights, inclusion and equality and gender),*
- *Foundations for economic opportunity (public administration, business environment, infrastructure, and rural sector), and*
- *Human development (health, education, social protection and sustainable environment).*

## Jubilee Insurance celebrates its 10<sup>th</sup> Anniversary



The Minister of Financial Services and Good Governance, Hon. Mahen Kumar Seeruttun was the Chief guest at a function organised by the Jubilee Insurance (Mauritius) to celebrate its 10th Anniversary on 13 November 2020.

At the outset, the Hon. Minister expressed his heartiest congratulations to Jubilee Insurance (Mauritius) for clocking this remarkable milestone. The insurance sector has witnessed considerable evolution over the last decade and Jubilee Insurance has had an important role, along with other players, to make the industry what it is today.

In a short span of time, Jubilee Insurance has carved itself a place of pride and is today, well established in the financial services landscape and becoming a household name. The Hon. Minister further pointed out that the Jubilee Insurance emblem bolstered by the credentials and strength of Allianz is poised to become an important positive development on the continent. Mauritius enjoys respect and admiration on the African continent for a number of reasons which place us in enviable positions on various league tables.

Moreover, Mauritius has a well regulated insurance sector at par with international best practices. The current regulatory framework is aligned with the International Association of Insurance Supervisors standards and principles relating to capital adequacy, solvency, corporate governance, early warning systems and the protection of policyholders. Mauritius and its people stand to greatly benefit from the Allianz-Jubilee partnership. Mauritius will also benefit from the close political, trade and commercial ties with Kenya. Jubilee Insurance will benefit on many fronts ranging from wide geographical outreach, diversified portfolio of products and services, strong business credentials, advanced technology and the tremendous knowledge of its experts. An evolving insurance sector also presents opportunities for employment and in that regard, there would be significant

knowledge transfer from international experts to our young generation joining the workplace. The Hon. Minister reiterated the strong commitment of the Government to enhancing innovation, digitalisation and policyholder protection. He emphasised the role of the Financial Services Consultative Council and its Sub Committees in bringing together the public and private sector as well as industry associations and economic promotion bodies which is greatly helping the development and coordination of strategies relating to the insurance sector. The Ministry has also been working closely with the insurance industry to take forward a number of key initiatives including the “bonus malus” system and the setting up of a claims administration system to digitalise the claim settlement process between various insurers through a common portal.

### **The challenging insurance sector would require:**

- (i) sustainable and balanced growth where benefits are enjoyed by the population through enhanced and meaningful protection for households and businesses.
- (ii) responsiveness to the changes that are taking place in the global marketplace, in customer’s attitudes and habits, in the digital space as well as product innovation.
- (iii) timely responses to changing nature of risks presented by a range of factors from an ageing population to environmental concerns and climate change.

## The Insurance Sector in Mauritius

The Insurers' Association of Mauritius (IAM), which was previously known as the Insurance Council of Mauritius was set up in 1972. The Association's Constitution was revised in 2001 to provide notably for the establishment of a full-time secretariat and to update its objectives.

### Objectives of Insurers' Association of Mauritius

- *Unite insurers transacting business in Mauritius;*
- *Secure the advancement and promote the development of the industry on a sound basis;*
- *Promote a better understanding of insurance amongst all stakeholders;*
- *Afford opportunities for consultation and cooperation in all matters affecting the common interests of its members;*
- *Represent the insurance industry in all dealings with the government or any organisation on legislative and other matters;*
- *Promote and enforce the code of practice by members; and*
- *Facilitate the prompt settlement of disputes between insurers.*

The Insurers' Association of Mauritius has 20 members and represents more than 99 % of "onshore" insurance activities in Mauritius.

The insurance regulatory framework is aligned with the International Association of Insurance Supervisors (IAIS) standards and principles and has many strong elements focusing on specific regulatory issues relating to capital adequacy, solvency, corporate governance, early warning systems and the protection of policyholders. Insurance companies in Mauritius offer various services and also products and are categorized under long-term business insurance and general insurance.



*Acknowledgement: Insurers' Association of Mauritius*

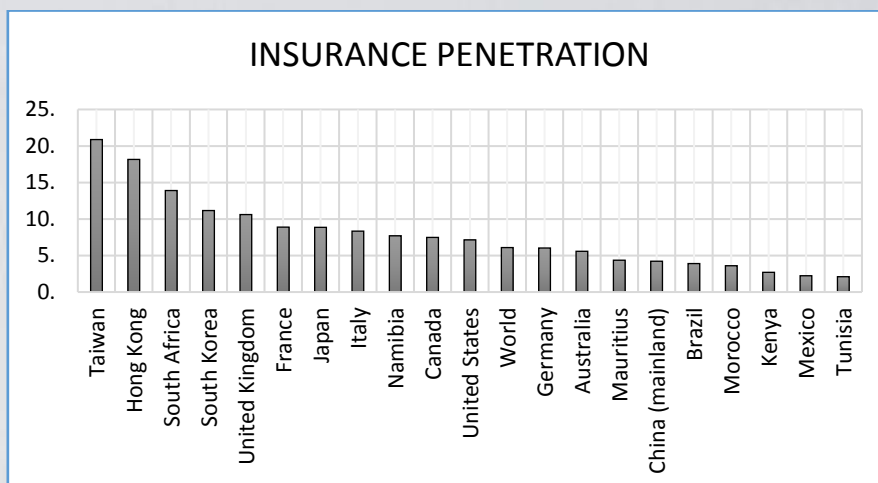
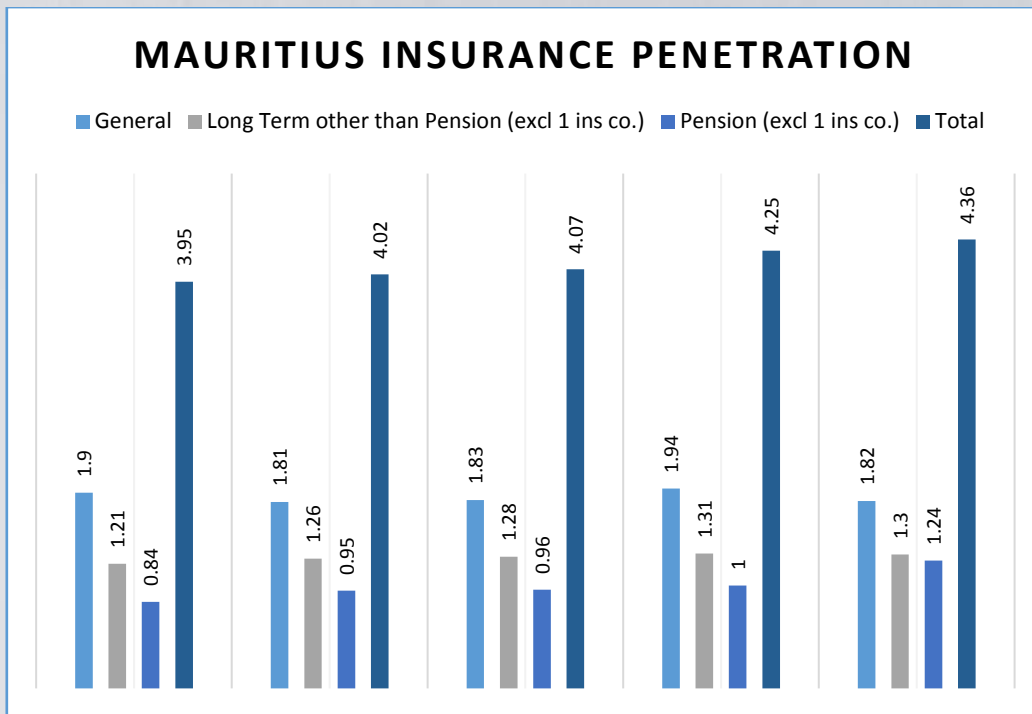


The long-term business insurance, meaning life insurance, pension and permanent health insurance business account for roughly 55% of total written insurance premiums, and constitute the largest segment of Mauritius' insurance industry. The general insurance business i.e. insurance business other than long term insurance business whereby policies are delivered with respect to accident & health, engineering, guarantee, liability, motor, property, transportation, accounts roughly for the other 45 % of the written insurance premiums. Large industrial and commercial risks are reinsured with top international companies.



An in-depth analysis of the market shows that general insurance penetration by individuals and MSMEs (excluding motor as this is mandatory) is comparatively low. For the long-term market, excluding pension and investment products, the penetration is comparatively low in spite of the requirement for a life insurance cover as a condition for obtaining mortgage facilities.

## Insurance Penetration



The insurance penetration of Mauritius measures the contribution of insurance premium to the Gross Domestic Product (GDP) of Mauritius in percentage terms. It is calculated as the ratio of total insurance premium for both general and long-term insurance to the GDP of Mauritius. Several studies and surveys have shown that insurance penetration is certainly affected by both supply side and demand side factors. However, in Mauritius where the supply side factors such as political stability, regulation, economic conditions, profitability of the sector, information availability and distribution channels are positive, the impact on penetration is mainly due to demand side factors.

The main demand side factors affecting penetration are:

1. Low level of trust in insurance
2. Lack of understanding in insurance products
3. Complicated take-on and claim process

This clearly shows that the sustainable growth opportunity for the insurance sector ultimately rests on the need to be customer-centric. However, the journey to be customer-centric in Mauritius, in addition to embracing technology, will rest on a strong pillar of professional training and development as well as financial literacy.

## Financial Services Commission Training Interventions



During the month of November 2020, the Financial Services Commission (FSC) conducted various training interventions in order to raise awareness among its licensees on their Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) obligations. On 9 and 12 November 2020, two outreach sessions specifically on Targeted Financial Sanctions and Proliferation Financing were organised.

On 13 November 2020, two outreach sessions on Statutory Obligations for Trustees to maintain Beneficial Owners' information from a Practical Perspective were conducted for representatives of the Corporate Trustees and Individual Trustees.

In addition, the FSC conducted four full-day awareness sessions to Financial Institutions on AML/CFT On-site findings focusing on Suspicious Transaction Reporting, Targeted Financial Sanctions, Beneficial Ownership, Enhanced Due Diligence, Politically Exposed Persons and the Enforcement Sanctions/Enforcement Manual. The outreach sessions were held on 17, 18, 19 & 20 November 2020 and the targeted audience was mainly Compliance Officers and Money Laundering Reporting Officers of financial institutions. The objectives of the session were to promote awareness of the red flags noted during inspections, and to provide guidance to licensees in view of better curtailing the risks of Money Laundering (ML)/Terrorism Financing (TF) through improved



compliance with the existing (AML/CFT) legislations.

The FSC reiterated the importance of effective implementation of AML/CFT measures to combat ML/TF. Emphasis was also laid on the need for licensees to ensure that, at all times, they are able to demonstrate effectiveness in their policies and procedures to reduce any threat of ML/TF. The outreach session also provided the opportunity for the FSC to clarify on issues raised by the industry. The attendees were also invited to work and discuss on case studies prepared by the FSC.

The training interventions were facilitated by FSC on-site lead inspectors together with the assistance of the First Secretary of the Illicit Finance Section from the British High Commission in Mauritius.

