



Insurers' Association of Mauritius

48th Annual General Meeting

Thursday 18 March 2021 at 15H00.

Speech of Mr Bertrand Casteres, President

Dear members

Before elaborating on the Association's activities during the past year, I would like to mention some important aspects of the insurance industry in the wake of the COVID – 19 pandemic.

2020 has been a very challenging year, not just for the insurance industry, but for the economy and society at large.

The positive performance and trend witnessed by the insurance industry over the past years, unfortunately, shifted to a less positive one in 2020 due to COVID-19 which is still impacting our industry, the economy and society in multiple ways. Now with a second wave, we all hope that matters will not get worse.

However, COVID-19 did serve as a watershed moment for the insurance industry, accelerating our digitization efforts and challenging us to better understand our customers' needs.

We were forced to quickly roll out short-term solutions to meet the immediate needs of our customers and at the same time, we have had to take stock of the likely long-term effects of the pandemic.

I commend the members of the Association for having been quick to adapt and respond to the various challenges and today we are all more agile to face the second wave that is current affecting Mauritius.

The responses of our members to the COVID-19 pandemic have highlighted our inherent resilience and adaptability and we are leaving no stone unturned to continue to serve our customers, our employees and our communities.

We have emerged as a strong force that is likely to contribute substantially to the recovery of the economy and society in the wake of the COVID-19 pandemic.

Coming back to the association's activities during the year under review, it will not be possible for me to detail every single activity that required our attention. I will therefore highlight on what I believe are key areas and milestones in which we played a part.

On the long-term business, it is good to remind that, for life insurers, business interruption and the decline of the stock market had a huge impact on policy holders' earnings from investment portfolios.

Our main involvement during the year under review was on the tax reforms for long term insurance and pension.

One must agree that there are indeed economic benefits that are derived from a dynamic life insurance industry. The life insurance and pension industry, in many countries, is a driver of economic growth and important to the overall health and financial well-being of the country.

Long-term insurers are vital to an efficiently functioning modern economy and society as they contribute to both long-term economic growth and improved living standards.

The growing expectations from our citizen and higher standard of living are calling for increased reliance on the state by private individuals when they reach retirement age. In the light of the reforms undertaken in the last government budget, private individuals should also be encouraged to take

greater responsibility for their future well-being. This is extremely important to alleviate the future burden of pension provision on public funds. Social security benefits and government pensions must be supplemented by work place retirement plans, personal savings and investments for most workers to achieve adequate income security in retirement.

The association recommends the reintroduction of a tax incentive to encourage long term savings in pension. The case for pension products is even more compelling as the proceeds are again taxed at retirement. There is in effect a tax disincentive to save towards retirement.

Another area where we focused our attention was on the issue of primary dealership. Since March 2017, insurance companies can no longer buy government bonds directly from the Bank of Mauritius, and instead, they have to buy these instruments from Primary Dealers. In a nut shell, this means that insurance companies are required to buy the already low-yielding government bonds at further lower yields from the Primary Dealers.

Consequently, for insurance companies, low investment returns are impacting on their solvency levels.

It is fundamental, to include insurance companies in the list of primary dealers as they are the ones who carry most of the investable assets in the country and are responsible for the pension and investment funds of all companies trading in Mauritius.

On the general insurance business, we would agree that claims losses in 2020 were manageable. However, the effect in 2021 and over will be broad and will touch on multiple lines of business such as motor, travel, commercial

property policies (including business insurance and business interruption coverage), director and officers liability policies, and health insurance.

In 2020, we once again devoted considerable time and effort aimed at improving many aspects of motor insurance and road safety such as reforms on total loss and motor surveyors, the efficiency of the Motor Vehicle Insurance Arbitration Committee, the improvement of competition on spare parts, the review of the mandate of the hit and run fund amongst others.

However, in order to ensure the efficiency and effectiveness of proposed reforms in this sector, the centralised information exchange system under the aegis of the FSC is paramount and will need to be accelerated.

Moreover, the new insurance Code of Practice which provide clear and consistent standards for the insurance industry for a more informed relationship between insurers and their policyholder shall be enforced to improve policyholders' confidence and trust in the insurance industry.

It is important for one to realise that a road accident is a traumatic experience for the victims and their families and unfortunately there are many bodily injury victims of road accidents which do not fall under the ambit of an insurance policy. The association recommends that the mandate of the Hit and Run Fund be reviewed to a motor vehicle accident fund with wider scope and coverage for the benefits of society.

Another important area which retained the attention of the association in 2020 is fair Competition that would contain costs, improve quality, and discourage malpractices.

The exclusivity of spare parts by motor dealers may lead to a position of monopoly and anti-competitive behaviour. This is sometimes reflected by the unavailability and pricing of spare parts on the local market.

Our members have reported many cases where very high mark-up of around 300 to 500% are being practiced. This is indeed a serious issue. On one hand it can lead to a high increase in premium and on the other hand, even worse, for repairs not falling under the ambit of an insurance policy, this can lead to manipulation of damaged or near to fit spare parts which is a very hazardous road safety issue.

The unavailability of spare parts on the local market is also a serious concern for insurers which eventually impacts on the claims process and cost of claims. It will unfortunately become increasingly difficult for insurers to meet the expected level of customer service while containing reinstatement costs.

Moving forward, the Association will continue to push for reforms to be undertaken to strengthen the insurance sector in terms of risk management framework, improve market penetration for both long term and general insurance, implement existing and new initiatives to improve motor insurance practice and road safety and drive progress through technology and innovations.

On behalf of the Managing Committee, I would like to thank Mr Vasish Ramkhalawon, our Secretary General, Ms Sabrina Claite, Personal Assistant, members of subcommittees and working groups for their contribution and active participation. Let's together strive for greater success ahead.

On a personal note:

My two years term as President comes to an end today. It has been an honour serving as the President of the Insurers' Association of Mauritius.

It has been an enriching two-year journey which gave me the chance to know the industry better, meet people from different backgrounds and of course to interact regularly with you members of the association. I therefore put on record my deep appreciation for your continuous support and guidance.

The office bearers of 2021 are now known. Ms Pamela Bussier has just been elected President of the Association for this year. We have also elected to serve as VP General insurance, Mr _____, as VP Long Term insurance, Ms Reena Moonosamy and as treasurer, Mr _____ . I wish you all well for the year ahead.

Thank you all for your attention.