THE RISE OF MAURITIUS

Bipin Ragoo of SWAN examines the growth of Mauritius in the captive industry and looks to its future

Captive Review (CR): What is the traditional view of Mauritius as a choice for captive solutions? Are there any misconceptions and how are these wrong?

Bipin Ragoo (BR): History might be a good starting point in piecing together the puzzle as to why we are where we are today. Mauritius has a long history of colonisation, encompassing the Arabs, Portuguese, Dutch, French and British. Actually, it was the Dutch who named the island "Mauritius".

The island, known as Isle de France in the 18th century, was used as a port of call by traders on their voyage along the 'Spice Route' – Europe round the Cape of Good Hope to the East Indies. Mauritius has been favoured by its strategic geographical position, and I think this explains the island's nickname: 'Gateway to Africa'.

Mauritius has evolved into an international financial centre of repute, of which insurance was always an important part. The country follows South Africa regarding insurance penetration across Africa.

The foundation for a captive jurisdiction was laid almost 20 years ago, with the Protected Cell Companies Act enacted in 1999. Alongside which the Financial Services Act of 2007 consolidated the development of global business by simplifying the regulatory regime. Today, with the promotion of Mauritius as a global business centre, there are around 22,000 active global licences.

On the global captive map, Mauritius is receiving considerable attention, invigorated by the enactment of the Captive Insurance Act in 2015. Stakeholders are keen to find out the unique offering of Mauritius. The focus is, particularly, around embedded advantages with regard to enabling regulatory framework, expertise, support structures and institutions, set-up and management costs.

Bipin Ragoo

Bipin Ragoo heads Swan Re PCC since 2014. He comes with more than 20 years' experience in reinsurance and ART solutions. Before joining SWAN, Bipin was heading the Underwriting unit of Munich Re (Mauritius), responsible for the Sub-Saharan African market.

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> "To some, Mauritius is just a premium holiday destination, famed for its tropical weather, white sand beaches and turquoise sea. But this is barely half the story – we have a vibrant financial services sector, a central cog for the island"

CR: What are the key attractions of Mauritius? How does it differ from other jurisdictions?

BR: The 10-year tax holiday for pure captives is not the only incentive that Mauritius offers in its endeavour to promote the island as a captive hub in the region. Among others, below are the assets that the island holds for potential clients:

- Modern legislation and regulation – Rules have been developed after wide consultation with all stakeholders, thus harmonising competing needs. The development of the rules was also guided by a global captive manager, with the required experience in all mainstream jurisdictions, guaranteeing world class standards and best practices at the very least, and, at best, embed some unique advantages for Mauritius.
- Support institutions and services – Mauritius prides itself in having presence of international banks, A-rated reinsurance companies, asset managers, a vibrant stock exchange, active money markets, actuarial firms, legal resources, a world-recognised arbitration centre, and Big 4 audit firms, among others.
- Economic and socio-political fundamentals – The island ranks first in Africa on Mo Ibrahim and Ease to do business indices. The Monetary Committee of the Bank of Mauritius ensures a relatively stable currency, as well as a low inflation rate. Mauritius has managed a growth rate, even amid the financial turmoil.
- Bi-lateral relations – Mauritius enjoys excellent relations with many jurisdictions, being part of several regional blocs, namely SADC, COMESA, etc. In particular, we have privileged ties with 43 countries, as signified by the double taxation treaties in place to promote trade.
- Geography and time zone – The island is a short flight from most of Africa and South East Asia. A time zone of GMT+4 means Mauritius can conveniently deal with both Asian, African and European clients.

CR: What unique services does Swan Re PCC offer? What sort of popularity are you experiencing?

BR: Swan Re PCC, incorporated in 2011, is a wholly owned subsidiary of Swan General Ltd. Before we engage into Swan Re PCC, it would do justice to delve a little on SWAN, itself having a track record of more than 160 years in insurance and reinsurance, if only to dig into the genetics of the latest offspring.

The first venture of SWAN, beyond its traditional boundaries, was via The Reinsurance Company of Mauritius, which was the concerted effort of mainly SWAN, Maurice Tozer & Beck (currently AON) and The Mercantile Bank (HSBC), which came into operation in 1969. The company had also incorporated a contact office in London and was dealing reinsurance worldwide. This collaboration was shelved some 30 years after, due to the ever-changing dynamics in the business world.

Thereafter, SWAN has successfully ventured outside the Mauritian territory, among others in South Africa, Madagascar, Rwanda and Kenya. So, the creation of Swan Re PCC is not a coincidence, but a natural flow in the same direction.

I would say our critical asset is our unflinching integrity and professionalism. We are not into the short term! Swan Re PCC assembles a diverse and multilingual team, garnered from both Mauritius and the continent, to tailor-make solutions for our clients. These professionals come from various speciality lines: actuarial, legal, finance, insurance, reinsurance and loss management. Years of such service have yielded win-win professional relationships and loyal business partnerships. These cannot be easily replicated.

We offer a broad spectrum of services, encompassing the creation of the cell captive as well as the management thereof. Our objective is to be a complete solution for the potential client, starting with all the set-up requirements (business plan, actuarial analysis, due diligence, feasibility study, etc.) going through the management of the cell once in operation (underwriting, reinsurance, claims management, audits, actuarial reviews, reporting, etc.), up to, if the client so wishes, managing the funds attached to the cell. For example, Swan Wealth Managers Ltd, a representative of BlackRock for the African region, manages the investments for the cells; assets under management exceed $1bn.

We have made some progress within Sub-Saharan Africa, where we feel the enthusiasm to consider captive as a solution, but it is still to come into the mores of the business community. We have managed to close a few deals and there are some still in the pipeline. But then, we need to concede that we have secured the mass of our operation from South Africa.

CR: What is the approach of Swan Re PCC? What levels of expertise do you offer?

BR: We look into the captive offering as part of the client's ERM architecture. Our model is to evaluate the risk financing requirements of the portfolio, before designing a solution.

CR: What key industry trends will be of the most significance to Mauritius and Swan Re PCC over the next 12 months?

BR: We are currently monitoring announced changes in the economic environment of certain jurisdictions, which we believe could impact us.

Within our shores, we are waiting for the finalisation of the Captive Insurance Business Rules. This will provide us with additional clarity on the intention of the legislators, capital and solvency requirements, and allow us to structure our offerings in accordance. A first draft has been circulated and all stakeholders have already gave their comments. We do not expect much delay on this account.

Nearer to us, the introduction of Solvency Assessment and Management (SAM) in South Africa is of major interest to us. South Africa remains the biggest source of captive business in the region. We are specifically looking forward to the potential treatment of reinsurance for solvency purposes. Discussions are already underway regarding the standards of regulation of Mauritius as an equivalent jurisdiction.

Concerning the Financial Services Commission (Mauritius), it has implemented standards and core principles of the International Association of Insurance Supervisors (IAIS). Recently, the regulator promulgated the Insurance (Risk Management) Rules 2016, which enhance compliance with IAIS Insurance Core Principle 16. The World Bank also hosted a workshop, late last year, with key players in the industry with a view to harmonise the Financial Action Task Force (FAFT) recommendations as regards to Anti-Money Laundering/Combatting the Financing of Terrorism (AML/CFT).

On another note, we are expectantly observing the implementation of Solvency II in Europe. Albeit aware of the tough competition that more proximate players in European domiciles like Malta, Dublin, Luxembourg and, to a qualified extent, Guernsey, Isle of Man and Gibraltar, would pose, we are still hoping that Mauritius might figure as a credible alternative.