



**Circular No. 11 of 2021**

**Date: 2<sup>nd</sup> November 2021**

**Prohibition of Fronting Arrangements**

The Financial Services Authority (“FSA”) would like to draw the attention of all its licensees under the Insurance Act, 2008 (“the Act”) on the prohibition on fronting arrangements and its circular no. 6 of 2020 dated 6<sup>th</sup> July 2020.

Under Section 5.3 of the Codes of Reinsurance Arrangements (“the Code”), it is required that all licensed insurance companies enter into reinsurance arrangements whereby insurance risks are transferred from the direct insurance company to the reinsurance company. The Code places further emphasis on traditional facultative reinsurance, treaties and co-insurance arrangements.

Moreover, the Insurance (Restriction of Insurers) Regulations, 2012, restricts licensed insurers from placing risks relating to locally based assets, outside of the Seychelles.

Furthermore, section 6.2 of the Code expressly provides that fronting arrangements are prohibited.

Therefore, all licensed insurers and intermediaries under the FSA’s purview should cease and desist any fronting activity with immediate effect.

Failure to do so will result in further enforcement actions being undertaken against the licensee or intermediary.

**Financial Services Authority**