



Circular No. 6 of 2020

Date: 27th July, 2020

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.

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.

The FSA hereby confirms that due to the implementation of the Code which took effect 1st October 2018, the directives **INS/CIR/Insurer/003** issued by the Central Bank of Seychelles on the 09th November 2012, which addresses the requirements to be met by a licensed insurance company prior to entering into a fronting arrangement, is no longer applicable.

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

However, there are exemptions as detailed below:

1. The insurance is placed through reinsurance contracts which as required by the Codes on Reinsurance Arrangements to be under insurance contracts such as facultative reinsurance, treaties and coinsurance arrangements.
2. The licensed insurance company seeks exemption from the Authority where the nature of the risk cannot be insured with an insurance company licensed in Seychelles.

Therefore, the Authority reiterates that all reinsurance arrangements are governed by the Code, in conjunction with the relevant insurance legislations.

Financial Services Authority