IICF

Insurance Industry Compensation Fund

under the aegis of the Ministry of Financial Services and Good Governance

ANNUAL REPORT

2018

CONTENTS

CHAIRMAN'S MESSAGE

It's indeed a great pleasure for me to submit the IICF Annual Report on behalf of Managing Committee for the financial period of 1 January 2018 to 31 December 2018. This year has seen the emergence of the IICF from a relatively unknown institution to one with greater visibility to hit and run victims and stakeholders alike. Better visibility has resulted in a growing number of claims being submitted by victims for consideration by the IICF in line with our objective to assist hit and run victims.

In its constant effort to alleviate the hardship and suffering of hit and run victims, the IICF has proposed further amendments to the Insurance (Industry Compensation Fund) Regulations 2015 which would lead to more expeditious and higher compensation to the victims whose claims meet the relevant legal requirements.

Another highlight for 2018 is the IICF's new premises on the 8th floor of the SICOM Tower, Ebène, which is the logical step towards greater independence and efficiency. The IICF has advertised various posts to complete the move to our state-of-the-art office. We aim to finish the selection process in the coming months following the unprecedented interest prospective employees have shown in the IICF.

I conclude by reiterating that I am immensely grateful to the Managing Committee, the Technical Sub-Committees and our staff for their dedication and unflinching support.

Yours faithfully,

Anas Rawat
Chairperson

MANAGEMENT REPORT

Year ended 31 December 2018

Background Information

The Insurance Industry Compensation Fund (the 'IICF') was set up under section 88 (1) (b) and 92 of the Insurance Act 2005.

A 'Hit & Run Sub-Fund' has been created under the IICF to cater for persons suffering from personal injury in road traffic accidents where the tortfeasor or the vehicle which caused the injury is untraceable.

The 'Hit & Run Sub-Fund' pays compensation to such victims as prescribed limits in the schedule of the Insurance (Industry Compensation Fund) Regulations 2015.

The Minister of the Financial Services and Good Governance made the Insurance (Industry Compensation Fund) Regulation 2015 on 31 December 2015 and it came into force on 01 January 2016.

In September 2018, the 2015 Regulations were amended by the Insurance (Industry Compensation Fund) (Amendment) Regulations 2018 (GN No.130 of 2018) as follows:

(i) the amount of compensation payable to victims of hit and run road traffic accidents was increased; and
(ii) a hit and run victim, his or her legal guardians, his or her heirs when he or she has died following a hit and run road traffic accident, or such other person lawfully acting in his or her interest can now make an application to the IICF 3 months from the date of the accident instead of the previous longer period of 6 months.

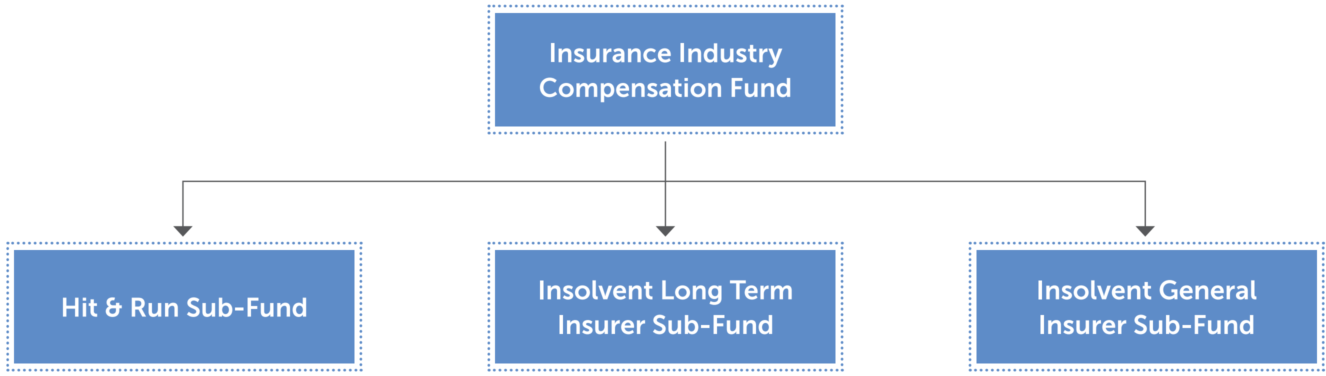
Future of the IICF

Section 88 (2) of the Insurance Act allows the IICF to be organized into various Sub-Funds and as such as required under section 88 (1) (a) of the Insurance Act the IICF would allow for the creation of additional sub-funds to cater for payment of any claims, in respect of risks situated in Mauritius against an insurer remaining unpaid by reason of insolvency of such insurer.

As such, the IICF would be extended to cater for 2 additional sub-funds, namely:

(a) The Insolvency Long Term Insurer Sub-Fund; and (b) the Insolvent General Insurer Sub-Fund.

The IICF will thus look like the following:



Contribution

As at current stage, the IICF is financed through regular contributions from insurance companies.

The contribution rate is prescribed as per First Schedule of the Insurance (Industry Compensation) Fund Regulations 2015.

Administration

The IICF is run by a Managing Committee appointed by the Minister of Financial Services and Good Governance. The Managing Committee has appointed a Technical Committee to assist it in the continuous management of the IICF.

Claims Received

During the year under review, the IICF has received four applications for claims to the Hit and Run Sub-Fund, out of which, after assessment it was found that two did not meet the criteria of the IICF.

As at 31 December 2018, 1 claim was still in process and awaiting reports from the police.

Contributions Received

The contribution received from insurers for the year under review amounted to Rs 38,947,556 and interest income amounted to Rs 1,759,707.

Amount of the Compensation Fund

The Hit and Run Sub-Fund stood at Rs 108,941,418 at 31 December 2018.

Claim Form

As required under Rule 18 of the Insurance (Industry Compensation Fund) Regulations 2015, the Technical Committee designed a standardized claim form and it was duly approved by the Managing Committee to be used for application for payment of compensation from Hit and Run Sub-Fund.

Recruitment of Technical Sub-Committee

Three members of the Technical Sub-Committee were recruited to support the Managing Committee.

New Office Space

An office space was given to the IICF by the Ministry of Financial Services and Good Governance at the Level 8 of the Sicom Tower, Wall Street, Ebene.

Advertising Campaign

In order to raise awareness of the existence of the IICF, press publications in forms of Communique were done.

Cooperation with Third Parties

Meetings were held with stakeholders such as Police whereby mutual agreements were concluded. This is aimed to facilitate and speed up claim processing.

Meetings of the Managing Committee

As required under Rule 5 of the Insurance (Industry Compensation Fund) Regulation 2015, the Managing Committee shall meet as often as is necessary and at least once every 3 months.

The Managing Committee was appointed on 05 February 2016 by the Minister of Financial Services and Good Governance and this board was reconstituted on July 2017 and the number of sittings for the year 2018 were 19.

FUND DATA

Year ended 31 December 2018

			Date of appointment
MANAGING COMMITTEE	Me. Anas Moussa Ismael Rawat	Chairperson	05 July 2017
	Mr Pradeo Buldee	MC Member	28 July 2017
	Mr Louis Eric Salmine	MC Member	28 July 2017
	Mr Mamode Raffic Elahee	MC Member	05 July 2017
	Mr Ranjaysingh Koonbeeharry	MC Member	17 November 2017
	Me. Bishan Ramdenee	TC Member	14 June 2018
	Mr Tej Iswar Boodia	TC Member	14 June 2018
	Mr Parmessur Chummun	TC Member	13 December 2018
	Miss Beebee Raaniyah Bhunnoo	Secretary	-
REGISTERED OFFICE	Insurance Industry Compensation Fund Level 8 SICOM Tower Wall street Ebene Mauritius		
BANKERS	**Barclays Bank Mauritius Limited** 1st Floor, Barclays House 68-68A Cybercity Ebene Mauritius **MauBank Ltd** 25, Street Street,Cybercity Ebene Mauritius		
AUDITOR	TGS Clark & Robbins Chartered Accountants The Cubicle,Royal Road, Phoenix Mauritius		

COMMENTARY OF THE MANAGING COMMITEE

Year ended 31 December 2018

The Managing Committee presents its comments together with the audited financial statements of the INSURANCE INDUSTRY COMPENSATION FUND (the "Fund") for the year ended 31 December 2018.

RESULTS

The results for the year are shown on page 13 in the statement of financial performance and related notes.

MANAGING COMMITTEE

The present membership of the Managing Committee is set out on page 6.

STATEMENT OF MANAGING COMMITTEE'S RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Managing Committee is responsible for preparing financial statements for each financial year which present fairly the financial position, financial performance and cash flows of the Fund. In preparing those financial statements, the Managing Committee is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Fund will continue.

The Managing Committee's responsibilities include: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud and error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The Managing Committee has confirmed that it has complied with the above requirements in preparing the financial statements.

AUDITORS

The auditors, **TGS Clark & Robbins**, have expressed their willingness to continue in office until the next Annual meeting.

1.0 Preamble

The National Code of Corporate Governance for Mauritius (the "Code") requires the Board to ensure reporting requirements on Corporate Governance are in accordance with the principles of the Code.

2.0 Managing Committee of the IICF

For the the period starting from 1st January 2018 to 31st December 2018 (the "Reporting Period"), the Managing Committee of the IICF (the 'Managing Committee'), consisted of five members including the Chairperson, namely-

1. Mr Anas Moussa Ismael Rawat - appointed as Chairperson on 5th July 2017
2. Mr Eric Louis Salmine – appointed as member on 28th July 2017
3. Mr Mamode Raffic Elahee – appointed as member on 5th July 2017
4. Mr Pradeo Buldee – appointed as member on 28th July 2017
5. Mr Ranjaysingh Koonbeeharry – appointed as member on 17th November 2017

Ms. Lovena Jeelall, Senior Examiner at the Financial Services Commission acted as Secretary to the Managing Committe until May 2018 and Ms Raaniyah Bhunnoo, Office Management Assisstant at the Ministry of Financial Services and Good Governance was appointment as Secretary in May 2018.

3.0 Role of the Managing Committee

Pursuant to Regulation 4(1) (a) of the Insurance (Industry Compensation Fund) Regulations 2015, the Managing Committee is responsible for the management and administration of the IICF.

The Managing Committee was assisted in the discharge of its functions by members of the Technical Subcommittee of the IICF.

4.0 Meetings of the Managing Committee

Pursuant to Regulation 5(1) of the Insurance (Industry Compensation Fund) Regulations 2015, the Managing Committee is required to meet as often as is necessary but at least once every 3 months.

During the Reporting Period, the Managing Committee satisfied the requirements of Regulation 5(1) and met on 19 occasions in intervals of less than three months.

The Chairperson and members of the Managing Committee's attended the following number of meetings:

Members	Meetings attended
Me Anas Moussa Ismael Rawat	19
Mr Eric Louis Salmine	17
Mr Mamode Raffic Elahee	19
Mr Pradeo Buldee	15
Mr Ranjaysingh Koonbeeharry	16

5.0 Chairperson's and Members' Fees

The remunerations of the Chairperson and Members of the Managing Committee were as follows –

Members	Remunerations for the Reporting Period (MUR)
Me Anas Moussa Ismael Rawat (Chairperson)	216,750
Mr Eric Louis Salmine	178,500
Mr Mamode Raffic Elahee	180,200
Mr Pradeo Buldee	183,600
Mr Ranjaysingh Koonbeeharry	181,900

6.0 Related Party Transactions and Disclosure for the Reporting Period

The terms and conditions of the appointment of the members of the Managing Committee are determined by the Minister of Financial Services and Good Governance. No conflict of interest or related party transaction was reported.

7.0 Explanation on the application of the Principles of the Code

It is to be noted that-

(i) relevant Corporate Governance disclosures, financial disclosures and disclosures on the activities of the Managing Committee have been made in the Annual Report 2018;

(ii) the appointment of Members of the Managing Committee is made by the Minister of Financial Services and Good Governance in accordance with Regulation 4(1)(b) of the Insurance (Industry Compensation Fund) Regulations 2015. The composition of the Managing Committee is diverse and its members are all independent from the parent Ministry;

(iii) the financial statements of the IICF for the reporting period has been audited by an external Auditor, TGS Clark & Robbins;

(iv) the operation of the IICF has limited impact on the environment and the statutory objective of the IICF is of a social nature; and

(v) given the nature of the IICF's operations, the other principles of the Code of Corporate Governance have limited application. For example, it would not have been practical for the IICF to have a Corporate Governance Committee and an Audit & Risk Committee as well as Internal Control/Audit functions. In addition, it would not have been practical to set up an elaborate risk management framework and IT policy framework.

TO THE MANAGING COMMITTEE OF THE INSURANCE INDUSTRY COMPENSATION FUND

Report on the Financial Statements

Opinion

We have audited the financial statements of the **Insurance Industry Compensation Fund** (the "Fund") set out on pages 13 to 29 which comprise the statement of financial position as at 31 December 2018, and the statement of financial performance, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at 31 December 2018, and of its financial performance and· its cash· flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), and comply with Sections 88 and 92 of the Mauritius Insurance Act 2005.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the-Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with Internationai Ethics Standards Board for Accountants (IESBA Code) Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

Other Information

The Managing Committee is responsible for the other information which comprises of the Commentary of the Managing Committee. The other information does not include the Financial Statements and our auditor's report thereon.

Our opinion on the Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have. performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Managing Committee's responsibilities for the Financial Statements

The Managing Committee is responsible for the preparation and fair presentation of the Financial Statements in accordance with IFRSs and in compliance with the requirements of Sections 88 and 92 of the Mauritius Insurance Act 2005, and for such internal control as the Managing Committee determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to·fraud or error.

tgs TGS Clark & Robbins
Chartered Accountants

TO THE MANAGING COMMITTEE OF THE INSURANCE INDUSTRY COMPENSATION FUND

Report on the Financial Statements (continued)

Managing Committee's responsibilities for the Financial Statements (continued)

In preparing the Financial Statements, the Managing Committee is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Managing Committee either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the managing committee.
- Conclude on the appropriateness of the Managing Committee's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Managing Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

tgs TGS Clark & Robbins
Chartered Accountants

INDEPENDENT AUDITOR'S REPORT

Year ended 31 December 2018

TO THE MANAGING COMMITTEE OF THE INSURANCE INDUSTRY COMPENSATION FUND

Report on the Financial Statements (continued)

Other Matter

This report is made solely to the Fund's Managing Committee, as a body. Our audit work has been undertaken so that we might state to the Fund's Managing Committee those matters that we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do nor accept or assume responsibility to anyone other than the Fund and the Fund's Managing Committee as a body, to our audit work, for this report, or for the opinions we have formed.

Report on Other Legal and Regulatory Requirements

Mauritius Insurance Act 2005

We have no relationship with or interests in the Fund other than in our capacity as auditors.

We have obtained all information and explanations that we have required.

In our opinion, proper accounting records have been kept by the Fund as far as it appears from examination of those records.

TGS Clark & Robbins
Chartered Accountants

Vinoba Gunnoo FCCA.
Licensed by FRC

Date: 31 Oct 2019

STATEMENT OF FINANCIAL PERFORMANCE

Year ended 31 December 2018

	NOTE	2018 Rs	2017 Rs
INCOME			
Contribution from Insurance Companies	9	38,947,556	37,668,529
Less: Provision for claims	7(b)	(65,000)	(800,000)
Income after deducting Compensation to victims		38,882,556	36,868,529
Interest Income	10	1,759,707	1,067,038
		40,642,263	37,935,567
OPERATING EXPENSES			
Managing Committee Fees		(1,276,119)	(1,004,707)
Administrative expenses	11	(873,882)	(1,254,343)
		(2,150,001)	(2,259,050)
Expected credit loss on financial assets			-
SURPLUS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR		38,492,262	35,676,517

A.I.M Rawat
Chairperson

Member

The accounting policies and notes on pages 16 to 32 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

Year ended 31 December 2018

	NOTE	2018 Rs	2017 Rs
ASSETS			
Current Assets			
Receivables	4	4,184,802	4,200,013
Assets held to maturity	6	58,420,331	-
Cash and cash equivalents	5	47,377,853	68,615,744
		109,982,986	72,815,757
Current Liabilities			
Provision for claims	7(a)	450,000	1,100,000
Other payables	8	591,568	1,266,601
		1,041,568	2,366,601
TOTAL ASSETS		108,941,418	70,449,156
Represented by			
Reserves and Liabilities			
Hit and Run Sub Fund	12	108,941,418	70,449,156
		-	
		108,941,418	70,449,156

These financial statements have been approved for issue by the Managing Committee on 31 October 2019 and signed on its behalf by :

A.I.M Rawat
Chairperson

Member

The accounting policies and notes on pages 16 to 32 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	NOTE	2018 Rs	2017 Rs
Cash flows from operating activities			
Surplus and other comprehensive income for the year		38,492,262	35,676,517
Adjustment for:			
Amortisation of discount on Treasury Bills			
Interest Income	10	(1,759,707)	(1,067,038)
Net cash generated from operating activities, before working capital changes		36,732,555	34,609,479
Changes in working capital			
Receivables	4	15,211	(503,202)
Other payable	8	(675,033)	1,163,101
Provision for claims	7(a)	(650,000)	700,000
Cash generated from operations		35,422,733	35,969,378
Interest received	10	1,759,707	1,067,038
Net cash generated from operating activities		37,182,440	37,036,416
Cash generating from investing activities			
Increase in investments in Treasury bills	6	(58,420,331)	
Net increase in cash and cash equivalents		(21,237,891)	37,036,416
Cash and cash equivalents at the beginning of the year		68,615,744	31,579,328
Net movement		(21,237,891)	37,036,416
Cash and cash equivalents at end of the year	5	47,377,853	68,615,744

Cash and cash equivalents consist of cash in hand, balances with the bank in savings account and investments in fixed deposits, which are held for less than one year.

A.I.M Rawat
Chairperson

Member

The accounting policies and notes on pages 16 to 32 form an integral part of these financial statements.

1. GENERAL INFORMATION

The Insurance Industry Compensation Fund was established in the Republic of Mauritius under Sections 88 and 92 of the Insurance Act 2005, which shall be organised into Sub-Funds including the Hit and Run Sub-Fund which became effective on 1 January 2016.

The Financial Statements of the Insurance Industry Compensation Fund (The 'Fund') for the year ended 31 December 2018 were authorised for issued in accordance with a resolution of the Managing Committee on 31 October 2019

The registered office of the Fund is located at SICOM Tower, Level 8, Wall Street, Ebene, Mauritius.

(a) Statement of Compliance

The Fund has prepared its Financial Statements in accordance with International Financial Reporting Standards (IFRS) and the interpretation of these standards as issued by the International Accounting Standards Board (IASB) as per Section 21 of the Insurance (Industry Compensation Fund) Regulations 2015. These statements have been prepared on the historical cost basis, except for financial assets and liabilities.

The preparation of Financial Statements in accordance with IFRS requires the Managing Committee to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from these estimates.

(b) Basis of Measurement

The Financial Statements are prepared under the historical cost convention and in accordance with International Financial Reporting Standards (IFRSs) and comply with Sections 88 and 92 of the Insurance Act 2005.

(c) Going Concern

The Managing Committee have a reasonable expectation that the Fund has adequate resources to continue in operational existence for the foreseeable future. The Financial Statements therefore have been prepared on a going concern basis.

(d) Functional and Presentation Currency

Items included in the Fund's Financial Statements are measured using the currency of the primary economic environment in which the Fund operates ("the functional currency"). The Fund's performance is evaluated and its liquidity is managed in Mauritian Rupees ("MUR"). The Financial Statements are presented in Mauritian Rupees (MUR).

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES

1. Application of New and Revised International Financial Reporting Standards (IFRS)

In the current year, the Insurance Industry Compensation Fund has applied all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (''IASB'') and the IRFS Interpretations Committee of the IASB that are relevant to its operations and effective for accounting years beginning on 01 January 2018.

New and Revised Standards applied which may affect amount reported and disclosed in the Financial Statements.

Insurance Industry Compensation Fund has adopted the following standards which are effective 1 January 2018:

- IFRS 9: Financial Instruments
- IFRS15: Revenue from Contracts with Customers

IFRS 9, 'Financial Instruments,' addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS 39 that relates to the classification and measurement of Financial Instruments. IFRS 9 retains but simplifies the mixed measurement model and established three primary measurement categories for the financial assets: amortised cost, fair value through other comprehensive income and fair value throughprofit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS39 . For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated a fair value through profit or loss.

The only are of significance to the Insurance Industry Compensation Fund relates to the new expected credit loss model. Insurance Industry Compensation Fund has assessed the requirements of the new standards through the IFRS 9 simplified approach to measuring expected credit losses. The Board has determined that the effect on the Financial Statements is not material.

IFRS15. 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of Financial Statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the goods or service. The Standard replaces IAS 18 'Revenue' and IAS 11 'Construction Contracts' and related interpretations. Insurance Industry Compensation Fund has assessed the implications of the new standard and concluded that the accounting treatment is the same under both IAS 18 and IFRS 15.

The application of these standards did not have impact on the amounts recognised in prior periods and is not expected to have a material impact on the current or future periods.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New and revised standards applied which may affect amount reported and disclosed in the financial statements. (continued)

New and revised IFRSs applied with no material effect on financial statements

The following new and revised IFRSs have been applied in these financial statements. The applications of these new and revised IFRSs has not had any material impact on the amounts reported and/or disclosed for the current year but may affect the accounting for future transactions or arrangements.

IFRIC 22 Foreign Currency Transactions and Advance Considerations

New and revised IFRSs in issue but not yet effective

At the date of authorisation of these financial statements, the followimg relevant IFRSs were in issue but effective on the annual periods beginning on or after the respective dates as indicated.

- IAS 1: Presentation of Financial Statements –Amendments regarding the definition of material (effective 1 January 2020)
- IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors-Amendment regarding the definition of material (effective 1 January 2020)
- IAS12: Income Taxes –Amendments resulting from Annual Improvements 2015-2017 Cycle (income tax consequences of dividends) (effective 1 January 2019)
- IFRS9: Financial Instruments-Amendments regarding prepayment features with negative compensation and modifications of financial liabilities (effective 1 January 2019)
- IFRIC 23: Uncertainty over Income Tax Treatments (effective 1 January 2019)

The Board anticipates that these IFRS will be applied on their effective dates in future years. The directors have not yet had an opportunity to consider the potential impact of the application of these amendments

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New and revised IFRS in issue but not yet effective

At the year end the following new standards, interpretations and amendments, which have not been applied in these financial statements, may have an effect on Insurance Industry Compensation Fund's future financial statements:

- *IFRS 16: Leases*

  IFRS 16 requires lessees to recognise nearly all leases on the balance sheet which will reflect their right to use an asset for a period of time and the associated liability for payments. IFRS 16 was introduced on 1 January 2019 and is expected to impact on the Insurance Industry Compensation Fund's future financial statements as it will change how Insurance Industry Compensation Fund accounts for leases, which were previously classed as operating leases.

  A right of use asset together with a related lease liability will be required to be recognised in the financial statements.

- *IFRIC Interpretation 22: Foreign currency transactions and advance considerations*

  IFRIC 22 clarifies which exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency

- *IFRS 14: Regulatory Deferral Accounts*

  IFRS 14 Regulatory Deferral Accounts specifies the reporting requirements for regulatory deferral account balances that arise when an entity provides goods or services to customers at a price or rate that is subject to rate regulation.

- *IFRIC Interpretation 23: Uncertainty over Income Tax Treatments*

  The Interpretation clarifies application of recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over Income Tax Treatments

- *Annual improvements to IFRSs (2015-2018)*

  The improvements in these amendments clarify the requirements of IFRSs and eliminate inconsistencies within and between standards.

- *Amendments to IAS 19: Plan Amendment, Curtailment or Settlement*

  The amendments clarify the accounting when a plan amendment, curtailment or settlement occurs.

- *Amendments to IFRS 9: Prepayment features with negative compensation*

  The amendments address the concerns about how IFRS 9: Financial Instruments classifies particular prepayable financial assets

- *Amendments to References to the Conceptual Framework in IFRS Standards*

  The amendments support transition to the revised Conceptual Framework for companies that develop accounting policies when no IFRS Standard applies to a particular transaction.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Revenue Recognition

(i) Contributions from Insurance Companies

Monthly Contribution fees are raised in terms of the Insurance (Industry Compensation Fund) Regulations 2015.

Fees are earned from Insurance Companies selling motor insurance business/policies.

(ii) Recognition

Revenue from fees is recognised on an accrual basis and to the extent that it is probable that the economic benefits will flow to the Fund and which can be measured reliably.

(iii) Measurement

Revenue from fees is measured at the fair value of the consideration received or receivable, taking into account terms of payment which may be defined from time to time in the Insurance (Industry Compensation Fund) Regulations 2015.

(iv) Interest income

For all Financial Instruments which are interest bearing financial assets, interest income or expense is recorded using the effective interest rate, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the Financial Instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Interests on bank deposit have been accounted for, on an accrual basis

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Expense Recognition

All expenses have been accounted on accrual basis. The expenditure is classified in accordance with the nature of the expense

(c) Financial Instruments – Initial Recognition and Subsequent Measurement

(1) Financial Assets

Initial Recognition and Measurement

An entity shall recognise a financial asset in its statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument.

Financial Assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Fund determines the classification of its financial assets at initial recognition.

All Financial Assets are recognised initially at fair value plus transaction costs, except in the case of Financial Assets recorded at fair value through profit and loss. Purchases or sales of Financial Assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Fund commits to purchase or sell the asset.

The Fund's Financial Assets include cash, short-term deposits and fees receivables

Subsequent Measurement

The Subsequent Measurement of Financial Assets depends on their classification as described below:

Financial assets at fair value through profit and loss

The reclassification to receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, as these instruments cannot be reclassified after initial recognition.

(i) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such Financial Assets are subsequently measured at amortised cost. The losses arising from impairment are recognised in the Statement of Financial Performance.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) Held-to-Maturity Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as Held –to-Maturity when the Fund has the positive intention and ability to hold them to maturity. After initial measurement, Held-to-Maturity Investments are measured at amortised cost using the effective interest rate, less any provision for impairment.

Amortised Cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The amortization is included in the Statement of Financial Performance. The losses arising from impairment are recognised in the Statement of Financial Performance.

If the Fund was to sell or reclassify more than an insignificant amount of Held-to-Maturity Investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as Available-For-Sale.

The Fund has the positive intent and ability to hold its investments in Treasury Notes as Held-to-Maturity Investments for the reporting year.

Derecognition

A Financial Asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

(i) The rights to receive cash flows from the asset have expired.
(ii) The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either the Fund has

(a) Transferred substantially all the risks and rewards of the asset, or
(b) Neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Fund has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Fund's continuing involvement in the asset. In that case, the Fund also recognises an associated liability.

The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Fund could be required to repay.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Financial Assets

The Fund assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Fund first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Fund determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Fund. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the Statement of Financial Performance.

(2) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss (FVTPL), loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Fund determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value plus directly attributable transaction costs.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Fund's financial liabilities consist of accounts payables.

Subsequent Measurement

Payables are subsequently measured at amortised cost.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability.

The difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

(3) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if:

(i) There is a currently enforceable legal right to offset the recognised amounts; and
(ii) There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(4) Fair Value of Financial Instruments

The Fair value of Financial Instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For Financial Instruments not traded in an active market, the Fair Value is determined using appropriate valuation techniques. Such techniques may include:

(i) Using recent arm's length market transactions
(ii) Reference to the current fair value of another instrument that is substantially the same; or
(iii) A discounted cash flow analysis or other valuation models.

(d) Cash and Cash Equivalents

Cash and Cash Equivalents compromise of cash at bank. Cash Equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Provisions

Provisions are recognised when the Fund has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Fund expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Financial Performance net of any Reimbursement.

(f) Taxation

The Fund is exempt from payment of tax as per the provisions of the Income Tax Act 1995.

(g) Related Parties

Parties are considered related to the Fund if they have the ability, directly or indirectly, to exercise significant influence over the Fund in making Financial and Operating decisions, or vice versa. Related parties may be individuals or other entities.

Salaries to Key Personnel are determined and paid as per respective terms of appointment, and are expensed in the period of their service.

(h) Contingent Liabilities

Contingent Liabilities are not recognised in the Financial Statements. They are disclosed in the notes unless the probability of an outflow of resource embodying economic benefits is remote. A contingent liability exists when a possible obligation which has arisen from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events wholly within the control of Insurance Industry Compensation Fund, or when a present obligation that arises from past events is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

DETERMINING FAIR VALUES

The Determination of Fair Value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Market Risk

Market Risk is the risk that the Fair Value of future cash flows of a Financial Instrument will fluctuate because of changes in market prices. Market prices comprise of the following types of risk: interest rate risk, currency risk, and other price risk, such as equity price risk. Financial Instruments affected by market risk include receivables, bank deposits and accounts payable denominated in foreign currency.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest Rate Risk

Interest Rate Risk is the risk that the fair value or future cash flows of a Financial Instrument will fluctuate because of changes in market interest rates. The Fund's exposure to the risk of changes in market interest rates relates primarily to the Fund's bank balances with floating interest rates.

The Fund manages its interest rate risk by placing its excess funds in term-deposits with fixed interest rates.

Credit Risk

Credit Risk is the risk that counterparty will not meet its obligations under a Financial Instrument or a contract, leading to a financial loss. The Fund is exposed to credit risk from its operating activities (primarily for contribution received and from its investing activities, including treasury bills, treasury notes and deposits with banks).

Fees Receivable

Licensee credit risk is managed subject to the Fund's established policy, procedures and control relating to licensee credit risk management.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Fund in accordance with its investment policy. Investments of surplus funds are made only with approved counterparties. Counterparty credit limits are reviewed by the Fund on an annual basis, and may be updated throughout the year. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty's failure.

Liquidity Risk

The Fund monitors its risk to a shortage of funds using a recurring liquidity planning tool. The Fund's objective is to maintain a balance between continuity of funding and flexibility by keeping a minimum float and investing any excess in short term deposits. The Fund has no borrowings, nor does it plan to raise funds in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2018

3. CRITICAL ACCOUNTING ASSUMPTIONS, ESTIMATES AND JUDGEMENTS

Judgements and Assumptions

The preparation of the Fund's Financial Statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Fund based its assumptions and estimates on parameters available when the Financial Statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Fund. Such changes are reflected in the assumptions when they occur.

Limitation of Sensitivity

Sensitivity analysis in respect of market risk demonstrates the effect of a change in a key assumption while other assumptions remain unchanged.

In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts should not be interpolated or extrapolated from these results. Sensitivity analysis does not take into consideration that the Fund's assets and liabilities are managed. Other limitations include the use of hypothetical market movements to demonstrate potential risk that only represent the Fund's view of possible near term market changes that cannot be predicted with any certainty.

Determination of Functional Currency

The Determination of the Functional Currency of the Fund is critical since recording of transactions and exchange differences arising thereon are dependent on the functional currency selected. The directors have considered those factors therein and have determined that the functional currency of the Fund is the Mauritian Rupees (MUR).

4 RECEIVABLES

	2018	2017
	Rs	Rs
Fees and interest receivable	3,552,270	3,582,640
Accrued interest	632,532	617,373
	4,184,802	4,200,013

5 CASH AND CASH EQUIVALENTS

Term Deposit	30000000	50000000
Cash at bank	17,364,621	18,613,645
Cash in hand	13,232	2,099
	47,377,853	68,615,744

6 ASSETS HELD TO MATURITY

Within 1 year		
Treasury bill	60,000,000	-
Discount on Treasury bill	(1,579,669)	-
	58,420,331	-

Held-to-maturity investments are carried at amortised cost using the effective interest method, less any provision for impairment.

7(a) PROVISION FOR CLAIMS

Death claim	350,000	1,050,000
Disability claim	100,000	50,000
	450,000	1,100,000

The provision for claims has been made based on requirements of the Insurance Act 2005. As at 31 December 2018, the claims were made but not yet approved by the Managing Committee.

7(b) COMPENSATION

Claims paid during the year	715,000	1,200,000
Additional Claim	50,000	-
Claim Rejected	(700,000)	(400,000)
	65,000	800,000

8 Other Payables

Audit fees accrued	70,000	70,000
FSC administrative and management fees	500,000	1,183,401
Mauritius Revenue Authority	15,750	13,200
Other payables	5,818	-
	591,568	1,266,601

9 CONTRIBUTION

Contribution from Insurance Companies	38,947,556	37,668,529
	38,947,556	37,668,529

10 INTEREST INCOME

	2018	2017
	Rs	Rs
Interest on late payment	498	140
Treasury Bills	381,731	-
Term Deposits	1,377,478	1,066,898
	1,759,707	1,067,038

11 OFFICE AND ADMINISTRATIVE EXPENSES

Events	5,818	-
Printing, postages and stationeries	115,919	3,142
Recruiment costs	189,065	-
Bank charges	13,080	11,300
Audit fees	50,000	56,500
FSC administrative and management fees	500,000	1,183,401
	873,882	1,254,343

12 Hit-and-Run-Sub-Fund

	2018	2017
	Rs	Rs
Balance at start	70,449,156	34,772,639
Movement for the year	38,492,262	35,676,517
Balance at end	108,941,418	70,449,156

13 Financial Instruments and Associated Risks

Overview

The Fund has exposure to the following risks from its use of financial instruments:

Liquidity risk
Compliance risk
Political, economic and social risk

Risk Management Framework

The Managing Committee has overall responsibility for the establishment and oversight of the Company's risk Management Framework.

Liquidity Risk

Liquidity Risk with regard to outflow is limited to the payment of claims to victims of Hit and Run cases. The expected outflows are matched with the corresponding call deposits at the bank. The surplus, based on decisions of the Managing Committee, is invested with maturity profiles as at 31 December 2018.

The table belows shows the Fund's financial assets and liabilities into the relevant maturity groupings based on the remaining period at the reporting to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cashflows and excludes prepaid expenses but includes prepayments where cash is expected to be received in future.

	Maturity			
	Less than 12 months	More than 12 months	Total Cash Flows	Total Carrying amount
Financial assets	Rs	Rs	Rs	Rs
Receivables	4,184,802	-	4,184,802	4,184,802
Cash and bank balances	17,377,853	-	17,377,853	17,377,853
Treasury bills	58,420,331	-	58,420,331	58,420,331
Bank deposits	30,000,000	-	30,000,000	30,000,000
	109,982,986	-	109,982,986	109,982,986

The Committee monitors the adequacy of cash inflows in terms of the budget estimates at all times.

13 Financial Instruments and Associated Risks (continued)

Compliance Risk

Compliance Risk arises from a failure or inability to comply with the laws, regulations or codes applicable to the industry. Non-compliance can lead to fines, public reprimands, and enforced suspension of operations or, in extreme cases, withdrawal of authorisation to operate.

Political, Economic and Social Risk

Political, economic and social factors, changes in countries' laws, regulations and the status of those countries' relations with other countries may adversely affect the value of the Fund's assets.

Credit Risk

In the normal course of business, the Fund is exposed to the credit risk from accounts receivable and transactions with banking institutions. The carrying amounts of these balances represent the maximum credit risk that the Fund is exposed to. Any prepayments are excluded for the purpose of this note.

The Fund manages its exposure to credit risks as follows:-

(a) with regards to accounts receivables, Credit Risk is limited as the Fund is governed by the Rules made under the Insurance Act 2005, and fees are charged in terms of the legislation bases on the category of vehicles;and

(b) for transactions with banking institutions, it holds bank balances and short term deposits with the Barclays Bank Mauritius Ltd and MauBank Ltd. As such the Fund mitigates the risks related to bank balances and deposits by keeping its funds in a wide spread of banks of a certain level of repute.

The Managing Commitee assesses and only invests in banks with high credit rating. The Managing Committee carries out periodic assessment of its receivables to identify events or changes in circumstances that lead to impairment of these receivables. Based on the assessment, the Managing Committee is of the view that the assets have not suffered from impairment. The ageing analysis of these receivables are as follows:

14 Fees and Interest Receivable

	2018	2017
	Rs	Rs
Up to 3 months	3,552,270	3,582,640
	3,552,270	3,582,640

15 Accrued Interest

Accrued Interest was raised in accordance with the terms of the contracts for the respective Financial Instruments. None of the amounts was considered to be past due and no impairments were required.

16 Fair Value

The carrying amounts of the Company's Financial Instruments approximate their fair values. Financial assets and liabilites, which are accounted for at historical cost, are carried at values which may differ materially from their fair values.

17 Contingent Liabilities

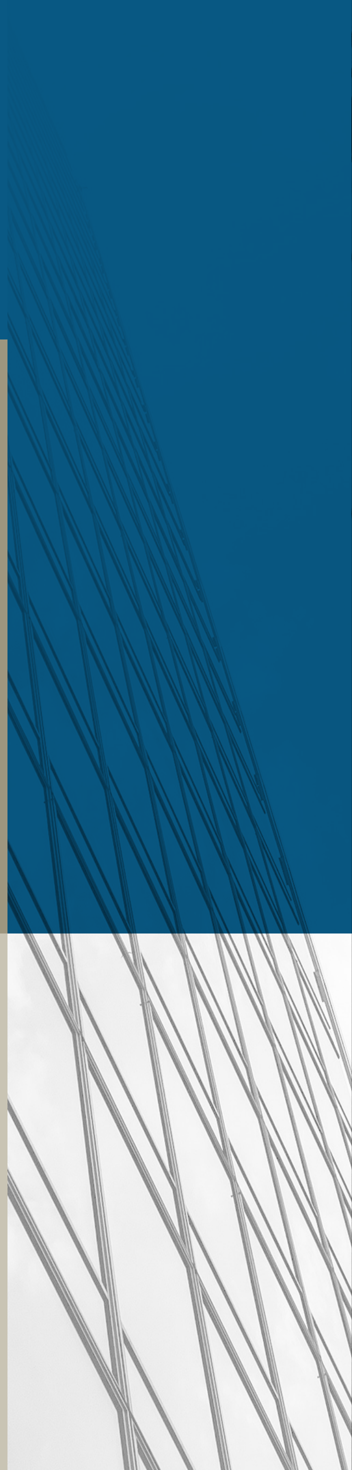
At 31 December 2018, there were no contingent liabilities arising in the ordinary course of business for which directors anticipate that no material liabilities would arise.

18 Events after the Reporting Period

There have been no material event after the reporting date which would require disclosure or adjustment to the Financial Statements for the year ended 31 December 2018.

19 Capital Commitment

There were no Capital Commitments at the end of the reporting date.



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