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Free Translation of

Decree Nr. 30/2011 of 11 August

**REGULATION OF THE CONDITIONS OF ACCESS TO AND EXERCISE OF
INSURANCE ACTIVITY AND ITS INTERMEDIARY ACTIVITIES**

Translation sponsored by



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COUNCIL OF MINISTERS

Decree Nr. 30/2011

of 11 August

Since it is necessary to regulate the conditions of access to and exercise of insurance activities and their mediation, the Council of Ministers decrees under the provisions of article 9 of Decree-Law Number 1 / 2010 of 31 December:

Article 1. The Regulations concerning the Conditions of Access to and the Exercise of Insurance Activities and their intermediation, to be found in the Annex, are an integral part of this Decree.

Article 2. It is incumbent upon the Minister who oversees the area of Finance to approve the models for the licensing of the exercise of insurance, intermediary activities and agency by agents that are a commercial company and also individual insurance agents.

Approved by the Council of Ministers, on 5 July 2011.

To be published.

The Prime-Minister, Aires Bonifácio Baptista Ali.

Regulation of the Conditions of Access to and Exercise of Insurance Activity and its Intermediary Activities

TITLE I

General Provisions

Article 1

(Objective)

The present Regulations define the procedures concerning access to and the exercise of insurance activity and its respective intermediary activities.

Article 2

(Scope of application)

1. These Regulations apply to those entities which, duly authorized in terms of the Insurance Regulatory Framework approved by Decree-Law Nr. 1/2010 of 31 December, exercise an insurance activity including its respective intermediary activities.
2. The provisions in these Regulations concerning insurers apply, *mutatis mutandis*, to reinsurers and micro-insurers where these are not governed by specific regulations
3. The provisions of these Regulations concerning insurance intermediaries shall apply, *mutatis mutandis*, to reinsurance intermediaries.

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Article 3

(Previous authorization)

1. Without prejudice to the legally stipulated provisions concerning micro-insurance and insurance intermediary activities, authorization for initiating insurance activity is granted separately for the sectors “Life” and “Non-Life”, covering the totality of the respective both in terms of direct insurance and reinsurance unless, with regard to the “Non-Life” sectors the applicant entity merely intends to cover certain risks or modalities of a particular sector.
2. The operation of new sectors or insurance modalities not included in the initial authorization depends on prior authorization that shall observe the same legal procedures.
3. Prior authorization by the Minister supervising the area of Finance, based on the opinion of the Institute of Insurance Supervision of Mozambique, hereinafter referred to as ISSM, is also required for:
 - a) Amendments to statutes arising from sale or transformation, in particular, the division or merger of the insurer, micro-insurer or reinsurer based in Mozambique, as well as of intermediaries in the category of intermediary or insurance agent taking the form of a commercial company;
 - b) The sale of a single branch of a foreign insurer operating in the Republic of Mozambique
4. The ISSM is to be notified of:
 - a) Amendments to the articles of association of the entities referred to in clause a) of the previous paragraph where these amendments solely comprise of a change of location of the head office, within a period of 10 days of the alteration occurring;
 - b) Changes to the articles of association or to the composition of the board of directors of a foreign-based insurer authorized to establish a branch in the Republic of Mozambique, within a period of 30 days from the date on which the change occurred.

Article 4

(Start of activity)

1. It is incumbent upon ISSM to:
 - a) Verify the formal constitution and start of the activity of the insurer, micro-insurer or reinsurer within the time limits established by law, after the respective special registration provided for in article 9 of the Insurance Regulatory Framework;
 - b) Verify the adequacy of facilities and the material, technical and human resources for the normal functioning of the entity entitled to exercise the insurance activity, in accordance with the contents of the corresponding authorization process.
2. The provisions in the previous clause shall apply, with the necessary adaptations, to insurance intermediaries.

Article 5

(Fronting operations)

Insurers are obliged to notify ISSM, by the 15th of each month, of fronting operations carried out in the previous month, specifically indicating the type of insurance business, the risk covered, the capital insured, the ceded share, the amount of ceded premium and whether an intermediary was involved, as well as to explain the reasons for the operation in question, both in terms of its nature and its extent of risk.

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Article 6

(Duty to check money laundering operations)

Entities qualified to exercise an insurance activity and insurance intermediary services are especially obliged to adopt organizational and internal control measures that allow for the verification of transactions that may indicate money laundering in terms of the applicable legislation.

TITLE II

Access to Insurance Activity

CHAPTER I

Establishment of insurers

SECTION I

Joint stock insurance companies

Article 7

(Method of application)

1. The application requesting authorization for the incorporation of an insurer in the form of a joint stock company is presented in triplicate at ISSM, addressed to the Minister supervising the area of Finance, accompanied by the following:
 - a) Minutes of the meeting where the incorporation of the company was decided;
 - b) Draft of the statutes of the company to be incorporated;
 - c) Identification of the founding shareholders, be these individuals, collective persons or commercial companies, direct or indirect share holders, with a specification of the capital subscribed by each and the origin of the respective funds;
 - d) The indication for each founding shareholder of other companies in whose capital they have qualified holdings and of the structure of the respective group;
 - e) Detailed information about the structure of the group in which, presumably, the company to be incorporated society is integrated;
 - f) Minutes of the competent legal entity of shareholders invested with the nature of a legal person or commercial company, discussing shareholding in the company;
 - g) Police clearance of the founding shareholders where these are individuals, and of the respective administrators, directors or managers where these are legal persons or commercial companies, issued within a period of 90 days;
 - h) A declaration of the founding shareholders that neither they nor the companies they have managed or of which they have been administrators, directors or managers have been declared insolvent or bankrupt due to them, and that they have always exercised sound and prudent management of the said companies.
2. In the case of foreign nationals, the certificate referred to in clause g) of the previous paragraph may be replaced by an equivalent document issued in the country of origin within a period of 90 days.
3. If the company to be incorporated has founding shareholders with a qualified shareholding who are legal persons or commercial companies, then there must submit together with the application referred to in paragraph 1 of this article, the following items for each of them:

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- a) Statutes;
 - b) Report and accounts for the last 3 financial years;
 - c) Identification of members of the board of directors with relevant biographical data;
 - d) Distribution of share capital, indicating the holders of shares equal to or greater than 10%
4. The application must also be accompanied by a programme of activities including, among other things, the following elements:
 - a) General policy conditions corresponding to the insurance sectors and operations which they intend to undertake and their respective technical basis;
 - b) Guiding principles of reinsurance which they intend to follow;
 - c) The organizational structure of the insurer, specifying the human, technical and financial resources at its disposal;
 - d) An estimate of the establishment costs, especially administrative and commercial costs, as well as the financial resources that are required to this end.
 5. For each of the first three financial years, the information accompanying the application shall contain:
 - a) The balance sheet and the provisional profit and loss account, in accordance with the models provided for in the Chart of Accounts applicable to the insurance business;
 - b) The forecast of the paragraph of employees by nationality and their salaries;
 - c) The forecast statement of cash flows;
 - d) The forecast of financial resources necessary to constitute technical reserves;
 - e) The forecast of the solvency margins, required and available, calculated in accordance with the applicable legal provisions.
 6. If the application is not handled in accordance with the provisions of this article ISSM shall inform the applicants' representative of the deficiencies found, giving a period of 30 days to rectify these, under penalty of forfeiture of the application at the end of that period.
 7. In addition to the items referred to in the preceding numbers ISSM may require the presentation, within 30 days of notification, of additional information it deems necessary for the review of the application, under penalty of forfeiture of the application at the end of that period.
 8. For the purposes of the provisions in this article, applicants shall:
 - a) Designate a representative who resides, in the case of an individual, or which has corporate headquarters in the case of a legal person or commercial company, in the Republic of Mozambique;
 - b) Indicate, including their professional curricula, the technical staff, in particular the financial, legal and actuarial, which are responsible for the financial, legal and technical areas of the application process.
 9. The documents accompanying the application, as well as any other documents for ISSM shall be written in Portuguese.
 10. Having verified compliance with the legal requirements, ISSM submits the authorization process, duly informed, to the Minister who oversees the area of Finance, for decision.
 11. Two copies of the application filed in terms of paragraph 1 are submitted to the Investment Promotion Centre in order for it to authorize the investment project in accordance with the provisions in the respective legislation, where applicable.

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Article 8

(Decision)

1. The decision on the application is provided, in writing, to the applicants within a period of 45 days from the date of receipt of the application or, if applicable, from the date the additional information referred to in numbers 6 and 7 of article 7 of these Regulations was received by ISSM.
2. The application is refused whenever:
 - a) Not all information and documents required are attached;
 - b) The application contains inaccuracies and falsehoods;
 - c) There is a lack of guarantees of sound and prudent management.
3. Not notifying the decision within the period specified in paragraph 1 of this article amounts to a tacit rejection of the application.

Article 9

(Suitability)

1. The requirement of good standing, required under clauses a) and b) of paragraph 2 of article 17 of the Insurance regulatory Framework is completed by the person who, among other things:
 - a) Has not been convicted or indicted for the crime of robbery, theft, breach of trust, issuing a bad check, fraud, forgery, embezzlement, bribery, extortion, usury, corruption, false declarations or the unauthorized receipt of deposits or other reimbursable funds;
 - b) Has not been declared, by final sentence, bankrupt or insolvent or held liable for the bankruptcy of companies they have owned or of which they have been administrator, director or manager;
 - c) Is not responsible for offenses against the law which regulates the insurance business.
2. The provisions in the previous paragraph apply to members of the audit committee and the board of the general assembly of the company.

Article 10

(Professional experience)

1. The person who has exercised with clear competence positions of responsibility in the financial and technical area during at least 4 consecutive years fulfills the requirement of professional experience demanded in terms of clause b) of paragraph 2 of article 17 of the Insurance Regulatory Framework.
2. The verification of the requirement of professional experience may be the subject of prior consultation, for confirmation by ISSM.

Article 11

(Sound and prudent management)

Conditions to ensure sound and prudent management of an insurer for the purposes referred to in clause a) of paragraph 2 of article 17 of the Insurance Regulatory Framework exist when any of the following circumstances, namely, are found not to occur:

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- a) The way the person in question normally conducts their business or the nature of their professional activity shows the propensity to take excessive risks;
- b) There are grounds to doubt the legitimacy of the origin of the funds used in acquiring the shareholding or the true identity of the holder of such funds;
- c) The economic and financial situation of the person in question is inadequate with respect to the amount of shareholding that they proposes acquiring;
- d) The structure and characteristics of the commercial group in which the insurer will be integrated impede adequate supervision;
- e) The person in question refuses to accept or comply with the conditions necessary for the restructuring of the insurer previously established by ISSM;
- f) The shareholding may result in a threat to transparency and fair competition in the insurance market.

Article 12

(Compliance with the activity programme and its alterations)

1. During the three financial years that are subject to the forecasts referred to in paragraph 5 of article 7 of these Regulations, the insurer is obliged to submit each year to ISSM a report on the degree of implementation of the activities resulting from those forecasts.
2. If analysis of the report referred to in the preceding paragraph finds an imbalance in the financial situation of the insurer, then ISSM shall impose measures to strengthen its financial security, the failure to comply with which may lead to the revocation of the authorization pursuant to article 30 of the Insurance Regulatory Framework.
3. Changes to the programme of activities referred to in paragraphs 4 and 5 of article 7 of these Regulations are subject to prior approval by the Minister who oversees the area of Finance, based on the opinion of ISSM, and to this end the insurer shall present the respective application to ISSM, detailing the aspects substantiating the changes referred to.
4. The decision about the application referred to in the preceding paragraph shall be notified to the insurer within a period of 30 days from the date of its receipt, and the lack of notification is considered a tacit approval of the proposed changes.
5. Without prejudice to other penalties that may be apply in accordance with applicable legislation, non-compliance with the duties of the auditor specified in the previous paragraphs leads to the termination of their role within the entity qualified to exercise insurance activity as well as to the cancellation of registration with ISSM.

Article 13

(Representations abroad)

1. The opening abroad of branches or any other form of representation of insurance companies incorporated pursuant to this section is requested by an application addressed to the Minister who oversees the area of Finance and submitted to ISSM, accompanied by at least the following:
 - a) An indication of the country in whose territory the representation is to be established;
 - b) Programme activities prepared in accordance with paragraphs 4 and 5 of article 7 of these Regulations, with due adaptations;
 - c) The address of the representative office in the host country where documents may be obtained and delivered, being it understood that communications directed to the authorized agent referred to the following paragraph are to be sent to the address mentioned;

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- d) Name and address of the general mandate holder of the representative office who must have sufficient powers to bind the insurer to third parties and to represent it before the authorities and the courts of the host country.
2. In case of alterations of items referred to in clauses c) and d) of the previous paragraph the insurer is obliged to inform ISSM 30 days in advance of the date on which changes are intended to occur.
3. Changes to the programme of activities referred to in clause b) of paragraph 1 of this article are subject to the provisions of paragraphs 3 and 4 of article 12 of these Regulations.

SECTION II

Mutual insurance

Article 14

(Incorporation and objective of the company)

1. Mutual insurance companies are incorporated by natural and/or legal persons and/or commercial companies that exercise the same business or professional activity, which intend to ensure, in accordance with insurance techniques coverage of risks arising directly from this activity.
2. When the company objective is mutual insurance which includes the sale of insurance to insureds other than members, the provisions of article 5 of Law Nr. 23/2009 of 28 September must be observed.
3. Mutual insurers are prohibited from:
 - a) Exercising their activity using insurance intermediaries in selling insurance to their own members;
 - b) Accepting risks placed as reinsurance.

Article 15

(Remission)

1. Without prejudice to the provisions in the following paragraph the provisions of articles 7 to 12 of these Regulations apply with the necessary adaptation, to mutual insurance.
2. For the purpose of incorporating mutual insurers the provisions of clauses c), f), g) and h) of paragraph 1 of article 7 of these Regulations are compulsory for the 10 initial members of cooperative company who subscribe to the largest paragraph of capital shares.

SECTION III

Establishment of branches in the Republic of Mozambique

Article 16

(Specific and previous authorization)

1. The authorization for the establishment in the country of branches of foreign insurers may be granted if they conform to and apply the criteria of opportunity and convenience, measured in the light of the economic, financial and market interests of the Republic of Mozambique.

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2. Branches referred to in this section may only be authorized to operate in areas and types of insurance for which the respective insurer is authorized in the country where its head office is registered, observing the provisions of paragraphs 1 and 2 of article 3 of these Regulations.
3. It is a necessary condition for the approval to be granted that the insurer has effectively operated its activity in its country of origin for more than 5 years and is incorporated as a commercial company.

Article 17

(Form of application)

1. Insurers with their head office abroad wishing to obtain authorization to open a branch in the Republic of Mozambique shall submit in triplicate to ISSM their application, addressed to the Minister who oversees the area of Finance, together with the following:
 - a) A substantiated memorandum stating the reasons motivating the opening of an insurance branch in the Republic of Mozambique;
 - b) Detailed information about the applicant's international business, especially in relation to the Mozambican insurance market;
 - c) Statutes;
 - d) A list of its managers, duly identified;
 - e) A report and accounts for the past 3 financial years;
 - f) Certificate issued less than 90 days ago by the competent authority in country of the company's head office, attesting that the insurer is legally incorporated and operates in accordance with the applicable legal provisions, as well as an indication of the sectors and forms of insurance in which it is authorized to operate.
2. The application requesting the authorization shall also include a programme of activities including the following:
 - a) Branch or sectors of insurance and modalities to be operated, with the general policy conditions and the corresponding technical bases;
 - b) Guiding principles of the reinsurance it intends to follow;
 - c) Estimate of the costs of establishing the administrative services and the commercial network, as well as of the financial resources adequate to meet these costs;
 - d) Specification of technical, financial and human resources available to the branch.
3. For each of the first 3 financial years and with reference to the activity to be exercised in the Republic of Mozambique the information accompanying the application shall contain:
 - a) Balance sheet and provisional profit and loss account, in accordance with the models provided for in the Chart of Accounts applicable to the insurance business;
 - b) The forecast of the paragraph of employees by nationality and their salaries;
 - c) The forecast statement of cash flows;
 - d) The forecast of financial resources necessary for the representation and the provision for technical reserves, as well as provision for the required minimum solvency margin;
 - e) The forecast of solvency margins, required and available, calculated in accordance with the applicable legal provisions.
 - f) Provision of other financial resources intended to guarantee liabilities assumed.
4. The application shall also be accompanied by a declaration of commitment, indicating that at the time of opening, the branch meets the following requirements:
 - a) Existence of an office in the Republic of Mozambique;
 - b) Appointment, in accordance with the provisions in the following article, of a general agent;

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- c) Deposit in a credit institution operating in the country of the legal minimum corresponding to the establishment fund assigned to the activity undertaken by the branch;
 - d) Financial guarantee in favour of ISSM, under terms established by it, of the value of the required corresponding minimum solvency margin.
5. The ISSM can request any clarification or provision of additional items it deems necessary for the analysis of the application, providing the insurer 30 days to satisfy this request, under penalty of forfeiture and subsequent filing of the application in case this obligation has not been fulfilled within the time set.
 6. The provisions of paragraphs 9 to 11 of article 7 of these Regulations apply, *mutatis mutandis*, to the application for authorization.
 7. Two copies of the items provided in terms of paragraph 1 are intended for the Investment Promotion Centre in order for it to authorize the investment project in accordance with the provisions in the respective legislation, where applicable.

Article 18

(General Representative)

When the general representative is an individual the insurer must appoint an alternate and both shall meet the following requirements:

- a) Have residence in the Republic of Mozambique;
 - b) Meet the requirements of good repute and professional experience as defined, respectively, in paragraph 1 of article 9 and paragraph 1 of article 10 of these Regulations;
 - c) Have sufficient knowledge of Portuguese.
2. When the general representative is a legal person or commercial company it shall:
 - a) Be incorporated in accordance with the law in force in the Republic of Mozambique;
 - b) Have as exclusive company objective the representation of a foreign-based insurer;
 - c) Have its headquarters in the Republic of Mozambique;
 - d) Appoint an individual to represent it and an alternate and both shall meet the requirements referred to in paragraph 1 of this article.
 3. The general representative shall have the necessary powers to, as a representative and on behalf of the insurer, enter into insurance, reinsurance and employment contracts, assuming the obligations arising from these, as well as to represent the insurer in and out of court.
 4. In case of revocation of the mandate by the insurer, it shall appoint a new general representative or their alternate, according to the situation at hand.
 5. If the legal person or commercial company functioning as general representative goes bankrupt, or the individual who represents it dies or the individual or their alternate functioning as general representative die, then the regularization of the situation shall take place within a period of 15 days.

Article 19

(Remission)

The provisions of paragraphs 6 and 7 of article 7 and articles 8 and 12 of these Regulations apply to the sectors referred to in this section, *mutatis mutandis*,

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Article 20

(Revocation of authorization)

1. In addition to other situations specifically provided for in Insurance Regulatory Framework and the present Regulations, which may lead to revocation of the authorization without prejudice to penalties that may arise in the context of misconduct in the exercise of insurance activities, the authorization may also be revoked in whole or in part by the Minister who oversees the area of Finance, upon proposal of ISSM, in the following circumstances:
 - a) Inexistence of the conditions stated in the certificate referred to in clause f) of paragraph 1 of article 17 of these Regulations;
 - b) Non-compliance with the provisions of paragraphs 4 and 5 of article 18 of these Regulations.
2. The provisions for the revocation of the authorization of insurers having their headquartered in the Republic of Mozambique apply mutatis mutandis to the revocation of the authorization of the sectors referred to in this section.

CHAPTER II

Own shares, qualified shareholding and corporate bodies

SECTION I

Own shares and qualified shareholding in insurers' capital

Article 21

(Own shares)

Insurers are not allowed to acquire or trade in their own shares, except in the cases provided for in paragraph 3 of article 375 of the Commercial Code

Article 22

(Acquisition or increase of qualified shareholding)

1. Any natural or legal person or commercial company or legally equivalent entity that directly or indirectly intends to acquire a qualified shareholding in an insurer, or that intends to increase the qualified shareholding it holds in such a way that the percentage of voting rights or capital held would reach or exceed the 20%, 33% or 50% thresholds, is obliged to request prior authorization from the Minister who oversees the area of Finance, indicating the amount of the shareholding previously held and the one intended for acquisition, with the respective application to be submitted to ISSM.
2. For purposes of assessing the application referred to in the preceding paragraph, ISSM may request additional information from the applicant and make the inquiries it deems necessary for the analysis of the process.
3. The relevant decision making considers, among other things, whether the person in question does or does not meet the conditions considered sufficient to ensure sound and prudent management of the insurer, observing the requirements of article 9 of these Regulations.

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Article 23

(Notification)

1. The decision referred to in paragraph 3 of the previous article is notified in writing to those concerned within a period of 30 days from the date of receipt of the application by ISSM or of additional information, or of the completion of the investigations referred to in paragraph 2 of the previous article.
2. Failure to notify the interested parties within the time specified in the previous paragraph amounts to tacit approval of the request.

Article 24

(Prohibition to exercise the right to vote)

1. Without prejudice to other applicable penalties, the acquisition or increase of a qualified shareholding in insurers without having obtained the necessary authorization leads to the prohibition of exercising the corresponding voting rights.
2. ISSM may notify the board of directors of the insurer about any situation it knows of which could lead to the prohibition referred to in the previous paragraph and the board in question must inform the general assembly of shareholders in all its meetings while the prohibition is maintained.
3. If the right to vote is exercised during a prohibition as referred to in this article, then this is registered in the minutes together with an explanation of the reason why it has been exercised.
4. Any resolution in which the shareholder has exercised the prohibited right to vote can be annulled, unless it is proved that the resolution would have been approved anyway, without the vote in question being cast.
5. The annulment of the decision may be lodged pursuant to the law or by ISSM.
6. While action for annulment of a decision concerning the election of the administrative or supervisory board is pending, the exercise of voting rights covered by the prohibition that has been crucial to making the decision, constitutes grounds for the rejection of special registration at ISSM.

Article 25

(Cessation of the prohibition)

The prohibition to exercise voting rights referred to in paragraph 1 of the previous article ceases if the interested party subsequently requests the respective authorization and it is granted pursuant to these Regulations.

Article 26

(Reduction of qualified shareholding)

Any natural or legal person or commercial company or legally equivalent entity that intends to dispose, directly or indirectly, of a qualified shareholding in an insurer or that intends reduce its shareholding in such a way that the percentage of voting rights or capital shares held by them is reduced to a level lower than the percentages referred to in paragraph 1 of article 22 of these Regulations is obliged to give prior notice to ISSM in respect of this intention as well as about the new amount of the shareholding.

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Article 27

(Communication by the insurer)

1. The insurer is obliged to inform ISSM about the changes referred to in articles 22 and 26 of these Regulations as soon as it is aware of them.
2. Each year by the 15th day of the month following the ordinary general assembly of shareholders, or before April 30, independently of whether or not the ordinary general assembly took place, the insurer shall also inform ISSM about the identity of the holders of qualified shareholdings and the amount of each one.

SECTION II

Administration and supervision

Article 28

(Composition of corporate bodies)

1. Individuals who are members or representatives of legal persons or of commercial companies and who elected or appointed to the management or supervisory bodies of joint stock insurance companies¹, including those who are member of some other management body shall observe the legal requirements for tenure in accordance with statutory requirements and in addition they shall meet the following requirements:
 - a) The majority of the members of the board of directors shall be resident in the Republic of Mozambique;
 - b) At least one of the members of the board of directors must be sufficiently proficient in Portuguese;
 - c) One of the members of the supervisory board shall have completed medium or higher training in accounting.
2. The provisions in the previous paragraph apply, *mutatis mutandis*, to mutual insurance societies, micro-insurers and reinsurers

Article 29

(Registration of members of the corporate bodies)

1. The registration of members referred to in paragraph 1 of the previous article is requested from ISSM within a period of 30 days after their appointment, upon application by the insurer in question, supported by evidence that they meet the legal requirements.
2. The insurer or the interested parties may request a provisional registration prior to the appointment and the conversion of the final registration is required within the time specified in the previous paragraph, on pain of forfeiture.
3. The renewal of the mandate of members of the bodies referred to in this article is annotated in the registration upon the request of the interested parties while observing the deadline stipulated in paragraph 1 of this article.
4. The rejection of registration on the grounds of non-compliance with any of the legal requirements is communicated to the insurer and the interested parties within a period of 15 days and the insurer shall take appropriate measures so that the persons involved immediately cease their functions.

¹ Translator's note – Sociedade Anónima

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5. The rejection of registration covers the persons who do not meet the legally established requirements for the exercise of the function, and it is incumbent upon ISSM to set a time limit for the regularization of the situation, including the cases in which the legal or statutory requirements for the normal functioning of the body are no longer met.
6. Failure to rectify within the period specified in the preceding paragraph leads to the revocation of the authorization pursuant to clause g) of paragraph 2 of article 30 of the Insurance Regulatory Framework, taking into account paragraph 5 of this article.
7. ISSM analyzes and decides on the documents received under the provisions of the previous paragraphs within a period of 15 days.
8. Without prejudice to the results of other applicable legal provisions, the lack of registration does not determine by itself the invalidity of the acts undertaken by the person concerned in the exercise of their duties.
9. The provisions in this article apply, *mutatis mutandis*, to micro-insurers and general representatives of branches of insurers with their head office abroad, without prejudice as far as the latter are concerned to compliance with the requirements defined in article 18 and to the provisions in clause b) of paragraph 1 of article 20 of these Regulations.

CHAPTER III

Shareholders' agreements and representation in the Republic of Mozambique

SECTION I

Shareholders' agreements

Article 30

(Registration of shareholders' agreements)

1. In accordance with the provisions of article 98 of the Commercial Code governing matters relating to the exercise of voting rights, shareholders' agreements entered into between the shareholders of a joint stock insurance company shall be registered with ISSM under penalty of being ineffective.
2. The registration referred to in the previous paragraph may be requested by any party to the agreement up to 15 days before the date of the meeting of the general assembly in which the exercise of the voting rights covered by the agreement is intended to take place.

SECTION II

Representation of insurers in the Republic of Mozambique

Article 31

(Opening of representations in the Republic of Mozambique)

Prior notification to ISSM is required for:

- a) The opening or changing of branches, or of any other form of representation of the insurer in the Republic of Mozambique;
- b) The change of the main business venue of a branch of a foreign-based insurer.

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TITLE III

Exercise of Insurance Activity

CHAPTER I

Prudential Guarantees

SECTION I

Technical Reserves

SUBSECTION I

Constitution of technical reserves

Article 32

(Obligatoriness)

1. Entities qualified to undertake insurance operations in the Republic of Mozambique shall establish and maintain at all times legally required technical reserves to an amount sufficient to satisfy, to a reasonably foreseeable extent, the liabilities arising from insurance contracts and operations, as well as from insurance contracts concluded under micro-insurance terms, all the while taking into account the entire activity, whether or not undertaken in the country, of insurers based in the Republic of Mozambique,.
2. With respect to the constitution of technical reserves by branches of insurers with headquarters abroad, the commitments assumed by insurance contracts and operations concluded in operations within the country are taken into account.

Article 33

(Types of technical reserve)

1. The technical reserves applicable to insurers are as follows:
 - a) Unearned premium reserves;
 - b) Unexpired risk reserves;
 - c) Actuarial reserves for “Life” insurance and operations;
 - d) Accident reserves;
 - e) Provision for profit sharing;
 - f) Accident deviation reserves².
2. The unearned premium reserves includes the portion of gross written premiums attributed to one or more subsequent years for each current insurance contract in force in the “Non-Life” sectors and for “Life” insurance and operations but in the latter case, only for all contracts that have been concluded for a coverage period equal to or less than 1 year.
3. The unexpired risks reserves correspond to the amount needed to cover probable claims and expenses payable after the end of the financial year and exceeding the value of the sum of unearned premiums and premiums due but not yet processed at the close of the financial year, with respect to the existing contracts.

² Translator’s note – variances of claims experience / Provisão para desvios de sinistralidade

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4. The actuarial reserves for insurance and operations under the “Life” sector correspond to the value of liability assumed by the insurer, including distributable profit share, net of the actuarial value of future premiums.
5. The claims reserve corresponds to the estimated total cost payable by the insurer for all reported and unreported claims incurred up to the end of the financial year, less the amount of respective paid claims.
6. The provision for profit sharing includes the amounts allocated to policyholders or beneficiaries of contracts, in the form of profit sharing, provided that such amounts have not been allocated for actual reserves, in particular in the case of “Life” insurance and operations under contract.
7. The reserves for accident deviation aim at addressing exceptionally high claims in insurance sectors that by their nature are more likely to face more oscillations and should include credit insurance, surety insurance, crop insurance and the risk of seismic events.

Article 34

(Other technical reserves)

It is incumbent upon the Minister who oversees the area of Finance, upon proposal by ISSM, to determine the creation of other technical reserves that turn out to be necessary for the operation of insurance activity or to abolish some of the existing ones, as well as to change the methods, rules and principles governing their calculation.

SUBSECTION II

Methods for calculating technical reserves

Article 35

(Calculating technical reserves)

Technical reserves are calculated according to the methods, rules and principles laid down in these Regulations and ISSM is to issue the technical standards necessary for their proper application.

Article 36

(Unearned premium reserves)

1. With respect to direct insurance, the reserves for unearned premiums are calculated by observing the following rules:
 - a) Policy to policy, according to the “pro rata temporis” method on the basis of the gross written premiums issued in the financial year and relative to all current policies;
 - b) From the sum of the proportional parts of the premiums corresponding to the risk to be assumed in the following year(s) and calculated pursuant to the previous paragraph shall be deduced the amount of the corresponding deferred acquisition costs attributable to subsequent year(s) up to a maximum of 20% of the respective unearned premiums;
 - c) Branches or types of insurance in which the risk cycle does not permit the application of the “pro rata temporis” method, calculation methods that take into account the diversity of the evolution of risk over time, with the necessary prior consent of ISSM;
 - d) With due authorization from ISSM insurers may use statistical methods and in particular proportional or global methods on the assumption that these methods lead to identical results as those given by individual calculations;

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- e) Insurers wishing to use the statistical methods provided for in the preceding paragraph shall, by December 31 of the year prior to the one in which they intend to implement these methods, communicate to ISSM the methods used, describing them in detail.
2. As far as accepted reinsurance is concerned the reserve for unearned premiums is calculated in accordance with the method used for direct insurance, except when due to the nature of the reinsurance or of the policies and the information received, it is not appropriate or possible to apply these rules, in which case the reserves of the following paragraph apply.
3. Unless reinsurance contracts establish higher values, the percentages below shall apply to the exception referred to at the end of the previous paragraph:
 - a) 36% on accepted reinsurance premiums in those sectors or types of insurance in which most contracts have a duration of 1 year;
 - b) 10% on accepted reinsurance premiums in those sectors or types of insurance in which most contracts have a duration of less than 1 year.
4. As for ceded reinsurance, the provision for unearned premiums is calculated using the method applied to direct insurance or accepted reinsurance, with respect to the contracts that led to the assignment of risk, unless the nature of the reinsurance or of the policies recommends the application of another more appropriate method.
5. For the purposes of these Regulations the “pro rata temporis” method means the proportional distribution of gross premium income, given the risk coverage period in each financial year, applying the accounting principle of distinguishing each year.

Article 37

(Unexpired risk reserves)

1. The unexpired risk reserves are:
 - a) For for the “Non-Life” sectors and for the insurance and operations of the “Life” sectors, in the latter case only for the policies that have been concluded for a period of coverage equal to or less than 1 year;
 - b) Calculated based on claims and operating costs that may arise after the end of the financial year and covered by policies underwritten before that date, provided that the estimated value exceeds the sum of the amount of unearned premiums and the value of outstanding premiums due on policies not yet processed at the closure of the financial year;
 - c) Calculated separately for direct insurance and accepted reinsurance with respect to the “Non-Life” and “Life” sectors and in the latter case only when the coverage period is equal to or less than 1 year, when the ratio calculated pursuant to paragraph 3 of this article is greater.
2. The amount of the provision to be made for unexpired risks corresponds to the sum of gross premium income attributable to the subsequent year or years - i.e. unearned premiums and premiums due that have not yet been processed for policies in force - and the ratio determined pursuant to the following paragraph, reduced by one unit.
3. The ratio referred to in clause c) of paragraph 1 and in paragraph 2 of this article, corresponds to the quotient in which:
 - a) The numerator is the sum of the cost of claims occurring in the course of the year, net of reinsurance, of operating costs including acquisition and administrative costs, attributable to the sector or type of insurance, net of reinsurance concessions and of the earned premiums of the transferred insurance;
 - b) The denominator corresponds to the amount of gross premiums earned for the year.

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Article 38

(Actuarial reserves for insurance and operation of the “Life” sector)

1. The actuarial reserves for insurance and operations of the “Life” sector shall be calculated by a sufficiently prudent prospective actuarial method, recognized and accepted by ISSM and which, taking into account future premiums due, takes into consideration all future obligations in accordance with the conditions set for each current policy, and namely:
 - a) All guaranteed installments, including guaranteed surrender values;
 - b) Profit sharing to which insured and beneficiaries already collectively or individually are entitled, whatever the qualification of these vested, declared or granted rights;
 - c) All options to which the insured or beneficiary is entitled under the terms of the policy;
 - d) The costs of the insurer, including commissions.
2. For the purposes of the reserves in paragraph 1 a retrospective method can be used, if it can be shown that the provisions made by this method are not less than those resulting from a sufficiently prudent prospective method or if it is impossible to apply the prospective method for the type of contract in question.
3. With a view to prudent valuation, a reasonable percentage, accepted by ISSM, is taken into account for adverse variations of the various factors.
4. The calculation of the technical reserves referred to in this article takes into account the method of evaluation of the corresponding representative assets.
5. When the surrender value of a policy is guaranteed, the amount of the actuarial reserves for this policy shall always be at least equal to the value guaranteed at that time.
6. Actuarial reserves relating to the 31st of December in any given year are calculated taking into account the time elapsed over the year for each policy and they may alternatively be calculated by linear interpolation of the anniversary actuarial reserves, assuming that the policies, on average, are made in mid-year.
7. The provisions of the previous paragraph apply to additional coverage and ancillary risks included in other modalities of the “Life” sector.
8. The actuarial reserves relative to disability benefit payments are calculated in accordance with the technical specifications adopted in the calculation of actuarial reserves for the immediate life-annuities.
9. Zillmerisation of actuarial reserves for each policy is permitted, it being understood as the process of adjustment made to the actuarial value of long term insurance in order to cover future costs the insurer expects to incur in acquiring new business.
10. Zillmerisation shall be based on the following principles:
 - a) The reduction of actuarial reserves resulting from Zillmerising may not exceed 85% of the costs of the acquisition of business before depreciation;
 - b) The actuarial reserve resulting from Zillmerising may not be negative or less than the surrender value of the contract, nor may it be less than the actuarial reserve corresponding to the reduced sum insured;
 - c) Without prejudice to the preceding paragraphs, the rate of Zillmerising may not exceed 35% of the sum insured.
11. An adequate and prudent mortality table must be adopted for each class of risk in accordance with the parameters set by ISSM.
12. The reserves for “Life” insurance and operations in which the investment risk is borne by the policyholder is determined based on the affected assets or on the indices or assets that have been determined as reference for determining the value of the sums insured.
13. Whenever in the insurance and operations referred to in the previous paragraph there are risks that are not assumed by the policyholder, in particular the risk of mortality, the respective actuarial reserve for these risks is made.

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14. As far as accepted reinsurance is concerned the actuarial reserve is calculated on the basis of reinsurance contracts and on information made available to the reinsurer that has been made available by the reinsurants without, however, forsaking due caution for the liabilities assumed.
15. The actuarial reserve for ceded reinsurance originating in direct insurance is calculated in accordance with the provisions for direct insurance, without prejudice to specific conditions of the respective reinsurance contracts.
16. The actuarial reserve concerning reinsurance cessions of inward reinsurance acceptances shall be mindful of the provisions of paragraph 14 of this article.
17. The value of technical reserves referred to in this article shall be specifically certified by an actuary, explaining the method and criteria used.

Article 39

(Loss reserves)

1. Loss reserves are made for all “Non-Life” sectors and for “Life” insurance and operations.
2. As far as direct insurance is concerned the loss reserve includes the actuarial reserve of the accidents and occupational diseases sector, which corresponds to the sum of the actuarial value of liabilities of the insurer for pensions of occupational accidents, whether or not already approved, calculated in accordance with the legal and regulatory provisions in force.
3. Without prejudice to the provisions of the following paragraph, the amount of the provision corresponding to the reported claims is calculated claim by claim.
4. Upon notifying ISSM insurers may, with respect to claims already reported but not yet settled and for sectors or modalities where it is technically considered advisable, use statistical methods provided that the provision made is sufficient, given the nature of the risks.
5. The notification referred to in the previous paragraph describes in detail the criteria and methods to be used and shall be made before the thirtieth day of June of the year preceding the one in which the reserves will be reported.
6. The amount of the reserve corresponding to the claims incurred and not yet reported at the closure of the financial year is calculated taking into account past experience with respect to the number and amount of claims reported to insurers after the closure of the financial year, and insurers shall inform ISSM about the calculating system and the methods used to update this reserve.
7. If it is not possible to calculate the value of the reserve using the statistical method indicated, the amount of this reserve is determined on the basis of the following percentages:
 - a) In the “Non-Life” sectors 5% of claim costs for the financial year with respect to claims incurred and declared for the year;
 - b) In the “Life” sector 1% of the value of claim costs deducted from the values corresponding to maturities and surrenders and from the amounts from life-annuity contracts.
8. If following a claim compensation is stipulated in the form of an annuity, then the value of the corresponding reserve for claims is calculated on the basis of recognized actuarial methods and in accordance with the legal and regulatory provisions in force.
9. The reserve for claims concerning accepted reinsurance is calculated in terms of the respective reinsurance contracts while applying the rules of direct insurance in all that is not regulated, except for the provisions in the following paragraph;

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10. In the case of unreported claims concerning the reinsurance referred to in the previous paragraph the insurer shall make a provision of 10% of claim costs for the financial year relating to claims reported already in the sectors where statistical data that could be used to calculate the provision are not available.
11. In the case of transferred reinsurance the provision for claims is calculated in accordance with whether the reinsurance originates in direct insurance or in accepted reinsurance, in accordance with the provisions of, respectively, clauses 2 to 8 and 9 and 10 of this article and with the terms of the established reinsurance contracts.

Article 40

(Profit share reserves)

Profit share reserves correspond to the amounts allocated to policyholders or beneficiaries of the contract in the form of profit shares, provided that these amounts have not been already distributed in the case of “Life” insurance and operations, by their being included in the actuarial reserve corresponding to the contract.

Article 41

(Accident deviation reserves)

1. Without prejudice to the provisions in paragraph 3 of this article the accident deviation reserves shall be made for credit and surety insurance, applying the following criteria:
 - a) For credit insurance 75% of the technical result to a maximum of 12% of gross premiums income in the financial year, up to a limit of 150% of the highest annual amount of gross premiums income in the five previous financial years;
 - b) For surety insurance, 75% of the technical result to a maximum of 25% of gross premiums income in the financial year, up to a limit of 150% of the highest annual amount of gross premiums written in the five previous years.
2. The technical result referred to in the previous paragraph corresponds to the difference between the income and technical costs, determined as follows:
 - a) Technical income corresponding to the sum of gross premiums income in direct insurance and accepted reinsurance, commissions and sharing of transferred reinsurance profits, reinsurers claims recoveries, variation of the unearned premiums reserves on transferred reinsurance and variation in deferred acquisition costs of direct insurance and accepted reinsurance;
 - b) Technical costs corresponding to the sum of the variation in the provision for unearned premiums from direct insurance and accepted reinsurance, claims costs of direct insurance and accepted reinsurance, acquisition costs of direct insurance and accepted reinsurance, premiums for transferred reinsurance and administrative costs attributable to the sector.
3. The ISSM determines the criteria to be applied in calculating the technical reserves for accident deviation in relation to the “harvest” sector and the “seismic events” risk.

SUBSECTION III

Specific principles of the “Life” sector

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Article 42

(Technical interest rate)

The technical interest rate to be used in the calculation of the actuarial reserve for insurance and operations of the “Life” sector shall be prudently established, taking into account the duration of contracts, the nature of risks and of the assets in which the insurer proposes to invest the values corresponding to those reserves.

Article 43

(Statistical factors and costs)

Statistical factors for evaluation, as well as expense loadings shall be chosen prudently, taking into account the type of policy, administrative costs and commission provisions.

Article 44

(Continuity of the calculating method)

The method to calculate technical reserves shall not be changed annually in a discontinuous and arbitrary manner and must allow for profit sharing to be calculated in a reasonable manner during the period of validity of the contract.

Article 45

(Transparency of the calculating method)

Insurers are obliged to make available to the public the bases and methods used in the calculation of technical reserves, including the provisions made for profit sharing.

SUBSECTION IV

Representation and guaranteeing of technical reserves

Article 46

(Representation and guarantee)

1. Technical reserves shall at all times be represented and, if applicable, guaranteed pursuant to the terms established in paragraph³ of article 26 of the Insurance Regulatory Framework.
2. For purposes of the provisions in paragraph 2 of article 26 of the Insurance Regulatory Framework, the limit of assets located abroad or originating from there, is determined at 20% of the total technical reserves.
3. The provisions in the previous paragraph do not affect compliance, for all assets located in the country and abroad, with the nature and the percentages referred to in paragraph 2 of article 48 of these Regulations.
4. The request for authorization to use assets referred to in paragraph 2 of this article is submitted to ISSM, and a decision shall be taken within a period 30 days from the date of

³ Translator’s note – paragraph number missing in original legislation, presumably paragraph 2 as that is referred to in the subsequent paragraph of the same article

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receipt, after which, in the absence of notification of the decision to interested parties, the request is considered tacitly accepted.

5. Assets representing technical reserves shall, for this purpose, be considered net of debts incurred for their acquisition.
6. Assets representing technical reserves for insurers are registered observing the permanent inventory method.
7. Deposit of assets representing technical reserves are deposited in accounts with credit institutions authorized to operate in the Republic of Mozambique.

Article 47

(Valuation of assets)

The valuation criteria for assets representing technical reserves established by entities qualified to exercise an insurance activity as well as the general principles of congruence, are fixed by ISSM, taking into consideration the criteria defined for accounting purposes.

Article 48

(Diversification and spread of assets representing technical reserves)

1. Insurers, in all their investments and especially in those made with a view to incorporate assets representing technical reserves shall take into account the type of operations that ensure high levels of security, revenue and liquidity, ensuring a proper and prudent diversification and spread of these applications.
2. The nature of the assets representing technical reserves and their maximum percentage limits, depending on the overall value of those provisions, are set out in the table below:

Nature of assets	“Life” sector (%)	“Non-Life” sector (%)
1. Investments		
a) Public debt securities of the Mozambican State	100	100
b) Bonds	60	40
c) Investment fund shareholding units	15	15
d) Shares	30	20
e) Buildings	45	40
f) Mortgage loan	25	25
2. Credit		
a) Deposits received from reinsurers relating to the technical reserves of the transferred reinsurance	20	20
b) Deposits with transferring companies corresponding to the technical reserves of accepted reinsurance	100	10
3. Other assets		
a) Term-deposits with credit institutions authorized to operate in the Republic of Mozambique	35	45
b) Cash at hand and cash deposits with credit institutions authorized to operate in the Republic of Mozambique	20	30

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3. Deposits received from reinsurers referred to clause a) of paragraph 2 of the table in the previous paragraph are allowed to a limit of 20% of the technical reserves of direct insurance, and the deposits alluded to in clause b) of the same paragraph are admitted within the limits of the technical reserves for accepted reinsurance.
4. The rules for diversification and spread of established assets for the “Non-Life” sectors listed in the table above apply to micro-insurance, with the exception of the table’s rules for accepted reinsurance.
5. The amount to be considered for purposes of covering the representation of the actuarial reserves for “Life” insurance and operations is what results from the balance minus the value eventually booked as advance payment on policies.
6. In exceptional and duly justified circumstances and within a certain period of time, ISSM may authorize an insurer to exceed the limits determined in paragraph 2 of this article.
7. Apart from other conditions to be determined on a case by case basis, the absence at a certain moment of a sufficiently diversified supply of investment opportunities in the Mozambican capital market is considered an exceptional circumstance.
8. It is incumbent upon the Minister who oversees the area of Finance, upon a proposal from ISSM, to determine the changes deemed appropriate and convenient for the economic and social development of the country and, especially, for the insurance market, be these of the nature of assets or of percentual limits, both referred to in paragraph 2 of this article.

Article 49

(Rules on prudential spread)

1. The global technical reserves of insurers, considered separately for the “Life” and “Non-Life” sectors cannot be invested in amounts exceeding:
 - a) 5% of securities issued by a single company and loans granted to one borrower;
 - b) 20% of securities issued by companies that control, or form a group with, other companies or the insurer;
 - c) 10% of one or more buildings sufficiently close to be considered as a single investment;
 - d) 10% of bonds not listed on the Stock Exchange of Mozambique;
 - e) 5% of shares not listed on the Stock Exchange of Mozambique;
 - f) 60% and 50% respectively for “Life” insurance and operations and “Non-Life” sectors, with respect to the whole of investments in buildings, mortgage loans, shares in real estate companies and shareholding units in real estate investment funds;
 - g) 50% of all bank deposits provided for under paragraph 2 of the table in the previous article, whatever their form, with credit institutions forming a group with the insurer.
2. It is incumbent upon the Minister who oversees the area of Finance, upon a proposal from ISSM, to determine the changes deemed appropriate and convenient for the economic and social development of the country and, especially, for the insurance market with respect to the limitations and percentages referred to in the previous paragraph.

Article 50

(Investments not connected to technical reserves)

It is incumbent upon the Minister who oversees the area of Finance to establish, upon a proposal from ISSM, diversification and spread rules for investments not subordinated to technical reserves of the entities qualified to exercise an insurance activity, including micro-insurance.

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Article 51

(Guaranteeing)

1. The technical reserves of the branches of insurers with headquarters abroad, incorporated and represented in accordance with the provisions of this section are subject to guarantees in favour of ISSM.
2. The branches referred to in the previous paragraph having underrepresented technical reserves can make cash deposits in favour of ISSM at the Bank of Mozambique, to the amount of the shortfall.
3. In case of revocation of authorization, independent property consisting of assets representing technical reserves that are subject to guarantees in favour of ISSM may be called on to cover liabilities assumed in the Republic of Mozambique, within the scope of the branch activity as defined in paragraphs 3, 4 and 5 of article 26 of the Insurance Regulatory Framework.
4. The ISSM establishes the procedure to be followed for the guaranteeing referred to in this article, taking into consideration the dynamics of the insurance activity and the objective of maximum protection of policyholders, the insureds and the beneficiaries

Article 52

(Communication to ISSM)

1. Without prejudice to the possibility that ISSM, as part of its duties, may require their presentation in a non-systematic manner, insurers headquartered in the Republic of Mozambique shall with respect to the whole of their activity communicate to ISSM before March 31 of each year the technical reserves based on the situation on December 31 of the previous year.
2. The provision of the previous paragraph shall also apply to branches of insurance companies with headquarters abroad, with regard to representation and guaranteeing of the technical reserves arising from their activities in the country.
3. Insurance companies whose financial year does not coincide with the calendar year and that are duly authorized pursuant to paragraph 2 of article 143 of these Regulations shall comply with the obligation referred to in paragraph 1 of this article before the end of the third month following the end of the respective financial year.

SECTION III

Solvency margin

Article 53

(Insurers headquartered in the Republic of Mozambique)

1. Insurers headquartered in the Republic of Mozambique shall permanently have a sufficient solvency margin available with respect to all their activities.
2. The available solvency margin of the insurers referred to in the previous paragraph corresponds to their assets free of any foreseeable liabilities, minus intangible assets.
3. The assets representing the available solvency margin of the entities referred to in this article shall be located in the Republic of Mozambique.

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Article 54

(Branches of insurers based abroad)

1. Branches of insurance companies headquartered abroad shall permanently have a sufficient solvency margin available with respect to all their activities in Mozambique.
2. The available solvency margin of the insurers referred to in the previous paragraph consists of their assets free of any foreseeable liabilities, minus intangible assets.
3. The provisions of paragraph 3 of the previous article apply, mutatis mutandis, to branches.

Article 55

(Valuation of assets)

The criteria for valuing assets corresponding to the available solvency margin are fixed by ISSM, taking into consideration the criteria for accounting purposes.

Article 56

(Determination of the available solvency margin for “Non-Life” sectors)

1. For the purpose of determining the available solvency margin with respect to all “Non-Life” sectors the assets of insurers headquartered in the Republic of Mozambique include:
 - a) Paid up share capital or, in mutual insurance, guarantee capital raised;
 - b) Half of the unrealised share capital or half of the unrealised guarantee capital, provided that the part paid will be at least 50% of the share capital or guarantee capital referred to;
 - c) The gross premium income, revaluation reserves and any other reserves, legal and free, not encumbered by any commitment;
 - d) Balance of gains and losses, minus any distributions.
2. By means of a duly motivated request of the insurer, ISSM may authorize the available solvency margin to include capital gains not accounted for in the revaluation reserve that are not of an exceptional nature and result from the evaluation of assets.
3. In order to determine the available solvency margin from the items listed in the previous paragraphs shall be deducted the amounts of:
 - a) Own shares held by the insurer;
 - b) Intangible assets;
 - c) Losses not accounted for in the revaluation reserve that are not exceptional and result from the evaluation of assets;
 - d) Foreseeable liabilities considered by ISSM not to be appropriately reflected in the accounts of the insurer.
4. For the solvency margin available to all “Non-Life” sectors of insurers with headquarters abroad, the assets referred to in paragraph 2 of article 54 of these Regulations, include:
 - a) The establishment fund referred to in paragraph 1 of article 22 of the Insurance Regulatory Framework;
 - b) The reserves established, including the revaluation reserves, not representing any commitment;
 - c) The balance of gains and losses, minus any transfers;
 - d) Capital gains not included in the revaluation reserve that are not of an exceptional nature and that result from the evaluation of assets, provided that they are duly substantiated by the branch and previously approved by ISSM.

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5. To determine the available solvency margin of insurers headquartered abroad the amounts mentioned in clauses b), c) and d) of paragraph 3 of this article are deduced from the elements indicated in the previous paragraph.

Article 57

(Solvency margin required for “Non-Life” sectors)

1. The solvency margin required concerns all “No-Life” insurance sectors and is calculated on the basis of the annual amount of premiums or of the average annual cost of claims in the last 3 financial years and its value shall be equal to or exceed the results obtained by applying the two different methods described in the following paragraphs, without prejudice to the provision in paragraph 5 of this article.
2. The first of the methods referred to in the previous paragraph is based on the annual amount of gross premiums income and translates into the application of the following formula:
 - a) From the total volume of gross direct insurance and accepted reinsurance premiums issued in the last financial year is deducted the amount of taxes and other fees charged over these premiums and that were effectively considered in the profit-and-loss-account of the insurer and, therefore, effectively incurred by him;
 - b) The value obtained is multiplied in accordance with the previous paragraph by 20%;
 - c) The value obtained pursuant to the previous paragraph is multiplied by the last financial year’s ratio between the cost of direct insurance and accepted reinsurance claims borne by the insurer after the transfer in reinsurance, and the total costs of direct insurance and accepted reinsurance claims. This ratio, however, cannot be less than 50%.
3. The second of the methods referred to in paragraph 1 of this article is based on the average cost of claims from the last 3 financial years and translates into the application of the following formula:
 - a) The global costs of claims in direct insurance and accepted reinsurance over the last 3 financial years are added up;
 - b) One-third of the value obtained pursuant to the previous paragraph is multiplied by 25%;
 - c) The result obtained pursuant to the previous paragraph is multiplied by the ultimate financial year’s ratio between the cost of direct insurance and accepted reinsurance claims borne by the insurer after the transfer in reinsurance, and the total costs of direct insurance and accepted reinsurance claims. This ratio, however, cannot be less than 50%.
4. When an insurer operates primarily in one or more of the risks of credit insurance, storm or hail damage, the reference period for the average annual cost of claims referred to in clauses a) and b) of the previous paragraph concerns the last 5 financial years.
5. The required solvency margin with respect to “Non-Life” insurance sectors has as minimum limit the amounts corresponding to 50% of minimum share capital, capital guarantee or establishment fund, depending on whether it is a joint stock insurance company, a mutual insurance company or a branch of an insurance company headquartered abroad respectively.
6. Branches of insurance companies headquartered abroad are required to put up a guarantee in favour of ISSM and under the terms determined by it, to the minimum amount of the required solvency margin as defined in the previous paragraph.

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Article 58

(Determination of the available solvency margin for “Life” insurance and operations)

1. For the available solvency margin of the “Life” sector, the assets of insurers headquartered in the Republic of Mozambique comprise:
 - a) Capital stock paid up or, in mutual insurance, realized guarantee capital;
 - b) Half of the share capital or guarantee capital not yet paid, provided that the part paid will be at least 50% of amount of the capital referred to;
 - c) The issue premiums, reserves, legal and free including revaluation reserves, not encumbered by any commitment;
 - d) Balance of gains and losses, minus any distributions.
2. By means of a duly motivated request of the insurer ISSM may authorize the available solvency margin to also include:
 - a) Capital gains, not accounted for in the revaluation reserve that are exceptional and result from the evaluation of assets;
 - b) The difference between an actuarial non-zillmerised or partially zillmerised reserves and a, actuarial zillmerised reserve at a zillmerization rate set by ISSM.
3. In order to determine the available solvency margin the following amounts shall be deducted from the items listed in the previous numbers:
 - c) Own shares held by the insurer;
 - d) Intangible assets;
 - e) Losses not accounted for in the revaluation reserve that are not exceptional and result from the evaluation of assets;
 - f) Foreseeable liabilities considered by ISSM not to be appropriately reflected in the accounts of the insurer.
4. The solvency margin available to “Life” sectors of insurers with headquarters abroad includes:
 - a) The establishment fund referred to in paragraph 1 of article 22 of the Insurance Regulatory Framework;
 - b) The reserves established, including the revaluation reserves, not representing any commitment;
 - c) The balance of gains and losses, minus any transfers;
5. The branch of the insurer headquartered abroad may submit a duly substantiated request on the basis of which ISSM may authorize the available solvency margin to also include the elements referred to in clauses a) and b) of paragraph 2 of this article.
6. To determine the available solvency margin of insurers headquartered abroad the amounts mentioned in clauses b), c) and d) of paragraph 3 of this article are deduced from the elements indicated in the previous paragraph.

Article 59

(Determination of the required solvency margin for “Life” insurance and operations)

1. The amount of the solvency margin required for the “Life” sector for life insurance in case of death, in case of life, in the case of both, in case of life with counter-insurance and annuities, as well as of marriage and birth insurance corresponds to the sum of the two results obtained in terms of the following paragraphs:
 - a) The first corresponds to the value resulting from multiplying 4% of the actuarial reserves relating to direct insurance and accepted reinsurance, without deduction of ceded reinsurance by the ratio from the last financial year between the amount of

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- actuarial reserves minus of reinsurance cessions and the total value of the actuarial reserves. This ratio, however, may not be less than 85%;
- b) The second, concerning contracts whose capital at risk is not negative, corresponds to the value resulting from multiplying 0.3% of the capital at risk by the ratio from the last financial year between the amounts of capital at risk that, after reinsurance cession and retrocession, are borne by the insurer and the amount of capital at risk without deduction of reinsurance. This ratio, however, may not be less than 50%;
 - c) The percentage of 0.3% referred to in the previous paragraph is reduced to 0.1% in temporary insurance in the event of death with a maximum duration of three years and to 0.15% in those whose duration exceeds 3 years but is less than 5 years.
2. For the purposes of clause b) of the previous paragraph risk capital means the sum insured in case of death, after deduction of the actuarial reserve of the main coverage.
 3. The amount of the solvency margin required for capitalization operations corresponds to the application of 4% to the value of the actuarial reserve calculated in accordance with the conditions referred to in clause a) of paragraph 1 of this article.
 4. The amount of the solvency margin required with respect to supplementary "Life" insurance corresponds to the highest value that results from applying the methods referred to in paragraphs 2 and 3 of article 57 of these Regulations to the gross premiums income or to the average annual cost of claims from the last 3 financial years relating to these insurance.

Article 60

(Minimum value of the required solvency margin for "Life" insurance and operations)

1. The overall value of the required solvency margin for "Life" insurance and operations of "Life" corresponds to the sum of the amounts calculated in accordance with the previous article, in view of the activities undertaken by the insurer, with a minimum of 50% of the minimum stock capital, capital guarantee or establishment fund, depending on whether the insurer is a joint stock company, a mutual insurance company or a branch of insurers based abroad.
2. Branches of insurance companies based abroad are obliged to pledge, to the order of ISSM and in terms determined by it, the minimum amount of the required solvency margin established in the previous paragraph.

SECTION IV

Financial guarantees concerning micro-insurance

SUBSECTION I Technical provisions

Article 61

(Types of technical reserves)

1. The technical reserves to be established and maintained by micro-insurance operators are listed in clauses a), b) and d) of article 33 of these Regulations.
2. The technical reserves referred to in the previous paragraph are made for all sectors included in micro-insurance and calculated pursuant to the following subsection, without prejudice to the power conferred by paragraph 2 of article 43 of the Insurance Regulatory Framework.

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SUBSECTION II

Calculation of technical reserves

Article 62

(Unearned premium reserves)

1. Unearned premium reserves with respect to direct insurance are calculated as follows:
 - a) Policy to policy, according to the “pro rata temporis” method on the basis of the gross premiums income in the year, in the case of insurance contracts entered into for a period of more than one year;
 - b) Result of applying 30% of the gross premium income in the year, in the case of contracts entered into for a period of one year, renewable if necessary;
 - c) Result of applying 15% of gross premiums income in the year, in the case of temporary contracts entered into for a period of less than one year.
2. With respect to transferred reinsurance the provision referred to in this article is calculated using the rule applied to direct insurance, unless the nature of the reinsurance or of the contracts recommends another more appropriate method.
3. For the purposes of this article, the “pro rata temporis” method is understood to be the proportional distribution of gross premiums income for the risk coverage period, while applying the accounting principle of underwriting year.

Article 63

(Unexpired risks reserves)

Unexpired risks reserves for direct insurance is calculated in accordance with article 37 of these Regulations.

Article 64

(Loss reserves)

1. The amount of the provision referred to in this article concerning of claims reported in relation to direct insurance is calculated on claim by claim basis.
2. Through notifying ISSM micro-insurance operators may with respect to reported but unsettled claims and for sectors where it is considered technically advisable use statistical methods, provided that the provision made is sufficient, given the nature of the risks.
3. The notice referred to in the preceding paragraph describes in detail the criteria and methods to be used and is made before 30 June of the year preceding the one in which the reserves will be reported.
4. The amount of the provision corresponding to the claims incurred and not yet shared at the closure of the financial year is equal to 5% of the claim costs for the financial year, with respect to claims incurred and declared for the financial year.
5. With respect to transferred reinsurance the provision for claims is calculated in accordance with the provisions for direct insurance, while observing the provisions of the reinsurance contracts concerning this matter.

SUBSECTION III

Constitution of technical reserves

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Article 65

(Diversification and spread of assets representing technical reserves)

Without prejudice to the provision of paragraph 4 of article 48 of these Regulations the provisions of paragraphs 6 and 8 of that article shall also apply.

SUBSECTION IV

Solvency margin

Article 66

(Remission)

The provisions of paragraph 3 of article 53 and of article 54 of these Regulations apply to micro-insurers.

Article 67

(Determination of the available solvency margin)

1. In determining the amount of the available solvency margin of a micro-insurer the following elements are considered:
 - a) The share capital paid up or the capital guarantee held, depending on whether the micro-insurer is a joint stock company or a mutual company respectively;
 - b) Half of the share capital or capital guarantee not yet paid, provided that the part paid will be at least 50% of amount of the capital referred to;
 - c) The gross premium income, reserves, legal and free including revaluation reserves, not encumbered by any commitment;
 - d) Balance of gains and losses, minus any distributions.
2. From the sum resulting from the value of the various items indicated in the previous paragraph shall be deducted the amounts corresponding to:
 - a) Intangible assets;
 - b) Any foreseeable liabilities considered by ISSM not to be appropriately reflected in the accounts of the micro-insurer.

Article 68

(Determination of the required solvency margin)

1. The required solvency margin corresponds to 14% of the gross premiums income in the financial year or to 17.5% of claim costs for the financial year, whichever is highest.
2. Regardless of the amount calculated under the previous paragraph the minimum limit of the required solvency margin are the amounts corresponding to 50% of share capital or capital guarantee, depending on whether the micro-insurers are established as a joint stock company or as a mutual company.

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SECTION V

Insufficiency of financial guarantees

Article 69

(Risk of insufficiency of financial guarantees)

Insurers who run the risk of entering a situation of inadequate capitalisation shall submit to ISSM a financial recovery plan, consubstantiated by a duly motivated appropriate business plan for the next 3 years, including projected accounts, within the period determined by ISSM.

Article 70

(Insufficiency of technical reserves)

1. Insurers presenting technical reserves that are insufficiently or improperly constituted are obliged to rectify these within the period of time determined by ISSM.
2. In cases where technical reserves are not fully or properly represented, the respective entities qualified to exercise an insurance activity shall, within the period determined by ISSM, submit for approval a plan for short-term financing based on an adequate activity plan.
3. The ISSM defines on a case by case basis the specific conditions that govern the financing plan referred to in the previous paragraph as well as its monitoring and may require the provision of suitable safeguards, the sale of shares and other assets and the reduction or increase of share capital or capital guarantee.

Article 71

(Insufficiency of the available solvency margin)

If ISSM finds an insurer with insufficient available solvency margin, even if circumstantial or likely temporary, then the insurer shall, within the period determined, submit for approval to ISSM an appropriate recovery plan aimed at restoring the financial situation, applying, *mutatis mutandis*, paragraphs 2 and 3 of the previous article.

Article 72

(Non-compliance)

1. Non-compliance with the instructions referred to in paragraph 1 of article 70, not presenting financial or recovery plans in accordance with the provisions of paragraph 2 of article 70 and of article 71, both of this Regulation, non-acceptance of these plans on two consecutive occasions or non-compliance with these plans, may lead to the application of the provisions referred to in paragraph 1 of article 28 of the Insurance Regulatory Framework.
2. Considering the gravity of the financial insufficiency of the insurer, the Minister who oversees in the area of Finance may decide, based on a proposal by ISSM, to revoke in whole or in part the authorization to exercise the respective activity.
3. The gravity of the financial insufficiency referred to in the previous paragraph shall be measured by the economic and financial viability of the insurer, the reliability of capital

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guarantees in their possession and the evolution of their liquidity, as well as by the available resources necessary to exercise their current activity.

Article 73

(Unavailability of assets)

1. The Minister who oversees the area of Finance may, based on a proposal by ISSM, restrict or prohibit the availability of assets to insurers who are in any of the situations referred to in articles 70 to 72 of these Regulations.
2. The assets covered by the restrictions or unavailability referred to in the previous paragraph are subject to:
 - a) Being guaranteed to ISSM in the case of movable property;
 - b) Intangible assets only may be encumbered or sold with explicit authorization of ISSM, and the corresponding registration shall not be undertaken without the authorization mentioned, under penalty of this act being null and void.

Article 74

(Marketing of new insurance products)

The ISSM, in the terms referred to in clause b) of paragraph 1 of article 28 of the Insurance Regulatory Framework, can prohibit the marketing of new products of the entity qualified to exercise an insurance activity that is in a situation of financial insufficiency or that is already being implementing a recovery or financing plan, while the same entity cannot demonstrate that it has a sufficient available solvency margin and that the technical reserves are sufficient and properly constituted and represented.

Article 75

(Appointment of temporary administrators)

1. The designation of one or more provisional administrators to exercise the insurance activity of the qualified entity in a situation of financial insufficiency is only possible if:
 - a) It is at risk of suspending payments;
 - b) It is in a situation of financial distress which, because of its size, constitutes a serious threat to its solvency;
 - c) The administration does not offer serious guarantees of prudent activity, putting at serious risk the interests of policyholders, insureds and creditors in general;
 - d) The accounting system or internal control procedures present serious shortcomings that do not allow for a proper assessment of the assets of the qualified entity in question.
2. The provisional administrators exercise their functions until the deadline determined in their order of appointment, issued by the Minister who oversees the area of Finance, to a maximum of two years, while the mandate may be renewed once for the same maximum period, or they are replaced by other provisional administrators with or without interruption of the ongoing mandate.
3. The payment of the remuneration of the provisional administrators is the responsibility of the qualified entity in question and is be fixed by the Minister who oversees the area of Finance.

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Article 76

(Appointment of the supervizing committee)

1. If necessary and in accordance with the provisions of clause c) of paragraph 1 of article 29 of the Insurance Regulatory Framework, the Minister who oversees the area of Finance may, upon a proposal by ISSM, determine, together or not with the appointment of provisional administrators, the appointment of a supervizing committee.
2. The supervizing committee consists of:
 - a) A technician with medium or higher accounting training, appointed by the Minister who oversees the area of Finance, who shall lead;
 - b) A person nominated by the general assembly;
 - c) A technician with medium or higher accounting training, appointed by the representative organization of their profession.
3. Not appointing the person referred to in clause b) of the previous paragraph shall not impede the exercise of the functions of the supervizing committee.
4. The provisions of paragraphs 2 and 3 of the previous article apply to the persons appointed to serve on the supervizing committee.

Article 77

(Revocation of authorization)

Having revoked authority in accordance with the law, it is incumbent upon ISSM to take the steps deemed necessary and appropriate for the effective closure of the establishments of the entity qualified to exercise an insurance activity.

Article 78

(Public communication)

1. ISSM must publish in a widely circulating national newspaper the decisions pursuant to this section that may affect the rights of third parties.
2. The decisions referred to in the previous paragraph shall take effect against third parties, regardless of their publication.
3. When the decisions referred to in paragraph 1 only affect the rights of shareholders, members or employees of the entity qualified to exercise an insurance activity as such, ISSM informs them about these decisions by means of a registered letter to be sent to the last known address.

Article 79

(Application of sanctions)

The adoption of the measures provided for in this section shall not prevent, in case of infringement, the application of sanctions provided by law.

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Article 80

(Appeal)

1. Decisions made pursuant to this section by the Minister who oversees the area of Finance or by ISSM may be appealed under general law, with merely devolutive effects.
2. When the decision comprises the revocation of the authorization to exercise an insurance activity, the appointment of temporary administrators or the appointment of a supervizing committee it shall be presumed that, until proven otherwise, the suspension is in the public interest.

SECTION VI

Other prudential guarantees

Article 81

(Organization and internal control)

The entities qualified to exercise an insurance activity are obliged to have an administrative and accounting organization and adequate internal control procedures and to ensure high levels of professional competence by meeting the requirements set by ISSM.

Article 82

(Responsible actuary)

1. Insurers with a head office in the Republic of Mozambique and the branches authorized to undertake “Life” insurance and operations in the country are obliged to employ or have as a service provider, an actuary responsible for exercising functions, in particular with regard to financial guarantees, that meet the demands and requirements set by ISSM.
2. The requirement in the previous paragraph applies to the entities referred to therein, which operate in “Non-Life” sectors, but compliance is deferred to the beginning of the third year following the publication of these Regulations.
3. The provisions in the previous numbers do not apply to micro-insurers.
4. The administration of the entities referred to in paragraphs 1 and 2 of this article is obliged to make available to the actuary all the information necessary for the performance of their duties.

SECTION VII

Supervision of financial guarantees

Article 83

(Supervision)

1. As far as the supervision of financial guarantees is concerned it is incumbent upon ISSM:
 - a) To verify, pursuant to the Insurance Regulatory Framework, these Regulations and other applicable legislation, the existence of the required financial guarantees and means at the disposal of the entities qualified to exercise an insurance activity and

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- authorized to operate in the Republic of Mozambique to meet the assumed commitments;
- b) Issue technical standards deemed necessary for the correct application of the provisions of these Regulations.
2. It is obligatory for entities qualified to exercise an insurance activity in the Republic of Mozambique to submit annual presentations of all of their economic activities for the financial year immediately preceding the annual report and accounts, the opinion of the supervizing committee and the consolidated accounts, if any, and all other elements required by ISSM, so that it is possible to know their financial situation and overall solvency.
 3. For the purposes of the provision of clause a) of paragraph 1 of this article and with respect to their activity in the Republic of Mozambique, branches of foreign-based insurers are obliged to submit to ISSM in the immediately preceding financial year:
 - a) The accounts, as well as other elements defined by ISSM so that it is possible to know their state of solvency in the Republic of Mozambique;
 - b) With the frequency indicated the documentation necessary for the exercise of supervision, and the statistical data that are requested.
 4. The documents corresponding to the annual accounts referred to in paragraphs 2 and 3 of this article shall be sent to ISSM:
 - a) Within 15 days after holding the annual general assembly for the approval of accounts in the case of insurance companies headquartered in the Republic of Mozambique;
 - b) Before the end of the third month following the end of the financial year in the case of insurers based abroad.
 5. Without prejudice to the provisions in the previous paragraph and in paragraph 1 of article 175 of the Commercial Code and for entities qualified to exercise an insurance activity with headquarters in the Republic of Mozambique, the documents referred to in paragraph 2 shall be sent to ISSM, before the last day of the fourth month after the closure of the immediately preceding financial year, even if the report and accounts are not yet approved.
 6. The accounts and the elements mentioned in paragraphs 2 and 3 of this article are subject to certification by an external auditor.
 7. The entities qualified to exercise an insurance activity shall in addition, every six months, prepare the balance sheet and the profit and loss accounts as well as adjust the solvency margin and the representation of the technical reserves.
 8. The interim accounts referred to in the previous paragraph shall be forwarded to ISSM before the end of the second month following the end of the semester to which they refer.
 9. The ISSM defines the additional information, to be provided by the accountants from the supervisory board and by the external auditors, concerning the accounts closing the financial year.

CHAPTER II

Insurance sectors and supervision of contracts

Article 84

(“Life” and “Non-Life” insurance and operations)

1. Without prejudice to the provisions in the following paragraph the designation of sectors and types of insurance related to micro-insurance, is to be found on the list annexed to these Regulations.

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2. The sectors of insurance to be undertaken by micro-insurers are the following:
 - a) “Life”, limited to death risk for the loan guarantee granted under the legislation regulating micro-finance;
 - b) Funeral, limited to expenses incurred with the funeral of the insured;
 - c) Sickness limited to the costs of hospitalization;
 - d) Personal accident;
 - e) Fire of movable and/or immovable property;
 - f) Agricultural; and
 - g) Livestock.
3. The insurance sectors referred to in the previous paragraph can be operated in micro-insurance, individually or grouped together in policies covering various sectors, including the “Life” sector.

Article 85

(Change to the list of insurance sectors and modalities)

1. It is incumbent upon the Minister who oversees the area of Finance, upon a proposal of ISSM, to amend the list of insurance sectors and modalities referred to in numbers 1 and 2 of the previous article as well as the composition of groups of insurance sectors and modalities.
2. The ISSM issues the necessary instructions for the correct framework of the changes resulting from the provision in the previous paragraph.

Article 86

(Registration of general and special policy conditions)

1. Insurers are obliged to register at ISSM the general and special conditions of their policies as well as any amendments thereto, except in the case of uniform policies imposed pursuant to paragraph 4 of this article.
2. For the purposes of the registration referred to in the previous paragraph ISSM verifies the legal compliance with the general and special policy conditions and can justifiably set a deadline for the amendment of the clauses it deems necessary, non-compliance with which implies the immediate cancellation of the registration of the policy, without prejudice to the continuation in force of the respective insurance contracts until the next date of maturity.
3. The cancellation of the registration referred to in the previous paragraph is subject to appeal within a period of 30 days to the Minister who oversees the area of Finance, whose decision may be appealed under general terms.
4. The ISSM may, within its powers, impose the use of uniform clauses or policies for sectors or types of compulsory insurance.
5. The general and special conditions of insurance policies covering risks in micro-insurance are first approved by ISSM.
6. Submission for the registration set forth in this article does not impede the beginning of the marketing of the corresponding insurance product.

Article 87

(Policy registers)

1. Insurers must keep their policies registered by sector of insurance and up to date, which may be done using computer processing, and containing as a minimum the following:

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- a) Policy number and date of commencement of the contract;
 - b) Name, company name or denomination of the policyholder;
 - c) Branch and type of insurance;
 - d) Capital insured;
 - e) Intermediary, if any
 - f) Relevant information concerning settled claims incurred.
2. With respect to the “Life” sector the registration indicated in the previous paragraph also specifies the name and age of the person whose life is insured and the period of the contract.
 3. The provisions in the previous paragraphs apply, mutatis mutandis, to the investment operations.

Article 88

(Publicity and consumer protection)

1. Advertising carried out by insurers is subject to general legislation without prejudice to what has been determined on this matter by ISSM, taking into account the protection of consumers in general and of the insured in particular.
2. Without prejudice to the powers entrusted to other institutions for the protection of consumers, checking compliance with the norms governing the advertising of insurers is incumbent upon ISSM, which may, in the face of evident irregularities, order the necessary modifications, the suspension of the advertising in question or determine the immediate publication of an adequate rectification by the entity responsible.

CHAPTER III

Liquidation of insurers and transfer of insurance portfolio

Article 89

(Sale or transformation)

1. The sale and transformation of the insurer, micro-insurer or reinsurer with headquarters in the Republic of Mozambique are governed by the provisions of the Commercial Code, with the specifications resulting from the legislation that regulates the insurance activity, in particular with regard to the financial guarantees.
2. Without prejudice to the provision in clause b) of paragraph 3 of article 3 of these Regulations the operations referred to in the preceding paragraph, when undertaken in a branch of a foreign insurer operating in the Republic of Mozambique, shall be reported to ISSM within a period of 30 days after their completion, so that an opinion can be submitted to the Minister who oversees the area of Finance concerning the question of whether the operation in question is likely to cause some disturbance in the normal functioning of the country's insurance market which, in case it is noticeable, may lead to the revocation of the authorization for the establishment of the branch.
3. The provisions in paragraph 1 of article 8 of these Regulations apply to decision-making.

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Article 90

(Liquidation)

The liquidation of a joint-stock or mutual insurance company with headquarters in the Republic of Mozambique is governed by the provisions of the Commercial Code, taking into account the specificities resulting from the legislation that regulates insurance activity, especially at the level of financial guarantees and protection of interests of policyholders, the insured and the insurance creditors in general.

Article 91

(Requirements for the transfer of the insurance portfolio)

1. Entities qualified to exercise an insurance activity may transfer all or part of the contracts in their portfolio to an assignee authorized to execute an insurance activity in the Republic of Mozambique, provided they have previously obtained the necessary authorization from ISSM.
2. The portfolio transfer can only be authorized if the assignee has, with respect to this same transfer, the available solvency margin required for that purpose, in addition to the requirements referred to in paragraphs 3 and 4 of this article.
3. A condition for the realization of the transfer referred to in this article is that the assignee is entitled to explore the areas of insurance covered by the portfolio to be transferred.
4. The transfer of the “Life” sector portfolio is only possible when at least 20% of the policyholders whose contracts are subject to the transfer have no objections, unless the transfer is recognized by ISSM as being embedded in a clearance process because of inadequate capitalization of the ceding insurer.
5. After requesting authorization for the transfer of the portfolio and for the purposes referred to in the previous paragraph the ceding insurer shall, by a registered letter sent to the last known address indicated in the respective contracts, notify all policyholders who have a period of 60 days, counted from the receipt thereof, to object to the transfer.
6. In considering the application ISSM checks, among other things, compliance with the provision of the previous paragraph.
7. The transfer of the “Life” sector portfolio from micro-insurance is not subject to the limitations referred to paragraphs 4 and 5 of this article.
8. Authorization for the transfer of portfolios is published by ISSM in the Government Gazette and in one of the major newspapers in the country

Article 92

(Possibility to oppose the transfer and resolution of contracts)

Portfolio transfers authorized pursuant to this chapter can be opposed by policyholders, insured persons and any other holders of rights and obligations under the transferred contracts, except for policyholders that have a period of 30 days from the date of publication in the Government Gazette referred to in paragraph 8 of the previous article until the end of their contracts, during which period they cannot oppose the transfer.

TITLE IV

Access to and Exercise of Insurance Intermediary Activities

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CHAPTER I

General provisions

SECTION I

Contracts entered into through intervention of insurance intermediaries

Article 93

(Registration and intervention of the intermediary)

1. Insurance intermediary activities can only be exercised by those registered with ISSM pursuant to these Regulations.
2. For each insurance contract there can only be a single intermediary, especially for remuneration purposes, except in cases of contracts entered into under co-insurance.
3. The provision of the previous paragraph is without prejudice to the collaboration of insurance intermediaries with other intermediaries registered as insurance agents in the exercise of their activity.
4. The insurer may refuse the assistance of the intermediary indicated by the policyholder.
5. Insurance brokerage activities cannot be exercised by an intermediary.

Article 94

(Representation of the insurer)

1. The insurance intermediary cannot, with the exception of the provision in the following paragraph, enter into insurance contracts in the name and on behalf of the insurer without the insurer's prior approval.
2. The entering into agreements between an intermediary and an insurer is authorized in the sense that the former has the power to enter into contracts in the name of, and on behalf of the latter, provided that the corresponding professional civil liability is guaranteed by the insurance contract, in accordance with the provisions of these Regulations.

Article 95

(Freedom of the policy holder)

1. The policyholder has the right to choose the intermediary for their contracts but may not impose this intermediary upon the insurer, as referred to in paragraph 4 of article 93 of these Regulations.
2. The policyholder may, on the anniversary of a contract already entered into or at its renewal, appoint, dismiss or replace the intermediary related to that contract, provided that at least 30 days in advance the insurer is notified in writing, the insurer then being obliged to inform the intermediary in question.
3. In the cases of appointment or replacement of a intermediary referred to in the previous paragraph the insurer may not accept the new intermediary, this being the case the insurer has a period of 20 days counting from the receipt of notification by the policyholder to inform said policyholder by registered letter or by another registered delivery method of this refusal.
4. The lack of communication within the period indicated in the previous paragraph means that the insurer accepts the new intermediary.

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5. In case of dismissal or replacement of the intermediary pursuant to paragraph 2 of this article, the commissions corresponding to premiums accrued to the date on which those changes become effective, shall revert to the previous intermediary.

Article 96

(Freedom of the intermediary)

The insurance intermediary may cease exercising their activity for a given contract in their portfolio, provided that this is communicated in writing either to the policyholder or the insurer, at least 30 days in advance of the anniversary or renewal date of the contract.

SECTION II

Insurance portfolio of the insurance intermediary and its transmission

Article 97

(Insurance portfolio)

1. The insurance portfolio corresponds to the set of contracts for which the intermediary assists and ensures the link with the insurers.
2. The insurance portfolio is fully or partially transmissible by written contract and the transferee is to be registered as an insurance intermediary, with the exception of the provision in paragraph 4 of this article.
3. The intermediary to which the portfolio is transmitted is entitled to commissions due after the date on which the transmission becomes effective.
4. Insurance portfolios are also in whole or in part transmissible by written contract in favour of the insurer, provided that said insurer is party to all contracts subject to transmission, without prejudice to the provision in paragraph 1 of article 95 of these Regulations.
5. Where the transfer of the insurance portfolio is caused out by death, and without prejudice to the power granted to the policyholder by paragraph 1 of article 95 of these Regulations, the insurance portfolio of the intermediary in question is transmitted to their heirs or beneficiaries, on the date of death, if these are registered in the insurance intermediaries registration of ISSM.
6. Instead of the portfolio the heirs or beneficiaries referred to in the previous paragraph may choose to receive from the insurers customer compensation calculated on the basis of the amount of commissions concerning the premiums of the contracts in force at the date of death, thus no longer intervening as a intermediary, with the consequent immediate loss for the heirs or beneficiaries of any rights with respect to that portfolio.
7. When at the time of death there are no heirs or beneficiaries registered as insurance intermediaries, the heirs or beneficiaries are entitled to receive from their insurers a compensation for the clients calculated in accordance with the previous paragraph.
8. The transfer of contracts including an insurance portfolio, operated in accordance with paragraphs 2 and 4 of this article, only has effect for each contract on their anniversary date or, for renewable contracts, on the date of their renewal.
9. The process to be complied with by the transmission of insurance portfolios between intermediaries or between these and an insurer is defined by ISSM.

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CHAPTER II

Insurance intermediaries in general

SECTION I

Rights and obligations of insurance intermediaries

Article 98

(Rights and obligation)

1. The insurance intermediary has the right to:
 - a) Receive regularly and timely from the insurers all information and explanations and necessary clarifications for the performance of their activities and the efficient management of their portfolio;
 - b) Be informed of the resolution by the insurers of insurance contracts belonging to their portfolio;
 - c) Discount at the time of rendering accounts, the amount of commissions concerning the premiums covered, to which the intermediary is entitled;
 - d) Receive timely from each insurer the commissions on contracts in their portfolio for which the intermediary is not responsible for collecting payment;
 - e) To act freely within the strict limits of the legal provisions and regulations in force.
2. The general obligations of the intermediary are to:
 - a) Conclude contracts in the name and on behalf of the insurer only when the latter has given the necessary powers in writing, as referred to in paragraph 2 of article 94 of these Regulations;
 - b) Not assume risk coverage in their own name;
 - c) Comply with the legal provisions and regulations in force that apply to the insurance activity, by not intervening in contracts that violate them;
 - d) Work diligently towards the prevention of inaccurate or incomplete statements by the policyholder and situations that violate or constitute a breach of the law or that indicate situations of money laundering;
 - e) Maintain in good order the registration of insurance contracts of which they intermediate as well as the documents and information necessary for the prevention of money laundering;
 - f) To present to the policyholder the type or kind of contract that in their view is best suited to their particular case;
 - g) Provide adequate and timely assistance to the policyholder and the insured with respect to the execution of the contract;
 - h) Maintain professional confidentiality in relation to third parties concerning the facts that they have become aware through the exercise of their insurance intermediary activities.
3. The provisions of paragraphs 2, 4 and 5 of article 83 of these Regulations apply, *mutatis mutandis*, to intermediaries and the insurance agents operating as commercial companies.

Article 99

(Specific obligations of the insurance intermediary towards the insurers)

Without prejudice to other obligations laid down in these Regulations the specific obligations of the insurance intermediary towards insurers are to:

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- a) Inform them about the nature and circumstances of the risks assumed;
- b) Inform them about the changes in the assumed risks the intermediary has knowledge of and which may influence the conditions of the contract;
- c) Collect or return, in accordance with the applicable laws and regulations, the premium receipts entrusted to them for collection;
- d) Render accounts of the premium receipts collected under legally, regulatory and contractually established terms, with particular attention to the timely fulfillment of deadlines;
- e) Act with loyalty;
- f) Inform them about all the facts the intermediary has knowledge of that may influence the settlement of a claim.

Article 100

(Limits to the insurance intermediary's activity)

1. It is forbidden for the insurance intermediary:
 - a) To act in that capacity in insurance contracts, including those relating to "Life" operations, entered into with insurers not authorized to exercise their activities in the Republic of Mozambique, covering risks located in national territory;
 - b) To grant commissions or part of commissions to policyholders, insured, third parties or other intermediaries, except in the cases provided for in these Regulations;
 - c) To offer any discounts on premiums;
 - d) To make use of another profession or position held to affect the negotiating freedom of the policyholder, in particular regarding the choice of intermediary or insurers.
2. The insurance intermediary who is that individual may not execute their activity exclusively for contracts where the policyholder or the insured are:
 - a) The intermediary himself;
 - b) Any entity or organization of which the intermediary is a member or manager;
 - c) Spouse or relative of the intermediary in a direct line to the second degree, including collateral descendants;
 - d) Any entity or organization of which the persons referred to in the previous paragraph are partners, administrators or managers.
3. The insurance intermediary which is a commercial company may not execute its activities only in relation to contracts in which the policyholder or the insured are:
 - a) The company itself;
 - b) Its members or shareholders;
 - c) Spouses or relatives of members in a direct line to the second degree, including collateral descendants;
 - d) Any entity or organization of which the persons referred to in the previous paragraph are partners, administrators or managers.

Article 101

(Civil liability of the insurance intermediary)

1. The insurance policy for professional civil liability held by the insurance intermediary ensures a capital corresponding to 10% of the average of projected premiums for the first three financial years in the first year, or to an equal percentage of total premiums received in the last financial year in subsequent years deduced from the corresponding commissions, but it shall not be less than the following minimum amounts:

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- a) 300,000.00 MT with respect to the insurance intermediary;
 - b) 90,000.00 MT with respect to the insurance agent authorized to collect payments for premiums and/or to enter into insurance contracts in the name of and on behalf of the insurer pursuant to article 94 of these Regulations.
2. The respective insurance deductible of the professional civil liability insurance arranged in accordance with the preceding paragraph cannot be charged to third parties.
 3. The insurance contract indicated in paragraph 1 of this article cannot be canceled or terminated without previous authorization by ISSM, and intentions in this regard shall be communicated by the interested parties at least 30 days in advance.
 4. If the proposed professional civil liability insurance is declined by at least 3 insurers, then the intermediary may take recourse to ISSM for it to establish the conditions for the insurance through co-insurance.
 5. The insurers indicated to join the co-insurance contract referred to in the previous paragraph are obliged to accept the conditions defined by ISSM, under penalty of suspension of authorization to accept new contracts in the sector “general civil liability” for a period of 6 months to 3 years.
 6. There is no intervention of an insurance intermediary in contracts for co-insurance under the terms of paragraph 4 of this article.

SECTION II

Remuneration of insurance intermediaries

Article 102

(Commissions)

1. The insurance intermediary is paid by means of commissions.
2. The commissions may be single or periodic, depending on the type of contract to which they apply.

Article 103

(Types of commissions)

1. The commissions referred to in the previous article may take the form of intermediary placement commission, brokerage commission and collection commission.
2. Intermediary placement commission is the remuneration paid to insurance vendors and insurance agents for the performance of intermediary placement.
3. The brokerage commission is the remuneration paid to the insurance intermediary for performance of brokerage.
4. The collection commission is the remuneration paid to the intermediary with regard to insurance premiums actually collected, provided that the intermediary has been previously empowered in writing to collect by the insurers.
5. For the purposes of awarding intermediary placement commission and brokerage commission, contracts can only have one intermediary, except in cases of co-insurance, where the share of the risk assumed by each of the co-insurers may have an own intermediary.

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Article 104

(Value of commissions)

1. Insurers may freely negotiate the amount of commissions referred to in paragraph 1 of the previous article, to be attributed to their insurance intermediaries.
2. When the cancellation of registration in terms of paragraph 1 of the following article takes place then the intermediary is entitled to commissions on premiums due by the end of the current period of cover at the date of cancellation.

SECTION III

Cancellation of registration

Article 105

(Cancellation the registration of insurance intermediaries)

1. The cancellation of registration as an insurance intermediary may, without prejudice to the provisions of articles 126 and 114,123 and 126, of these Regulations, result from any of the following:
 - a) Explicit request of the intermediary directed to ISSM, by registered letter;
 - b) Death of the intermediary or dissolution of the intermediary company;
 - c) Transmission of the portfolio in accordance with paragraphs 2 and 4 of article 97 of these Regulations;
 - d) Application of the sanction provided for in clause e) of paragraph 1 of article 69 of the Insurance Regulatory Framework.
2. The provisions of clause c) of the previous paragraph do not apply when objective of transmission of the portfolio is the creation of a new intermediary, in the form of a commercial company, of which that individual is administrator or manager.
3. It is forbidden for the intermediary whose registration has been canceled under clause d) of paragraph 1 of this article to request new registration as an intermediary from ISSM, until 10 years from the date of application of the sanction referred to.

CHAPTER III

Special insurance intermediaries

SECTION I

Insurance brokers

SUBSECTION I

Description

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Article 106

(Activity of the insurance broker)

1. The insurance broker prepares the signing of the contracts, provides assistance on such contracts and may act as a consultant in insurance matters for policyholders as well as conduct studies or issue technical advice about insurance.
2. The insurance broker may undertake their activity directly or through insurance agents which are individuals or commercial companies.
3. The insurance broker may also enter into insurance contracts in the name and on behalf of insurers pursuant to paragraph 2 of article 94 of these Regulations.

SUBSECTION II

Access to the activity

Article 107

(Requirements)

1. The application requesting registration is addressed to ISSM, accompanied by the following:
 - a) Minutes of the meeting where it was decided to incorporate the company;
 - b) Draft of the articles of association of the company to be incorporated;
 - c) Indication of the sectors and insurance operations in which the company intends to act as an insurance intermediary;
 - d) Identification of the members or initial shareholders, be they natural or legal persons or commercial companies with a specification of the capital subscribed by each and the origin of their funds;
 - e) Declaration of commitment stating that, at the outset of the incorporation of the company, at least fifty percent of the minimum share capital is deposited with a credit institution authorized to operate in the Republic of Mozambique, deposited in the account of the company to be incorporated;
 - f) Police clearance certificate of the members or initial shareholders, in case these are natural persons and of the respective administrators, directors or managers, in case these are as legal persons or commercial companies;
 - g) A statement under oath of each of the members or initial shareholders that they are not in any of the situations of incompatibility indicated in article 62 of the Insurance Regulatory Framework;
 - h) Identification of at least one manager or administrator of the company who has been registered as an insurance agent in the individual category for at least 5 years or who has proven professional experience in technical and commercial insurance for the same period of time, to be supported in the latter case by the necessary documents, including the curriculum and police clearance certificate, with validity of at least 90 days;
 - i) Economic feasibility study projected for three years, based on the scope of the activity of insurance brokerage required pursuant to clause c) of this article, indicating the number of employees and their wages.
2. The police clearance certificate referred to in clause f) above may, with respect to foreign nationals, be replaced by an equivalent document with validity of at least 90 days, duly notarised and translated into Portuguese, if necessary.

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3. The registration also depends on the verification of the suitability of the members or initial shareholders, measured in the light of the provision of paragraph 1 of article 9 of these Regulations.
4. Where the company to be incorporated has members or shareholders who are legal persons or commercial companies, the following must be included in the application, for each legal person or commercial company involved:
 - a) Minutes of the competent corporate body deciding shareholding in the company to be incorporated;
 - b) Articles of association;
 - c) Reports and accounts or equivalent documents for the last three financial years.
5. In addition to the matters referred to in the previous paragraphs supplementary elements and information are to be presented that at the request of ISSM for the assessment of the application for registration as an insurance broker, with applicants provided a period of 30 days to present these, under penalty of rejection of the application when this period has expired without the obligation being complied with.
6. Applicants shall appoint a representative them before the ISSM, and the person in question shall be a resident in the Republic of Mozambique.
7. The name of the company to be incorporated shall unequivocally reflect that its object is the execution of the activity of insurance brokerage.
8. If during the incorporation of the company the share capital is partially paid up by using the option referred to in clause e) of paragraph 1 of this article, the remainder is to be paid in cash within a period of 180 days counting from the date of the deed of incorporation.
9. The application referred to in paragraph 1 of this article is presented in triplicate when it falls within the scope of direct investment, in accordance with the law, when applicable.

Article 108

(Foreign direct investment)

1. If the company to be incorporated conforms to foreign direct investment as defined pursuant to applicable legislation then the founding member or shareholder, when assuming the duties of manager or administrator, shall prove that they have been authorized to exercise insurance mediation in the category of broker in their country of origin for at least five years and shall provide the balance sheet and profit and loss account or an equivalent document covering the last three financial years with respect to insurance brokerage.
2. The proof referred to in the previous paragraph is provided by means of a document issued by the competent licensing authority, written or duly authenticated and officially translated into Portuguese, if applicable.

Article 109

(Decision)

1. The decision on registration of insurance intermediaries is the competence of ISSM.
2. When the company to be incorporated falls within the scope of foreign direct investment, ISSM submits the application for decision by the Minister who oversees the area of Finance, without prejudice to the specific decision on the investment referred to.
3. After verification of the requirements of article 107 of these Regulations, the broker shall be provisionally registered and ISSM shall notify the interested parties of its decision

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within a period of 45 days counting from the date of receipt of the application or, if applicable, from the date the supplementary elements and information required were received by ISSM.

4. The provisional registration referred to in the previous paragraph becomes final upon proof of:
 - a) The incorporation of the company;
 - b) The signing of the insurance contract covering professional indemnity, as referred to in clause a) of paragraph 1 of article 101 of these Regulations;
 - c) Authorization of foreign direct investment, where applicable;
 - d) The inspection referred to in clause b) of paragraph 1 of article 4 of these Regulations.
5. Failure to notify the decision within the period referred to in paragraph 3 of this article amounts to tacit approval of the request.

SUBSECTION III Exercise of activity

Article 110

(Start of activity)

Following their definitive registration the insurance brokerage can start its activity after receiving the necessary license from ISSM.

Article 111

(Specific obligations of insurance brokers)

1. The relationships between the insurance brokerage and its clients are governed by principles based on mutual trust, namely:
 - a) Compliance with the principles of good faith and integrity;
 - b) Maximum effort to satisfy the requests of clients in matters relating to insurance;
 - c) Advising clients with clarity and objectivity in order to avoid possible errors of interpretation and analysis.
2. Within the context of the principles defined in the preceding paragraph and beyond the duties referred to in paragraph 2 of article 98 and article 99 of these Regulations, the insurance brokerage is subject to the following specific obligations:
 - a) Offering advice in an objective and independent manner;
 - b) Working with a number of insurers found to be sufficiently broad and diverse in order to better meet the needs of their customers;
 - c) Presenting fairly to the insurer the factual and technical elements that may influence the conditions of the contract or condition its conclusion;
 - d) Providing the insurer as soon as possible and whenever the premium has been provisionally established, based on an estimated date, with the necessary information about the effective date for the adjustment of the final premium of the policy;
 - e) Informing the client, if so so requested, about the amount of commissions paid by the insurer under the contract brokered and to which the client is party in their capacity as policyholder;
 - f) Not to charge any administrative or other fee to the policyholder for the execution of contracts in which they act as intermediary;
 - g) Treating as confidential any information concerning the client, except for that strictly relevant to the negotiation, maintenance or renewal of the insurance contract.

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3. In order to strengthen the ethics and discipline of those working in the market, based on fair competition and protection of insurance clients, and provided that ISSM has been notified, the association representing insurance brokers may adopt additional rules to those defined in these Regulations, to be followed by members and their employees in pursuing the activity of insurance brokerage.
4. Any complaints about the conduct of the insurance broker may, if duly justified, individually or collectively be addressed by interested parties to ISSM, for appropriate legal proceedings.

Article 112

(Remuneration)

In addition to the remuneration provided for in articles 103 and 104 of these Regulations, the broker may also receive fees for consultancies, conducting studies and offering advice referred to in paragraph 1 of article 106 of these Regulations.

Article 113

(Opening of representations in the Republic of Mozambique)

The opening of branches or other forms of corporate representation of insurance brokers with headquarters in the Republic of Mozambique requires prior notification to ISSM.

SUBSECTION IV

Cancelling of the registration of insurance brokers

Article 114

(Cancelling of the registration)

1. The provisions of article 123 of these Regulations apply, mutatis mutandis, to the cancellation of registration as an insurance mediator in the brokerage category.
2. The cancellation of registration implies the return to ISSM within a period of 5 days, of the license referred to in article 110 of these Regulations, under penalty of imposition of sanctions for unauthorized use of the title of insurance intermediary.

SECTION II

Insurance agents

SUBSECTION I

Description

Article 115

(Activity of the insurance agent)

1. The insurance agent prepares and proposes the conclusion of insurance contracts by providing assistance to such contracts, and can intervene at the request of the insurer in the settlement of claims.

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2. The insurance agent may, if duly and explicitly authorized by the insurer collect premiums related to their own insurance portfolio, in which case they shall enter into a contract of professional indemnity insurance in accordance with the provisions of these Regulations.
3. The insurance agent may also enter into insurance contracts in the name of and on behalf of the insurer, provided that the requirements indicated in paragraph 2 of article 94 of these Regulations are met.

SUBSECTION II

Individual insurance agents

Article 116

(Basic insurance training)

1. The registration of an individual as an insurance agent is proposed to ISSM by the insurer or by the broker who has given them basic training in insurance issues.
2. The basic training referred to in the preceding paragraph aims at preparing the agent to provide proper services in insurance intermediation and to follow the guidelines developed and disseminated by ISSM.
3. The insurance agent who is an individual exercises their activity exclusively for the insurer or intermediary who puts forward their registration to ISSM.

Article 117

(Registration with ISSM)

1. The individual proposed to ISSM for the purposes of the provision of paragraph 1 of the previous article shall cumulatively meet the following requirements:
 - a) Be a non-dependent adult;
 - b) Have residence in the Republic of Mozambique;
 - c) Have Mozambican nationality or that of a foreign country that offers reciprocal treatment to Mozambican nationals within the context of insurance intermediation or, in the case of incorporation of an insurance agency company, pursuant to the provisions in paragraph 1 of article 107 of these Regulations;
 - d) Have the legal capacity for engaging in business;
 - e) Have at least completed twelfth grade or equivalent;
 - f) Not be in one of the situations of incompatibility referred to in article 62 of the Insurance Regulatory Framework.
2. Failure to comply with the requirements indicated in the previous paragraph implies rejection of the application.

Article 118

(Submission of proof)

1. ISSM may test the candidate for insurance agent within a maximum period of 30 days counting from the date of submission of application.
2. ISSM shall inform the insurers and insurance intermediaries with prospective agents with at least eight days notice of the place and date of the test.
3. If the applicant does not present themselves as invited, and the reason for their non-attendance is accepted by ISSM, then a new date for the test is scheduled.

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4. Not passing the test pursuant to the previous paragraph, even if justified, implies the rejection of the initial application, and the applicant may only be offered a new test after a period of one year from the initially agreed test date.
5. ISSM shall mark the tests and forward the results to the proposing organizations, within a period of eight days from the date of test.
6. Passing the ISSM test performed leads to immediate registration as an insurance agent and to the subsequent issuing of the insurance agent identification card.
7. Candidates who fail the test and disagree with their mark have 30 days counting from the date of notification referred to in paragraph 5 of this article to, if they so wish, contact the insurer or insurance intermediary who put them forward and jointly they may, within the period indicated, request ISSM to review the test results, which review takes place in the presence of a representative of the applicant organization.
8. Candidates who fail the test may, after a period of 30 days, be put forward to take a new test and in should they fail again can only be put forward again after the expiry of the same period of time.

Article 119

(Exemption from doing a test)

1. Exemption from doing the test for insurance agents is available for:
 - a) Candidates for insurance agency who have a minimum of five years uninterrupted, proven professional experience in technical and commercial insurance including the exercise over the same period of technical functions in the field of insurance at the insurance supervisory entity, as well those certified by a special educational institution recognized by that entity;
 - b) Candidates for insurance agency of foreign nationality, who have been authorized for this purpose in their country of origin, and have been undertaking this activity for at least 5 consecutive years, bearing in mind the constraints referred to in the following paragraph.
2. The situation described in clause b) above shall be permitted only if:
 - a) In the country of origin access to insurance intermediation is conditioned by prior basic training in insurance and the provision of specific evidence to this effect;
 - b) The application falls within the provisions of paragraph 1 of article 108 of these Regulations.
3. The documents to be submitted pursuant to the previous numbers have been issued within the past 3 months and are written in Portuguese or, if applicable, duly translated and notarised.

SUBSECTION III

Insurance agents as a commercial company

Article 120

(Registration with ISSM)

1. Registration with ISSM of an insurance agency in the form of a commercial company is possible only if the applicant meets all following requirements:
 - a) Having insurance mediation as the exclusive activity of the company and the minimum share capital foreseen in the following article;
 - b) If the respective shares are nominal or to bearer, in a joint stock company;

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- c) Submission of a statement by each of the founding members or shareholders under oath, that are they are not in any of the situations of incompatibility envisaged by article 62 of the Insurance Regulatory Framework;
 - d) At least one of the directors or managers having been registered as an insurance agent;
 - e) Proof the economic viability of the company to be incorporated;
 - f) Having at their service full time at least one employee with knowledge of the insurance business.
2. The application for registration referred to in the previous paragraph must be duly completed and addressed to ISSM,
 3. ISSM, taking into account the objectively verifiable conditions, including those arising from the limitations inherent to the region, may, upon request of the interested parties waive the requirement referred to in clause f) of paragraph 1 of this article.
 4. The entities that on the date of publication of these Regulations already work as insurance agencies in the form of commercial company are subject to the provisions of this article and shall effect or update their registration accordingly within a maximum period of 1 year counting from the date of publication of these Regulations, with the exception of the provision in paragraph 2 of the following article, under penalty of revocation of the authorization.
 5. The insurance agent in the form of a commercial company is not subject to exclusivity as referred to in paragraph 3 of article 116 of these Regulations.

Article 121

(Minimum share capital)

1. The minimum share capital required for the incorporation of an insurance agency company pursuant to the previous article above is 150.000,00MT.
2. The entities referred to in paragraph 4 of the previous article that do not meet this requirement, have a period of 3 years counting from the date of publication of these Regulations to adapt their level of share capital accordingly, under penalty of revocation of the authorization.

Article 122

(Decision)

1. The decision on registration of the agent in the form of commercial company is the responsibility of ISSM.
2. The provisions of paragraphs 3, 4 and 5 of article 109 of these Regulations apply, mutatis mutandis, to an insurance agent in the form of a commercial company.

SUBSECTION IV Cancellation of registration

Article 123

(Cancellation of registration)

1. Without prejudice to the provision of paragraph 1 of article 114 of these Regulations the cancellation of the registration of a intermediary in the category of insurance agent can result from a failure to meet any of the following requirements:

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- a) Those in paragraph 1 of article 62 of the Insurance Regulatory Framework and in clauses b), c) and d) of paragraph 1 of article 117 of these Regulations concerning individuals working as insurance agents;
 - b) Those in clauses a) to d) of paragraph 1 of article 120 of these Regulations concerning commercial companies working as insurance agents.
2. The provisions in paragraph 2 of article 104 and, *mutatis mutandis*, the provisions of paragraph 2 of article 114 of these Regulations apply to the cancellation referred to in the previous paragraph.

SECTION III

Insurance promoters

Article 124

(Registration with ISSM)

1. Candidates for the role of insurance promoter are required to attend an insurance training course the content of which is defined by ISSM, and given by the insurer who intends to obtain their services as a intermediaries.
2. The insurer shall notify ISSM of the names of the people with whom, after these have successfully completed the training course referred to in the previous paragraph, it intends to enter into a contract for the provision of services as an insurance promoter.
3. The notification referred to in the previous paragraph is made at least 8 days prior to the date on which the contract for service provision is signed and is accompanied by a certified copy of Identity Card of the proposed intermediary.
4. Following the notification referred to in the previous paragraph and within 5 days of its receipt, ISSM registers the insurance promoter in the register of intermediaries, informing the insurer concerned and indicating the registration number assigned to the promoter.
5. After the conclusion of the service provision contract referred to in paragraph 2 of this article the insurer issues and submits an identification document to the insurance promoter which contains the registration number assigned to him by ISSM.
6. It is compulsory to show the insurance promoter's identification document referred to in the previous paragraph whenever requested by the competent authority or by the policyholders.

Article 125

(Exercise of the activity)

1. Once in possession of the identity document referred to in paragraph 6 of the previous article, the promoter may begin their activities in the area of insurance intermediation.
2. The promoter carries out their activity in strict compliance with the applicable laws and regulations, as well as with that which may have been stipulated in the service provision contract entered into with the insurer.
3. The promoter acts as insurance intermediary exclusively for the insurer with whom they signed a service provision contract and from which they received the identification document that qualifies them as an insurance promoter, or for any other insurer following the same underwriting philosophy.

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Article 126

(Cessation of activity)

1. When, for whatever reason, the insurance promoter discontinues intermediary services they are obliged to return to the insurer within a period of eight days from the occurrence of the cessation, the identification document supplied pursuant to paragraph 5 of article 124 of these Regulations, under penalty of becoming liable for the violation of improperly using of the title of insurance intermediary.
2. The insurer shall notify ISSM, within eight days of its occurrence, of the cessation of activity of the promoter and proceed with the cancellation of their registration in the register of insurance intermediaries.

CHAPTER IV

Distribution of products through bank channels

Article 127

(Distribution of insurance through bank channels)

1. Products sold by insurers may be distributed through banking channels under agreements signed between banks authorized to operate in the Republic of Mozambique and the insurer who intends to use this route for selling their products, which agreement must explicitly indicate the insurance sectors covered.
2. In agreement with the insurer, the bank shall indicate an insurance intermediary in the category of individual agent, duly registered with ISSM, as the person responsible for the insurance portfolio constituted under the agreement referred to in the previous paragraph.
3. The portfolio referred to in the previous paragraph of this article is considered the direct business of the insurer.
4. The remuneration for the service provided by the bank is not of the nature of commission provided for in these Regulations.

TITLE V

Supervision of Insurance Activity

CHAPTER I

Supervision Activity

SECTION I

General provisions

Article 128

(Supervisory entity)

1. Under the terms of article 5 of Decree-Law No. 1/2010 of 31 December ISSM is the authority responsible for supervision of activities undertaken by entities qualified to exercise an insurance activity in the Republic of Mozambique, including activities

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exercised by sectors of insurers, micro-insurers and reinsurers based in the country while being established abroad.

2. ISSM is also the authority responsible for supervising activities carried out by insurance intermediaries and entities managing additional pension funds.

Article 129

(Supervisory powers)

1. In performing its functions and in addition to that provided in paragraph 1 of article 12 of the Insurance Regulatory Framework ISSM has the power and right to:
 - a) Verify technical, financial, legal and fiscal compliance of the activity of the insurers under its supervision;
 - b) Obtain information it deems necessary about the situation of the insurers and the whole of their insurance activities, namely through inspections to be carried out at the premises of the insurer;
 - c) Adopt in relation to the insurers, the people responsible for their management or those who control them, the appropriate measures to ensure compliance with the legal provisions and regulations applicable to them, whilst also ensuring a sound and prudent management of the insurer;
 - d) Ensure the effective implementation of the measures referred to in the previous paragraph, if necessary through judicial channels;
 - e) Obtain all information deemed necessary about contracts held by insurance intermediaries;
 - f) Require the taking of precautionary measures necessary for the equilibrium of the insurance sector and for guaranteeing the interests of specific insurance creditors and additional pension funds and in addition to act in court in the interests of the participants in the pension funds referred to, and to intervene in bankruptcy proceedings of companies under its supervision;
 - g) Require, through the decision of the Minister responsible, the declaration of bankruptcy of companies subject to its supervision;
 - h) In the event of liquidation of an insurer, a reinsurer or the management company of a supplementary pension fund, propose to the Minister responsible the appointment of the liquidators;
 - i) Perform other functions and duties prescribed by law, in these Regulations and in other additional legislation.
2. The provision in the previous paragraph applies, *mutatis mutandis*, to insurance intermediaries.
3. Within the scope of its responsibilities ISSM issues the mandatory technical standards to be complied with by entities subject to its supervision.
4. In exercising supervisory functions ISSM staff has the power of legal agent and cannot as such be held accountable for acts committed in the light of the applicable legislation, provided they act in good faith.
5. The provisions of this article apply to supervisory actions carried out by third parties contracted by the Minister who oversees the area of Finance, upon a proposal from ISSM and acting on behalf of the latter.

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Article 130

(Supervision of financial conglomerates)

ISSM and the Bank of Mozambique, within its powers of supervision of insurance and banking activities, propose for approval to the Minister who oversees the area of Finance the model that best serves the interests of the activities referred to in the specific area of consolidated supervision of financial conglomerates.

Article 131

(Duty of information)

1. The entities subject to supervision shall send information as requested by ISSM within the terms and deadlines established to this end.
2. ISSM can directly request from third parties, public or private, that have dealings with insurers or insurance intermediaries the elements or information necessary to fulfill its functions and may have recourse to the services of other entities, be these resident or not, in the Republic of Mozambique

Article 132

(Supervision fee)

1. The supervision fees provided for in article 7 of Decree-Law No. 1 / 2010 of December 31 shall be paid over at the relevant Local Tax Department by means of form General Model B, as follows:
 - a) By the 10th of the month following the issuing of the corresponding premium debit notes, in the case of the entities qualified to exercise an insurance activity, including micro-insurers;
 - b) By the 10th of January of each year or on the 10th day of the month following the commencement of operations, as the case may be, for insurance intermediaries and managers of additional pension funds.
2. To cover the expenditure foreseen in the previously approved annual budget for its functioning, including additional remuneration, incentives and bonuses to ISSM staff, under the terms established by dispatch of the Minister who oversees the area of Finance, as well as for investments aimed at building supervision, monitoring and control capacity, 40% of the supervision fee charged pursuant to the previous paragraph is destined for ISSM while the remainder will be destined for the State Budget.
3. The values comprising fines imposed under Decree-Law No. 1 / 2010 of December 31, reverts entirely to the State.

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SECTION II

Special registration with ISSM

Article 133

(Facts subject to special registration)

1. With respect to insurers headquartered in the Republic of Mozambique the mandatory registration referred to in article 9 of the Insurance Regulatory Framework shall contain the following elements:
 - a) Name or company name;
 - b) Dispatch authorizing its incorporation;
 - c) Branches of insurance, modalities or types of insurance, authorized insurance products and corresponding policies;
 - d) Date of incorporation;
 - e) Date of registration in the Commercial Registry;
 - f) Single tax identification number;
 - g) Capital stock or capital guarantee, authorized and paid up;
 - h) Identification of the shareholders or the members holding major shares and their values;
 - i) Address of registered office;
 - j) Shareholders' agreements relating to the exercise of voting rights;
 - k) Identification of the members of the administrative organs, the supervisory board and the general assembly, as well as any other representatives having management responsibilities;
 - l) Identification of the independent auditor;
 - m) Identification of the actuary;
 - n) Articles of Association, with respective notarization certificate;
 - o) Changes occurring in the elements referred to in the previous paragraphs.
2. The provisions of the previous paragraph apply, mutatis mutandis, to branches established abroad of insurers based in the Republic of Mozambique.
3. In addition to the elements mentioned in clauses a), c), e), f), l), m) and o) of paragraph 1 of this article the registration of branches of foreign-based insurers shall also contain:
 - a) The dispatch that authorized their establishment in the Republic of Mozambique;
 - b) The reserves and retained earnings;
 - c) The fund for the establishment of the branch;
 - d) Identification of the general representative in Mozambique, including, if appropriate, their replacement;
 - e) Address of the branch.
4. The delegations or any other type of representation in the Republic of Mozambique of insurers based in the country are subject to special registration of the following elements:
 - a) Address of the establishment;
 - b) Identification of the person responsible for the establishment;
 - c) The date of commencement of activity;
 - d) Changes in the elements referred to in the previous paragraphs.
5. For the purposes of special registration ISSM may request the submission of additional information to that ones referred to in the previous paragraphs.

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Article 134

(Deadline for registration)

1. The deadline for registration of the facts set out in the previous article is set 30 days counting from the date of its occurrence or it becoming known.
2. The endorsement of the registration of changes that are not dependent on authorization must be requested within a period of 30 days counting from the date on which these changes have occurred.

SECTION III

Professional confidentiality

Article 135

(Professional confidentiality)

1. The members of ISSM's management bodies as well as all persons who undertake or have undertaken a professional activity there, are under the duty of confidentiality with respect to the facts that came to their knowledge exclusively from carrying out their duties.
2. The duty of professional confidentiality implies that any confidential information received in the line of work may not be communicated to any person or authority, except in summary or aggregate and in such a way that insurers and intermediaries cannot be individually identified.

Article 136

(Exchange of information between competent authorities)

1. The duty of professional confidentiality does not prohibit ISSM exchanging information necessary for the exercise of supervision, with other supervisory authorities, domestic or foreign, on a reciprocal basis.
2. Without prejudice to the obligation of professional confidentiality ISSM may request information necessary to carry out insurance supervision from the following persons and entities:
 - a) The accountant employed by the supervisory board of insurance and intermediary companies;
 - b) Actuaries responsible for exercising functions, pursuant to these Regulations, in insurance companies.

Article 137

(Information for prudent supervision)

1. The accountants who are part of the supervisory board of insurance and intermediary companies as well as external auditors who provide audit services to insurers, shall communicate to ISSM any fact or decision that they obtain knowledge of in the performance of their duties and that is likely to:
 - a) Constitute a violation of laws and regulations governing access to and the pursuit of insurance activity;
 - b) Affect the continuity of the insurer's operation;

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- c) Determine the refusal of the certification of the accounts or the issuing of any reservations concerning these same accounts.
2. The communications made to ISSM in good faith and compliant with the provision of the previous paragraph do not constitute any kind of liability.

Article 138

(Exception to the duty of professional confidentiality)

In addition to the cases mentioned in this section, the facts and issues covered by the duty of confidentiality may only be disclosed pursuant to criminal law and criminal proceedings or when there is another legal provision that explicitly limits the obligation of professional confidentiality.

CHAPTER II **Annual accounts**

SECTION I

External audits

Article 139

(Audit of annual accounts)

1. The external auditor appointed pursuant to article 39 of the Insurance Regulatory Framework is subject to registration with ISSM, at the request of the respective entity qualified to exercise an insurance activity provided that there is no conflict of interest that may affect their independence and impartiality and that they have the technical competence that allows them to perform their function with quality and professionalism.
2. For the purposes of the previous paragraph the external auditor shall in particular:
 - a) Have knowledge, technical capacity and experience relevant to properly fulfilling their obligations;
 - b) Have, among its staff, technical experts in the field of insurance;
 - c) Without prejudice to compliance with applicable law, audit the accounts of entities qualified to exercise an insurance activity in accordance with internationally accepted auditing standards.
3. The external auditor shall, among other things, certify in good faith and in compliance with applicable standards and internationally accepted practices:
 - a) That the balance sheet, the profit and losses account and the supporting documents have been prepared in accordance with the laws and regulations for the insurance business;
 - b) That the balance sheet reflects the financial position of the insurer in question and, in particular, that it meets the legal and regulatory provisions regarding the required financial guarantees;
 - c) That the record books of accounts are maintained properly and fairly reflect the transactions;
 - d) Indicate whether the insurer provided the information and explanations requested, specifying cases in which there has been a refusal to provide information or explanations.
4. Without prejudice to other duties of information provided in these Regulations, in particular in paragraph 9 of article 85 or in applicable law, the independent auditors shall

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report to ISSM, immediately and in writing, any facts discovered in the exercise of their functions, which are likely to cause grave damage to the insurer or to the normal course of insurance business in the Republic of Mozambique, including the following:

- a) Involvement of the insurer, the members of its bodies or its employees in any illegal activities of an insurance or financial nature;
 - b) Irregularities that may endanger the solvency of the insurer;
 - c) Execution of transactions that are not permitted;
 - d) Non-compliance with the legislation that sanctions the practice of money laundering;
 - e) Other facts that, in their opinion, are relevant for the purposes of this article.
5. The auditor appointed pursuant to paragraph 1 of this article and providing consulting services cannot audit or consult in the same entity for a period of more than 5 consecutive years.
 6. After the period provided for in the previous paragraph said auditor and their employees involved in those services are barred from executing any of those functions in the same entity within the subsequent two years.

Article 140

(Conflicts of Interest)

It is understood that a conflict of interest exists when there is a relationship between the entity qualified to exercise the insurance activity in question and the auditor, which may affect the independence and impartiality of the latter and that may result in particular from the fact that:

- a) The auditor has, directly or indirectly, interests in the entity qualified to exercise the insurance activity or in a subsidiary or another entity that maintains a controlling relationship with or forms a group with the insurance entity;
- b) The auditor, partners, members of its board of directors or audit committee, its managers or technicians assigned to the audit in question have capital shares in the entity qualified to exercise the insurance activity or vice versa, when applicable;
- c) The auditor, partners, members of its board of directors or audit committee, its managers or technicians assigned to the audit in question are debtors of the entity qualified to exercise the insurance activity;
- d) The auditor, partners, members of its board of directors or audit committee, its managers or technicians assigned to the audit in question are part of the governing bodies of the entity qualified to exercise the insurance activity, or when these, or members of the board of directors or of the supervisory board are part of the governing bodies of the auditor.

Article 141

(Sanctions)

Without prejudice to other penalties that may be applicable in accordance with the applicable law, non-compliance with the duties of the auditor referred to in paragraphs 3 and 4 of article 139 of these Regulations shall lead to the cessation of the function of entity qualified to exercise the insurance activity and to the subsequent cancellation of registration with ISSM.

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Article 142

(Extraordinary audits)

In exceptional duly justified cases, ISSM may require that an extraordinary audit be carried out by the external auditor, of the entity qualified to exercise the insurance activity or to appoint another auditor at the expense of the same entity

SECTION II

Financial year, bookkeeping and mandatory publications

Article 143

(Financial year)

1. The financial year for insurers in the Republic of Mozambique coincides with the calendar year.
2. In duly justified cases and upon request by the insurer concerned, ISSM may authorize another date for the closure of the financial year, whenever it contributes to a better fulfillment of the tax obligations.
3. Failure to comply with tax obligations may lead to the revocation of the authorization granted pursuant to the previous paragraph.

Article 144

(Bookkeeping)

1. Insurers with head offices in the Republic of Mozambique and the branches of insurance companies headquartered abroad, the latter with reference to their activity in the country, are obliged to use the chart of accounts for entities qualified to exercise an insurance activity, approved by article 1 of Ministerial Order 222/2010 of 17 December.
2. Within the context of exercising an insurance activity it is incumbent upon ISSM to propose the necessary changes to the chart of accounts referred to in the previous paragraph as well as its replacement with a new chart of accounts.
3. The documentary bases for bookkeeping must be located at the insurer itself or in a readily accessible place, but always in the place where the head office or principal place of business of the branch is situated, so that the bookkeeping records and the supporting documentation are permanently available to ISSM.

Article 145

(Mandatory publications)

1. With respect to the completed financial year and concerning the whole of their activity insurers based in the Republic of Mozambique shall publish in one of the widely circulating newspapers of the country, within 60 days of the meeting of the annual general assembly held for approval of the annual report and accounts, the following:
 - a) Balance sheet and profit and loss account;
 - b) Activity report prepared by the management body;
 - c) Opinion of the supervisory board with the corresponding certification of accounts;
 - d) Opinion of the independent auditor;

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- e) Identification of office holders;
- f) Any other elements of accountability the publication of which is determined by ISSM.
2. The insurers referred to in the previous paragraph that have subsidiaries abroad shall also publish, on a consolidated basis, their reports and accounts.
3. Branches of insurers based abroad shall publish, under the conditions specified in paragraph 1 of this article, the report and accounts and the independent auditor's opinion on their activities in the Republic of Mozambique.
4. The branches referred to in the previous paragraph shall also submit to ISSM, within 30 days after their approval, a copy of the report and accounts of their headquarters, keeping another copy at their principal establishment at the disposal of the public for inspection.
5. The provisions of paragraphs 1 to 3 of this article do not prejudice any publications by ISSM, as part of its duties.

ANNEX

List of Insurance Branches⁴

(Article 84, paragraph 1 of the Regulations)

SECTION I

Life Insurance

1. Life Insurance:
 - a) In case of death, in cases of life, mixed and in case of life with life insurance;
 - b) Income;
 - c) Additional insurance life insurance, that is, those involving personal injury including incapacity for employment, death by accident or disability as a result of accident or illness.
2. Marriage and birth insurance.
3. Insurance linked to investment funds, covering all insurance provided for in clauses a) and b) of paragraph 1 and linked to an investment fund.
4. Capital redemption operations, covering the entire operation of savings, based on actuarial calculation, based on the assumption of certain commitments regarding its duration and amount, in return for a lump sum or periodic installments fixed in advance.
5. Management of collective pension funds.

SECTION II

Non-Life Insurance

1. Accidents, including the following types:
 - a) Work accidents and occupational diseases;
 - b) Personal accident, in the following categories: (i) fixed sums, (ii) compensatory allowances and (iii) a combination of both.
 - c) Transported persons.
2. Disease, which comprises the following modalities: (i) fixed sums, (ii) compensatory allowances and (iii) a combination of both.

⁴ Translator's note – more correctly termed as “classes” of insurance

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3. Land vehicles, excluding rail vehicles, including damages suffered by motor-powered land vehicles and land vehicles without an engine.
4. Rail vehicles, which covers the damages suffered by rail vehicles.
5. Aircraft, which covers damages sustained by aircraft;
6. Embarkation on marine lake and river craft, which covers the damages suffered by any kind of marine lake or river vessel.
7. Transported merchandise, which covers damages suffered by merchandise, baggage or other property, whatever the means of transport used.
8. Fire and natural perils, which covers damages to property other than that specified in the classes referred to in numbers 3 to 7 of this section, caused by the occurrence of any of the following risks:
 - a) Fire, lightning or explosion;
 - b) Storm;
 - c) Other elements of nature.
6. Other damages to things, which covers damages suffered by property other than that referred to in the sectors listed in numbers 3 to 7 of this section, and comprising the following modalities:
 - a) Agricultural risks;
 - b) Livestock risks;
 - c) Other risks such as theft, provided it is not included in the sector referred to in the preceding paragraph 8.
7. Civil liability for land motor vehicles, covering liability arising out of the use of motor-powered land vehicles, and which takes the following forms:
 - a) Compulsory insurance;
 - b) Optional insurance;
8. Liability for aircraft, covering the liability arising out of the use of aircraft;
9. Civil liability for embarking ships at sea, on lakes and rivers, covering liability arising out of marine, lake and river vessel embarkations,;
10. General civil liability covering any kind of liability, other than that referred to in the sectors listed in numbers 10 to 12;
11. Credit, which covers the following risks:
 - a) General, declared or presumed insolvency;
 - b) Sales against payment by installments;
 - c) Mortgage loans;
 - d) Credit in agriculture, forestry, livestock and fisheries.
12. Bonds, which cover the following risks:
 - a) Direct bonds;
 - b) Indirect bonds.
13. Miscellaneous financial losses, covering the following risks:
 - a) Employment;
 - b) Insufficient income;
 - c) Loss of profits;
 - d) Loss of rent or revenue;
 - e) Other indirect business losses;
 - f) Non-commercial financial losses;
 - g) Other financial losses.
14. Legal protection, which includes coverage of expenses resulting from a lawsuit as well as ways to cover expenses and legal representation of the interests of the insured.
15. Assistance, which includes the following forms:
 - a) Assistance to persons in difficulty while traveling or away from home or of the place of permanent residence;

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- b) Assistance to those in need in other circumstances than those referred to in the previous paragraph.

SECTION III

Groups of sectors or modalities belonging to “Non-Life” sectors provided for in the previous Section

- a) Accident and health insurance: sectors referred to in numbers 1 and 2;
- b) Car insurance: modality of clause c) of the sector referred to in paragraph 1 and sectors referred to in numbers 3, 7, and 10;
- c) Marine and transport insurance: modality of clause c) of the sector referred to in paragraph 1 and the sectors referred to in numbers 4, 6, 7 and 12;
- d) Aviation insurance: modality of clause c) of the sector referred to in paragraph 1 and the sectors referred to in numbers 5, 7 and 11;
- e) Insurance against fire and other damage: sectors referred to in numbers 8 and 9.