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WE FEEL RESPONSIBLE FOR HELPING YOU MAKE YOUR HOME SAFE.
MUA Home Check

Risk Management

Business Continuity Management

Business Continuity Management is a holistic management process that identifies potential threats that may disrupt critical business operations, provides the framework for building resilience and establishes the capability for effective response to safeguard the interests of relevant stakeholders.

During the Covid-19 crisis period, the BCP plans, including the Disaster Recovery Plan, have helped to deal with the unprecedented situation. The BCP awareness of all employees, previously trained, has facilitated the transition for a quasi-seamless business continuity of our operations. The pandemic has shifted the way businesses are operating. The Group, including its East African subsidiaries, has swiftly embarked on the "new normal" way of doing business by introducing measures to ensure the safety of our employees and to stay resilient during the crisis. An increased use of IT technology under a controlled environment, in line with the Disaster Recovery Plan has allowed employees to work remotely, with only critical employees working on site. Hygiene enhancement measures such as frequent cleaning of common touch points, wearing of masks, regular sanitisation and social distancing have also been promoted within the office(s), with the recommended safety measures still be applied to date.

Having a robust Business Continuity Management system in place also ensured continuity of operations when a fire broke at Caudan and affected our offices within those premises.

Risk Management philosophy and objectives

As a financial services company active in short and long-term insurance, investments, life insurance and retirement services, MUA is naturally exposed in its daily business activities and strategic planning to numerous types of risk. Examples of such risks are changes in mortality rates, undergoing losses due to man-made or natural catastrophes, losing income ability through operational disruptions, outliving of assets among others.

Risk management in practice is where companies steadily identify, quantify and manage the various types of risk inherent to their operations. In our case, the most vital goals of a sound risk management program are:

- Ensuring risks inherent to our business activities in Mauritius and in the East African market are identified, monitored, quantified, and adequately managed;
- Managing the business' exposure to prospective earnings and unpredictability in capital;
- Supporting stakeholders' capitalism.

We are fully committed to maintain our existing strategy of embedding risk management in what we do, as it is a source of value creation as well as an essential form of control. It is an integral part of maintaining financial stability for our customers, shareholders and other stakeholders.

Our sustainability and financial strength are supported by an effective risk management process which helps us identify major risks to which we may be exposed, while instituting appropriate controls and taking mitigating actions for the benefit of our customers and shareholders.

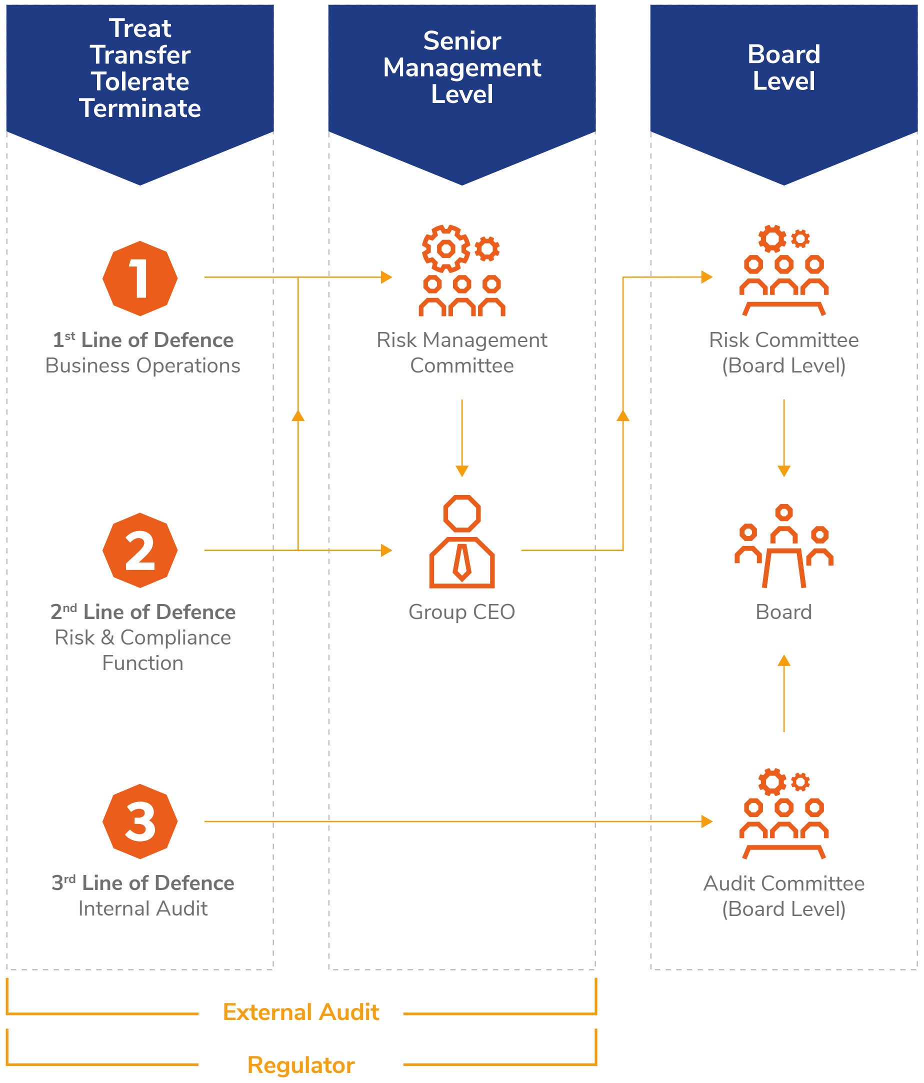
Consequently, our risk management objectives are based on the following:

Open risk culture: Promote a strong risk management culture amongst our employees, driven by a robust risk governance structure and clear risk appetites.

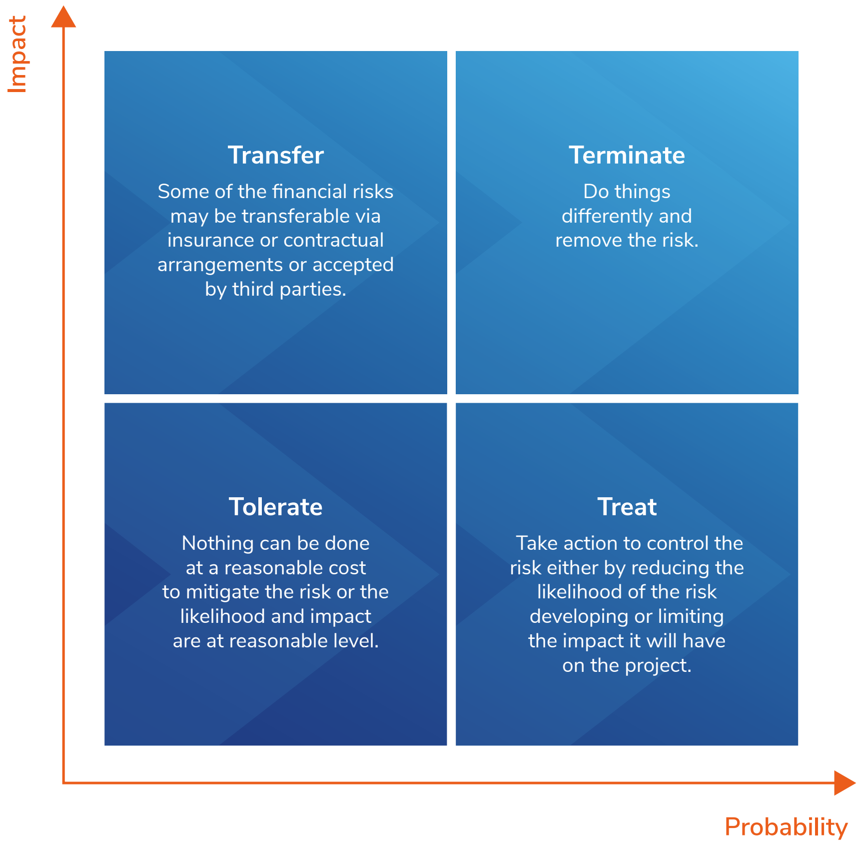
Ensure that sufficient capital surpluses are available to not only meet the expectations of customers, shareholders but also to remain compliant with regulatory obligations, and to meet our liabilities even if a number of extreme risks were to materialize.

Clear accountability: Our operations are based on the principle of delegated and clearly defined authority. Individuals are accountable for the risks they take on and their incentives are aligned with MUA's overall business objectives.

Risk Management Overview



The Group has a defined step by step approach with respect to risk management. The above diagram illustrates the high-level process, whereby risks can be managed through the 4 T's, at each step.



Types of Risks - Inherent v/s Residual

The inherent risk is the one that exists before a company addresses it, that is the risk to the Group in the absence of any action taken to alter either its likelihood or its impact. Every company faces it, not all manage it effectively. These risks are reflected mainly on how it does business, its complexity, growth, changes, the staffing, technology and the organisational structure.

The residual risk is also known as "vulnerability" or "exposure". It is the risk that remains after the company has attempted to mitigate the inherent risk.

Adopting the approach of Enterprise Risk Management within the Group, where management provides assurance and internal audit provides reassurance, management is responsible for:

- Assessing the inherent risk (i.e., before mitigation and controls);
- Assessing the effectiveness of existing risk mitigation and controls;
- Determining the residual risk (i.e., the risk that remains after mitigation and controls are implemented);
- Determining whether such exposure is within the company's risk appetite for that type of risk, and if not, taking additional steps to further mitigate the risk;
- Providing reasonable assurance to the board that the controls are both effective and efficient in managing the exposure, so that it remains within the board- approved appetite for that type of risk.

Risk Control Framework

The diagram below illustrates how the Group's risk control framework minimizes the number of inherent risks to residual ones. The duty of the risk management is to review continuously the internal controls of the inherent risks and to monitor closely the residuals risks while taking actions when appropriate.

Risk Management Responsibilities

MUA has adopted the 'three-lines-of-defence' model where ownership for risk is taken at all levels in the Group. This model is widely adopted by financial services companies globally. It clearly sets out the risk management responsibilities across the business and is consistent with the current regulatory risk-based approach, encompassing corporate governance, processes and controls.

The Risk Management Committee (RMC) - Group level

- Acknowledges and reviews all the risks facing the organisation.
- Evaluates and prioritises those risks and review the policies and strategy recommended for managing the risks.
- Oversees compliance with the policy, internal control systems and procedures for reporting unusual or high-risk transactions.
- Reviews the management's reports detailing the adequacy and overall effectiveness of the group's risk management function.
- Is accountable for the Group's Business Continuity Management's (BCM) capability and its effectiveness and shall be responsible to give advice, guidance and management oversight on the overall BCM programme.

The Local Risk Committee – East African subsidiaries level

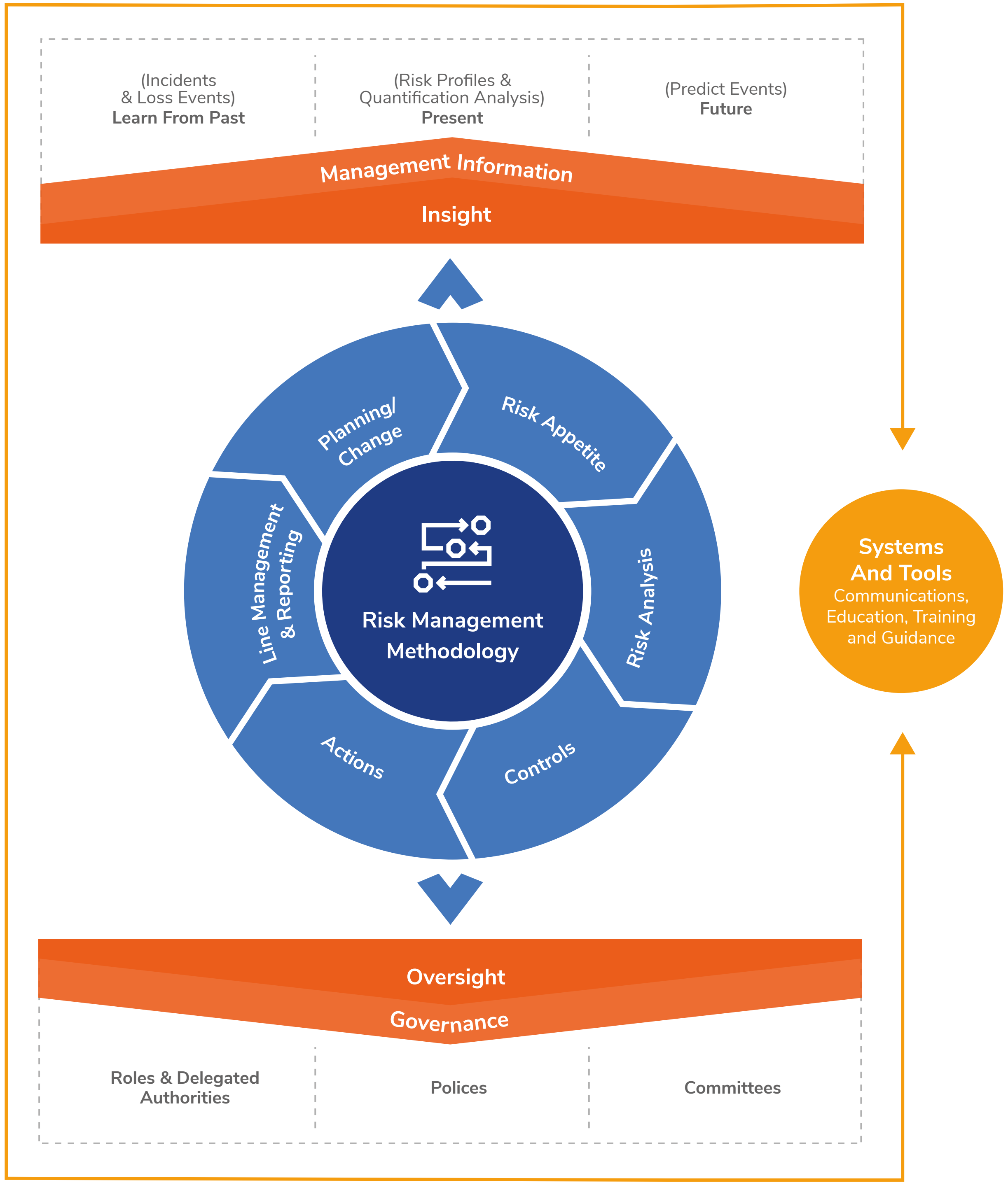
- Ensures that the implementation of the Risk Management Framework is occurring in a systematic, timely and effective manner.
- Reviews, monitors, recommends and reports to the Board on the risk management aspects.
- Encourages and facilitates the development of a risk management culture within the Company.
- Facilitates Senior Management and the Board to make informed decisions that have risk management considerations.
- Reviews the Risk Management Strategy on a regular basis.
- Escalates critical risks to the Board.
- Reviews and approves the Risk management policies and Charter of the company.

RISK MANAGEMENT

Risk Management Framework

The Group Audit and Risk Methodology is fully risk-based and aligned on COSO (Committee of Sponsoring Organizations of the Treadway Commission) Enterprise Risk Management (ERM) Framework. The COSOERM Framework is the broadly accepted standard against which organisations can benchmark their internal control activities.

MUA's risk management framework forms an integral part of the management and Board processes as well as the decision-making framework across the organisation. The key elements of the risk management framework are illustrated below:



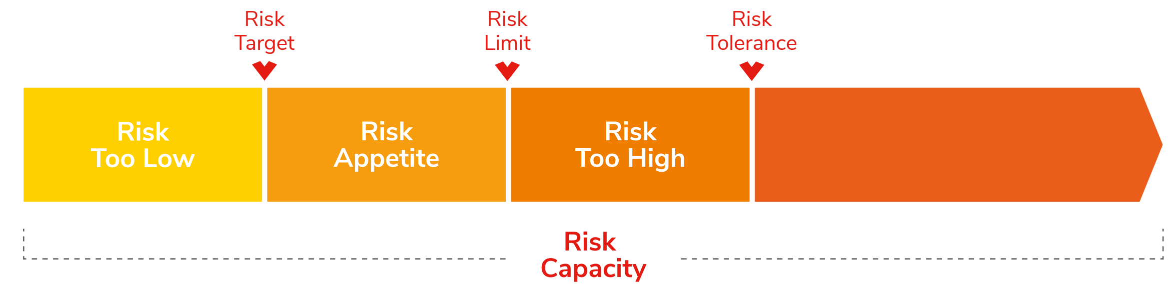
The Risk Management Process

The Risk Management Process involves 5 steps:

1. **Identify risks:** consists of defining potential risks that may have a negative impact on MUA.
2. **Analyse risks:** involves scrutinising the different risks which have been identified to determine: The impact of the risks; and The likelihood of the risks arising.
3. **Evaluate risks:** the company determines whether the identified risks are acceptable or unacceptable.
4. **Treat risks:** the company adopts the 4T's principles.
5. **Monitor and review risks:** is the ongoing process of managing risk.

It is the process of tracking risk management execution and continuing to identify and manage existing and new risks.

Risk Appetite



The risk appetite is the level of risk the Group acknowledges and is willing to accept in the pursuit of its strategic objectives.

The strategic and operational planning process supports the group in optimally exploiting its opportunities. This involves the consideration of the portfolio of opportunities identified by businesses, leading to decisions by the Board in relation to the opportunities the group wishes to pursue.

Capital is allocated to businesses to support delivery of these plans. The group's required returns will be reflected in the targets set for businesses, including targets for return on capital employed, growth in business and profitability and dividend payment expectations.

The group's business plan, capital allocation and business targets are therefore a key component of the group's risk appetite. Risk appetite will accordingly continually evolve and be reviewed.

Policies and Procedures

To inculcate a consistent and rigorous approach to risk management across all the businesses in which we operate, we observe a set of formal risk policies. These delineate risk management and control requirements for the Group's operations. As our business responds to changing market conditions and customer needs, we regularly monitor the appropriateness of our risk policies to ensure that they remain up-to-date.

We regularly identify and review risk exposures. Where risks are outside of tolerance, action plans are required. Similarly, controls are regularly reviewed for effectiveness and corrective actions implemented where necessary. This helps to provide assurance to the various risk oversight committees that there are appropriate controls in place for all our core business activities, and that the processes for managing risk are understood and followed consistently.

Critical Risks

Strategic Risks

Definition: The risk of a negative impact on the company's value, arising from the adverse effect of management decisions regarding business strategies and their implementation. This risk reflects on the compatibility between strategic goals, business continuity management and the resources deployed to achieve those goals. Strategic risk also includes the lack of management's ability to effectively analyse and react to external factors (e.g. market conditions/natural catastrophes) which could affect critical operations of the Group and prevent critical services to be resilient.

Owner: **Group CEO**

Management and Mitigation Examples

Strategy & Planning

We agree, monitor, and manage Strategic Targets. Emerging risks are dentified and managed using established Risk Management Framework.

Business Continuity Management

We have a Business Continuity Management in place which includes a Disaster Recovery plan. The BCM has enabled continuity of operations both during the national lockdowns and when a fire broke at the Caudan premises.

Covid-19

- Business Continuity Management – We have a Business Continuity Management in place which includes a Pandemic Response Plan.
- Operation level – We continuously reassess our product portfolio to consider Covid-19 effects to safeguard our stakeholders' interest while also tapping on the different opportunities brought by the pandemic.
- People – We engage in regular communications with our employees to ensure that they are informed of measures being taken by the company as the pandemic evolves. We also take into consideration their well-being and safety with the installation of sanitary measures and ensuring proper social distancing within the compound. We encouraged employees to work from home to prevent contamination within the office thus ensuring minimal disruption to work due to absence of sick employees.

Corporate Responsibility

We have put in place a Corporate Social Responsibility (CSR) committee to look after all CSR related activities.

Environment

We have launched e-documents for insurance policies to live up to our philosophy of reducing carbon footprint and sustainability commitments.

Critical Risks (continued)

Customer, Products & Markets Risk

Definition: During insurance operations, there may be a risk related to customer management, brand management, products and distribution management which can cause significant damage to the group's reputation, profitability, future business and market share.

Owner:
Group CEO

Management and Mitigation Examples

Customer

- We have a strong culture of considering customers' perspectives and it is imperative that we deliver the right outcome for them.
- We have implemented a customer care standard.

Distribution Management

An adequate selection of sales force is done with satisfactory sales capabilities, customer centricity in compliance with the regulatory framework, to distribute MUA's products effectively.

Brand & Marketing Communication

- We make use of external skilled consultants in the fields of marketing, communication, and advertising.
- We have implemented branding initiatives and social media visibility following the acquisition of East African subsidiaries.

Outsourcing

We monitor performance of our outsourced activities.

Communications

Information shared to internal and external stakeholders is well-structured and managed.

Critical Risks (continued)

Operational Risks

Definition: Operational risks are risks of loss and/or opportunity gain foregone resulting from inadequate or untried internal processes, human error and systems' malfunction, fraud or from externa events. Most organisations like MUA Group accept that their people and processes will inherently incur errors and contribute to ineffective operations. In evaluating operational risk, practical remedial steps should be emphasised to eliminate exposures and ensure successful responses.

Owner:
Heads of Support Functions

Management and Mitigation Examples

Information Technology

- Improved performance of our IT systems across the board, while focussing on the development of future system capability is key for us. With significant changes underway, we are monitoring risks associated with out IT systems' stability, cyber security, and internal control environment.
- The IT infrastructure and IT security controls in place allowed employees to work from home.
- The implementation of data security and backup is ongoing.
- The new medical claims system, Beyontec, has gone live and transition issues are being tackled.

Legal & Regulatory

- We have a rigorous control framework in place and work towards efficient and customer friendly processes while having a strong risk-based approach to minimise exposure and ensure robustness of processes.
- Compliance Risk: We have a robust compliance manual which has been approved by the relevant Boards of Directors. The manual provides a clear link between internal and external compliance requirements with the different business and operational processes. We maintain regular communications and awareness sessions with employees with regards to developments and trends in laws, regulations, supervisory provisions and industrial rules and guidelines.

Financial Crime

- We have a Financial Crime policy which establishes well-defined and well-documented procedures to prevent money-laundering and fraud. We provide continuous training to our employees with regards to the inherent risks faced by our business.
- These include: proper reporting processes to the Money Laundering Reporting Officer, including suspicious transactions reporting; Flagging of Politically Exposed Persons and a Whistleblowing Policy.

People

There are clear strategies and an internal control by the Board and senior management and we make sure that the objectives of our employees are aligned with the company's business objectives and are reviewed annually.

Health & Safety

- We have implemented the OSHA policy and have put in place measures to ensure the health and safety of our employees.
- We have a Health & Safety committee in place to promote cooperation between the employer and employees in instigating, developing, and carrying out measures to ensure the health and safety of employees.

Purchasing & Supply Management

We have a procurement policy and committee in place.

Critical Risks (continued)

Financial Risks

Definition: Financial Risks as the term suggests is the risk that involves financial loss to firms. It generally arises due to instability and losses in the financial market caused by movements in stock prices, currencies, reserves, interest rates and more. Our focus is on capital management which is an accounting strategy that strives to maintain sufficient and equal levels of working capital, current assets, and current liabilities at all times.

Owner:
Chief Financial Officer / Head of Investment / Actuarial

Management and Mitigation Examples

Capital Management

- Capital is held with comfort margins over minimum statutory and other capital requirements, including a minimum level of capital requirements of the Insurance Act 2005 and the Insurance Rules and Regulations 2007.
- We monitor the capital adequacy ratio on a quarterly basis and abide by the regulatory requirements to have an appropriate capital adequacy ratio.
- The investment policy in place highlights the strategic asset allocation.
- We review our capital movements regularly.

Credit

- We have credit policies and sound credit risk accounting policies in place.
- We continuously monitor the ratings for our Reinsurers through credit rating agencies and make sure we purchase reinsurance from the ones with the best ratings.

Financial Reporting

- We ensure that there is a maker and checker for each financial reporting process while having in-built controls in our systems.
- There are periodic reviews of financial reports.
- We have contracted EY South Africa to assist in the transition from IFRS 4 to IFRS 17 and regular training on IFRS 17 is being provided to relevant employees.

Reserving

- We estimate technical reserves using various actuarial and statistical techniques. Management's best estimate of total reserves is set at not less than the actuarial best estimate.
- There are periodic reviews and reporting on adequacy of reserves.

Liquidity

- We measure our liquidity risks on an on-going basis through cash flow forecasts, asset allocation and maturity profile and run scenario testing.
- We continuously monitor the investment policies and reporting.
- We adhere to the strategic asset allocation in place.

ORSA

We have an established ORSA risk policy in place to ensure the annual regulatory Own Risk and Solvency Assessment is properly conducted.

Critical Risks (continued)

Insurance Risks

Definition: The main activity of the group is the acceptance of risk under an insurance contract (Life/Non-life) where in return for a consideration (the premium), a policyholder is compensated for pecuniary loss suffered as a result of a specified uncertain future event. The core of our business is to underwrite those policies whereby underwriters evaluate the risk and exposures of potential clients to determine whether coverage can be provided or not and under which terms.

Owner:
Heads of Business Lines / Actuarial

Management and Mitigation Examples

Life Insurance Risk

We make sure that the recommendations of the actuarial reports are firmly implemented.

Life Insurance Product Development and Pricing

Products are developed, approved and managed in line with relevant risk appetite, risk preferences, capital and profitability targets and are vetted by our statutory actuary.

Unit Pricing

We have a unit pricing guideline and governance framework in place.

General Insurance Underwriting

- We have an effective underwriting management process in place and are guided by the Underwriting manual, market tariff and strategies.
- Underwriting guidelines are set for all transacted business and pricing refined by analysing comprehensive data.

General Insurance Reinsurance

- Excess of loss (XOL) are determined by the business head and are approved by the Board annually at renewal.
- The East African subsidiaries adheres to the group's reinsurance policy guidelines, the RI Manual, and the Group Risk Management Framework.

General Insurance Claims

- We have an effective claims management process in place and are guided by the Claims manual.
- We have appropriate controls in place for the detection and investigation of fraudulent claims.

Role of the Risk Committee

The Risk Committee is established by the Board of Directors to assist in its oversight of risk and risk management across the Group, including its East African subsidiaries.

The committee provides an independent and objective review of all aspects of risk as presented in our risk profile (Strategic/Financial/Insurance etc.). It also has an oversight of all management committees such as the Risk Management Committee, the Audit Committee and the Assets and Liabilities Committee, to ensure that significant existing or emerging risks are efficiently identified, measured, managed, monitored and reported on a continuous basis.

Regulatory Developments

The Financial Services Commission (the 'FSC Mauritius') with the collaboration of the World Bank embarked on a project in 2014 aimed at strengthening prudential regulations, risk-based supervisory and resolution frameworks for the insurance sector.

The main features of these rules are:

1. Risk Appetite Statements
2. Risk Management Strategies
3. Forecasted Business Plans
4. Own Risk Solvency Assessment (ORSA) Framework
5. Liquidity Policy
6. Designated Risk Management Function; and
7. Defined responsibilities and roles and reporting lines within the insurer for the management of material risks

Under the Insurance (Risk Management) Rules 2016, we are in the process of submitting our Own Risk and Solvency Assessment Report and Risk Management Framework for the third year in a row. We have ensured over the past three years that our business practices are compliant with this new piece of legislation. In alignment with these rules, we now have a Business Continuity Plan in place. Awareness and training sessions have been held with all employees. The disaster recovery aspect of the Business Continuity Plan has also been successfully tested.

In compliance with Section 5(4), our external auditors have reviewed and reported to the Board that our Risk Management Framework is compliant with the rules. Moreover, as per Section 5(5) of the rules, our statutory actuaries have reviewed and reported to the Board on the effectiveness of our Risk Management Framework.

The East African subsidiaries are also governed by risk management laws and guidelines to ensure that they are managed in a sound and prudent manner by having effective systems of risk management and internal controls. Below is a summary of the different applicable risk management laws and guidelines within the four East African jurisdictions of operations:

Applicable laws, regulations and guidelines	Guideline on Risk Management and Internal Controls	Risk Management Guidelines for banks and financial institutions 2010	Insurance Act 2017	Regulation on Corporate Governance Risk Management & Internal Controls requirements for insurance business
Risk areas covered	**Kenya**	**Tanzania**	**Uganda**	**Rwanda**
Risk Management Function	✓	✓	✓	✓
Risk Management Framework	✓	✓	-	✓
Risk Appetite Statement	✓	-	-	✓
Risk Management Strategies	✓	✓	✓	-
Risk Categories	✓	✓	✓	✓
Risk Management System	✓	✓	-	✓
Risk Mitigation and Controls	✓	✓	✓	-
Compliance Function	✓	✓	✓	✓
Internal Audit Function	✓	✓	-	✓

Risk Management in the day-to-day

- Implementation of the Bank of Mauritius supervisory expectations with regards to climate-related and environmental financial risk management (Key project for 2022).
- Continuous risk reviews in Mauritius and the four East African subsidiaries.
- Implementation of new risk policies in the four East African subsidiaries.
- Risk awareness campaign for all employees to increase the risk culture/mindset across the company.
- Assistance in MUA projects as per the group's strategy 2021-2023 by monitoring the risk aspects to ensure that there are sufficient controls in place.

The Liquidity Policy in MUA

Liquidity risk is defined as the risk that a firm, though solvent, does not have sufficient financial resources available to enable it to meet its obligations as they fall due.

The objective of this policy is to provide the minimum standards for managing liquidity risk for MUA. It recognises the group has significant cash flow obligations that need to be managed and needs sufficient liquidity to operate efficiently and maintain MUA's reputation in the markets.

For the ORSA reporting, the Risk team has enforced the liquidity policy by requesting for the liquidity policies of both MUA GI and MUA Life to be approved during ALCO.

Section 6.1.7 has been added regarding segregation of liquidity of entities.