

ROYAUME DU MAROC



Supervisory Authority of Insurance
and Social Welfare (ACAPS)

ANNUAL REPORT





HIS MAJESTY THE KING MOHAMMED VI
MAY GOD ASSIST HIM

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PRESIDENT'S WORD

The creation of the Supervisory Authority of Insurance and Social Welfare (ACAPS) by Law n° 64-12, which entered into force on April 14, 2016, marks a further step in the modernization of the Moroccan financial sector.

The Authority, which replaces the Department of Insurance and Social Welfare (DAPS) under the Ministry of the Economy and Finance, has been given the powers to fully play its role as regulator and supervisor of the sectors of insurance and social welfare. This role is now reinforced by the decision-making and financial independence and the governance structure of the Authority.

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The creation of an independent authority, with broad supervisory powers, was a necessity, as the economic stakes involved in the insurance and social welfare sectors are important. In fact, these sectors manage a total of more than 400 billion MAD of assets. For the year 2016, 35.1 billion MAD of premiums were issued by the insurance sector and nearly 55 billion MAD of contributions were collected by social welfare bodies.

As soon as ACAPS started its activities, we set about finalizing the governance system with the appointment of the independent members of the Board by Decree of the Head of Government, setting up of the two advisory committees for regulation and discipline and the preparation and adoption of the various rules of procedure. All this was necessary for the Authority to be able to quickly run its activities and be operational.

A major effort was also made, with the support of the board, to approve and deploy the organizational chart, to set up the procedures and the control system. The objective was to rapidly prepare the internal tool and to implement the necessary conditions for the Authority to carry out its tasks.

Protecting the insured persons and the affiliate members is at the heart of these missions. To protect them by guaranteeing the solvency of the operators, by putting in place an adequate prudential framework and by ensuring its respect. They must also be protected in their day-to-day relations with operators by working for greater transparency, promoting good practices and combating irregular or abusive ones. It is for this reason that, for the insurance sector, the Authority has set up a department dedicated to the protection of insured persons, invested with information, awareness-raising and complaint investigation missions.

During the year 2016, the Authority granted a license to a new insurance and reinsurance company and approved the statutes of a pension body.

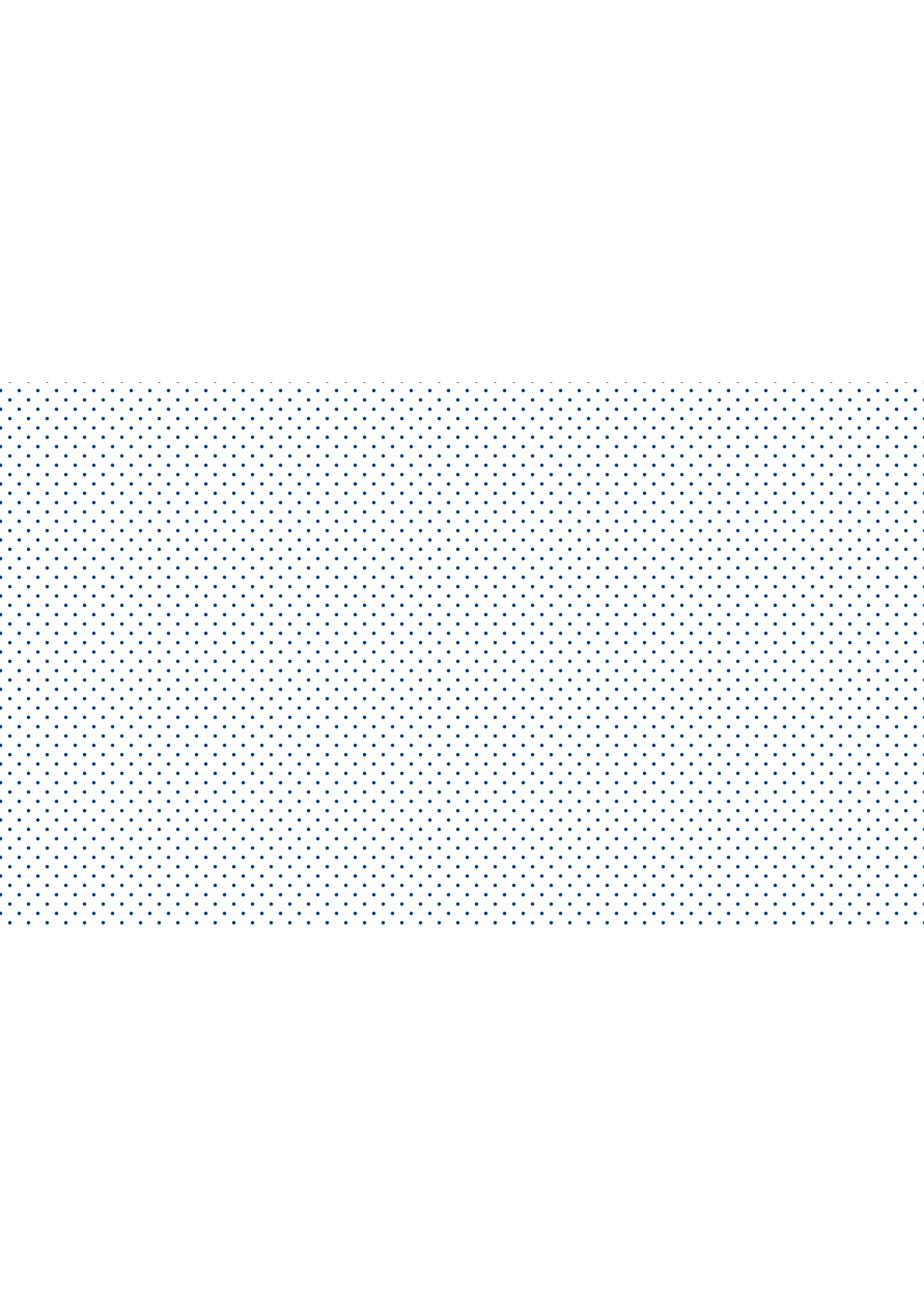
Numerous draft regulatory texts have been prepared and are being consulted or put into the adoption and publication circuit. These include the draft of the general circular relating to insurance, circulars on the licensing and control of Mutual Pension Companies and pension funds, draft texts of application of the insurance code, the law covering the consequences of catastrophic events, as well as the law on the National Pension and Insurance Fund.

In terms of international cooperation, ACAPS has actively participated in meetings of the International Association of Insurance Supervisors (IAIS), in which it is a member of the Executive Committee. It has also participated in the work of the Arab Supervisors' Forum (AFIRC), in which it holds the presidency, as well as those of the International Social

Security Association (ISSA). Cooperation channels have been initiated with the French Prudential Supervision and Resolution Authority (ACPR) and the Belgian Supervisory Authority (FSMA). It is the same with the supervisory authorities of the Republic of Madagascar and the Democratic Republic of Congo, whose delegations were welcomed in Rabat.

The year 2016 was therefore full of events, activities and projects. The Authority was very quickly operational. Its teams have taken full account of the major issues they must address.

There are many challenges. Our objective is to lay the foundations for effective, modern regulation and supervision in line with international principles and standards. In so doing, we will have contributed not only to the protection of the rights of insured persons and members but also to ensuring the development of the insurance and social welfare sectors on a sound and sustainable basis.



CHAPTER 1: THE AUTHORITY

- ⌘ 1. MISSIONS AND COMPETENCES
- ⌘ 2. GOVERNANCE
- ⌘ 3. ORGANIZATION AND OPERATION

✧ 1. MISSIONS AND COMPETENCES

✧ 1.1. Missions

The Authority shall be responsible for the control and supervision of insurance companies and insurance intermediaries and social welfare bodies. In this respect, it ensures the protection of insured persons, affiliate members and beneficiaries through:

- Controlling the solvency of insurance and reinsurance companies and the financial sustainability of social welfare schemes;
- Verifying the compliance with the rules applicable to each sector by the operators subject to its control;
- Monitoring the commercial practices and the investigation of all complaints relating to transactions carried out by the entities under its control.

This control is carried out on the basis of Laws n° 64-12 establishing this Authority, n° 17-99 relating to the Insurance Code and those governing compulsory pension schemes. As regards the mutual insurance sector, supervision is exercised jointly with the ministry responsible for employment.

On a regulatory level, the President takes the circulars necessary for the performance of the Authority's tasks, following the opinion of the Regulatory Commission.

Thus a circular relating to the documents to be submitted in support of an application for approval of the articles of association of mutual pension company (SMR) was published. On the other hand, a general insurance circular has been sent to the Ministry of Economy and Finance for approval. This circular will make it possible to have a single document, containing all the texts taken in application of the legal provisions in force.

In addition, the Authority monitors the compliance, by operators in the sectors subject to its control, with the provisions of Law 43-05 on combating money laundering.

Finally, it is responsible for representing the Government in terms of international cooperation in the fields falling under its competences.

❖ 1.2. Entities under supervision

The following shall be subject to the control of the Authority:

- Insurance and Reinsurance Companies;
- Insurance intermediaries who present insurance and reinsurance transactions;
- Managing entities of pension schemes governed by a specific text (Moroccan Pension Fund - Civil pensions scheme, Moroccan Pension Fund - Military pension scheme, RCAR - Collective Scheme for Retirement Allowances, CNSS - Social Security Scheme);
- Private-law entities managing transactions of pension operating on a contribution basis or on a contribution and self-funding basis (Mutual Retirement Companies);
- Internal pension funds within public-law entities managing schemes that operate on a contribution basis or on a contribution and self-funding basis;
- Managing entities of the Basic Compulsory Health Insurance (AMO);
- Mutual aid associations, with the exception of those set up for the Royal Armed Forces and the Auxiliary Forces;
- The National Pension and Insurance Fund (CNRA).

In addition, the Law No 64-12 permits the Authority to subject to its control any person acting as subscriber to a group insurance contract, without prejudice to the additional controls specific to the legislation to which person is subject.

ENTITIES	Number
Insurance and reinsurance companies	21
Insurance Agents	
• Agents and Brokers	1873
• Direct offices	463
Pension entities including the National Pension and Insurance Fund (CNRA)	7
Mutual aid associations	28
Managing entities of the Compulsory Health Insurance (AMO)	2

Table 1: Number of entities subject to control by the Authority

✧ 2. GOVERNANCE

✧ 2.1. Bodies of the Authority

✧ Bodies of the Authority

The Board and the President constitute the governance bodies of ACAPS.

•• The Board

The Board is responsible for the administration of the Authority and has for this purpose the following powers:

- Approves the general policy;
- Takes decisions on the licensing of insurance and reinsurance companies and on the approval of the articles of association of pension entities;
- Takes decisions on sanctions relating to the total or partial withdrawal of the license from an insurance and reinsurance company and the withdrawal of the approval of the statute from a pension entity;
- Sets the contributions of the entities subject to control;
- Approves the budget and financial statements;
- Designates the statutory auditor and decides on any audit report;
- Decides on the rules and procedures for awarding contracts;
- Decides on the organization chart and the staff regulations and appoints the directors on the proposal of the President.

In addition to its President, the Board is composed of the President of the Moroccan Capital Market Authority, the Director of Treasury and External Finance under the Ministry of Economy and Finance, a Magistrate of the Court of Cassation and three independent members appointed by decree of the Head of Government and chosen for their competence in the fields of insurance or social welfare.

**Mr. Hassan BOUBRIK**

President

**Mrs. Nezha HAYAT**President of the Moroccan
Capital Market Authority
(AMMC), Member**Mrs. Fouzia ZAABOUL**Director of the Treasury
and External Finance,
Member**Mrs. Imane EL MALKI**Counsellor at the Court of Cassation
Member**Mr. Mohamed
Bachir RACHDI**Independent
Member**Mr. Abdelaziz TALBI**Independent
Member**Mr. Ahmed ZINOUN**Independent
MemberGovernment
Commissioner**Mr. Hicham EL MDAGHRI**

•• The President

The President shall manage and direct the Authority, subject to the powers and duties of the Board. To this end, he has the following powers:

- Chairs the Board, convenes and approves the agenda of its meetings;
- Takes the circulars necessary for the performance of the Authority's tasks;
- Takes all sanction decisions except those devolved to the Board;
- Prepares the draft budget and approves the accounts of the Authority;
- Organizes the services of the Authority in accordance with the organization chart approved by the Board;
- Proposes to the Board the appointment of directors, recruits and appoints to other positions;

- Approves and implements any agreement entered into by the Authority;
- Carries out the deliberations of the Board and takes all necessary measures to this end;
- Makes all decisions necessary to carry out the missions and remits of the Authority.

The President shall be assisted by a Secretary General who shall, under his authority, ensure coordination between the various departments.

The Secretary General shall exercise the powers and functions vested in him by the President. He shall replace him if he is absent or unable to act and shall perform his duties with the exception of the Presidency of the Board.

⚙ Advisory bodies

The governance bodies of the Authority are supported by two advisory bodies; the Disciplinary Commission and the Regulatory Commission.

•• Disciplinary Commission

The Disciplinary Commission shall be responsible for giving the President of the Authority an advisory opinion on certain sanctions and recovery or rehabilitation plans submitted by the Insurance and Reinsurance Companies or the Mutual Pension Companies.

This Commission, whose members are appointed by the Board, shall be composed of :

- A magistrate of the Court of Cassation, member of the Board, president;
- One member appointed from among the independent members of the Board as Vice-President;
- A representative of the Authority designated from among its staff;
- Three members each representing one of the sectors subject to ACAPS control;
- An independent member.

MEMBERS OF THE DISCIPLINARY COMMISSION	
Mrs. Imane El Malki	Counsellor at the Court of Cassation. Chairwoman
Mr. Ahmed ZINOUN	Member of the Board of the Authority. Vice Chairman
Mrs. Afifa AL HOUARI	Director of Insurance Supervision (ACAPS). Representative of the Authority
Mr. Mohamed ALAOUI ABDELLAOUI	Director of the Moroccan Pension Fund, Representing of pension schemes. Full Member
Mr. Moulay Ahmed CHERKAOUI	Director of the Collective Scheme of Retirement Allowances, representing pension schemes. Alternate Member
Mr. Mehdi TAZI	Representative of Insurance and Reinsurance Companies. Full Member
Mr. El Mostafa KHRIS	Representative of Insurance and Reinsurance Companies. Alternate Member
Mr. Ali BENJELLOUN	Representative of insurance intermediaries. Full Member
Mr. Youssef BOUNOUAL	Representative of insurance intermediaries, Alternate Member
Mr. Miloud MAASSIDE	President of the General Mutual Aid Association for National Education, representing mutual aid associations, Full Member
Mr. Abdelaziz ALAOUI	President of the Moroccan Interprofessional Mutual Fund representing mutual aid associations; Alternate Member
Mr. Hamid BESRI	Independent Member

Table 2: Members of the Disciplinary Committee as of 31.12.2016

•• Regulatory Commission

The Regulatory Commission is responsible for giving the President of the Authority an advisory opinion on :

- Draft circulars and legislations and regulations in relation to its scope of intervention;
- Applications for licenses submitted by the Insurance and Reinsurance Companies;
- The formation of a union of mutual insurance companies, the joining and withdrawal of the union of a mutual insurance company;
- Merger, demerger or absorption deals;
- Approval of applications for partial or total transfer of the portfolio of an

insurance and reinsurance company;

- Applications for approval of the by-laws submitted by pension entities and the transfer of all rights and obligations from one pension institution to another;
- Applications for approval of the articles of association presented by the mutual aid associations and any amendments thereto.

This commission is composed of three representatives of the Authority, including the Secretary General as chairman, two representatives of the administration and representatives of the sectors subject to the supervision of the Authority.

MEMBERS OF THE REGULATORY COMMISSION	
Mr. Othman Khalil EL ALAMY	Acting Secretary General of the Authority. Chairman
Mr. Mimoun ZBAYAR Mr. Lotfi BOUJENDAR	Representatives of the Authority, appointed by the Board
Mr. Abdeljalil EL HAFER Mrs. Saloua BOUGHABA	
Mr. Mohamed Hassan BENSALAH	Representatives of the administration designated by the Minister of Finance.
Mr. Ali HARRAJ	President of the Moroccan Federation of Insurance and Reinsurance Companies (FMSAR).
Mr. Bachir BADOU	
Mr. Khalid AOZAL Mr. Jamal DIWANI	Representatives of the FMSAR, appointed on the proposal of the FMSAR.
Mr. Saïd AHMIDOUCH	Representatives of insurance intermediaries, appointed by the Board.
Mr. Mohamed EL ALAOUI ABDELLAOUI	General Manager of the National Social Security Fund, representing pension schemes, appointed by decree.
Mr. Moulay Ahmed CHERKAOUI	Director of the Moroccan Pension Fund, representing pension schemes, appointed by decree.
Mr. Khalid CHEDDADI	Director of the Collective Scheme of Retirement Allowances, representing the pension schemes, appointed by decree.
Mr. Miloud MAASSIDE	Chief Executive Officer of the Moroccan Inter-professional Pension Fund, representing pension schemes, appointed by decree.
Mr. Karim Eddine CHENNOUF	President of the General Mutual for National Education, representing mutual aid associations, appointed by decree.
Mr. Abdelaziz ALAOUI	President of the Social Welfare Mutual for Railway Employees representing mutual aid associations, appointed by decree.
Mr. Jilali HAZIM	President of the Moroccan Inter-professional Mutual Fund, representing the mutual aid associations, appointed by decree
	General Manager of the National Agency for Health Insurance.

Table 3: Members of the Regulatory Commission as at 31.12.2016

❖ 2.2. Committees created by the Board

⌘ Audit Committee

The role of the Audit Committee is to monitor the process of preparing accounting information, the effectiveness of internal control and risk management systems, the statutory audit of annual accounts and the independence of the Statutory Auditor.

It may, at the request of the Council, consider any matter relating to the Committee's powers, in particular the draft budget and the budget implementation report. It is composed of Mrs. Nezha HAYAT and Mr. Abdelaziz TALBI.

⌘ Compensation Committee

The Compensation Committee is responsible for reviewing and advising the Board on the compensation policy

of the Authority. It is composed of Mr. Ahmed ZINOUN and Mr. Mohamed Bachir RACHDI.

❖ 2.3. Management committee

The Management Committee is composed of the President of the Authority, the Secretary General and the Directors. This committee meets weekly and provides

a forum for the exchange of information and coordination of the various projects of the Authority.

3. ORGANIZATION AND OPERATION

3.1. Organizational chart

The Authority's organizational chart is structured around six directorates, including four business directorates and two cross-disciplinary directorates.

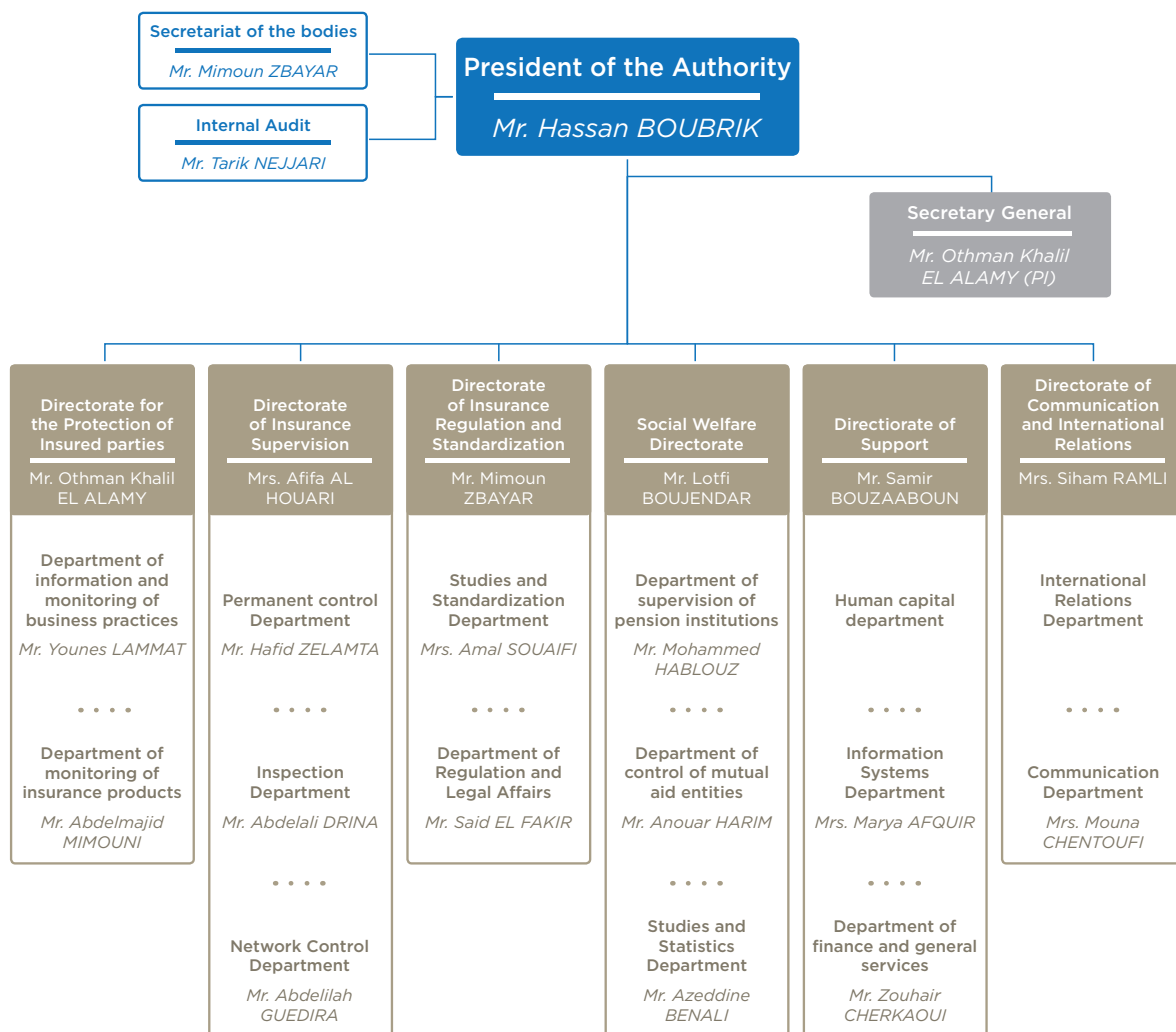


Figure 1: ACAPS Organizational Chart as at 31.12.2016

⌘ Directorate of the Protection of Insured Parties (DPA)

The DPA proposes and implements the Authority's strategy for the protection of insured parties and beneficiaries of insurance contracts. It controls and monitors business practices while examining insurance products and insurance coverage to safeguard the interests of policyholders.

⌘ Directorate of Insurance Supervision (DCA)

The DCA is responsible for the prudential and regulatory supervision of insurance and reinsurance companies and ensures their solvency. It also exercises regulatory control over the insurance transaction presentation network.

⌘ Directorate of Insurance Regulation and Standardization (DRNA)

The DRNA is responsible for defining the standards and regulatory framework applicable to the insurance industry. It develops laws and regulations and is responsible for the technical monitoring of this sector. It is also responsible for regulating and examining the licensing application files of companies and intermediaries.

⌘ Social Welfare Directorate (DPS)

The DPS ensures the supervision and control of the social welfare entities and ensures compliance with the rules of protection of the affiliate members. It conducts studies necessary for the development of the sector and contributes to the reinforcement of the cooperation with the entities similar to ACAPS.

⌘ Directorate of Support (DS)

Cross-disciplinary, the DS proposes and implements the Authority's policy on the management of human, financial and logistical resources. It monitors information systems and supports operational activities.

⌘ Directorate of Communication and International Relations (DCRI)

The DCRI proposes, develops and implements the Authority's communication policy, both internally and externally. It also ensures the implementation of the Authority's strategy for international relations and the development of cooperation with counterparts and international bodies.

3.2. Human resources

The total number of employees at the end of 2016 is 146, of which 113 executives and 33 non-managerial staff.

51% of the workforce is male and 49% is female. The average age is 42 years.

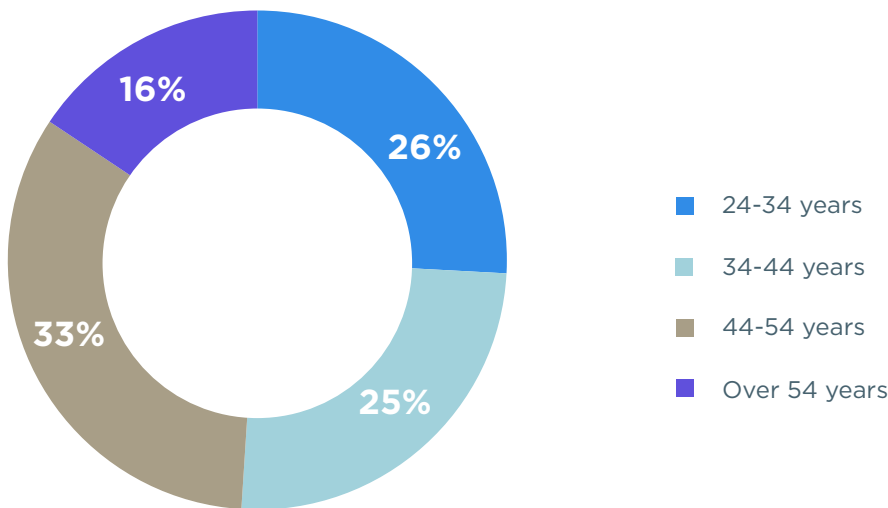
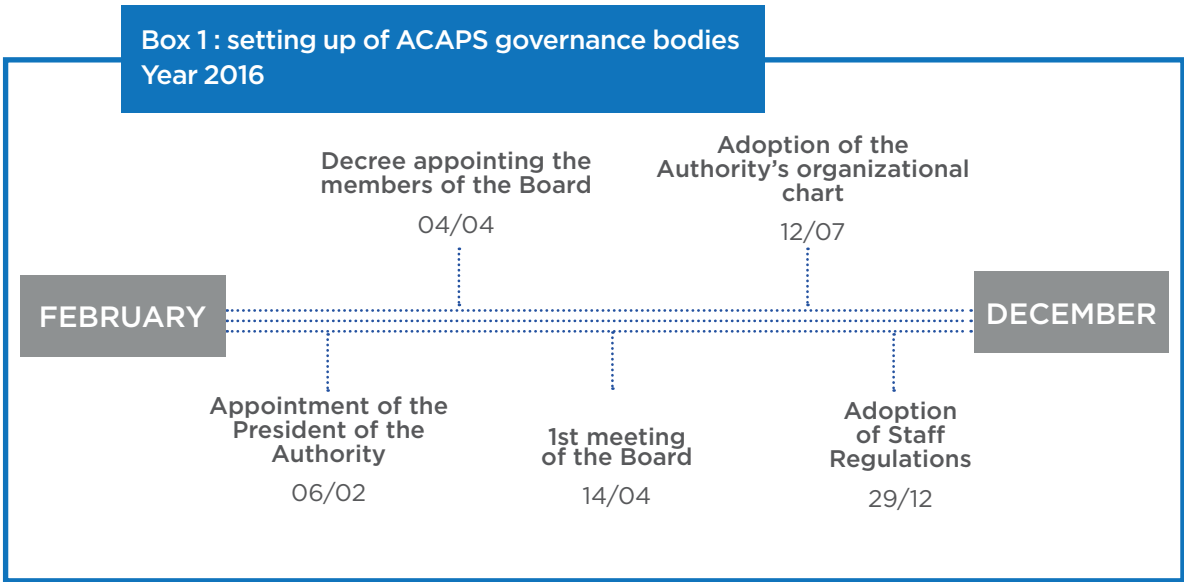
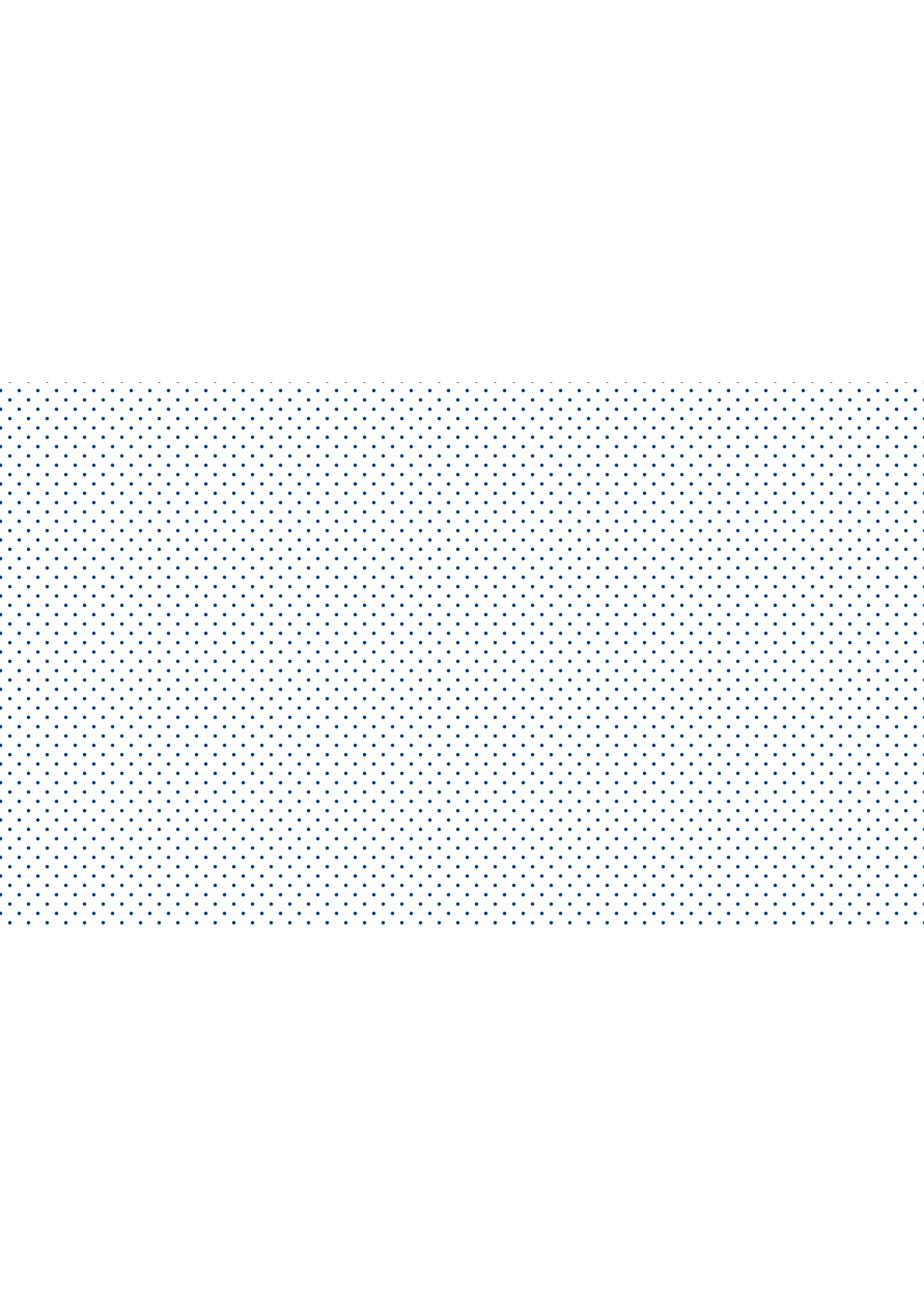


Figure 2: Breakdown of employees by age





CHAPTER 2 HIGHLIGHTS

- ✧ 1. AT THE INTERNATIONAL LEVEL
- ✧ 2. AT THE NATIONAL LEVEL

3 1. AT THE INTERNATIONAL LEVEL

•• Entry into force of the EU's Solvency II Directive

The year 2016 was marked by the entry into force of the European Solvency II Directive. This Directive requires EU insurers to:

- Ensure that their capital requirements reflect the reality of the risks they incur;
- Strengthen their governance systems;
- Ensure transparent communication to the public and the regulator.

•• Holding of the 23rd IAIS Annual Conference

The 23rd IAIS Annual Conference was held in Paraguay on 10 and 11 november 2016. The main themes discussed concern financial stability and the protection of insured persons.

•• Organization of the 3rd edition of the AFIRC conference

The 3rd edition of the conference of the Arab Forum of Insurance Regulatory Commissions (AFIRC) was organized in Tunis on 25 and 26 April 2016. It focused on the theme: «Development of the insurance industry in the MENA zone : requirements and tools» .

•• World Social Security Forum - Panama

The World Social Security Forum was organized from november 14 to 18 in Panama under the theme «Transforming Lives - Shaping Societies».

The World Summit was attended by policy-makers, representatives of international organizations and recognized experts. Discussions focused on how social security systems can develop in response to major socio-economic challenges and changes in the world of work.

•• COP22: Holding of the 22nd session in Marrakech

Morocco organized the 22nd session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP 22) in Marrakech in november 2016. During this session, countries have shown unity in the face of the urgency of implementing the Paris Climate Agreement. Adopted in december 2015 and entered into force on november 4 in Marrakesh, this agreement aims to limit the global warming "well below" 2 °C.

On the sidelines of the COP 22, the actors and regulators of the Moroccan financial sector, including the Authority, presented the sector's roadmap for sustainable development.

2. AT THE NATIONAL LEVEL

2.1. Insurance Sector

•• Promulgation of Law n° 59-13 amending the Insurance Code

The amendments introduced by this law concern three aspects:

- Technical revision of certain prudential provisions of the Insurance Code;
- Introduction of the obligation of certain construction insurances;
- Establishment of a legal framework for Takaful insurance.

•• Promulgation of Law n° 110-14 instituting a coverage scheme regarding the consequences of catastrophic events

Law n° 110-14 introduces a scheme to cover the consequences of catastrophic events. It combines both an insurance system for the benefit of persons who have taken out an insurance contract and a beneficiary system for the benefit of natural persons who do not have coverage.

•• License granted to the mutual insurance company «CHAABI ASSISTANCE»

A new license was granted to the insurance and reinsurance company «CHAABI ASSISTANCE» to specialize in Moroccan affairs, following the obtaining of CFC status by its parent company «Maroc Assistance Internationale».

•• Acquisition of the company Zurich Assurances Maroc by the group ALLIANZ SE

Authorized by the Authority in October, this acquisition transaction allows Allianz group, the world's number one insurance company, to operate on the Moroccan market. It should also have a positive impact in terms of market development and improvement of services to insured persons and contract beneficiaries.

•• Convention between the Insurance and Reinsurance Companies and National Pension and Insurance Fund (CNRA)

The law n° 85-12, amending and supplementing Dahir n° 1-59-301 of 27 October 1959 relating to the National Pension and Insurance Fund (CNRA), introduced the obligation for insurance companies to pay to this fund the capital constituting allowances for accidents at work and occupational diseases.

To this end, a Convention determining the practical arrangements for the transfer of such capital came into force on first January 2016.

❖ 2.2. Social Welfare Sector

•• Reform of Pension Schemes

The parametric reform of the civilian pension scheme, which entered into force on september 2016, focused on:

- The age of retirement;
- The contribution rate;
- The annuity rate;
- Pensions settlement base.

At the same time, the amount of the minimum pension of public and semi-public sectors (Civilian Pension Scheme, Military Pension scheme and Collective Scheme of Retirement Allowances) has been revised upwards, rising gradually from MAD 1,000 to MAD 1,500 per month.

As part of this reform, four main texts were adopted:

- Law n° 71-14 amending and supplementing Law n° 011-71 of 30 december 1971 establishing a civilian pension scheme;
- Law n° 72-14 fixing the age limit for civil servants and agents affiliated to the civil pension scheme;
- Law n° 96-15 amending and supplementing the Dahir laying down law n ° 1-77-216 of 4 october 1977 creating a collective scheme of retirement allowances;
- Law n ° 95-15 amending and supplementing the law n ° 013-71 of 30 december 1971, instituting a military pension scheme.

•• Transformation of the Moroccan Inter-Professional Pension Fund (CIMR) into a Mutual Pension Company

Pursuant to the provisions of Law n° 64-12, the CIMR, a former employers' association governed by the Dahir of 1958, was transformed into a Mutual Pension Insurance Company following the resolution adopted by its Extraordinary General Meeting of 17 november 2016 .

•• Compulsory Basic Health Insurance for students

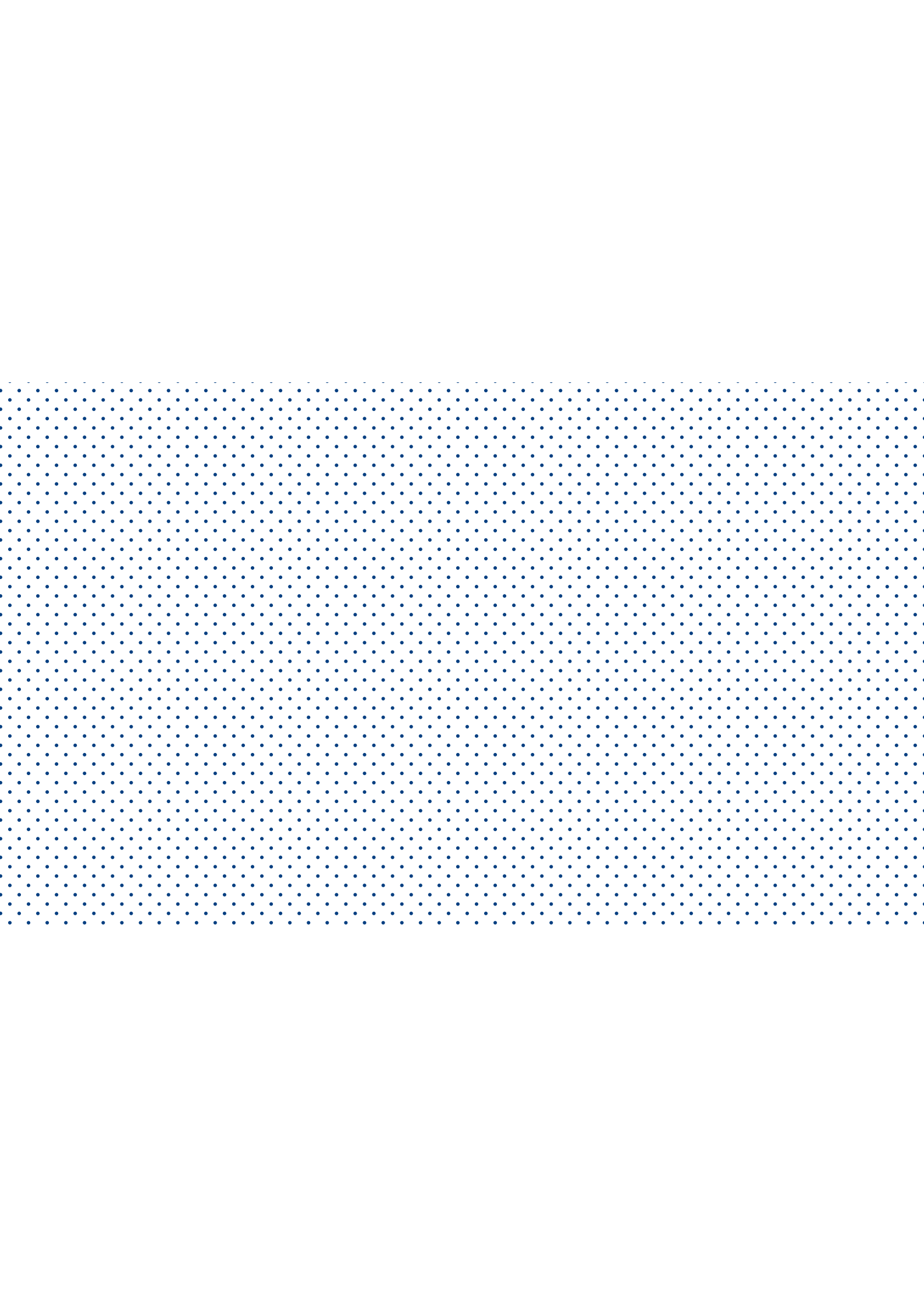
The compulsory basic health insurance for the students was enshrined in law n° 116-12.

This insurance covers all moroccan and foreign students in higher education and vocational training who do not have any other compulsory medical coverage.

It is managed by the CNOPS and operates according to principles of the compulsory Health Insurance (AMO) of public sector employees and pensioners.



 **acaps** 
هيئة مراقبة التأمينات والإحتياط الاجتماعي
Autorité de Contrôle des Assurances et de la Prévoyance Sociale



CHAPTER 3

SITUATION OF SECTORS UNDER CONTROL

- ✧ 1. INSURANCE SECTOR
- ✧ 2. SOCIAL WELFARE SECTOR

✧ 1. INSURANCE SECTOR

✧ 1.1. INSURANCE IN THE WORLD AND AFRICA¹

In 2016, global premium volume reached \$ 4 732.2 billion, compared with \$4597.7 billion in 2015, an increase of 2.9% in nominal value. These premiums rose by 3.1% compared to 4.3% in 2015 in real terms.

Life insurance premiums amounted to \$ 2 617.0 billion, increasing by 2.5% in real terms, compared to 4.4% in 2015. This growth was mainly driven by emerging markets which rose by 16.9% driven mainly by the Chinese market, and this against a decline in advanced markets of 0.5%.

Non-life insurance premiums continued to grow to \$ 2 115.2 billion, increasing in real terms by 3.7% vs. 4.2% in 2015. The decline in the premium growth rate is due in particular to the weak growth in developed markets (2.3% in 2016 compared to 3.3% in 2015).

On the African continent, total insurance

premiums rose in real terms by 0.8%, against 2.8% a year earlier, reaching \$ 60.6 billion.

Strongly impacted by the slowdown in the South African market (+ 0.1% only in 2016), life insurance premiums registered a slight increase of 1.2% in 2016 against 2.8% for 2015.

Non-life insurance premiums in Africa declined slightly in 2016 at the rate of 0.2%, following a 3.3% increase in 2015. This decline was accentuated by the weak growth of the market of South Africa (0.2% in 2016 compared to 6.2% in 2015), reflecting the near-stagnation of the economy in this country.

✧ 1.2 THE MOROCCAN INSURANCE SECTOR

✧ 1.2.1. Market players

The insurance sector includes twenty-one active companies, including seventeen Public Limited Companies (Société Anonymes) and four Mutual Insurance Companies. The breakdown of these companies by type of insurance is as follows :

- Eight companies carry out both non-life insurance and life assurance and capitalization transactions;
- Three companies are limited to non-life insurance transactions;
- Two companies exclusively carry out life insurance and capitalization transactions;
- Four companies carry out assistance transactions;
- Two companies carry out credit insurance;
- Two companies specialize in reinsurance.

1 : Source: The review of Swiss Re Institute, Sigma n ° 3/2017

Although the number of insurance and reinsurance companies has not changed since 2014, 2016 was marked by the entry of the first global insurance group Allianz in the Moroccan market, following the acquisition of «Zurich Assurances Maroc» company.

The majority of the share capital of the Insurance and Reinsurance Companies is

held by the private sector, with the exception of the Central Reinsurance Corporation (SCR), of which 94% of its capital is held by the Deposit and Management Fund (CDG). The distribution network, apart from the 6152 bank branches, remains diversified. It includes 1873 insurance intermediaries (1,427 agents and 446 brokers) and 463 direct management offices.

KEY INDICATORS OF THE SECTOR
1st market in the Arab world in terms of insurance penetration;
2nd market in Africa in terms of premium volume;
21 Insurance and Reinsurance Companies
1 873 insurance intermediaries (1427 agents and 446 brokers), 463 direct management offices and 6 152 bank branches ;
35,2 billion MAD of premiums (+15,4%) ;
134,8 billion MAD of allocated assets;
3,2 billion MAD of total net income;
34,0 billion MAD of equity ;
449% solvency margin rate .

Table 4: Key Indicators of the sector.

1.2.2 Premiums written :

•• Direct insurances

The amount of premiums issued in 2016 for direct business increased by 15.4% from MAD 30.2 billion in 2015 to 34.9 billion this year. The penetration rate, corresponding to the ratio of premiums written to GDP, improved from 3.2% in 2015 to 3.5%.

Turnover growth was driven in particular by life insurance and capitalisation, which grew by 35.4%, from MAD 10.6 billion in 2015 to MAD 14.3 billion. This exceptional growth is due to the entry of a new life insurance and capitalization operator.

In terms of concentration, 61.3% of turnover is held by the top four insurers and 91.2% by the top ten.

Over the last five years (2012-2016), the average annual growth rate stands at 7.8%.

The performance of the sector has enabled it to continue to rank, in terms of turnover, second in Africa behind South Africa and third in the Arab world, after the United Arab Emirates and Saudi Arabia . Worldwide, Morocco now ranks 49th, thus gaining two places compared to 2015.

Morocco ranks first this year in the Arab world with a penetration rate of 3.5%. It keeps the 4th place in Africa after South Africa, Namibia and Mauritius.

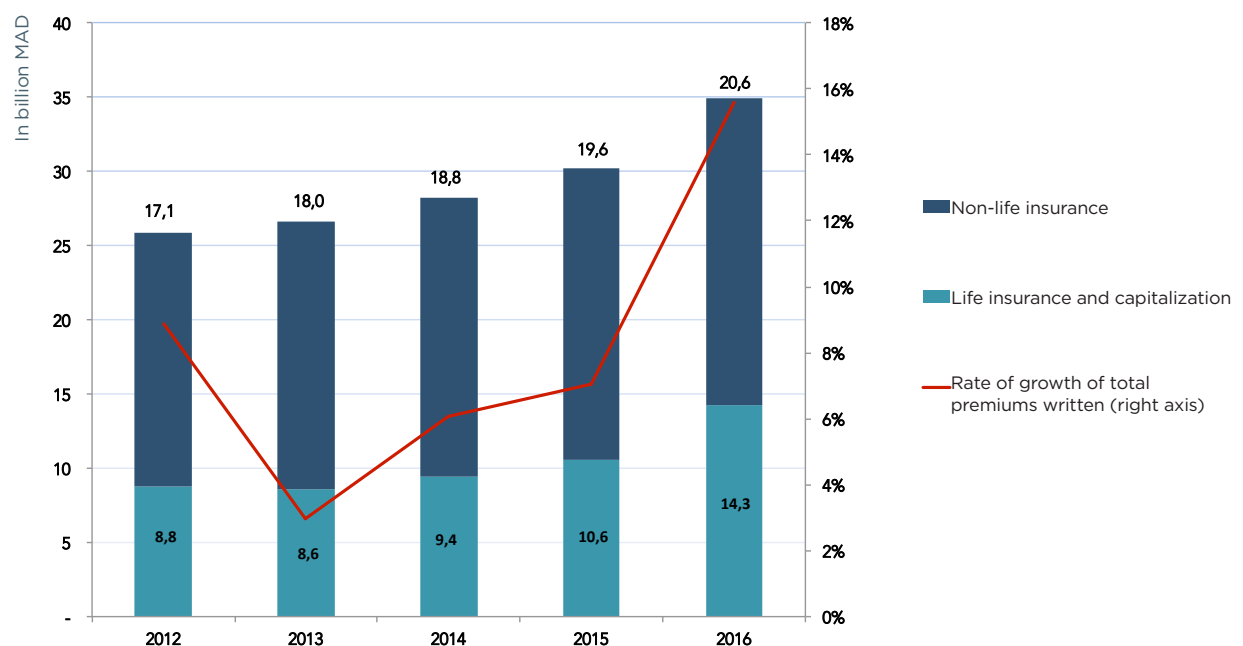


Figure 3: Evolution of the sector's issued premiums per branch during 2012-2016

Life insurance and capitalization retain a prominent place, accounting for 40.9% of total issuance, followed by automobile insurance (28.5%), personal accident insurance (10.5%) and work accident insurance (6.2%). These

four categories alone account for almost 86.1% of total written premiums.

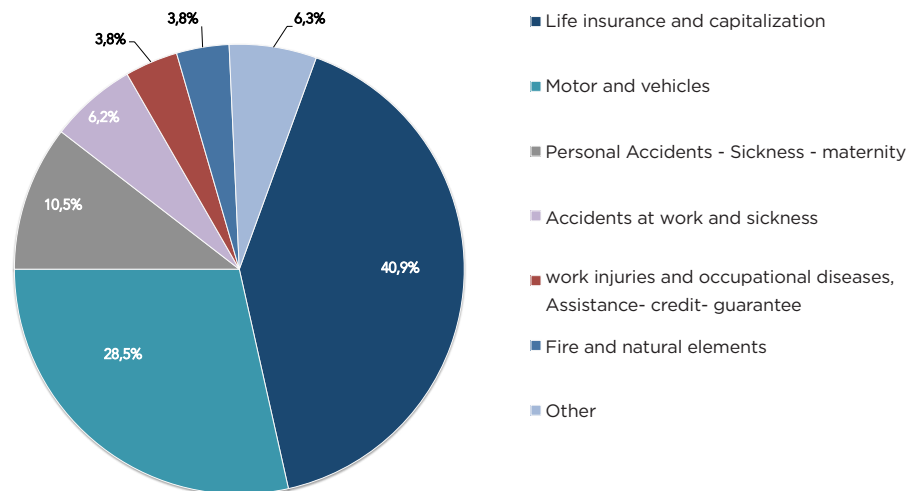


Figure 4 : Breakdown of premiums issued by the sector in 2016 by subcategory

•• Reinsurance Acceptances

Premiums accepted by Moroccan reinsurers amounted to MAD 2.4 billion against 2.3 billion in 2015, an increase of 2.6%. The two reinsurers exclusively practicing reinsurance (the Central Reinsurance Company (SCR) and MAMDARE)

RE) hold MAD 2.1 billion against MAD 187.0 million by insurance companies operating direct insurance. The SCR holds 85.8% of the local reinsurance market.

		SHARE IN ACCEPTED PREMIUMS		
REINSURERS		LIFE	NON LIFEW	TOTAL
EXCLUSIVE REINSURERS	Central Reinsurance Company (SCR)	88,4%	88,0%	85,8%
	MAMDARE	9,4%	3,6%	6,3%
OTHERS	Insurance companies operating direct insurance	2,1%	8,4%	8,0%

Table 5: Reinsurance Acceptances

By nature of acceptance, the premiums accepted by exclusive reinsurers relate essentially to:

- The Moroccan treaties: 54.1%;
- Moroccan Optional Businesses: 35.6%;
- Foreign businesses: 10.2%.

Of the total acceptances made by exclusive reinsurers, 29.6% were retroceded abroad with an amount of MAD 635.9 million.

These retrocessions are broken down as follows:

- 578,2 million MAD for optional businesses, ie a retrocession rate of 75.5% compared to 90.1% in 2015;
- 59.62 million MAD for the treaties with a retrocession rate of 5.1% against 9.8% in 2015.

1.2.3. Claims expenses²

Claims expenses (benefits and expenses paid increased by the variation in technical reserves) amounted to MAD 29.5 billion, compared with MAD 23.5 billion in 2015, that is, an increase of 25.5%.

The amount of benefits and expenses paid for 2016 amounted to MAD 22.1 billion against 17.8 billion in 2015, that is, an increase of 23.6%. This amount represents

62.8% of the issues for the year. Reinsurers' share of benefits and expenses paid amounted to 12.1%, i.e. MAD 2.7 billion.

Of the total benefits and expenses paid, 39.6% is allocated to life insurance and capitalization, 25.5% to automobile insurance, 13.1% to personal accident insurance and 7.4% to work accidents and occupational diseases.

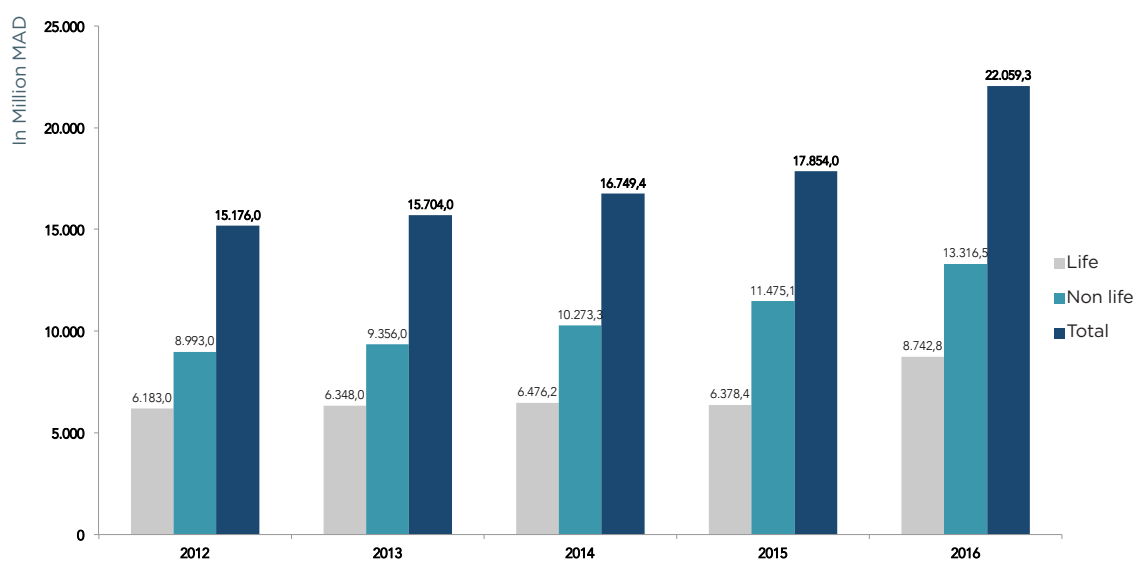


Figure 5: Evolution of benefits and expenses paid by insurance industry during the period 2012-2016

1.2.4. Technical profitability of the sector

Global analysis

The insurance sector achieved a gross operating margin of 614.8 million MAD this year, compared to 1.9 billion MAD in 2015. This decline in the operating margin is due to a worsening of the claims rate for motor insurance, work-related accident insurance and agricultural insurance following the severe drought that characterized the year 2016.

With a reinsurance balance in favour of reinsurers of MAD 194.0 million, the net

operating margin was reduced to 420.8 million MAD. However, with a financial balance of 4.59 billion, net technical result amounted to 5.0 billion MAD against 4.3 billion in 2015, that is, an increase of 15.4%. During the period 2012 to 2016, the net technical result of reinsurance increased at an average rate of 9.8%.

² : In terms of reinsurance, the figures set out in the remainder of this section only take into account reinsurance transactions carried out by insurance companies.

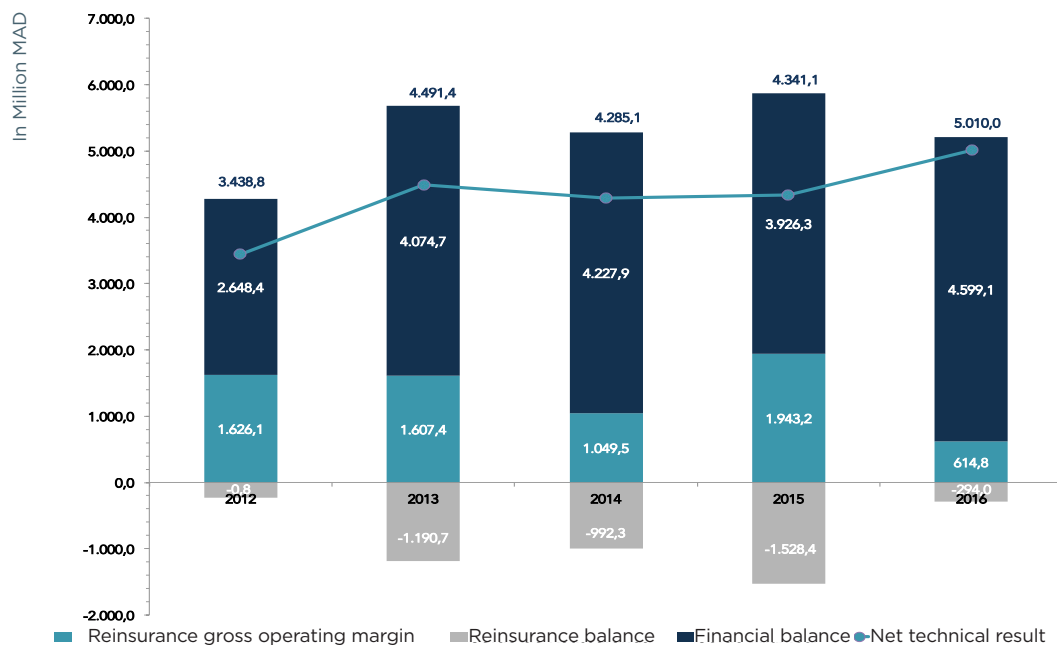


Figure 6: Evolution of the net technical result during the period 2012 - 2016

Non-life insurance contributed in 80.8% of the net technical result, compared with 19.2% for life insurance and capitalization. With an amount of MAD 4.0 billion, the net technical result registered by non-life insurance increased this year by 11.5% compared to the previous year.

As for the net technical result relating to life insurance and capitalization, it has witnessed in 2016 a sharp increase of

35.2%, mainly driven by individual life and death insurance. The results of these two sub-categories have improved due to an increase in the financial balance in a context of stock market performance and cost containment. The average rate of increase in the net technical result of life insurance and capitalization observed over the past five years is 8.7%.

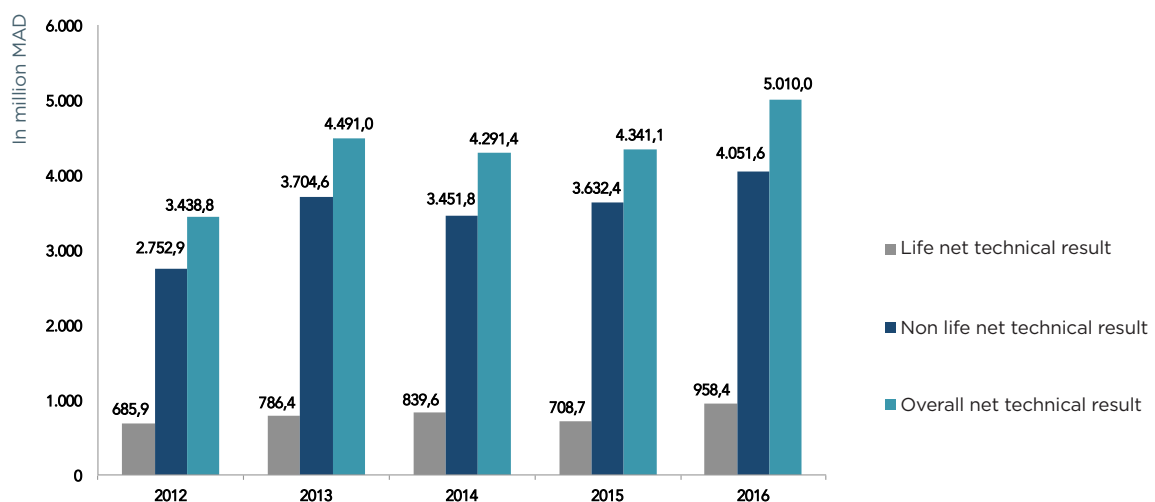


Figure 7: Evolution of the net technical result by insurance sector during the period 2012-2016

•• Analysis by branch

A significant increase in the claims rate of certain non-life insurance in 2016

The claims / premium ratio, which is the ratio between the amount of claims expense and premiums earned, is a relevant indicator for the monitoring of insurance claims rate. For non-life insurance as a whole, this ratio rose from 61.2% in 2015 to 69.7% in 2016, reflecting degradation in claims rate.

The sub-categories of insurance whose claims rate increased this year include automobile insurance, occupational

accidents and occupational diseases insurance, transport insurance and agricultural insurance following the severe drought that characterized the year 2016.

The combined claims / premium ratio, which includes management costs, allows to measure the technical performance of insurance. This ratio was established in 2016 for all non-life insurance at 99.9%, compared with 91.1% in 2015.

SUB-CATEGORIES / YEAR	2012	2013	2014	2015	2016
Motorized land vehicles	88,1%	87,0%	95,2%	89,2%	93,7%
Including civil liability	85,6%	81,6%	92,2%	85,6%	85,6%
Work-related accidents and occupational diseases	106,5%	104,1%	104,0%	106,5%	114,7%
Personal Accident - Sickness - maternity	103,2%	107,1%	107,2%	109,0%	106,4%
Of which sickness-maternity	118,4%	122,2%	124,3%	124,1%	120,3%
Fire and natural elements	54,5%	51,2%	70,7%	70,0%	81,9%
General civil Liability	58,9%	51,4%	70,1%	74,3%	87,0%
technical risks Insurance	39,3%	132,2%	59,3%	20,4%	42,8%
Transport	80,8%	79,2%	60,0%	77,1%	124,2%
Assistance - credit - guarantee	88,4%	95,1%	99,4%	92,2%	102,6%
Other non-life transactions	79,0%	78,6%	86,4%	91,3%	157,7%
Non-Life Acceptances	87,1%	187,7%	82,0%	66,4%	92,5%
TOTAL	88,3%	90,4%	94,1%	91,1%	99,9%

Table 6: Evolution of the combined ratio by non-life sub-categories for the period 2012-2016

The non-life net technical result registered an increase of 11.5% this year from 3.6 billion MAD in 2015 to 4.0 billion. This result was

mainly driven by the financial balance of 3.5 billion MAD against 2.8 billion MAD in 2015.

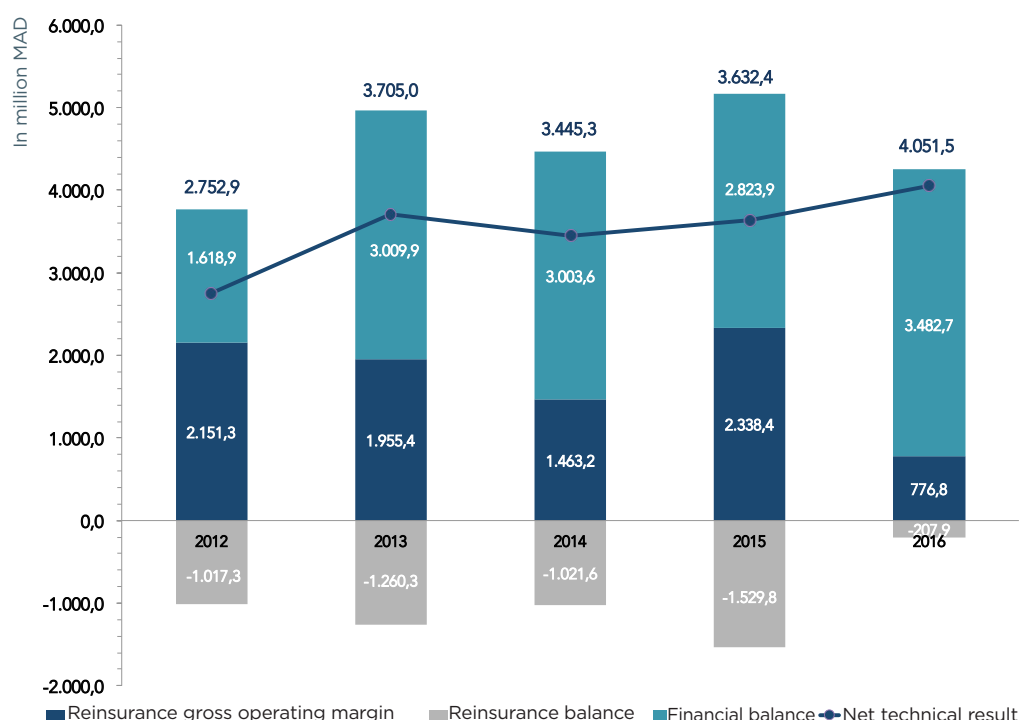


Figure 8: Evolution of non-life net technical result for the period 2012-2016

By sub-categories, and with the exception of personal accident insurances that are in deficit, the other sub-categories show

overall excess net technical results as shown in the following table:

SOUS-CATÉGORIES/ ANNÉE	2012	2013	2014	2015	2016
Motorized land vehicles	2 091	2 932	2 474	2 857	3 053
Including civil liability	2 107	3 160	2 520	2 880	3 202
Work-related accidents and occupational diseases	36	447	401	457	550
Personal Accident - Sickness - maternity	-118	-166	-152	-214	-151
Of which sickness-maternity	-475	-537	-588	-595	-573
Fire and natural elements	256	370	44	110	161
General civil Liability	124	177	138	90	158
technical risks Insurance	44	-109	154	81	57
Transport	164	5	99	53	5
Assistance - credit - guarantee	129	113	128	160	142
Other non-life transactions	10	37	21	11	63
Non-Life Acceptances	17	-101	138	27	12
TOTAL	2 753	3 705	3 445	3 632	4 052

Table 7: Evolution of non-life net technical result by sub-categories during 2012-2016

Improvement of life technical result

Net technical result amounted to MAD 958.4 million, compared to MAD 708.7 million in 2015, that is, an increase of 35.2%. This improvement comes from an achieved

financial balance of 1.1 billion MAD and a reinsurance balance in favour of insurers of 13.9 million MAD.

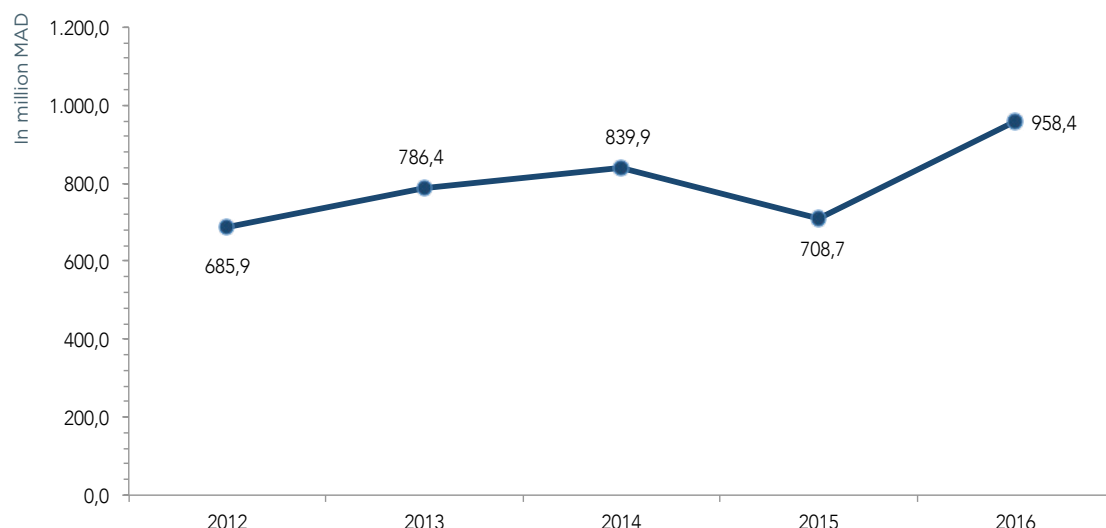


Figure 9: Evolution of the net technical result for the period 2012-2016

By nature of guarantee, life insurance that was in deficit during the last four years registered a surplus of 25.8 million MAD in 2016.

Other guarantees showed excess net technical results with the exception of the subcategory variable capital contracts, which remained in deficit.

SUB-CATEGORIES / YEAR	2012	2013	2014	2015	2016
Death insurance	905,5	923,8	885,9	931,9	1 055,9
Life insurance	-178,9	-112,7	-26,8	-130,0	25,8
Capitalization	-21,90	13,6	8,0	-67,1	-101,5
Variable capital contracts	-22,9	-16,6	-26,7	-28,9	-20,3
Other life operations	0,3	0,7	5,9	0,0	3,3
Life Acceptances	3,8	-22,4	-6,4	2,9	-4,8
TOTAL LIFE INSURANCE	685,9	786,4	839,9	708,7	958,4

Table 8: Evolution of the life net technical result by type of guarantee during the period 2012-2016

1.2.5. Investments allocated to insurance transactions

The investments allocated to cover commitments inherent in insurance transactions registered an outstanding book value of MAD 134.8 billion at december 31, 2016, compared with 126.8 billion a year earlier, i.e. an increase of 6.3%.

The breakdown of the outstanding allocated investments as at december 31, 2016 shows a preponderance of interest rate assets (49.4%) followed by stock assets (45.4%), real estate (3.8%) and other investments (1.5%).

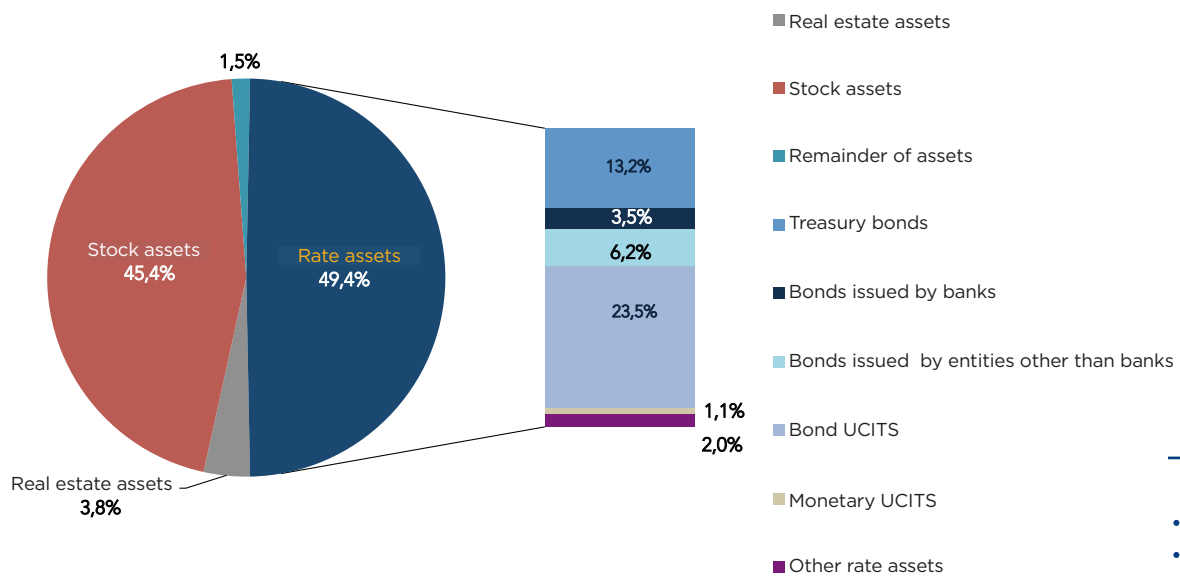


Figure 10: Structure of investments allocated to the sector's insurance transactions as at 31/12/2016

Net financial income generated by the sector's total investments amounted to MAD 6.6 billion in 2016, increasing by 17.3% from the previous year, of which 2.4 billion

MAD of capital gains on realization of net investments. The rate of return on insurance investments in 2016 is around 4%.

1.2.6. Profitability and equity

Insurance and reinsurance companies' equity amounted to MAD 34.0 billion, i.e. an increase of 4.7% compared to the previous year. This represents 97.1% of total issued premiums compared to 107.0% a year earlier.

In 2016, the insurance sector generated an overall net profit of 3.2 billion MAD against 2.9 billion MAD in 2015, i.e. an increase of 7.8%.

Return on equity (ROE) improved slightly from 9.1% in 2015 to 9.4%.

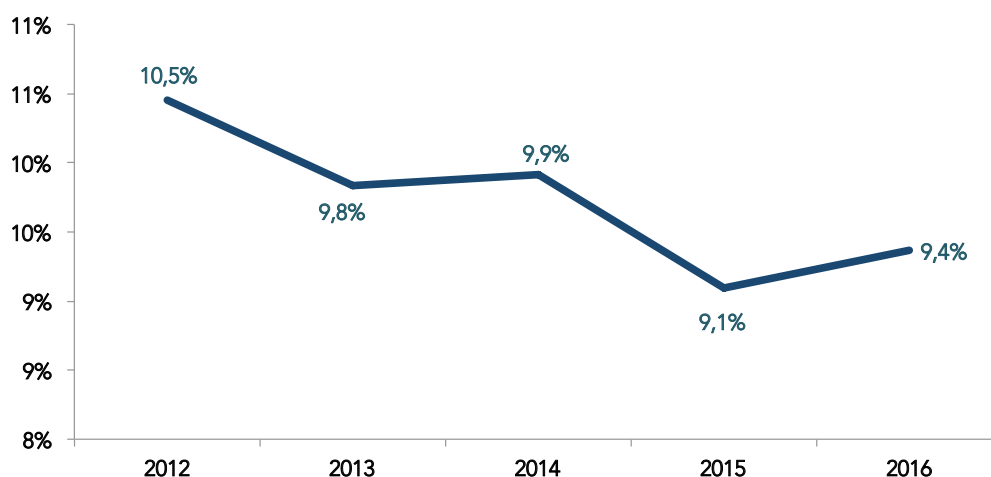


Figure 11: Evolution of the return on equity (ROE) (net income / equity)

1.2.7. Coverage of regulatory commitments

In 2016, coverage of technical provisions by representative assets rose slightly to 103%

compared to 102% in 2015.

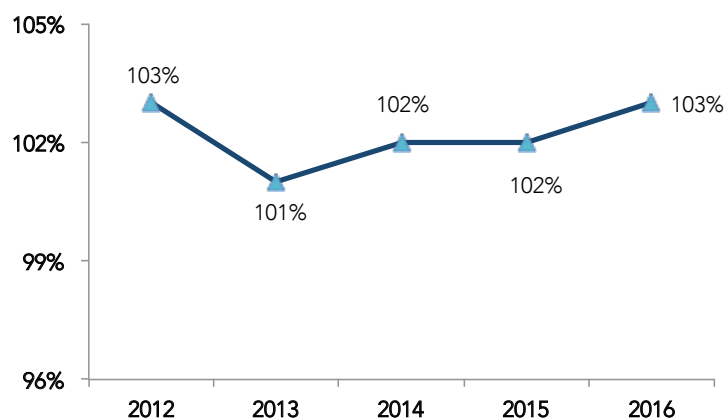


Figure 12 : Evolution of rate of coverage of regulatory commitments

1.2.8. Solvency margin

In addition to the obligation to cover technical provisions, insurance and reinsurance companies are required to have a solvency margin, currently covering only underwriting risk, the minimum amount of which is determined on the basis of the insurance transactions operated.

In 2016, the solvency margin for the

insurance sector is almost 4.5 times the minimum required by regulation. The margin was 449% compared with 408% at the end of 2015. This improvement was mainly due to the increase in unrealized capital gains in the equity portfolio as a result of the performance of the stock market.

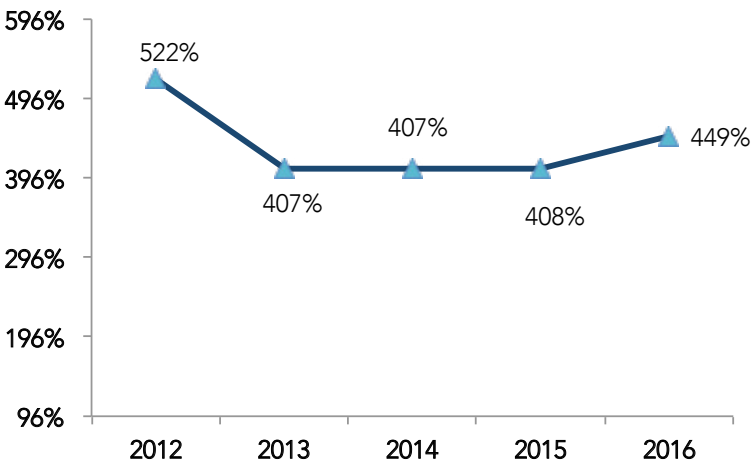


Figure 13: Evolution of the solvency margin coverage rate

2. 3. SECTOR OF SOCIAL WELFARE

Social welfare has two main coverages:

- Pension coverage provided by six basic schemes and three complementary schemes;
- Medical coverage through the AMO (compulsory Health Insurance) as a basic coverage, supplemented by coverage provided by mutual aid associations.

Basic pension coverage currently covers 40.9% of the employed labour force and is provided by the following schemes:

- The civil and military pension schemes managed by the Moroccan Pension Fund (CMR-RPC and CMR-RPM);
- The Collective Scheme of Retirement Allowances - General Scheme (RCAR-RG) for employees in the semi-public sector;
- The General Social Security Scheme for the benefit of private sector employees managed by the National Social Security Fund (CNSS);
- Two internal pension schemes for employees of Bank Al Maghreb and the National Office for Electricity and Drinking Water.

This sector also includes three complementary and voluntary schemes:

- The Moroccan Inter-professional Pension Fund (CIMR) for employees in the private sector;
- The complementary scheme of The Collective Scheme of Retirement Allowances (RCAR-RC) for RCAR-GR members;
- The ATTAKMILI scheme managed by the Moroccan Pension Fund (CMR) for the benefit of the members of the two CMR-RPC and CMR-RPM schemes.

For its part, medical coverage in its compulsory component (AMO) is provided by two organizations:

- The CNOPS for employees and pensioners in the public sector;
- The CNSS for those in the private sector.

The mutual aid sector, which provides a complementary medical coverage, is composed of 28 mutual aid associations:

- Eleven mutual aid associations created by public sector staff;
- Seven concern staff in the semi-public sector;
- Five constituted in the private sector;
- Five cover persons exercising independent professions.

Amounts in million MAD

members	1 769 016
beneficiaries	4 513 640
contributions	2 884
Benefits	1 886
Financial products	293
Shareholders' equity	4 313

Table 9: key figures of mutual aid at the end of 2015

2.1 Pension Plan Status

2.1.1. Demographic indicators

The contributing workforce of the basic schemes reached 4.4 million persons in 2016, of whom 8.2% have complementary coverage.

The population of beneficiaries amounted

to 1.2 million of individuals for the same financial year, of whom 71.2% were principal retirees, 26.2% were spouses and 2.6% were orphans.

	2012	2013	2014	2015	2016
CNSS	2 709 612	2 872 426	2 995 726	3 101 861	3 283 679
CMR (RPC +RPM)	939 274	961 198	983 373	976 693	961 466
RCAR-RG	126 217	120 705	115 138	107 707	107 935
Internal schemes	8 664	8 357	7 871	7 608	7 266
TOTAL	3 783 767	3 962 686	4 102 108	4 193 869	4 360 346

Table 10: Evolution of the contributing workforce of the basic schemes

Thus, the pension coverage rate was 40.9% of the employed workforce, compared with 38.7% in 2015, marking a 520 basis point increase over the last five years,

thanks in particular to the registration efforts made by the CNSS.

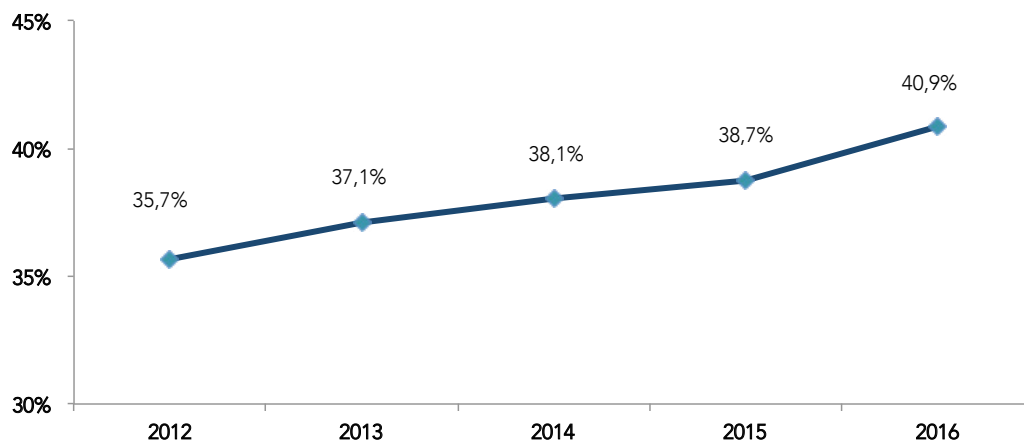


Figure 14 : Evolution of pension coverage rate

The number of pensioners in the basic schemes has increased more than the number of contributing workforce, implying a continuing degradation in the demographic ratios³ of these

schemes, particularly those in the public sector. Overall, this ratio was 5.0 active employed person for a pensioner versus 5.5 registered in 2012.

	2012	2013	2014	2015	2016
CNSS	9,4	9,6	9,3	9,2	9,3
CMR-RPC	3,8	3,5	3,3	2,9	2,6
RCAR-RG	2,0	1,9	1,7	1,5	1,4
Total basic schemes	5,5	5,5	5,3	5,2	5,0

Table 11 : Demographic ratio of the main basic schemes

2.1.2. Financial indicators

The pension schemes⁴ collected 47.8 billion MAD of contributions of which 41.1 billion for the basic schemes. Over the last five years, the contributions collected showed a smaller increase than that of the

paid benefits (4.8% vs. 10.9%). The latter amounted to 47.8 billion MAD of which 43.3 billion MAD for the basic schemes.

	Contributions					Benefits					Technical balance				
	2012	2013	2014	2015	2016	2012	2013	2014	2015	2016	2012	2013	2014	2015	2016
CNSS (LT+AF)	15,3	15,6	16,9	17,2	21,3	11,6	12,8	13,6	14,7	16,0	3,7	2,7	3,3	2,5	5,4
CMR-RPC	14,9	15,5	15,9	15,9	16,5	13,0	14,7	16,7	18,5	21,2	2,0	0,8	-0,9	-2,6	-4,7
RCAR-RG	3,5	2,2	2,3	2,3	2,9	3,7	4,0	4,4	4,7	5,1	-0,2	-1,8	-2,1	-2,4	-2,2
Internal schemes	0,3	0,3	0,3	0,3	0,3	0,7	0,7	0,8	0,9	1,0	-0,4	-0,4	-0,5	-0,6	-0,7
Basic regimes	34,0	33,6	35,4	35,7	41,1	29,0	32,3	35,6	38,8	43,3	5,0	1,3	-0,2	-3,1	-2,2
CIMR	5,7	5,8	6,4	6,6	6,6	3,4	3,9	4,1	4,3	4,5	2,3	1,9	2,3	2,3	2,0
RCAR-RC	0,1	0,1	0,1	0,1	0,1	0,0	0,0	0,0	0,0	0,0	0,1	0,1	0,1	0,1	0,1
Complementary schemes	5,8	6,0	6,5	6,8	6,7	3,4	3,9	4,1	4,3	4,6	2,4	2,1	2,4	2,4	2,2
TOTAL	39,8	39,6	41,9	42,5	47,8	32,4	36,2	39,7	43,1	47,8	7,4	3,4	2,2	-0,7	0,0

Table 12 : Evolution of contributions, benefits and technical balances of pension schemes (in billion MAD)

3 : Relation between the number of contributing workforce and pensioners.

4 : Excluding CMR-RPM

With an amount of MAD 286.5 billion, investments have progressed by 4.0% compared to 2015. Apart from the CNSS deposits mainly made with the CDG⁵, the investment structure of the other schemes is characterized by a preponderance of

rate values with a 72.6% share compared to 26.1% for equity investments. Real estate investments and other investments are insignificant and together represent less than 1.3% of the portfolio.

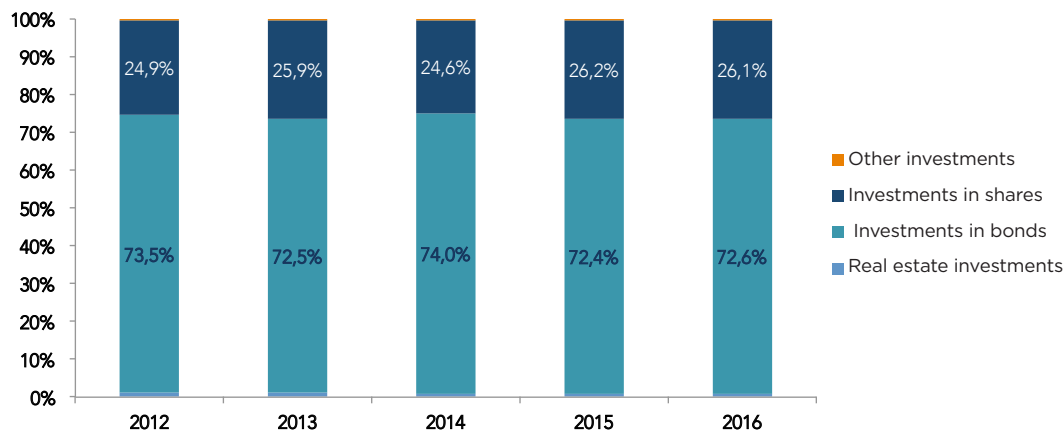


Figure 15 : Evolution of the structure of investments of pension schemes

2.2 Demographic and Financial perspectives for the main Pension schemes⁶

The actuarial evaluations were carried out by the Authority over a projection horizon of 50 years (2066) based on data of the financial year 2016 and the projection assumptions derived from the demographic, economic and financial developments of the schemes.

The demographic ratio will continue to deteriorate to reach, for the basic scheme in general, 2.8 contributing workforce per

pensioner on the horizon of projections compared with 4.4 in 2030 and 3.8 in 2045. This ratio will be set in 2066 to 3.0; 2.0 and 1.1 respectively for CNSS, CMR-RPC and RCAR-RG. The CIMR will also experience deterioration in its demographic structure from 2.8 contributing employed individuals per retiree to less than one employed individual between 2016 and 2066.

	2016	2020	2025	2030	2040	2050	2060	2066
CNSS	9,3	7,6	6,8	6,0	4,8	4,0	3,3	3,0
CMR-RPC	2,6	2,4	2,1	1,9	1,9	2,0	2,0	2,0
RCAR-RG	1,4	1,1	1,0	0,9	0,9	1,0	1,1	1,1
CIMR	2,8	1,7	1,4	1,2	1,1	1,0	0,9	0,9

Table 13 : Evolution of demographic ratios of pension schemes

5 : The available funds of the CNSS must be deposited with the CDG, in accordance with the provisions of the Dahir on law n°1.72.184 of 27 July 1972

6: CMR-RPC, CNSS (Long-Term Branch), RCAR-RG and CIMR.

This deterioration in the demographic structure of the schemes will be reflected in their financial prospects. the CNSS will register its first technical and overall deficits (LT Branch) in 2018 and 2027 respectively. Its reserves will be depleted by 2044. In view of this situation, a parametric reform guaranteeing this scheme the financial equilibrium in the longer term becomes necessary.

The technical deficit, registered by the civilian pension scheme for the first time in 2014, will continue to worsen, reaching 36.4 billion MAD in 2045 before recovering over the rest of the period to fall to 10.9 billion in 2066. The scheme's reserves will finance this deficit until 2027.

The parametric reform that took place in 2016, which balanced the pricing of the scheme for the future entitlements of its members, explains this trend in the technical deficit. Nevertheless, despite its

importance, it will not be able to finance cumulative deficits for past entitlements.

The shift to the public pole as part of the proposed systemic reform will not make it possible to eliminate these deficits either. therefore, the search for a solution to their financing is imperative in the short term.

For the RCAR-RG, whose technical balance has been deficient for several years, the first overall deficit will be recorded in 2020. It can then be financed by the reserves until 2038.

The overall balance of the CIMR will remain surplus over the entire projection period. It will allow this fund to continue to supply its reserves.

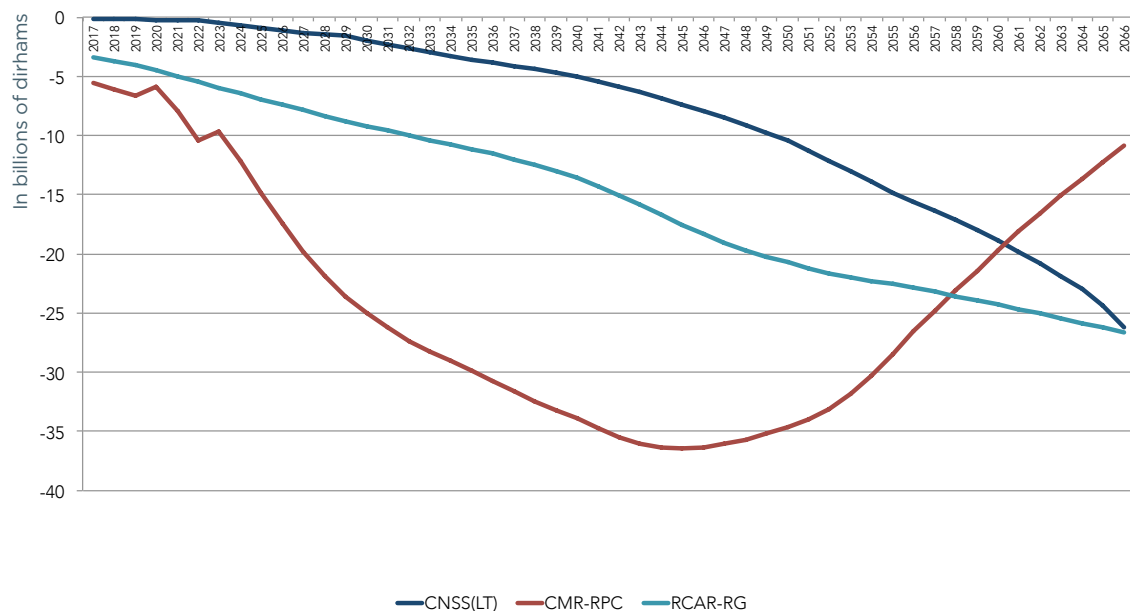


Figure 16 : Evolution of technical balances of basic pension schemes

❖ 2.3. Basic Medical Coverage Sector

❖ 2.3.1. Demographic and financial indicators

The population covered by compulsory health insurance reached a total of 8.6 million beneficiaries in 2016, of whom 64.7% are covered by the AMO-CNSS scheme, compared with 6.5 million in 2012, representing an average annual increase

of 7,2% Contributors to the two schemes recorded an average annual increase of 6.9% over the same period, reaching 3.6 million persons in 2016, of whom 66.6% under the AMO-CNSS scheme.

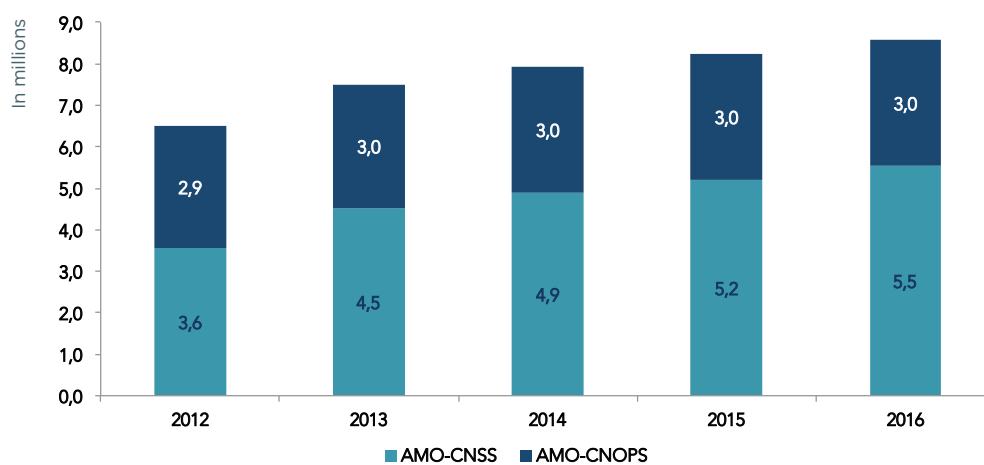


Figure 17 : Evolution of the beneficiaries of AMO schemes

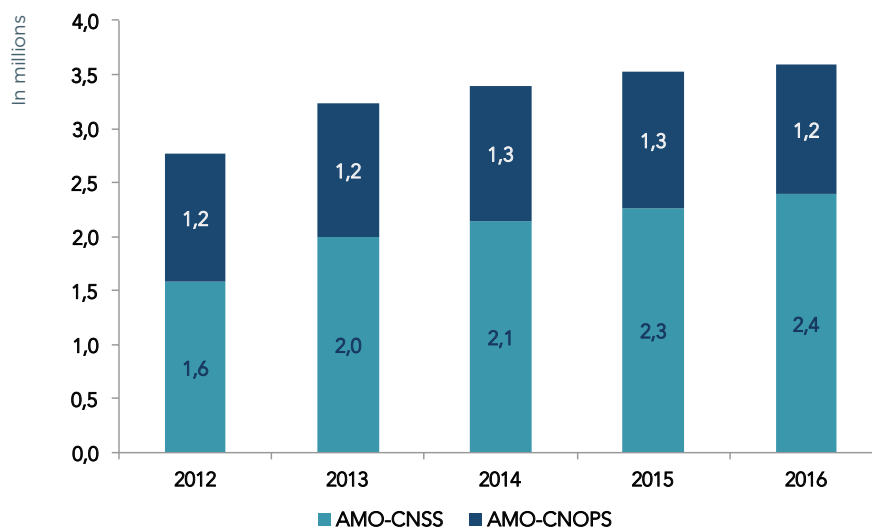


Figure 18 : Evolution of the contributors of AMO schemes

The contributions collected by the two schemes amounted to 11.0 billion MAD (55.9% of which under the AMO-CNSS scheme), recording an average annual evolution of 8.7% over the last five years. This is still inferior to the performance of the two schemes over the same period (13.2%), reaching MAD 8.3 billion in 2016. The constituted reserves amounted to 3.7 billion MAD in 2016 compared to 2.5 billion in 2012, recording an average annual

evolution of 11.0% over the period. The surpluses realized by the two schemes for the financial year amounted to 3.3 billion MAD (of which almost 3.2 billion under the AMO-CNSS scheme), bringing the amount of accumulated surpluses to 29.4 billion MAD (22.3 billion for AMO-CNSS and 7.1 billion for AMO-CNOPS).

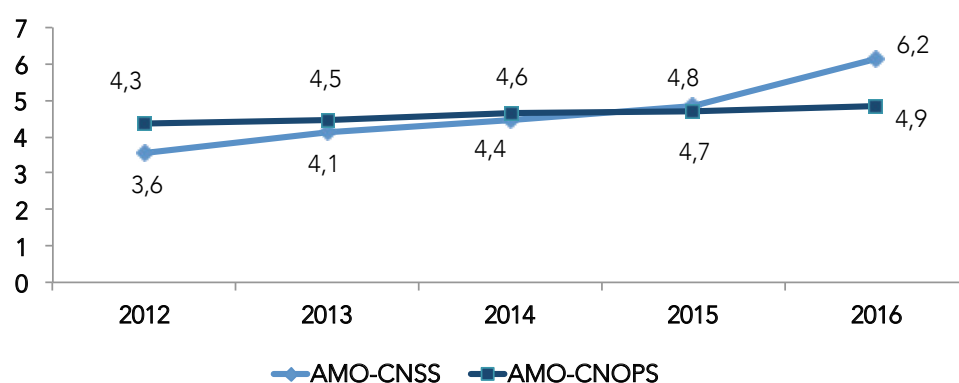


Figure 19 : Evolution of AMO contributions

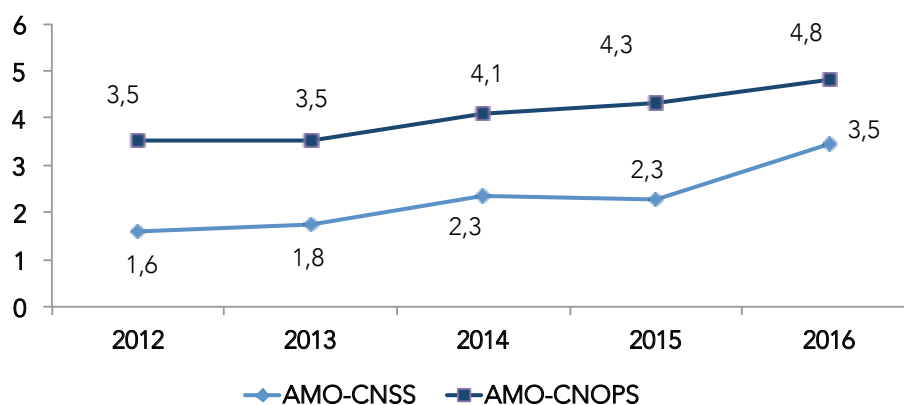


Figure 20 : Evolution of AMO benefits

⌘ 2.3.2. Financial Equilibriums

Because it has recently taken up its duties, the Authority has not yet conducted an actuarial study to evaluate the financial equilibriums of the two schemes AMO-CNSS and AMO-CNOPS.

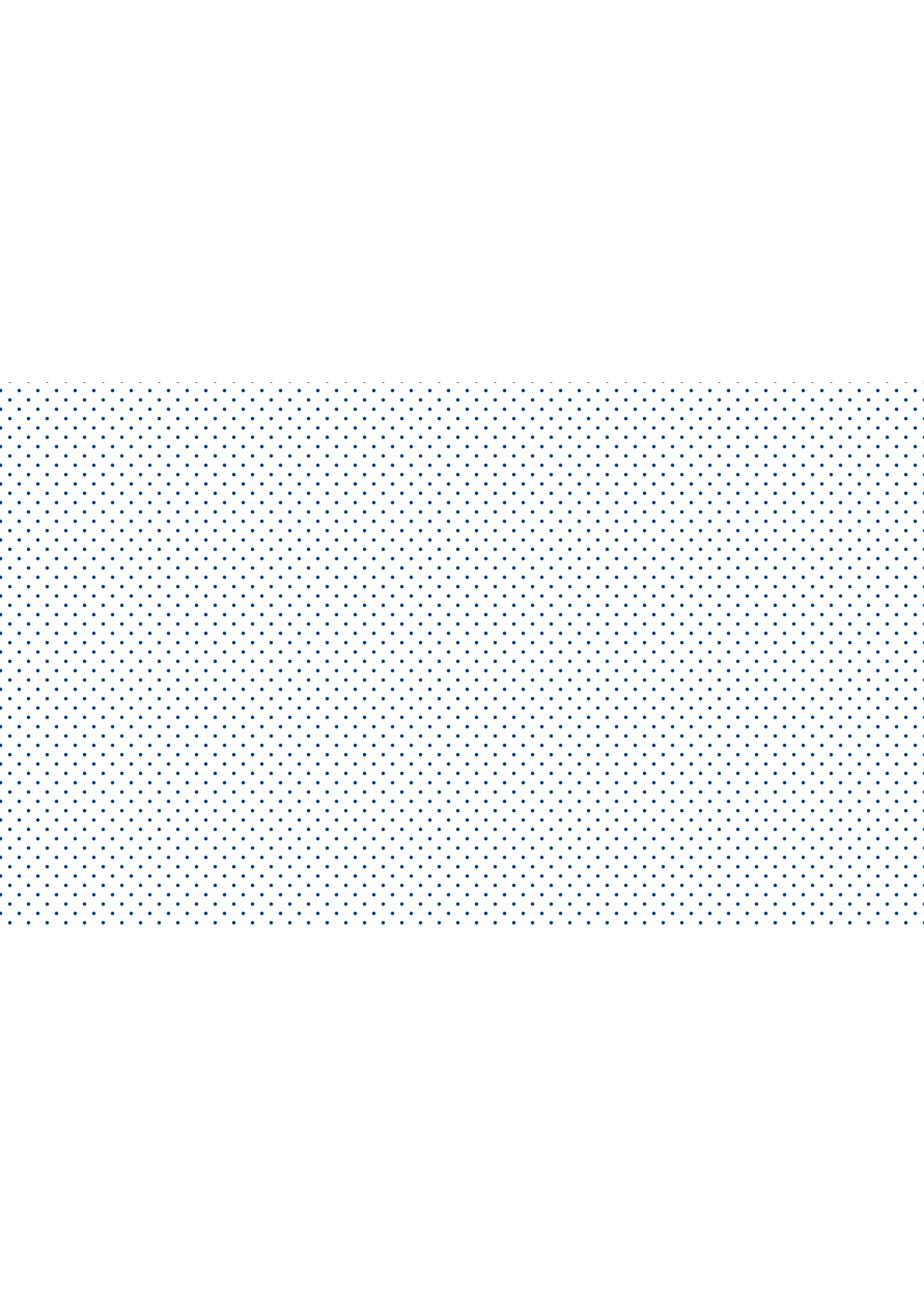
The most recent study on this matter was carried out by ANAM in 2015 on the basis of 2014 data with a projection period of 10 years (2015-2025).

The results of this study have shown that the financial viability of the AMO-CNSS scheme remains assured since it will continue to generate annual surpluses

over the entire projection period (between MAD 1.4 and MAD 2 billion per year). The AMO-CNOPS scheme, meanwhile, will see deficits from 2018 (up to 1.6 billion MAD in 2025) that can nevertheless be financed by the investment funds⁷ of the scheme beyond 2025.

An assessment of these financial equilibriums on the basis of more recent data will be the subject of an actuarial study to be conducted by the Authority.

.....
7 : Reserves + accumulated surpluses.



CHAPTER 4

MAIN ACTIVITIES

- ✧ 1. THE ACTIVITIES OF THE BOARD AND THE ADVISORY BODIES
- ✧ 2. ACTIVITIES OF REGULATION AND CONTROL
- ✧ 3. PARTICIPATION IN MACRO-PRUDENTIAL SUPERVISION OF THE FINANCIAL SECTOR

✧ 1. THE ACTIVITIES OF THE BOARD AND THE ADVISORY BODIES

✧ 1.1. The activities of the Board

The Board has held four (4) meetings between April and december 2016 essentially devoted to the finalization of the governance of the Authority, to the implementation of its advisory bodies and its organization. The main resolutions adopted on this subject are:

- The designation of the members of the advisory bodies and the adoption of domestic regulations relating thereto;
- The adoption of the budgets for the years 2016 (april-december) and 2017;
- The adoption of the organizational structure of the Authority and the appointment of the directors;
- The adoption of the regulation related to the rules and modes of markets procurement;

- The adoption of the statute and the general regime of remuneration, allowances and benefits of the Authority staff;
- The establishment of the Audit Committee and the Compensation Committee.

In addition, the Board has reviewed and approved two applications for approval.

The first concerns the insurance company «CHAABI ASSISTANCE», a subsidiary of the Crédit Populaire of Morocco. The second is relative to the approval of the Statutes of the Moroccan Interprofessional Pension Fund (la Caisse Interprofessionnelle Marocaine de Retraite (CIMR), transformed into Mutual Pension Company (Société Mutuelle de Retraite- SMR).

✧ 1.2. The activities of the regulatory Commission

Since its establishment in April 2016, the Regulatory Commission has held six meetings one of which has been devoted to the approval of its rules of procedure. It has issued, moreover, advisory opinions on:

- The application for the grant of accreditation presented by CHAABI ASSISTANCE;
- Applications for the approval of the statute of association of the SMR-

CIMR and of the mutual aid association of welfare of the Royal Air Maroc (la Mutuelle de Prévoyance de la Royale Air Maroc (MUPRAS);

- The general circular of insurance;
- The circular relating to documents to be produced in support of an application for approval of the statute of association of a mutual pension company.

✧ 1.3. The activities of the disciplinary Commission

The Disciplinary Commission has held a single meeting devoted to the adoption of its rules of procedure.

2. ACTIVITIES OF REGULATION AND CONTROL

2.1. The insurance sector

2.1.1. Organization of the insurance market

The Supervisory Authority of Insurance and Social Welfare is responsible for ensuring the organization and regulation of the insurance sector. It is thus responsible for issuing different permissions related to:

- The performance of the activity of insurance and reinsurance undertakings by an insurance and reinsurance company (granting of accreditation (License), extension of accreditation..);
- The presentation of the insurance transactions by insurance intermediaries and the alternative network;
- The transfer of portfolio of contracts and/or sinister of insurance and reinsurance company to another;
- The merger between insurance and reinsurance Companies;
- The takeover of an insurance and reinsurance company.

The applications for authorization are processed by the Directorate of Insurance Regulation and Standardization. As well, the Authority has taken the following decisions:

Insurance and reinsurance Companies

- Accreditation of the insurance and reinsurance Company «MUTUAL AT-TAMINE CHAABI» (MAC) in order to practice the transactions of insurance for sickness and maternity;
- Authorization of the takeover of the

insurance and reinsurance company “Zurich Assurances Maroc” (ZAM) by the international insurance group Allianz SE;

- Accreditation of the insurance and reinsurance company CHAABI ASSISTANCE;
- Authorization to the insurance and reinsurance company RMA-WATANIYA to continue its activity under the new name “Royale Marocaine d’Assurance” (RMA);
- Authorization to the insurance and reinsurance company “Zurich Assurances Maroc” to continue its activity under the new name Allianz Morocco.

Distribution Network (excluding direct offices and bancassurance)

	2015	2016
New creations	237	59
Change of Address	52	59
Change of name	16	22
Change of legal form	3	5
Extension of license (accreditation)	3	1
Replacement of the responsible representative	14	17
Quality change (Agent - Broker)	10	12
Withdrawal of license	46	65
Total	381	240

2.1.2 Modernization of the regulatory framework

The law n° 64.12 has conferred to the Authority the power to enact circulars and submit projects of legislative and regulatory texts. It also gives its opinion on any draft of legislative or regulatory texts concerning the sectors falling within its scope of intervention.

Thus, the regulatory framework has been marked by the achievement of several legislative projects initiated by the former DAPS, several of which fall within the framework of the implementation of the program-contract of the sector of insurance, in particular for the extension and improvement of the coverage.

•• Revision of the prudential rules applicable to insurance and Reinsurance companies: (law n°59-13 amending the Insurance Code)

The principle of the solvency based on the risks has been adopted in a goal of alignment with international standards. Provisions have also been introduced in order to improve the governance of insurance and reinsurance companies and to strengthen their transparency.

•• Legal Framework for the Takaful : (Law n°59-13 amending the Insurance Code)

A legal framework for the insurance and reinsurance Takaful has been implemented. It defines the concept of insurance/ reinsurance Takaful and establishes the basic principles governing the operation of this type of insurance. It will as well permit to assist the activities of participatory banks instituted by the law n° 103-12 relating to credit institutions and similar bodies.

•• Obligation of insurance all construction site risks (TRC) and the decennial civil liability (RCD): (Law n°59-13 amending the Insurance Code)

The insurance of all construction site risks (TRC) provides coverage to third parties against personal injury and material damage caused by construction site works (including the damage to adjoining buildings). This insurance also benefits the project owner, now guaranteed for damage affecting his project by the fact and/or because of the construction site works.

The Decennial Civil Liability insurance (RCD) provides investment protection for purchasers and future owners. The obligation of this insurance will allow purchasers and owners to be compensated in the event of the collapse or danger of collapse of their construction, quickly and without research of responsibility and this, regardless of the existence or non-existence of the civilly responsible party and their solvency at the time of the disaster.

It is also expected that these obligations of insurance, which secure the investments of operators, indirectly contribute to the professionalization of the construction sector and the improvement of the quality of the constructions, strengthening the respect of standards.

•• Establishment of a scheme of coverage of the consequences of catastrophic events: (Law n°110-14)

This scheme aims to:

- Ensure to all of the individuals present on the national territory, a minimum right to compensation for bodily injury

or the loss of the use of the principal residence that they suffer in the event of the occurrence of a catastrophic event;

- Establish a coverage against the consequences of catastrophic events for the policyholders.

•• Revision of the Book IV of the Insurance Code

A draft law amending the Book IV of the Insurance Code, relating to the distribution of insurance products, is currently being examined at the level of the General Secretariat of the Government (SGG).

This project aims at:

- The modernization of the frame of reference for the distribution of insurance products taking into account the developments of the sector;
- The strengthening of transparency rules and good practices, as well as a greater clarification of the rights and obligations of the various stakeholders;
- The establishment of a framework for the online sale of insurance products.

•• Draft general circular of the insurance sector

This project aims the unification and codification in a single document of all the provisions which are the responsibility of the regulatory power of the Authority. This general circular also introduces new rules on:

- The Reinsurance (conditions of admission of claims on reinsurers, approval of the program of reinsurance, facultative reinsurance etc..);
- The provisioning of claims on the insured parties and on insurance intermediaries;

- The management and the certification of the technical provisioning;
- The enlargement of the list of documents and information accompanying the application for authorization of the takeover of an insurance and reinsurance company.

This project has received a favorable opinion from the regulation Commission on november 24, 2016.

•• Draft circular on the new prudential provision relating to the solvency based on the Risks

This draft circular seeks to revise the solvency rules to which are subject the insurance and reinsurance companies by integrating all the risks incurred by these companies, as the applied prudential framework is taking into account only the risk of subscription.

Like the European «Solvency II» directive, this new prudential framework is structured around 3 pillars:

- The Pillar I includes the quantitative requirements, namely the rules of valuation of assets and liabilities as well as the social capital requirements and their mode of calculation;
- The Pillar II focuses on qualitative requirements and defines the rules of governance and risk management, in this case particularly the internal assessment of the risks of the solvency;
- As regards to the Pillar III, the obligations of reporting to the Authority and to the dissemination of information to the public.

•• Draft texts of application of the law n°110-14 establishing a scheme of coverage of the consequences of catastrophic events

It concerns:

- A draft decree on the application of the first title of the law n° 110-14 related, among other things, to the list of natural agents as well as the modalities for registration in the register of Census of catastrophic events. This decree sets, also, the composition and modalities of the functioning of the Monitoring Committee and the expertise Committee ;
- A draft Order related to the said first title which sets the terms and parameters relating to the benefit scheme;
- the three projects of Orders relating to the insurance-component:
 - ✓ An decree fixing the parameters and modalities of the functioning of the guarantee against the consequences of the catastrophic events;
 - ✓ A decree relating to the fixing of the premium for such guarantee;
 - ✓ a decree relating to the clauses that are mandatory and must be inserted in the contracts of insurance under the provisions of the law n° 110-14.

•• Draft texts of application relating to compulsory insurance «All construction site risks» and «Decennial Civil Liability»

Concerning the Compulsory Insurance of All construction site risks (TRC) and Decennial civil liability (RCD), the Authority has begun the preparation of a draft decree fixing the parameters of these insurances in terms of ceilings, franchises and exclusions.

In addition, the draft order fixing the general conditions for Type of contracts relating to these two insurances has been prepared by the Authority.

2.1.3. Prudential supervision

•• Presentation of the prudential supervision carried out by the Authority

The prudential supervision is exercised for the interest of the insured parties, policyholders and beneficiaries of contracts, while ensuring that the financial situation of insurance and reinsurance companies allows them, at any time, to cope with the commitments made to them.

This control is based on the international standards and aligns with the principles agreed by the International Association of Insurance Supervisors (IAIS).

It is done :

- On documents, through the documents which production is prescribed by the regulation of insurance or those requested by the Authority, to the extent that they are necessary to the mission of control;

- On site, by sworn agents of the Authority. These agents may, at any time, check the operations of insurance practiced by the subjects. They have access to all the necessary information to their missions of control.

Penal sanctions, pecuniary or disciplinary action may be pronounced against the insurance and reinsurance companies or against their Managers, depending on the seriousness of the breach of a provision laid down by the regulations in force.

Box n° 2: Statements and Documents to be provided by the insurance and reinsurance companies

- The insurance and reinsurance companies are required to transmit, on a periodic basis, to the authority the following documents and declarative statements:
 - Financial statements;
 - annual Financial and statistical file;
 - Quarterly reporting;
- Monthly reporting;
- Report of solvency and internal control.

These sources of information are the base of the permanent control of insurance and reinsurance companies and allow assessing their solvency and financial situation.

•• Regulatory Framework for the solvency of insurance companies

The share capital or the minimum establishment funds required is 50 million MAD. Beyond this minimum threshold and depending on the level of activity and the nature of the operations practiced, an insurance company must have necessary capital to allow it to constitute a solvency margin respecting the regulatory minimum.

In addition, it must at any time cover all of its commitments towards the insured parties through the inclusion of adequate technical provisions and their coverage by eligible assets.

The board of directors or the supervisory board of the company decides on the compliance of the solvency at medium term, in particular in the framework of the solvability report transmitted annually to the Authority.

Stress tests should be conducted to ensure this compliance in the case of the occurrence of adverse events.

An effective internal control system and respecting the standards required by the regulation allows sitting the appreciation of the situation of insurance and reinsurance companies on reliable data.

•• Balance sheet of control operations

The control operations carried out by the ACAPS provide the following conclusions:

Excess coverage of the commitments of insurers toward the insured parties

In the light of the information contained in the reports submitted and information obtained during on-site checks, the global insurance and reinsurance companies display coverage of reservations by eligible assets in accordance with the regulations and within the prudential limits fixed by the latter. The average rate of coverage is 103%.

Excess Solvency margin

All the companies of the sector meet the required solvency margin, with the exception of Mutual Insurance company of United Transporters (MATU). The latter is under the recovery plan and the Authority continues to follow its situation.

As an average, the solvency margin incorporated by insurance companies represents 449% of the regulatory threshold required. For the reinsurance sector, this margin stands at 236% of the regulatory threshold.

Box n° 3: Main safeguard measures required against a company that does not meet the solvency margin

- Restriction or prohibition of free disposal of the assets;
- Prohibition of issuance of loans;
- Prohibition of bail-out of subsidiaries' financial position, parent companies or any company belonging to the same group;
- Prohibition of contracting of off-balance sheet commitments;
- Prohibition on granting loans other than those guaranteed by mortgages and with an interest rate at least equal to that practiced by the financial market;
- Submission, during the period of completion of the recovery plan, of all decisions other than current management, concerning the approval of the Authority prior to their execution.

Control of delinquencies (overdue payments) for insured and insurance intermediaries

The Authority has initiated a work of clearance of delinquencies (overdue amounts) on insured and insurance intermediaries taking into account the level displayed of these delinquencies and the risks that they could incur to insurance companies. In this regard, two actions have been carried out:

- Stabilization of accounts across a reconciliation of balances determined by the parties;
- Introduction at the level of the general draft circular the rules for provisioning of delinquencies on insurance intermediaries and upward revision of the rate of provisioning of delinquencies (claims) on insured parties.

Internal control and governance of the sector

The sector, as a whole, has implemented satisfactorily the mechanism provided by the regulations in the field of internal control, in particular through :

- The establishment of independents internal audit structures;
- The establishment of management procedures providing various levels of control;
- The development and update of maps of risks.

In addition, the Insurance Code as amended by the law n° 59-13, has strengthened the prerogatives of the Authority which can now oppose the appointment of persons responsible for directing a company of insurance and reinsurance or that of the Board of Auditors.

It may also, in the framework of strengthening the companies' governance, ask the establishment of specific committees by defining their prerogatives and missions.

Advancement in the liquidation of companies whose accreditation (license) has been withdrawn

This concerns five insurance companies (Arabia, CADA, Renaissance, Remar and Victorie), whose liquidation rate has reached over 95% since the withdrawal of their accreditation in 1995. Liquidation of the last elements of assets and liabilities concerning these companies is in progress.

The Authority has also established decisions of transfer of the surplus of the liquidation to the Insurance Solidarity Fund (FSA) concerning the delegations of insurance who have ceased their activity in

Morocco, namely:

- New Hampshire Insurance «NHI» whose license was withdrawn following the transfer of its claim portfolio to a local insurance and reinsurance company;
- Guardian for which the administrative procedures are being completed in order to close its liquidation and this, following the settlement of all its claims files.

For the three companies Providence, CIS and Seguros, discussions were carried out with the National Pension and Insurance Fund (CNRA) for the transfer of the remaining files.

Box n° 4: Situation at 31/12/2015 of the 5 liquidated insurance companies in 1995 «Arabia», «Cada», «Renaissance», «Remar» and «victorie»

Settlement of cases :

The number of cases settled until december 31, 2015 has reached 321 299 out of a total number of 333 937 cases in 1995 i.e. a rate of liquidation at 96.2%. At that date, the number of pending cases is 12 638 including 9 051 for automobile category.

The staff evolution :

At 31/12/2015, liquidated companies employed 35 people. All of this staff is currently gathered in a single site, that of the Renaissance company. The overall workforce employed has registered a reduction of nearly 96.5% compared to the beginning of the liquidation (998 persons).

•• Inspection Activities

The inspection activity aims to achieve a more complete on-site audit of insurance and reinsurance companies. This verification may relate to all or part of the activities of the company.

Thus, a comprehensive mission conducted in 2016 by the Authority has given room to:

- The recovery of technical provisions of the controlled entity;
- Recommendations with regard to the strengthening of the internal control system.

Ad hoc missions of inspection have also focused on:

- The application of the Coefficient of Reduction and Enhancement of Automobile Insurance Premiums (CRM) by insurance intermediaries. As a result, a new application has been set up by FMSAR, which has helped to significantly reduce cases of offenses;
- Compliance with the circular on the collection of insurance premiums;
- The application of insurance contracts. In this regard, a review of approvals of certain contracts has been conducted for more transparency and a better coverage of the insured.

2.1.4. Distribution network control mission

•• Terms and context of control

The distribution network is subject to the control of the Authority in order to ensure compliance with the conditions of the exercise and management provided by the Book IV of the law n°17-99 establishing the Code of insurance and the texts adopted for its application. The Authority thus performs on-site controls and document control.

These two controls may be engaged on the occasion of :

- examination of reports that has been communicated;
- complaints received;
- the monitoring of application of a new regulatory provision; or
- programming a control for the whole network through the national territory.

ENTITIES	NUMBER
Insurance Agents	1427
brokers	446
Direct offices	463
Banks accredited for the presentation of insurance transactions through 6000 branches	11
Authorized financing companies	3
Micro-Credit Association	1

Table 14 : The distribution network in 2016

•• Control carried out

This control has focused on :

- The verification of the application of the Circular on the collection of insurance premiums. This control has led to the conclusion that the objectives pursued by this circular were globally achieved:
 - ✓ The payments of insurance premiums by the insured parties and the repayments by insurance intermediaries to insurance companies within the regulatory period have improved significantly;
 - ✓ The collaboration agreements have been concluded between the parties using the terms of the circular;
 - ✓ Procedures for the management and implementation of this circular have been implemented;
 - ✓ The flow of regular information to determine the accounting situation between the parties have been improved;
 - ✓ The procedure of settlement of insured parties has been simplified and largely followed by insurance intermediaries with a claims settlement mandate.

- The verification of the application of the criterion of Pricing "geographical localization of risk" of the Automobile Civil Liability Insurance (discounts for the Saharan provinces concerned). This control has helped to significantly reduce the underpricing;
- The verification of the application of the coefficient of reduction and increase in the automobile civil liability insurance premiums (CRM);
- The control of the pricing of mopeds which has revealed many cases of under-pricing in relation to the prices declared by insurance companies. A commission has been set up to establish an appropriate price structure to be applied by the whole profession.

318 points of sale have thus been subject of missions of control and verification, broken down by type of intermediaries and region, as follows:

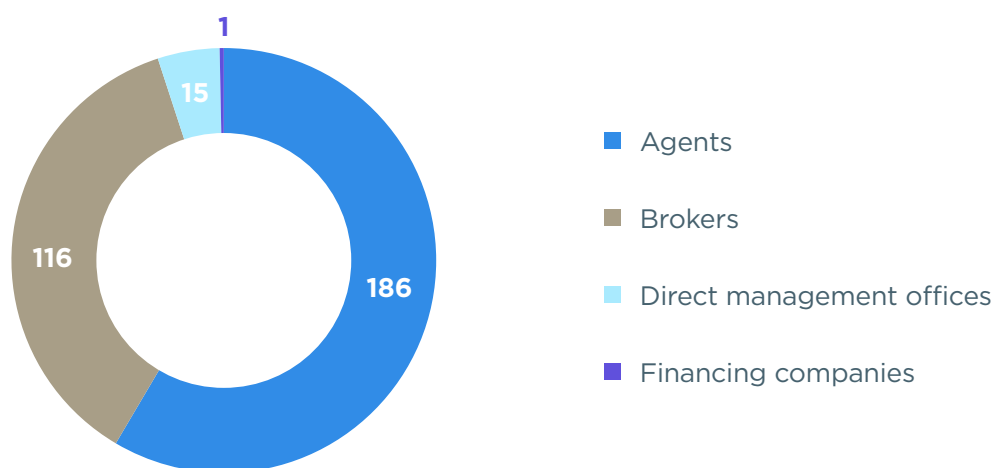


Figure 21 : Distribution of control and verification missions conducted by intermediaries

REGIONS	TOTAL
Casablanca - Settat	188
Rabat-Salé-Kenitra	80
Other	50
TOTAL	318

Table 15: Distribution of verification and control missions carried out by intermediaries and direct offices by region

•• Sanctions imposed

As a result of the control operations, several disciplinary measures were taken

against insurance intermediaries. These measures are as follows:

NATURE OF THE SANCTION	AGENT	BROKER	TOTAL
Warning	17	8	25
Blame	7	5	12
Withdrawal	1	0	1
TOTAL	25	13	38

Table 16: Sanctions imposed by the ACAPS against the insurance intermediaries

⚙️ 2.1.5. Protection of the insured parties and Control of commercial practices

The mission of protection is reinforced by article 6 of law n° 64-12 which stipulates that the Authority ensures the respect of rules of good practices and protection of insured persons and beneficiaries of contracts, and work for the development of the insurance business.

It is supported by the newly created Directorate for the Protection of the Insured parties.

This Directorate ensures:

- The compliance of the insurance products with the regulatory framework;
- The compliance of agents with good practices for the conduct of their activity;
- The compliance with the commitments made in the framework of the insurance contracts.

In addition, it investigates the complaints of policyholders and contracts beneficiaries. It also contributes to the spread of an insurance culture and works towards the development of a wider coverage of property and people.

•• Control of market practices

The international standards in the field of supervision of insurance sector give an important place to market practices monitoring.

The primary objective of this control is to preserve a balanced and transparent relationship between the insurance industry and its customers, thus contributing to the establishment of a relationship of trust between the two parties and, consequently, to the development of the Insurance activity.

Not only It detects possible breaches of the rules for the protection of insured parties laid down in the Insurance Code and consumer protection rules, but also anticipates any regulatory deficiencies in relation to evolution changes in market practices in order to be able to revise and adapt the regulations in a proactive and continuous manner.

With a view to strengthening this control, the Authority has launched a project to complete the existing framework for the protection of insured persons, drawing on best international practices in this field.

This mainly involves setting up a set of requirements applicable to the sector's players in terms of :

- Informing the insured parties on the characteristics of coverage offers;
- Fair treatment of insured parties, particularly as regards the taking in charge of their requests and complaints as well as the good execution of the obligations and commitments of the insurers in respect of their contracts of insurance.

• • Complaints of insured parties received by the Authority

The Authority received 464 complaints of which 80.8% were addressed by way of lawyers. The other complaints were transmitted directly by the insured parties or the beneficiaries of the contracts.

92% of complaints relate to car insurance (65%) and work accidents (26.7%). From the 464 complaints received, 329 have been closed and 135 are being processed by the Authority departments.

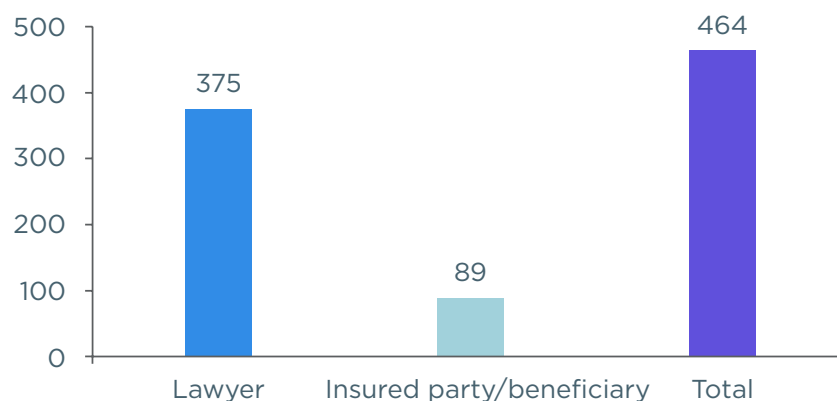


Figure 22: Number of complaints received depending on the nature of complainants

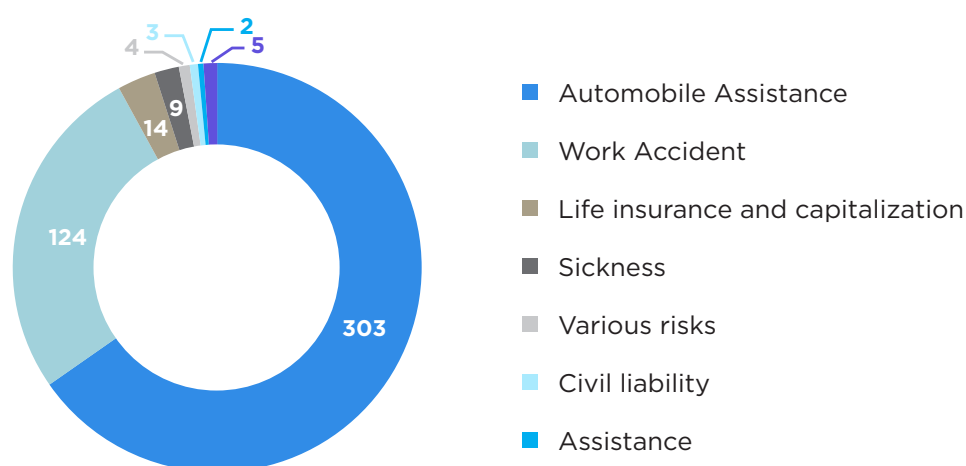


Figure 23 : Breakdown of complaints by sub-categories

• Controlling the compliance of insurance contracts

114 New specimens of insurance contracts have been submitted to the Authority for a review of their compliance with the regulation of insurance.

As result of such control and of their compliance, these specimens have been the subject of decisions relating to their placing on market.

INSURANCE CONTRACTS	NUMBER OF DECISIONS
Assistance	63
Pension savings	11
Sickness	10
Death Insurance	10
Multi-risk home insurance	3
Professional Multi-risk insurance	3
Civil liability	3
Automobile	2
yachting	2
Credit	2
Theft	2
Water damage	1
Breakage of glass	1
Individual Accident	1
TOTAL	114

Table 17 : Number of decisions concerning the new contracts by category

.. Authorization of underwriting of insurance contracts with foreign insurance companies

As in the case of several foreign legislations, the Moroccan insurance code provides only the risks located in Morocco, persons who are domiciled as well as the related responsibilities must be insured with insurance companies licensed in Morocco.

However, for some insurance exhaustively listed in Article 162 of the Insurance Code, the Authority may authorize their

subscription within a foreign country.

In this framework, the Authority has granted 57 permissions for the placement of risks abroad. These authorizations have concerned essentially the risks of civil liability of moroccans ship-owners who could not find lessee within the national market.

Box n° 5: The insurance sector develops a mediation mechanism

The insurance sector has a mediation mechanism which has been operational since the 1st of january 2016. This alternative means of dispute resolution aims at improving the relationship with customers, and to ease the settlement of a number of files and to spare the insured parties the systematic recourse to Courts.

Disputes of more than 5,000 MAD, exclusively between individuals and insurance companies, are eligible for mediation. The use of the mediator's service is free of charge for the complainant and his opinion is binding on the insurance company when the amount does not exceed 50.00 MAD.

:: 2.1.6. Fight against money laundering and the Financing of Terrorism

The legal and regulatory framework implemented for the fight against the money laundering and the financing of terrorism allows Morocco to implement obligations arising from the recommendations of international organizations and to comply with the provisions enacted by the various conventions of the Organization of the United Nations ratified by Morocco.

Under terms of law n° 43-05 relating the fight against the money laundering, the authority sets out the rules for the

implementation and application of the provisions relating to the duties of due diligence and internal monitoring and ensures compliance by companies and insurance intermediaries of the requirements and provisions enacted by that law and its implementing regulations

In this context, a circular on the application by the insurance sector of the provisions of Law n° 43-05 referred to above was taken in 2011 and revised in 2013 to take account of the new recommendations of the Financial Action Task Force (FATF).

Similarly, the law n° 64-12 provides that the Authority must ensure compliance with the provisions of the law relating to the fight against the money laundering by companies and insurance intermediaries.

To carry out this mission, the Authority has set up a dedicated department whose missions cover:

- Monitoring of the implementation by the companies and insurance intermediaries of the system of fight against the money laundering and the financing of terrorism;
- The cooperation with the Financial Information Processing Unit (UTRF) and domestic and foreign authorities intervening within the framework of the fight against the money laundering and the financing of terrorism;
- The review of the effectiveness of the system of fight against the money

laundering and the financing of terrorism implemented by companies and insurance intermediaries.

Moreover, in the context of the preparation of Morocco for the process of national assessment of risks (ENR) with respect to the fight against the money laundering and the financing of terrorism, the Authority participates in the work of the National inter-administration Commission responsible for collecting and analyzing the necessary information, coordinating actions between the different member administrations and preparing a document related to the identified threats and vulnerabilities.

The evaluation of the insurance sector has been carried out and communicated to Bank Al Maghrib, in charge of coordinating the financial market assessment work.

2.1.7. Other projects

The Authority has participated in the development of a roadmap of the Moroccan financial sector for a sustainable development which provides for the actions and measures to be taken for the coordinated and progressive alignment of the said sector (banks, insurance and capital market) with the challenges of sustainable development and the emergence of a green finance.

- This Roadmap is in line with the guidelines of the National Charter on the environment and sustainable development and takes into account the main guidelines laid down by the National Strategy for Sustainable

Development in the field of finance. It is structured around 5 major axes:

- The extension of the governance based on the Socio-environmental risks;
- The development of sustainable financial instruments and products;
- The promotion of financial inclusion as a vector of sustainable development;
- The strengthening of capacities in the field of sustainable finance;
- The transparency and discipline of the market.

✧ 2.2. Social Welfare Sector

✧ 2.2.1. Regulation

The authority exercises a technical and prudential control on pension schemes managed by the CMR and the CNSS as well as on the RCAR, in accordance with the legislative and regulatory texts governing these schemes. The National Pension and Insurance Fund (CNRA) is also subject to the control of the Authority. Similarly, the ACAPS ensures the monitoring and supervision of private law entities managing operations of retirement operating on a contribution basis or on a contribution and self-funding basis (Mutual Retirement Companies – SMR), and this in accordance with the new legal framework established by Title II of the law n°64-12.

Concerning the sector of the mutual aid, the Authority exercises, jointly with the Ministry in charge of employment, a technical and prudential control of mutual aid associations in accordance with the Dahir n° 1-57-187 of 24 Jumada II 1383 (12 november 1963) on the regulation of the mutual aid.

The entities managing the basic compulsory health insurance are also subject to the technical control of the Authority which aims at ensuring the compliance of these entities with the provisions of the law n° 65-00 establishing the basic medical coverage code and the texts adopted for its application.

As part of its missions of regulation of the Sector of Social Welfare, the Authority has examined several applications for approval of statutes and regulations.

• • Pension sector

Transformation of the CIMR from an association of employers to a mutual pension company (SMR)

To comply with the provisions of the law n° 64-12, the CIMR has decided, in Extraordinary General Assembly of november17, 2016, to transform into a mutual pension company (SMR) and has submitted its new articles of association to the approval of the Authority. After notice of the Regulatory Commission, these articles of association have been approved by the Authority.

Outsourcing of the internal pension fund ONEE (National office of electricity and drinking water) - electricity Branch

The Authority has assisted the Ministry of Economy and Finance in the work of the Commission in charge of the supervision of the study on the outsourcing of the internal pension fund of the ONEE (Branch electricity) with the RCAR.

The purpose of this study was to provide scenarios of outsourcing, to present options for appropriate funding and give the methodological framing of the process of this outsourcing.

• • Mutual aid sector

The Authority has examined, jointly with the Ministry of Employment, applications for:

- Creation of a mutual aid association dedicated to the management of the health units;
- Amendment of Statutes of six mutual aid associations;
- Amendment of the regulations of three autonomous funds for invalidity, old age and death.

2.2.2. Contribution to the modernization of the regulatory framework

•• Pension Sector

Reform of the pension sector

The Authority has participated in the process of promulgation of four laws relating to the pension reform which have been published in the Official Bulletin of 30 August 2016:

- The law n° 71-14 amending and supplementing the law n° 011-71 of 30 december 1971 establishing a civilian pension scheme;
- The law n° 72-14 laying down the age limit of the civil servants and staff affiliated to the civilian pension scheme;
- The law n° 96-15 amending and supplementing the Dahir n° 1-77-216 of 4 october 1977 creating a Collective Scheme of Retirement Allowances;
- The law n° 95-15 amending and supplementing the law n° 013-71 of 30 december 1971 establishing a military pension scheme.

In this context, the authority has been called upon to carry out various actuarial studies and the study of impact of this reform.

Implementation of the regulatory framework for the application of the provisions of the law n° 64-12 with respect to the regulation and control of the pension entities

The Authority has set itself the task of implementing the necessary regulatory framework for the application of the provisions of Law No 64-12 concerning the regulation and control of pension entities through the development of a series of circulars.

A first circular, taken in application of the provisions of article 64 of this Act, has been approved by the Minister of the

Economy and Finance after examination by the Regulatory Commission.

It concerns the circular n° 1/PS/16 of 10 november 2016 fixing the list of documents to be produced in support of an application for approval of the statutes of a pension entity.

Other draft circulars have been prepared and are the subject of consultations with the entities concerned.

They concern :

- The circular concerning reporting documents necessary for the technical and financial control, to be produced by persons governed by public law who practice or manage the pension operations;
- The circular relating to the control of the Mutual pension companies: This circular develops the necessary device to the control of these mutual companies, particularly the accounting framework, equilibrium indicators, the documents to be produced, the rules of the constitution and representation of technical provisions and modalities for the evaluation of assets representing these provisions;
- The circular relating to the control of the annuity and pension operations: This circular aims to determine, for the CNRA, the conditions of constitution, assessment, representation and depositing of technical provisions and the reserve of equalization as well as the statistical and financial statements and documents to be submitted by this Fund.

Furthermore, and in application of the law n°85-12 amending and supplementing the Dahir n° 1-59-301 establishing the CNRA, the Authority has developed :

- A draft decree amending and supplementing the decree n° 2-59-1168 of 14 november 1959 taken for the application of the said Dahir. This project determines the administration responsible for setting the conditions

of insurance granted by the CNRA, namely the Ministry of Economy and Finance;

- A draft decree laying down the conditions of insurance granted by the CNRA.

Box n° 6: Reform of the pension sector

The reform of the civil pension scheme has focused on the following measures:

- Gradual increase in the retirement age to 63 years over a period of 6 years (60 years and six months in 2017, 61 years in 2018, ..., 63 years in 2022);
- Increase in the rate of contribution from 20 to 28% on a period of four years (22% starting in september 2016, 24% in 2017, 26% in 2018 and 28% in 2019);
- The calculation of the pension on the basis of the average salary of the last

8 years, to gradually reach over 4 years (as of january 2017);

- Application of a rate of annuity of 2% instead of 2.5% for the entitlements to be acquired from january 2017.

Furthermore, the amount of the minimum monthly pension of public and semi-public sectors (civil and military pension schemes and RCAR) has been increased to gradually rise from 1.000 MAD to 1.500 MAD (1.200 MAD since september 2016, 1,350 MAD in 2017 and 1.500 MAD from 2018).

Pension plan for the independent professions and the Independent Workers

As part of the Government's continued policy of extending social security coverage, the Authority participated in the work of an inter-ministerial committee. Under the leadership of the Head of Government, this committee examined the establishment of a pension scheme for the benefit of the self-employed.

The Authority has thus contributed to the preparation of the draft law N° 99-15 establishing a pension scheme for the benefit of the categories of professionals, self-employed persons and persons involved in an independent activity.

This compulsory scheme will enable the gradual coverage of the different categories of contributing persons.

It will thus be determined for each category of workers, by regulatory means and after consultation with the representatives of the various categories, a lump sum income which will serve as the basis for the calculation of the contributions. Those are converted to points of retirement and listed in an individual account held for each independent worker who has the right, at the age of retirement, to an old-age pension which amount depends on the number of points earned. The management of this scheme will be entrusted to the National Social Security Fund (CNSS).

•• Compulsory health insurance scheme

Compulsory health insurance scheme (AMO) for the independent professions and the Independent Workers

Since the implementation, in august 2005, of basic medical coverage (CMB) for the staff of public and private sectors, the generalization in 2012 of the medical assistance scheme (RAMED) and the entry into force of the medical coverage for the benefit of students in 2016, the project on the generalization of the compulsory health insurance scheme (AMO) has continued to evolve, continuing in 2016 by the finalization of a compulsory medical coverage at the benefit of the self-employed.

In this framework, the Authority has contributed to the preparation of the draft law n° 98-15 introducing a compulsory health insurance scheme for the benefit of the categories of professionals, self-employed workers and persons who exercise an independent activity.

This insurance is based on the same general rules adopted for the private sector scheme administered by the CNSS with regard to beneficiaries, guaranteed benefits (the care basket) and the terms and conditions for reimbursement and support.

Coverage of parents of employees and pensioners under the Public Sector

The Authority has also contributed to the development of a draft law n° 63-16 amending and supplementing the law n° 65-00 establishing code on the basic medical coverage, which purpose is to extend this coverage to the benefit of the parents of the employees and of the pensioners in the public sector.

The texts of the application of the social coverage of the self-employed persons

As part of the interdepartmental committee dealing with the social coverage of independent workers, the ACAPS has also contributed to the preparation of the draft texts in application of laws 98-15 and 99-15:

- Decree of the Application of Laws n° 98-15 and 99-15 of a general application, including the list of categories and sub-categories of trades exercised by independent workers and the order of the Minister in charge of employment taken for its application;
- Decree on the application of the law n° 98-15 relating to the Board of Directors of the CNSS.

2.2.3. Technical and prudential control

•• Objectives and modalities

In the field of social welfare, the control of the authority is exercised in accordance with the specific rules governing each sector and this, according to two types of control :

- On documents, through the documents required of the entities subject to this control, including the financial statements, the financial and statistical statements, the reports, tables or any document which can allow to control the financial situation of these entities;
- On site, by sworn agents of the Authority.

Pension Sector

The Authority's control of the pension entities is required to cover all of the entity's activities and processes in relation to the management of the schemes. It may, however, be extended to other activities of these entities if the authority deems necessary.

This test focuses on the technical activities of the schemes, namely the contributions (declarations, cashing, collection, etc.) and services (accounting of rights and entitlements, monitoring of affiliate members, liquidation, payment, control,...) as well as on the financial management of the reserve fund.

The objective of the control carried out by the Authority is to ensure the financial and actuarial equilibrium of these pension schemes.

Based on the legislative and regulatory texts applicable to each of the schemes as well as on its own circulars, the Authority exercises its control on the pension schemes managed by:

- The Moroccan pension fund;

- The National Social Security Fund;
- The collective scheme of retirement allowances;
- The internal fund of Bank Al Maghrib;
- The internal fund of the ONEE-Electricity Branch.

For persons governed by private law who practice or manage the pension transactions on a contribution basis or on a contribution and self-funding basis and which must be incorporated in the form of a Mutual Pension Company, the control of the Authority is carried out in accordance with Title II of the law n°64-12. The purpose of this control is to constantly ensure the financial viability of pension schemes that they manage.

In addition, the control exercised by the Authority on the National Pension and Insurance fund (CNRA) is carried out on the basis of legislative and regulatory texts governing this Fund as well as on the basis of the Circulars of the authority taken in application of the law n°64-12 and the Dahir establishing the CNRA. This control, both technical and financial, aims at ensuring the financial equilibrium of this public fund.

Also, and in accordance with the provisions of article 11 of the law n° 64-12 relating to the creation of the Authority, the latter shall submit annually to the Head of the Government a report on the results of its supervision of the pension or annuity operations, practiced or managed by the persons governed by public law. In this regard, the first report prepared by the ACAPS for the year 2016 has handled three aspects namely the governance of public pension entities, demographic and financial indicators of the schemes administered by these entities and their technical and actuarial equilibrium.

Mutual aid sector

The objective of the control exercised by the Authority on the sector of the mutual aid is to ensure compliance with the legislations and regulations in force, check the technical and financial equilibriums, ensure the protection of members and work toward the development of the activities in this sector.

This control covers all aspects related to the management of the mutual aid associations. It focuses in particular on the technical activities, namely:

- The contributions (declarations, cashing, collection,...);
- The services (settlement of files, traceability, payment, accounting, medical control,...);
- The financial management of the reserve funds and technical provisions.

This control is operated on the basis of the provisions of article 12 of law n°64-12 which stipulate that the powers and duties vested in the Minister of Finance, under the Dahir n°1-57-187 on the status of the mutual aid, are exercised by the Authority, with the exception of those concerning the mutual aid associations of the Royal Armed Forces and Auxiliary Forces. In addition, the Minister of Finance acts on a proposal from the Authority, concerning the decisions requiring a joint order with the Minister responsible for employment.

The entities managing the AMO (Compulsory health insurance)

The management of the compulsory health insurance scheme is entrusted to the CNSS and CNOPS. These entities are subject to the technical control of the Authority which has the mission to ensure the compliance by these entities with the provisions of the law n° 65-00 and the texts adopted for its application. This Control focuses on the financial situation, the emission and collection of contributions, the regulation of files, the constitution and the representation of reserves and the application of conventions concluded with the providers of health care.

..... Review of technical and prudential control activities

Pension sector

The first control missions have been carried out within the pension management entities and have given rise to the establishment of a report to be submitted to the Head of Government.

AMO and mutual aid sector

The Authority has :

- Granted an authorization of Assignment of 297 housing units by a mutual aid association to its members;
- Authorized the acquisition by a mutual aid association of a building to house a regional office;
- Granted to a mutual aid association derogations from the investments provided for in article 20 of the Dahir n°1-57-187;

- Conducted a review of the required accounting, financial and statistical documents which had been communicated by the mutual aid societies and entities managing AMO.

In addition, the managers and officials of the Authority have, after their appointment by the Minister responsible for Finance, participated in the work of the control commissions of five mutual aid societies created by agents from public administrations and conceded public services. These commissions are responsible for submitting a report on the management of the accounts at the General Assembly.

Box n° 7: Control commissions

The Dahir n°1-57-187 of 24 Jumada II 1383 (12 november 1963) on the statutes of the mutual aid provides in its article 14 for the obligation for each mutual aid association to constitute a control commission to submit a report on the management of the accounts at the General Assembly.

The members of this Commission are elected at the General Assembly. For mutual aid societies created by the agents of public administrations and conceded public services, this Control Commission is assisted by a representative of the Government appointed by the Minister in charge of Finance.

⚙️ 2.2.4. Protection of members, affiliates and beneficiaries

Under article 6 of the law n° 64-12, the Authority ensures the compliance, by the entities subject to its control, with the rules of protection of affiliate members in accordance with the legislative and regulatory provisions relating to social welfare.

Similarly, Article 7 grants to the authority the power, concerning the pension entities, to investigate all complaints (of affiliates, employers, insured,...).

In this regard, the Authority has solved in 2016:

- Twelve (12) complaints concerning the pension sector;
- Twenty-four (24) complaints relating to the AMO and the mutual aid.

The Authority has also provided answers to sixteen (16) parliamentary questions from which six (6) focuses on pension and ten (10) on the mutual aid.

⚙️ 3. PARTICIPATION IN THE MACRO- PRUDENTIAL SUPERVISION OF FINANCIAL SECTOR

The new banking law has established the Systemic Risk Supervision and Coordination Committee (CCSRS) responsible for ensuring the macro-prudential supervision of the financial system.

Chaired by the Wali of Bank Al-Maghrib, this committee is composed of representatives of authorities responsible for the supervision of banks, insurance, social welfare, and capital markets as well as the Ministry of Economy and Finance.

The main tasks of this committee are to assess the systemic risks to the financial system, coordinate the actions of its members regarding the supervision of institutions subject to their control, and supervise systemically important financial institutions and financial conglomerates as well as the resolution of crises.

•• Strengthening the analytical framework for macro-prudential supervision

The Authority has conducted a review of the indicators of solidity of insurance companies, based on the international standards.

It has also conducted a work on the supervision of the evolution of the various macro-prudential indicators composing the risk mapping of the insurance sector by scoring them and carrying out stress tests to assess the resilience of insurance and reinsurance companies with respect to market risk.

This analytical framework has been supplemented by the establishment of an approach for the identification of insurance and reinsurance companies having a systemic importance.

•• The Systemic Risk Supervision and Coordination Committee (CCSRS)

As part of its participation in the CCSRS, the Authority has presented the risk indicators to the insurance and reinsurance companies according to the new set of solidity indicators as well as risk indicators relating to pension schemes.

As for the pension section, the ACAPS has presented to the CCSRS the indicators of risks to the pension schemes through the data of the financial year 2015.

These indicators, which are based in large part on the results of the actuarial balance sheets of these schemes, have revealed the fragility of the financial equilibriums of the civil pension scheme in particular.

At its second meeting held on december 21, 2016, an update of these indicators regarding this scheme was presented to the Committee, taking into account the impact of the parametric reform that came into force in september 2016.

•• Contribution to the annual report on the stability of the Moroccan financial system

The Authority has published jointly with Bank Al-Maghrib and the Moroccan Capital Market authority, the third annual report on the stability of the Moroccan financial system.

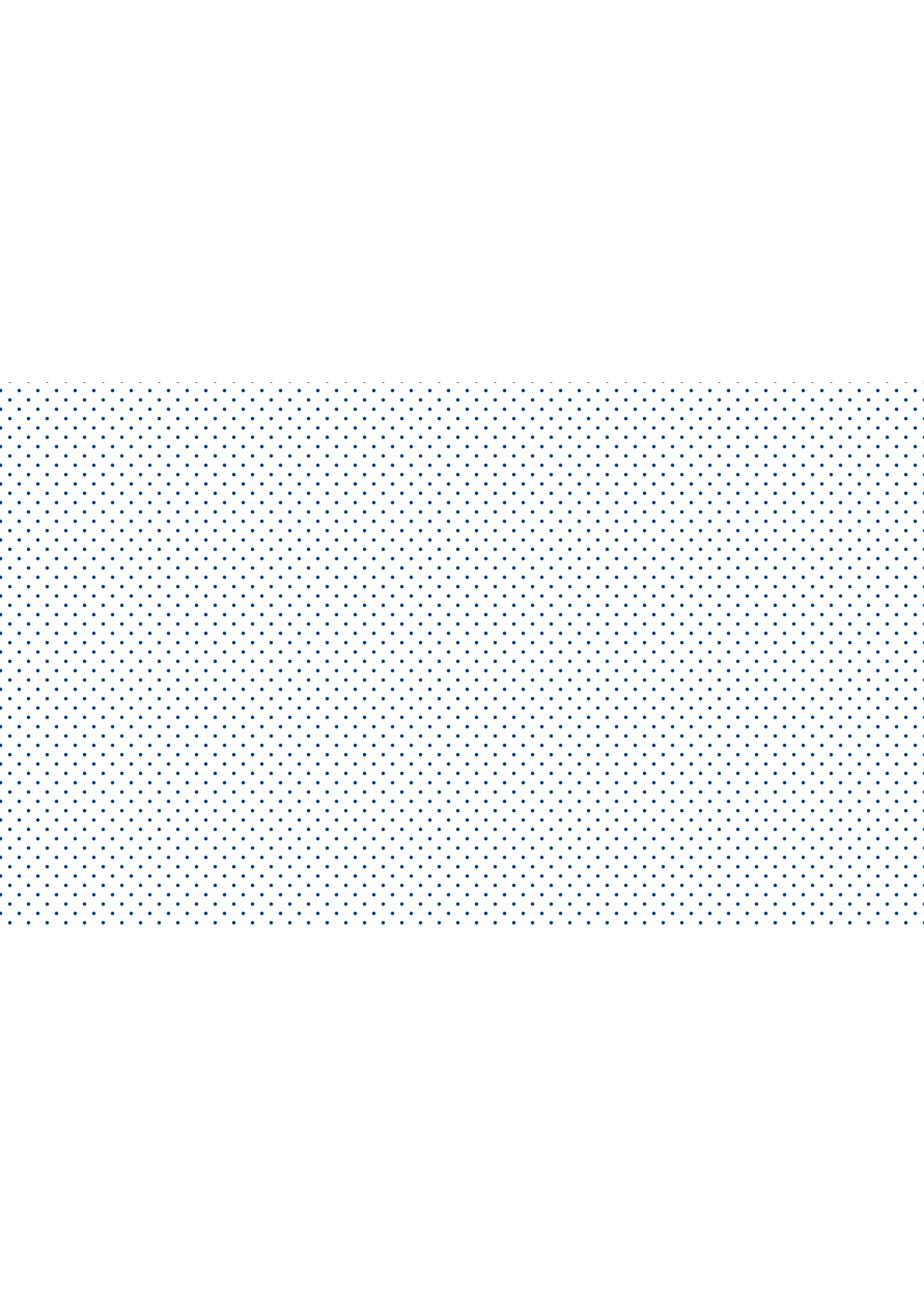
Box n° 8: financial stability report n°3

The third report on the financial stability has been prepared jointly by the Moroccan financial system regulation authorities. This report is structured around four chapters:

- The main macroeconomic developments on the national and international level, the associated risks and their impacts on the financial system;
- The financial situation of the non-financial agents and their ability to meet their financial obligations toward the financial system;
- The assessment of the solidity of financial institutions and their degree of resilience. The analyzes are based on the main risks associated with the banking sector, the capital market, the insurance sector and the pension sector;
- The evolutions of the capital market and market infrastructures, while focusing on the evaluation of the main risks to the stability of the markets and systemically important infrastructure.

The financial stability report for 2015 shows that the prudential rules relating to the solvency of insurance and reinsurance companies are respected. The solvency margin available to the insurance sector represents on average more than four times the regulatory minimum.

However, the report specifies that the margin covers only underwriting risk and that switching to a risk-based prudential solvency plan will most likely require the recapitalization of certain insurance companies.



CHAPTER 5

INTERNATIONAL COOPERATION

- ✧ 1. ACTIVITIES WITHIN THE INTERNATIONAL ORGANIZATIONS
- ✧ 2. BILATERAL COOPERATION

3 1. ACTIVITIES WITHIN THE INTERNATIONAL ORGANIZATIONS

•• International Association of Insurance Supervisors (IAIS)

The Authority is an active member of the International Association of Insurance Supervisors (IAIS), an association with nearly 200 jurisdictions covering nearly 97% of the insurance premiums worldwide.

The IAIS is the international standard setting body. In this regard, it defines the standards applicable to the supervision, operators and the operation of insurance markets. It also helps to their implementation within the different jurisdictions members. The IAIS is a member of the Financial Stability Board.

The Authority participates actively in the IAIS. It is a member of the Executive Committee, representing the MENA region, member of the Audit and risks Committee as well as of the Implementation Committee.

During this year, The Authority has participated in various events and works of the IAIS.

•• The Arab Forum of Insurance Regulatory Commissions (AFIRC)

At the regional level, the Authority is an active member within the Arab Forum of insurance regulatory commissions (AFIRC), which it chairs.

During the year 2016, the Authority has taken part in many works of the AFIRC aimed to strengthen the cooperation between its members and promote transparency and best practices in the insurance industry of the region.

•• The Sustainable Insurance Forum (SIF)

Being aware of the need to include in the principles governing its activity the environmental challenges and sustainable development, the Authority was among the founding members of the «Sustainable Insurance Forum - SIF».

Initiated by the United Nations Environment Program (UNEP) and California Department of insurance supervision (USA), the SIF aims to promote the cooperation between the different international regulatory authorities, so that they can implement the most appropriate responses to the challenges of sustainable development, while ensuring development opportunities for the insurance sector.

•• International Social Security Association (ISSA)

As part of activities specific to social welfare, the Authority is a member of the International Social Security Association (ISSA). This leading international organization, which brings together social security institutions and bodies, has the role of promoting and developing social security throughout the world.

The mandate of this association, bringing together 150 countries and 320 organizations, covers the fields of the promotion of good practices in social security administration, knowledge sharing as well as assistance and support services to its members.

2. BILATERAL COOPERATION

•• Ministry of Finance, Democratic Republic of Congo (DRC)

A cooperation project has been initiated with the Supervisory Authority of the Democratic Republic of Congo (ACRDC). The ACAPS has received in Rabat a high-level delegation which has reviewed the Moroccan model of control and regulation of the insurance sector. An agreement in principle has been concluded to initiate a program of cooperation and training over a few years with the ACRDC.

•• Ministry of Finance and budget / General Directorate of the Treasury - Republic of Madagascar

Initiated during the last quarter of 2016, the cooperation with the Ministry of Finance and budget of the Republic of Madagascar has led to the implementation of a training mission for the benefit of the Malagasy controllers wishing to benefit from the Moroccan expertise. A framework for cooperation at medium term has been also discussed.

•• The conventions of exchanges of information and cooperation

After the signing of an agreement for the exchange of information between the ACAPS and the Inter-African Conference of Insurance Markets (CIMA) in April 2015, the Authority has signed a second agreement of collaboration, exchange of information and expertise with the General Insurance Committee (CGA) in Tunisia in April 2016.

Other conventions are being finalized and will be signed between the ACAPS and the supervisory authorities of insurance companies in France (ACPR) and in Belgium (FSMA).

•• Participation at national and international events

General Assembly of the Mediterranean Federation of Insurance Brokers (FMBA), November 25, 2016 - Morocco

The Authority has participated, on November 25, 2016 to the General Assembly of the Mediterranean Federation of Insurance Brokers (FMBA) at the invitation of the Federation of Insurance Agents and Brokers in Morocco (FNACAM).

The FMBA is a federation which represents the insurance brokers of the majority of the countries of the Mediterranean region.

World Social Security Forum - Panama

A delegation of the Authority has participated from 14 to 18 november to the World Social Security Forum organized by the Social Security Fund of Panama under the theme «transform lives - Shaping societies».

The World Summit held for this occasion has brought together policy decisions' makers, representatives of international organizations and recognized experts. The debates have focused on how the social security systems can develop in the face of major socio- economic challenges and changes in the world of work.

Annual Assembly of the IAIS - Paraguay

A delegation of the Authority took part in the work of the annual conference and at the General Assembly of the IAIS on 10 and 11 november, 2016. The Conference dealt with several topics such as the financial stability or insured protection.

3th edition of the AFIRC work - Tunisia

The Authority has taken part in the work of the 3rd edition of the Arab Forum of Insurance Supervisors (AFIRC), a meeting organized in Tunis on 25 and 26 April 2016 on the theme «the development of

the insurance industry in the MENA area: requirements and tools».

The objective of this event was to discuss the inter- Arabic cooperation in the field of insurance and the means to be implemented in order to ensure a better coordination between supervisors.

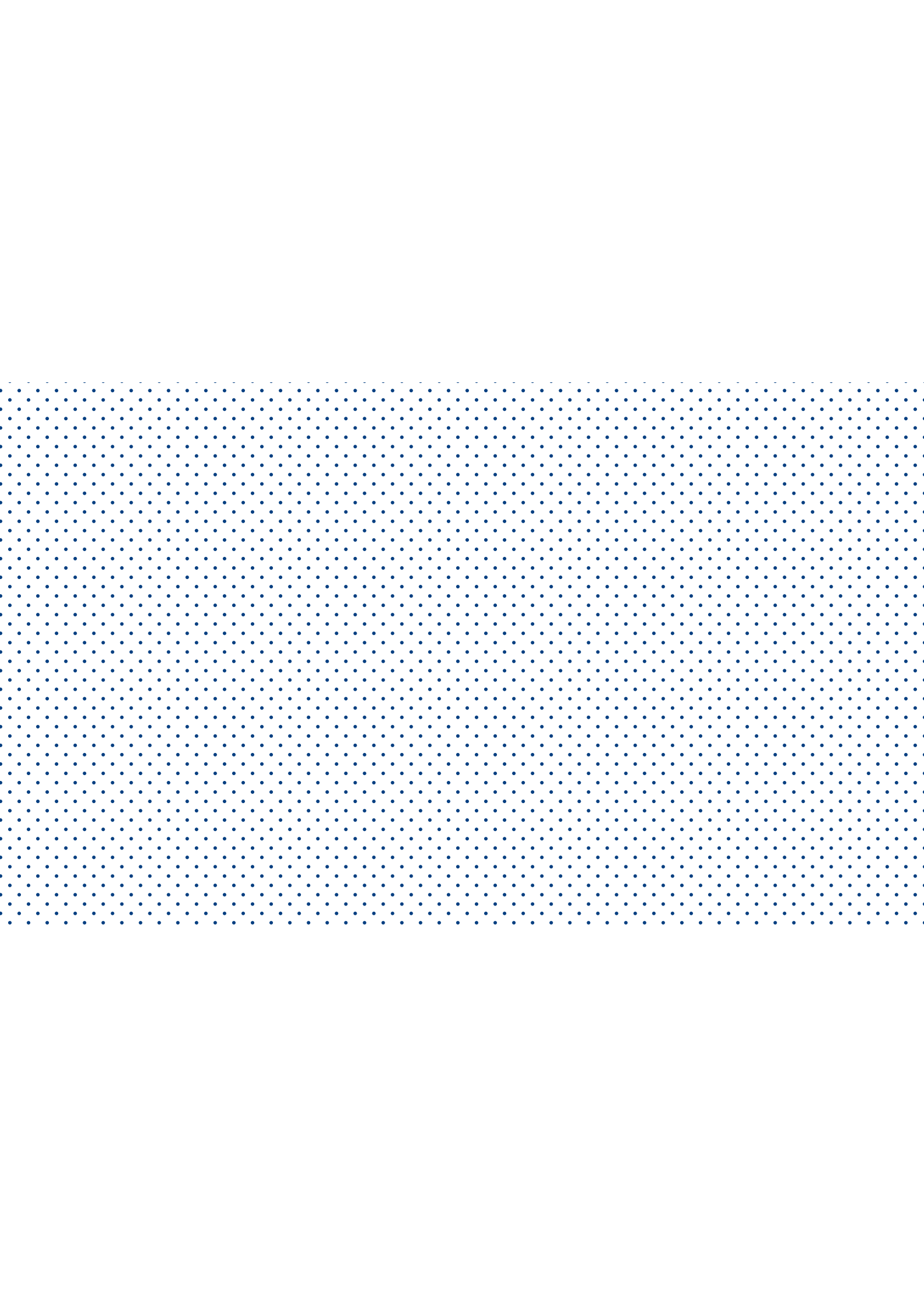
Annual Global Forum on Private Pensions - Hong Kong

This Forum was organized by the International Organization of pension Supervisors (IOPS) from 8 to 11 november 2016, under the theme «Making private pensions work better».

This event has been devoted to the study of developments and current trends of private pension systems that are likely to influence the landscape in which the regulatory and supervisory authorities are developing.

The Authority took part at this event and participated in a workshop on the practices and supervision of pension schemes.







CHAPTER 6

FINANCIAL DATA

Table no. 1

Balance (Normal)
(asset Model)Fiscal Year
ended on
31/12/2016

	Fixed Assets	Fiscal year				EXERCICE PRÉCÉDENT
		Gross	Depreciation and provisions	Net	Net	
A	NON-MONETARY FIXED ASSETS (A)	554 000,00	110 800,00	443 200,00		
	Preliminary expenses					
	Expenses to be spread over several years	554 000,00	110 800,00	443 200,00		
	Bond redemption premiums					
C	INTANGIBLE FIXED ASSETS (B)	2 246 057,50	305 661,29	1 940 396,21		
T	research and development fixed assets					
I	Patents, trademarks, rights and similar values	2 246 057,50	305 661,29	1 940 396,2		
F	Goodwill (Fonds de commerce)					
	Other Intangible Assets					
M	TANGIBLE FIXED ASSETS (C)	8 608 536,08	933 852,55	7 674 683,53		
	Lands					
	Constructions					
	Technical installations, machinery and equipment					
M	Transport equipment	939 745,42	97 325,39	842 420,03		
O	Furniture, office equipment and various installations	7 668 790,66	836 527,16	6 832 263,50		
B	Other tangible assets					
	Tangible Assets under construction					
S	FINANCIAL ASSETS (D)					
	Fixed Loans					
	Other Financial receivables					
	Equity securities					
	Other capitalized securities					
	CONVERSION DIFFERENCES - ASSETS (E)					
	Decrease in nonperforming receivables					
	Increase in financing debts					
	TOTAL I (A+B+C+D+E)	11 408 593,58	1 350 313,84	10 058 279,74		

(a traduire)

A C T I F	INVENTORIES (F)				
	Goods				
	Consumable materials and supplies				
	Products in process				
	Intermediate products and residual products				
	Finished products				
	RECEIVABLES FROM CURRENT ASSETS (G)	77 684 542,44		77 684 542,44	
	Trade payables, advances and deposits				
	Accounts receivables				
	Staff				
C I R C U L A N T	State	856 894,10		856 894,10	
	Partners' Accounts				
	Other debtors	76 742 762,26		76 742 762,26	
	Accruals - assets-	84 886,08		84 886,08	
	SECURITIES AND INVESTMENT VALUE (H)				
T R E S O	CONVERSION DIFFERENCE - ASSETS (I) (CURRENT ITEMS)				
	TOTAL II (F+G+H+I)	77 684 542,44		77 684 542,44	
	CASH FLOW -FIXED ASSETS	40 836 802,38		40 836 802,38	
	Checks and cash values				
	Banks, T.G &C.C.P	40 779 539,91		40 779 539,91	
	Cash, imprest account and letters of credit	57 262,47		57 262,47	
	TOTAL III	40 836 802,38		40 836 802,38	
	TOTAL GENERAL I+II+III	129 929 938,40	1 350 313,84	128 579 624,56	

Table no. 1

Year ended on
31/12/2016

	Liabilities	Fiscal Year	Previous Fiscal Year
P e r m a n e n t f u n d i n g	Equity		
	Share and individual capital (1)		
	Less: shareholders, uncalled committed capital		
	Issue, merger, transfer premium		
	Reevaluation adjustment		
	Legal Reserve		
	Other reserves		
	Retained earnings(2)		
	Net income pending allocation (2)		
	Net income for the financial year (2)	54 343 579,92	
	TOTAL EQUITY (A)	54 343 579,92	
	ASSIMILATED EQUITY (B)	4 530 023,46	
	Investment grants	4 530 023,46	
	Statutory provisions		
	FINANCING DEBTS (C)		
	Bond loans		
	Other financing debts		
	SUSTAINABLE PROVISIONS FOR CONTINGENCIES AND EXPENSES (D)		
	Provisions for expenses		
	Provisions for contingencies		
	CONVERSION DIFFERENCE- LIABILITIES (E)		
	Increase in nonperforming receivables		
	Decrease in financing debts		
	TOTAL I (A+B+C+D+E)	58 873 603,38	

(a traduire)

P	THE DEBTS OF CURRENT LIABILITIES (F)	69 705 914,46	
A	Accounts payable	8 068 502,26	
S	* Customers credit balance, advances and deposits		
S	Staff	6 214 380,37	
I	Social organizations	83 566,20	
F	Government	55 335 005,16	
	Associates Accounts		
	Other creditors	4 460,47	
C	Accruals - liabilities		
I	Other Provisions For Contingencies And Expenses (g)		
R	CONVERSION DIFFERENCE- LIABILITIES (H)	106,72	
C	(CURRENT ITEMS)		
U	TOTAL II (F+G+H)	69 706 021,18	
T	Cash -Liabilities		
R	Discount credits		
E	Cash loans		
S	Banks (creditors balances)		
O	TOTAL III		
	TOTAL I+II+III	128 579 624,56	

(1) debtor individual capital

(2) Beneficiary (+). deficit (-)

Table n° 2

**INCOME AND EXPENSE
ACCOUNT (excluding taxes)**

 Year ended on
31/12/2016

		TRANSACTIONS		Total of the year	Totals of the previous year
		For the current year	For the previous years	3 = 1 + 2	4
		1	2		
I N C O M E	I	Operating revenues			
		Sales of goods			
		Sales of Goods and Services produced			
		TURNOVER			
		Variation of products stock			
		Fixed assets produced for the company itself			
		Operating subsidy,	50 000 000,00	50 000 000,00	
		Other operating revenues	82 587 438,48	82 587 438,48	
		Operating reversals: expense transfers			
		TOTAL I	132 587 438,48	132 587 438,48	
	II	Operating expenses			
		Resold purchases of goods			
		consumed purchases of materials and supplies	921 990,92	921 990,92	
		Other external expenses	12 013 113,28	12 013 113,28	
		Taxes	521 234,50	521 234,50	
		Staff expenses	44 690 231,80	44 690 231,80	
		Other Operating Expenses			
		Operating provisions	1 391 163,84	1 391 163,84	
		TOTAL II	59 537 734,34	59 537 734,34	
	III	Operating Income (I - II)		73 049 704,14	

F I N A N C I A L	IV	Financial revenues				
		Revenues of the equity securities and other capitalized securities				
		Foreign exchange gains	526,70		526,70	
		Interest and Other Financial revenues				
		Financial reversals, expense transfers				
		TOTAL IV	526,70		526,70	
	V	FINANCIAL EXPENSES				
		Interest expenses				
		Foreign exchange losses	3 684,37		3 684,37	
		Other financial expenses				
		Financial provisions				
		TOTAL v	3 684,37		3 684,37	
	VI	FINANCIAL INCOME (IV-V)			- 3 157,67	
	VII	CURRENT INCOME (III- VI)			73 046 546, 47	

1. Variation of inventories: final inventories - Initial inventories; increase (+); decrease (-).

2. Purchases resold or consumed: Purchases - variation of inventories.

Table n° 4

**INCOME AND EXPENSE
ACCOUNT (excluding
taxes) (continued)**

 Year ended on
31/12/2016

		TRANSACTIONS		Total of the year	Totals of the previous year
		For the current year 1	For the previous years 2	3 = 1 + 2	4
N O N C U R R E N T	VII	CURRENT INCOME (REPORT)		73 046 546, 47	
	VIII	NON-CURRENT INCOME			
		Revenues from disposals of fixed assets			
		Grants of equilibrium			
		Investment grant reversals	913 110, 93	913 110, 93	
		Other non-current revenues	4 839 363,52	4 839 363,52	
		Non-current reversals; expenses transfers			
		TOTAL VIII	5 752 474,45	5 752 474,45	
	IX	NON-CURRENT EXPENSES			
		Net value of depreciation from fixed assets sold			
		Grants			
		Others non-current expenses			
		Non-current allowances to depreciation and provisions			
		TOTAL IX			
	X	NON-CURRENT INCOME (VIII-IV)		5 752 474,45	
	XI	INCOME BEFORE TAXES (VII+X)		78 799 020,92	
	XII	TAINCOME TAXXS ON INCOME	24 455 441,00	24 455 441,00	
	XIII	NET INCOME (XI-XII)		54 343 579,92	
	XIV	TOTAL OF REVENUES (I+ IV + VIII)		138 340 439,63	
	XV	TOTAL OF EXPENSES (LL + V+IX + XII)		83 996 859, 71	
	XVI	NET INCOME		54 343 579, 92	
		(TOTAL OF REVENUES - TOTAL OF EXPENSES)			

SELF-FINANCING CAPACITIES (C.A.F) -SELF-FUNDING				
	1		NET INCOME OF THE EXERCISE (+ OR -)	54 343 579, 92
			Profit +	54 343 579, 92
			Loss -	
	2	+	Operating allowances	1 350 313,84
	3	+	Financial allowances	
	4	+	Non-current allowances	
	5	-	Operating reversal	
	6	-	Financial reversal	
	7	-	Non-current reversal	913 110,93
	8	-	Revenues from the sale of fixed assets	
	9	+	Net values of transferred fixed assets .	
I			SELF-FINANCING CAPACITIES (C.A.F)	54 780 782,83
	10	-	Distributions of profits	
II			SELF-FINANCING	54 780 782,83

1. Excluding allowances relating to current assets and liabilities and cash.
2. excluding reversals relating to current assets and cash



**SUPERVISORY AUTHORITY OF INSURANCE AND SOCIAL
WELFARE (ACAPS)**

THE STATUTORY AUDITORS 'GENERAL REPORT

**FISCAL YEAR FROM FEBRUARY 1st
TO DECEMBER 31st, 2016**



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THE STATUTORY AUDITOR 'S GENERAL REPORT FISCAL YEAR FROM FEBRUARY 1st TO DECEMBER 31st, 2016

In accordance with the mission entrusted to us by your Board, we have audited the accompanying financial statements of the **Supervisory Authority of Insurance And Social Welfare**, which includes the balance sheet, the income and expense account, the statement of management balances, the financing table and the statement of complementary information for the year ended on december 31, 2016. These financial statements show an amount of shareholders' equity and assimilated equity of 58.873.603,38, with a net income of 54.343.579,92 MAD.

Management responsibility

The Management is responsible for the preparation and fair presentation of these financial statements, in accordance with the accounting standards accepted in Morocco. This responsibility includes the design, implementation and monitoring of internal control related to the preparation and presentation of the financial statements that do not contain material misstatement and the determination of accounting estimates that are reasonable in the circumstances.

Responsibility of the auditor

Our responsibility is to express an opinion on these financial statements based on our audit. We carried out our mission according to the Professional Standards applicable in Morocco. These standards require that we comply with ethical rules, plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit involves the implementation of procedures to obtain audit evidence concerning the amounts and disclosures in the financial statements. The choice of procedures depends on the auditor's judgment, as well as the assessment of the risk that the financial statements contain material misstatement. In performing these risk assessments, the auditor takes into account the internal control in the entity relating to the preparation and presentation of the financial statements in order to define appropriate audit procedures in the circumstances, with the aim of expressing an opinion on the effectiveness of this one. An audit also includes the assessment of the reasonableness of accounting estimates made by the Management, as well as the assessment of the overall presentation of the financial statements.

We believe that the evidence gathered is sufficient and appropriate to support our opinion.



Opinion on the financial statements

We hereby certify that the financial statements referred to in the first paragraph above are true and legitimate and give, in all their significant aspects, a true and accurate image of the results of transactions for the year then ended and of the financial position and assets of the Supervisory **Authority of Insurance and social welfare** as at december 31, 2016 in accordance with the accounting standards accepted in Morocco.

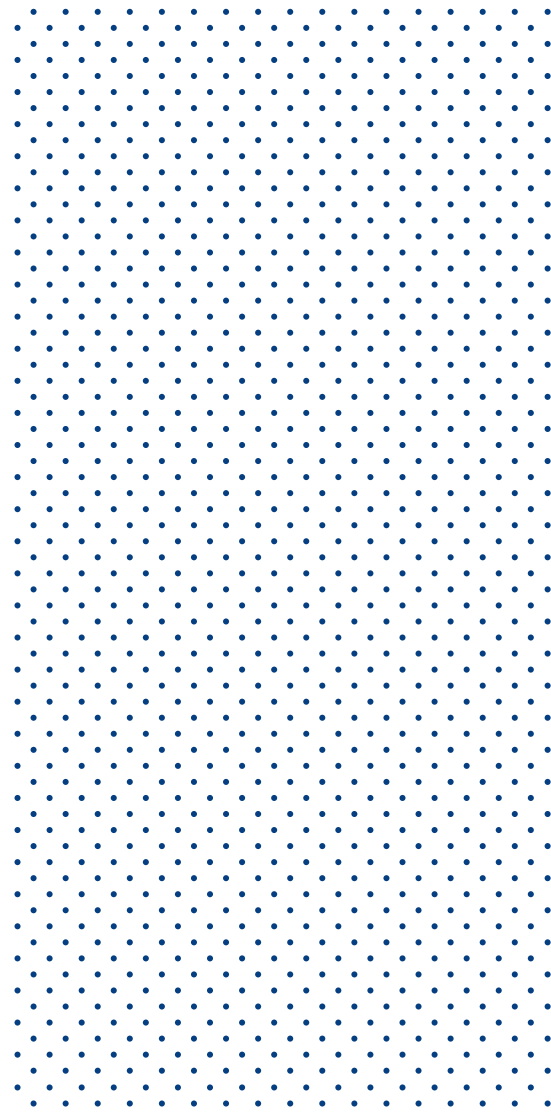
Casablanca, on March 08, 2017,

Statutory Auditor

DELOITTE AUDIT

Fawzi BRITEL
Associé

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