Public

Detailed Assessment of Observance IAIS Insurance Core Principles (ICPs) Republic of Costa Rica

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The International Association of Insurance Supervisors (IAIS) is a voluntary membership organisation of insurance supervisors and regulators from more than 200 jurisdictions. The mission of the IAIS is to promote effective and globally consistent supervision of the insurance industry in order to develop and maintain fair, safe and stable insurance markets for the benefit and protection of policyholders and to contribute to global financial stability.

Established in 1994, the IAIS is the international standard-setting body responsible for developing principles, standards and other supporting material for the supervision of the insurance sector and assisting in their implementation. The IAIS also provides a forum for members to share their experiences and understanding of insurance supervision and insurance markets.

The IAIS coordinates its work with other international financial policymakers and associations of supervisors or regulators, and assists in shaping financial systems globally. In particular, the IAIS is a member of the Financial Stability Board (FSB), member of the Standards Advisory Council of the International Accounting Standards Board (IASB) and partner in the Access to Insurance Initiative (A2ii). In recognition of its collective expertise, the IAIS also is routinely called upon by the G20 leaders and other international standard-setting bodies for input on insurance issues as well as on issues related to the regulation and supervision of the global financial sector.

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Executive summary

This document provides a detailed assessment of the regulation and supervision of the insurance sector in the Republic of Costa Rica. The assessment was conducted on behalf of the International Association of Insurance Supervisors (IAIS) at the request of the General Superintendency of Insurance (Sugese), a member agency. The work was carried out between May 2025 and June 2026, including two weeks in person in San José, Costa Rica in August 2025. The assessment is benchmarked against the Insurance Core Principles (ICPs) issued by the IAIS in October 2011, including revisions approved by the IAIS up until December 2024.

The assessment is based on reviews of documentation and meetings in San José. The work included reviews of laws and regulations and a self-assessment of observance of the ICPs prepared by Sugese, which also made available confidential supervisory documents. Meetings were held with the Senior Management and staff of Sugese and of the National Supervisory Council for the Financial System (Conassif), the Central Bank of Costa Rica (CBCR), other agencies, representative insurers and intermediaries, auditors and industry associations. The team of assessors, which was drawn from IAIS members and the Secretariat, supported by an external consultant, is grateful for the warm welcome and hospitality offered by the Superintendent and for the excellent cooperation extended by Sugese's management and staff, and by all other parties.

The insurance sector comprises 12 mostly foreign-owned licensed insurers, but is dominated by the state-owned former monopoly insurer. The market was opened to private sector (including foreign-owned) insurer participation only in 2008. The state-owned insurer's market share has fallen as new entrants have gained share in most lines other than compulsory business (workers' compensation and mandatory motor vehicle accidents insurance). However, it still accounts for 65% of gross premiums, with a smaller share of life insurance and voluntary business. There are 10 foreign or foreign-owned insurers, with parents based elsewhere in the region or in Europe. There are no regulated domestic insurance groups or domestic insurers with foreign operations.

The market is dominated by general insurance. The overall penetration ratio of 2.8% of gross domestic product (GDP) in 2024 reflects mostly general insurance (life penetration was only 0.5%). Insurers must be licensed for personal, general or mixed insurance (composites), the last accounting for over 90% of sector assets. The main business lines are growing strongly, led by health insurance. Life insurance is also growing, although savings-related products remain limited, as do "self-issued" policies (standardised products that can be bought directly by consumers without needing expert advice). Most reinsurance is sourced externally, with a market retention ratio of 80%, although with wide variations. The broker channel dominates distribution, accounting for over 60% of business.

The regulatory and supervisory framework is assessed to have a good level of observance of the ICPs. Half of the ICPs, including those on supervision and corrective actions, are assessed to be either Observed or Largely Observed, reflecting an extensive, broadly risk-based framework. For many of the 12 ICPs assessed to be Partly Observed, planned reforms are likely to lead to a higher level of observance. These include enhancement of conduct of business supervision and reforms to solvency requirements and macroprudential supervision. No ICPs are assessed to be Not Observed.

Regulation and supervision benefit from a strong institutional framework. Sugese is responsible for licensing, supervision and enforcement for the sector. Conassif, the regulatory body for the entire financial sector, issues regulations, has certain intervention powers (but there is no resolution authority) and functions as the governing body for Sugese. Both Sugese and Conassif are

agencies attached to the CBCR, with administrative and budgetary independence. They also enjoy a high degree of operational independence from government, balanced by accountability.

There is, however, scope for further strengthening the arrangements, including protection from legal action and resourcing. Although Sugese has clear and appropriate objectives, it would benefit from a more widely defined financial stability objective. It lacks powers in a small number of areas. The Minister of Finance's membership of Conassif is a potential channel of political interference. Both Conassif and Sugese lack protection in law from legal action for damages resulting from decisions taken in good faith. Government fiscal measures constrain financial management and recruitment, and both agencies face challenges in managing workloads – especially in supervision – with current resources.

There is an extensive framework, albeit with some gaps, on licensing and other regulatory transactions. Sugese evaluates licence applications fully and has both denied and approved recent applications. However, the exemption of mandatory life insurance for teachers means that one large insurer, which provides this (and only this) class of insurance, is not licensed. In addition, Sugese may not be able to reject licence applications from subsidiaries of foreign insurers if it has not been able to obtain input from the home supervisors of the parent insurer. Sugese also approves portfolio transfers and changes of control associated with mergers between insurers or other regulated financial institutions, but lacks the power to approve other changes in control.

There are comprehensive suitability requirements, although Sugese lacks powers in respect of unsuitable persons. The requirements cover Boards, Senior Management and key persons in control functions, and there are appropriate requirements on significant owners. Sugese must be notified of new appointments, and supervisors review them in addition to assessing insurers' internal processes. They may, and occasionally do, request the removal of persons who are no longer suitable, but lack the power to directly suspend or remove such persons or to require insurers to do so.

Sugese takes a risk-based approach to supervision, assessing risk and allocating resources to supervisory work accordingly. It takes a rigorous and well-documented approach to risk assessment and has a framework for planning supervisory work according to risk. Off-site reviews are based on insurers' extensive financial and other reporting to Sugese. Supervision work is generally thorough and well documented and leads to actions required of insurers, although the issuance of reports of on-site work can take many months. Sugese sends an annual letter to all insurers' Boards summarising its supervisory view, outstanding actions etc.

Sugese takes preventive and corrective actions, escalates as necessary and imposes sanctions. Legislation gives it extensive powers, including to restrict dividend payments or activities (although, as mentioned, it lacks powers to suspend or remove directors etc), and it uses them in practice. It may intervene in case of unlicensed activity. Escalation is applied where necessary due to increasing risk. Sugese also imposes sanctions based on wide-ranging criteria. Its measures are published. It faces obstacles to the imposition of sanctions on individuals and has been unable to take such action in practice.

There are risk-based solvency requirements, but they need to be strengthened in key aspects as part of planned reforms. Insurers must calculate risk-based capital requirements and maintain capital (in mostly high-quality form) equivalent to at least 130% of the requirements. There is also a mix of quantitative and (mostly) qualitative requirements on investments for solvency purposes. The framework will be revised to reflect the planned implementation of International Financial Reporting Standard (IFRS) 17 in 2028 (existing valuation requirements are broadly appropriate for the current business mix). In the longer term, Sugese plans further reforms to provide for a more fully risk-based

approach with calibration based on explicit target criteria. It should also implement a framework of solvency control levels that include an appropriately defined minimum capital requirement (MCR).

There are gaps in the requirements on enterprise-wide risk management (ERM) and own risk and solvency assessment (ORSA). There are limited requirements for quantitative tools, for example. The requirements on risk and solvency self-assessment (RSSA, a version of ORSA) do not include making it an integral part of strategic decision-making and capital management. However, Sugese reviews insurers' risk management and has made requests for improvements to RSSAs. No pre-emptive recovery scenarios or options for recovery are required.

Requirements on governance and risk management are mostly complete. Regulations set out requirements of Boards and Senior Management, and require a developed risk management system (RMS), internal control processes and a full set of independent control functions. There are extensive requirements on reinsurance risk management. There is a need to further extend the scope of requirements on remuneration and to strengthen those on outsourcing. Supervision work includes a structured assessment of governance and risk management.

There are extensive requirements applying to intermediaries, although supervision is limited. There are provisions on licensing and regulation, supervision processes and sanctioning authority. There are extensive requirements on governance, financial condition and protection of client monies. Sugese monitors intermediaries' professional education and experience. Supervision is limited pending implementation of a planned risk-based conduct of business supervision framework (Conassif is considering a proposal), and because of limited staffing.

There are requirements on conduct of business, but they need to be supported by the planned risk-based supervision framework. Laws and regulations cover many aspects of the product lifecycle, but they do not require insurers and intermediaries to consider the consumer's circumstances when evaluating needs. Regulations are lacking in other areas, including product development and claims handling. Pending the planned risk-based business conduct framework, supervision is mainly reactive.

Powers and tools, as well as preparatory work for the resolution of insurers, require development. Extensive provisions on the voluntary exit of insurers have been tested in practice. However, there is no identified resolution authority, nor are there any resolution powers and processes (and no protection fund). Sugese would by law be involved in the initiation of bankruptcy proceedings, the current (and untested) approach under which high priority is given to policyholders. However, the point at which Sugese would trigger bankruptcy is not well defined. Sugese has not yet undertaken resolution planning.

Disclosure requirements need to be broadened. Extensive financial information on insurers is available, supported by the wide-ranging materials published by Sugese on its website and by insurers themselves. However, there are shortfalls in the requirements, including on disclosure of objectives and policies on investment management.

Sugese takes a thorough risk-based approach to anti-money laundering and combating the financing of terrorism (AML/CFT) supervision, but there are limited requirements and supervision work on insurance fraud. There is a robust AML/CFT regime for insurers in law. Sugese adopts a risk-based approach and is active in domestic and international cooperation. Although supervisors have a good working understanding of the risks, there is no money laundering/terrorism financing (ML/TF) risk assessment for the sector (one is being prepared), and AML/CFT oversight of intermediaries is limited. Although legislation criminalises insurance fraud, Sugese lacks a comprehensive risk assessment of the sector's fraud exposure as well as a supervision and enforcement framework.

Although there are no regulated insurance groups at present, consolidated supervision has been implemented for financial groups, including for the one insurer-led group. Extensive requirements apply to all domestic financial groups, covering the identification of the group-wide supervisor and the determination of the scope of group-wide supervision. The framework would apply to any future regulated insurance group (there is an unregulated one now; the parent is exempt from regulation). Sugese applies it to the financial group whose parent is an insurer.

Sugese exchanges confidential information with other authorities and engages in cross-border supervisory cooperation. It has relevant powers and a wide network of bilateral and regional multilateral agreements. It is not yet a signatory to the IAIS Multilateral Memorandum of Understanding on Cooperation and Information Exchange (MMoU), although it has recently applied. In practice, it exchanges confidential information subject to appropriate safeguards. It has no responsibilities now as group-wide supervisor but, as an involved supervisor, it is an active member of supervisory colleges for five foreign-owned insurers.

Sugese undertakes macroprudential supervision in cooperation with the CBCR and is planning enhancements. Sugese identifies and analyses insurance market developments and cooperates on top-down stress tests led by the CBCR. It contributes to wider financial stability work through the inter-agency Financial Stability Committee (FSC) and its working groups. It collects detailed information useful for macroprudential supervision. It needs (and plans) to introduce a systemic risk identification methodology for insurers and to further develop stress testing with the CBCR to include natural catastrophes.

This report makes recommendations, addressed to Sugese, Conassif and the Government of Costa Rica, aimed at achieving a higher level of observance. Most of the recommendations may be met by Sugese and Conassif working together, as they already are in many of the areas needing enhancement, to strengthen regulatory or supervisory requirements. There are other areas in which changes to primary legislation appear necessary, including extending regulatory and supervisory powers, addressing exempt business and enhancing institutional arrangements.

Assessment of Insurance Core Principles

1 Introduction and scope

This document provides a detailed assessment of regulation and supervision of the insurance sector in the Republic of Costa Rica. The assessment was conducted by a team of assessors: Ian Tower, insurance regulation and supervision consultant; Frane Mazovec, Insurance Supervision Agency of Slovenia, Slovenia; Alex Romero, Alaska Division of Insurance, US; Désirée Scharbaay, Centrale Bank van Aruba; Manuela Zweimueller (until 15 August 2025), International Association of Insurance Supervisors (IAIS); and Tom Wicling (from August 2025), IAIS.

The assessment was conducted on behalf of the IAIS at the request of the General Superintendency of Insurance (Superintendencia General de Seguros de Costa Rica (Sugese)), an IAIS member supervisor. The work was carried out between May 2025 and June 2026, including two weeks in person in San José, Costa Rica from 18 to 29 August 2025, and concluded with the publication of this report in mid-2026. The assessment is benchmarked against the Insurance Core Principles (ICPs) issued by the IAIS in October 2011, including revisions approved by the IAIS up until December 2024. The ICPs apply to all insurers, whether private or government-controlled, in all markets. Specific principles apply to the supervision of intermediaries.

The objectives of the assessment are to enhance understanding of the ICPs, aid in their implementation, identify major differences between existing practices and international standards, and provide recommendations and advice to help with the future development of supervisory programmes. The assessment should not be construed to be part of the IMF-World Bank Financial Sector Assessment Program (FSAP).

This detailed assessment included reviews of laws, regulations etc, and a full self-assessment of observance of the ICPs prepared by Sugese, which also made available selected confidential supervisory documents. Meetings were held with the Senior Management and staff of Sugese and of the National Supervisory Council for the Financial System (Conassif), the Central Bank of Costa Rica (CBCR), other agencies, representative insurers and intermediaries, auditors and industry associations. The purpose of these meetings was to understand the regulatory requirements and supervision approach and to evaluate their application in practice.

2 Information and methodology used for the assessment

The level of observance for each ICP reflects assessment against its standards. Each ICP is rated in terms of the level of observance as follows:

- Observed (O): For a Principle Statement to be considered Observed, all the standards must be considered observed (except any standards that are considered not applicable).
- Largely Observed (LO): For a Principle Statement to be considered Largely Observed, there must be only minor shortcomings that do not raise any concerns about the supervisor's ability to achieve full observance with the Principle Statement.
- Partly Observed (PO): – For a Principle Statement to be considered Partly Observed, there are sufficient shortcomings that raise doubts about the supervisor's ability to achieve observance.

- Not Observed (NO): For a Principle Statement to be considered Not Observed, there is no substantive progress towards achieving observance.
- Not Applicable: For a Principle Statement to be considered Not Applicable, all the standards must be considered not applicable.

The assessment is based solely on the laws, regulations and other supervisory practices in place at the time of the on-site phase of the assessment (29 August 2025). Although the assessment does not reflect ongoing regulatory initiatives, some proposals for regulatory reform are discussed by way of additional comments in this report.

The authorities provided a self-assessment, supported by examples of actual supervisory practices and assessments related to regulated legal entities. These examples enhanced the robustness of the work. Technical discussions with, and briefings by, officials from Sugese have also enriched this report, as have discussions with industry participants and industry and professional associations. Discussions with these stakeholders were conducted on a confidential basis, without the presence of representatives of the supervisor.

3 Preconditions for effective insurance supervision

Sound and sustainable macroeconomic and financial sector policies

The Ministry of Finance (MoF) prepares the national budget and oversees its implementation. The Government of Costa Rica has defined a Medium-Term Fiscal Framework for the years 2024–29. A fiscal rule limiting the growth of nominal total government spending in accordance with the level of public debt has been set out in legislation and has resulted in a reduction of the level of public debt (around 60% of gross domestic product (GDP)) in recent years. Costa Rica has sovereign access to international capital markets on favourable terms.

The CBCR is responsible for monetary policy, which, under the Central Bank of Costa Rica Law (CBCRL), is aimed at controlling inflation, managing interest rates and ensuring currency stability. The CBCR currently targets a 3% per annum inflation rate over a 12- to 24-month period, with a tolerance range of ±1 percentage point. The International Monetary Fund (IMF) projected the 2025 rate to be 0.4%. The exchange rate is allowed to move flexibly in response to market conditions (a managed floating regime), subject to stabilisation operations conducted by the CBCR under its policy framework. The US dollar (USD) is widely used, accounting for around 35% of banks' loans and deposits.

Costa Rica has received significant support from the IMF in recent years. In June 2025, the IMF approved a two-year arrangement under the Flexible Credit Line (FCL) for around USD 1.5 billion. Access to the FCL is limited to countries with strong economic fundamentals and institutional policy frameworks. The IMF noted the country's track record of implementing strong policies and commitment to maintaining such policies in the future. In 2021, Costa Rica was admitted to membership of the Organisation for Economic Co-operation and Development (OECD) following an extensive accession review process.

Under the CBCRL, the CBCR is responsible for promoting favourable conditions for the soundness, liquidity, solvency and proper functioning of the financial system. It exercises the regulatory function through Conassif, an independent body attached to the CBCR, of which the CBCR's President is a member and which is charged with bringing uniformity and integration to the regulation and supervision activities of the financial system.

Supervision is carried out by other bodies (superintendencies) attached to the CBCR and responsible for the different sectors of the financial system under separate governing legislation. They include:

- The General Superintendency of Financial Entities (Sugef), for the supervision of banks and certain non-bank financial institutions;
- The General Superintendency of Securities (Sugeval);
- The Superintendency of Pensions (Supen); and
- Sugese.

In addition to approving all regulations, Conassif serves as the governing body of the superintendencies.

The CBCR shares responsibility for macroprudential supervision with Conassif and the superintendencies. The Financial Stability Committee (FSC) makes recommendations on the management of systemic risks and the implementation of macroprudential policies, including stress testing, simulation exercises and crisis management. It meets quarterly, supported by the Financial Stability Department of the CBCR. Its members are the President of the CBCR, the Vice Minister of Finance, a Conassif representative and the Director of the Deposit Guarantee Fund (DGF) of the CBCR (the deposit insurance scheme). The CBCR issues an annual Financial Stability Report (FSR).

A feature of the financial system is the significant share of state-owned financial institutions, resulting from a state-led economic development model of the past. Despite the growth of private sector institutions following the market opening, the two largest banks are state-owned and two other public banks were created by special laws. The state-owned former monopoly remains the largest insurer. A small unit within the Ministry of the Presidency (the Presidential Advisory Unit on State-Owned Enterprises (SOEs)) is responsible for SOE oversight with a mandate to, amongst other things, formalise, professionalise and make more transparent the appointment process of SOE Board members. Its approach is developing (in February 2026, Sugese submitted to the Parliament proposed legislative measures aimed at strengthening the policy framework for the state-owned insurance company).

There is also a framework for anti-money laundering and combating the financing of terrorism (AML/CFT) regulation and supervision. The superintendencies are responsible for AML/CFT supervision of supervised financial institutions. The Financial Intelligence Unit (FIU), which is part of the national drug authority, collects and analyses suspicious transaction reports and registers certain designated non-financial businesses and professional bodies (DNFBPs), amongst other functions.

Well-developed public infrastructure

There is a developed framework of business laws covering companies (the Commercial Code), insolvency (Commercial Code and Code of Civil Procedure), contracts (the Civil Code) and consumer protection (Law for the Promotion of Competition and Effective Consumer Protection).

Article 9 of the Constitution affirms the principle of judicial independence and provides for rights to a hearing, defence, equality and procedural fairness and to be judged by impartial and independent courts. The Judicial Power (the judicial branch of government, with the Supreme Court of Justice at its head) has the duty to administer the justice system, according to guidelines established in the Organic Law of the Judiciary. The Supreme Court has four chambers, one of which is the Constitutional Court. There are appeals courts and other lower courts. There is no specialist court dedicated to commercial cases.

The Constitution also creates rights to settle property disputes through arbitration, even if there is pending litigation. Alternative mechanisms for resolving disputes operate within the framework of the Law on Alternative Conflict Resolution and Promotion of Social Peace and include the Conciliation and Arbitration Center of the Costa Rican Chamber of Commerce.

Costa Rica has adopted International Financial Reporting Standards (IFRS). The College of Public Accountants of Costa Rica (CPACR) is authorised to adopt accounting standards under Article 14 of the Law on the Regulation of the Public Accounting Profession and Creation of the College of Public Accountants of Costa Rica of 1947. It has adopted full IFRS (and adopts new standards as they are issued) for use in financial reporting (separate and consolidated accounts) by listed companies. All other companies may elect to use either full IFRS or the IFRS for SMEs Standard. There are no separate national accounting standards.

For regulated financial institutions, Conassif regulations require that all regulated legal entities use full IFRS, with specific prudential or regulatory exceptions.

The CPACR is also responsible for audit standards and requires the use of International Standards on Auditing (ISA). It is a non-government public entity and a member of the International Federation of Accountants (IFAC). There is an equivalent body for private accountants, the College of Private Accountants of Costa Rica.

In addition to maintaining a registry of authorised public accountants and setting both accounting and auditing standards, the CPACR's functions include establishing ethical standards for authorised public accountants, implementing an investigation and discipline system and a quality assurance review system for its members, and providing input on the accountancy curricula for authorised public accountants. Neither the CPACR nor any other body is a member of the International Forum of Independent Audit Regulators (IFIAR).

Audit firms for regulated legal entities must also be registered in the Registry of External Auditors administered by Sugeval. To be included in the registry, they must comply with the CPACR's requirements and quality standards and with Conassif's detailed requirements, including on independence and rotation of auditors.

There is no local specialist actuarial professional body. However, actuaries are regulated by the Association of Professionals in Economic Sciences (CCECR). It requires registration but not specific qualifications (or subsequent tests), and has no role in the issuance of actuarial practices or regulatory standards. Actuaries must present evidence of their relevant training as a condition of registration by the CCECR.

As of August 2025, there were 124 registered actuarial professionals, a large increase over the low numbers when the insurance market was opened to private sector involvement in 2008, but not sufficient to meet demand. Foreign-owned insurers (the majority) often rely extensively on actuarial teams at other member companies of their groups to provide them with actuarial services.

In 2012, Sugese, in collaboration with the University of Costa Rica, established a technical training programme in actuarial science to increase the supply of specialised professionals. An actuarial degree programme has recently been created at the university.

Financial market participants have access to payment and clearing systems for the settlement of financial transactions. The payment system is managed by the CBCR in accordance with its objective in law to promote the efficiency and proper functioning of both domestic and international payment systems.

The National Electronic Payment System (SINPE) provides electronic fund transfers between accounts and facilitates participation in the money and foreign exchange markets organised by the CBCR, such as the Integrated Liquidity Market and Foreign Currency Market. It offers a wide range of payment services, including credit and debit transactions. SINPE is recognised as systemically important. The National Stock Exchange provides settlement services for other markets.

Under the National Statistics System established by law, the National Institute of Statistics and Censuses (INEC) acts as the governing body for the production and publication of statistics. It works with the CBCR, the superintendencies and other public institutions in respect to their contribution to official statistics, as well as with private bodies where necessary. Data on mortality for use by insurers in valuation of life insurance liabilities is produced by the Central American Population Research Center at the University of Costa Rica, which draws on population census results.

A wide range of statistics, including population data, economic statistics, price indices and social and environmental statistics, are available in practice. Censuses, including of population and housing, are conducted.

Effective market discipline in financial markets

The Commercial Code sets out detailed provisions on the operation, administration and control mechanisms of corporations, including special rules for joint stock companies (Sociedades Anónimas). It provides a framework for the protection of shareholder rights, such as the right to information, the right to participate in decision-making and the right to receive dividends, with the objective of ensuring that shareholders are well informed and can exercise their corporate rights effectively.

The regulation on corporate governance issued by Conassif (Conassif Agreement 04-16) sets out the most important governance standards in the country. Issued in 2016 and based on the G20/OECD Principles of Corporate Governance, the regulation applies to all legal entities operating in the financial markets, including banks, listed companies, state-owned banks, SOEs making bond offerings, pension funds, insurers, institutional investors and market operators. It has most recently been extended to cover holding companies and companies that are members of regulated financial groups and conglomerates.

There is also a Voluntary Code of Best Corporate Governance Practices issued (before the Conassif regulation) by the Costa Rican Institute of Corporate Governance (ICG). The ICG is a non-profit association funded by members and the National Stock Exchange with a mission to promote good corporate governance. Given the scope of the Conassif regulation, the ICG now promotes use of the Voluntary Code mainly amongst non-regulated small- and medium-sized enterprises (SMEs).

Mechanism for providing an appropriate level of policyholder protection

There are some elements of an insurance safety net to protect policyholders in case of insurer failure. Policyholders have preference over most other creditors in a liquidation (see ICP 12). There is, however, no insurance guarantee scheme/policyholder protection fund that would make available resources for policyholders and beneficiaries who might otherwise suffer losses in case of an insurer's failure.

Although insurers should handle complaints fairly themselves, policyholders whose complaints have been rejected may also seek to have them addressed by policyholder advocacy offices (insurance consumer protection offices), which all insurers are required to establish as bodies funded by, but independent of, the insurer itself. In practice, nine of the 12 insurers have collectively established a single body, the Insured Defence Center, to carry out this function.

Insurance consumer protection offices provide non-binding adjudications. Complainants may at any time take their case to the court. They may also be eligible to make a complaint to the National Consumer Commission (CNC), an agency under the Ministry of Economy, Industry and Commerce (MEIC), which has powers in respect to insurance (and consumer products and services generally) under consumer protection law.

At the judicial level (as mentioned above), in addition to the courts, there are alternative dispute resolution mechanisms regulated by the Law on Alternative Conflict Resolution and Promotion of Social Peace.

Efficient financial markets

The capital markets operate under the single stock exchange, the National Stock Exchange, which is primarily owned by brokerages. It is a self-regulated entity and offers platforms for the primary and secondary markets, with clearing and settlement of transactions carried out by the exchange itself in cooperation with the CBCR and SINPE.

Custody services are offered by central securities depositories (CSDs), financial institutions subject to Sugef's supervision and brokerages.

Capital market activity is dominated by primary public debt issuance, with an underdeveloped corporate debt and equity market. Debt capital markets comprise:

- The money market, including the Integrated Liquidity Market (ILM) organised by the CBCR, Liquidity Market (MEDI) and Repo Market (REPO) (although they are permitted, there is no domestic market for derivatives); and
- The debt market, a public debt market that includes securities issued by the MoF and the CBCR (primarily fixed-rate, adjustable-rate and inflation-indexed bonds) and private debt (certificates of deposit, commercial paper and bonds).

The main issuers in the market are the MoF and the CBCR. As of June 2024, central government debt was 60.9% in local currency, 32.1% in USD and 7% in other currencies. There were seven-, 10-, 15- and 20-year issues, with around 60% of outstanding debt being over five years. Around 70% was fixed rate. Approximately three quarters of the public debt stock was held domestically, mainly by pension funds and banks. All transactions in the government bond market are carried out in the stock market, with limited trading in the secondary market.

The equity market is underdeveloped because of the significance of SOEs and the prevalence of family-owned businesses that rely on loans from banks. As of late 2024, there were 10 listed companies, spanning financial institutions, construction, technology and logistics. New stock issuers are rare. In December 2024, the amount traded in the secondary market of shares in local currency was under 1% of the total traded (including debt). Market capitalisation was equivalent to 3.2% of GDP in 2022.

4 Assessment summary tables

Table 1: Summary of observance of the ICPs

ICP	Level	Overall comments
1 – Objectives, Powers and Responsibilities of the Supervisor	LO	Conassif and Sugese are clearly identified in legislation as the regulatory and supervisory authorities for the insurance sector. There is no authority for one insurer whose business is exempted from the Insurance Market Regulatory Law (IMRL) (ICP 1.1). The IMRL also sets out objectives, although Sugese's objective in respect to financial stability is limited to the stability of the insurance sector (ICP 1.2). Conassif and Sugese have a wide range of powers. However, Sugese lacks powers to require an insurer to remove persons subject to the suitability requirements and to approve all changes in control of an insurer. Neither Sugese nor any other body has a full range of powers for resolution of an insurer (ICP 1.3).
2 – Supervisor	PO	Conassif and Sugese enjoy a high degree of operational and financial independence from government. There are robust requirements on conflicts of interest and confidentiality of supervisory information. Decisions are open to appeal and are challenged in practice. However, the Minister of Finance's full participation in Conassif's work is a potential channel of undue political interference (ICP 2.1), even if there is no evidence of such in practice to date. Both Conassif and Sugese lack protection in law from legal actions for damages resulting from their decisions taken in good faith (ICP 2.2). Government fiscal measures are constraining financial management and recruitment. Both agencies face challenges in managing workloads – especially in supervision – with current resources (ICP 2.10).
3 – Information Sharing and Confidentiality Requirements	LO	There is a well-established framework for information-sharing, subject to confidentiality requirements. The legislative basis is reinforced by Conassif processes, while a broad network of bilateral, regional and multilateral agreements provides effective channels for exchange of confidential information. Domestically, cooperation across the financial system is supported by the four-party MoU. Information exchange operates effectively where Sugese has signed an MoU. Requests are specific, confidentiality safeguards are consistently applied and internal service standards provide discipline in handling requests. Sugese has applied to become a signatory to the IAIS Multilateral Memorandum of Understanding on Cooperation and Information Exchange (MMoU), which would facilitate Sugese's ability to exchange confidential information widely, with safeguards.

4 – Licensing	PO	Legislation clearly sets out a requirement for insurers to be licensed and the application processes, with Sugese as the licensing authority. There are extensive licensing criteria and, in practice, Sugese evaluates applications and has both denied and approved them. It publishes a list of licensed legal entities and the scope of the licence. The exemption in law of the mandatory life insurance for teachers means that one large insurer is not licensed by Sugese under the IMRL or otherwise regulated, nor are there any other appropriate alternative safeguards for policyholders (ICP 4.1). Sugese lacks the ability to reject licence applications from subsidiaries of foreign insurers where it has been unable to obtain input from the other involved supervisors of the parent insurer. Sugese would always seek such input in practice.
5 – Suitability of Persons	PO	The suitability regime is well developed in law and regulation and is applied through risk-based supervision. The design captures individual and collective suitability. In practice, supervisors review appointment files and Board self-assessments and track corrective actions. However, there is no explicit duty to report adverse events affecting suitability (ICP 5.4), creating ambiguity over required timeliness and minimum evidence. There is also no statutory power for Sugese to order the suspension or removal of unsuitable individuals (or to require insurers to take such action) (ICP 5.5).
6 – Change of Control and Portfolio Transfers	PO	Legislation establishes requirements and processes for certain changes of control and for portfolio transfers. Notification requirements apply to insurers in respect to proposed changes of control, but there is no requirement to always seek Sugese approval (ICP 6.1). Sugese must approve all portfolio transfers, which it most recently completed for a 2022 transfer. There are provisions in competition law for exchange of information and coordination between Sugese, Conassif and the competition authority, which empower Conassif and Sugese to approve changes of control arising from mergers specifically. However, existing laws and regulations do not provide for Sugese approving all changes of control of insurers (ICPs 6.1 and 6.2).
7 – Corporate Governance	LO	Laws and regulations provide a clear and comprehensive set of requirements. In practice, Sugese assesses governance through a structured, risk-based supervisory programme and takes actions to require improvements in governance where necessary. Areas for enhancement include broadening the scope of remuneration policies to cover all material risk-takers and introducing tools such as deferral, malus and clawback, with evidence of their use (ICP 7.6); extending the expectations for group and branch governance, although Sugese does practice group-wide supervision of the governance of the one insurer-led financial group and there are no insurance groups; and

		strengthening supervisory work and reporting on Board effectiveness, especially the extent and quality of Board challenge to management.
8 – Risk Management and Internal Controls	LO	There are extensive requirements on insurers' risk management and internal controls. Outsourcing is permitted, but there is no requirement that the insurer retain at least the same degree of oversight of and accountability for any outsourced material activity or function as applies to non-outsourced activities or functions (ICP 8.8).
9 – Supervisory Review and Reporting	LO	Sugese carries out extensive prudential supervision of insurers within a risk-based framework that includes thorough risk assessment, off-site and on-site supervisory work, reporting to the Boards and Senior Management of insurers and specification of required actions. Supervision work is carefully planned and both findings and required actions thoroughly documented, including in annual supervisory letters to the Board of each insurer. Issuance of key reports could, however, be faster. Sugese's risk-based approach allows supervisors to react to emerging risks. It would benefit from adoption of an explicit risk appetite framework to guide resource allocation, given resource constraints. The supervisory approach excludes business conduct, although there are plans here (see ICP 19). Increased specialisation of supervisory staff (to add to the recent recruitment of actuaries and existing IT experts), already necessary, is likely to become more important as conduct work is added to the many issues covered by supervisors.
10 – Preventive Measures, Corrective Measures and Sanctions	O	Sugese has extensive powers, which it uses in practice, to require actions and impose sanctions. It may intervene in case of unlicensed activity. The toolkit of requirements on preventive and corrective actions (including dividend and activity restrictions) is extensive. Sugese's supervisory processes require verification of implementation and effectiveness. Escalation is applied where risks increase and sanctions are criteria-based. Sugese lacks powers to suspend or remove directors, Senior Management or key function holders or to require insurers to do so, which reduces its leverage when insurers' remedial actions prove insufficient (ICP 10.5; see also ICP 5). It also faces legal obstacles to the imposition of sanctions on individuals as provided for in the IMRL and has been unable to take such action in practice.

12 – Exit from the Market and Resolution	PO	There are extensive provisions on the voluntary exit of insurers, which have been tested in practice. However, there is no resolution authority or resolution powers and processes (including a protection fund) for insurers. The approach to the failure of an insurer, which has not been tested in practice, would rely on general bankruptcy proceedings. Sugese would by law be involved in the initiation of such proceedings (although not in the process itself), and there are requirements in insurance legislation giving high priority to policyholders. Sugese is well equipped to cooperate with other authorities. However, the point at which Sugese would trigger bankruptcy is not well defined (ICP 12.7; see also ICP 17). In the absence of a framework for the supervision of systemically important insurers, Sugese has not undertaken resolution planning or otherwise prepared itself for the necessary actions (ICPs 12.3–12.4). Legislative change would be required to equip Sugese (assuming it is the resolution authority and existing bankruptcy provisions are inadequate, at least for systemically important insurers) with the appropriate range of tools (ICP 12.8).
13 – Reinsurance and Other Forms of Risk Transfer	LO	There are extensive and detailed regulatory requirements on reinsurance, covering the impact of reinsurance on insurers' credit, concentration and liquidity risks; RM and supervisory reporting requirements. Sugese actively supervises the effectiveness of the reinsurance risk management of the insurer, including reviewing contracts and programmes. An assessment of the home supervision of foreign reinsurers is not performed in detail, with reliance placed instead on the financial strength ratings of the reinsurer (ICP 13.4).
14 – Valuation	LO	The current valuation methodology is prescriptive and underpinned by IFRS 4 accounting standards (IFRS 17 is scheduled to be implemented date for solvency purposes from 1 January 2028). The valuation of liabilities does not specify the use of a prospective approach based on projected future cash flows. There is no requirement to use unbiased cash flows or to include margins over current estimate (MOCE) (ICPs 14.6–14.8). There is also no allowance for the cost of options and guarantees in the valuation of insurance liabilities (ICP 14.10). However, the insurance market does not write significant quantities of complex, long-term life insurance products and there are no products containing options or guarantees. Sugese takes action when insurers are not reserving adequately.
15 – Investments	LO	There are extensive, mostly qualitative requirements for solvency purposes, including on security, settlement, custody etc, as well as solvency requirements that incentivise a prudent investment approach. Quantitative requirements are limited but support a minimum amount of investment in highest-quality, relatively liquid investments.

		There are no quantitative requirements on group investment risks (ICP 15.1) or on investments in instruments that are more complex and less transparent (ICP 15.5). Insurers are not explicitly required to assess credit risk independent of the external credit rating or to consider the impacts of climate change on their investments (ICP 15.2). Sugese does, however, address investment activities and risk in its supervisory work, taking into account the lack of significant long-term business and concentration of investment portfolios in government and other public sector bonds.
16 – Enterprise Risk Management for Solvency Purposes	PO	There are many requirements, including for an ERM framework and for insurers to have investment, underwriting and liquidity policies; a risk appetite statement and an RSSA, which contains elements of what is expected of an own risk and solvency assessment (ORSA) in ICP 16. Supervisory practice is thorough. However, there are limited requirements for quantitative tools and in respect to risk interdependencies (ICPs 16.1–16.14) and a full ALM policy (ICP 16.5). The requirements on RSSAs do not extend to making them an integral part of strategic decision-making, capital management and the RM process, nor do they require insurers to build in a longer-term perspective (ICPs 16.10–16.14). No pre-emptive recovery scenarios or options for recovery are required of insurers (ICP 16.15). In the future, Sugese, working with Conassif, intends to introduce measures to strengthen ERM requirements in the context of the planned development of solvency requirements (see ICPs 14 and 17).
17 – Capital Adequacy	PO	There is an extensive framework, including requirements for insurers to calculate capital requirements for six risk types and to maintain a capital base (in mostly high-quality forms of capital) of at least 130% of the requirements. Although there are no insurance groups at present, a framework for group-wide capital requirements is in place (see ICP 23). The framework has been revised periodically. It will be revised again to reflect the planned implementation of IFRS 17 and, in the longer term, reformed to provide for a more fully risk-based approach. Sugese is satisfied that current requirements provide adequately for insurers to be able to absorb unexpected losses. However, the current approach is not based on the full balance sheet (ICP 17.1), is backward-looking and lacks explicit target criteria for the calibration of requirements applied consistently across risks (ICP 17.8). It is not supported by a full framework of solvency control levels, lacking a defined minimum capital requirement (MCR) at which point strongest measures would be taken (ICPs 17.3–17.4).
18 – Intermediaries	PO	There are extensive requirements on licensing and regulation of intermediaries. Sugese publishes a list of intermediaries showing their

		licensing status and scope and any issued sanctions. There are extensive governance and financial requirements applying to intermediaries operating in corporate form and requirements on protection of client monies. Sugese also monitors, through an industry-accessible portal and on-site supervision, updated professional education and experience information on intermediaries. Ongoing supervision of intermediaries is limited owing to the lack of a risk-based conduct of business supervision framework and staff resource constraints, which prevent frequent and effective on-site evaluations (ICP 18.2; see also ICP 19).
19 – Conduct of Business	PO	Laws and regulations provide for business conduct regulation and supervision. However, the lack of a risk-based business conduct supervision model equivalent to the approach taken to prudential and AML/CFT supervision means that supervision is limited overall and mainly reactive. It lacks a proactive assessment of conduct risk affecting fair treatment of consumers (ICPs 19.1, 19.2 and 19.4) and comprehensive regulations on product development and promotion (ICPs 19.5 and 19.6), contractual information and disclosed circumstances (ICPs 19.7 and 19.8), policy servicing and claim handling (ICPs 19.9 and 19.10), complaints (ICP 19.11), protection of consumer information (ICP 19.12) and disclosing specific conduct performance information that supports the fair treatment of customers. (ICP 19.13). There are no requirements that insurers and intermediaries take into account the consumer's disclosed circumstances when evaluating their insurance demands and needs (ICP 19.8).
20 – Public Disclosure	PO	Disclosure requirements are driven mainly by IFRS-based financial reporting requirements, greatly supported by materials published by Sugese on its website. Sugese regularly reviews the scope of this published information in response to user feedback. Insurers themselves make extensive disclosure on their websites. However, there are shortfalls in requirements, including: on the objectives and policies of investment management (ICP 20.7); for investments, on the values, assumptions and methods used for general purpose financial reporting and solvency purposes (ICP 20.7); on information on ALM, including the measurement methodology, and on any capital or provisions held against mismatches (ICP 20.9); and on liquidity risk (ICP 20.11).
21 – Countering Fraud in Insurance	PO	Although legislation criminalises insurance fraud and establishes powers and administrative and criminal processes for taking action against insurance fraud offenses, it does not include good-faith reporting of fraud (ICP 21.1). Sugese does not have a comprehensive risk assessment of the sector's fraud exposure (ICP 21.2) or a supervision framework for monitoring and enforcing regulated legal

		entities' anti-fraud compliance (ICP 21.3). There are no mechanisms in place for insurance fraud detection and deterrence (ICP 21.4). Outreach and coordination are not conducted with regulated legal entities, other regulators or law enforcement (ICP 21.5).
22 – Anti-Money Laundering and Combating the Financing of Terrorism	LO	The AML/CFT regime is robust in law and applied through a functioning risk-based programme. Sugese is active in domestic and international cooperation, including preparations for the next Financial Action Task Force of Latin America (GAFILAT) mutual evaluation in 2026. However, although supervisors have a good working understanding of risks in the insurance sector, at the time of the assessment there was no risk assessment for the insurance sector (ICPs 22.1–22.2) (a report by an external consultant aimed at fulfilling this need has since been received). AML/CFT oversight of intermediaries is limited (ICPs 22.3–22.4). There is a need for more systematic follow-up on external AML/CFT audit reports and clearer feedback loops to insurers to ensure recommendations are implemented (ICP 22.4), as well as stronger escalation discipline and transparency in enforcement outcomes (ICP 22.5).
23 – Group-wide Supervision	O	There are extensive provisions in law and regulations, developed to apply to all financial groups regulated by the superintendencies, including Sugese. They cover the identification of the group-wide supervisor and the determination of the scope of group-wide supervision. The framework applies to insurance groups. There is currently one domestic insurance group, but it is not regulated as such in practice and Sugese is therefore not currently exercising group-wide supervision over any insurance group. It would, however, be able to do so where necessary. It is already exercising consolidated supervision, under the framework for financial groups, in the case of one which is the parent of a group containing other financial entities.
24 – Macroprudential Supervision	PO	Sugese identifies and analyses insurance market developments and environmental factors, including through its involvement in top-down stress tests led by the CBCR. It contributes to wider financial stability work, particularly through its involvement in the work of the FSC. Sugese collects detailed information useful for macroprudential supervision and publishes comprehensive statistics. It has a good overview of potential risks to the stability of the sector (inward risks). It plans enhancements, including the introduction of a systemic risk identification methodology for insurers and development of stress testing to include natural catastrophes. However, in common with systemic importance (ICP 24.3), outward risks (ICP 24.2) are not yet fully assessed. Although significant attention is given to climate-related risks, a wide-ranging

		macroprudential perspective is not systematically integrated into risk-based supervision (ICP 24.4).
25 – Supervisory Cooperation and Coordination	O	As in the case of insurance group supervision (ICP 23), the regulatory framework exists for effective cross-border cooperation by Sugese as group-wide supervisor of a cross-border group. However, it does not in practice have to act in this capacity and many of the ICP standards are therefore not applicable. As an involved supervisor, Sugese participates in supervisory colleges led by the group-wide supervisor, including for the one IAIG represented in its jurisdiction. Sugese staff understand the group structure and the relationships between the Costa Rican entity, a small part of the group, and the wider group.

Table 2: Summary of observance levels

Total	24
Observed (O)	3
Largely Observed (LO)	9
Partly Observed (PO)	12
Not Observed (NO)	0

Table 3: Recommendations to improve ICP observance levels[1]

ICP	Recommendations
1 – Objectives, Powers and Responsibilities of the Supervisor	It is recommended that the Government of Costa Rica: • Broaden Sugese's financial stability objective to include contributing to financial stability work in line with practices; • Extend supervisory and resolution powers to fill current gaps; and • Extend the scope of insurance regulation to include the insurer currently subject to exemption.
2 – Supervisor	It is recommended that the Government of Costa Rica: • Strengthen the independence of Conassif (and thereby also Sugese) by removing the Minister from membership of Conassif;

[1] Some recommendations reflect actions that are already in progress but are yet to be implemented or made operational.

	• Provide for protection from legal action for Conassif, Sugese and staff; and • Ensure that both agencies have adequate resources to manage existing workloads and potential increased demand in the future, especially for supervisory work, as the insurance sector grows.
3 – Information Sharing and Confidentiality Requirements	It is recommended that Sugese: • Sign the IAIS MMoU to complete alignment with the global standard for information exchange; • Formalise a written process for verifying counterpart confidentiality safeguards; • Monitor and report performance against Sugese's service standards both internally and, in aggregate form, through the annual report; and • Publish a list of all MoUs, including, where possible, supervisory college MoUs to which Sugese is a signatory, with a summary of details including the counterpart authorities and year of signature.
4 – Licensing	It is recommended that: • The Government of Costa Rica amend the insurance legislation to ensure that the provision of mandatory life insurance for teachers is subject to licensing and supervision; and • Conassif extend its licensing requirements to align the treatment of branches and subsidiaries of foreign insurers by making it a condition of licensing that Sugese receive appropriate communication from the other involved supervisor of the parent.
5 – Suitability of Persons	It is recommended that: • Sugese define an explicit duty to report adverse events affecting suitability (eg indictments, sanctions listing, bankruptcy petitions, regulatory bans) within a defined time frame, with minimum evidence and an escalation path; • The Government of Costa Rica make legislative changes to provide a power for Sugese to suspend or remove directors, Senior Management or key persons in control functions (or to require insurers to do so) when they are no longer fit and proper, including interim measures such as temporary vacancy declarations; and • Sugese strengthen ongoing suitability assessment by requiring biennial reconfirmation of competence and integrity for in-scope roles (including continuous professional development (CPD) logs for key functions) and by sampling files during supervision; Boards should minute outcomes and action plans.
6 – Change of Control and	It is recommended that:

Portfolio Transfers	• The Government of Costa Rica amend relevant legislation to provide for all changes of control, broadly defined, to be subject to prior approval by Sugese.
7 – Corporate Governance	It is recommended that Sugese, in addition to continuing to raise standards of governance, including on the independence and effectiveness of Boards: • Extend remuneration requirements to apply to all material risk-takers, embed deferral/malus/clawback tools and test outcomes in practice; • Encourage Boards to incorporate periodic external input into the required annual self-review process to enhance objectivity; • Further clarify expectations for group and branch governance, considering for example delegation letters, responsibility matrices and local accountability; and • Strengthen Board oversight by ensuring Boards have a full role, including in challenging management, in the design of stress tests and RSSA development and use.
8 – Risk Management and Internal Controls	It is recommended that Sugese, working with Conassif as required, introduce a requirement for insurers to have a review and approval process for outsourcing services that explicitly includes retaining oversight of and accountability for any outsourced material activity.
9 – Supervisory Review and Reporting	It is recommended that, in addition to introducing a risk-based approach to conduct of business supervision (see ICP 19 recommendations), Sugese: • Develop and document a supervisory risk appetite to support its allocation of supervisory resources; • Increase specialisation in supervision work to support effective supervision given growing demands; and • Set and monitor target timelines for all reports going to insurers in order to ensure that findings and required actions are communicated to insurers promptly after the completion of supervisory work.
10 – Preventive Measures, Corrective Measures and Sanctions	It is recommended that Sugese: • Strengthen supervisory capacity for enforcement by formalising proactive detection of unlicensed activity (eg routine media monitoring, complaint analytics, inter-agency alerts) and publishing an annual note on outcomes; • Improve follow through by setting indicative timelines in supervisory letters, adopting internal escalation steps with time-bound triggers and disclosing aggregate timeliness in the annual supervisory review; and • Consider, with Conassif and other superintendencies, how to strengthen its ability to impose sanctions on a wide range of individuals using powers under Article 41 of the IMRL, seeking legislative change if necessary.

12 – Exit from the Market and Resolution	It is recommended that: • The Government of Costa Rica make legislative changes to provide for resolution powers and appropriate triggers for their use and for existing powers in the IMRL to trigger bankruptcy; and • Sugese plan for resolution actions, giving priority to resolution planning for systemically important insurer(s), once identified.
13 – Reinsurance and Other Forms of Risk Transfer	It is recommended that Sugese perform a more detailed evaluation of the home supervision of foreign reinsurers.
14 – Valuation	It is recommended that Conassif and Sugese upgrade their valuation standards (implementation of IFRS 17, as planned, will assist).
15 – Investments	It is recommended that Sugese, working with Conassif as required: • Strengthen the qualitative requirements on insurers' investment activities to ensure they are required to assess credit risk independent of the external credit rating and to consider how climate change could have a material impact on their investments; • Review the existing quantitative requirements (40% of investments in high-quality assets), including whether to apply limits to instruments that are more complex and less transparent; and • Review the requirements applying to financial groups to ensure that groups are required to manage investments on a consolidated basis, identifying risk concentrations etc.
16 – Enterprise Risk Management for Solvency Purposes	It is recommended that Sugese, working with Conassif as required: • Expand the RSSA requirements to include a requirement for quantitative assessment of solvency over an extended time horizon; • Consider developing a framework for recovery planning for insurers; and • Develop more quantitative requirements, for example for stress testing and ALM.
17 – Capital Adequacy	It is recommended that Sugese, working with Conassif: • Revise the approach to solvency control levels, providing in the regulations for an explicit MCR level linked to triggers for taking the strongest intervention measures, taking into account the recommendations on ICP 12 in this assessment; • Review and revise the capital requirements, as planned, in two stages, to reflect IFRS implementation and, in the medium term, to implement a fully

	risk-based solvency regime based on the whole balance sheet and target criteria for calibration applied consistently across risks; • In the short term (because the timing of planned reforms is uncertain and will take some years), continue to keep the adequacy of current requirements under review and strengthen them where necessary; and • Consider revising the solvency control level for insurance groups in case one was to be established in the market.
18 – Intermediaries	It is recommended that: • Sugese allocate resources to enhance supervision of intermediaries, including through more on-site reviews undertaken according to risk assessment; and • Conassif approve and Sugese implement a risk-based conduct of business supervision model that would enhance ongoing intermediary supervision.
19 – Conduct of Business	It is recommended that: • Conassif approve for implementation a risk-based supervision model to bolster the supervision of business conduct activities; and • Conassif and Sugese ensure that planned regulations include a requirement for consumer advice based on circumstances and needs.
20 – Public Disclosure	It is recommended that, based on Sugese proposals, Conassif issue new regulations on insurer disclosures covering at a minimum the detailed issues not included in existing IFRS-based and other requirements.
21 – Countering Fraud in Insurance	It is recommended that Sugese: • Assign Sugese staff with training as contact points to evaluate fraud threats and disseminate assessments to the insurance sector; • Working with Conassif as necessary, require insurers to have an anti-fraud detection and RM plan, to include training for appropriate staff; • Encourage insurers and intermediaries to exchange information on suspected fraud threats and to establish a fraud database on suspected fraud events and suspects; • Establish coordination and information exchange with law enforcement and regulators regarding detected fraud risks, events, suspects and patterns; and • Educate the public on insurance fraud issues, for example by broadcasting fraud alerts on its website. It is recommended that the Government of Costa Rica make legislative changes requiring insurance entities to report suspected fraud and provide immunities for good-faith reporting for anyone reporting insurance fraud to the authorities.

22 – Anti-Money Laundering and Combating the Financing of Terrorism	It is recommended that Sugese: • Complete its current work on an AML/CFT risk assessment for the insurance sector and publish the result; this should then be used to guide inspections, thematic reviews and supervisory guidance; • Strengthen risk-based AML/CFT oversight of intermediaries by setting minimum standards for customer due diligence (CDD) files, conducting regular thematic file reviews, and tailoring supervisory testing and remediation to distribution channels; and • Enhance the quality of feedback to insurers and follow-up on audit recommendations.
23 – Group-wide Supervision	No recommendations.
24 – Macroprudential Supervision	It is recommended that Sugese: • Continue working with Conassif on a planned methodology for identifying systemically important insurers and implement the agreed approach; • Further integrate a macroprudential perspective into its supervisory approach; and • Extend macroprudential analysis to include more consideration of outward risks.
25 – Supervisory Cooperation and Coordination	It is recommended that Sugese, as involved supervisor: • Prepare to manage the cross-border impact of a crisis in the group or Costa Rican entity and continue to deepen its understanding of how the local operation may affect the rest of the group, if at all; and • Develop closer relations and, where possible, a framework for exchange of information with the supervisors of parent insurers/groups where it is not a member of a supervisory college.

5 Detailed Principle-by-Principle assessment

Table 4: Relevant laws and regulations

1. Laws	
Law 12	National Insurance Institute Law
Law 4573	Criminal Code
Law 6227	General Law of Public Administration

Law 7472	Law for the Promotion of Competition and Effective Consumer Protection
Law 7558	Central Bank of Costa Rica Law (CBCRL)
Law 7732	Securities Market Regulatory Law (SMRL)
Law 7786	Law on Narcotics, Psychotropic Substances, Drugs of Unauthorised Use, Related Activities, Money Laundering and Terrorism Financing
Law 8220	Law on Protection of Citizens from Excessive Requirements and Administrative Procedures
Law 8292	General Law on Internal Control
Law 8488	National Emergency and Risk Prevention Law
Law 8508	Contentious-Administrative Procedural Code
Law 8653	Insurance Market Regulatory Law (IMRL)
Law 8956	Insurance Contract Regulatory Law (ICRL)
Law 8968	Law on the Protection of Persons Regarding the Processing of Their Personal Data
Law 9398	Law for Improving Accountability
Law 9736	Law for the Strengthening of Competition Authorities in Costa Rica
Law 9746	Reform of the SMRL, Organic Law of the Judiciary, CCBCRL, IMRL and the Mandatory Complementary Pension Regime
Law 9957	Insolvency Law
Law 10051	Law to Promote Financing and Investment for Sustainable Development
Law 10159	Framework Law on Public Employment

2. Insurance market regulations	
Sugese Agreement 01-21	Regulation on Authorisations, Registrations and Operating Requirements of Entities Supervised by the General Superintendency of Insurance
Sugese Agreement 02-13	Regulation on the Solvency of Insurance and Reinsurance Entities
Sugese Agreement 03-10	Regulation on Insurance Commercialisation
Sugese Agreement 04-10	Regulations on Operating Requirements for Mandatory Insurance

Sugese Agreement 05-13	Group Insurance Regulations
Sugese Agreement 06-13	Regulation for the Defence and Protection of Insurance Consumers
Sugese Agreement 07-14	Regulation for the Unique Registry of Beneficiaries
Sugese Agreement 08-14	Regulation on the Registration of Insurance Products
Sugese Agreement 09-17	Regulation on Risk Management and Internal Control Systems Applicable to Insurance and Reinsurance Entities
Sugese Agreement 10-17	Comprehensive Insurance Supervision Framework
Sugese Agreement 11-20	Regulation on Inclusion and Access to Insurance
Sugese Agreement 12-21	Regulation on Submission of Periodic Information and Disclosure of Relevant Facts by Companies Supervised by Sugese

3. Financial system regulations (cross-cutting regulations)	
Conassif Agreement 01-10	General Regulation of External Auditors
Conassif Agreement 04-16	Regulation on Corporate Governance
Conassif Agreement 05-24	General Regulations for the Governance and Management of Information Technology
Conassif Agreement 06-18	Financial Reporting Regulation
Conassif Agreement 07-19	Regulation on the Procedure for the Exchange of Information between the Superintendencies of the Financial System
Conassif Agreement 09-21	Regulation of the Concentration Regime of the National Financial System
Conassif Agreement 10-21	Regulation on the Valuation of Financial Instruments
Conassif Agreement 12-21	Regulation to Prevent the Risk of Money Laundering, Financing of Terrorism and Financing of the Proliferation of Weapons of Mass Destruction
Conassif Agreement 15-22	Regulation on Suitability and Performance of Members of the Governing Board and Senior Management of Supervised Entities and Companies
Conassif Agreement 16-22	Regulation on Consolidated Supervision

Conassif Agreement 17-23	Regulation on the Methodology for Identifying Systemically Important Entities

4. Agreements by the Superintendent	
Agreement SGS-DES-A-021-2013	Provisions on the Submission of Accounting and Statistical Reporting
Agreement SGS-DES-A-025-2013	Provisions on Age-based Coverage Exclusion for Personal Insurance
Agreement SGS-DES-A-029-2013	Comprehensive Modification of General Guidelines for the Application of the Regulation on the Solvency of Insurance and Reinsurance Entities
Agreement SGS-DES-A-049-2016	General Guidelines for the Registration of Individual Intermediaries
Agreement SGS-A-0057-2017	General Guidelines for the Use of the Studies Execution and Follow-up (EES) Service
Agreement SGS-A-077-2021	Guidelines on the Disclosure of Information on Relevant Positions or Roles by Insurance Entities and Insurance Intermediaries to the General Superintendency of Insurance and the Operation of the Roles Service
Agreement SGS-A-0079-2021	Guidelines for the Communication of Relevant Facts by the Entities Supervised by the Superintendency of Insurance and the Operation of the Relevant Facts Service Provided by Sugese's Online Platform
Agreement SGS-A-0091-2022	Differentiated Guidelines for the Entities Supervised by Sugese Concerning the Regulation to Prevent the Risk of Money Laundering, Financing of Terrorism and Financing of the Proliferation of Weapons of Mass Destruction

Table 5: Detailed assessment of observance of the ICPs

ICP 1	**Objectives, Powers and Responsibilities of the upervisor** **Each authority responsible for insurance supervision, its powers and the objectives of insurance supervision are clearly defined.**
Description	***Supervisory authority*** Primary legislation identifies Sugese and Conassif as the authorities for the supervision and regulation, respectively, of the insurance sector (Articles 28–9 of the IMRL). Both are agencies attached to the CBCR, with administrative and

	budgetary independence. Sugese, Conassif and the superintendencies responsible for supervision of other parts of the financial sector together make up the National Financial Supervision System (Articles 169–77 of the SMRL). The CBCR itself does not have powers to regulate or supervise the insurance sector, although it does conduct analysis of the sector, in cooperation with Sugese, under its wide-ranging financial stability mandate (ICP 24). Sugese's mandate covers prudential and business conduct supervision as well as licensing and enforcement and making proposals on regulations to Conassif. Sugese operates under the direction of Conassif, which functions as its governing body (Article 28 of the IMRL) (see ICP 2). Conassif is responsible for issuing all regulations applicable to the insurance sector, including cross-cutting regulations (those applying to two or more sectors within the financial system) (Article 171 of the SMRL). It does not undertake supervision of the insurance sector, but receives reports from Sugese on developments in the sector (Article 131(i) of the CBCRL) and has certain intervention powers (see below). Conassif and Sugese also have regulatory and supervisory responsibility for insurance intermediaries (Articles 19–23 of the IMRL). Conassif's and Sugese's powers do not apply to one domestic insurer whose business is exempted from the IMRL (see ICP 4). There is no other oversight body for this insurer. Other bodies with responsibilities covering the insurance sector are: • The Commission for the Promotion of Competition (Coprocom), which by law must be notified of and seek Conassif's advice on certain proposed mergers etc (and insurance portfolio transfers) in the financial system (ICP 6); • The CNC, the authority responsible for oversight of compliance with general consumer protection requirements, which may consider certain complaints from policyholders (ICP 19); and • The FIU, the national AML/CFT authority within the national drug authority, which receives and responds to reports from insurers and shares information with Sugese but which has no regulatory or supervisory role (AML/CFT requirements are set out in legislation and Conassif regulations; Sugese undertakes AML/CFT supervision) (ICP 22). ***Objectives*** The IMRL establishes objectives for the law, including objectives such as protecting the rights and interests of insureds and interested third parties under insurance policies, creating conditions for the development of the insurance market, and promoting effective competition amongst participating legal entities (Article 1). Sugese's objectives (Article 29) include providing comprehensive information to policyholders and ensuring the stability and efficient functioning of the insurance market. Legal advice obtained by Sugese supports its view that its objective for ensuring efficient functioning of the insurance market implies achieving the objectives set out in the IMRL (Article 1).

	There are no specific objectives of insurance regulation and supervision assigned by law to Conassif. However, its functions are defined in the SMRL to include a wide range of activities such as approving the rules for authorisation, regulation, supervision etc for the sector and others (Article 171 of the SMRL). Although Sugese's objectives include the stability of the insurance sector, there is no explicit objective (in the SMRL or IMRL) of contributing to financial stability more broadly, including in respect to the impact of the insurance sector on other parts of the financial sector and wider economy (see ICP 24). However, in practice, Conassif and Sugese cooperate with the CBCR and other superintendencies through the mechanism of the FSC (see Section 3 of this report). Sugese works with the CBCR's Financial Stability Department in working groups of the FSC and on specific projects, for example insurance sector stress tests (see ICP 24). ***Powers*** Powers for insurance sector regulation and supervision are set out in the IMRL, SMRL and CBCRL. Sugese has powers to: • License insurers and intermediaries and to take action against unlicensed insurance activity (Articles 29 and 35 of the IMRL); • Conduct risk-based supervision (Article 30 of the IMRL); • Exchange information with other national and foreign supervisory bodies and participate in joint supervisory activities (Article 151 of the SMRL); • Require preventive and corrective actions and impose sanctions on insurers in case of non-compliance with provisions of laws and regulations (Articles 29 and 35 of the IMRL and Article 131(e) of the CBCRL); • Withdraw a licence (Article 32 of the IMRL for insurers and Article 19 for intermediaries); • Propose to Conassif standards for accounting records and financial statements (Article 131(e) of the CBCRL) and require disclosure of information by insurers to the public (Article 25 of the IMRL); and • Determine the solvency of an insurer and report to the court in case of a petition for bankruptcy by creditors (Article 34 of the IMRL) (ICP 12). Sugese also has an explicit power to submit to Conassif, for approval, the regulations required for the application of the IMRL and "to fulfil its powers and functions" (Article 29 of the IMRL and Article 131(c) of the CBCRL). While it has a wide range of powers, Sugese does not have authority: • To require an insurer to remove a person subject to the suitability requirements when the person is found unsuitable (ICP 5); • To require the suspension or removal of one or more members of a Board of Directors, Senior Management or key persons in control functions (ICP 10); or • To approve all changes in control for an insurer (ICP 6).

	Neither Sugese nor any other body has a full range of powers for resolution of an insurer, and there is no designated resolution authority (ICP 12). Conassif has powers to approve rules on Sugese's authorisation, regulation and supervision activities. As mentioned, it is responsible for overseeing Sugese's work and also appoints the Superintendent. It hears and resolves appeals against Sugese's decisions (ICP 2). Under the SMRL, Conassif also has powers over insurers, for example to order the suspension of operations. In practice, Sugese generally takes such actions using its own powers under the more recently enacted IMRL. However, under Article 156 of the SMRL, Conassif may use the intervention powers provided for in the CBCRL (Articles 139 and 140, which apply to all financial sectors). It may decide, for example, to initiate an administration process at an insurer (see ICPs 10 and 12). Sugese has the power to request that Conassif use these powers (Article 131(h) of the CBCRL). ***Hierarchy of requirements*** Primary legislation is enacted by the Legislative Assembly. The executive branch of government may issue regulations or decrees applicable to insurers when expressly indicated by law and has done so, for example, in the field of AML/CFT (ICP 22). As noted, Conassif is responsible for issuing regulations under relevant laws. Those applicable to the insurance sector only are issued as "Sugese Agreements", while cross-cutting regulations are issued as "Conassif Agreements". Sugese can and does issue communications adding detailed requirements to regulations etc (for example on insurer solvency requirements) and setting out its interpretation of regulations etc (Superintendent Agreements, Circulars, Resolutions and Guidelines). Under Articles 25 and 26 of the IMRL, insurers and intermediaries must comply with all "rules and directives" issued by Sugese. ***Groups (see also ICP 23)*** While there are currently no regulated insurance groups, the regulatory framework includes powers for Conassif and Sugese in respect to group supervision. Article 8 of the IMRL provides for the framework of regulation of groups set out in Articles 140bis–50 of the CBCRL and Conassif regulations issued under these provisions to apply to insurance groups. This also applies to insurers that are members of a financial group, whether as the head of such a group (as is the case for one insurer) or as a legal entity that is part of a group including another regulated Costa Rican financial entity (as is the case for three insurers). Sugese's powers to supervise groups headed by an insurer are set out in Article 143 of the CBCRL. ***Changes in the legislative framework*** Sugese's power to propose regulations encompasses changes to existing requirements. It may also propose changes to laws.

	In practice, at the time of the assessment, neither Sugese nor Conassif had identified a need for legislative changes for the insurance sector in recent years. Changes to the regulatory framework have mainly been implemented by Conassif itself through regulations, in response to proposals from Sugese or as part of wider initiatives (for example on consolidated supervision in 2022; see ICP 23). These may be driven by the needs of other superintendencies, but they are applied to all sectors. In February 2026 (ie after the main assessment work), Sugese submitted to the Parliament proposed legislative measures aimed at strengthening the policy framework for the state-owned insurance company. Conassif and Sugese engage in legislative matters affecting insurance, for example by submitting opinions and giving evidence to committees in response to legislative proposals being considered by the Legislative Assembly.
Assessment	Largely Observed
Comments	Conassif and Sugese are clearly identified in legislation as the regulatory and supervisory authorities for the insurance sector, including intermediaries. There is no authority for one insurer whose business is exempted from the IMRL (ICP 1.1). The IMRL also sets out objectives, although Sugese's objective in respect to financial stability is limited to the stability of the insurance sector (ICP 1.2). Conassif and Sugese have a wide range of powers to set requirements, exercise supervision (including of insurance and other groups) and enforce requirements through preventive and corrective measures as well as sanctions. However, Sugese lacks powers to require an insurer to remove persons subject to the suitability requirements and to approve all changes in control of an insurer. Neither Sugese nor any other body has a full range of powers for resolution of an insurer (ICP 1.3). It is recommended that the Government of Costa Rica: • Broadens Sugese's financial stability objective to include contributing to financial stability work in line with practices; • Extends supervisory and resolution powers to fill current gaps; and • Extends the scope of insurance regulation to include the insurer currently subject to exemption.
ICP 2	**Supervisor** **The supervisor is operationally independent, accountable and transparent in the exercise of its responsibilities and powers, and has adequate resources to discharge its responsibilities.**
Description	***Independence from undue government or industry interference*** Conassif and Sugese are agencies attached to the CBCR, with administrative and budgetary independence ("maximum deconcentration bodies") (Article 169 of the

	SMRL and Article 28 of the IMRL). The CBCR is itself an autonomous public institution (Article 1 of the CBCRL). Conassif and Sugese (in practice, the Superintendent) are empowered to take regulatory and supervisory decisions (Article 171 of the SMRL and Article 29 of the IMRL) without reference to government. However, the Minister of Finance (or a Deputy) is a voting member of Conassif, although one of seven and not ex officio the chair (Article 169 of the SMRL). The Minister is also a (non-voting) member of the CBCR's Board. The MEIC monitors compliance with certain regulations issued by Conassif (Article 12 of the Law on Protection of Citizens from Excessive Requirements and Administrative Procedures (Law 8220)). The MEIC can issue recommendations to autonomous entities only regarding the requirements of Article 13, part 2 and Article 14 of Law 8220. The scope of the MEIC's review is limited to regulations that impose binding requirements on individuals and to establishing whether proposed regulations meet requirements on improving and simplifying the regulatory framework. Neither Conassif nor Sugese receive funding from the government. Sugese has, until recently, been wholly funded by the CBCR, but fees are now charged to regulated legal entities (up to a maximum of 2% of annual income per entity). Their share of Sugese's funding is being increased gradually until they account for 50% in 2027 (Articles 174–5 of the SMRL and Executive Decree 44705-H of 2024). The proceeds of administrative financial penalties go to the Ministry of Finance. Conassif's funding is included in the fees payable by the supervised entities. Sugese's annual budget is approved by Conassif. While the government has no direct role in establishing budgets, including that of Conassif, it has set rules that constrain spending growth. Current expenditure may increase in any year by no more than 65% of average GDP growth over the previous four years (Law for Strengthening the Public Finances (Law 9635)). In addition, the Ministry of Planning and Economic Policy may decide on remuneration policies for public entities including Sugese (Article 7 of the Framework Law on Public Employment (Law 10159)). Although insurance sector participants are consulted on regulatory proposals, they have no role in decision-taking and there are no industry representatives amongst the membership of Conassif. ***Accountability*** Conassif is accountable to the CBCR and, as a part of the CBCR's functions, to the Legislative Assembly. Sugese is similarly accountable, initially to Conassif. It is subject to internal audit work by Conassif and is accountable to the Office of the Comptroller General (the state audit authority) in respect to compliance with public sector financial requirements. Both Conassif and Sugese are required to submit a report to the Legislative Assembly annually by mid-May, setting out how they meet their responsibilities (Articles 1 and 2 of the Law for Improving Accountability (Law 9398)).

	Legal protection There are no provisions in law providing protection for Conassif, Sugese or their staff from legal action in case of damages resulting from their decisions taken in good faith in the discharge of regulatory duties. No case for damages has been brought against Conassif or Sugese by an insurer or intermediary to date. There is a requirement in the SMRL for Conassif and Sugese to provide full legal defence of affected individuals in case of such legal action. Individuals are to be defended against civil or criminal liability lawsuits concerning acts or conduct related to their duties, functions or powers (Article 177(2) of the SMRL). ***Governing body, appointments etc*** The members of Conassif are the Minister of Finance (or a Deputy), the President or General Manager of the CBCR and five members appointed by the Board of Directors of the CBCR. These may not be public officials (Article 169 of the SMRL), and they generally have academic and/or financial sector backgrounds. Members hold office for five years and may be reappointed only once. Conassif elects a chair from amongst its members to serve for two years (renewable). Sugese's Superintendent is appointed by Conassif for a period of five years (renewable) (Article 28 of the IMRL). Conassif, although a separate agency, functions as Sugese's governing body. The Superintendent may attend Conassif meetings, but it has no vote (Article 169 of the SMRL). Conassif members and the Sugese Superintendent are subject to the same requirements on qualifications, dismissal etc that apply to the Board of Directors of the CBCR (Article 170 of the SMRL and Articles 18–24 of the CBCRL). They may be dismissed only for causes specified in the law, such as absence, incapacity and fraudulent acts. The Superintendent may be dismissed by Conassif for cause. No such dismissals have been made. ***Internal governance, processes etc*** Sugese has the power to issue rules and other technical and operational guidelines (Article 29 of the IMRL). Internal processes have been implemented on decision-taking on regulations (including on Sugese's approach to making proposals to Conassif), licensing and supervision. Sugese operates under a five-year strategic plan (the latest being 2024–28), updated annually, that sets out its priorities, objectives and plans and their realisation. The CBCR has a Code of Ethics applicable to Conassif members and staff and to Sugese staff. It covers the handling of conflicts of interest, which must be reported. Sugese staff must submit an annual sworn declaration on conflicts of interest and notify supervisors in case of new conflicts. ***Application of requirements*** Sugese has processes and IT systems for managing work and carrying out supervision on a consistent basis (see ICP 9).

	Sugese has no general power to waive requirements. There are specific provisions in certain regulations allowing Sugese to vary its approach, for example to allow an insurer, in defined circumstances, to use an alternative methodology for compulsory technical provisions (Article 4 of Sugese Agreement 02-13). Sugese may request that an insurer make an additional capital contribution, based on identified risks (Sugese Agreement 10-17). It modified regulations during the Covid-19 pandemic, with application across the market. Sugese's supervision and the regulations issued by Conassif are applicable to the one state-owned insurer in the same way as to private insurers. ***Appeals*** Any decision by Sugese may be appealed (Articles 342 and 343 of the General Law of Public Administration (Law 6227), applied to Sugese by Articles 35 of the IMRL and 168 of the SMRL). Sugese's actions may also be challenged, after or instead of going to Conassif, through judicial review proceedings applicable to public administrative bodies in general (Article 49 of the Constitution and Article 1 of the Contentious-Administrative Procedural Code (Law 8508)). Conassif has received between two to five appeals in the last three years, and one or two cases per year have brought to court. Most of these are pending resolution. No appeal or court action in this period has been resolved against Sugese. Appeals and judicial proceedings do not require suspension of the execution of the decision (Article 29 of Sugese Agreement 10-17). However, the court or other authority may suspend execution if it could cause severe damage or irreparable harm (Article 21 of Law 8508 and Article 148 of Law 6227). Suspensions have occurred occasionally in practice. ***Protection of confidential information*** Disclosure of confidential information about regulated legal entities or their transactions is prohibited for Conassif members and all staff and advisers of Conassif and Sugese, even after ceasing employment or other relationship. A violation is punishable under the Criminal Code and, for Sugese employees, by dismissal, without prejudice to other civil and criminal liabilities (Article 166 of the SMRL, applied to Sugese by Article 29 of the IMRL). Sugese has an internal policy on privacy and disclosure of information, including on the classification of documents and responsibilities of staff handling official communications etc. ***Transparency, publication and consultation*** The IMRL requires that Sugese act in a transparent and consistent manner and establishes as an objective that it provides information to policyholders. Sugese sets out on its website institutional information and accountability reports, including work reports, evaluation of plans, budget execution etc. In addition to an annual report (Institutional Report), Sugese publishes an Accountability Improvement Law Report (as required by Law 9398) detailing its objectives, resources, organisational structure, goals and results achieved etc. Conassif also publishes such a report. Sugese's five-year strategic plan, annual

operational plan and budget are published on its website. It publishes the names and roles of all technical staff.

Draft regulations are subject to a requirement for consultation with affected parties, including regulated legal entities (Article 361 of Law 6227). The consultation is sent to stakeholders directly by Conassif or Sugese, and published on the website. In practice, Conassif and Sugese consult extensively on their draft requirements, including Superintendent Agreements (see ICP 1). Details of comments received and how they have been addressed are also published.

All applicable laws, regulations and other instruments (circulars etc) are published on or available via Sugese's website.

Adequacy of resources

Conassif has a small staff to support its operations (eight, increasing soon to 11, mainly advisers) and internal auditors (18).

Sugese's budget totalled CRC 4.32 billion (USD 9 million) in 2024. It has been increasing supervisory staff numbers in recent years and broadening its skillset, although specialists are limited to actuaries and IT experts at present and supervisors have a wide range of responsibilities in practice (see ICP 9).

Staff totalled 60 (including four vacancies) at the end of 2024, an increase of 10 since the end of 2022:

Function	Staff numbers
Senior Management	3
Regulations and authorisations	10
Supervision	30 (incl 2 actuaries and 2 IT experts)
Legal advisory	10
Communication and services	7

Although Conassif is required to take the necessary measures to ensure that the remuneration of Sugese's professional staff takes into account salaries in financial markets, it is subject to the constraints on remuneration in Law 10159, in force since March 2023.

Sugese has extensive IT platforms for receiving, storing and analysing information reported by regulated legal entities; workflow management etc.

Outsourcing

Conassif and Sugese do not outsource supervisory work in practice.

Assessment	Partly Observed
Comments	Conassif and Sugese enjoy a high degree of operational and financial independence from government, balanced by accountability and requirements for

	transparency, including consultation with stakeholders. There are robust requirements on conflicts of interest and confidentiality of supervisory information. Decisions are open to appeal and are challenged in practice. Both Sugese and Conassif have been increasing resources. However, the Minister of Finance's full participation in Conassif's work (which contrasts with non-voting membership in the CBCR's Board) is a potential channel of undue political interference (ICP 2.1), even if there is no evidence of such in practice to date. Both Conassif and Sugese lack protection in law from legal actions for damages resulting from their decisions taken in good faith (ICP 2.2). Government fiscal measures are constraining financial management and recruitment. While there is scope for an even more risk-based approach to the use of resources at Sugese, both agencies face challenges in managing existing workloads – especially in supervision – with current resources and are likely to be further constrained in the future (ICP 2.10). It is recommended that the Government of Costa Rica: • Strengthens the independence of Conassif (and thereby also Sugese) by removing the Minister from membership of Conassif; • Provides for protection from legal action for Conassif, Sugese and staff; and • Ensures that both agencies have adequate resources to manage existing workloads and potential increased demand in the future, especially for supervisory work, as the insurance sector grows.
ICP 3	**Information Sharing and Confidentiality Requirements** **The supervisor obtains information from, and shares information with, relevant supervisors and authorities subject to confidentiality, purpose and use requirements.**
Description	***Information-sharing powers*** There is a clear legal foundation for supervisory cooperation: • Article 151 of the SMRL authorises the exchange of public and non-public information with domestic and foreign supervisors, requiring that Sugese sign cooperation and information exchange agreements (ie MoUs) that provide for reciprocity and confidentiality (paragraph 3); • Article 29 of the IMRL applies these powers specifically to the insurance sector; and • Article 142bis of the CBCRL empowers the lead supervisor of a financial group to access information from the holding company and its affiliates. Conassif regulations complement these laws with procedural rules. Conassif Agreement 07-19 sets out the process for information exchange between Sugese, other superintendencies and the FIU, requiring a legal basis, a supervisory purpose and confidentiality safeguards.

	In addition, Sugese has issued Internal Guideline SGS-07-19 to operationalise these processes and specify secure transmission channels and response time standards (acknowledgment within three days and substantive response within 10 days); these are internal service standards rather than legal obligations. Conassif Agreement 16-22 makes the existence of an MoU with the other involved supervisor a condition for foreign insurers becoming part of a Costa Rican financial group. Sugese maintains confidentiality in line with the national data protection framework (Law on the Protection of Persons Regarding the Processing of Their Personal Data (Law 8968)) and applies the same safeguards to information shared internationally under MoUs or college arrangements. Statutory confidentiality provisions apply to Sugese staff and former staff, with breaches subject to criminal sanctions (see ICP 2). ***Framework of agreements*** Sugese has developed a wide network of cooperative arrangements: It has signed 11 bilateral MoUs with foreign supervisors, including with Mexico, although it lacks bilateral agreements with certain supervisors of the parent groups of Costa Rican subsidiaries where it is not a member of a supervisory college (Florida, United Kingdom, Spain, Jamaica). It participates in the Association of Insurance Supervisors of Latin America (ASSAL) MMoU, the Central American Council of Superintendents of Banks, Insurance and Other Financial Institutions (CCSBSO) MoU and the Central America and Caribbean sub-regional MoU. It has signed a four-party domestic MoU with Sugef, Sugeval and Supen. It is also an active member of supervisory colleges for five insurance groups, based in Spain, the United States, Panama, Colombia and Mexico, with operations in Costa Rica (ICP 25). It exchanges confidential information under college-specific MoUs. All of these arrangements contain common safeguards: information exchanged must be used strictly for supervisory purposes, is subject to confidentiality and reciprocity provisions, and cannot be disclosed further without prior consent of the originating supervisor. Together, they provide for Sugese's integration into international, regional and domestic supervisory cooperation arrangements. Sugese is not currently a signatory to the IAIS MMoU, although it has made an application. ***Information requested and received by Sugese*** Requests made by Sugese to other superintendencies must comply with Conassif Agreement 07-19, Article 8 of which requires it to state the supervisory purpose, legal basis and confidentiality protections. Where no MoU is in place, Sugese obtains written undertakings to ensure equivalent safeguards. Although Conassif Agreement 07-19 applies formally to exchanges with the other national superintendencies, in practice Sugese applies the same standards and processes when requesting or providing information to

	other competent authorities, both domestic and foreign, consistent with its powers under Article 151 of the SMRL. Information received is handled under strict controls. It may be used only for supervisory purposes and cannot be disclosed without the provider's consent. Internally, Sugese has adopted service standards under which requests are normally acknowledged within two to three business days and a substantive response is provided within about 10 business days, unless otherwise agreed with the counterpart. These are internal commitments rather than legal or MoU obligations. The only binding timelines in the formal instruments are the requirement in Conassif Agreement 07-19 to notify another superintendency within three days if disclosure is impossible and the ASSAL MMoU's requirement to acknowledge within five business days and respond "without unjustified delay". ***Information requested from and provided by Sugese*** Requests addressed to Sugese are reviewed by its legal department to confirm supervisory purpose, legal basis and confidentiality protections. Article 9 of Conassif Agreement 07-19 allows for information to be shared periodically with other superintendencies either in response to ad hoc requests or proactively. For requests from other domestic authorities or foreign supervisors outside the scope of Conassif Agreement 07-19, Sugese follows the same process in practice, consistent with its powers and confidentiality obligations under Article 151 of the SMRL. Information provided remains under Sugese's control and cannot be disclosed further without its written consent. Where Sugese receives a legally enforceable demand to disclose information obtained from another authority, Article 151 of the SMRL and the confidentiality clauses of its MoUs require it to notify the originating supervisor and, where legally possible, to resist disclosure. All MoUs signed by Sugese contain provisions governing third-party or court requests for confidential information, setting out processes for notification and coordination with the originating authority. In practice, no such situations have arisen.
Assessment	Largely Observed
Comments	There is a well-established framework for information-sharing, subject to confidentiality requirements. The legislative basis is reinforced by Conassif processes, while a broad network of bilateral, regional and multilateral agreements provides effective channels for exchange of confidential information. Domestically, cooperation across the financial system is supported by the four-party MoU. Information exchange operates effectively where Sugese has signed an MoU. Requests are specific, confidentiality safeguards are consistently applied, and internal service standards provide discipline in handling requests. Statutory secrecy and technical safeguards strengthen the framework. Sugese has applied to become a signatory to the IAIS MMoU. While not required by ICP 3, this would facilitate Sugese's ability to exchange confidential information

	widely, with safeguards, for example in response to ad hoc requests for information and where it is not a member of a supervisory college for a foreign or foreign-owned insurer. It is recommended that Sugese: • Signs the IAIS MMoU to complete alignment with the global standard for information exchange; • Formalises a written process for verifying counterpart confidentiality safeguards; • Monitors and reports performance against Sugese's service standards both internally and, in aggregate form, through the annual report; and • Publishes a list of all MoUs, including, where possible, supervisory college MoUs to which Sugese is a signatory, with a summary of details including the counterpart authorities and year of signature.
ICP 4	**Licensing** **A legal entity which intends to engage in insurance activities must be licensed before it can operate within a jurisdiction. The requirements and procedures for licensing must be clear, objective and public, and be consistently applied.**
Description	Under the IMRL and Sugese Agreement 01-21, licences may not be granted solely for life insurance. Insurers are all either non-life or composite (covering both life and non-life insurance). Licences are issued in three categories: personal insurance (which includes life, income, accident and health), general insurance (property), and mixed insurance (composite insurers covering both personal and general insurance). The licensing process for insurers starts with an authorisation phase (Articles 4–6 of Sugese Agreement 01-21). In this process, under Article 30, Sugese evaluates the proposed insurer's business plan, ownership structure, suitability and solvency. After authorisation, the insurer (and its proposed products) goes forward to registration (for the purposes of this assessment, licensing is regarded as a combination of authorisation and registration). There were 12 insurers and one proposed new insurer in the application process at the time of the assessment. ***Licensing requirements*** Insurance and reinsurance activity is defined in Articles 2 and 3 of the IMRL, which requires that the public offering of insurance and the business of insurance be licensed by Sugese. Article 7 allows corporations, branch offices of foreign insurers and cooperative insurers whose exclusive purpose is to carry out insurance activity with their members to apply for licensing. Under Article 2, certain legal entities are excluded from the requirement:

	• Mandatory social security systems administered by the Costa Rican Social Security Fund (CCSS); • Special pension schemes created by law; and • The mandatory mutual policy administered by the National Teachers' Life Insurance Society (SSVNM), whose business is restricted to this policy but which (because of the large number of teachers and other educators) is one of the largest providers of life insurance. Cross-border insurance activity into Costa Rica is allowed when permitted under a current international treaty (Article 16 of the IMRL and Article 55 of Sugese Agreement 01-21). However, insurance entities operating on a cross-border basis must be registered with Sugese (authorisation, ie the full licensing process, is not required). (The only registered provider to date is an insurer that only provides insurance-related services and does not write insurance business.) Reinsurance, retrocession, intermediation and ancillary services may be provided cross-border without registration or authorisation. Foreign insurance entities may operate through branches. There currently is one licensed foreign insurer operating as a branch. No applications for new branches have been submitted under the requirements introduced in 2021 (Sugese Agreement 01-21). Article 42 of the IMRL provides sanctions for unlicensed activity. Sugese Agreement 01-21 outlines the processes, requirements and assessment criteria for the authorisation and registration processes. Once the authorisation requirements are completed, the insurer then completes the registration process for placement on Sugese's public registry. There is no requirement for renewal of licences except for cross-border providers. Regulations governing authorisation and registration are published in the Official Gazette and on Sugese's website. ***Licence applications*** Sugese is responsible for licensing insurers (Article 29 of the IMRL). Appendix 3 of Sugese Agreement 01-21 sets out the required information and documentation to support applications. Chapter II of Sugese Agreement 01-21 establishes processes for handling authorisation applications, including the assessment criteria on which Sugese must base its decisions. Chapter IV establishes the minimum requirements for authorisation: • Transparency of the ownership structure and source of funding: Sugese may request additional documentation about shareholders with significant holdings (Article 30 of Sugese Agreement 01-21). • The business plan must be reasonable given the characteristics of the target market and must also be consistent with the financial statements and projections. The governance framework must also be appropriate to the plan, which should also reflect capital adequacy and sound prudent management of the legal entity's activities, in alignment with corporate governance and RM regulations (Article 31).

	• The academic, professional and moral qualifications of Senior Management, key persons in control functions and significant owners are evaluated for suitability (Article 32). • The proposed quality of capital instruments must meet regulatory requirements to be considered part of the insurer's capital (Articles 26 and 33). Applicants are also required to deposit the minimum required capital at the CBCR (Article 11 of the IMRL). ***Timelines and scope of licence*** Chapters II and III of Sugese Agreement 01-21 dictate time frames for licensing authorisation and registration requests, both for Sugese and for the applicant, including the possibility of the applicant requesting an extension. Chapter II sets the authorisation work required of Sugese, including: • Analysis of the completeness of documentation: Sugese has 15 business days for this stage, with the possibility of a single request for additional information, (such a request would restart the 15-day deadline). • Substantive analysis of the documentation ahead of decision-making: Sugese has 30 business days, with the possibility of a single request for additional information, which suspends the deadline. This stage ends with the decision on whether to authorise the establishment of the legal entity. • If authorisation is granted, the next step is fulfilling the registration requirements within two months. Applicants have a maximum of one year from the date of the authorisation to complete the registration process and begin operations (Articles 22 and 24–5 of Sugese Agreement 01-21). • An application for registration by a cross-border insurance provider must be considered within 15 business days, with the possibility of Sugese making a single request for additional information, which suspends the deadline. • Once any request for additional documentation has been met, the authorisation application must be resolved by Sugese within 30 days (Article 17 of Sugese Agreement 01-21). Each stage concludes with an official communication to the applicant informing them of Sugese's decision, through either a formal letter or a resolution signed by the Superintendent. Article 19 of Sugese Agreement 01-21 sets the grounds for denial of a licensing authorisation or registration. Denied registration requests are communicated through a resolution. Article 24 of Sugese Agreement 01-21 grants the authority to establish specific or additional registration requirements for an applicant, which must be stated in the conditional authorisation resolution. These conditions may be drawn from requirements established in other regulations that are necessary to begin operations or may substitute a requirement for which an exemption has been granted. ***Scope*** Licences issued by Sugese state the authorised categories of insurance.

	For registration of cross-border insurers, the request letter must specify the provisions of the specific treaty under which the legal entity seeks to operate. The registration acceptance letter defines the potential insurance activities allowed. ***Lists of insurers etc*** The IMRL requires Sugese to maintain public records of approved authorisations and registrations. The content of the records is regulated under Article 6 of Sugese Agreement 01-21. The records are available on the Sugese website, which lists licences approved for insurers and their scope. ***Processes for foreign insurers*** Matters related to the authorisation of branches of foreign insurers and their activities are set out in Article 7 of the IMRL and Articles 4 and 5 and Appendix 3 of Sugese Agreement 01-21. In respect of applications by foreign insurers to establish a branch, it is a condition of licensing in Article 31 of Sugese Agreement 01-21 that insurers be regulated in their home jurisdiction and authorised to carry out the proposed operations in Costa Rica. In addition, Article 43 of Sugese Agreement 01-21 requires that the home jurisdiction supervisor state that it does not object to the establishment of a branch in Costa Rica and express its consent to sign an information exchange agreement with Sugese. However, this provision does not apply in the case of applications by foreign insurers to establish a subsidiary rather than a branch in Costa Rica. In practice, for subsidiaries, Sugese has sought input from the parent insurer's supervisor (and then established MoUs; see ICP 3), but it is not a condition of licensing as it is for branches. If Sugese is unable to obtain input from the foreign insurer's other involved supervisor, it may not be able to decline authorisation on that ground as easily as it could for a branch application.
Assessment	Partly Observed
Comments	Legislation clearly sets out a requirement for insurers to be licensed and the application processes, with Sugese as the licensing authority. There are extensive licensing criteria and, in practice, Sugese evaluates applications and has both denied and approved recent applications. Sugese publishes a list of licensed legal entities and the scope of the licence. The exemption in law of the mandatory life insurance for teachers means that one large insurer, which may provide only this class of insurance, is not licensed by Sugese under the IMRL or otherwise regulated, nor are there any other appropriate alternative safeguards for policyholders (ICP 4.1). Sugese lacks the ability to reject licence applications from subsidiaries of foreign insurers in cases in which it has not been able to obtain input from the other involved supervisors of the parent insurer. This is a condition of licensing only for branches of foreign insurers (ICP 4.8). Sugese would always seek such input in practice. It is recommended that:

	• The Government of Costa Rica amends the insurance legislation to ensure that the provision of mandatory life insurance for teachers is subject to licensing and supervision; and • Conassif extends its licensing requirements to align the treatment of branches and subsidiaries of foreign insurers by making it a condition of licensing that Sugese receive appropriate communication from the other involved supervisor of the parent.
ICP 5	**Suitability of Persons** **The supervisor requires Board Members, Senior Management, Key Persons in Control Functions and Significant Owners of an insurer to be and remain suitable to fulfil their respective roles.**
Description	***Suitability requirements*** Legislation and regulations set clear standards for the integrity and competence of relevant persons. Article 9 of the IMRL requires members of governing bodies to have recognised integrity and proven technical competence, while Article 29 empowers Sugese to intervene when these standards are not met, including by requiring information or imposing administrative measures. Conassif Agreement 15-22 requires insurers to establish and maintain a suitability policy covering the governing body and Senior Management. This policy must include documented processes for initial and ongoing assessments and clearly assigned responsibilities (Article 3). Conassif Agreement 04-16 establishes the wider governance framework, including expectations for Board profile, conduct standards and oversight duties, as well as the Board's obligation to ensure that appointments, retention and succession planning maintain both individual and collective suitability (Articles 3, 10–11, 17, 22 and 30). The need for collective suitability is emphasised through requirements on Board composition, independence and balance of skills and experience (Articles 17 and 22 of Conassif Agreement 04-16). Insurers must define role-specific criteria and apply internal checks and attestations proportionate to the role. ***Scope*** Suitability standards extend to significant owners, all members of the governing body, Senior Management and key persons in control functions. Articles 30 and 32 and Annexes 1 and 3 of Sugese Agreement 01-21 specify the roles that must be assessed for suitability at the time of licensing, including the general proxy for branches; the general manager and deputies; and the designated heads of the audit, compliance, RM, financial analysis and actuarial functions (see ICP 4). Ongoing suitability assessments are addressed under Conassif Agreement 15-22. Conassif Agreement 15-22 applies suitability requirements across groups and conglomerates, including holding companies (Articles 1 and 2.5). For branches of

	foreign insurers, the general proxy and local role holders must meet Costa Rican suitability standards and maintain documentation accessible to Sugese. Sugese has issued Superintendent Agreement SGS-A-077-2021, setting out a full list of positions to be reported and processes for doing so. ***Fit and proper requirements*** The framework balances integrity, competence and, for significant owners, financial soundness. The IMRL requires governing body members to have integrity and technical competence (Article 9). Conassif Agreement 04-16 sets competence and conduct expectations and provides independence and conflict of interest safeguards (Articles 17, 22, 30, 32–3 and 38). Article 30 of Sugese Agreement 01-21 requires integrity and financial soundness checks for significant owners. Articles 4 and 9–11 of Conassif Agreement 15-22 require consistent application of integrity standards across groups. For key control functions, Articles 25 and 27 of Sugese Agreement 09-17 define role-specific criteria, independence safeguards and access rights. Competence must be commensurate with the role, based on qualifications and relevant recent experience. Insurers are expected to maintain CVs, declarations and evidence of CPD for key function holders, as well as independence and conflict of interest declarations for directors and members of the Board's audit, risk and remuneration committees. For owners, financial soundness checks cover the origin and stability of funds and the absence of encumbrances that could compromise management. ***Supervisory assessment*** Suitability is tested at licensing and when material changes occur. Sugese Agreement 01-21 (Annexes 1 and 3) specifies the documentary and verification requirements: identification, qualifications, experience, integrity declarations, criminal record checks and evidence of financial soundness for owners. Conassif Agreement 15-22 requires individual and collective assessments for Boards and Senior Management, with files available to the supervisor (Articles 12–13). Supervisory practice includes reviewing appointment files, Board self-assessments and related action plans. Where weaknesses are identified, these are followed up on in supervisory letters and tracked to closure. For subsidiaries of foreign insurance groups, Sugese may rely on assessments by other involved supervisors, subject to local verification and its accountability for the Costa Rican operation. For branches of foreign insurers, Sugese assesses whether local role holders meet the standards and maintain locally accessible documentation, as required. ***Obligations of insurers, including changes/circumstances that may adversely affect suitability*** Insurers must notify Sugese of changes in ownership and role holders (Article 50(a) of Sugese Agreement 01-21) and update files through designated online services. Material facts must be reported under Article 2 of Sugese Agreement 12-21.

	Internal policies must cover pre-appointment screening, probation, training and periodic reassessment, with documentation readily available to supervisors. The framework does not, however, include an explicit obligation to report adverse events that could affect suitability, such as indictments, regulatory bans, bankruptcy petitions or sanctions listings. This creates ambiguity around timeliness and evidence when issues arise between scheduled reassessments. However, this duty may effectively exist within the scope of Sugese Agreement 12-21 (Articles 6 and 8) which sets an expectation that entities disclose such information under "Other Material Events". ***Corrective action where a person is no longer fit and proper*** Insurers are required to prevent unsuitable appointments or retention of unsuitable individuals (Article 3 of Conassif Agreement 15-22) and must implement corrective programmes when weaknesses are identified. Sugese can recommend removal or changes (Article 29 of the IMRL, Article 131(o) of the CBCRL and Article 22(e) of Sugese Agreement 10-17). It can apply corrective measures against the legal entity. Sanctions are available for non-compliance. However, Sugese does not have statutory powers to suspend or remove individuals directly (or to require an insurer to do so) or to declare a role temporarily vacant. (It has power under Article 29 of the IMRL and Article 131(o) of the CBCRL to recommend the removal of any member of the governing body for cause, including when they fail to meet the suitability requirements.) If a regulated legal entity fails to act, enforcement relies on indirect measures against the entity. ***Exchanges with other supervisors*** Sugese has a clear legal basis and MoU channels for requesting and sharing information with foreign supervisors for suitability checks (integrity, competence) and participates as an involved supervisor in colleges for foreign-owned insurers. The framework enables domestic and cross-border information exchange on suitability issues under confidentiality safeguards. Under Article 29 of the IMRL and Article 151 of the SMRL (see ICP 3), Sugese may exchange all types of information and undertake joint supervisory activity. Powers on consolidated supervision in the CBCRL (Article 144) support cooperation for financial groups. Candidates for roles must authorise background checks with national and international authorities as part of suitability due diligence (Annex 3, Section II.A.2(b) of Sugese Agreement 01-21 and Article 10 of Superintendent Agreement SGS-A-077-2021). MoUs facilitate routine exchanges with foreign supervisors on suitability issues.
Assessment	Partly Observed
Comments	The suitability regime is well developed in law and regulation and is applied through risk-based supervision. The design captures individual and collective suitability and sets clear documentary and verification expectations across insurers, groups and branches. In practice, supervisors review appointment files and Board self-assessments and track corrective actions.

	However, there is no explicit duty to report adverse events affecting suitability (ICP 5.4), creating ambiguity over required timeliness and minimum evidence. There is also no statutory power for Sugese to order the suspension or removal of unsuitable individuals (or to require insurers to take such action), which reduces leverage when regulated legal entities do not act promptly (ICP 5.5). It is recommended that: • Sugese defines an explicit duty to report adverse events affecting suitability (eg indictments, sanctions listing, bankruptcy petitions, regulatory bans) within a defined time frame, with minimum evidence and an escalation path; • The Government of Costa Rica makes legislative changes to provide a power for Sugese to suspend or remove directors, Senior Management or key persons in control functions (or to require insurers to do so) when they are no longer fit and proper, including interim measures such as temporary vacancy declarations; and • Sugese strengthens ongoing suitability assessment by requiring biennial reconfirmation of competence and integrity for in-scope roles (including CPD logs for key functions) and by sampling files during supervision; Boards should minute outcomes and action plans.
ICP 6	**Change of Control and Portfolio Transfers** **The supervisor assesses and decides on proposals:** • **To acquire significant ownership of, or an interest in, an insurer that results in a person (legal or natural), directly or indirectly, alone or with an associate, exercising control over the insurer; and** • **For portfolio transfers.**
Description	***Definition of control*** The regulatory framework establishes a definition of control and requirements on changes in control, including notification requirements but not including a requirement that Sugese approve all changes in control. Article 3 of Conassif Agreement 16-22 defines effective control of an insurer as “the ability of a natural or legal person to influence a company or entity through the exercise of ownership rights or rights of use over all or part of the assets, or through agreements that grant substantial influence over the composition, voting or decisions of the governing, administrative or legal representative bodies”. This effective control is evidenced when a natural person, legal entity or other structure: • Holds direct or indirect ownership of more than 50% of the share capital; or • Holds less than 50% of the share capital and exerts influence over management and policies that affect the insurer’s decision-making or has the authority to appoint or remove any member of the corporate governing body.

	In relation to licensing (but not for the purposes of ongoing supervision), Sugese must verify information on the ownership structure of the applicant. It may request additional documentation about shareholders with significant holdings, defined as those holding, directly or indirectly, 10% or more of the share capital or the highest holding without exceeding that percentage (Sugese Agreement 01-21). ***Oversight and enforcement of requirements related to change of control*** Sugese does not have authority to approve changes in control of insurers once they are authorised, except in the case of a merger. Although it has extensive powers under Article 29 of the IMRL, it lacks power to approve changes of control because the relevant part of the CBCRL setting out the powers available to superintendencies does not apply to Sugese (Article 131(n) of the CBCRL). Change of control is therefore not included in the list of authorisable activities set out in Article 4 of Sugese Agreement 01-21. However, a change of control in the context of a merger of insurers (or of any regulated financial institutions) is subject to authorisation (Article 4 of Sugese Agreement 01-21 Appendix 7 sets out the processes to be followed). There are provisions in competition law for exchange of information and coordination between Sugese, Conassif and the competition authority, Coprocom (Article 27bis of the Law for the Promotion of Competition and Effective Consumer Protection (Law 7472) and Articles 88 and 89 of the Law for the Strengthening of Competition Authorities in Costa Rica (Law 9736)). Conassif Agreement 09-21 sets out the processes for mergers between regulated financial institutions, establishing the scope of prudential and business conduct analysis (including solvency, governance and owners) that Conassif and Sugese must carry out (Articles 16 and 17). ***Notification of change of control*** Insurers are required to notify Sugese when they become aware of changes in shareholding control. They must make a notification through Sugese's online Roles Service, identifying the new individuals or legal entities forming part of the ownership structure, and also report such changes to Sugese as a material event (Article 7 of Sugese Agreement 12-21, with accompanying interpretations in Superintendent Agreements SGS-A-077-2021 and SGS-A-0079-2021). ***Demutualisation and conversion of insurers*** There are currently no mutual insurers (although cooperative insurers are eligible for authorisation; see ICP 4) and no provisions for conversion from one legal form to another. ***Portfolio transfers*** It is a requirement that insurers notify Sugese of proposed portfolio transfers and that Sugese give prior authorisation for the transfer of insurance portfolios (Sugese Agreement 12-21 and Article 25(b) of the IMRL). The most recent portfolio transfer was processed by Sugese in 2022, and since 2008 there have been two such transfers in total.

	Article 54 of Sugese Agreement 01-21 sets out detailed requirements on the transfer process, including the required submissions to Sugese on due diligence studies conducted for the transfer, such as analysis of the impact on market share, financial results and solvency of both legal entities involved. Part II of Appendix 8 of the Agreement outlines the documents to be provided by the transferring insurer (the transfer is treated as a cessation of operations for which a detailed plan, including mechanisms to guarantee compliance with the insurer's obligations to insurance consumers, is always required). Where a branch of a foreign insurer is involved, documentation showing that the other involved supervisor did not object is required. As noted above (in respect to approvals of mergers of regulated financial institutions), there are also provisions in competition law for exchange of information and coordination between Sugese, Conassif and the competition authority, Coprocom. These also apply to portfolio transfers between insurers. In particular, insurers must first notify Coprocom of a qualifying transaction, and Coprocom then must request an opinion from Conassif on whether Conassif and Sugese should exclusively process the transfer because of the risks to the solvency, soundness or stability of the legal entities involved or the financial system. In practice, in respect to a portfolio transfer the details of which were reviewed for the purposes of the assessment, an extensive study was carried out by Sugese and the transaction was also reviewed by Coprocom before the transfer was approved.
Assessment	Partly Observed
Comments	Legislation establishes requirements and processes for certain changes of control and for portfolio transfers. Notification requirements apply to insurers in respect to proposed changes of control, but there is no requirement to always seek Sugese approval and Sugese lacks powers to approve such transactions (ICP 6.1). Sugese must approve all portfolio transfers, which it most recently completed for a 2022 transfer. There are provisions in competition law for exchange of information and coordination between Sugese, Conassif and the competition authority, which empower Conassif and Sugese to approve changes of control arising from mergers specifically (under requirements applying to all mergers of regulated financial institutions). Existing laws and regulations therefore do not provide for Sugese to approve all changes of control of insurers. Nor are approvals based upon a clear definition of control aligned with notification requirements, applying materiality thresholds and criteria for assessing the suitability of owners with significant holdings (ICPs 6.1 and 6.2). It is recommended that the Government of Costa Rica amend relevant legislation to provide for all changes of control, broadly defined, to be subject to prior approval by Sugese.

ICP 7	**Corporate Governance** **The supervisor requires insurers to establish and implement a corporate governance framework which provides for sound and prudent management and oversight of the insurer's business and adequately recognises and protects the interests of policyholders.**
Description	***Overall framework*** There is a well-defined framework of laws and regulations. The IMRL establishes obligations for insurers and gives Sugese necessary supervision powers. The SMRL empowers Conassif to issue system-wide standards that Sugese applies to insurers. Key requirements are: • Conassif Agreement 04-16, which sets out the Board's responsibilities and required committees and sets requirements on conflict of interest policies and the periodic review of the governance framework; • Sugese Agreement 09-17, which sets out requirements including on core control functions and the three lines of defence; and • Conassif Agreement 15-22, which sets ongoing suitability and performance expectations. The enforceability of this framework relies on reporting and disclosure requirements, including those set out in Sugese Agreement 12-21, as well as Conassif Agreements 06-18 and 01-10, which govern financial reporting and external audits. In supervision, Sugese includes governance issues in its risk-based programme of planned "studies", including off-site and on-site supervisory work, and follows up on preventive and corrective actions required of insurers (ICPs 9 and 10). ***Structure, governance and functions of the Board*** Insurers adopt the unitary Board system that is general practice in Costa Rica. Article 9 of the IMRL requires a minimum of five Board members, who must meet standards of integrity and technical suitability, and sets independence safeguards (including a requirement that 40% of Board members are not shareholders or related to shareholders or employees of the same group). Conassif Agreement 04-16 then sets out requirements on the Board's profile and composition, the characteristics of independent members and the appointment process, and assigns the Board explicit responsibility for strategy, risk appetite, policies and the committee system (Articles 5–9). Members of the Board must fulfil duties of care and loyalty to the insurer (Article 7). Conassif Agreement 15-22 overlays this with requirements for a documented suitability policy (Article 3) and for a two-year reassessment of the suitability of persons within scope (Article 12) (see ICP 5). Sugese assesses how these requirements have been implemented in practice through supervision work. Minutes and Board packs are reviewed, directors

	interviewed where warranted and corrective actions required, with follow-up by the insurer then tracked in Sugese's supervisory workflow system (ICP 9). Article 21 of Conassif Agreement 04-16 requires the governing body to conduct annual reviews of its structure, its composition, member performance and the effectiveness of its governance practices, which may be undertaken with the assistance of external experts. Although external review is not mandatory (and is not required under ICP 7.3), encouraging Boards to incorporate periodic external input into these reviews would strengthen the existing framework. ***Corporate culture, business objectives and strategies of the insurer*** Boards are required to set tone and direction and to keep the governance framework under review. Conassif Agreement 04-16 requires Boards to implement a robust corporate culture (codes of conduct, risk culture and sanctions for breaches), set strategic objectives aligned with risk appetite and periodically review the governance framework (Articles 10–14). Supervisors evaluate insurers' implementation in practice using Sugese's structured internal risk assessment framework (the General Guide to Risk Profile Assessment; see ICP 9) and supporting templates. They test the linkage between strategy, risk appetite and risk limits and look for evidence in Board materials and minutes that expectations are being met in practice. ***External audit*** Audit requirements are specified in detail and supervised by Sugese in practice. Conassif Agreement 01-10 sets out the requirement that annual financial statements be audited, and Conassif Agreement 04-16 sets out the Board audit committee's duties, including a requirement to review audited financial statements before Board approval (Article 25). Sugese Agreement 09-17 confirms that it is a Board responsibility to appoint and oversee the external auditor and sets out requirements for the auditor's access to the board. The Board is required to ensure that the external auditor brings an independent view to the insurer and that it has adequate resources and exercises due diligence in its work and reports findings to the Board (Article 29). Examples of supervisory documents reviewed for this assessment show that Sugese checks the timeliness of audit work, including Board review, and follows up on points set out in the auditor's management letter with both the Board audit committee and the full Board. ***Duties of Senior Management*** The regulations make it clear that Senior Management is the first line of defence. They are expected to carry out the Board's strategy, keep information systems reliable and relevant, act prudently and fairly, and raise any major issues with the Board when they arise (Articles 29–31 of Conassif Agreement 04-16 and Articles 7–8 of Sugese Agreement 09-17). Supervisors look closely at the quality of reporting to the board, evaluating whether there has been not just reporting of financial information etc but that Senior

	Management is exposed to challenge by the board. The supervisory framework has been tested over time. There is scope for supervisors to document more fully how they have assessed the effectiveness of Board oversight of Senior Management, in particular the extent and nature of the challenge provided by the Board and the quality of the resulting discussion. Supervisory focus in this regard could increasingly centre on insurers' RSSAs and stress testing, where the quality of Board engagement provides valuable evidence of governance effectiveness in practice. ***Key persons in control functions*** Sugese Agreement 09-17 mandates the RM, compliance, actuarial and internal audit functions, with appropriate authority, independence and access to the Board (see ICP 8). Conassif Agreement 04-16 makes the Board and its committees responsible for oversight of these functions. In practice, supervisors verify mandates, reporting lines and resourcing, and the work includes interviews with heads of control functions. Regulations could more explicitly state that named "key persons" are appointed for each control function, with authority, independence and resources documented. In practice, Sugese already tests for these elements. ***Remuneration*** Conassif Agreement 04-16 requires a board-approved remuneration policy aligned with the insurer's risk appetite and long-term sustainability, typically overseen by a remuneration/compensation committee. Implementation is reviewed during supervision, which focuses on policy approval processes, committee minutes and alignment with risk appetite (Articles 28 and 40). However, the requirements do not explicitly cover all material risk-takers (beyond directors, senior executives and the heads of control functions), meaning that risk-taking incentives may not be comprehensively captured. There are also no requirements on risk adjustment tools (deferral, malus and clawback). Supervisory work does address this area. Although extensive on remuneration policies and the related governance, it does not extend to outcomes (evidence of adjustments following underperformance or control breaches). ***Supervisory review*** Sugese's risk-based supervision methodology (see ICP 9) includes interviews with Board members and heads of control functions as well as the imposition of corrective measures, implementation of which is subject to supervisory follow-up. As noted in the assessment of ICPs 2 and 9, supervision work, although strongly risk-based, is constrained by limited resources, including specialist expertise, and by the absence of a complete framework for addressing business conduct risks. Supervisors do, however, undertake assessments of the effectiveness of governance in practice in addition to checking that there are appropriate policies and processes. ***Communication to the supervisor on governance***

	Although there are no explicit expectations for Boards to ensure timely and effective communication with Sugese on governance matters (ICP 7.9), insurers are subject to extensive requirements on reporting to Sugese, including both qualitative matters such as governance and quantitative matters (see ICP 9). They must report (widely defined) relevant facts (Article 9 of Sugese Agreement 12-21). Article 41.4 of Conassif 04-16 makes it an obligation of the Board to provide all information requested by Sugese. ***Groups and branches*** There are no regulated insurance groups currently. However, there is a framework for consolidated supervision in legislation and in Conassif Agreement 16-22, which includes requirements on the organisation and operation of the group (Articles 41–54) and group RM (Articles 55–6). There are limited provisions on the expectations of Boards in respect to group-wide governance. Supervisors do, however, assess the risk profile of the group, considering its corporate governance and RM. In practice, Sugese applies this approach to the one insurer-led financial group and would apply it to any future insurance groups (see ICP 23). There are limited provisions on the application of governance requirements to branches (there is only one foreign insurer branch at present). Under Conassif Agreement 04-16, branches must ensure that the governance of the parent insurer provides for efficient and prudent management of the operations in Costa Rica (Article 48). Branches must also align external audit and reporting with home jurisdiction standards (Articles 3 and 33 of Conassif Agreement 06-18). In practice, supervisors look to the manager of the branch to carry out governance functions for the branch's operations. There are provisions in Sugese's internal supervisory guidelines on the assessment of branches in practice. In addition, the legal representative of the branch is captured by the suitability requirements (ICP 5). Although the core governance obligations for branches are defined, it would be good practice for supervisors to encourage insurers to formalise delegation letters, responsibility matrices and effectiveness testing of branch control functions. This would clarify accountability and support consistent application of governance requirements as branch structures evolve.
Assessment	Largely Observed
Comments	Laws and regulations provide a clear and comprehensive set of requirements. In practice, Sugese assesses governance through a structured, risk-based supervisory programme and takes actions to require improvements in governance where necessary. It does so even in the case of the state-owned insurer, where the lack of a fully developed policy framework for Board appointments (see Section 2) creates challenges to the implementation of effective supervision. Areas for enhancement include broadening the scope of remuneration policies to cover all material risk-takers and introducing tools such as deferral, malus and clawback, with evidence of their use (ICP 7.6); extending the expectations for group and branch governance, although Sugese does practice group-wide supervision of

	the governance of the one insurer-led financial group and there are currently no insurance groups; and strengthening supervisory work and reporting on Board effectiveness, especially the extent and quality of Board challenge to management, particularly in regard to the development and use of the RSSA and stress testing. It is recommended that Sugese, in addition to continuing to raise standards of governance, including on the independence and effectiveness of Boards: • Extends remuneration requirements to apply to all material risk-takers, embeds deferral/malus/clawback tools and tests outcomes in practice; • Encourages Boards to incorporate periodic external input into the required annual self-review process to enhance objectivity; • Further clarify expectations for group and branch governance, considering for example delegation letters, responsibility matrices and local accountability; and • Strengthens Board oversight by ensuring Boards have a full role, including in challenging management, in the design of stress tests and RSSA development and use.
ICP 8	**Risk Management and Internal Controls** **The supervisor requires an insurer to have, as part of its overall corporate governance framework, effective systems of risk management and internal controls, including effective functions for risk management, compliance, actuarial matters and internal audit.**
Description	***Effective risk management system (RMS)*** There are high-level requirements on the RMS: • Conassif Agreement 04-16 holds the governing body responsible for the insurer's RM, requiring that it ensure the adoption of a sound corporate culture by promoting, amongst others, a sound RM culture (Articles 5 and 10.2). • Article 5 of Sugese Agreement 09-17 requires insurers to have effective and documented RM in place covering all levels of the legal entity, with the aim of identifying, measuring, monitoring, controlling and promptly reporting all matters related to the risks the entity faces, taking into account their potential impact and duration (Article 8). • Insurers are required to have a defined risk appetite statement that is aligned with their strategy, their capital management and the execution of their business activities (Article 10 of Sugese Agreement 09-17). They must also have a documented process that includes the tools and methodologies for identifying, measuring, monitoring, assessing and controlling risks. • In addition, contingency, business continuity and crisis management plans must be in place with documented processes (Article 12 of Sugese Agreement 09-17). • The RMS must consider technical risks, ALM risk, liquidity and concentration risks, operational risk, business conduct risks and reinsurance risks (Article 8(f) of Sugese Agreement 09-17). Conassif Agreement 05-24 sets out requirements

	on the management of IT risk, and Sugese has also published guidance on reinsurance risk management (see ICP 13). The requirements do not explicitly include underwriting and reserving risks, investments and other mitigation techniques (ICP 8.1). However, these are reviewed by supervisors as part of their risk assessment and Sugese requires their inclusion in the scope of the RMS, where necessary. The RMS must be aligned with the insurer's strategy and should be examined regularly and any deviation from or update to the RMS reported to the governing body (Article 11 of Sugese Agreement 09-17). The governing body must approve the RM strategy (Article 9 of Sugese Agreement 09-17 and Article 12 of Conassif Agreement 04-16) and any deviations from the RM strategy or risk appetite statement (Article 8(d) of Sugese Agreement 09-17). ***Effective system of internal controls*** Articles 5 and 16–18 of Sugese Agreement 09-17 establish that the insurer is responsible for proving the effectiveness of internal controls. It must have effective and documented internal control processes in place that include defined, implemented and monitored strategies, policies, processes and controls. These must ensure adequate control of risks; prudent conduct of business; reliability of financial and non-financial information reported (both internally and externally); and compliance with laws, regulations, supervisory requirements and the insurer's internal rules and decisions. Internal control processes must support the efforts of the governing body and Senior Management to fulfil their oversight responsibilities (Article 16). The governing body is required to have a general understanding of the control environment; approve the related strategies, policies, reporting, appointments and responsibilities; and establish appropriate controls to avoid conflicts of interest or compromise the autonomy of overall control functions (Article 17 of Sugese Agreement 09-17). It must also provide for the segregation of tasks and responsibilities and prevention of conflicts of interest (Article 16). There is no requirement for appropriate reporting on internal control systems (ICP 8.2). However, actual reporting is reviewed as part of supervisory risk assessment and Sugese requires corrective measures as necessary. The internal control processes are to be reviewed regularly and revised as needed (Article 16 of Sugese Agreement 09-17). ***Control functions*** Article 18 of Sugese Agreement 09-17 indicates that as part of the effective internal controls and RMS, insurers must have control functions with sufficient authority, independence and resources. These functions include financial analysis (not part of the ICP requirements), regulatory compliance, RM, actuarial and internal audit. The functions must support the governing body's governance and oversight duties, but do not exempt it from its responsibilities. The governing body of the insurer is required to approve, remove, evaluate and remunerate the individuals that are responsible for control functions (Article 17(d)

	of Sugese Agreement 09-17 and Article 8.2 of Conassif Agreement 04-16). The governing body must also define the powers, independence and responsibilities of each control function and guarantee their access to the governing body (Article 17(e) of Sugese Agreement 09-17). ○ *RM function* Insurers must have an effective RM function capable of identifying, measuring, monitoring and mitigating risks (Article 32 of Conassif Agreement 04-16 and Article 13 of Sugese Agreement 09-17). It must also report to the relevant areas as required and promote and maintain an adequate risk culture in the insurer (Article 13 of Sugese Agreement 09-17). There is no requirement on the minimum scope of matters that are to be included in its reporting, including regular stress testing (ICP 8.4). However, supervisors review actual reports as part of their risk assessment and may require corrective actions. ○ *Compliance function* Boards are required to establish a function that is responsible for advocating and ensuring that the insurer operates with integrity and in compliance with laws, regulations etc (Article 37 of Conassif Agreement 04-16). The function is to serve as a point of contact for staff queries on compliance and to guide and train staff on compliance, particularly for those holding key positions or performing high-risk activities (Articles 23 and 24(b) of Sugese Agreement 09-17). ○ *Actuarial function* Insurers must have an effective actuarial function, independent of lines of business and with staff who have sufficient and verifiable financial and actuarial mathematics expertise and experience (Article 25 of Sugese Agreement 09-17). However, there is no indication that the function should have access to and periodically report to the Board (ICP 8.6). The responsibilities of the function include assessing insurance technical risks, present and future solvency ratios and technical provisions (both under normal and stress conditions), the sufficiency and quality of the data and methodologies for calculating technical provisions, underwriting policies, and the development and design of the reinsurance mechanism and products or other risk transfers (Article 26 of Sugese Agreement 09-17). However, these responsibilities do not include the assessment of ALM, investment policies and the valuation of assets (ICP 8.6). The actuarial function is not required to provide certification of the adequacy, reasonableness and/or fairness of premiums and certifications or statements of actuarial opinion (ICP 8.6). Sugese indicated that this certification is required as part of the process of review of the regulatory reporting. ○ *Internal audit function* This function is required to express an independent opinion to the governing body and Senior Management on the quality and efficacy of internal controls, risk management and corporate governance systems and processes (Article 38 of Conassif Agreement 04-16).

	There is no explicit requirement for internal audit to address all of the items in ICP 8.7, including assessment of assets and accounting/financial reporting. However, these issues are reviewed as part of the supervisory risk assessment. ***Outsourcing of material activities or functions*** It is a requirement of insurers upon licensing that their critical operational and control positions are not to be outsourced if doing so would involve damage to the quality of the insurer's governance systems, a substantial increase in operational or other risks, impairment of Sugese's ability to perform its functions or interference with the continuity and satisfactoriness of the service (Article 48 of Sugese Agreement 01-21). However, there is no requirement that the insurer retain at least the same degree of oversight of and accountability for any outsourced material activity or function as applies to non-outsourced activities or functions (ICP 8.8). ***Groups and branches of foreign insurers*** There are no regulated insurance groups in Costa Rica currently. However, there is a framework for consolidated supervision in legislation and in Conassif Agreement 16-22, which includes requirements on the organisation and operation of the group (Articles 41–54) and group risk management (Articles 55–6). For insurers that are part of a financial group, the requirements on risk management strategy in Sugese Agreement 09-17 include a requirement that the insurer's strategy consider the objectives, RM and business strategy of the group. There should be indication that the insurer's risk management strategy is totally or partially linked to the group's strategy and a description of the process of monitoring and reporting between the insurer and its headquarters or between the insurer and its subsidiaries (Article 9(e)). The provisions in Sugese Agreement 09-17 apply to all insurers, including branches of a foreign insurer (Article 2). ***Supervisory work*** Sugese evaluates the control functions in its risk assessment. For example, it evaluates the effectiveness of internal audit by reviewing the function's responsibilities (objectives, authority, right of access to records and confidential information etc), the organisational structure, the resources available, methodology and practices, planning, reports and quality assurance. It takes into account indicators such as the extent of a control function's interaction with the Board and Senior Management etc in addition to reviewing the function's processes, its reports and minutes of the relevant meetings. The risk profile assessment review process is documented in Sugese's General Guide to Risk Profile Assessment.
Assessment	Largely Observed
Comments	There are extensive requirements on insurers' risk management and internal controls. Outsourcing is permitted, but there is no requirement that the insurer retain at least the same degree of oversight of and accountability for any outsourced

	material activity or function as applies to non-outsourced activities or functions (ICP 8.8). It is recommended that Sugese, working with Conassif as required, introduce a requirement for insurers to have a review and approval process for outsourcing services that explicitly includes retaining oversight of and accountability for any outsourced material activity.
ICP 9	**Supervisory Review and Reporting** **The supervisor uses off-site monitoring and on-site inspections to: examine the business of each insurer; evaluate its financial condition, conduct of business, corporate governance framework and overall risk profile; and assess its compliance with relevant legislation and supervisory requirements. The supervisor obtains the necessary information to conduct effective supervision of insurers and evaluate the insurance market.**
Description	The supervision of insurers (and intermediaries) is carried out by Sugese's Supervision Division. There are four supervision teams, each covering three to four insurers (or one in the case of that responsible for the largest insurer). They work alongside specialists in intermediary supervision, IT and actuarial issues. The division undertakes all aspects of supervision, including both off-site and on-site supervision and AML/CFT work. However, its focus is on prudential supervision. A framework for business conduct supervision has been developed and is awaiting agreement by Conassif before it can be implemented (ICP 19). The same approach is taken to domestic and foreign-owned insurers and to the one branch of a foreign insurer, adjusted for necessary differences in prudential requirements such as solvency. Sugese's work is supported by IT systems including the Sugese Online service, which enables insurers to report supervisory information, details of persons subject to suitability requirements (Roles Service) and material events (Material Events Service), and the Studies Execution and Follow-Up (EES) Service, which Sugese uses to manage supervisory work and through which insurers make ad hoc reports, including updates on actions that Sugese has required of them. ***Framework for supervisory review and reporting*** Sugese has developed a risk-based approach to prudential supervision, drawing on practices in other superintendencies, external advice and IAIS standards. Key elements are: • A framework for risk assessment and expected supervisory actions for each assessed level of risk; • A planning process to determine the individual pieces of supervisory work (known as "studies") to be undertaken (subject to a minimum amount of off-site work, all supervisory activities, whether off-site or on-site, are planned in accordance with the assessed risk of the insurer and supervisory intensity);

	• Processes and guidelines for supervisors on how to carry out supervisory work and to follow up on actions requested or required of insurers; • Decision-taking processes to support robust and consistent supervisory judgments, including on the actions to be required of insurers; and • Communication with insurers as appropriate after each study, anchored by an annual letter from the Superintendent to the Board of Directors of each insurer summarising Sugese's supervisory view, outstanding actions etc. The framework is supported by certain principles communicated to supervisors, including the need to focus on material risks and to intervene early in case of concern. However, there is no formal statement of supervisory risk appetite. Supervisory resources are allocated to each insurer according to supervisory intensity and associated work plans, taking into account the insurer's scale and significance (thus, the largest insurer is supervised by a single team). Sugese's risk assessment framework (with related supervisory measures by level of risk) is set out in Sugese Agreement 10-17, issued in 2017 by Conassif using its powers in Article 30 of the IMRL. Core elements of the approach, which are set out in an internal document, the General Guide to Risk Profile Assessment, are: • Identification of core activities (which may and often do include functions such as IT services) and the assessment of inherent risks (credit, market, insurance technical, operating and strategic risks) by each activity; • Assessment of the quality of the risk management and governance by activity; • Determination of net risk (by activity and overall) and then of the compound risk after assessing capital, profitability and liquidity and taking into account the assessment of AML/CFT risks (undertaken separately; see ICP 22); and • Assignment of a risk level (from 1 to 5, the last indicating that an insurer is non-viable or faces imminent insolvency) based on assessed compound risk and other factors such as breaches of regulations etc, findings from regular supervision activities, special investigations and market conditions. Supervisory actions are listed for each risk level but are not exhaustive and may be (and are in practice) varied by supervisors using judgment. Risk assessments are reviewed by internal panels of Sugese's supervision managers and Senior Management before being finalised. The supervisory intensity for each insurer (Basic, Moderate, Alert or Intensified) is determined as part of Sugese's planning process, drawing on the risk assessment, significance of the insurer and scope of the required work. The level of intensity informs the frequency of certain work, including updates to the risk assessment (annually for Intensified and once every four years for Basic). The framework is kept under review by Sugese and updated periodically (in 2021 for Sugese Agreement 10-17) as part of its quality management system. There is extensive internal documentation, particularly on risk assessment and ratings. Only the methodology set out in Sugese Agreement 10-17 is published. ***Group perspectives***

	There are no insurance groups for which Sugese is group-wide supervisor. However, the framework provides for group-wide supervision in the case of the one insurer, in which Sugese is responsible for supervision of the financial group (see ICP 23). Risk assessment in this case is based on group-wide risks. For other insurers that are parts of a Costa Rican financial group, the risk assessment provides for consideration of the risks associated with the legal entity's relationship with its group. Sugese cooperates with other superintendencies with responsibilities for financial entities within the group under the arrangements for consolidated supervision (ICP 23). ***Supervisory plans*** The Supervision Division prepares an annual plan covering the next two years ("macroplanning"). Based on the risk level and supervisory intensity assigned to each insurer, the plan sets out scheduled on-site work (distinguishing between full risk assessments and money laundering assessments), specific reviews of cross-sector issues such as technical provisions, and plans for analysis of the periodic financial information received from insurers ("compulsory studies"). The output of the macroplanning process is approved by the Superintendent. ***Review of outsourced material activities or functions*** Requirements on outsourcing by insurers are set out in Conassif Agreement 01-21 and, for IT services, Conassif Agreement 05-24 (ICP 8). Outsourcing may occur only where it does not impair Sugese's ability to supervise. Insurers must notify Sugese of outsourced activities. Outsourcing contracts must provide for unrestricted access by Sugese to relevant information at the service provider. Sugese also has access to some outsourced service providers through the requirements in the IMRL for providers of "ancillary services" to register with Sugese and meet obligations including notifications to Sugese. The services covered include actuarial, consulting, claims processing, accident indemnification and repair of damages (Articles 18 and 27 of the IMRL). In practice, most of Sugese's work on outsourced activities relates to IT services, where it assesses the outsourced elements of IT infrastructure as part of a wider framework for the supervision of insurers' IT risks. Sugese assesses other forms of outsourcing to be generally not significant, but they would be reviewed as part of the risk assessment (including as a core activity) if necessary. In an example of supervisory work discussed during the assessment, Sugese noted that it has carried out work on outsourced claims handling services at one insurer. ***Supervisory reporting*** Insurers are required to submit reports to Sugese as specified in detailed regulations etc (Article 25 of the IMRL). Sugese Agreement 12-21 sets the reporting obligations, including for branches of foreign insurers, and more detailed reporting requirements are set out in Superintendent Agreements (issued by Sugese) SGS-DES-A-021-2013 and SGS-A-0079-2021. They cover both quantitative and qualitative information and a requirement to report material changes or events affecting the insurer or its clients.

	The detailed requirements are extensive, covering balance sheet, performance and solvency information (monthly or quarterly), details of premium income and claims, and granular information on business lines. Sugese provides for electronic reporting of all financial information. Conassif has wide-ranging powers to set requirements on the accounting standards to be used by insurers for both regulatory reporting and in the preparation of audited financial statements (Article 171 of the SMRL). It sets out requirements, based on IFRS (with adjustments and variations), in Conassif Agreements 06-18 and 10-21 and Sugese's Superintendent Agreement SGS-DES-A-028-2013. Insurers are required to submit their annual financial statements to Sugese (Conassif Agreement 06-18 and Superintendent Agreement SGS-DES-A-021-2013). These have to be audited (Article 3 of Conassif Agreement 01-10). Insurers are required to amend inaccurate reports as soon as possible after the error is discovered (Article 25 of the IMRL). Sugese may also use its powers of preventive and corrective measures to require amendments, more frequent reporting or the submission of additional information. There are provisions in the risk assessment framework (see above) for more frequent reports to be required of insurers rated at a certain risk level. ***Off-site monitoring*** Sugese's supervision function carries out risk-based monitoring of insurers using the supervisory reports received. Sugese Agreement 10-17 (see above) sets out the approach to be taken (including supervisory action) by level of risk. For example, for level 1 entities, supervisors are expected to carry out off-site financial analysis of regular reports; request meetings with Senior Management, the Board or external auditors to indicate concerns and corrective measures; inform them of the assessed level of risk; and monitor the implementation of required measures. For level 2 insurers, additional actions include increasing the intensity of supervision (increased reporting frequency or more details); requesting an implementation plan to ensure financial soundness; imposing business restrictions, mandatory guidelines or profit-sharing restrictions; requesting removal of directors etc and asking for a capital increase. Sugese's quality management system sets out the required processes, manuals etc including on how supervision teams document their assessments. Sugese's IT systems track whether there have been communications with the insurer and the off-site assessment has been carried out. In addition, quarterly monitoring is carried out through the indicators that are maintained in Sugese's Early Warning Indicators System, which automatically generates warnings (for example, of a deterioration in financial condition) based on analysis of insurers' financial reporting. ***On-site inspection***

	Sugese has powers to carry out inspections (Article 31 of the IMRL). Its on-site work is integrated into its supervision framework (see above). Supervisors may go on-site for any supervisory purpose, including for routine meetings with management. Sugese's more extensive on-site work is undertaken either: • To update the risk assessment (an extensive process involving interviews with Board members, senior managers etc), known as a risk-based supervision review; • To assess AML/CFT risks; or • To perform special studies, ie work on a particular issue across insurers. Sugese aims to carry out several of these major on-site exercises per year. Four risk assessment updates and two AML/CFT reviews were included for 2025 in the 2024–25 supervision plan. There were additional cross-sector reviews planned, of technical provisions and IFRS 17 preparation. Sugese has been unable to deliver all of its planned on-site work in recent years. There are detailed processes and internal guidelines for on-site work. For the major pieces of work, insurers are notified in advance of the purpose of the visit (a requirement of administrative law) and given feedback at its end, followed by preparation of a report. There are no internal deadlines set for sending reports to insurers, and in practice their preparation, which is based on detailed internal documentation of the work, usually takes many months, including the time required to schedule Board meetings at which the findings are presented. ***Supervisory feedback and follow-up*** Feedback is provided to insurers after each piece of work (study) as required. For risk assessments, for example, the Superintendent normally writes to the insurer's Board of Directors to summarise findings, which include an indication of the insurer's risk rating. Required actions are recorded in the EES System, which allows for monitoring and supervisory evaluation of measures taken by insurers. Although the annual supervision letter and reports of major supervisory work such as the risk assessment are communicated by the Superintendent to Boards of Directors, Sugese's supervisors communicate regularly with the Senior Management of insurers to require information on developments, convey the findings of other supervisory work/studies, and request or require actions as necessary (ICP 10).
Assessment	Largely Observed
Comments	Sugese carries out extensive prudential supervision of insurers within a risk-based framework that includes thorough risk assessment, off-site and on-site supervisory work, reporting to the Boards and Senior Management of insurers and specification of required actions. Supervision work is carefully planned and both findings and required actions thoroughly documented, including in annual supervisory letters to the Board of each insurer. Issuance of key reports could, however, be faster.

	Sugese's risk-based approach allows supervisors to react to emerging risks and adjust the work programme in line with risks and available resources. It would benefit from adoption of an explicit risk appetite framework to guide resource allocation decisions, especially given current and continuing resource constraints. The supervisory approach excludes business conduct, although there are plans to fill this gap (see ICP 19). Increased specialisation of supervisory staff (to add to the recent recruitment of actuaries and existing IT experts), already necessary, is likely to become more important as conduct work is added to the existing wide range of issues covered by supervision teams. It is recommended that, in addition to introducing a risk-based approach to conduct of business supervision (see ICP 19 recommendations), Sugese: • Develops and documents a supervisory risk appetite to support its allocation of supervisory resources; • Increases specialisation in supervision work to support effective supervision given growing demands; and • Sets and monitors target timelines for all reports going to insurers in order to ensure that findings and required actions are communicated to insurers promptly after the completion of supervisory work.
ICP 10	**Preventive Measures, Corrective Measures and Sanctions** **The supervisor:** • **Requires and enforces preventive and corrective measures; and** • **Imposes sanctions** **which are timely, necessary to achieve the objectives of insurance supervision, and based on clear, objective, consistent, and publicly disclosed general criteria.**
Description	***Insurance activities without the necessary licence*** Unlicensed insurance is prohibited and can be tackled directly by Sugese. The IMRL (Article 35) empowers the supervisor to inspect, impose precautionary measures and sanction where regulated activities are conducted without authorisation. It also allows applications to the criminal courts to close premises used for unlawful insurance business. Article 31(e) of the CBCRL (applied to Sugese via Article 29(2) of the IMRL) provides explicit policing powers over unauthorised actors. Article 156 of the CBCRL similarly instructs Sugese to prevent unlicensed insurance nationwide and grants inspection powers equivalent to those used for regulated legal entities. In practice, Sugese has used these powers and escalated cases to the courts when necessary. ***Preventive and corrective measures*** Sugese can intervene before and after breaches of requirements. Under Article 131 of the CBCRL, the Superintendent may:

	• Adjust financial/accounting information and require corrections to misleading publications (paragraphs f and k); • Limit or prohibit dividends/bonuses where instability is detected (paragraph q); • Order cessation of activities that breach laws or regulations (paragraph r) or threaten safety/solvency (paragraph s); and • Prohibit intragroup transactions with non-compliant group entities (paragraph t). These powers are operationalised through Sugese Agreement 10-17, which defines the risk-based assessment methodology and the triggers for preventive and corrective measures (see also ICP 9). In practice, instructions are issued by Sugese via formal resolutions and tracked to closure. As noted in the assessment of ICPs 9 and 12, there are also provisions in the legislative framework for Conassif to trigger processes in the CBCRL on intervention in financial institutions, which include an administration process (see ICP 12). As noted under the assessment of ICP 5, Sugese does not have statutory powers to suspend or remove individuals subject to the suitability requirements from their office or to require insurers to do so. ***Assessing the effectiveness of an insurer's actions*** Under Sugese Agreement 10-17, follow-up is structured around three steps: the insurer must implement measures that address the concern (Articles 22(c), 24(a), 26(a)), supervisors verify delivery at defined intervals (Articles 20(a), 20(d), 20(h), 22(a), 26(c)) and effectiveness is assessed against outcome indicators (Articles 20(a), 20(b), 20(d), 20(h)). In practice, Sugese issues written requirements with scope, due dates and accountable owners and tracks them through internal processes and systems. Effectiveness is judged against proportionate indicators such as solvency coverage, reserve adequacy, remediation of policyholder detriment, control function effectiveness and governance changes, with reporting frequency increased where risk is higher until targets are met. Where remediation stalls or evidence is insufficient, cases move onto the escalation track as set out in Sugese's General Guide to Risk Profile Assessment (ICP 9), stepping up from recommendations to directives and restrictions with tighter timelines. ***Escalation of actions*** Sugese maintains clear escalation protocols, defined in Sugese Agreement 10-17 and reinforced by Articles 29 and 35 of the IMRL. Escalation is also embedded in the General Guide to Risk Profile Assessment. When insurers fail to adequately address identified risks or comply with its directives, Sugese escalates interventions incrementally, deploying stricter corrective measures proportionate to risk severity. Sugese's practice aligns with proportional escalation where concerns are not addressed. ***Sanctions***

	Sanctions are graduated and criteria based. The IMRL (Articles 36–9) classifies breaches as high-severity or serious and provides a menu of penalties (fines, revocation/suspension of authorisation, restrictions on new business, disqualification of individuals). The SMRL (Article 164, as applied to Sugese via Article 35 of the IMRL) sets proportionality criteria: seriousness, harm, intent, ability to pay, duration and recurrence. Administrative decisions must also satisfy reasonableness under Law 6227 and Constitutional Court doctrine. Under Article 41 of the IMRL, when imposing sanctions on an insurer or intermediary, Sugese may also sanction a director or employee when the person is found to be wilfully or negligently responsible (it is not otherwise able to impose sanctions on an individual). Detailed provisions set out the available sanctions, including public reprimands and barring from office for five years as well as financial penalties, depending on whether the findings are of intentional or negligent responsibility. ***Practices*** Sugese has applied a range of preventive and corrective measures, including recommendations, supervisory plans, fines and temporary restrictions. Measures are applied proportionately and escalation is appropriate. As disclosed by Sugese on its website, 21 sanctions have been imposed over the past seven years, mainly for breaches of reporting, solvency and corporate governance requirements. No sanctions have yet been applied in relation to AML/CFT deficiencies. Although Sugese has sought to use its powers to sanction individuals (including one case in which it initiated action against an intermediary company and responsible person under Article 41 of the IMRL), it has not yet imposed sanctions on any person other than individually licensed insurance agents. For transparency and deterrence, sanctions are published on Sugese's website here: www.sugese.fi.cr/seccion-consumidores-seguro/participantes-sancionados.
Assessment	Observed
Comments	Sugese has extensive powers, which it uses in practice, to require actions and impose sanctions. The legal basis enables Sugese to intervene in case of unlicensed activity. The toolkit of requirements on preventive and corrective actions (including dividend and activity restrictions) is extensive. Sugese's supervisory processes require verification of implementation and effectiveness. Escalation is applied where risks increase and sanctions are criteria-based, subject to administrative law tests and published to support transparency and deterrence. Sugese lacks powers to suspend or remove directors, Senior Management or key function holders or to require insurers to do so, which reduces its leverage when insurers' remedial actions prove insufficient (ICP 10.5, but see the assessment and recommendations for ICP 5). It also faces legal obstacles to the imposition of

	sanctions on individuals as provided for in the IMRL and has been unable to take such action in practice. It is recommended that Sugese: • Strengthens supervisory capacity for enforcement by formalising proactive detection of unlicensed activity (eg routine media monitoring, complaint analytics, inter-agency alerts) and publishing an annual note on outcomes; • Improves follow-through by setting indicative timelines in supervisory letters, adopting internal escalation steps with time-bound triggers and disclosing aggregate timeliness in the annual supervisory review; and • Considers, with Conassif and other superintendencies, how to strengthen its ability to impose sanctions on a wide range of individuals using powers under Article 41 of the IMRL, seeking legislative change if necessary.
ICP 12	**Exit from the Market and Resolution** **Legislation provides requirements for:** • **The voluntary exit of insurers from the market; and** • **The resolution of insurers that are no longer viable or are likely to be no longer viable, and have no reasonable prospect of returning to viability.**
Description	***General framework*** The legislative framework provides for voluntary exit as well as bankruptcy proceedings. There is no identified resolution authority for insurers or comprehensive insurance-specific resolution framework, and the main approach in case of failure of an insurer is court-approved bankruptcy. However, the legislation grants certain powers to Sugese. The IMRL sets out aspects of the bankruptcy proceedings applicable to insurers (Article 32), while the Insolvency Law (Law 9957 of 2021), the general bankruptcy legal framework for all companies in Costa Rica, regulates the substantial and procedural aspects of insolvency proceedings. There is no policyholder protection scheme and no plans for establishing one (by contrast, deposit insurance was created under a 2020 law establishing a guarantee fund and bank resolution mechanisms). The policyholder liabilities of the state-owned insurer (excluding reinsurance liabilities and transactions carried out outside the country) are protected by the state guarantee for the insurer provided for in its founding legislation (Article 1 of the National Insurance Institute Law (Law 12) of 1924). Sugese has experienced two voluntary exits from the market, including most recently that of a branch of a foreign insurer in 2022. Both were effected through a portfolio transfer to other insurers. There has been no exit from the market through bankruptcy. ***Voluntary liquidation*** Sugese may cancel a licence at the insurer's request for voluntary liquidation (Article 32 of the IMRL). The regulations on licensing etc also list voluntary

	termination as one of the reasons for Sugese to cancel, annul, revoke or suspend a licence (Article 20 of Sugese Agreement 01-21), while also providing for Sugese to take measures to address the interests of the insured individuals and otherwise meet its objectives. Insurers have to seek authorisation from Sugese for voluntary exit. Article 4 of Sugese Agreement 01-21 sets out the process for doing so, including a requirement to submit a plan for cessation of operations. This must guarantee fulfilment of obligations to policyholders, whether through the run-off of insurance liabilities or the transfer of contracts to another supervised insurer (Article 36). ***Resolution framework*** Applicable provisions are in Articles 32–4 of the IMRL, Article 156 of the SMRL and Articles 139 and 140 of the CBCRL, complemented by Articles 27 and 28 of Sugese Agreement 10-17. As noted, Law 9957 regulates substantial and procedural aspects of insolvency proceedings. Under Article 32 of the IMRL, Sugese may cancel an insurer's authorisation whenever "the entities' situation is so serious that intervention is not a viable mechanism for helping them to recover" (there is no elaboration on the basis on which this judgment may be made). The insurer is then dissolved and goes into liquidation under the Law 9957 processes. In addition, Law 9957 provides for Sugese (as a supervisor) to initiate bankruptcy proceedings (Articles 12 and 14.2). Under Article 34 of the IMRL, in case an insurer's creditors request a bankruptcy, the court must immediately notify Sugese, which must then advise on the insurer's solvency within 20 business days, after which, if Sugese confirms that the insurer is insolvent, the court will commence proceedings. If Sugese takes the view that the insurer is solvent, it must inform the court of the measures that should nonetheless be imposed. There are also provisions in the legislative framework to trigger processes in the CBCRL on intervention in financial institutions, which include an administration process. In case of serious non-compliance by an insurer (defined as a contravention of requirements in Article 136(d)(ii)–(vii) of the CBCRL), Conassif may decide that intervention is required; in practice Sugese will ask Conassif to make such a decision when an insurer is rated at risk level 5 (imminent insolvency or non-viable entity); see ICP 9. The processes in Articles 139–40 of the CBCRL then apply. In case of severe financial instability, Conassif shall appoint comptrollers (which may be Sugese officers) to administer the insurer with a wide range of intervention powers. Bankruptcy proceedings may not take place during administration, which may last up to one year. Thirty calendar days before the end of the administration, Sugese must decide, after consulting the comptrollers, whether to allow the insurer to resume business or to request that the court proceed with proceedings under Law 9957.

	There are no provisions in the legislation providing for insurance liabilities to be restructured, including for policyholders to be required to absorb losses. ***Preparation for resolution*** Sugese has not yet put in place plans for the resolution of any insurers. It lacks explicit powers but takes the view that it could rely on other powers to require an insurer to cooperate in the development of a resolution plan. In the absence of a framework for assessing systemic importance (see ICP 24), there are no systemically important insurers for whom a resolution might be prepared as a priority. Insurers have not yet been required to prepare recovery plans (ICP 16) or to evaluate their specific operations and risks in possible resolution scenarios. Sugese has experience in managing insurers undergoing financial stress but has not made plans for how it might manage a failure. ***Priority of policyholder claims*** Although liquidation would take place under Law 9957, as mentioned, Article 34 of the IMRL provides that once a bankruptcy is declared, the liquidation will be completed with due respect to the interests of the insured individuals. After paying their costs, liquidators will first pay claims arising under the Labour Code (amounts due to employees) and then pay obligations arising from insurance policies, starting with annuity policies deriving from the Workers' Protection Law, after which privileged creditors will be paid, as defined in Article 901 of the Commercial Code. ***Cooperation with other authorities, groups and foreign branches*** Sugese has general powers to cooperate with foreign supervisors and other authorities, including the exchange of confidential information that would be necessary in respect to coordinated resolution actions (see ICP 3). In respect to groups, there is a provision in the legislation on group supervision for supervisors to inform other authorities of relevant developments (Article 141bis of the CBCRL). There are no provisions in the legislation enabling the head of an insurance group to be resolved at the same time as the insurer itself when both are in Costa Rica. The framework on market exit also applies to branches of foreign insurers. In the case of voluntary exit, the insurer is required to provide a non-objection letter from the parent's supervisor as a condition of Sugese's agreement to the exit (Annex 8 of Sugese Agreement 01-21). Such a letter was provided in practice in the case of the voluntary exit of a foreign insurer's branch in 2022. However, Sugese has not planned for the failure of a branch or its parent insurer in another jurisdiction (there is only one such branch at present).
Assessment	Partly Observed
Comments	There are extensive provisions on the voluntary exit of insurers, which have been tested in practice using portfolio transfers to protect the interests of policyholders. Unlike for banks, for which a full framework has been introduced, there is no resolution authority or resolution powers and processes (including a protection fund) for insurers. The approach to the failure of an insurer, which has not been tested in practice, would rely on general bankruptcy proceedings. Sugese would by

	law be involved in the initiation of such proceedings (although not in the process itself), and there are requirements in insurance legislation giving high priority to policyholders. Sugese is well equipped to cooperate with other authorities. However, the point at which Sugese would trigger bankruptcy is not well defined (ICP 12.7; see also ICP 17). In the absence of a wider framework for the supervision of systemically important insurers, Sugese has not undertaken resolution planning or otherwise prepared itself for the necessary actions (ICPs 12.3–12.4). Legislative change would be required to equip Sugese (assuming it is the resolution authority and existing bankruptcy provisions are inadequate, at least for systemically important insurers) with the appropriate range of tools (ICP 12.8). It is recommended that: • The Government of Costa Rica makes legislative changes to provide for resolution powers and appropriate triggers for their use and for existing powers in the IMRL to trigger bankruptcy; and • Sugese plans for resolution actions, giving priority to resolution planning for systemically important insurer(s), once identified.
ICP 13	**Reinsurance and Other Forms of Risk Transfer** **The supervisor requires the insurer to manage effectively its use of reinsurance and other forms of risk transfer. The supervisor takes into account the nature of reinsurance business when supervising reinsurers based in its jurisdiction.**
Description	***Reinsurance practices*** Reinsurance is a key risk mitigation tool in the insurance market. Cession rates over recent years average around 20%, with a wide range (9–70%) across insurers. Reinsurance is used mainly on a cross-border basis; only one insurer is also authorised to provide reinsurance to both local and foreign insurers. This insurer is also the only insurer using retrocession. ***Requirements on reinsurance*** There is a comprehensive set of laws, regulations and supervisory guides on reinsurance, which Sugese has supplemented with a guide on best practices for reinsurance management. Insurers are required to make reinsurance an integral part of their internal controls and risk management framework and to have a reinsurance strategy, programme and related policies and processes. The actuarial function is responsible for reviewing the adequacy, quality and effectiveness of the reinsurance programme, including the effectiveness of the risk transfer. Sugese's supervision team carries out reviews of the insurer's reinsurance management, including its programme and strategy, as well as the effectiveness of the risk transfer. Major overarching requirements on reinsurance are set out in Articles 2, 16 and 25 of the IMRL. More detailed requirements are set out in regulations.

	Principles for the design of the RMS and implementation of the control function of the insurer are contained in Sugese Agreement 09-17. The treatment of reinsurance in the solvency requirements is set out in Sugese Agreement 02-13. Reinsurance is recognised in the technical reserves (and Boards are required to approve a "policy that, as a minimum, oversees risks including reinsurance"). The execution of an annual self-evaluation (RSSA), which must demonstrate the reinsurance programme's appropriateness to the insurer's business, is required (Article 15 of Sugese Agreement 02-13; see ICP 16). Insurers are also required to make information available to Sugese, including on accepted and ceded reinsurance, enabling the evaluation of reinsurance risk management. Finally, Sugese Agreement 10-17 sets expectations that supervisors will require an external assessment of the reliability of reinsurance agreements by a professional where the legal entity is rated at a level indicating that its future viability is in doubt (see ICP 9). ***Supervision*** Sugese's General Guide to Risk Profile Assessment (along with the complementary Reinsurance Assessment Guide) forms a key part of the supervisory framework on reviewing reinsurance management. In addition, reviewing reinsurance management is part of supervisory activities when assigning or updating an insurer's risk rating/risk profile. The General Guide covers how supervisors should determine whether reinsurance is a significant activity for the insurer and sets out the relevant information to be provided to the supervisor to enable such a determination. Reinsurance contracts must be provided to Sugese for its supervisory review. This covers the terms and conditions of reinsurance programmes and the relief they can provide under normal and stressed conditions. The data that supervisors analyse includes the terms of cession and retrocession, premiums, commissions, losses and outstanding balances. The Reinsurance Assessment Guide sets criteria for supervisors to consider in their assessment of the insurer's reinsurance management and the quality of reinsurance as a risk transfer tool. Supervisors can undertake special studies that, for example, assess the alignment of reinsurance policies with the insurer's reinsurance strategy and the extent of stress testing. Actuarial analyses can be requested of the insurer where there are reasonable concerns about the effectiveness of the reinsurance in place. Sugese's guide on best practices for reinsurance management, which sets out expectations for use by market participants, was shared with insurers in 2022. An accompanying letter from the Superintendent to insurers outlined details of the expected implementation of the practices in this guide. Conassif has carried out internal audit work to assess and strengthen Sugese's supervisory approach and support the implementation of best practices in this area.

	Cross-border reinsurance There is only one insurer that is authorised to provide, in addition to insurance, reinsurance locally and abroad. There is no requirement for insurers to reinsure with this insurer and, in practice, they are mostly depending on foreign reinsurers, in particular those based in the European Union (EU) and the United States. Insurers' credit risk controls are assessed by supervisors as part of their review of reinsurance risk management. Sugese's Reinsurance Assessment Guide also refers to the evaluation of the supervision in the reinsurer's jurisdiction of origin, including checking that the reinsurer is directly or indirectly supervised and the possibility of accessing reports, if any, of the parent group's other involved supervisor. In practice, supervisors rely on the financial ratings of foreign reinsurers when assessing the security of reinsurance arrangements. Communication with the foreign supervisor of a reinsurer and broader supervisory issues would be triggered only in case significant risks were identified, which has not occurred recently. ***Liquidity risk management of the insurer*** A liquidity risk assessment is required as part of determining an insurer's risk profile and how it is managed (Article 5 of Sugese Agreement 09-17). Reinsurance plays a major role in maintaining a prudent degree of liquidity of the insurer in both normal and stressed conditions. Ceding insurers are expected to consider the impact of their reinsurance programme on liquidity management within their RSSAs (Article 15 of Sugese Agreement 09-17). The reinsurer's financial strength should be used as an indicator of the reinsurer's ability to meet payment obligations. The reinsurer's financial strength rating is also an input into the solvency capital requirement (SCR), which considers credit and concentration risks arising from reinsurance. The impact of the reinsurance programme on the insurer's capital adequacy and liquidity management should also be considered in the RSSA. ***Issues regarding risk transfer to capital markets*** The regulations do not explicitly consider risk transfer to capital markets. Although insurers may choose to undertake such transfers, the contracts would not be eligible for inclusion in the admissible assets backing technical provisions. They would therefore not be an effective means of risk transfer in practice.
Assessment	Largely Observed
Comments	There are extensive and detailed regulatory requirements on reinsurance, covering the impact of reinsurance on insurers' credit, concentration and liquidity risks, risk management, and supervisory reporting requirements. Sugese actively supervises the effectiveness of the reinsurance risk management of the insurer, including reviewing contracts and programmes.

	An assessment of the home supervision of foreign reinsurers is not performed in detail, with reliance placed instead on the financial strength ratings of the reinsurer (ICP 13.4). It is recommended that Sugese perform a more detailed evaluation of the home supervision of foreign reinsurers.
ICP 14	**Valuation** **The supervisor establishes requirements for the valuation of assets and liabilities for solvency purposes.**
Description	***General framework*** Conassif has wide-ranging powers to set requirements on the accounting standards to be used by insurers for both regulatory reporting and in the preparation of audited financial statements (Article 171 of the SMRL). It sets out requirements, based on IFRS (with adjustments and variations), in Conassif Agreements 06-18 and 10-21 and Sugese's Superintendent Agreement SGS-DES-A-028-2013. IFRS 4 is the standard that is currently implemented for insurance liabilities, with the interpretations of IFRS applied in their entirety. The standard includes requirements on recognition, derecognition and measurement of assets and notes to the financial statements. IFRS 17 (Insurance Contracts) was approved by the International Accounting Standards Board (IASB) for implementation from 1 January 2023. However, Conassif and Sugese are still in the process of implementing IFRS 17. Although the regulatory framework for the adoption of the standard was approved by Conassif in August 2021, the effective date of implementation (originally January 2024) has been deferred more than once to allow market participants to prepare. A revised date of implementation of 1 January 2028 was announced in December 2025. Similarly, the regulatory framework for the adoption of IFRS 9 (Financial Instruments) was also approved by Conassif in August 2021. The decision to delay the implementation of IFRS 17 also allowed for the delay in implementation of IFRS 9 if it was to be implemented jointly with IFRS 17. However, the regulations do allow for the early adoption of IFRS 9 at the discretion of each insurer. Insurers are required to submit an independent external auditor's opinion on the audited financial information (Article 33 of Conassif Agreement 06-18). ***Economic valuation of assets and liabilities*** When addressing capital requirements, the IMRL states that regulations on capital will consider the valuation of assets and liabilities at their economic value (Article 12 of the IMRL). There are specific requirements on the valuation of assets and liabilities for solvency purposes (Sugese Agreement 02-13). These include the

	valuation of technical provisions, capital resources, investment requirements and capital adequacy requirements. The prescribed methodology for the valuation of liabilities is set out in Article 18 of Sugese Agreement 02-13 and the annexes providing the calculations of an insurer's technical reserves (Annexes PT1–PT7 of Sugese Agreement 02-13). The calculation of the technical interest rate used for the valuation of personal insurance products is set out in the guidelines (Chapter IV of Superintendent Agreement SGS-DES-A-028-2013). This approach does not apply a prospective assessment of cash flows for most liabilities, does not allow for the time value of money (with the exception of personal insurance) and may not produce such an economic valuation in practice. For assets, Article 4 of Conassif Agreement 10-21 establishes that insurers must maintain investments in eligible assets that are valued in line with IFRS, which measures assets at a fair value. ***Consistent and reliable valuation of assets and liabilities*** The regulations are prescriptive on the approach to be used, with little flexibility for insurers to vary in their application of the regulation. This provides for valuation bases that are consistent between insurers. The use of fair value valuation for assets and less economic techniques for the valuation of liabilities may lead to inconsistencies in the balance sheet. These inconsistencies would be expected to be more prevalent for long-term insurance products, where economic assumptions have a greater impact on the valuation, but these types of products are currently uncommon in the insurance market. ***Use of own credit standing in the valuation of technical provisions and other liabilities*** The use of own credit standing is not permitted by the regulations on the valuation of technical provisions. Gross reserves are calculated without discounting reinsurance. No account is taken of a reinsurer's credit standing. ***Technical provisions exceed the MOCE by a margin*** There are no explicit margins of risk over a current estimate included in the valuation of liabilities (as defined in Article 18 of Sugese Agreement 02-13), with the exception of the valuation of liabilities arising from surety bonds. ***Unbiased and current assumptions reflected in the present value of future cash flows and MOCE*** Article 18 of Sugese Agreement 02-13 indicates that technical reserves must contain the true or estimated amount of the obligations assumed, derived from the contracts, as well as the expenses related to compliance with those obligations, and must be calculated for their entire term regardless of the type of policy payment. However, there is no requirement to incorporate unbiased assumptions into the valuation of cash flows.

	Use of appropriate rates when discounting cash flows for technical provisions The current regulations for the calculation of technical provisions do not include the discounting of cash flows for most insurance products. The methodology for calculating a technical interest rate applicable to personal insurance is set out in Article 24 of Superintendent Agreement SGS-DES-A-029-2013. The rate is set by Sugese and published each year based on a fixed formula. ***Embedded options reflected in technical provisions*** The current regulation does not include specific requirements on the valuation of embedded options in the calculation of technical provisions. However, given the nature of the market, such embedded options are not a common feature in the products sold and would not be expected to constitute a material risk for any insurer. ***Supervisory oversight*** Insurers are required to comply at all times with regulations on the level of technical reserves and must submit a report on the adequacy of technical reserves prepared by an independent actuary every year. Sugese may also request that insurers demonstrate the adequacy of their reserves at any time. If the regulations are not met, Sugese can require the insurer to take action to resolve any issue (Article 21 of Sugese Agreement 02-13).
Assessment	Largely Observed
Comments	The current valuation methodology is prescriptive and underpinned by IFRS 4 accounting standards. The process of implementing IFRS 17 has started and the expected implementation date for solvency purposes is 1 January 2028. The valuation of liabilities does not specify the use of a prospective approach based on projected future cash flows. There is no requirement to use unbiased cash flows or to include MOCE (ICPs 14.6–14.8). There is also no allowance for the cost of options and guarantees in the valuation of insurance liabilities (ICP 14.10). However, the local insurance market does not write significant quantities of complex, long-term life insurance products and there are no products containing options or guarantees. These features could be expected to mitigate many of these issues. Sugese takes action when insurers are not reserving adequately. It is recommended that Conassif and Sugese upgrade their valuation standards (implementation of IFRS 17, as planned, will assist).
ICP 15	**Investments** **The supervisor establishes regulatory investment requirements for solvency purposes in order for insurers to make appropriate investments taking account of the risks they face.**

Description	***Regulatory investment requirements*** Insurers' total investments comprise around 70% of the total in bonds, of which 60% are issued by the local public sector and 20% are foreign bonds. They also invest in loans (13%), cash (7%) and shares (6%). There is limited investment in collective investment schemes. The sector does not invest in more complex instruments such as hedge funds. There are requirements for insurers for solvency purposes in the IMRL and Sugese Agreement 02-13. The IMRL sets out high-level requirements that: • Insurers maintain investments in eligible assets, as defined by regulations, backing technical provisions etc (Article 14); • Investments be owned by the insurer, free of any encumbrances etc that could block or hinder their free assignment or transfer (Article 14); • Insurers manage investments in a sound and prudent manner; they must define their investment policy and processes for their choice and mix of financial assets, diversification and risk management (Article 15; there is a similar requirement in Article 25 of Sugese Agreement 02-13); and • Subject to regulations, which may exclude securities based on market or liquidity risk, investments be issued by supervised financial institutions, commercial securities and private offerings (including equivalent foreign issues) or securities issued by the CBCR and the MoF; the securities must be traded in accordance with sound market practices and held in custody, where applicable, by an authorised custodian (Article 15(b–f)). There is no detailed framework of limits on the share of particular types of investment in the total. However, insurers must hold at least 40% of their total investments backing technical reserves in securities meeting certain requirements including on currency, risk rating (at least one investment rating assigned by an authorised rating entity) and security type (including bonds etc as listed in Article 15 of the IMRL, as well as shares in mutual funds, except for hedge funds or alternative investment funds, and certain repo transactions and shares) (Articles 23 and 27 of Sugese Agreement 02-13). There are otherwise no quantitative limitations on investments for solvency purposes. The SCR itself takes a risk-based approach to the risks associated with investment, particularly in the calculation of general asset risk (Annex RCS-1 of Sugese Agreement 02-13 and Superintendent Agreement SGS-DES-A-029-2013; see ICP 17). For example, investments in shares or other equity securities, investment funds and other variable-income securities are subject to a market risk capital requirement equivalent to 30% of their book value. Assets issued by companies related to the same group as that of the insurer will not be taken into account for solvency purposes (Article 14 of the IMRL). However, there are no explicit requirements on investments that apply to an insurance group,

	such as a requirement to monitor and control risks on an aggregate basis for the group (ICP 15.1). The regulations on consolidated supervision of financial groups do include requirements on group RM, capital adequacy and reporting of supervisory information (see ICP 23). There are currently no insurance groups, although one insurer heads a financial group to which these requirements are applied. ***Requirements to ensure that assets are secure, available and diversified*** In addition to the IMRL requirements, Sugese Agreement 02-13, as part of its requirements on investment policies, requires insurers to administer their investments in a sound and reasonable manner and hold their assets in a secure location for their availability (Article 25). The principles to be covered in investment policies include that liquid assets (less than one year) must be kept to back technical reserves (Article 25(d)). Insurers must also maintain appropriately diversified investments (Article 25(b)). In respect to custody of assets, in addition to IMRL requirements, Sugese Agreement 02-13 requires that securities that can be kept in custody be held by a custodian meeting certain requirements (including specific standards applicable to international custodians). The insurer must authorise direct access to their custody accounts for Sugese for the purposes of supervision (Article 26(b)). Although the assets that meet the 40% requirement (see above) must have an investment rating (Article 27(3) of Sugese Agreement 02-13), there is no requirement for the insurer to conduct its own due diligence to assess credit risk or credit analysis independent of the external credit rating (ICP 15.2). Article 25(c) of Sugese Agreement 02-13 requires insurers to establish sustainable investment management policies, for example to ensure that resources go to activities that support sustainable development. However, insurers are not explicitly required to consider how climate change could have a material impact on their investments through traditional risk categories (ICP 15.2). ***Requirements to ensure that assets are appropriate given the liabilities*** Insurers must structure their asset portfolios to be consistent with the nature and duration of their insurance obligations with respect to term, currency and balance of risk and expected return (Article 25(a) of Sugese Agreement 02-13). ***RM requirements*** Insurers must define and approve the investment policy to select and mix assets, diversification and RM. They must invest only in assets whose risk may be monitored, managed and controlled. Assets must be invested considering the joint safety, liquidity and profitability of the portfolio (Article 25 of Sugese Agreement 02-13). There is no explicit requirement that insurers have sufficient information about an investment to understand the risks involved and determine the materiality of the risk before undertaking any investments (ICP 15.4). However, insurers must maintain an inventory of all the data necessary for adequate investment

	management, including details of the investment's valuation for accounting purposes and the custody institution (Article 25(a) of Sugese Agreement 02-13). Where an external investment adviser or manager is used, there is no requirement for the insurer to develop appropriate techniques to assess risks (including risks in an investment fund, where the insurer is not able to look through to the underlying assets), nor are insurers required to retain adequate investment expertise in-house (ICP 15.4). ***Quantitative and qualitative requirements for certain types of assets*** Although there are relevant solvency requirements, there are no specific limits on investment in instruments that are more complex and less transparent (ICP 15.5). There are, however, detailed requirements on the use of derivatives, which specify that insurers may carry out such transactions to hedge interest rate, price and exchange rate risk (Title IV of Sugese Agreement 02-13). The requirements list the types of instrument that may be used and set out qualitative requirements. In practice, insurers use derivatives on a limited basis and have no investments in more complex or potentially illiquid investments such as private equity or structured products. ***Supervisory work*** Sugese collects detailed information on the composition of investment portfolios (see ICP 9) and evaluates investment risk as part of its off-site supervisory work, including in the context of assessing compliance with solvency standards. It also considers investment risk in its assessment of the RSSA (see ICP 16). Investment policies and the associated RM, reporting and controls may be assessed as part of Sugese's risk-based supervisory work. Sugese's internal guidelines on risk assessment (see ICP 9) include detailed material on the assessment of investments, and evaluations of investments were included in the supervisory material shared by Sugese for the purposes of the assessment. They take into account the fact that, in practice, investments are concentrated in a small range of higher-quality liquid assets, as noted above.
Assessment	Largely Observed
Comments	There are extensive, mostly qualitative regulatory investment requirements for solvency purposes, including on security, settlement, custody etc, as well as solvency requirements that incentivise a prudent investment approach. Quantitative requirements are limited but support a minimum amount of investment in highest-quality, relatively liquid investments. There are no quantitative requirements on group investment risks (ICP 15.1) or requirements on investments in instruments that are more complex and less transparent (ICP 15.5). In addition, insurers are not explicitly required to conduct their own due diligence to assess credit risk independent of the external credit rating or to consider how climate change could have a material impact on their investments through traditional risk categories (ICP 15.2).

	Sugese does, however, address investment activities and risk in its risk-based supervisory work, including on-site supervision and the evaluation of insurers' RSSAs. This takes into account the nature of insurers' activities, which do not yet include significant long-term business, and their investment portfolios, which are concentrated in government and other public sector bonds. It is recommended that Sugese, working with Conassif as required: • Strengthen the qualitative requirements on insurers' investment activities to ensure they are required to assess credit risk independent of the external credit rating and to consider how climate change could have a material impact on their investments; • Review the existing quantitative requirements (40% of investments in high-quality assets), including whether to apply limits to instruments that are more complex and less transparent; and • Review the requirements applying to financial groups to ensure that groups are required to manage investments on a consolidated basis, identifying risk concentrations etc.
ICP 16	**Enterprise Risk Management for Solvency Purposes** **The supervisor requires the insurer to establish within its risk management system an enterprise risk management (ERM) framework for solvency purposes to identify, measure, report and manage the insurer's risks in an ongoing and integrated manner.**
Description	***Risk identification*** Insurers are required to establish an RMS and internal controls (Article 5 of Sugese Agreement 09-17). The RMS should identify, measure, monitor, control and report all risk-related matters (see also ICP 8). Article 5 of Sugese Agreement 09-17 also sets out minimum requirements for the RMS, including a risk management strategy and processes and tools for risk identification, measurement and monitoring. Article 8(f) requires insurers to have processes to coordinate risk management with capital management and solvency adequacy, considering, amongst other factors, technical, ALM, liquidity and concentration, operational, business conduct and reinsurance risks. The Board is responsible for ensuring implementation of the RMS and the internal control processes (Article 6 of Sugese Agreement 09-17) and for defining the applicable strategies and policies. The Board is required to approve the risk management strategy, the relevant policies in pursuit of the strategy, and updates and material changes to the RMS (Article 8). Regular reporting on risks to Senior Management and the Board is also required (see also ICP 8). Sugese plans to strengthen ERM requirements in the context of its planned implementation of IFRS 17 and development of a risk-based capital model, part of the 2024–28 strategic plan (see ICPs 14 and 17). ***Risk measurement***

	Article 8 of Sugese Agreement 09-17 requires insurers to measure risks. The current capital and solvency framework (see ICP 17) uses a factor-based quantification of risks. Insurers are not required to perform stress tests, but may do so on a voluntary basis (see below). Qualitative considerations of risks should also form part of an insurer's risk appetite statement (see below). ***Risk appetite statement, limits and capital adequacy*** Insurers are required to have a risk appetite statement (Article 10 of Sugese Agreement 09-17) including quantitative and qualitative considerations of risks and risk limits and the types of risk the insurer is willing to withstand within its risk capacity. The required risk appetite statement does not have to include analysis of risk interdependencies or aggregate risk levels. The insurer's Board is required to define and monitor the risk appetite statement and ensure alignment with the insurer's risk management strategy, capital management and (other) business activities. Underwriting and investment policies, as well as the RSSA (see below), must be consistent with the insurer's risk appetite. Sugese reviews risk appetite in a process that includes checking the consistency of the risk appetite statement with strategic and financial plans, the quantitative measures applied, and alignment with risk appetite and capacity. The risk profile of the insurer, including the identification and quantification of significant current and emerging risks, is checked against the risk appetite statement. Sugese can and does issue requests to insurers for improvement to their approaches in relevant areas based on these reviews. Conassif has the power (Article 10 of the IMRL) to require insurers to undertake analysis of dependencies or interrelations between risk appetite, risk limits, regulatory capital requirements, economic capital and the processes for monitoring risks. It has not used these powers to date. ***ALM policy*** Although there is no explicit requirement for an ALM policy, in Article 8(f) of Sugese Agreement 09-17, "asset and liability management" is explicitly listed as within the scope of consideration of the required relationship between risk and capital management and solvency adequacy. In relation to the required provision for catastrophe risk (Annex PT7 of Sugese Agreement 02-13), as part of liquidity management, within the management of assets and liabilities, a plan is required for claims payouts in case of an event. ***Investment policy*** Article 25 of Sugese Agreement 02-13 requires an investment policy approved by the board. The policy must cover the selection and mix of assets, diversification and risk management. Investment risk appetite and limits must be included as integral elements of the overall risk appetite statement (Article 10(c) of Sugese Agreement 09-17).

	Supervisory teams include in their risk-based work reviews of an insurer's investment policy, its investment portfolios and their alignment with risk appetite. In case of significant investment activity, investment risk is evaluated as part of the risk management assessment of an insurer. ***Underwriting policy*** Insurers must have an underwriting policy approved by the Board in order to be authorised (Annex 3 of Sugese Agreement 01-21). There is a requirement for policies, approved by the board, to fulfil the risk management strategy (Article 8(a) of Sugese Agreement 09-17). The evaluation of the underwriting policy is the responsibility of the actuarial function (Article 26 of Sugese Agreement 09-17). Supervisors assess whether the underwriting policy addresses underwriting risks in line with the insurer's overall risk appetite statement. There are no regulatory requirements that specify what must be covered by the underwriting policy. However, under Sugese's risk-based supervisory approach, supervisors seek to review the underwriting policies only of those products identified as part of a significant activity of the insurer. ***Liquidity risk management*** Article 8(f) of Sugese Agreement 09-17 lists liquidity risk as one of the required elements of the RMS. A liquidity policy is required as part of the authorisation process (Annex 3 of Sugese Agreement 01-21). Liquidity must be considered as part of the insurer's investment policy, under which liquid assets with maturities of less than one year should be held to support technical provisions (Article 25(d) of Sugese Agreement 02-13). Assets must be invested considering the joint safety, liquidity and profitability of the portfolio. Supervisors evaluate insurers' liquidity risk strategies, policies, processes and stress tests in addition to monitoring their liquidity ratios and external sources of liquidity (processes are set out in Sugese's internal General Guide to Risk Profile Assessment; see ICP 9). The supervisory team also includes a liquidity crisis scenario on its checklist as part of the RSSA review. As the insurance products and services prevalent at present in the market do not pose significant liquidity risks, there is no need to require a more detailed liquidity risk management process (ICP 16.9). ***The RSSA*** Insurers are required to prepare an RSSA on an annual basis as part of the RMS (Article 15 of Sugese Agreement 09-17). The Board and Senior Management have ultimate responsibility for the RSSA (Articles 6 and 7 of the Agreement). The RSSA must cover overall solvency needs based on the risk profile, include tolerance limits and take into account business strategy. It must be based on ongoing compliance with requirements on capital and technical provisions. Sugese's internal General Guide to Risk Profile Assessment lists the risks to be covered, including insurance, credit, market, concentration, operational and liquidity risks. Insurers are not required to carry out stress testing (ICP 16.15) as

	part of the ERM framework, although Conassif has powers to issue regulations that would require stress tests to be undertaken (Article 10 of the IMRL). Where stress testing is carried out by insurers on a voluntary basis, it is assessed by the supervisory team. The results would not trigger requests or requirements for additional capital, but an action plan would be required of the insurer to prevent the realisation of the scenario, where necessary. The time horizon of the RSSA is usually one year, in alignment with the business plan, and longer-term considerations are not routinely covered (ICP 16.14). ***Supervisory reviews of the RSSA*** Sugese carries out annual supervisory reviews of insurers' RMS and risk profiles. However, RSSAs are submitted by insurers to Sugese only when it requests submission (and not as a routine submission). Examples of recent supervisory reviews of RSSAs showed that Sugese has made requests for improvements for the next RSSA submission. These covered many issues, including liquidity risk management, market and/or macroeconomic stress testing and analysis of the sensitivity of the solvency ratio to various variables. It has requested the inclusion of certain risk types such as strategic, legal, reputational and operational risks, as well as climate risks. ***Recovery planning (pre-emptive scenarios and options for recovery under severe stress)*** There is no requirement in regulations nor a supervisory practice (or any plans) for insurers to develop (and share with Sugese) pre-emptive recovery planning, including recovery scenarios and possible options for recovery under severe stress. ***Group ERM*** There are no regulated insurance groups (see ICP 23). However, the one domestic insurer that is part of a wider group includes group-related risks qualitatively in its ERM framework and considers group risks in its RSSA.
Assessment	Partly Observed
Comments	There are many requirements on ERM for solvency purposes, including the requirement for an ERM framework and for insurers to have investment, underwriting and liquidity policies; basic ALM considerations; a risk appetite statement and an RSSA, which contains elements of what is expected of an ORSA in ICP 16. Furthermore, supervisory practice, based mainly on extensive internal guidelines, especially on risk assessment, is thorough, including reviews and detailed recommendations. However, there is a lack of granularity in the requirements in relation to major risk management tools for solvency purposes. There are limited requirements for quantitative tools and in respect to risk interdependencies (ICPs 16.1–16.4) and a full ALM policy (ICP 16.5). The requirements on insurers' RSSAs do not extend to making them an integral part of strategic decision-making, capital management and the risk management process, nor do they require insurers to build in a longer-term

	perspective (ICPs 16.10–16.14). No pre-emptive recovery scenarios or options for recovery are required of insurers (ICP 16.15). In the future, Sugese, working with Conassif, intends to introduce measures to strengthen requirements on insurers' ERM for solvency purposes in the context of the planned implementation of IFRS 17 (see ICP 14) and the related work on a risk-based capital model (ICP 17). It is recommended that Sugese, working with Conassif as required: • Expand the RSSA requirements to include a requirement for quantitative assessment of solvency over an extended time horizon; • Consider developing a framework for recovery planning for insurers; and • Develop more quantitative requirements, for example for stress testing and ALM.
ICP 17	**Capital Adequacy** **The supervisor establishes capital adequacy requirements for solvency purposes so that insurers can absorb significant unexpected losses and to provide for different degrees of supervisory measures.**
Description	***Overall framework*** Legislation sets out high-level provisions on the capital adequacy and solvency regime, empowering Conassif to issue regulations and setting minimum required levels of capital (Articles 10–12 of the IMRL). Conassif regulations set out detailed standards on the valuation of assets and liabilities (ICP 14), capital adequacy and solvency requirements, technical provisions and the investment regime (Sugese Agreement 02-13). In addition, and as required under Article 4 of Sugese Agreement 02-13, Sugese has issued guidelines for the implementation of the regulations (the latest version is Superintendent Agreement SGS-DES-A-029-2013). Insurers are required to apply IFRS for solvency purposes (Article 3 of Conassif Agreement 06-18). IFRS 4 is currently applied (see ICP 14). They must hold sufficient capital to cover at least their estimated technical, credit, market and operational risks (Article 12 of the IMRL). The risks to be taken into account are defined in Article 11 of Sugese Agreement 02-13. The regulations also prescribe the definition and calculation of capital resources (Articles 5–8 of Sugese Agreement 02-13). Insurers are also required to hold sufficient assets to cover technical reserves (Article 22 of Sugese Agreement 02-13). All assets included in the balance sheet are eligible except those deducted from capital (Article 23). In addition, at least 40% of assets backing technical reserves must be invested in debt securities that meet a set of requirements (Article 27 of Sugese Agreement 02-13) (ICP 15). Although most of the framework dates from 2013, Sugese has regularly revised details of the requirements. Most significantly:

	• In 2021 it reformed the requirements for catastrophe risk, adding separate capital requirements to cover earthquakes and volcanic eruptions; and • In 2022 it added a treatment for surety bond insurance to the solvency requirements to reflect its particular risk characteristics for the insurer. The changes were implemented after consultation with insurers and apply to all. At the time of the assessment, Sugese was considering further revisions to the solvency requirements to reflect market developments and with a view to aligning certain requirements with those applying to banks, where possible. The requirements also apply to branches of foreign insurers (there is one at present), subject to a separate definition of capital base (capital assigned to the Costa Rican operations of the insurer) and a requirement to notify Sugese in case of breaches of the solvency requirements applying to the foreign parent (Articles 5 and 14 of Sugese Agreement 02-13). ***Regulatory capital requirements*** Insurers must hold capital sufficient to cover the SCR and, at a minimum, the capital amounts required under Article 11 of the IMRL (fixed amounts by category of insurance business). Sugese Agreement 02-13 sets out the detail of the SCR, which is defined as the sum of the capital requirements for each of six categories of risk: general asset risk, operational risk, personal insurance risk, general insurance risk, reinsurance ceded risk and catastrophe risk (Annexes RCS-1-6 of Sugese Agreement 02-13 and further details in Superintendent Agreement SGS-DES-A-029-2013). There is no allowance for diversification of risks. Requirements for each risk category are specified in detail (for example, for general asset risk, there are requirements for market risk, asset risk, investment concentration and mismatch risks). Concentration risk requirements also apply in the case of reinsurance ceded risk and catastrophe risk. The calibration of the capital requirement varies. For most risk categories, a factor-based approach is used with static parameters (for example, in the case of personal insurance risk, the capital requirement is a fixed percentage of different types of reserve, the highest being for the unearned premium reserve for workers' compensation, accidents and health). The target criteria, where stated, also vary for different risks. For example, within the general insurance risk category, for direct insurance risk, a calibration target of 99.5% value-at-risk (VaR) over one year is specified, whereas within the general asset risk category, for market risk on fixed income assets, a calibration target of 95% VaR over 21 days is used. Other risks are calibrated without specific target criteria. Although the calibrations have been updated periodically, the approach is not consistent across risks. The use of internal models for calculating solvency requirements is not permitted. ***Total balance sheet approach*** Although all material elements of the balance sheet are captured, the methodology does not consider the balance sheet as a whole for solvency purposes. For

	example, it does not capture the interaction of risks in all elements of the balance sheet or allow for the recognition of interdependence amongst assets, liabilities, regulatory capital requirements and capital resources. In addition, the capital requirement calculations do not account for correlation between risks. ***Regulatory intervention levels*** When an insurer's capital adequacy ratio (CAR) falls below a minimum threshold (currently set at 130%, expressed as a minimum capital sufficiency index of 1.3), the insurer is required to provide an action plan to restore the ratio to the minimum (Article 15 of Sugese Agreement 02-13). Failure to submit a plan, supervisory disapproval of the plan or non-compliance by the insurer may result in more intensive actions being taken by Sugese as defined for an insurer with a risk rating of 5 (non-viable entity or imminent insolvency). The Comprehensive Insurance Supervision Framework in Sugese Agreement 10-17 sets out when an insurer is rated at level 5 (ICP 9). The calculation of the CAR is designed for a going-concern insurer, and calculations related to identifying equity that could absorb losses in the event of liquidation are not explicitly included in the model. The minimum threshold of 130% acts as a prescribed capital requirement (PCR) as defined in ICP 17.4. Sugese may still intervene above this level, where an insurer is rated at level 2 (Early Warning) under the Comprehensive Insurance Supervision Framework (see above), when, amongst other supervisory measures, it may request an increase in capital. However, there is no further intervention level that would equate to an MCR, ie the level at which, if breached, Sugese would intervene with its strongest measures. Where an insurer is rated at level 5 (see above), Sugese will ask Conassif to intervene (Article 28 of Sugese Agreement 10-17), which it would do using its powers in Article 156 of the SMRL and Articles 139 and 140 of the CBCRL (see ICP 12). However, there is no specified level of capital adequacy associated with level 5 other than that the insurer has not met the solvency requirements. ***Group-wide capital adequacy*** The capital adequacy requirements for financial groups and conglomerates (see ICP 23) are set out in Title IV (Articles 79–113) of Conassif Agreement 16-22 (this regulation applies to all legal entities subject to supervision by a superintendency rather than just insurers). In practice, it is applied to the one insurer-led group (see ICP 23). Group capital adequacy is calculated by reference to the requirements applying to individual legal entities within the group. The requirements and capital resources of each legal entity are added together to provide a measure of group-level capital adequacy and monitored. The solvency control level for groups is 100% of the group CAR (Article 83 of Conassif Agreement 16-22). Within the group, the controlling company must ensure it has the level of capital necessary for its operation, based on its risks and activities (Article 110(a) of the

	Conassif Agreement). This must not be less than the risk-based capital requirements of the relevant supervisors. The controlling company must eliminate any individual capital deficit within six months (Article 110(b)). ***Capital resources*** The regulations set out the method for calculating capital resources (capital base) and classifying capital based on quality and contribution to the insurer's ability to absorb unexpected losses not covered by technical provisions. When determining capital base (comprising Tier 1 capital, Tier 2 capital and deductions), there are specific considerations concerning both the items and the asset quality that are considered for solvency measurement purposes, for example the conditions that must be met for debt capital to be included in Tier 2 (Articles 5–8 of Sugese Agreement 02-13). The contribution of total Tier 2 capital to an insurer's capital base may not exceed 100% of total Tier 1 capital net of deductions (Article 5). ***Expected future developments*** As noted in the assessment of ICP 14, Sugese is in the process of implementing IFRS 17 in accordance with a regulation issued by Conassif. IFRS 17 will replace IFRS 4 as the basis of valuation standards for solvency purposes. Initially, Sugese plans to recalibrate the capital requirements to deliver the same levels of capital as are currently required. At a later stage, it plans to introduce a fully risk-based solvency regime with capital requirements recalibrated, continuing to use the IFRS balance sheet. The timeline for implementing this risk-based regime is currently unspecified and will depend on the timeline for implementing IFRS 17 (see ICP 14).
Assessment	Partly Observed
Comments	There is an extensive framework of capital requirements that addresses the material risks of insurers. Insurers are required to calculate capital requirements for six risk types and to maintain a capital base (in mostly high-quality forms of capital) of at least 130% of the requirements. Although there are no insurance groups at present, a framework for group-wide capital requirements is in place and is applied in practice to the one insurer-led financial group (see ICP 23). The framework has been revised periodically to capture risks more appropriately. It will be revised again to reflect the planned implementation of IFRS 17 and, in the longer term, reformed to provide for a more fully risk-based approach (in the absence of any domestic IAIGs, the ICS does not have to be implemented). Sugese is satisfied that current requirements, which are being tested by regular stress testing exercises (see ICP 24), provide adequately for insurers to be able to absorb unexpected losses. However, the current approach is not based on the full balance sheet (ICP 17.1), is backward-looking rather than prospective and lacks explicit target criteria for the calibration of requirements applied consistently across risks (ICP 17.8). It is not supported by a full framework of solvency control levels,

	lacking a defined MCR at which point strongest measures would be taken (ICPs 17.3–17.4). The group solvency control level, at 100%, is below the level set for individual insurers at 130%. However, there are currently no insurance groups operating in the market. It is recommended that Sugese, working with Conassif: • Revise the approach to solvency control levels, providing in the regulations for an explicit MCR level linked to triggers for taking the strongest intervention measures, taking into account the recommendations on ICP 12 in this assessment; • Review and revise the capital requirements, as planned, in two stages, to reflect IFRS implementation and, in the medium term, to implement a fully risk-based solvency regime based on the whole balance sheet and target criteria for calibration applied consistently across risks; • In the short term (because the timing of planned reforms is uncertain and will take some years), continue to keep the adequacy of current requirements under review and strengthen them where necessary; and • Consider revising the solvency control level for insurance groups in case one were to be established in the market.
ICP 18	**Intermediaries** **The supervisor sets and enforces requirements for the conduct of insurance intermediaries, in order that they conduct business in a professional and transparent manner.**
Description	At the time of the assessment, there were 22 insurance agencies (companies undertaking agency business), 1,209 individual insurance agents, 38 brokerages, 799 individual brokers and 83 operators of self-issued policies (non-complex insurance meeting the requirements of Article 24 of the IMRL). Brokers have the most significant market share. Banks can and do establish brokerages (as separate companies) and may also sell self-issued policies (see ICP 19) themselves (but not other products), their total market share being around one third. Intermediaries are supervised by Sugese's Supervision Division with two dedicated staff. ***Licensing requirements*** Requirements for intermediaries are set out primarily in the IMRL and Sugese Agreements 03-10 and 06-13. Laws and regulations require insurance intermediaries, whether individuals or legal entities, to obtain a licence from Sugese to carry out their insurance activities. Sugese is responsible for their supervision. The main provisions of the IMRL are:

	• Intermediation requires authorisation subject to regulations issued by Conassif on the granting of licences, including training and accreditation requirements and authorisation processes (Article 19). • Insurance agents and brokers must obtain a licence from Sugese authorising them to operate in specific insurance lines. Applicants must not have a licence cancellation or criminal conviction in the last five years, be serving a criminal sentence or be holding key positions or activities with insurers/financial groups that may create a conflict of interest (Article 20). • Insurance agents must be accredited by an insurer, and individuals acting as brokers by a brokerage, which is to be responsible for the appropriate training, accreditation and compliance of intermediaries (Article 21). • An agent's contracts must state whether they work on behalf of insurers or independently (Article 22). Articles 22–4 of Sugese Agreement 01-21 contain the requirements and processes of the authorisation process, including supervisory work and timelines, and the requirements that then apply for registration (when the intermediary may start operating). Brokers must be established as separate legal entities and may not operate as branches of foreign entities. However, there are no restrictions for the ownership structure. As mentioned, banks may only sell self-issued products, so the scope for bancassurance is limited. Sugese's website displays all licences granted to intermediaries, whether they are active, inactive, cancelled or the object of a sanction. ***Ongoing supervision*** Article 26 of the IMRL requires intermediaries to provide Sugese with accurate and timely information that allows for effective supervision. Article 3 of Superintendent Agreement SGS-DES-A-021-2013 sets out the periodic information required to be reported within stated deadlines, mainly financial information on insurance agencies and brokerages. Sugese performs on-site reviews of intermediaries approximately three times a year, mainly to verify compliance. As mentioned, Sugese has only two staff working full-time on intermediary supervision (off-site and inspections), and the scope and approach of the inspections are therefore limited. Sugese schedules reviews according to level of risk, but has not yet adopted a business conduct framework (see ICP 19) and prioritises intermediaries that are part of financial groups subject to consolidated supervision. Evidence from the reviews is documented in Sugese's EES system. Sugese also exercises some supervision indirectly via insurers. Article 12 of Sugese Agreement 06-13, which regulates consumer protection, requires insurers to address compliance issues related to intermediaries' claim management and customer service responsibilities. However, Sugese's conduct of business supervision is currently limited. ***Professional knowledge and competence***

	Article 20 of the IMRL lists suitability requirements for licensing. These include integrity and absence of unethical behaviour and conflicts of interest for individuals applying for an intermediary licence. For insurance brokers and agents, Article 21 of the IMRL and Article 14 of Superintendent Agreement DES-A-049-2016 require insurers and brokerages to be responsible for the professional education and continuous training of their intermediaries. Article 22 of Sugese Agreement 03-10 requires supervised training by insurers and brokerages at least once a year, aimed at updating intermediaries in technical and regulatory fields. Training is also provided by the intermediary association. Intermediary education and training are updated and tracked on the Sugese online platform (Registration Service for Individual Intermediaries). In practice, during on-site supervision visits, intermediaries submit their training plans to Sugese and requirements are set to update approved training plans. All education and training requirements are subject to ongoing supervision by Sugese, as well as verification during on-site inspections. ***Governance*** Insurance agencies and brokerages are subject to the governance requirements applying generally to the insurance sector and other financial institutions (Article 2.3 of Conassif Agreement 04-16 includes all Sugese-regulated legal entities within its scope). They must implement governance structures including responsible governing bodies, risk management and appropriate internal control mechanisms. Article 5 states that the intermediary's governing body is responsible for strategy and internal organisation through its implementation of effective controls. Article 8 covers the approval of risk management policies and compliance supervision, and Article 23 establishes the obligation to approve policies to identify, prevent and manage conflicts of interest (see also ICP 7). Under Sugese Agreement 01-21, authorisation of a brokerage or agency requires the assessment of its corporate governance structure. In practice, Sugese reviews the corporate governance structures of intermediaries as part of on-site supervision and imposes relevant requirements. Its work covers conflicts of interest within corporate operations. ***Disclosure requirements*** Under Article 26 of the IMRL, intermediaries must disclose accurate information on insurance contracts and give insureds advice and assistance on claims. They must provide accurate and timely information on the conditions of the insured's risk as well as the covered amount, the validity of the contract and the processes applicable to claims. They must also inform customers if they are operating on behalf of the insurer or independently. Sugese Agreement 03-10 sets out business terms and conditions for inclusion in appointment contracts between insurers and intermediaries, including minimum disclosures, obligations, remuneration and working relationships between insurance agents and insurers (Article 9) and between individual brokers and brokerages (Article 11). Article 12 requires conflict of interest disclosures by brokers

	when giving quotes, to include at a minimum authorised and offered insurance contracts from at least three insurers and, in each quote, the commission percentages they would receive from the insurers. ***Client monies*** Article 26 of the IMRL requires intermediaries to transfer monies collected on behalf of an insurer within prescribed time periods and sets conditions to prevent harm to policyholders. For the purpose of this assessment, discussions with insurers and intermediaries supervised by Sugese suggested they do not in practice receive monies from insureds, and premium payments and other transactions are completed electronically between the insurer and insured. Articles 26, 27 and 52 of Sugese Agreement 01-21 require intermediaries to have professional liability insurance covering their operations. Sugese assesses compliance with the professional liability insurance requirement through supervision. ***Supervisory measures/sanctions*** Article 29 of the IMRL and Article 131 of the CBCRL empower Sugese to regulate intermediaries to ensure their compliance with the regulations. Sugese's authority includes the imposition of sanctions and enforcement of corrective measures for failure to comply, to include suspension and cancellation of licences. In the IMRL: • Article 26 requires intermediaries to report to Sugese information affecting insurance market conduct compliance and RM. When violations are found, Sugese takes administrative action, to include cancellation of licences. • Article 35 allows for the issuance of preventive or corrective measures and revocation of licences for unauthorised activities. • Articles 36–9 establish escalating monetary fines and licence suspension, based on severity, for misconduct by intermediaries. • Article 41 allows sanctions on directors, representatives or employees of insurance intermediaries who commit malicious or criminal acts, with fines and disqualification to hold any position within the regulated legal entities. • Article 42 establishes sanctions for illegal activities related to Article 3, which can include licence revocation in case an intermediary is doing business outside the scope of its licence. • Article 35 of the IMRL and Conassif Agreement 04-16 allow Sugese to require improvements and corrective actions when intermediaries fail to comply with their obligations. In practice, the failure of intermediaries to comply with Sugese's corrective action requirements will result in a technical report for the consideration of Sugese's disciplinary committee. ***Operating without a licence*** Article 42 of the IMRL establishes that any individual or legal person who engages in insurance marketing and sales activities without licensing from Sugese will be fined for each violation up to 1,000 times the basic minimum wage. When illegal

	activity is detected, Sugese may take action, including working with criminal authorities, to cause the activities to cease. It has not imposed sanctions itself.
Assessment	Partly Observed
Comments	There are extensive requirements on licensing and regulation of intermediaries, with clearly stated authorisation requirements, supervision processes and sanctioning authority. Sugese publishes a list of intermediaries showing their licensing status and scope and any issued sanctions. There are extensive governance and financial requirements applying to intermediaries operating in corporate form and requirements on protection of client monies. Sugese also monitors, through an industry-accessible portal and on-site supervision, updated professional education and experience information on intermediaries. Ongoing supervision of intermediaries is limited owing to the lack of a risk-based conduct of business supervision framework and staff resource constraints, which prevent frequent and effective on-site evaluations (ICP 18.2; see also ICP 19). It is recommended that: • Sugese allocates resources to enhance supervision of intermediaries, including through more on-site reviews undertaken according to risk assessment; and • Conassif approves and Sugese implements a risk-based conduct of business supervision model that would enhance ongoing intermediary supervision.
ICP 19	**Conduct of Business** **The supervisor requires that insurers and intermediaries, in their conduct of insurance business, treat customers fairly, both before a contract is entered into and through to the point at which all obligations under a contract have been satisfied.**
Description	***Policies and processes on the fair treatment of customers*** The IMRL gives Sugese the authority to require insurers and intermediaries to treat clients fairly from the pre-contractual stage and resolution of claims to the fulfilment of all contractual obligations. Articles 4–6 and 25–9 of the IMRL set out the obligations of insurers and intermediaries regarding policyholders' rights, fair treatment of consumers and Sugese's legal powers. Insurers and intermediaries must have policies to: • Perform their activities with professionalism, care and devotion, acting in good faith and honestly; • Inform the insured on the products, conditions of the insurance contract, benefits arising from such contracts and premiums and fees; • Handle claims in a timely, fair and transparent manner; and • Not provide information that misinforms or deceives consumers.

	Article 30 of the IMRL empowers Conassif to define the risk assessment model for insurance entities. However, unlike for prudential supervision (see ICP 9), Conassif has not yet adopted regulations for conduct of business risk assessment or other aspects of business conduct supervision (Sugese submitted a proposed regulation for Conassif approval in April 2024). Sugese is therefore not yet undertaking comprehensive conduct supervision. It does undertake other relevant supervisory work, including new product approval, and takes actions when non-compliance is discovered. There are also provisions in the ICRL. Articles 2, 12, 18, 21 and 48 establish consumer protection standards, granting Sugese the authority to require insurers and intermediaries to act with appropriate skill, care and diligence when dealing with clients. Specifically, the ICRL provisions cover the duty to provide information prior to the execution of the contract, policy delivery, data protection and the obligation to settle claims and pay compensation. Chapter V of Law 7472 covers provisions for the defence of consumer protection rights, to include obligations of the government, and respect for contracts between businesses and consumers. ***Conflicts of interest*** Articles 17 and 18 of Sugese Agreement 03-10 and Article 17 of Sugese Agreement 09-17 prohibit activities directly or indirectly giving rise to conflicts of interest and clarify the obligation of Boards to implement controls to prevent conflicts of interest. For intermediaries, Article 20 of the IMRL prohibits activities that could give rise to conflicts of interest. They are also required to inform consumers if they are acting on behalf of and for the account of the insurer or solely for themselves (Article 26 of the IMRL). They may not receive unauthorised compensation for their services from insureds (Article 26 of the IMRL and Article 18 of Sugese Agreement 03-10). ***Arrangements between insurers and intermediaries to ensure the fair treatment of customers*** Although there is a general framework on fair treatment of customers by insurers and intermediaries, there are limited specific requirements on arrangements between them. However, Sugese Agreement 03-10 sets out business terms and conditions for inclusion in appointment contracts between insurers and intermediaries, including minimum disclosures, obligations, remuneration and working relationships between insurance agents and insurers (Article 9) and between individual brokers and brokerages (Article 11). ***Product development*** Article 25 of the IMRL and Articles 4 and 5 and Chapter II of Sugese Agreement 08-14 allow Sugese to review registration of insurance products at the pre-registration stage and after they have been registered. Article 29 of the IMRL allows Sugese, in its review process, to require insurers to make adjustments to products when it detects unclear policy conditions or other conditions that may be abusive. Insurers are responsible for designing their products and determining their marketing strategies in line with their business model. Self-issued insurance

	(meeting the requirements of Article 24 of the IMRL and Article 10 of Sugese Agreement 08-14) is not subject to the prior analysis and risk assessment process required of other products. Self-issued products are non-complex products that are easy to understand; do not require expert advice and have limited conditions, rights and exclusions. Self-issued products, which were introduced to support financial inclusion, represent a small fraction of the insurance market. Article 25 of the IMRL requires registration of insurance products, and Sugese Agreement 08-14 describes the registration and updating process for Sugese's review. Sugese may request additional information and register or deny submissions. Sugese focuses on customer protection issues in its new insurance product registration process before the products are offered to policyholders. However, insurers are responsible for product design and marketing strategies. In practice, Sugese does conduct reactive supervision of insurance products and requires adjustments when non-compliance is found. Except for self-issued products (Sugese Agreement 11-20), there are no requirements on product design with regard to considerations of how the target market is defined and the appropriateness of the product, nor does Sugese evaluate such processes in its limited supervision work. ***Promotion of products and services in a fair, clear and non-misleading manner*** Articles 4 and 5 of the IMRL and Article 12 of the ICRL cover consumers' rights to equitable treatment and to receive accurate and timely information prior to any contract underwriting. Article 25 of the IMRL and Article 37 of Law 7472 require that offers, promotions or advertisements concerning products and services avoid language that is misleading or deceiving to consumers. These consumer protections include self-issued products under Article 10 of Sugese Agreement 11-20. Although Sugese can act through an administrative process when misleading advertising is discovered, the absence of a business conduct supervision model means it is not confirming that insurers comply with the promotion of products and services during the distribution/marketing stage. ***Pre-contractual stage*** Article 12 of the ICRL establishes insurers' and intermediaries' obligations to submit pre-contractual information in writing to consumers, identifying the insurer, contract details and intermediaries (including for self-issued insurance products). Article 18 stipulates that when changing or adding to the contract, insurers or intermediaries have 10 working days following acceptance of the risk or the contract amendment to submit to their clients the information on the contract, with an extension possible by joint agreement. Article 12 of the ICRL and Article 25 of Sugese Agreement 03-10 define the minimum contract provisions to be provided to customers, as well as product characteristics and the rights and duties of the parties. ***Taking into account the customer's disclosed circumstances***

	There are no requirements on insurers and intermediaries specifically to take into account the customer's disclosed circumstances. For brokers, however, Article 22 of the IMRL and Article 11 of Sugese Agreement 03-10 require that they provide customers with professional, independent and unbiased advice. Recommendations must be based on a comparative analysis of different insurance contracts offered in the market by different insurers. This analysis must include the offered coverage, as well as the exclusions and the price. Brokers must also inform the customer of the conditions of the contract and offer coverage that, in their professional view, best fits the coverage needs of the proposed risk. Article 22 of Sugese Agreement 03-10 requires insurers and brokerages to prepare professional education and continuous training plans for their staff in order to meet a customer's needs in an unbiased fashion. In the consumer complaint and supervision process, Sugese addresses, in a reactive manner, cases involving misrepresentation by insurers and intermediaries during product marketing. Sugese can issue corrective measures to ensure compliance with the requirements on clear and fair marketing to consumers. ***Policy servicing*** Insurers must diligently service policies in the areas of (i) provision of adequate services until all of the policy's obligations are covered, (ii) information to the policyholder on any contract change occurring during the contract period, and (iii) information to the policyholder on any other relevant information related to the acquired insurance. Article 12 of the IMRL and Sugese Agreement 08-14 set out the duty of insurers and intermediaries to provide pertinent information to insureds prior to placing the contract, as well as insurers' duty to include in their policies any amendment and adjustments to the policy's content. ***Claims handling*** Insurers are required to promptly respond to claims and process them fairly. Articles 4 and 5 of the IMRL and Article 48 of the ICRL establish that insurers and intermediaries must address policyholder claims within 30 calendar days and compensate them within 30 calendar days following acceptance of a claim. For self-issued insurance, the settlement shall be issued within a period of no more than 10 working days and the term cannot be suspended (Article 14 of Sugese Agreement 11-20). Claims adjusters are not licensed or registered by Sugese. Articles 11 and 12 of Sugese Agreement 06-13 set out specific regulations on the claims handling process and the right to present complaints to insurers or consumer rights groups to resolve claims disputes. Articles 21 and 22 define Sugese's role in safeguarding consumers' formal rights on complaint handling, and Article 23 covers complaint consultations with Sugese and consumer interest groups Article 15 of Sugese Agreement 06-13 requires insurers and intermediaries to develop a customer service manual outlining policies for claims handling to ensure compliance with contract obligations.

	Handling complaints in a timely and fair manner Under the IMRL and the ICRL, insurers and intermediaries are required to handle complaints promptly and fairly. Requirements on complaints handling by insurers are set out in Article 15 of Sugese Agreement 06-13, which requires insurers to define a policy and processes manual for customer service and fair treatment that includes assigned staff responsible for receiving complaints, an escalation process and time frames for responses to consumer complaints. Articles 13 and 14 of Sugese Agreement 06-13 require insurers to establish an insurance consumer protection office for compliance with consumers' rights, including appropriate resolution of complaints within the legally established time frames. Although the insurance consumer protection office must be operated by insurers, it must carry out its functions independently of the insurers and, when conflicts arise, direct insureds to other sources of support on complaints. In practice, nine of the 12 insurers have collectively established a single body, the Insured Defence Centre, to carry out this function on their behalf. Insurers must make quarterly reports to Sugese with information about complaints filed with the insurance consumer protection office (Article 16 of Sugese Agreement 06-13). The reports allow Sugese to measure insurers' compliance with required policies and processes to address claims and complaints. In practice, the insurer-sponsored consumer protection entity is often the first resource for consumer complaints. ***Protection and use of customers' information*** Article 24 of the Constitution and the ICRL establish protection of privacy and confidentiality as a constitutional right. Articles 6 and 25 of the IMRL prohibit insurers and intermediaries from disclosing or using information without the consumer's authorisation. Article 26 of the IMRL prohibits intermediaries from disclosing or using, for their own benefit or that of third parties, insurer information obtained through intermediary activity. Article 4 of Sugese Agreement 03-10 requires intermediaries to develop policies and processes approved by the Board of Directors for the management, protection and updating of confidential consumer information and prohibits the use of such information for the benefit of third parties. Article 6 of the IMRL states that harm to consumers as a result of unauthorised use by insurance entities of confidential consumer information shall be duly compensated by the party at fault, without prejudice to any other legal action. ***Supervisory publication of information supporting fair treatment of customers*** Sugese's website has a section (Financial Consumer Procedure System) with information for consumers on sanctions and regulated legal entities, as well as warnings about non-regulated legal entities. The website's "Charter for Insurance Consumer Rights" has an interactive tool that allows for the research of general information on the insurance market, as well as the filing of processes related to consultations, complaints, claims and lawsuits.

Assessment	Partly Observed
Comments	Laws and regulations provide for business conduct regulation and supervision. However, the lack of a risk-based business conduct model equivalent to the approach taken to prudential and AML/CFT supervision means that conduct of business supervision is limited overall and mainly reactive. It lacks a proactive assessment of conduct risk affecting fair treatment of consumers (ICPs 19.1, 19.2 and 19.4) and comprehensive regulations on product development and promotion (ICPs 19.5 and 19.6), contractual information and disclosed circumstances (ICPs 19.7 and 19.8), policy servicing and claim handling (ICPs 19.9 and 19.10), complaints (ICP 19.11) and protection of consumer information (ICP 19.12) and disclosing specific conduct performance information that supports the fair treatment of customers. (ICP 19.13) Currently neither legislation nor regulations require insurers and intermediaries to take into account the consumer's disclosed circumstances when evaluating their insurance demands and needs (ICP 19.8). It is recommended that: • Conassif approves for implementation a risk-based supervision model to bolster the supervision of business conduct activities; and • Conassif and Sugese ensure that planned regulations include a requirement for consumer advice based on circumstances and needs.
ICP 20	**Public Disclosure** **The supervisor requires insurers to disclose relevant and comprehensive information on a timely basis in order to give policyholders and market participants a clear view of their business activities, risks, performance and financial position.**
Description	***General framework*** Under the IMRL, insurers are required to "remit and publish full and accurate information as required for the public" (Article 25(t) of the IMRL). Sugese has extensive powers over the form of financial reporting by insurers, the detailed requirements on which are set out in Conassif Agreement 06-18. Many of the insurers' disclosures in practice reflect the requirements of IFRS. One of Sugese's objectives under Article 29 of the IMRL is to deliver the fullest possible information to policyholders. It also has a specific power in Article 29(m) of the IMRL to publish information itself on the sector. It does so in practice (www.sugese.fi.cr/seccion-estadistica). Sugese consults regularly with users of the insurance sector financial information on its website and makes changes to the content to reflect their input. ***Annual reports*** Insurers are required to publish annual financial statements (Article 37 of Conassif Agreement 06-18) within 40 working days of the end of the financial year (Article 2

	of Superintendent Agreement SGS-DES-A-021-2013). If an insurer is part of a conglomerate, then the consolidated financial information of the group must be published within 65 working days of the end of the financial year. Reports must be published on the homepage of the insurer's website, which must give access to audited financial information from at least the five previous years. If it lacks a website, an insurer must publish annexes in two important newspapers with national coverage. There are also requirements for branches of foreign insurers to publish the audited financial statements of the parent insurer on the website of the branch or that of the parent. Sugese also publishes links to insurers' annual reports on its website. ***Disclosures on insurer profile, governance etc*** Insurers are required to disclose on their website, both annually and whenever significant changes occur, information regarding their corporate governance framework and to publish a corporate governance code setting out their structure and governance framework and main policies in line with risk appetite (Articles 42–3 of Conassif Agreement 04-16). Disclosed information must cover the insurer's objectives, events that have or could affect their achievement, and any other information or clarifications relevant to its corporate governance practices. Other information is covered through publication of the financial statements as required under Conassif Agreement 06-18. This includes: • Descriptions of the insurer's business (whether it offers personal or general insurance or both and information on business segments); • The insurer's corporate governance framework and approach to RM, including market, liquidity, credit and exchange rate risks; the published corporate governance code should also include details of the internal control framework; • Information about the ownership structure and financial group, if any; • Details of assets and liabilities and accounting policies as presented in the financial statements; and • Explanatory notes as required by IFRS and any necessary additional notes to explain the information (at management discretion, but Sugese may require additional disclosures). Information on the external environment in which insurers operate may be included in the explanatory notes, for example in connection with risk and risk management (for macroeconomic factors). ***Disclosures on technical provisions and other financial information*** The financial statements must include information on: • Technical provisions (explanatory notes should set out their composition, provide details of the reinsurer's share in these provisions etc);

	• Financial instruments and other investments (again, details in the notes); in addition, Article 14 of the IMRL requires that information on insurers' investments be published; and • Financial performance (with details in notes on income and expenses, operating and technical results, and net results for the period). Insurers must publish their CAR quarterly on their websites (Article 15 of Sugese Agreement 02-13). The details of Sugese's capital adequacy framework are available in the Agreement and a methodological note. Insurers are not required to explain the context of the disclosed capital ratio in their disclosures, but in practice many provide background information in notes. There are no requirements on disclosure of the insurer's liquidity. In relation to performance, the statement of comprehensive income, published as part of the financial statements, details income from insurance operations and financial income, comprising income from investments (primarily investments in financial instruments), receivables from investments, and gains and losses arising from the valuation of investments. It also provides details on net income. Regarding claims and their development, the financial statements and accompanying notes include information on expenses and break down the technical provisions, by class, for both reported and incurred but not reported claims. Expenses related to adjustments to the technical provisions are also detailed, likewise by class. Regarding premium sufficiency, Sugese Agreement 02-13 defines, as part of the technical provisions, the provision for premium deficiency (Article 18) and the provision for unearned premiums. The implementation of IFRS 9 and 17 with related local standards (though no date was scheduled at the time of the assessment) will result in disclosure of more financial information, including on cash flows, discount rates and risk adjustments for non-financial risk. ***Disclosures on risk exposures and their management etc*** There are no specific requirements on risk and risk management disclosures. As mentioned, insurers must make the required disclosures in notes to their IFRS-based financial statements, and these typically include a wide range of information on risks, risk management practices, use of models to calculate technical provisions etc and reinsurance. Disclosure is mainly of quantitative information. There are no required disclosures of risks by line of business or by individual risk. ***Disclosure of non-GAAP measures*** This standard is not applicable, as the disclosure requirements are related to IFRS, use of which is mandatory for insurers.
Assessment	Partly Observed
Comments	Disclosure requirements are driven mainly by the extensive disclosures required of insurers under IFRS-based financial reporting requirements. In practice, the

	availability of financial information on insurers is greatly supported by the materials published by Sugese on its website, including links to reports made by insurers themselves (for annual financial statements). Sugese regularly reviews the scope of this published information in response to user feedback, thereby helping to ensure that disclosures are useful in practice, supporting market discipline. Insurers themselves make extensive disclosure on their websites. However, there are shortfalls in the requirements on disclosure, including: on objectives and policies of investment management and management processes (ICP 20.7); for investments, on the values, assumptions and methods used for general purpose financial reporting and solvency purposes, as well as an explanation of any differences (ICP 20.7); on information on ALM, including the measurement methodology, and on any capital or provisions held against mismatches (ICP 20.9); and on liquidity risk (ICP 20.11). It is recommended that, based on Sugese proposals, Conassif issue new regulations on insurer disclosures covering at a minimum the detailed issues not included in existing IFRS-based and other requirements.
ICP 21	**Countering Fraud in Insurance** **The supervisor requires that insurers and intermediaries take effective measures to deter, prevent, detect, report and remedy fraud in insurance.**
Description	***Fraud in insurance in legislation*** The Criminal Code (Law 4573) and the ICRL address fraudulent insurance acts. There is no regulation that provides explicitly for sanctions in case of prejudicing an investigation relating to insurance fraud. However, Section 1 of the Criminal Code provides sanctions for false testimony and bribery in furtherance of false testimony, which would be applicable in cases of defrauding insurers. The ICRL addresses fraud detected during policy acquisition and use of insurance services. Policyholders are required to truthfully declare their insurable risks in the underwriting process (Article 31 of the ICRL). Sanctions may be imposed for concealment or deception in risk statements, and contracts may be annulled and paid premiums withheld if application fraud is proven (Article 32). Under Article 47 of the ICRL, insurers are exempt from paying claims on losses when it is proven that the insured supplied forged information or committed gross negligence (insurance document and claim fraud). There are no civil and criminal immunity provisions to protect good-faith reporting of fraud. ***Supervisory framework and different types of fraud risk*** Sugese does not have a framework for assessing fraud risk and how fraud affects the insurance sector, nor does it have staff assigned to handle fraud detection. Anti-fraud training has not been provided to staff. Sugese does not coordinate with the insurance industry on insurance fraud information collection, threats and patterns.

	There are no specific regulations for directing insurers and intermediaries to establish anti-fraud policies and controls, although some of these regulated legal entities do have anti-fraud programmes. Sugese is not monitoring fraud risks in the insurance sector as part of its supervision work. The assessment of insurance fraud risk and controls is not part of on-site visits. In practice, there are no supervision processes specific to measuring the effectiveness of insurers and intermediaries in detecting, preventing and reporting fraud. ***Cooperation, coordination and exchange of information with other competent authorities*** Article 29 of the IMRL and Article 131 of the CBCRL empower Sugese to request information and carry out supervision work in cooperation with other authorities (see ICP 3). In practice, other than with the FIU (see ICP 22), Sugese has not established mechanisms for cooperation, exchange of information or coordination with law enforcement or other authorities specifically on anti-fraud matters. In the last two years, Sugese has not received any fraud-related referrals or complaints from other authorities.
Assessment	Partly Observed
Comments	Although legislation criminalises insurance fraud and establishes powers and administrative and criminal processes for taking action against insurance fraud offenses, it does not include good-faith reporting of fraud (ICP 21.1). Sugese does not have a comprehensive risk assessment of the sector's fraud exposure (ICP 21.2) or a supervision framework for monitoring and enforcing regulated legal entities' anti-fraud compliance (ICP 21.3). There are no mechanisms in place for insurance fraud detection and deterrence (ICP 21.4). Outreach and coordination are not conducted with regulated legal entities, other regulators or law enforcement (ICP 21.5). It is recommended that Sugese: • Assigns Sugese staff with training as contact points to evaluate fraud threats and disseminate assessments to the insurance sector; • Working with Conassif as necessary, requires insurers to have an anti-fraud detection and risk management plan, including training for appropriate staff; • Encourages insurers and intermediaries to exchange information on suspected fraud threats and to establish a fraud database on suspected fraud events; • Establishes coordination and information exchange with law enforcement and regulators regarding detected fraud risks, events and patterns; and • Educates the public on insurance fraud issues, for example by broadcasting fraud alerts on its website. It is recommended that the Government of Costa Rica make legislative changes requiring insurance entities to report suspected fraud and provide immunities for good-faith reporting for anyone reporting insurance fraud to the authorities.

ICP 22	**Anti-Money Laundering and Combating the Financing of Terrorism** **The supervisor requires insurers and intermediaries to take effective measures to combat money laundering and the terrorist financing. The supervisor takes effective measures to combat money laundering and terrorist financing.**
Description	***Jurisdictional framework*** The AML/CFT regime for insurers sits within the national legal architecture and is fully enforceable for supervised insurers and intermediaries. Sugese has explicit responsibilities and powers for the prevention of ML/TF under: • The IMRL (Articles 25–9 and 35); • Law 7786 (Law on Narcotics, Psychotropic Substances, Drugs of Unauthorised Use, Related Activities, Money Laundering and Terrorism Financing) and Executive Decree 36948-MP-SP-JP-H-S, secondary legislation issued by the government setting out detailed AML/CFT requirements; and • Conassif Agreement 12-21 and Superintendent Agreements SGS-A-0091-2022 and SGS-DES-A-021-2013. Together, these instruments: • Set obligations for risk assessment, CDD, ongoing monitoring, suspicious transaction reporting, targeted financial sanctions (TF/PF), record keeping and internal controls (Law 7786 and its Decree, Conassif Agreement 12-21, Superintendent Agreements); and • Provide Sugese with supervisory powers to obtain information, conduct inspections, issue preventive and corrective measures, and impose sanctions where warranted (Articles 25–9 and 35 of the IMRL). Governance expectations place ultimate accountability with the Board and require an adequately resourced and independent ML compliance function, with policies and monitoring proportionate to each insurer's ML/TF risk profile. Insurers and intermediaries are required to submit to Sugese an external audit report on AML/CFT issues (Article 15 of Conassif Agreement 12-21). The audit, conducted by an independent expert every two years, evaluates the adequacy and effectiveness of the legal entity's AML/CFT policies, processes, internal controls, risk assessment, CDD and suspicious transaction reporting. The report must be reviewed by the Board before being submitted to Sugese. This requirement represents good practice within the jurisdiction's AML/CFT supervisory framework and enhances assurance of compliance. Supervisory follow-up on the implementation of audit recommendations could be further formalised to ensure timely remediation. ***Supervisory understanding of ML/TF risks and a risk-based approach*** Sugese applies a risk-based approach to AML/CFT supervision. Legal entity-level risk assessments and a supervisory risk matrix drive planning and the intensity of

	supervision work, which comprises off-site reviews, thematic work and on-site inspections (ICP 9). The approach differentiates between life and non-life business lines, products with savings/investment features, distribution channels, delivery modes (digital/non-face-to-face) and geography. Supervisors test whether each insurer's own ML/TF risk assessment is current, proportionate and embedded in CDD/monitoring controls, and whether intermediary oversight reflects risk. However, the insurance sector currently lacks a standalone, sector-specific ML/TF risk assessment. At the time of this assessment, Sugese was working with a consultant to develop such a risk assessment, the work being due for completion by the end of 2025 (the consultant's report was received in early 2026). The 2015 GAFILAT mutual evaluation found that the AML/CFT framework for the insurance sector is broadly adequate and supported by a strong legal basis. It noted that insurance is assessed to be a lower-risk sector relative to banking, but is still exposed through life and investment-related products. Sugese's supervisory framework was viewed as sound, although implementation of the risk-based approach and the intensity of on-site AML/CFT work could be further strengthened, particularly for intermediaries. No AML/CFT-related sanctions had been applied at the time of the evaluation. ***Guidance and feedback on compliance with AML/CFT requirements*** Sugese issues written guidance and supervisory communications that set expectations for AML/CFT governance, CDD/monitoring, beneficial ownership, politically exposed persons (PEPs), sanctions screening and reporting to the FIU. Supervisory letters provide insurer-specific directions and closure criteria. Sector communications are used to clarify common findings and to share interpretations consistent with national law and Conassif rules. Full risk-based reviews are undertaken only for insurers. The 2024–25 supervisory plan includes two dedicated AML/CFT on-site reviews. In the case of intermediaries, supervisors monitor the existence of compliance officials and whether they submit the annual external audit report. They check that there is a compliance manual and assess its implementation. Although one supervisory team member specialises in AML/CFT issues, Sugese has no dedicated AML/CFT unit and supervisory work is carried out by the staff responsible for the ongoing supervision of each insurer. This integrated approach ensures coverage across legal entities but limits the depth and frequency of specialist AML/CFT reviews. ***Cooperation and coordination*** The national AML/CFT legislation requires all competent authorities to cooperate and provide technical assistance to each other (Articles 28 and 30–2 of Law 7786). In practice, Sugese coordinates domestically with the FIU and other authorities under confidentiality safeguards and cooperates with foreign supervisors through MoUs and established channels, including supervisory colleges where relevant.

	These arrangements support the sharing of typologies, referral of suspected violations, coordinated actions in higher-risk cases and alignment on targeted financial sanctions implementation.
Assessment	Largely Observed
Comments	The AML/CFT regime for insurers is robust in law and applied through a functioning risk-based programme. Sugese is active in domestic and international cooperation, including preparations for the next GAFILAT mutual evaluation in 2026. However, although supervisors have a good working understanding of risks in the insurance sector, there remain several areas for enhancement. At the time of assessment, there was no ML/TF risk assessment for the insurance sector (ICPs 22.1–22.2) providing a fully documented, forward-looking view of the risks. (A report by an external consultant aimed at fulfilling this need has since been received.) AML/CFT oversight of intermediaries is limited (ICPs 22.3–22.4). There is a need for more systematic follow-up on external AML/CFT audit reports and clearer feedback loops to insurers to ensure recommendations are implemented (ICP 22.4), as well as stronger escalation discipline and transparency in enforcement outcomes (ICP 22.5). It is recommended that Sugese: • Completes its current work on an AML/CFT risk assessment for the insurance sector and publishes the result; this should then be used to guide inspections, thematic reviews and supervisory guidance; • Strengthens risk-based AML/CFT oversight of intermediaries by setting minimum standards for CDD files, conducting regular thematic file reviews, and tailoring supervisory testing and remediation to distribution channels; and • Enhances the quality of feedback to insurers and follow-up on audit recommendations.
ICP 23	**Group-wide Supervision** **The group-wide supervisor, in cooperation and coordination with other involved supervisors, identifies the insurance group and determines the scope of group supervision.**
Description	There is no domestic insurance group (a group comprising more than one regulated insurer) for which Sugese is the group-wide supervisor. As noted in the assessment of ICP 4, however, there is one insurer whose business is exempted from regulation, and this insurer has a subsidiary that is an insurer regulated by Sugese. Together, they form an insurance group for the purposes of the ICPs but not under the regulatory framework for the supervision of groups, as the parent insurer is unregulated. Although there is currently no domestic insurance group, a framework of regulations and internal guidelines is in place to support group-wide supervision by Sugese and the other superintendencies. It is underpinned by Article 8 of the IMRL for insurance

	groups and by powers set out in Articles 140bis–ter and Section III (Articles 141–9) of the CBCRL for all domestic groups. The framework distinguishes between "financial groups", those headed by a private entity, and "financial conglomerates", those headed by a public law or special law entity (mainly state-owned financial institutions). There are also provisions enabling supervisors to identify de facto groups (based on criteria such as unity of management and economic dependence of members) and bring them within the scope of supervision. The framework does not explicitly refer to insurance groups, but would apply to such a group as its scope covers any group with more than one regulated financial entity. Under the framework, although Sugese currently has no responsibilities as group-wide supervisor of an insurance group, it is responsible for the group-wide supervision of a group headed by an insurer (the state-owned insurer that is the only insurer in its group). It also supervises insurers that are parts of a group for which another superintendency exercises group-wide supervision (for foreign-owned groups, limited to the Costa Rican business). ***Regulatory framework*** Legislation, particularly in the CBCRL, sets out the high-level framework on consolidated supervision, including provisions on the definition and role of holding companies (Article 142 of the CBCRL). Conassif Agreement 16-22 then sets out the details of the authorisation and regulatory requirements and supervisory approach. Article 1 of the Agreement, in line with Article 140bis of the CBCRL, clarifies the purpose of consolidated supervision (a complementary and comprehensive supervisory approach by the supervisor in charge to assess the risks faced by regulated legal entities in their interrelationships arising from membership of a group). The legal framework includes: • A definition of the scope of consolidated supervision (for all financial groups and financial conglomerates, all individual legal entities and the parent entity, including foreign financial entities that are members of the group) (Article 2 of Conassif Agreement 16-22); • The process for determining the supervisor in charge (ie the group-wide supervisor), based on identification of the company with the largest share of assets; the decision is communicated by Conassif to the group's controlling company (Article 5); • Acts requiring authorisation, including formation of a new group and admission of a new legal entity (Article 17) (the decision-making body is Conassif); • Provisions on group supervision by the supervisor in charge (Article 40); and • Requirements on the organisation and operation of the group (Articles 41–54), as well as group risk management (Articles 55–6), capital adequacy (broadly, an aggregation approach; Articles 79–109) and reporting of supervisory information (Article 116).

	The CBCRL (Articles 141–9) sets out the powers and responsibilities of the supervisor in charge (referred to as the responsible supervisor), including the application of preventive or corrective actions to the parent and coordination between the superintendencies and with supervisors abroad. It also sets out the obligations of the parent entity, including to provide all relevant information. ***Consolidated supervision in practice*** There are internal guidelines to support supervisors on consolidated supervision (the Consolidated Supervision Framework of April 2022). They set out the process for assessing the risk profile of the group, considering for example its RM (including strategic, contagion and concentration risks) and corporate governance. There is an assessment of interconnection and dependencies between legal entities of the group. The guidelines were developed by Sugese and apply to insurance groups and groups headed by an insurer even when it is the only insurer in the group. As with the supervision of individual insurers (see ICP 9), the risk assessment drives the supervisory strategy and intensity, also considering the systemic importance of the group. The guidelines also provide for coordination of the superintendencies involved and joint supervisory actions by the different superintendencies' supervisory teams. Teams meet quarterly, and work may include joint on-site inspections. An example of Sugese's consolidated supervision in practice, provided for the purposes of this assessment, demonstrated comprehensive risk assessment, based on the risk profile of the legal entities in the group and their interconnectedness. Risk ratings were aggregated to provide a consolidated risk score for the group, including its potential systemic impact. Recommendations in a recent report of supervisory work included requirements for improvements in aspects of group-wide governance and RM.
Assessment	Observed
Comments	There are extensive provisions in law and regulations, developed to apply to all sectors and financial groups regulated by the superintendencies, including Sugese. They cover the identification of the group-wide supervisor and the determination of the scope of group-wide supervision. The framework applies to insurance groups as well as other types of financial group and includes within its scope the non-insurance entities and foreign financial entities (including insurers) within any insurance group. There is currently one domestic insurance group, but it is not regulated as such in practice as the business of the parent insurer is exempted from regulation (see ICP 4) and the group contains only one other insurer. Sugese is therefore not currently exercising group-wide supervision over any insurance group. Sugese would, however, be able to do so in practice were an insurance group within the scope of the framework to emerge. It is also already exercising consolidated supervision, under the framework for financial groups, where an insurer is the

	parent of a group containing other financial entities, although the insurer accounts for most of the group's business and risks. This work includes extensive risk assessment, supervisory work and coordination with the superintendency responsible for other regulated legal entities in the group.
ICP 24	**Macroprudential Supervision** **The supervisor identifies, monitors and analyses market and financial developments and other environmental factors that may impact insurers and the insurance sector, uses this information to identify vulnerabilities and address, where necessary, the build-up and transmission of systemic risk at the individual insurer and at the sector-wide level.**
Description	Under Article 29 of the IMRL, Sugese's objectives include ensuring the stability and efficient functioning of the insurance market (see ICP 1). The CBCR has a wide-ranging financial stability mandate. One of its subsidiary objectives in law is to promote a stable, efficient and competitive financial intermediation system (Article 2 of the CBCRL). In 2016, the CBCR and Conassif established the FSC as a (non-statutory) coordination body on systemic risks, preventive actions to manage them and the implementation of macroprudential policies. Its role includes coordinating actions across the financial system, the execution of stress testing and crisis management. The FSC (see Section 3 of this report) meets on a quarterly basis. It is supported by a technical secretariat at the CBCR. The FSC's Monitoring and Coordination Working Group (GSC) meets monthly and is a high-level decision-making body. This group, whose members include representatives of the MoF, CBCR and DGF as well as the superintendents, provides perspectives on systemic risk to the FSC and executes actions in a crisis. A further working group established by the GSC monitors and reports on developments in the financial sector using selected ratios. The CBCR publishes an annual FSR that reports on how it has fulfilled its functions and met its strategic objectives related to financial stability. It also conducts financial stability surveys, for example most recently on cyber and climate-related risks. ***Data collection for macroprudential supervision*** Sugese requires insurers to submit comprehensive and detailed data, both monthly and quarterly and mostly electronically (Article 25 of the IMRL, Sugese Agreement 12-21 and Superintendent Agreement SGS-DES-A-021-2013 (ICP 9)). It also collects information on material events and may require insurers to provide information to determine the impact of an event on their solvency. They did so, for example, during the Covid-19 pandemic. Most data collected is microprudential in nature, collected for the supervision of individual insurers. It is also useful and used in practice for macroprudential purposes such as trend analyses in the insurance sector. ***Analysis of macroprudential risks and use in supervision***

	Sugese has no separate function for macroprudential supervision. Its Supervision Division is focused mainly on microprudential supervision but also carries out analyses of economic, political and social developments affecting the insurance sector (inward risks) and prepares regular reports on performance and major risks for the sector. As part of its strategic planning, Sugese carries out a comprehensive analysis of external factors jointly with the other superintendencies through an inter-institutional working group. This process identifies opportunities and challenges that can then be addressed by the superintendencies. The resulting report (strategic plan) identifies issues in the macroeconomic environment such as, in a recent report, the impact of claims inflation in parts of the market. Sugese itself carries out market analyses where specific supervisory needs are identified. For example, a recent analysis covered the range of financial instruments in which insurers can invest. The analysis may lead to guidance to insurers. For example, Sugese recently issued a voluntary Best Practice Guide for the Management of Climate Change-Related Risks for Insurance Entities. Sugese's analyses of the sector are included in its quarterly reports to Conassif about developments in the insurance sector. Liquidity risk is assessed as part of the evaluation of the risk profile of individual insurers, together with related reinsurance, concentration and counterparty risks. The risks posed by the insurance sector to other parts of the financial sector and wider economy (outward risks) are also considered, but given the relatively small insurance sector, the sector is assessed as presenting limited risk to financial stability (see also "Assessing systemic importance" below). Sugese's macroeconomic and environmental analyses, including stress test results (see below), are not yet systematically used for macroprudential supervision or integrated into the supervisory process. Risk assessment is largely focused on the individual insurer. ***Stress testing*** Since 2021, Sugese and the CBCR have worked together on defining a stress testing methodology applicable to the insurance sector from a macroprudential perspective. The methodology was published as part of the FSR in 2022. Scenarios were: • Increase in claims ratio; • Increase in interest rates; and • Rating agency's downgrade of major reinsurers. Stress tests are coordinated and executed by the CBCR. Sugese contributes the relevant data on the sector. Aggregate results have been published in the FSR for 2023 and 2024. The insurance sector was assessed to be robust under the three scenarios. The impact on the balance sheet and solvency ratio was not seen as severe enough to warrant further action and there were no recommendations issued.

	In the future, adverse scenarios affecting the premium income side, as well as those arising out of natural catastrophes and climate risks, will be used. There is no regulation requiring insurers to perform their own stress tests. However, Sugese plans to require insurers to integrate climate-related risks into their RSSAs (see ICP 16). ***Assessing systemic importance*** Sugese does not have a regulatory framework or methodology for assessing the potential systemic importance of individual insurers, potential transmission channels or the build-up of potential systemic risk in the sector. A draft modification to the framework already applicable to banks is pending. Conassif Agreement 17-23 currently covers only legal entities regulated by Sugef (the superintendency responsible for banks and related financial institutions) when assessing and identifying systemic importance. The amendment would enable legal entities regulated by Sugese and other superintendencies to also be covered by the same framework, tailored for sectoral risks etc. Due to the small size of the insurance sector relative to the financial sector as a whole, systemic risk may be assessed to be low. However, the assessment will consider the predominant market position of one insurer (also a state-owned institution). Any insurer identified as systemically important as a result of this process will be considered for recovery and resolution planning (ICPs 12 and 16). ***Transparency*** Comprehensive and detailed data on the insurance sector is collected on a regular basis by Sugese and published on its website. It includes data on claims, technical results and solvency ratios. It is published by individual insurers. Aggregate information is also reported in the CBCR's FSR together with the aggregate results of stress tests and any conclusions. Sugese publishes annually a comprehensive overview of the insurance sector, including indicators such as solvency ratios. It also publishes a short monthly bulletin of key developments in the sector, with both aggregate information and selected data on individual insurers such as market share.
Assessment	Partly Observed
Comments	Sugese identifies and analyses insurance market developments and environmental factors, including through its involvement in top-down stress tests led by the CBCR, with which it actively cooperates. It contributes to wider financial stability work as an extension of its role in supervising individual insurers, particularly through its involvement in the work of the FSC as a member of the key technical groups (Conassif represents supervisors on the FSC itself). Sugese collects detailed information useful for macroprudential supervision and publishes comprehensive statistics. It has a good overview of potential risks to the stability of the sector (inward risks). It plans significant enhancements to its approach, including the introduction of a systemic risk identification methodology for insurers and development of stress testing to include natural catastrophes.

	However, like systemic importance (ICP 24.3), outward risks (ICP 24.2) are not yet fully assessed. Although significant attention is given to climate-related risks, a wide-ranging macroprudential perspective is not systematically integrated into risk-based supervision (ICP 24.4). It is recommended that Sugese: • Continues working with Conassif on a planned methodology for identifying systemically important insurers and implement the agreed approach; • Further integrates a macroprudential perspective into its supervisory approach; and • Extends macroprudential analysis to include more consideration of outward risks.
ICP 25	**Supervisory Cooperation and Coordination** **The supervisor cooperates and coordinates with involved supervisors and relevant authorities to ensure effective supervision of insurers operating on a cross-border basis.**
Description	Sugese has no responsibilities for group-wide supervision of cross-border groups. No domestic insurer has foreign branches or subsidiaries or is otherwise part of a group with entities outside Costa Rica. Sugese is, however, responsible (as an involved supervisor) for the supervision of the Costa Rican operations of foreign insurers and insurance groups, including one IAIG. Of the 12 licensed insurers at the time of the assessment, eight were subsidiaries of foreign insurers (based in Spain, the United States, Panama, Colombia, Jamaica and Mexico), one part of a group based in the United Kingdom and one a branch of an insurer based in the United States. Panama accounts for three of these foreign insurers, while two are based in the United States (the states of Louisiana and Florida). The IAIG, based in Spain, operates in Costa Rica as a subsidiary and has a market share of around 4% of gross written premiums. ***Agreement on the identification and role of group-wide supervisor*** Sugese has powers under the IMRL, the CBCRL and the regulations on consolidated supervision to apply group-wide supervision of an insurance group based in Costa Rica with cross-border operations (Conassif Agreement 16-22). The regulations set out, for example, the definitions of different group types and the process for determining the supervisor in charge (see also ICP 23). The CBCRL provides for Sugese to coordinate with foreign supervisors and to make visits to foreign operations within a group, in cooperation with other supervisory agencies as necessary (Articles 140bis and 144 of the CBCRL). Sugese also has powers to cooperate and exchange information with other supervisors, in Costa Rica and other countries (see ICP 3).

	As there are not (and have not been) any cross-border groups based in Costa Rica, Sugese does not have experience in establishing and leading a supervisory college (it has on at least one occasion made preparations for taking on the role of group-wide supervisor, but a potential foreign acquisition was not made). The legislative and regulatory provisions on consolidated supervision and exchange of confidential information would enable it to do so in the future, if necessary (ICPs 3 and 23). ***Supervisory cooperation as an involved supervisor*** Sugese is a member of supervisory colleges established and led by supervisors for five insurance groups in Spain (for the IAIG), the United States, Panama, Colombia and Mexico. These include those with the largest market shares in Costa Rica. It has not been denied membership of a college or declined to participate in respect to any foreign insurer with operations in Costa Rica. As an involved supervisor, Sugese focuses on supervision of the operations in Costa Rica (and on responding to requests for information and initiatives of the group-wide supervisor, particularly through the supervisory college framework). It does not undertake its own supervisory work to evaluate the group structure and its impact on the local insurer or the way that local insurers may affect the rest of the group. However, it is aware of how the operations in Costa Rica relate to the wider group. Sugese raises issues and concerns with the group-wide supervisor as necessary and shared an example for the purposes of this assessment. Confidentiality agreements are signed by the participants in the colleges in which Sugese participates, facilitating effective cooperation. ***Crisis management coordination*** Sugese does not have experience in leading cross-border crisis preparedness or crisis management in practice, as it is not a group-wide supervisor of a cross-border group. The legislative and regulatory provisions on consolidated supervision would enable it to lead such work, if necessary, in the future.
Assessment	Observed
Comments	As in the case of insurance group supervision (ICP 23), the regulatory framework exists for effective cross-border cooperation by Sugese as group-wide supervisor of a cross-border group. However, it does not in practice have to act in this capacity and many of the ICP standards are therefore not applicable. Additional supervisory processes, for example to integrate supervisory college work into its risk assessment and wider supervision framework, may be required if it becomes a group-wide supervisor in the future. As an involved supervisor, Sugese participates in supervisory colleges led by the group-wide supervisor, including for the one IAIG represented in its jurisdiction. Sugese staff understand the group structure and the relationships between the Costa Rican entity, a small part of the group, and the wider group. It is recommended that Sugese, as involved supervisor:

	• Prepares to manage the cross-border impact of a crisis in the group or Costa Rican entity and continues to deepen its understanding of how the local operation may affect the rest of the group, if at all; and • Develops closer relations and, where possible, a framework for the exchange of information with the supervisors of parent insurers/groups where it is not a member of a supervisory college.

The Authority's response to the assessment

The Superintendencia General de Seguros de Costa Rica (Sugese) has thoroughly reviewed this report and agrees with the assessment of each ICP conducted by the technical expert team. Moreover, strategic initiatives and projects are already underway to address identified gaps and implement the recommendations outlined in the report.

We express our sincere appreciation to the technical team for its effort and for the valuable insights on the Costa Rican insurance market, which will serve as a critical reference for future actions to strengthen its development and performance.

Acronyms

ALM	Asset-liability management
AML/CFT	Anti-money laundering and combating the financing of terrorism
ASSAL	Association of Insurance Supervisors of Latin America
CAR	Capital adequacy ratio
CBCR	Central Bank of Costa Rica
CBCRL	Central Bank of Costa Rica Law
CCECR	Association of Professionals in Economic Sciences
CDD	Customer due diligence
CNC	National Consumer Commission
Conassif	National Supervisory Council for the Financial System
Coprocom	Commission for the Promotion of Competition
CPACR	College of Public Accountants of Costa Rica
CPD	Continuous professional development
CRC	Costa Rica colón
DGF	Deposit Guarantee Fund
DNFBPs	Designated non-financial businesses and professional bodies
EES	Studies Execution and Follow-up
ERM	Enterprise risk management
EU	European Union
FCL	Flexible Credit Line
FIU	Financial Intelligence Unit
FSAP	IMF-World Bank Financial Sector Assessment Program

FSB	Financial Stability Board
FSC	Financial Stability Committee
FSR	Financial Stability Report
GAAP	Generally accepted accounting principles
GAFILAT	Financial Action Task Force of Latin America
GDP	Gross domestic product
GSC	Monitoring and Coordination Working Group (of the FSC)
IAIG	Internationally active insurance group
IAIS	International Association of Insurance Supervisors
IASB	International Accounting Standards Board
ICG	Costa Rican Institute of Corporate Governance
ICP	Insurance Core Principle
ICRL	Insurance Contract Regulatory Law
ICS	IAIS Insurance Capital Standard
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IMRL	Insurance Market Regulatory Law
INS	National Insurance Institute
MCR	Minimum capital requirement
ML/TF	Money laundering/terrorism financing
MMoU	Multilateral Memorandum of Understanding on Cooperation and Information Exchange
MOCE	Margin over current estimate
OECD	Organisation for Economic Co-operation and Development
ORSA	Own risk and solvency assessment

PCR	Prescribed capital requirement
RMS	Risk management system
RSSA	Risk and solvency self-assessment
SCR	Solvency capital requirement
SINPE	The National Electronic Payment System
SMRL	Securities Market Regulatory Law
SOE	State-owned enterprise
SSVNM	National Teachers' Life Insurance Society/Sociedad de Seguros de Vida del Magisterio Nacional
Sugef	General Superintendency of Financial Entities
Sugese	General Superintendency of Insurance
Supen	Superintendency of Pensions
Sugeval	General Superintendency of Securities
USD	US dollar
VaR	Value-at-risk

Annex – Institutional and market overview

Geography and population

The Republic of Costa Rica is a small country in Central America with a growing population, currently around 5.3 million. The country, which has coastlines on both the Caribbean Sea and Pacific Ocean, shares land borders with Nicaragua and Panama. The capital and largest city is San José. Costa Rica is geographically highly diverse. It is classified by the World Bank as a high-income country and is the only member of the OECD in Central America and the Caribbean.[2] It scores more highly on the United Nations Development Programme (UNDP) Human Development Index (it was ranked 62nd in the world in 2023) than other countries at the same income level. Costa Rica has no army and maintains only domestic police and security forces.

Economy

The economy has benefited from sound policies and has been growing strongly, although there are risks to future growth. The IMF has described economic progress as remarkable, reflecting strong fundamentals such as a strategic location and sound policy.[3] GDP growth has averaged over 5% per year since 2021, outpacing regional peers. A focus on exports and economic diversification has enabled the country to grow exports such as advanced manufacturing and business services, which now exceed traditional agricultural exports and tourism. Macroeconomic stability has helped to attract high foreign direct investment. However, the outlook is clouded by an uncertain external environment. The economy is particularly vulnerable to adverse developments in the United States, which accounts for half of exports and two thirds of inward foreign investment.

Inflation is moderate and public debt has been stabilised after recent growth. Since 2018, the CBCR has adopted an inflation targeting framework. The current target is 3% per annum, which, after a period of deflation, may be reached again in late 2025. Public debt has fallen steadily to below 60% of GDP thanks to tight fiscal policy. There has been a significant appreciation in the real effective exchange rate since 2021.

Costa Rica has received significant support from the IMF in recent years. In June 2025, the IMF approved a two-year arrangement under the FCL for around USD 1.5 billion.[4] Access to the FCL is limited to countries with strong economic fundamentals and institutional policy frameworks. The IMF noted the country's track record of implementing strong policies and commitment to maintaining such policies in the future.

Government

Costa Rica is a democratic republic. Under the Constitution of 1949, executive power is exercised by the President, who is both the head of state and head of government and is directly elected for a four-year term. The President appoints the Governing Council (the cabinet of ministers) and has powers to veto laws. Legislative power is vested in the Legislative Assembly, a unicameral body whose members are elected for a four-year term. There is an independent judiciary, headed by the Supreme Court of Justice, which comprises of 22 judges elected by the Legislative Assembly for

[2] The country was admitted to OECD membership in 2021 following an extensive accession review process.

[3] See IMF, "Costa Rica: 2025 Article IV Consultation", *IMF Country Reports*, no 25/108, May 2025.

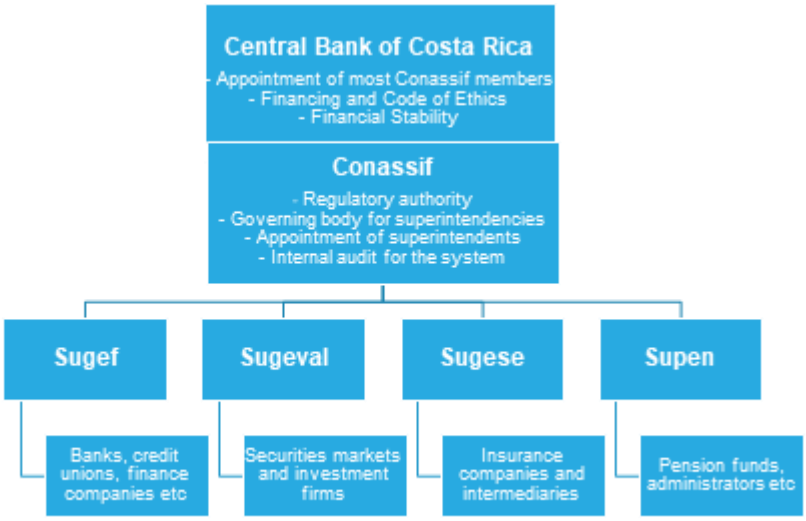
[4] See IMF, "Costa Rica: Request for an Arrangement under the Flexible Credit Line", *IMF Country Reports*, no 25/120, June 2025.

eight-year terms. The Supreme Court has four chambers, one of which is the Constitutional Court. There are appeals courts and other lower courts.

Institutional framework and arrangements for insurance sector regulation and supervision

Sugese and Conassif are the authorities for the supervision and regulation, respectively, of the insurance sector. Both are agencies attached to the CBCR, with administrative and budgetary independence. Sugese operates under the direction of Conassif, which functions as its governing body. Sugese, Conassif and the superintendencies responsible for supervision of other parts of the financial sector together make up the National Financial Supervision System (Table 6). The CBCR itself does not regulate or supervise the insurance sector, but has a wide-ranging financial stability mandate that covers insurance.

Table 6: Regulation and supervision – national institutional framework

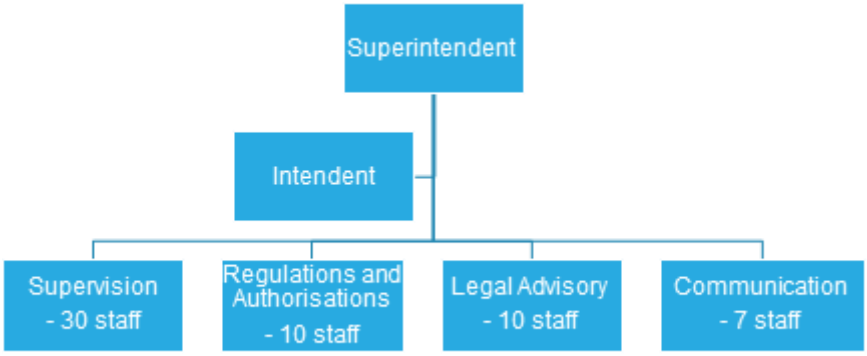


Sugese and Conassif are responsible for all aspects of insurance sector supervision and regulation. Their mandates cover insurers and intermediaries, both prudential and business conduct supervision, AML/CFT supervision and licensing and enforcement. Conassif issues most of the regulations applicable to the sector, including cross-cutting regulations (those applying to two or more sectors within the financial system). Other bodies with responsibilities covering the insurance sector are:

- The CNC, the authority responsible for oversight of compliance with general consumer protection requirements, which considers certain complaints from policyholders; and
- The FIU, the national AML/CFT authority within the national drug authority, which receives and responds to reports from insurers and shares information with Sugese but which has no regulatory or supervisory role.

The CBCR shares responsibility for macroprudential supervision with Conassif and Sugese. The FSC makes recommendations on the management of systemic risks and the implementation of macroprudential policies. It is supported by the Financial Stability Department of the CBCR. Its members are the President of the CBCR, the Vice Minister of Finance, a Conassif representative and the Director of the DGF of the CBCR (the deposit insurance scheme).

Table 7: Organisation of Sugese



Sugese's key functions are reflected in its organisational structure (Table 7). The largest unit is responsible for the supervision of insurers and intermediaries. Four teams carry out the supervision of insurers, each covering all aspects of the work, including AML/CFT supervision and both off-site reviews and on-site work. Two staff are responsible for intermediaries and there are two specialist IT experts and two actuaries.

A separate unit is responsible for Sugese's extensive authorisations work (including licensing of insurers and intermediaries, authorisation of certain transactions and registration of insurance products). It also carries out regulatory and supervisory policy work, including the preparation of draft regulatory material for presentation to Conassif, the regulatory authority. It also leads on institutional planning and development.

A third unit delivers legal advice to the other units and to the Superintendent and is responsible for reviewing and replying to consumers' complaints submitted to Sugese. It leads on the actions taken by Sugese to impose sanctions.

The Superintendent is responsible for the day-to-day management of Sugese and most supervision decisions. The Superintendent is appointed by Conassif for a period of five years (renewable as often as Conassif decides). Conassif also appoints the Intendent, which was a vacant position at the time of the assessment.

Conassif's role and organisation reflect its responsibilities for all parts of the financial sector, but it looks mainly to the superintendencies for resources. The members of Conassif serve part time. There is a small staff to support Conassif's operations (eight, increasing soon to 11, mainly advisors) and a larger team of internal auditors (18) because Conassif's responsibilities include internal audit work for all of the superintendencies. Although Conassif takes key regulatory and certain supervisory decisions, it looks to the staff of the superintendencies to prepare and present proposals for its decision.

Industry structure and recent trends

There are 12 licensed insurers, of which only two, including the largest, are domestic, and one insurer whose business is exempt from regulation. The licensed population reflects the development of the market since its opening to new entrants in 2008. There were then only:

- The state-owned National Insurance Institute (Instituto Nacional de Seguros (INS)); and
- The smaller and specialised National Teachers' Life Insurance Society (Sociedad de Seguros de Vida Mutual del Magisterio Nacional (SSVNM)). SSVNM ceased offering voluntary insurance from 2008 (the product continues to be offered by a subsidiary that is a licensed insurer) and currently only administers the compulsory mutual policy for teachers and other education professionals, which is exempt from licensing requirements (see ICP 4).

The market opening in 2008 was a commitment by Costa Rica in the context of the Dominican Republic-Central America Free Trade Agreement signed by seven countries including the United States.

The market is still dominated by the state-owned former monopoly insurer. INS is an autonomous institution created by the National Insurance Institute Law of 1924. It is the only insurer licensed for both insurance and reinsurance business and has subsidiaries undertaking investment services (supervised by Sugeval), insurance services and a hospital. INS has a state guarantee for its domestic insurance liabilities. Other state-owned companies are required to buy insurance from INS, but only where it offers the most favourable conditions in the market. It is governed by a Board of Directors, including a president appointed by the Governing Council (cabinet).

INS's market share has fallen as new entrants have gained share in most lines excepting compulsory business. Since the opening of the market to private participation, INS's share has declined slowly, although it still accounts for 65% of total gross premiums (down from 72% in 2019) and a slightly lower market share in life insurance. Private insurers are stronger in accident and health business. Even in the mandatory lines, INS – which had remained the sole provider – has since late 2024 faced competition from one private insurer in workers' compensation (mandatory motor vehicle accidents insurance is the other compulsory line which includes coverage of third party risk, medical expenses and funeral expenses and is equivalent to, though wider in scope than, motor third party liability insurance sold in other markets). After INS, the next two largest insurers both had a market share of around 8% of total gross premiums in 2024, but a higher share (14% for the largest private insurer) of total voluntary business.

The market is fully open to foreign participation. Ownership and control of locally incorporated insurers by foreign entities are permitted, as is foreign insurer participation through a branch in Costa Rica. However, there is currently only one licensed foreign insurer operating as a branch (a previous branch withdrew in 2022). Foreign-owned insurers comprise the bulk of the private market and account for around one third of total premium income. Of the 10 foreign or foreign-owned insurers[5] at the time of the assessment, eight were subsidiaries of foreign insurers (based in Spain, the United States, Panama, Colombia, Jamaica and Mexico), one was part of a group based in the United Kingdom and one was a branch of an insurer based in the United States. One parent group, based in Spain, is an IAIG.

There are no domestic insurance groups or domestic insurers with operations outside Costa Rica. Neither of the two domestic insurers owns or is part of a group comprising another insurer. As noted, INS is the parent of other financial services companies and the group is supervised by Sugese

[5] Two of the majority foreign-owned insurers were partly owned by domestic investors.

on a consolidated basis. None of its operations are located outside Costa Rica. Some of the foreign-owned insurers are parts of groups that also contain banks and other financial companies operating in Costa Rica. The Costa Rican operations are supervised by the relevant superintendency.

There are no specialist reinsurers based in Costa Rica. As noted, only INS is licensed to write reinsurance. INS and all of the other insurers can and do use reinsurance on a cross-border basis. The overall market retention ratio has been around 80% (with a cession ratio of 20%) in the last five years, but it varies across insurers and has been much lower for some foreign-owned insurers who also make extensive use of intragroup reinsurance. The cession ratio for fire and allied lines insurance is especially high.

Penetration, especially of life insurance, is in line with that of comparator jurisdictions. The overall penetration ratio of 2.8% of GDP reflects mostly non-life business (life penetration in 2024 was only 0.5%).

Licences may not be granted solely for life insurance. Insurers must all be licensed either as non-life or as composite insurers (covering both life and non-life insurance). In practice, licences are issued in three categories:

- Personal insurance (which includes life, , accident and health) (three insurers);
- General insurance (property) (two insurers); and
- Mixed insurance (composite insurers offering both personal and general insurance) (seven insurers).

Mixed insurers include the largest insurer and accounted for over 90% of total insurance sector assets at end-2024. There is also an important distinction between compulsory business (motor third party liability and workers' compensation) and voluntary business.

The main business lines have been growing (Table 8), led by health insurance. Key voluntary lines (automobile, fire and allied lines, health and life) have all grown more strongly in recent years than compulsory lines have. Health insurance is growing particularly strongly (by over 80% from 2019 to 2024), reflecting increased demand for private healthcare to supplement state-provided coverage. Compulsory lines (which account for around one quarter of total premiums) have also grown steadily, reflecting a buoyant economy and the growth in vehicle numbers.

Life insurance is also growing strongly from a low base, although the range of available life insurance products remains limited. Life insurance benefits from a lower rate of value added tax applying to personal insurance than that applying to general insurance products. However, there remain few savings-related policies and no annuities or investment-linked or other policies where the insured takes the investment risk.

Table 8: Gross premium income of insurers by type of insurance between 2019 and 2024 (millions of CRC)

Branch	Year						% change	
	2019	2020	2021	2022	2023	2024	Market share	2019–2024
Accident	31,953	29,996	26,765	26,834	27,298	24,052	2.9%	–24.7%
Agriculture	128	242	213	286	193	149	0.0%	16.4%
Automobile	176,027	166,349	171,550	177,168	186,714	248,604	19.3%	41.2%
Aviation	1,951	1,399	2,425	1,654	1,237	1,642	0.2%	–15.9%
Surety	6,462	10,887	6,594	3,655	3,619	4,036	0.6%	–37.6%
Credit	47	221	1,611	243	547	603	0.1%	1,177.4%
Fire and allied lines	92,147	103,263	107,816	119,395	116,018	115,758	11.2%	25.6%
Cargo in transit	8,004	8,155	9,334	11,494	11,396	12,380	1.0%	54.7%
Other property damage	26,094	25,021	33,044	43,790	44,764	55,277	3.9%	111.8%
Pecuniary losses	23,959	34,897	23,681	41,022	40,850	40,185	3.5%	67.7%
Liability	17,967	19,115	21,104	23,271	24,000	23,608	2.2%	31.4%
Health	97,471	113,044	143,218	146,841	156,083	175,715	14.2%	80.3%
Compulsory motor	56,684	61,676	59,069	62,791	65,236	72,470	6.5%	27.8%
Compulsory workers' compensation	159,361	141,194	145,013	169,199	187,082	201,661	17.2%	26.5%
Marine	1,113	908	955	1,350	1,331	1,808	0.1%	62.4%
Life	133,607	125,503	147,816	188,763	207,041	202,699	17.2%	51.7%
Total	**832,977**	**841,870**	**900,209**	**1,017,756**	**1,073,410**	**1,180,646**	**100.0%**	**41.7%**

Source: Sugese.

The number and range of different policies have grown steadily, with the strongest recent growth being in simple, lightly regulated policies known as "self-issued" policies. Sugese approves all policies and maintains a register that included 817 products at end-2024 (down from a peak of 850 in 2021), evenly divided between personal and general insurance (Sugese also approves the premium rates for mandatory insurance). There are special provisions in law – designed to promote financial inclusion – for self-issued insurance, simple, standardised products that can be bought directly by consumers without needing expert advice from an intermediary. Such policies offered in practice by insurers include certain types of travel insurance, accidental damage or theft of mobile phones etc and personal accident insurance.

Insurance products are distributed mainly through brokers, including bank-owned brokerages.[6] Sixty-three percent of premiums by value were collected by brokers in 2024, followed by insurers' own offices (14%) and insurance agents (11%) (Table 9). The direct share of banks is low (banks may be licensed as agents only for the distribution of self-issued products), but they may own brokerages, and their share of the market, including that of these companies, is around one third. Distribution of self-issued policies by insurance agents specially licensed for this

[6] At the time of the assessment, there were 22 insurance agencies (companies undertaking agency business), 1,209 individual insurance agents, 38 brokerages, 799 individual brokers and 83 operators of self-issued policies.

activity is growing rapidly (an average rate of 13% annually since 2021), but they still account for under 2% of total premiums (although over 15% of total policies by volume).

Table 9: Premiums per distribution channel type, 2021–24

	(in millions of CRC)				
Type of channel	**2021**	**2022**	**2023**	**2024**	**Market share 2024**
Non-captive insurance agents	126,549	128,751	127,722	143,782	11%
Agent companies	105,968	98,415	104,334	115,547	9%
Brokerages	591,232	686,980	758,763	805,880	63%
Self-issued insurance agents	15,867	16,478	19,757	22,738	2%
Insurers' own offices	173,074	173,502	173,678	184,185	14%
Total	**1,012,690**	**1,104,127**	**1,184,254**	**1,272,132**	**100%**

Source: Sugese.

Insurers' investments are concentrated in public sector bonds, reflecting in part the limited availability of other assets. Seventy percent of insurers' total investments (excluding the one foreign insurer branch) are in bonds, and around 60% of these are issued by the local public sector (the domestic securities market is itself dominated by public debt, mainly issued by the CBCR and the MoF, and there is limited private sector issuance of debt instruments or equity). Loans (13%), cash (7%) and shares (6%) account for most other investments. There are small investments in investment funds and no alternative investments such as private equity or structured products. Around 60% of investments are denominated in CRC, with USD accounting for most of the remainder.

All insurers were complying with minimum solvency requirements at the time of the assessment. They are required to hold capital sufficient to cover a risk-based SCR and, at a minimum, the fixed capital amounts set out in legislation. The SCR requires that capital be held against six categories of risk: general asset risk, operational risk, personal insurance risk, general insurance risk, reinsurance ceded risk and catastrophe risk. Insurers must hold at least 1.3 times the calculated requirement. As at the end of 2024 (and at all dates over the last five years on which data has been reported to Sugese), all insurers have held capital in excess of minimum requirements, some of them by significant margins.

The sector is profitable, although performance varies across business lines and overall return-on-equity have recently been low. The market-wide combined ratio across all lines has been gradually increasing in recent years, reaching 98.5% in 2024, but in workers' compensation, health and fire insurance the ratio exceeded 100%. Claims inflation, partly reflecting a spike in general inflation in 2022, has put technical results under pressure, and insurers have been relying more on financial results to report positive overall performance. Market-wide return-on-equity was only 3.3% in 2024, a small increase from 2023 in part because of increased investment returns.

Risks and vulnerabilities

Insurers face a wide range of insurance, financial and operational risks. Insurers' capital adequacy reports highlight that the major risk (ie the largest contribution to the SCR) is general asset risk (market risk including investment concentration and mismatch risks), which accounted for 50% at end-2024. This was followed by insurance risks in personal lines (21%) and in general insurance (14%). The sector did not experience significantly increased claims because of the Covid-19 pandemic. Stress tests carried out by the CBCR in cooperation with Sugese (see ICP 24) suggest that the insurance sector would be resilient under three scenarios addressing insurance and market risks and a reduction in the credit quality of reinsurers.

There are significant natural catastrophe risks. Costa Rica is vulnerable to hurricanes and other extreme weather events, although insurance coverage has been limited. In the case of Hurricane Otto (2016), total paid claims amounted to 3% of total losses, and in the case of the most severe natural catastrophic event in the last 20 years, Tropical Storm Nate (2017), they amounted to 5.4%. The government has established mechanisms for addressing the management of financial impacts (the National Strategy for Financial Management of Disaster Risks), including a National Emergency Fund to support emergency management and disaster prevention, although these did not include any arrangements directly related to insurance. Insurers are required to hold capital for catastrophe risk (2% of the total market-wide requirements in 2024).

There are significant risks relating to reinsurance, which is also one of several sources of liquidity risk. The importance of reinsurance, including in the management of catastrophe risk, varies by insurer and by business line and exposes insurers to reinsurers' capacity (including related group insurers in the case of the foreign insurers). In practice, there have been no issues with the timeliness of reinsurance claims settlement.

Insurers face financial risks arising from investment portfolios. Credit risk is limited due to the predominance of public sector issuers in bond portfolios. However, insurers face foreign exchange risks as they hold foreign currency assets including loans as well as bonds. Financial returns of insurers' investments are exposed to risks from the national and international economic environment, mitigated by the current fiscal consolidation and broader macroeconomic policies. Insurers do not invest in derivatives or more complex products. As there is limited long-term savings-related life insurance business, they do not yet face market risks related to potential mismatches between assets and long-term liabilities.

Operational risks are exacerbated by cyber security threats. As in other countries, cyber attacks are becoming more sophisticated and more frequent, putting business continuity at risk as well as increasing the risk of theft of sensitive data, including health insurance data, creating reputational risks for individual insurers and the sector.

There are challenges to insurers in adjusting to changes in regulation. The implementation of IFRS 17, now scheduled for 1 January 2028, has proved difficult (see ICP 14). The sector also faces potentially increased focus on consumer protection as Sugese develops and implements its planned business conduct risk-based supervisory approach (ICP 19).

There are risks and opportunities associated with the potential for development of the market. Overall, insurers were optimistic about the future of the market. They identified opportunities in health insurance owing to limitations on the capacity of the state to meet all of the demand for health coverage, although containing costs and managing claims in this line is proving to be a challenge. Life insurance has significant scope for development. The market and regulators have cooperated on innovations such as self-issued policies. New products, including parametric insurance, are under

consideration. Insurers are digitalising key processes in order to reduce costs and enable them to compete more strongly on quality of service.

Market structure is expected to continue to evolve. The insurance market in its current form is young, having been opened to private participation only in 2008. The continued predominance of the state-owned insurer, with its advantages including an established distribution network, brand recognition, substantial accumulated resources and the state guarantee, poses challenges to private insurers. Equally, as part of the public sector, the state-owned insurer is subject to constraints not faced by private insurers. In practice, private insurers, many of which have the backing of large international groups, have been able to compete effectively in a growing range of business while collectively benefiting from a growing economy.