



Insurance Commission of The Bahamas

2021 Annual Plan

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Executive Summary

The Superintendent of Insurance and the Management Team of the Insurance Commission of The Bahamas (the Commission) conducted its annual strategic planning exercise in October 2020. The Annual Plan was subsequently approved by the Board of Commissioners in January 2021.

2020 Highlights

The year 2020 has been fraught with challenges some of which lingered from the devastating impact of Hurricane Dorian in 2019. From December 2019, the Commission required general insurers to report losses, claims, and reinsurance payments across each island on a quarterly basis. At the end of December 2019, reported losses for Hurricane Dorian stood at \$1.6 billion, increasing to \$1.8 billion in June 2020 and \$2.1 billion in September 2020. Insurers and adjusters continued to settle claims during 2020 primarily connected to the islands of Abaco and Grand Bahama. As of September 30, 2020, the following industry aggregates associated with Hurricane Dorian were reported:

- Number of Claims reported – 14,157
- Total Claims Paid - \$1.80 billion
- Claims Settled by Reinsurance - \$1.77 billion

The Commission continues to monitor these key statistics to ensure that insurers' solvency and liquidity remain adequate.

As part of its 2020 IT initiative, the Commission proactively deployed its virtual private network (VPN) to enable continuity of operations via remote cloud access. In March 2020, the World Health Organization (WHO) formally declared the SARS II – COVID 19 virus a global pandemic. On March 18, 2020, the Commission activated its Remote Access Management (RAM) Framework and ceased onsite operations subject to a National Emergency Order issued by the Government of The Bahamas. The Emergency Orders restricted population movement and access to physical commercial operations, hence forcing the country to conduct business in a 'virtual' arena to contain the virus. Since March, Government's pronouncements to heighten or relax restrictions ultimately led to the Commission continuing its operations remotely for approximately nine months out of the year.

The Commission continued its operations seamlessly in responding to its regulatory and supervisory mandate. The Government issued a directive in March 2020 to suspend insurance premium payments, with respect to group, general, health and life insurance, for 60 days upon expiration of the existing Emergency Order. This suspension was only applicable for individuals who were able to support their claim that they were adversely impacted by the pandemic, all other policyholders remain contractually obligated to remit payment. The Commission liaised with insurers to clearly articulate the alternative payment arrangements on their website and social media pages. Further, the Commission encouraged insurers to proactively discuss amended policy terms to ensure coverage is maintained without penalty.

Given the abrupt shutdown of economic activity occurring from within The Bahamas, the Commission issued a Notice on May 14, 2020 advising all registered insurers to request approval from the Commission prior to paying dividends. This measure was proactively employed to mitigate any adverse financial impact to liquidity and solvency arising from the pandemic and deferred premium payments.



The Commission's obligation to comply with international standards and reporting did not abate during the year. The United Nations Security Council (UNSC) issued updates concerning associated individuals and entities placed on their sanctions list. From these updates, financial institutions, namely life insurers, are responsible for reviewing their database to determine whether they have any exposure to individuals and entities on the UNSC sanctions list. Positive discoveries were to be submitted immediately to the Office of the Attorney General and the Financial Intelligence Unit while nil reports be submitted to the Commission. This reporting requirement forms part of the enhanced reporting the Commission must maintain to comply with international reporting standards.

During the year, the Supervision Unit conducted other key AML/CFT/PF reporting exercises which included the completion of the AML Risk Assessments completed by licensees in the latter months of 2019. The risk assessments included a broad overview of the life and general insurance sectors exposure to money laundering and terrorist financing risk and provided specific observations and recommendations for each licensee to implement. Follow-up in this area will continue to form part of the supervisory oversight in 2021 with respect to AML/CFT/PF supervision.

The Commission introduced two new policy guidelines during the year. The Guidelines for Premiums Trust Accounts, which was issued for consultation in late 2019, took effect in June 2020. Additionally, the Commission also released its Guidance Note for General Insurers and their Intermediaries on Minimum Due Diligence Requirements for Policyholders, effective July 1, 2020. The Commission collaborated with the Bahamas Insurance Association (BIA) to ensure that both insurers and intermediaries are aware of the necessary information required for compliance. The Guidance Note outlined the minimum due diligence that general insurers should obtain from policyholders and encouraged a framework for collecting enhanced due diligence based upon the risk assessment of its policyholders.

In September, the Commission initiated efforts to amalgamate the Insurance Act, 2005 and External Insurance Act, 2009. The Commission engaged a consulting firm to assist in research, development, and drafting. To complement this process, the Commission established working groups comprised of staff and industry experts to review current and prospective areas that should be included within the amendments. The working groups will continue to provide feedback and oversight into 2021 when a completed draft legislation is expected to be completed.

The Commission continued to expand its role as a corporate citizen during the year responding to the increasing needs of the community. Donations were made to Hands for Hunger, Freetown Urban Renewal Center, and Uriah McPhee Primary School.



SWOT Analysis

In the 2020 Annual Plan, the Commission performed a SWOT Analysis to assess the internal and external factors that impact its effort to achieve its key performance outcomes. During each fiscal period Management will continue to assess those areas which can be converted to strengthening the organization and to further develop strategies to quickly respond to threats that may arise. The below analysis will remain current for the period and will be assessed during the 2021 Annual Planning meeting in Q4-2021.

Strengths <ul style="list-style-type: none">- Collection of diverse and experienced technical and non-technical human resources- Size of human resources provides broad exposure of supervisory monitoring at all levels- Continuity of resources (in personnel and consultancy relationships) that mitigate the learning curve of new personnel- Adequate financial resources to quickly respond to industry changes and provide appropriate training	Weaknesses <ul style="list-style-type: none">- Size of human resources limits organization's ability to assume additional responsibilities- Ability to collect, review and report industry data timely and consistently- Ability to maximize IT operating systems given size of industry and data points- Limited specialty knowledge in IT systems, reinsurance and actuarial science
Opportunities <ul style="list-style-type: none">- Knowledge transfer via use of external consultants (legislation and risk-based capital)- Legislative reform will expose personnel to understanding broader areas of legislation- Cloud-based storage minimizes gaps in responding to stakeholders due to absence of personnel- Workflow management will contribute to the ability to quantitatively assess performance	Threats <ul style="list-style-type: none">- International Blacklisting and sanctions- Abrupt change in Government mandate in collecting fees and systemic risk levy (premium tax)- Undue delays from Attorney General's Office and Cabinet to approve legislative amendments- Change in Microsoft Operating System impacting day-to-day task- Catastrophic Event redirecting focus on objectives timetable

2021 Objectives

The Commission's primary objectives for 2021 include the following:

1. Amalgamate the Insurance Act 2005 and the External Insurance Act 2009 into a single legislation.
2. Develop policy guidelines that support legislative reforms.
3. Update standard operating procedures of the Commission.
4. Advance the testing and implementation of risk-based capital and stress testing for general insurers.
5. Complete procedures to accede to the IAIS Memorandum of Understanding as a signatory.
6. Expand software application, through business intelligence solutions, to improve workflow management, data gathering and reporting.
7. Review career pathing and succession planning.
8. Strategically provide training and education for employees in relevant areas.



Organizational Key Performance Outcomes for 2021

As part of enhancing its overall governance strategy, the Commission is developing key performance outcomes designed to measure the effectiveness of its supervisory and regulatory activity. Both general and specific outcomes will be assessed. The key performance outcomes will provide a high-level and simple way to measure the Commission's ability to meet its annual regulatory and supervisory targets. These outcomes will be assigned various accountability indicators that measures the Commission's effectiveness.

The general outcomes address those key organizational activities that the Commission must achieve for its internal and external stakeholders such as annual budgeting and planning, website review, and business continuity testing. Specific outcomes are captured within each Unit's activity.

Unit Analysis

The table below captures the key projects that each Unit will undertake at a high-level as part of enhancing the legislative, regulatory, and supervisory framework of the Commission.

	Unit Description	2021 Key Activities
Insurance Company Supervision	Unit is responsible for the supervision and regulation of all insurance companies operating in or from within The Bahamas	<ul style="list-style-type: none"> • Recategorize all entities under amended license categories • Continued Testing of Risk-Based Capital (General Insurers) • Conduct Macroprudential Surveillance • Complete AML and Compliance Risk Assessments • Assess Industry Readiness of IFRS 17 – Insurance Contracts
Intermediaries and Market Conduct	Unit is responsible for monitoring and overseeing the conduct of business by insurance intermediaries which includes agents, brokers, and adjusters.	<ul style="list-style-type: none"> • Revise Responsible Officer Guidelines • Conduct Onsite Examination of Intermediaries: <ul style="list-style-type: none"> ○ Delegated Authorities ○ Distribution of Products and Services • Develop Online Proctoring of Salesperson Examination • Amend Complaints handling
Policies and Practices	Unit is responsible for the development of supervisory and non-supervisory guidelines, policies, and operating procedures for the Commission. The Unit ensures that all regulatory and supervisory initiatives conform with legislative requirements and international best practices.	<ul style="list-style-type: none"> • Issue Guidelines for Outsourcing of Material Functions • Complete Industry Code of Conduct • Accede as a signatory to the International Association of Insurance Supervisors (IAIS) • Draft Policy Guidelines and Guidance Notes arising from Legislative Reform • Publish Annual Plan
Legal	Unit has responsibility for the development and enforcement of insurance legislation and providing legal advice to the Commission.	<ul style="list-style-type: none"> • Complete legislative reform and amalgamation of Acts • Enforcement of administrative penalties and sanctions • Ongoing monitoring of Court matters



Administration	Unit supports the Office of the Superintendent and is responsible for the management of administration, financial management and information technology functions within the Commission.	<ul style="list-style-type: none"> • Explore enhance cloud and data center security • Archiving of physical documents to digital imaging • Increase use of Power Business Intelligence (Power BI) for data collection • Workflow processes (document inflow and outflow) • Publish Annual Report and Financial Statements • Review and enhance website annually • Review and Test Business Continuity Plan (BCP)
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Human Resources:

Presently, there are 31 individuals employed at the Commission. The Commission will seek to employ two additional full-time individuals during 2021 and one part-time individual.

Training:

The Commission’s training program for the first half of the year is scheduled to be conducted primarily via virtual platforms.

The amendment to the International Financial Reporting Standard 17 – Insurance Contracts will materially impact the form in which licensees report their financial statements. The Commission will focus its training efforts on understanding the new disclosure and reporting requirements.

Other training initiatives will include review of the following:

- Macroprudential Surveillance
- Reinsurance
- Risk-based Capital for General Insurers
- AML/CFT/CPF Risk Assessments
- Business Intelligence and Power App Use and development
- Advanced Microsoft Office 365 Applications
- Crisis Preparedness
- Website Development

The Commission will also continue to support staff development through approved regulatory, industry, and financial services training and certifications to ensure it maintains pace with industry developments and qualifications.

Other Matters

The matters below were identified as key organizational outcomes in 2020 that had to be addressed from an enterprise-wide perspective. While some elements of these outcomes have been initiated during 2020, they all remain critical for ongoing review and implementation within 2021. The narrative within each outcome reflects the proposed advancement for 2021.

- **Website Review** – review of the Commission’s website forms part of annual key performance outcome to ensure that information published is relevant and up to date. As a key performance outcome, this exercise should be completed within 30 days following the end of the year.



- **Key Performance Indicators (KPI's) Employee Appraisal** – the revised key performance indicators for each Unit were introduced in Q3-2020 and documented for further development with the assistance of an external human resources consultant.

The goal for this exercise is to ensure that KPI's will include additional objective quantitative benchmarks to support the assessment of ratings along with qualitative indicators that aid in determining an employees' overall effectiveness. The Commission will schedule to continue this exercise within Q1 and Q2-2021.

- **Cost of Living Adjustment (COLA)** – The committee for this exercise will be formed to conduct a benchmarking exercise and report on the implementation of a cost-of-living payment for all employees.
- **Group of Financial Services Regulators (GFSR)** – During 2020 the Commission, as Chairing Authority, developed standardized reporting and a centralized depository for the group's communication. Further, an official GFSR email address was developed for communicating with member agencies. The amendments to the GFSR Memorandum of Understanding were also finalized during the last month of 2020 and will be approved within the first quarter of 2021.

In 2021, the GFSR will seek to harmonize some of the common AML/CFT/PF reporting for licensees, such as the UNSC Sanctions List, into a central depository as part of easing the compliance reporting requirements. Considerations may be given to the use of centralized portal or the use of a dedicated GFSR website that corresponds with other Government agencies that issue public notices and reporting.

- **Career Pathing** – As part of its objective for succession planning and staff development, Unit managers are tasked with identifying criteria that distinguishes roles and responsibilities that adequately corresponds with staff's performance and experience. The career pathing exercise will consider its existing staff complement while assessing the appropriate resources needed to fulfill the Commission's mandate. This exercise will also consider the employee's performance, portfolio management and leadership credentials and the reality of charting a career path in a challenging and rewarding environment. The criteria and proposed job descriptions is scheduled to be completed by Q1-2021.



Appendices

2021 Budget

	Budget 2021	Actual 2020
INCOME		
Fee income:		
Premium Taxes	5,600,000	6,330,828
License and registration fees	376,489	321,963
Total fee income	5,976,489	6,652,791
Interest income	385,000	410,769
Total income	6,361,489	7,063,560
EXPENSES		
Salaries, wages, and employee benefits	2,596,542	2,237,686
Rent	303,980	110,376
Lease Interest Expense	70,371	79,913
Utilities and property charges	313,000	297,975
Training and conferences	260,000	73,405
Professional fees	698,000	545,849
Office	90,000	72,083
Depreciation ¹	349,463	343,854
Repairs and maintenance	6,000	4,601
Vehicle expenses	6,000	2,610
Public and Community Relations	255,000	190,971
Miscellaneous	10,000	20
Bank charges	12,000	6,856
Commissioners expenses	36,400	25,400
Membership fees & subscriptions	124,355	97,323
Total expenses	5,131,111	4,088,922
Total comprehensive income	1,230,378	2,974,638

