



THE INSURANCE COMMISSION
OF THE BAHAMAS

External Insurer's Act 2009

Licensing Requirements
(Section 4)

Licensing Requirements

- ▶ Type of Licenses Defined
- ▶ List of Required Documents
- ▶ Name of Applicant
- ▶ Application Form
- ▶ Detailed Business Plan
- ▶ Solvency
- ▶ Biographical Affidavit
- ▶ Other Supporting Documents
- ▶ Licensing of Intermediaries
- ▶ Approval Process
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- ▶ Corporate Governance
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Definitions

- ▶ An external insurer is a company that carries on business, where the risk is located outside of The Bahamas.
- ▶ Two types of licenses:
 - Restricted – underwrites the risks of its members, subsidiaries, affiliates and persons who acknowledges in writing and accept the insurer is a restricted insurer (section 2).
 - Unrestricted – an external insurer that is not a restricted insurer (any person or entity as they see fit) (section 2).



Required Documents

1. Name of applicant
2. Completed Application form
3. Detailed business plan
4. The nature and extent of the existing or proposed re-insurance arrangements
5. Personal details and references of proposed directors and shareholders
6. Biographical questionnaire
7. Confirmation of appointment of Licensed Insurance Manager / Auditor/Actuary/Legal Counsel
8. A copy of Certificate of Good Standing
9. Proof of compliance with Bahamas Immigration and Exchange Control Regulations.
10. Link: [Licensing Requirements.docx](#)



Name of applicant

- ▶ Submit 3 names to be approved by the Commission
- ▶ Under s.2) of the External Insurance Act 2009, the term “carry on external insurance business” states that all submitted names must include the word “Assurance” or “Insurance” as appropriate
- ▶ Name of Applicant to be approved by Board of Directors.



Completed Application Form

- ▶ Standard Application form
- ▶ Includes:
 - Indication of type of license
 - A summary of all information required for licensing.
 - Application fee of \$100
 - Link:
 - [EIA Insurance Application.doc](#)



Detailed business plan

- ▶ Particulars of any business which the company/applicant currently carries on at present or proposes in the Bahamas.
- ▶ For each and every class of external insurance underwriting business to be carried on by the company during the next year, the method or methods by which policies will be marketed.
- ▶ Five year financial projection or prior 2 years Audited Financial Statements to calculate solvency.
- ▶ Particulars of the nature and extent of the existing or proposed re-insurance arrangements in respect of each class of business indicating clearly the amount of retention in each case.



Solvency (section 31)

- ▶ **Minimum Capital Requirements**
 - US\$100,000 for companies effecting general business
 - US\$200,000 for companies effecting long term business, and
 - US\$300,000 for companies effecting both general and long term



Solvency (Continued)

1. General Insurance Business
 - a) An *unrestricted external* insurer is unable to pay its debts if at any time after the first financial year, the value of its assets < liabilities —
 - i. by 1/5 of the premium income for the preceding financial year, where the premium income < \$5m; and
 - ii. By \$1m + 1/10 premium income over \$10m in the preceding financial
 - b) A *restricted* external insurer is unable to pay its debts if at any time the value of its assets does not exceed its liabilities by such amount as the Commission may prescribe from time to time.
2. Long Term Insurance Business –is unable to pay its debts if the value of its assets < liabilities.



Solvency (Continued)

- ▶ Liabilities used for solvency includes all contingent and prospective liabilities.
- ▶ Variable Insurance business shall not include the following in it's computation of solvency
 - the assets of any one or more separate accounts maintained by the licensee in respect of its variable insurance business, or
 - the liabilities chargeable against such accounts in respect of such business, or
 - any assets acquired and held in a fiduciary capacity as designated by its auditor in financial statements filed with the Commission.



Solvency (Continued)

▶ Admissible Assets

- cash,
- bonds, debentures, fixed deposits, and equities listed on a recognized stock exchange, or legally recognized inter-dealer market,
- mortgage loans on real estate,
- net accrued investment income due,
- premiums receivable,
- reinsurance balance receivable,
- funds held by ceding reinsurers,
- accounts receivable (except from a person with whom the external insurer is associated, unless approved by the Commission),
- irrevocable letters of credit drawn or confirmed by a bank licensed under the Bank and Trust Companies Act (*Ch. 316*)



Solvency (Continued)

▶ Admissible Liabilities

- loss reserves and unearned premiums, and other outstanding liabilities, but do not include capital and surplus.
- ▶ Example: [ABC Solvency Computation.xls](#)



Biographical Affidavit

- ▶ Completed biographical questionnaires of ALL proposed Directors, Officers and Managers and shareholders.
 - Directors and Senior managers must be “fit and proper” – knowledge and practical experience of insurance business adequate to act in the capacity (Section 34)
- ▶ Exception: No biographical affidavit is required for persons already known (applied for director, officer, manager or shareholder position) to the other regulatory bodies i.e. Securities Commission of The Bahamas, Compliance Commission & Central Bank.
- ▶ Must be notarized.
- ▶ Link:
 - [Biographical Affidavit 2010.doc](#)



Other Supporting Documents

- ▶ A detailed organizational chart.
- ▶ Personal details and bank references
- ▶ Police certificate
- ▶ Proof of compliance, where applicable, with Bahamas Immigration and Exchange Control Regulations
- ▶ Confirmation of appointment from a Licensed Insurance Manager /Approved Auditor/Actuary and Legal Counsel.
 - Auditors must be a member of the Bahamas Institute of Chartered Accountants.
 - Attorneys must be a member of the Bahamas Bar Association.
- ▶ A copy of the letter or Certificate of Good Standing by the authority governing insurance (existing company).
- ▶ Appoint a resident representative (normally a member of executive management)



Licensing of Intermediaries (Section 32)

- ▶ **Definition:**
- ▶ Insurance Manager – a person that provides or holds himself out as providing accounting, administrative, brokerage, underwriting and claims processing services in respect of external insurance business
- ▶ Insurance Broker – a person who is not an external insurer who, for commission or other compensation brings together, with a view to carry on external insurance business, persons seeking insurance or reinsurance and insurance or undertakings, carries out work preparatory to the conclusion of contracts of insurance and reinsurance, and where appropriate, assists in the administration and performance of such contracts



Licensing of Intermediaries (cont'd)

▶ Requirements

- All insurance managers and external insurance brokers are required to be licensed under s.(33) of the Insurance Act 2009
- Be “fit and proper” – i.e. have sufficient knowledge and practical experience of insurance business adequate to enable them to act in their capacity.
 - Must complete a biographical affidavit
- Must be a body corporate, i.e constituted under law
- Must have a minimum capital of:
 - \$10,000 for Insurance Managers
 - \$25,000 for brokers
- Pay a fee of \$100



Approval process

- ▶ The Commission has committed to a 30-day approval period for restricted licensees applicants and a 60-day approval period for unrestricted licensee applicants from the date the last required document has been received.
- ▶ Board of directors approval required
 - Monthly meetings.
- ▶ Commission will notify in writing of the decision.
- ▶ Approval can be subject to conditions.



Books & Records

- ▶ Policy documents
- ▶ Claims Payments
- ▶ Claim Reserves
- ▶ Reinsurance Agreements
- ▶ Bank Account records
- ▶ Investment schedules
- ▶ Loan Agreements
- ▶ Letters of Credit
- ▶ General Ledger
- ▶ Minutes of Meetings
- ▶ Register of shareholder/directors/officers
- ▶ Verification of Identity
- ▶ Service Providers
- ▶ Management Agreement
- ▶ Other pertinent documents



Corporate Governance

- ▶ The Board of Directors are responsible for ensuring corporate governance, policies and practices are developed and applied in a prudent manner.
- ▶ The Board appoints a resident representative (normally a member of executive management)
- ▶ The Board has the right to delegate certain authorities to member of Senior Management.
 - Delegation of Authority to board committees, chief and senior executives or external parties does NOT absolve the board from its ultimate responsibility.



Corporate Governance Principals

- ▶ The Commission endorses the principles set out by the Organisation for Economic Co-operation and Development (OECD) on Corporate Governance and the International Association of Insurance Supervisors (IAIS).
- ▶ These principles are largely universal and may be applied by companies of all sizes and to the extent applicable to both private and public entities.
- ▶ The Commission encourages all companies to become familiar with the principles and to the extent applicable to implement the same.

IAIS Link:

- ▶ http://www.iaisweb.org/_temp/IAIS_Core_Principles_on_Corporate_Governance_2004_.pdf

OECD Links:

- ▶ <http://www.oecd.org/dataoecd/54/28/40990025.pdf>
- ▶ http://www.oecd.org/document/50/0,3343,en_2649_34851_40989180_1_1_1_37411,00&&en=USS_01DBC.html--
- ▶ www.oecd.org/daf/corporateaffairs/principles/text



AML/CFT

- ▶ Companies should implement adequate AML/CFT policies and procedures to ensure compliance with the Financial Transaction Reporting Act and Regulations (FTRA & FTRR) including:-
 - Staff training and awareness (incl. Intermediaries)
 - Verification of Identity
 - Record keeping [FTRA S. 23-25]
 - Reporting suspicious transaction [FTRA S. 14]
 - Appointment of Money Laundering Reporting Officer (MLRO) [Financial (Transaction Reporting) Intelligence Regulations 5].
- ▶ The Group of Financial Services Regulators are currently working on guidelines for the approval of MLRO by the respective regulator of the company. These will be issued for consultation in the very near future.



Questions

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