

The logo features the number '100' in a white, serif font, with the '0' being a solid circle. To the right of the '100' is the word 'Years' in a white, elegant cursive script.

100 Years

INSURANCE COMMISSION
OF THE BAHAMAS

2019
ANNUAL
REPORT



INSURANCE COMMISSION
OF THE BAHAMAS

INSURANCE COMMISSION OF THE BAHAMAS



May 18, 2020

The Hon. K. Peter Turnquest
Deputy Prime Minister and Minister of Finance
Ministry of Finance
Cecil V. Wallace-Whitfield Centre
Cable Beach
Nassau, N.P.
Bahamas.

Dear Minister,

In accordance with Section 18(1) of the Insurance Act, 2005, and on behalf of the Members of the Insurance Commission of The Bahamas, I am pleased to submit the Annual Report for the year ended December 31, 2019. Included with this report are the Audited Financial Statements for that same period.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Michele C.E. Fields'.

Michele C.E. Fields
Superintendent of Insurance



Mission Statement

To protect the interest of the insuring public through the prudential supervision of the insurance industry operating in and from The Bahamas.

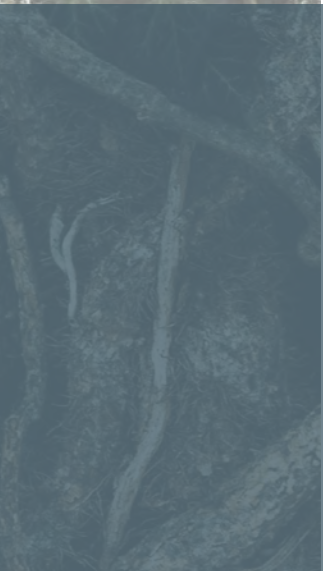
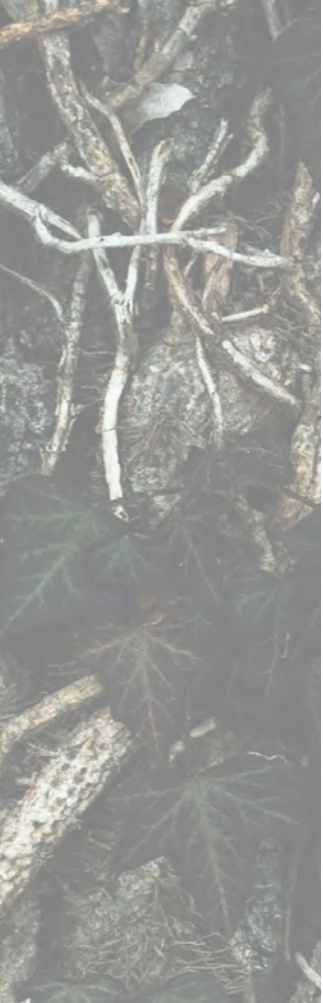


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INSURANCE COMMISSION
OF THE BAHAMAS



Message from the **Superintendent of Insurance**

On behalf of the Members of the Commission, I am pleased to report on the activities and financial performance for the year-ending December 31, 2019. The Insurance Commission of The Bahamas continues to fulfill its regulatory mandate to ensure the safety and soundness of the local insurance market, while protecting the interest of policyholders. The insurance industry remains stable and continues to make a significant contribution to the local economy and to the financial security of policyholders. Gross written premiums in 2019 of \$824 million represents approximately 6.4% of the gross domestic product of the nation.

During 2019, the Commission celebrated its 10th anniversary as a regulatory body and has made significant strides in developing a robust supervisory regime based upon the Risk-Based Supervision Framework. The Framework focuses on ensuring the solvency, sound business practices and corporate governance of insurance companies and intermediaries. The effectiveness of the Framework was evident after The Bahamas suffered the devastating impact of Hurricane Dorian in September 2019. Despite experiencing insured losses in excess of \$1.7 billion emanating from Abaco and Grand Bahama primarily, the sector remains sound.

Following the hurricane, insurers moved quickly to settle claims and the Commission liaised with the Department of Immigration to facilitate the approval of work permits for foreign loss adjusters needed to assist with the valuation of claims. By the end of 2019, approximately 30% of the claims had been paid. Insurance companies continue to collaborate with loss adjusters and policyholders to settle remaining claims.

The financial statements for 2019 reflect the stewardship of the funds entrusted to the Commission. Total comprehensive income amounted to \$2.88 million, an increase of \$175 thousand over the prior year. Annual income,

derived substantially from the retention of 25% of the premium tax collected from licensees on behalf of the Government, amounted to \$6.79 million, and remained stable compared to the prior year, in line with the modest change in gross premiums written by the insurance industry. Total expenses of \$2.87 million were contained in line with budget, after taking into effect the new accounting standard International Financial Reporting Standard (IFRS) 16 related to leased property and the reversal of a provision for VAT recoverable established in the prior year. IFRS 16 also required the establishment of a “right-of-use asset” in the amount of \$1.76 million and a corresponding liability on the Statement of Financial Position based on the terms of the lease entered into as at January 2019 for the Commission’s new premises at Poinciana House, East Bay Street.

The amendments to the Financial Transaction Reporting Act, (FTRA) and related AML legislation which were made in 2018, resulted in a review of the anti-money laundering, countering the financing of terrorism and proliferation financing (AML/CFT/PF) procedures of all insurance companies. The Commission continues to assess the level of AML/CFT/PF risk in the sector. The Commission also continues to work closely with the Caribbean Financial Action Task Force (CFATF), a regional inter-governmental organization that collaborates with its member jurisdictions to implement common countermeasures against money laundering and terrorist financing.

The Risk-Based Capital Framework for general insurers was introduced to the industry for consultation during 2018. Based on the initial quantitative impact studies submitted by general insurers during 2019, further refinements will be made to the Framework and a second iteration will be circulated for consultation during 2020.

In 2019, the Commission registered 2 insurance companies, 4 intermediaries and 81 salespersons. Prior to the registration of a licensee, the Commission performs due diligence on the applicant to ensure that integrity within the market is maintained. The Commission's due diligence process considers, where applicable, an entity's business plan and an assessment of the individuals applying to be registered.

The issue of harmful tax practices continued to be addressed in 2019. The Government of The Bahamas introduced new legislation to harmonize the tax treatment of foreign and domestic entities. Arising from this was the introduction of the Commercial Entities (Substance Requirements) Act, 2018. The Commission was affected with the need to amend both the Insurance Act, 2005 and the External Insurance Act, 2009 regarding licence categorization and fee structures. These legislative changes are expected to be enacted during 2020. Industry briefings were held to advise market participants of the impending changes.

The Commission's Schedule of Administrative Penalties and Fines was completed early in 2019. These penalties and fines cover offenses under the Insurance Act, 2005, and bring objectivity and consistency to the processing of levying fines against licensees. Two insurance companies were fined under the Schedule during 2019 for failure to follow a directive.

In accordance with its mandate outlined in the Insurance Act, 2005, the Commission convened its second arbitration between a policyholder and a general insurance company in 2019. The arbitration of matters in dispute is currently outsourced to qualified arbitrators, with the Commission acting as the Secretariat. The cost of the arbitration is borne by the Commission; during 2020 further consideration will be given to the Arbitral Rules to improve efficiency and cost effectiveness.

During the year, the Commission completed several projects geared at modernizing its information technology capabilities and creating a virtual presence. These included the transition from an on-premises server to a secure cloud-based platform, the modernization of the website to enable the acceptance of future secure e-commerce transactions, and the implementation of a new licensee management system.

The Commission continues to collaborate with other regulatory authorities domestically, regionally and internationally. At the end of 2019, the Insurance Commission was formally appointed as Chair of the Group of Financial Services Regulators (GFSR), effective January 2020. The GFSR, established in 2002, comprises of the Central Bank of The Bahamas, the Compliance Commission of The Bahamas, the Gaming Board for The Bahamas, the Securities Commission of The Bahamas and the Insurance Commission of The Bahamas. The Group continues to coordinate supervisory efforts and to devise responses to actual and potential systemic risks.

The Commission serves as Secretary of the Executive Council of the Caribbean Association of Insurance Regulators, a 20-member body formed in 1994 to promote mutual cooperation and to enhance regional supervisory framework in line with international standards. The annual conference of CAIR, which is largely funded by the Caribbean Regional Technical Assistance Centre of the International Monetary Fund, provides an important forum for collaboration among staff of the various regional insurance regulators and for training; the 2019 meeting held in Georgetown, Guyana was attended by several members of staff.

After serving two terms as the representative of the Caribbean and offshore regions on the Executive Committee of the International Association of Insurance Supervisors (IAIS), I demitted that

office in November 2019 at the annual general meeting held in Abu Dhabi, United Arab Emirates. Notwithstanding this change, the Commission remains an active member of the international standard-setting authority for insurance regulation, serving on the Implementation and Assessment Committee.

The Bahamas is also a member of the Group of International Insurance Centre Supervisors (GIICS) which was established to promote proper supervision of insurance entities in accordance with IAIS principles. In 2019, GIICS provided training in supervisory techniques to analysts at the office of the Commission. Staff also attended the annual meeting held in London.

Through its commitment to ongoing staff training and career development, management and staff attended local and international seminars and conferences, geared not only to improving technical skills and knowledge, but also to providing exposure to emerging issues and trends. In addition, various members of staff participated in online technical courses that contributed to their development; relevant certifications and industry designations are actively pursued by many staff members.

I would like to thank the Members of the Board of the Commission for their ongoing dedication and contribution to the development of the Commission since their appointment in 2017. Their guidance and support are integral to the success of the Commission

I am grateful to each member of the management team and staff, whose commitment and diligence are the cornerstone of the Commission's accomplishments over the past decade. I wish to recognize and thank Mrs. Dominique Shepherd, Mr. Rodney Bain and Mr. Marcian Mortimer, who remained with the Commission from its inception. Mr. Mortimer retired on December 31, 2019

after 17 years of service. His contribution to the Commission, in particular to the growth of the Intermediaries and Market Conduct Unit, is greatly appreciated.

Members of the Board of Commissioners



Mrs. Michele Fields

was appointed Superintendent of the Insurance Commission of The Bahamas in January 2012. She was educated in The Bahamas and the United Kingdom, earning a B.A. with Honours in Accounting at the University of Exeter, before qualifying as a Chartered Accountant with KPMG in London, England. She returned to Nassau in 1982 to continue her career in the accounting field, then in senior management in the life insurance industry. Mrs. Fields served as President of the Caribbean Association of Insurance Regulators for two consecutive two-year terms from 2014 to 2018, and in 2018 was elected as Secretary of the Executive Council. She represented the Caribbean and offshore region as a member of the Executive Committee of the International Association of Insurance Supervisors from 2015 to 2019. Mrs. Fields is currently an ex-officio member of the National Health Insurance Authority. She is a Charter Member of The Nassau Chapter of The Links, Inc. and also serves as Vice-President of The Bahamas Girl Guides Association.



Senator Janet L. R. Bostwick-Dean

is an attorney with more than 20 years of experience. She is a member of the Honourable Society of Gray's Inn and was called to the external bar of England and Wales and The Bahamas Bar in 1996. She is a graduate of McGill University and Buckingham University. Mrs. Bostwick-Dean is the managing partner of the family's law firm Bostwick and Bostwick and is also the firm's Money Laundering and Reporting Officer. Mrs. Bostwick-Dean is commercial lawyer specializing in civil litigation. She was a member of the Board of the Bahamas Development Bank from 2007 to 2012. In December 2019, Mrs. Bostwick-Dean was appointed to the Senate by the governing party.



Mr. Algernon Cargill

holds an MBA degree with a specialization in International Business (Distinction) from the University of Miami, Florida. He has extensive experience in the Banking and Finance Industry, having served as the General Manager, Branch Banking of CIBC Bahamas Ltd and CIBC First Caribbean Ltd. Additionally, he held senior roles as Country Chair and Legal Representative for Chevron Puerto Rico LLC, as well as Director and CEO of the National Insurance Board. He has served as a director on the Boards of Cable Bahamas Ltd, Commonwealth Brewery Ltd, and The Bank of The Bahamas Ltd. Mr. Cargill currently serves as an Adjunct Faculty member in the Banking, Economics and Finance department of the School of Business, Hospitality and Tourism studies at the University of The Bahamas, as well as the Bahamas Institute of Financial Services, and previously at the University of the West Indies campuses in Trinidad, Barbados and Jamaica, and the Sir Arthur Lewis Community College in St. Lucia. Mr. Cargill is currently the President of The Bahamas Aquatics Federation and was recently elected as one of 22 persons globally on the FINA Bureau for Aquatic Sports for a 4-year term. He previously served as a Vice-President of the Bahamas Olympic Committee. Mr. Cargill currently serves as Director of Aviation within the Ministry of Tourism and Aviation and Deputy Chairman of the Disaster Reconstruction Authority.



Ms. Trevania Clarke

was educated in The Bahamas and United States, earning a B.A in Finance and Human Resources at Temple University, Philadelphia, Pennsylvania. She has served as accounting officer at McKinnney, Bancroft & Hughes and AML Foods limited for 10 years. Since 2015 she has operated a local restaurant and provides administrative assistance to small businesses.



Mr. Elijah A. Knowles

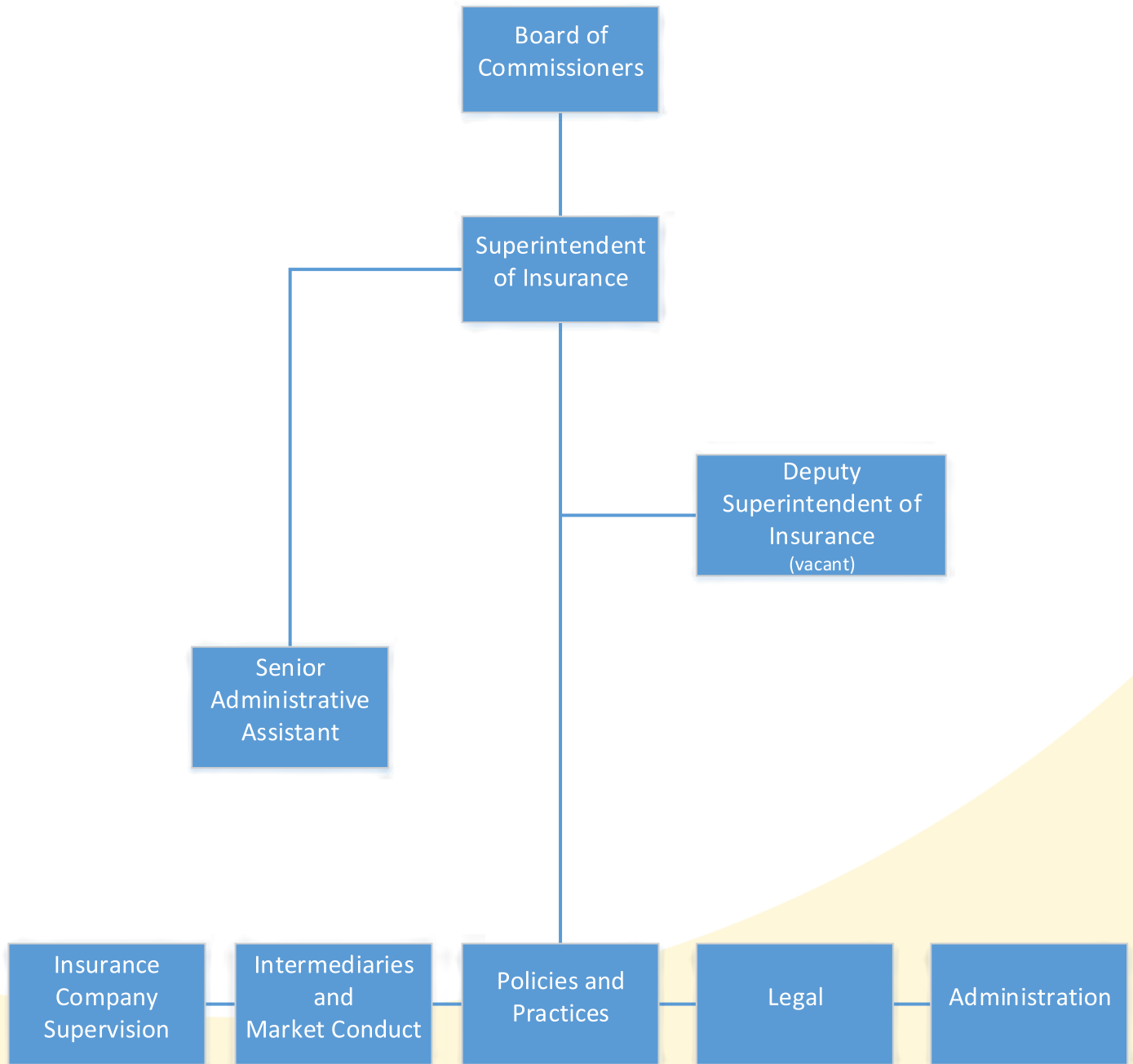
was educated in The Bahamas and the United States of America, earning a B.A. Cum Laude in Accounting and Computers in Business at St. Leo University, Florida before qualifying as a Certified Public Accountant with Price Waterhouse in Nassau. He began his accounting career in 1987 and has extensive experience in the insurance industry, having worked in senior management positions at a major life insurance company for over 10 years. He also worked for 5 years as the Financial Controller of the Nassau Guardian. Mr. Knowles has been in private practice for the past 15 years, serving mainly small businesses. He is an active member of St. George's Church and has served on the Board of St. Anne's School. Mr. Knowles is a member of the Bahamas Institute of Chartered Accountants.

Corporate Governance

Members of the Commission are appointed in accordance with the Insurance Act, 2005. They have responsibility for the general governance of the Commission and the establishment of guiding policies. The Superintendent of Insurance serves as an ex-officio member and sits as the Chairman of the Board. The Superintendent also acts as the Chief Executive Officer of the Commission with responsibility for day-to-day management.

Members of the Commission are appointed by the Governor General, upon advice from the responsible Minister, and is comprised of professionals from diverse fields including insurance, finance and commerce, law and administration.

Organizational Chart



Staff of the Insurance Commission



Arthur Barnett Jr
Manager
Administration



Jamell Bodie
Manager
Supervision



Carl Culmer Jr
Manager
Policies and Practices



Tamika Dean
Manager
Intermediaries and
Market Conduct



Lorna Longley-Rolle
Legal Counsel and
Secretary to the Board



Rodney Bain
Administration



Rodney D. Bain
*Intermediaries and
Market Conduct*



Sinead Bethel
Supervision



Decoda Bethell
Supervision



Steine Campbell
Administration



Dorothy Davis
Administration



Dequizza Demeritte
*Intermediaries and
Market Conduct*



**Sharanda
Humes-Forbes**
Legal



Desdemona Gibbs
Legal



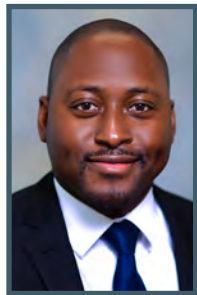
Norman Haven
Policies and Practices



Phelice Jones
Supervision



Lakisca Lightbourne
*Intermediaries and
Market Conduct*



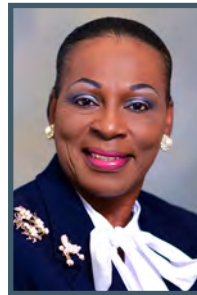
Gerard Lightfoot
Supervision



Nathan Mackey
Supervision



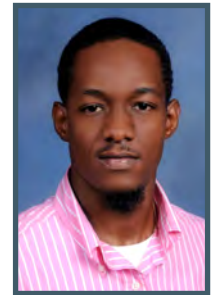
Kencil McPhee
Supervision



Sheila McPhee
*Office of the
Superintendent*



Tiffany Moss
*Intermediaries and
Market Conduct*



Andy Moxey
Administration



Kathrina Munroe
Supervision



Darrin Rodgers
Supervision



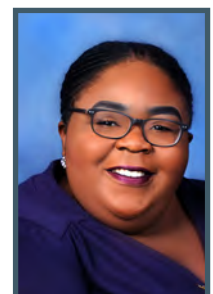
Yolande Rolle
Legal



Anishka Russell
Supervision



Dominique Shepherd
Policies and Practices



Raven Storr
Administration

Commemorating a Decade of Regulating and Ensuring Trust

Transitioning from ORIC to ICB

The Insurance Commission of The Bahamas (ICB) was established on July 2, 2009, under the Insurance Act, 2005, replacing its predecessor, the Office of the Registrar of Insurance Companies (ORIC), a department of the Ministry of Finance.

The Act expanded the powers of the Commission to strengthen intervention, enforcement, and the protection given to policyholders. This legislation, together with the External Insurance Act, 2009 enables the Commission to act as the prudential and market conduct regulator, responsible for ensuring a robust and secure insurance marketplace.

As a body corporate, the Commission is mandated to:

- Administer the Insurance Act, 2005 and the External Insurance Act, 2009
- Oversee the insurance market
- Promote and encourage sound and prudent insurance management and business practices
- Ensure compliance with the Anti-Money Laundering and Counter-Financing of Terrorism and Proliferation Financing legislation
- Safeguard policyholders' interest
- Advise the Minister responsible for the insurance industry

An independent regulatory agency is a fundamental requirement of international best practices which is embodied in the core principles of the International Association of Insurance Supervisors (IAIS). The legislation provided for an independent Board of Commissioners and made provisions for direct funding from industry through premium taxes which enables the Commission to have the required degree of independence.

The new legislation empowered the Commission to carry out macro and micro prudential supervision of the insurance industry in order to protect all policyholders. It enhanced the Commission's powers to implement and enforce policies and practices, which align with international

standards and best practices. It also empowered the Commission to cooperate with its regional and international counterparts in order to regulate and supervise licensees with cross-border operations. As a result, the Commission is proactive in addressing issues which may impact the industry or a specific insurance company.

A Decade of Development

The Act provided a management and board structure for the newly formed Commission. Mr. Lennox McCartney, a chartered accountant and incumbent Registrar of Insurance, was appointed as the first Superintendent of Insurance. The staff of the Office of the Registrar of Insurance Companies, who chose to transition to the Commission, was supplemented by persons with relevant experience and formed the nucleus of this new organization.

The development and implementation of a robust Risk-Based Supervision (RBS) Framework and the regulatory regime was the main focus of the newly formed Commission. The Commission's strategy was to implement this Framework in phases over several years. During the first phase, the Commission enhanced the off-site monitoring of insurance companies through financial analysis, peer-group analysis, actuarial evaluation, reviews of reinsurance treaties and other relevant documents. Further, all domestic insurers were re-registered under the Insurance Act, 2005 during this phase. This involved each company demonstrating its ability to meet the enhanced requirements of the new Act or implement a plan to meet those requirements within a definitive timeline.

Phase two of the Framework, which began in late 2012, involved focused and systemic on-site reviews of insurance companies. The focused onsite inspections provided an opportunity to gain an in-depth understanding of insurers' business. This phase also included systemic reviews, which contributed to the development of industry best practices. During this phase, the Commission completed the re-registration process for External

Insurers and Intermediaries which conduct business outside of The Bahamas.

The Risk-Based Supervision Framework and the Supervisory Ladder of Intervention were published during Phase 3, which commenced in late 2013. In this phase, the Commission also began the development of the Risk-Based Capital Framework for insurers beginning with quantitative impact studies for the life insurance sector. The Risk-Based Capital approach and stress testing are now firmly embedded into the RBS Framework for long-term insurers. The Commission is currently carrying out impact studies as it seeks to implement the Risk-Based Capital approach and stress testing for general insurers. While the RBS Framework was published in 2013 and amended in 2015, it continues to evolve in order to remain relevant and to address developments in the local and global insurance industry.

The Commission is also responsible for the non-domestic insurance sector operating under the External Insurance Act. Early initiatives were designed to facilitate the development of The Bahamas as an international insurance centre. The growth of captive cell and insurance management companies attested to the success of these initiatives.

From its inception, the Commission placed great focus on developing its human resources. The commitment to providing staff with the right training and development opportunities has seen staff attend local and international training conferences and seminars. The Commission, from the beginning, formed relationships with several regional and international bodies as a means of enhancing its regulatory and supervisory regime and staying abreast of international best practices and new developments.

The Commission is well resourced with a staff complement of 30 competent and committed professionals.

In keeping with its mandate and to uphold public interest, the Commission also continues to enhance public knowledge and education through its consumer awareness program.

A Look to the Future

While the past ten years have seen tremendous growth for the Commission as a robust supervisory and regulatory regime, the future portends further challenges and opportunities. The Insurance Act and the External Insurance Act form the basis for regulation and supervision of the insurance sector in The Bahamas. In accordance with international best practice, the Commission intends to combine these Acts to enhance and further harmonize the regulation of licensees. Work on this project will begin in 2020. In addition, consideration will be given to incorporating amendments which will enable the industry to take advantage of modern technology. The global pandemic, which began in late 2019, as well as the increased severity of hurricanes due to the impact of global climate change, have highlighted the need to transact business differently, using technology more effectively to operate remotely. Evolving risks and uncertainty, though challenging, will present new opportunities for the Commission to both grow and shape the future of the insurance industry.

10th Anniversary Celebrations

July 2, 2019 began a year-long celebration of the Commission's 10th anniversary, under the theme "Commemorating a Decade of Regulating and Ensuring Trust." The activities planned were geared towards increasing the awareness of the Commission and its role, and developing interest in the insurance industry as a profession.

Activities commenced with a ceremony that hosted government officials and industry stakeholders. Other activities included television and radio appearances by staff members, which highlighted the work of the Commission. A national essay competition was launched for high school students in grades 10 through 12, under the topic "Reforming Insurance - Challenges and Opportunities." The winners, whose outstanding work was recognized

at an awards ceremony in February, 2020 were as follows:

- 1st place: Arianna Millsap, Aquinas College - \$5,000 Scholarship and Laptop
- 2nd place: Sierra Blair, Kingsway Academy - Laptop
- 3rd place: Gladys Dames, St. John's College - Tablet

The Commission also commemorated this anniversary by partnering with the Ministry of Environment and Housing in their national campaign to ban single-use plastics. 10,000 bio-degradable bags, branded with the Commission's logo, were distributed to various schools and community organizations in New Providence and the Family Islands. This initiative was well-received, achieving the Commission's goal of expanding public awareness and will continue in the foreseeable future.



Former Registrars and Superintendent of Insurance



Charles A. Donaldson
1969 – 1976



Octavia Johnson
1976 - 1994



Telzena G. Coakley
1994 - 1997



Kendal C. Munnings
1997 – 2000



Dr. Roger G. Brown
2000 – 2007



Lennox McCartney
2008 – 2011

Hurricane Dorian

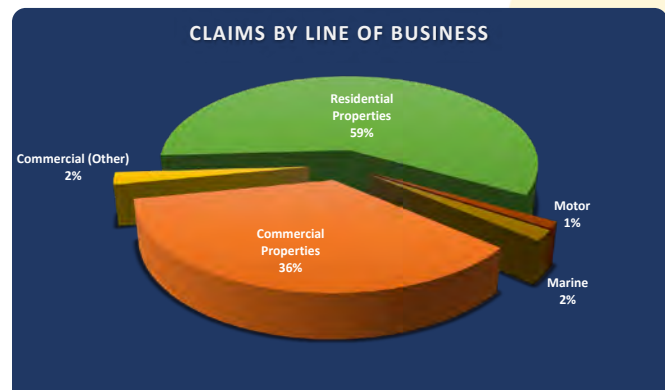
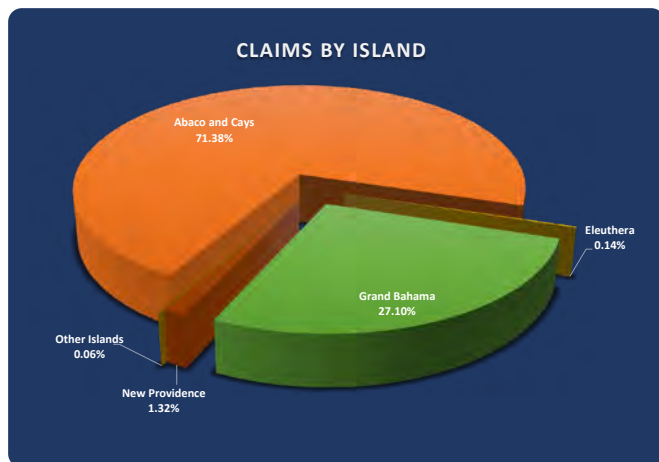
Hurricane Dorian, which is considered to be the most devastating catastrophe The Bahamas has experienced in modern times, struck the northern islands of the archipelago in September 2019. Unprecedented devastation from this Category 5 hurricane resulted in significant loss of life and property on the islands of Abaco and Grand Bahama in particular.

At December 31, 2019, the official death toll issued by the National Emergency Management Agency stood at 70 persons, with the expectation of further increases to this number. Life insurers were faced with having to adjust to their policies regarding identification documents required for policyholders seeking to obtain policy benefits and to determine whether provisions were necessary for potential death claims for missing persons.

The greatest impact to the insurance industry was the loss of residential and commercial property. Despite the level of losses, the general insurance sector manifested its resilience in terms of liquidity, cash flows, reserves and reinsurance arrangements. The industry reported more than 12,000 claims, amounting to \$1.6 billion of gross losses. 39% of the claims reported emanated from the Abacos, amounting to \$1.16 billion in losses. 53% of the

claims reported, which amounted to \$442.4 million, emanated from Grand Bahama. As the general insurance sector reinsures a significant portion of their risk, retained losses amounted to approximately 2.3% or \$37.3 million of gross losses. As at the end of 2019, 30% of the claims were settled, the balance being subject to continued negotiations with respect to the final settlement and logistics regarding the completion of necessary repairs and reconstruction.

Hurricane Dorian, given its unprecedented devastation, stimulated further discussions at the national and industry level on issues of global climate change, national strategies for preparedness, underinsurance, access to insurance and mandatory property insurance. The Commission will continue to participate in the dialogue on these issues.



Following Hurricane Dorian, numerous unregistered foreign adjusters sought to do business in The Bahamas. In consultation with the Department of Immigration, the Commission instituted a protocol to review the experience and qualifications of adjusters prior to them being issued a temporary work permit. This measure served to increase the protection of local policyholders and registered adjusters. Further, the Commission increased its public awareness and education campaign via radio, television and social media on the role and use of adjusters.

As part of the Commission's social outreach activities, staff came together to package and deliver individualized care bags for both adults and children impacted by the hurricane at the Ranfurly Home for Children, the Children's Emergency Hostel and the Fox Hill Urban Renewal Center.

Hurricane Dorian has no doubt left its indelible footprint on the country. The Commission will continue to participate in the discussion on national preparedness for the future.

HURRICANE DORIAN - REPORT OF LOSSES (AS AT DECEMBER 31, 2020)						
	TOTAL	ABACO AND CAYS	ELEUTHERA	GRAND BAHAMA	NEW PROVIDENCE	OTHER
NUMBER OF CLAIMS REPORTED	12,145	4,818	17	6,535	763	12
i) Commercial Properties	1,305	558	8	646	89	4
ii) Commercial (Other)	11	59	-	47	3	1
iii) Residential Properties	7,837	2,983	6	4,398	447	3
iv) Motor	2,386	819	1	1,353	210	3
v) Marine	506	399	2	90	14	1
TOTAL GROSS INCURRED LOSSES	1,632,390,733	1,165,267,918	2,233,436	442,437,928	21,503,179	948,273
i) Commercial Properties	584,395,805	335,437,173	1,813,249	235,717,773	10,950,671	476,940
ii) Commercial (Other)	35,237,949	29,145,107	-	5,749,073	315,768	28,000
iii) Residential Properties	963,199,153	764,923,997	371,220	188,998,575	8,494,963	410,398
iv) Motor	19,098,076	8,918,590	2,373	8,705,284	1,454,393	17,435
v) Marine	30,459,748	26,843,050	46,594	3,267,220	287,384	15,500
TOTAL CLAIMS PAID	497,219,387	309,651,793	1,185,378	178,515,369	7,847,911	18,935
i) Commercial Properties	148,608,776	90,640,714	1,126,229	55,458,522	1,383,311	-
ii) Commercial (Other)	6,400,026	3,758,309	-	2,641,716	-	-
iii) Residential Properties	315,651,285	198,574,486	11,219	111,928,089	5,137,490	-
iv) Motor	13,746,685	5,779,767	2,373	6,827,260	1,128,850	8,435
v) Marine	12,812,616	10,898,518	45,556	1,659,782	198,260	10,500
TOTAL NET LOSSES AFTER REINSURANCE	37,345,573	16,938,297	10,399	17,261,290	428,864	6,723
i) Commercial Properties	19,831,253	4,081,112	7,220	12,908,086	132,891	1,943
ii) Commercial (Other)	525,278	437,145	-	88,133	-	-
iii) Residential Properties	14,782,744	11,016,343	3,179	3,613,792	149,430	-
iv) Motor	1,533,053	847,097	-	537,556	146,543	1,857
v) Marine	673,246	556,600	-	113,723	-	2,923



10th Anniversary commemorative bio-degradable bags containing personal care items are donated to the Ranfurly Home for Children, the Children's Emergency Hostel and the Fox Hill Urban Renewal Centre.

Insurance Company Supervision

Overview

The Supervision Unit is responsible for the supervision and regulation of all insurance companies operating in or from within The Bahamas, as well as external intermediaries (insurance managers and brokers) with the aim of achieving the Commission's supervisory objective -- to ensure a sound and stable insurance sector. It is also responsible for reviewing applications for prospective insurance companies and external intermediaries. The Unit, through its off-site monitoring and onsite examinations, ensures that insurance companies comply with insurance legislation, guidelines, policies and guidance notes issued by the Commission. The Risk-Based Supervision Framework employed by the Commission requires that analysts identify and prioritize the areas of highest risk for each insurer. The Framework ensures that resources are used efficiently and effectively, taking into account size, nature and complexity of the insurer. The Supervisory Framework is principle-based: it requires insurers to implement best practices in their corporate governance and risk management. In addition to the oversight of each insurer, the Unit

also conducts macroprudential supervision, which focuses on identifying potential risks to the entire insurance industry.

Participating in supervisory colleges facilitates the Unit's ability to maintain comprehensive oversight of licensees which are a part of regional and international insurance groups. Supervisory colleges allow the Commission to exchange information and hold meetings with relevant regulators and company officials. During 2019, the Unit participated in one supervisory college for a regional insurance company.

Staff of the Unit, consisting of nine technical and one administrative person, engage in external and internal training and development opportunities in order to increase supervisory and technical knowledge, and to stay abreast of trends and changes that impact the sector. Significant advancements toward the completion of relevant insurance certifications and designations continue to be made.

DOMESTIC LICENSEES					
	2019	2018	2017	2016	2015
General	17	17	18	17	16
Long-Term	12	11	11	11	12
Association of Underwriters	1	1	1	1	1
Total	30	29	30	29	29

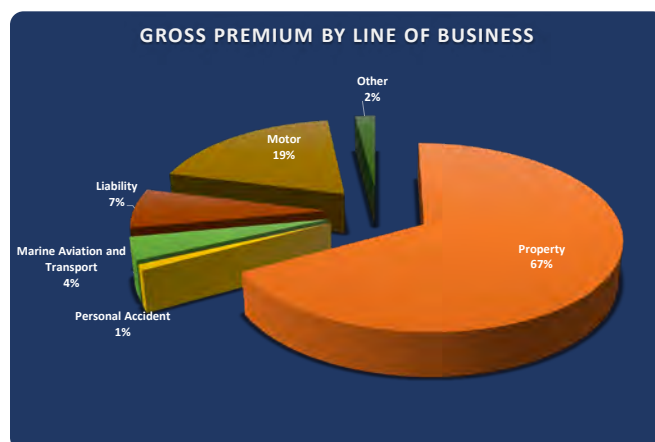
Aggregate Financial Statements - Domestic Insurers

(B\$ Thousands)	2019			2018		
	Long-Term Insurers	General Insurers	Total	Long-Term Insurers	General Insurers	Total
BALANCE SHEET						
Cash and Deposits	164,286	196,039	360,325	179,169	117,201	296,370
Investments						
Government Securities	590,631	41,354	631,985	583,302	45,728	629,030
Corporate Securities	17,646	1,262	18,908	39,031	10,405	49,436
Preference Shares	21,859	14,253	36,112	26,910	8,255	35,165
Corporate Equities, Listed	32,723	27,130	59,853	27,361	27,511	54,872
Corp Equities, Non-Listed	1,989	-	1,989	22,734	2,503	25,237
Mutual Funds	36,757	3,599	40,356	18,262	2,320	20,582
Investment Property	88,294	15,053	103,347	85,623	1,637	87,260
Other Investments	33,627	50,414	84,041	15,252	5,463	20,715
Mortgage loans	132,533	-	132,533	144,036	-	144,036
Policy loans	100,442	-	100,442	102,061	-	102,061
Receivables	112,502	263,960	376,462	80,539	219,233	299,772
Reinsurance Recoverable	30,379	1,029,805	1,060,184	33,434	140,882	174,316
Intangible Assets	459	230	689	8,212	283	8,495
Fixed Assets	65,436	16,126	81,562	57,106	27,707	84,813
Other Assets	16,427	2,222	18,649	22,095	1,412	23,507
TOTAL ASSETS	1,445,990	1,661,447	3,107,437	1,445,127	610,540	2,055,667
Technical Reserves	861,482	572,247	1,433,729	886,665	320,748	1,207,413
Other Liabilities	155,939	925,854	1,081,793	123,063	65,587	188,650
TOTAL LIABILITIES	1,017,421	1,498,101	2,515,522	1,009,728	386,335	1,396,063
Share Capital	51,823	54,345	106,168	102,831	70,940	173,771
Retained Earnings	278,348	47,262	325,610	241,076	103,897	344,973
Other Reserves	98,398	61,739	160,137	91,492	49,368	140,860
TOTAL EQUITY	428,569	163,346	591,915	435,399	224,205	659,604
INCOME STATEMENT						
Gross Premiums	470,356	372,503	842,859	457,455	362,424	819,879
Reinsurance Ceded	(68,525)	(267,095)	(335,620)	(63,361)	(248,431)	(311,792)
Change in unearned reserve	-	(2,444)	(2,444)	-	(2,934)	(2,934)
NET PREMIUMS	401,831	102,964	504,795	394,094	111,059	505,153
Investment Income	85,371	5,439	90,810	55,524	1,669	57,193
Other Income	-	5,134	5,134	-	8,364	8,364
TOTAL INCOME	487,202	113,537	600,739	449,618	121,092	570,710
Net Claims	320,467	63,440	383,907	298,063	25,867	323,930
Commissions	36,690	12,478	49,168	38,947	14,111	53,058
Expenses	100,390	60,801	161,191	80,582	66,608	147,190
TOTAL EXPENSES	457,547	136,719	594,266	417,592	106,586	524,178
NET INCOME	29,655	(23,182)	6,474	32,026	14,506	46,532

General Insurance Sector

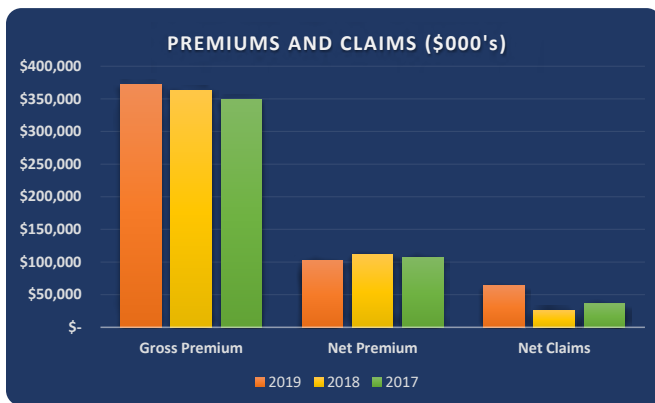
There were 17 property and casualty insurers in the local market at the end of 2019; eight were locally incorporated (including three subsidiaries of foreign companies) and nine were branches of foreign insurance companies.

General insurance gross premiums amounted to \$372 million in 2019, a modest increase of 1% over 2018. The distribution by line of business is depicted on the chart below.

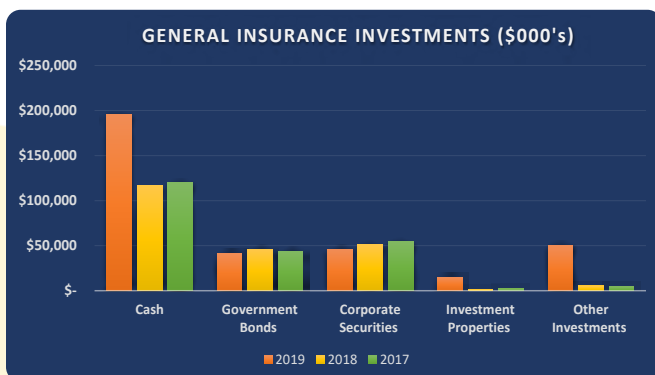


LINE OF BUSINESS – GENERAL INSURANCE SECTOR								
(B\$ Thousands)	Property	Motor	Liability	Marine, Aviation and Transport	Pecuniary Loss	Personal Accident	Other	Total
Gross Premiums Written	243,189	69,240	26,739	16,819	332	2,383	6,182	364,884
Reinsurance Assumed	6,391	-	1,228	-	-	-	-	7,619
Reinsurance Ceded	197,048	31,273	21,971	12,573	259	215	3,755	267,094
Net Premiums Written	52,532	37,967	5,996	4,246	73	2,168	2,427	105,409
Change in unearned Premium Reserve	(1,329)	(378)	(129)	(105)	4	(594)	87	(2,444)
Net Premiums Earned	51,203	37,589	5,867	4,141	77	1,574	2,514	102,965
Gross Incurred Claims	1,520,173	60,583	4,360	22,296	63	4,187	12,603	1,624,265
Reinsurance Recoveries	(1,471,355)	(39,500)	(2,294)	(35,760)	(70)	(64)	(11,871)	(1,560,914)
Net Incurred Claims	48,818	21,083	2,066	(13,464)	(7)	4,123	732	63,351
Commission Paid	37,165	16,021	2,286	1,707	50	276	1,920	59,425
Reinsurance Commission received	35,643	7,637	1,210	1,394	86	79	899	46,948
Net Commission Expense	1,522	8,384	1,076	313	(36)	197	1,021	12,477
Other underwriting Expenses	223	15	6	23	4	-	39	310
Premium Taxes	5,098	1,729	288	474	4	65	153	7,811
Catastrophe and Excess Loss of Reinsurance	21,936	2,249	425	806	1	-	296	25,713
Total Underwriting Expenses	77,597	33,460	3,861	(11,848)	(34)	4,385	2,241	109,66
Total Underwriting Income/(loss)	(26,394)	4,129	2,006	15,989	111	(2,811)	273	(6,697)

The sector finished the year with a net loss ratio of 62% and a combined loss ratio of 107%, in contrast to the previous year in which the sector experienced a net loss ratio of only 23% and a combined loss ratio of 61%. These substantial increases were attributed to the impact of Hurricane Dorian. As a result, general insurers realized underwriting losses of \$6.7 million and total losses of \$23 million, compared to the net underwriting income of \$38 million and total income of \$13.7 million achieved in 2018.



The liquidity in the sector was amplified at the end of 2019, primarily due to reinsurance inflows of nearly \$1 billion received by insurers to settle Hurricane Dorian claims. As a result, the sector's total investment portfolio, which includes cash and deposits increased by 53% year on year. Cash and bank deposits constituted the majority of investment assets (56%), followed by Bahamas Government Guaranteed Bonds (12%), other investments (10%)



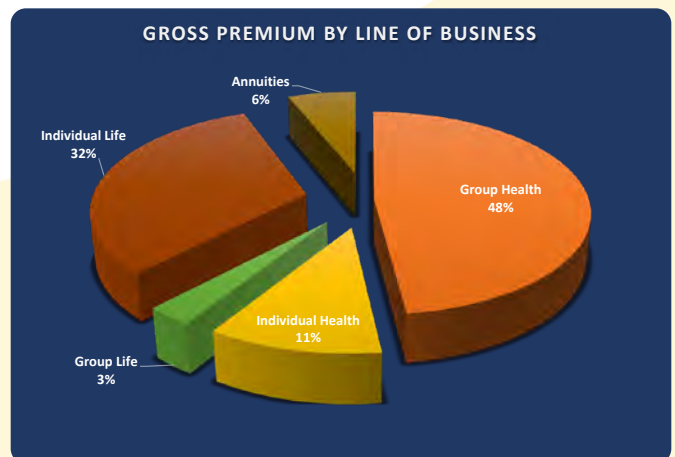
and listed equity (8%). During the year general insurers collectively realized an overall investment yield of approximately 1.6%, compared to 1.3% in the previous year.

The Risk-Based Capital Framework for general insurers was introduced to the industry for consultation during 2018. Risk-based capital is a method of measuring the minimum amount of capital appropriate for an insurer to support the overall business operations in consideration of its size and risk profile. The Commission will continue to carry out impact assessments in order to ensure that the Framework is appropriate for the industry. A second iteration of the Framework, which incorporates modifications based on the first impact study, is anticipated to be circulated for consultation during 2020.

Long-term Insurance Sector

At the end of 2019 there were 12 long-term insurers operating in the local market. Five of these companies were Bahamian-owned and locally incorporated, two were subsidiaries of foreign insurers and the remaining five were branches of regional and international insurers.

The long-term insurance sector, which encompasses all life and health insurance products, generated gross premiums written of \$452 million in 2019, down 1% from 2018. Individual and group health

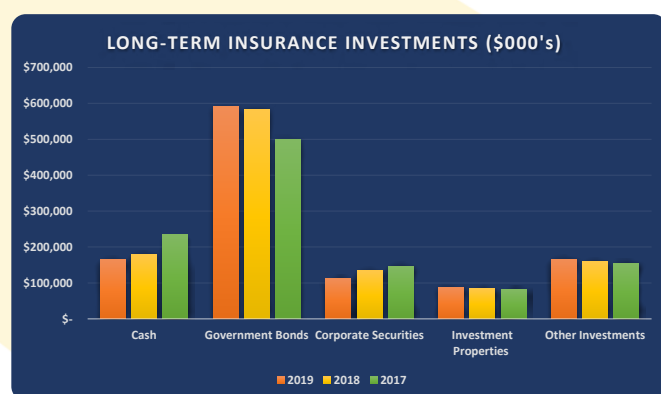
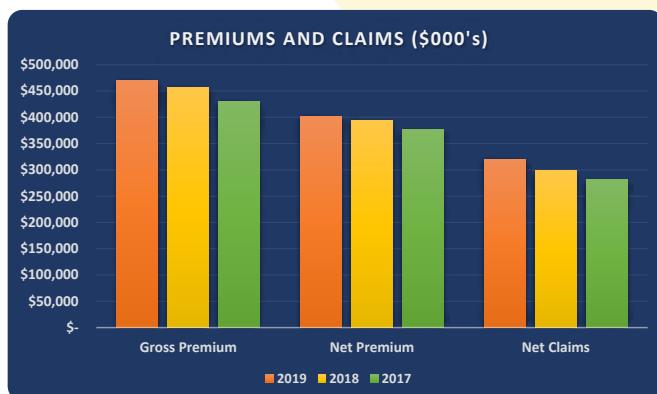


accounted for 59% of premiums. Individual and group life accounted for 35% of premiums, while annuity business, which accounted for 6% of premiums decreased 15% during the year. The sector experienced a combined loss ratio of approximately 92%, resulting in a net income of

\$29.6 million, a modest decline of 4% from the \$30.7 million realized during 2018.

Investment and total assets in this sector remained steady at \$1.1 billion and \$1.4 billion, respectively. Government and Government Guaranteed bonds

LINE OF BUSINESS – LONG-TERM INSURANCE SECTOR							
(B\$ Thousands)	Individual Life	Group Life	Individual Health	Group Health	Annuities	Other	TOTAL
Gross Premiums Written	143,673	14,672	50,576	214,422	27,154	1,789	452,286
Reinsurance Assumed	-	-	-	3,789	-	14,280	18,069
Reinsurance Ceded	21,406	4,437	2,954	39,728	-	-	68,525
Net Premiums Written	122,267	10,235	47,622	178,483	27,154	16,069	401,830
Policyholder Benefit	75,404	8,653	30,305	187,124	29,097	14,808	345,391
Reinsurance Recoveries	(12,076)	(2,648)	(3,634)	(36,691)	-	-	(55,049)
Changes in Reserves for Future Policyholder Benefits	31,918	34	(32)	1,214	(4,165)	1,157	30,126
Total Policyholder Benefits	95,246	6,039	26,639	151,647	24,932	15,965	320,468
Net Commission Expense	18,900	93	3,935	13,196	149	416	36,689
Other underwriting Expenses	985	-	-	-	-	-	985
Premium Taxes	4,406	236	3,017	5,304	-	-	12,963
Total Underwriting Expenses	119,537	6,368	33,591	170,147	25,081	16,381	371,105
Total Underwriting Income/(loss)	2,731	3,867	14,031	8,336	2,073	(312)	30,725



constituted approximately 52% of insurers assets, while cash deposits held in banks accounted for 15% and mortgage loans accounted for 12% of total assets. The long-term sector earned a yield of 7% from its investment portfolio during the year.

External Insurance Sector

The External Insurance sector, which insures risks located outside of The Bahamas was comprised of five non-captive insurers, 11 standalone captives and six Segregated Account Companies, as at the end of 2019. These Segregated Account Companies contained 149 cell captives, a 4% decline from the previous year. Cell captives appeal to small and medium business as they provide a cost-efficient option for managing and mitigating insurable risks of the commercial entities as compared to stand alone captives.

While 2019 financial statements were not collated at the time of this report, 2018 financials provided some insight into the trends being demonstrated in this industry. Gross premiums declined marginally

by 2% to \$136 million, however assets of the sector remained steady at \$1.3 billion. Net income continued to experience a downward trend for the second consecutive year reducing 25% during 2018, ending the year at \$58 million.

Staff of the Commission continue to attend captive conferences in order to stay abreast of developments which may impact the supervision and regulation of the sector. These conferences are also attended by the Bahamas Financial Services Board to promote the jurisdiction as a captive domicile. These include the three largest conferences held in the United States that are relevant to the captive insurance industry and alternative risk management sector. The Captive Insurance Companies Association and World Captive Forum conferences focus predominantly on captive solutions, while the Risk Management Society annual conference cover a broad array of insurance-related topics and risk management solutions including captives and alternative risk management arrangements.

EXTERNAL LICENSEES					
	2019	2018	2017	2016	2015
Captive Insurer					
Standalone Insurance Companies	11	11	10	9	14
Segregated Accounts Companies	6	6	6	7	6
Captive Cells (Segregated Accounts)	149	155	149	157	128
Total	166	172	165	173	148
Other External Insurers (Non-Captives)					
	5	5	4	5	3
External Intermediaries					
Insurance Managers	10	10	8	8	8
Brokers	1	1	1	1	1
Total	11	11	9	9	9

Aggregate Financial Statements - External Insurers

(B\$ Thousands)	2018			2017		
	Long-Term	General	Total	Long-Term	General	Total
BALANCE SHEET						
Cash and Deposits	98,556	26,873	125,429	108,944	14,253	123,197
Investments						
Government/Corporate Bonds	31,082	16,692	47,774	28,996	14,579	43,575
Equities, Listed	63,364	35,467	98,831	55,320	62,380	117,700
Equities, Non-Listed	1,722	-	1,722	953	-	953
Mutual Funds	77,649	-	77,649	66,795	-	66,795
Segregated Accounts	21,017	769,816	790,832	13,230	790,125	803,355
Investments						
Other Investments	29,842	-	29,842	33,233	1,900	35,133
Receivables	110,087	1,488	111,575	119,679	1,853	121,532
Reinsurance Recoverable	46,367	-	46,367	46,137	-	46,137
Fixed Assets	1	-	1	1	-	1
Other Asset	7,612	-	7,612	4,952	-	4,952
TOTAL ASSETS	487,299	850,336	1,337,635	478,240	885,090	1,363,330
Technical Reserves	166,250	656	166,906	176,020	36	176,056
Other Liabilities	47,690	845,238	892,928	47,912	879,320	927,232
TOTAL LIABILITIES	213,940	845,894	1,059,834	223,932	879,356	1,103,288
Share Capital	39,851	1,430	41,281	40,958	1,430	42,388
Retained Earnings	232,340	2,840	235,180	211,560	4,266	215,826
Other Reserves	1,168	172	1,340	1,790	38	1,828
TOTAL EQUITY	273,359	4,442	277,801	254,308	5,734	260,042
TOTAL EQUITY & LIABILITIES	487,299	850,336	1,337,635	478,240	885,090	1,363,330
INCOME STATEMENT						
Gross Premiums	136,167	-	136,167	133,090	-	133,090
Reinsurance Expense	(55,739)	-	(55,739)	(46,654)	-	(46,654)
Net Premiums	80,428	-	80,428	86,436	-	86,436
Invest Income	(918)	37,554	(36,046)	14,378	57,569	71,947
Other Income	511	4,519	5,030	295	6,520	6,815
TOTAL INCOME	80,021	42,073	122,094	101,109	64,089	165,198
Net Claims	(5,682)	-	(5,682)	(8,987)	-	(8,987)
Expenses	(18,219)	(39,615)	(57,834)	(17,921)	(61,026)	(78,947)
TOTAL EXPENSES	(23,901)	(39,615)	(63,516)	(26,908)	(61,026)	(87,934)
NET INCOME	56,120	2,458	58,577	74,201	3,063	77,264

AML/CFT/PF

Assessment and Supervision

The Commission's AML/CFT/PF supervisory program is risk-based and proportional, as it considers the size, nature and complexity of the institutions supervised. Long-term insurance companies are deemed financial institutions under the FTRA and hence subject to the requirements under the suite of AML/CFT/PF legislation. While general insurers are not considered financial institutions subject to the same degree of requirements as their long-term counterparts, these insurers must implement AML/CFT/PF programs that comply with AML legislation and adequately mitigate the risk to which they are exposed.

During 2019 the Unit was particularly focused on AML/CFT/PF supervision monitoring of insurance companies' compliance with the amendments to the FTRA. In accordance with Section 5 of the FTRA, all insurance companies were required to carry out a risk assessment, which identified, assessed and demonstrated an understanding of money laundering, financing of terrorism and the proliferation financing of weapons of mass destruction risks that may impact insurers' operations. A holistic approach was taken to conducting the review of the insurer's AML/CFT/PF programs. Every insurer was assigned a residual risk rating based on the Commission's assessment of the insurer's ML/TF/PF risk and the controls and mitigation implemented to manage these risks.

Long-term insurance companies were also required to take countermeasures and to monitor their databases to ensure that no individuals, entities or other groups that appear on the United Nations Security Council's Sanctions Lists were able to conduct business in the insurance industry.

Changes in Accounting Standards Affecting the Industry

Impending changes to IFRS 17, which impacts insurance contract accounting beginning January 2023, represents the most significant change to insurance accounting requirements in more than 20 years. It will demand a complete overhaul of insurers' financial statements, affecting how the value of insurance contracts is determined. The Commission will pursue training for its staff and continue to engage with insurers to determine the impact of these accounting changes on the insurer's operations.

Intermediaries and Market Conduct

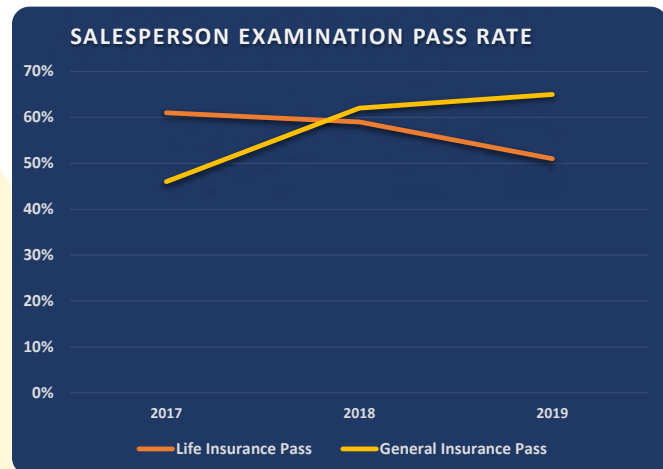
The Intermediaries and Market Conduct Unit is responsible for monitoring and oversight of insurance intermediaries. The Insurance Act, 2005 prohibits direct selling to prospective policyholders of insurance products by insurance companies, thus requiring the use of Brokers, Agents, Sub-Agents, Salespersons and Adjusters. In 2019, the Unit commenced risk rating all intermediaries in order to highlight and promote best practices of market conduct throughout the industry. The Unit continues to focus its efforts on ensuring that intermediaries hold the prescribed qualifications and conduct relevant training to safeguard the interest of policyholders. Additionally, the Unit ensures that intermediaries maintain proper books and records, trust accounts, prescribed capital and submit renewal documentation as required.

There were three new licenses approved in 2019 which comprised of one agent and broker, one independent adjuster and one sub-agent, sole proprietor.

Salespersons

The primary responsibility of a salesperson is to sell insurance products and to solicit applications on behalf of registered insurers or corporate

intermediaries. In 2019, the Commission licensed 82 insurance salespersons and cancelled 81 salespersons registrations. A total of 710 active salespersons are currently registered with the Commission. Persons who wish to become a salesperson must fulfill all registration requirements and successfully pass a comprehensive examination. There were 135 candidates who sat the salesperson's examination in 2019; 118 candidates sat the Life examination and 17 sat the General examination. The examinations are held monthly in New Providence at the office of the Commission and in Grand Bahama.



DOMESTIC INTERMEDIARIES

	2019	2018	2017	2016	2015
Agents and Brokers	58	57	55	57	57
Sub-Agents	22	21	20	21	26
Adjusters	13	11	10	5	4
Total Intermediaries	93	89	85	83	87

Market Conduct

The Intermediaries and Market Conduct Unit also has the responsibility to ensure that registrants are conducting business with the highest integrity in the marketplace and in the best interest of all policyholders.

A part of the Unit's conduct review includes the handling of complaints which are reviewed by an internal committee. The Commission analyzes the nature of each complaint to ensure that all parties adhere to the terms of the contractual obligations. Each case is thoroughly investigated, with a view to bringing resolution in a timely manner.

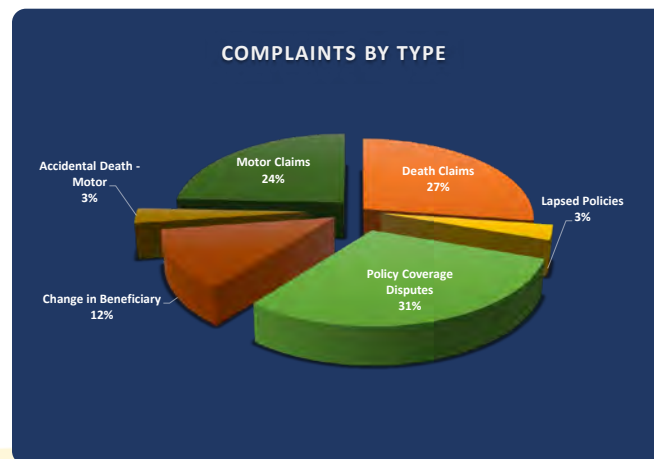
In 2019, the committee investigated 33 complaints. Of the 33 complaints, 21 were concluded; 12 complaints remain under review. Complaints that were submitted related primarily to misrepresentation on proposal forms, policy lapses, death benefits and quantum disputes. Data collected from complaints informs consumer awareness initiatives each year and acts as a barometer for the Commission's consumer education campaign, which remains an on-going priority.

Consumer Awareness

As a part of its mandate and to safeguard public interest, the Commission continues to educate and inform the general public about insurance. In 2019, the Intermediaries Unit carried on with its consumer awareness initiatives by airing several public messages on all major television and radio stations.

The focus in 2019 was on the *Use of Adjusters, Know Your Policy* and *Misrepresentation* in addition to continuing previous messages on *Know Your Rights* and *Fair Treatment*. The Commission will continue to enhance public awareness through social media forums in order to reach a wider audience.

In 2020 the Unit will also seek to strengthen its oversight and regulation of intermediaries by performing on-site examinations, analyzing intermediaries using macro-indicators and enhancing data collection. Additionally, the Unit will seek to finalize its guidelines on Premium Trust Accounts, requirements of a Technical Officer and registration of Consultants.



**Financial Statement For The
Year Ended December 31, 2019
And Independent Auditor's Report**



**INSURANCE COMMISSION
OF THE BAHAMAS**

INDEPENDENT AUDITORS' REPORT

To the Members of
The Insurance Commission of The Bahamas:

Opinion

We have audited the financial statements of The Insurance Commission of The Bahamas (the "Commission"), which comprise the statement of financial position as at December 31, 2019, and the statements of profit or loss and other comprehensive income, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Commission as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the financial statements* section of our report. We are independent of the Commission in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Commission or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Commission's financial reporting process.

Auditors' Responsibilities for the Audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Commission to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte & Touche

May 4, 2020

INSURANCE COMMISSION OF THE BAHAMAS

Statement of Financial Position For the Year Ended December 31, 2019 (Expressed in Bahamian dollars)

	2019	2018
ASSETS		
Cash on hand and at banks (Note 11)	\$2,868,783	\$865,417
Accounts receivable (Notes 4, 11 and 13)	2,004,284	1,636,874
Prepaid expenses and other assets	11,310	3,284
Pension contribution receivable (Notes 10 and 11)	375,771	366,262
Investments (Notes 5 and 11)	12,279,306	11,712,367
Plant and equipment (Note 6)	321,832	26,080
Right-of-use asset (Notes 2 and 6)	1,539,044	-
Total assets	\$19,400,330	\$14,610,284
LIABILITIES		
Accounts payable and accrued expenses (Notes 7 and 11)	\$589,824	364,617
Premium taxes payable to The Bahamas Government (Note 11)	-	5,161
Funds held on behalf of Licensees (Note 8)	140,555	113,553
Deferred income (Note 9)	165,458	162,158
Staff pension fund (Note 10)	1,081,232	1,022,506
Lease liability (Note 12)	1,600,520	-
Total liabilities	\$3,577,589	\$1,667,995
NET ASSETS	\$15,822,741	\$12,942,289
Represented by:		
SURPLUS	\$15,822,741	\$12,942,289

The accompanying notes form an integral part of these Financial Statements.

These financial statements were approved and authorized for issue by the Members of the Commission on May 01, 2020 and signed on their behalf by:



Superintendent



Commissioner

INSURANCE COMMISSION OF THE BAHAMAS

Statement of Profit or Loss and Other Comprehensive Income or Loss For the Year Ended December 31, 2019

(Expressed in Bahamian dollars)

	2019	2018
INCOME		
Fee Income:		
Premium taxes	\$6,063,962	\$5,813,679
License and registration fees	354,949	373,392
Total fee income	6,418,911	6,187,071
Interest income (Note 11)	369,116	371,992
Total income	\$6,788,027	\$6,559,063
EXPENSES		
Salaries, wages and employee benefits (Notes 10 and 11)	2,210,371	2,046,565
Professional fees	412,840	552,256
Depreciation (Note 6)	336,178	27,393
Training and conferences	273,598	266,129
Utilities and property charges (Note 11)	207,960	114,049
Public & community relations	202,295	136,023
Office	125,269	134,877
Rent	110,690	311,687
Lease Interest Expense	88,608	
Membership fees and subscriptions	54,133	52,601
Commissioners' honoraria and expenses (Note 11)	29,217	28,597
Repairs and maintenance	11,226	5,453
Bank charges (Note 11)	11,188	11,019
Vehicle expense	3,711	5,335
Miscellaneous	614	897
Provision for doubtful debt (Note 4)	(159,852)	159,852
Total expense	\$3,918,046	\$3,852,733
Profit for the year	\$2,869,981	\$2,706,330
OTHER COMPREHENSIVE INCOME/ LOSS		
Items that will not be reclassified subsequently to profit or loss:		
Actuarial gain/(loss) on defined benefit plan (Note 10)	10,471	(630)
TOTAL COMPREHENSIVE INCOME	\$2,880,452	\$2,705,700

The accompanying notes form an integral part of these Financial Statements.

INSURANCE COMMISSION OF THE BAHAMAS

Statement of Changes in Net Assets For the Year Ended December 31, 2019 *(Expressed in Bahamian dollars)*

SURPLUS

Balance as of January 1, 2018	\$13,236,589
Profit for the year	2,706,330
Funds remitted to the Bahamas Government	(3,000,000)
Other comprehensive income	(630)
Balance as of December 31, 2018	\$12,942,289
Profit for the year	2,869,981
Funds remitted to the Bahamas Government	-
Other comprehensive loss	10,471
Balance as of December 31, 2019	\$15,822,741

The accompanying notes form an integral part of these Financial Statements.



INSURANCE COMMISSION OF THE BAHAMAS

Statement of Cash Flows For the Year Ended December 31, 2019 (Expressed in Bahamian dollars)

	2019	2018
Cash flows from operating activities:		
Profit for the year	\$2,869,981	\$2,706,330
Adjustment for non-cash items:		
Depreciation (Note 6)	336,178	27,393
Provision for doubtful debt (Note 4)	(159,852)	159,852
Interest income (Note 11)	(369,116)	(371,992)
Movement in working capital:		
Increase in accounts receivables	(187,584)	(123,269)
(Increase)/ decrease in prepaid expenses and other assets	(8,026)	41,458
Increase in pension contribution receivable	(20,145)	(19,570)
Increase in accounts payable and accrued expenses	225,207	121,071
Decrease in premium taxes payable to The Bahamas Government	(5,161)	(4,914)
Increase in deferred income	3,300	9,420
Increase in staff pension fund liability	79,833	31,428
Increase/(decrease) in funds held on behalf of licensee	27,002	(984,833)
Increase in lease liability (Note 12)	1,600,520	-
Net cash from operating activities	\$4,392,137	\$1,592,374
Cash flows from investing activities		
Net movement in term deposits (Note 5)	\$ (110,739)	\$ (1,579,230)
Purchase of plant and equipment (Note 6)	(412,067)	(7,594)
(Acquisition)/disposal of Bahamas Government Registered Stock	(456,200)	1,000,000
Acquisition of a Right-of-Use Asset	(1,758,907)	-
Interest received	349,142	380,659
Net cash used in investing activities	\$ (2,388,771)	\$ (206,165)
Cash flows from financing activities		
Funds remitted to The Bahamas Government	\$ -	\$ (3,000,000)
Net cash used in financing activities	-	(3,000,000)
Increase/(decrease) in cash and cash equivalents	\$2,003,366	\$ (1,613,791)
Cash and cash equivalents as of beginning of period	865,417	2,479,208
Cash and cash equivalents as of end of period	\$2,868,783	\$865,417

The accompanying notes form an integral part of these Financial Statements.

INSURANCE COMMISSION OF THE BAHAMAS

Notes to the Financial Statements For the Year Ended December 31, 2019 (Expressed in Bahamian dollars)

1. GENERAL INFORMATION

The Insurance Commission of The Bahamas (the Commission) is established as a body corporate, under the Insurance Act, 2005 (the Act) of the Commonwealth of The Bahamas (The Bahamas). The Commission commenced operations on July 2, 2009, the date on which the Act came into effect. The functions of the Commission include the monitoring and regulation of the insurance market in The Bahamas, the participants of which include insurance companies, underwriters, medical health service organizations, brokers, agents, sub-agents, adjusters, risk managers, consultants and salespersons. The Commission regulates the industry in accordance with the Act and the External Insurance Act, 2009 and the related rules and regulations. The Act provided for the repeal of the Insurance Act, 1969, which vested certain powers of regulation of the insurance industry in the Office of the Registrar of Insurance Companies (ORIC). The office of the Commission is located at Poinciana House, East Bay Street, Nassau, Bahamas.

2. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND INTERNATIONAL ACCOUNTING STANDARDS (IAS)

In the current year, there were several new and amended Standards and Interpretations issued by the International Accounting Standards Board (the “IASB”) and the International Financial Reporting Interpretations Committee (the “IFRIC”) of the IASB effective for annual reporting periods beginning on or after January 1, 2019.

Relevant Standards and Interpretations effective but not affecting the reported results or financial position

Amendments to IAS 19 - Employee Benefits – Plan Amendment, Curtailment or Settlement

Amendments to IFRS 9 - Prepayment Features and Negative Curtailment or Settlement
IFRS - 16 Leases

In the current year the Commission applied IFRS 16 that is effective for annual periods that begin on or after 1 January 2019. IFRS 16 ‘Leases’ replaces IAS 17 ‘Leases’ along with three Interpretations (IFRIC 4 ‘Determining whether an Arrangement contains a Lease’, SIC 15 ‘Operating Lease-Incentives’ and SIC 27 ‘Evaluating the Substance of Transactions Involving the Legal Form of a Lease’).

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes in lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at the commencement of all leases.

INSURANCE COMMISSION OF THE BAHAMAS

Notes to the Financial Statements

2. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS AND INTERNATIONAL ACCOUNTING STANDARDS (CONTINUED)

The adoption of this new Standard has resulted in the Commission recognizing a right-of-use asset and a related lease liability in connection to the lease entered into on January 1, 2019 with Poinciana SPV Limited. All other leases entered into by the Commission had expired on or before

December 31, 2018. The right-of-use asset is depreciated using the straight-line method from the commencement date to the end of the lease term. The right-of-use asset is tested for impairment in accordance with IAS 36. As the lease commenced on January 1, 2019 this standard had no impact on the prior year nor was there any need to use either the full or modified retrospective approach.

In applying IFRS 16 the Commission:

- Recognises the right-of-use asset and lease liability in the Statement of Financial Position initially measured at the present value of the future lease payments discounted at the incremental borrowing rate of 5.5%.
- Recognises depreciation of the right-of-use asset and interest on the lease liability in the Statement of Profit or Loss and Other Comprehensive Income or Loss.
- Separates the total cash payment into principal portion and interest in the Statement of Cash Flows.
-

Relevant Standards and Interpretations in issue but not yet effective

Amendments to IAS 1 – Presentation of Financial Statements

Amendments to IAS 8 – Accounting Policies

Amendments to the Conceptual Framework in IFRS standards

Management has not assessed whether the relevant adoption of these standards and interpretations in future periods will have a material impact on the financial statements of the Commission.

3. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below.

(a) Critical accounting judgments and key sources of estimation uncertainty

The preparation of financial statements in accordance with IFRS requires management to exercise its judgment in the process of applying its accounting policies.

INSURANCE COMMISSION OF THE BAHAMAS

Notes to the Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

It also requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Notes 3(e), 3(i), 3(j) and 10.

(b) Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and under the historical cost convention.

(c) Foreign currency translation

The financial statements are presented in Bahamian dollars, which is the Commission's functional and presentation currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from settlement of such transactions and from translation of monetary assets and liabilities at period end exchange rates are recognised in the statement of profit and loss and other comprehensive income or loss.

(d) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand, demand deposits with banks, and term deposits with banks with original contractual maturities of three months or less.

(e) Accounts receivable

Accounts receivable are recognised initially at fair value and subsequently measured at amortised cost, less any provision for impairment. A provision for impairment is established by conducting an expected credit loss assessment at each reporting date. Accounts receivable are considered past due when outstanding for over sixty days.

(f) Investments

Investments are measured at amortised cost net of any write down for impairment.

INSURANCE COMMISSION OF THE BAHAMAS

Notes to the Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Plant and equipment

Plant and equipment are stated at historical cost, less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Commission and the cost of the item can be measured reliably. Repairs and maintenance costs are charged to the statement of profit or loss and other comprehensive income or loss during the financial period in which they are incurred.

Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, which are estimated as follows:

Computer equipment	3 years
Furniture and fittings	5 years
Motor Vehicles	5 years
Imaging system	3 years
Telephone system	3 years
Right-to-use	8 years
Leasehold improvements	5 years

A full year's depreciation charge is made in the year of purchase.

Assets' useful lives are reviewed, and adjusted if appropriate, at the date of the statement of financial position or when an event has occurred that indicates a need to re-evaluate useful lives. Assets subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

An asset's carrying amount is written down immediately to its recoverable amount if the recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in the statement of profit or loss and other comprehensive income.

(i) Income and expense recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when the amount of revenue can be reliably measured and when it is probable that future economic benefits will flow to the Commission. Revenue from licensing activities is recognised over the period of the applicable license, with amounts collected in relation to future periods being deferred in the statement of financial position.

INSURANCE COMMISSION OF THE BAHAMAS

Notes to the Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) **Income and expense recognition** *(continued)*

The Act, as amended, provides for the Commission to receive twenty five percent (25%) of premium taxes collected from registered insurers. Only the Commission's share of the premium taxes due from licensees as at the date of these financial statements is recognised as revenue and included in accounts receivable.

Interest income and finance costs are recognised using the effective interest method. All other income and expenses are recognised on the accrual basis of accounting.

(j) **Employee benefits**

Employees of ORIC were entitled to a defined benefit pension under the Pensions Act, Chapter 43; the Commission has continued equivalent pension benefits for employees transferred from ORIC. The Commission has been designated as an approved authority within the meaning of the Pension Act.

A defined benefit pension plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually as a function of one or more factors such as age, years of service and compensation. The liability recognised in the statement of financial position is the present value of the defined benefit obligation as of the statement of financial position date minus the fair value of plan assets, together with adjustments for actuarial gains or losses and past service costs. The part of the pension liability that relates to the period before each employee was transferred to the Commission from ORIC is shown as a receivable from Government in the statement of financial position.

As of the date of the statement of financial position, the plan had no investments. The defined benefit obligation is calculated by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of Bahamas Government securities that have terms to maturity approximating the terms of the related liability.

In 2012, the Commission implemented a defined contribution pension plan for its other employees (who were not previous employees of ORIC). Under the plan, the Commission and the employee make contributions based on fixed percentages of gross salaries to a privately administered fund. The Commission has no legal or constructive obligations to pay further contributions once payment of approved contributions has been made. Employees transferred from ORIC are entitled to join the plan; however, the Commission makes no contribution to the plan on their behalf.

INSURANCE COMMISSION OF THE BAHAMAS
Notes to the Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Salaries, wages and other employee benefits are recognised on the accrual basis of accounting. The value of accrued benefits, or past service costs, has been recognised immediately in the current period's statement of profit or loss or other comprehensive income or loss.

(k) Taxation

The Commission is established under the laws of The Bahamas and, therefore, is not subject to income or capital gains taxes.

4. ACCOUNTS RECEIVABLE

	2019	2018
Premium taxes	\$1,496,967	\$1,409,208
Accrued interest income	118,960	98,986
VAT recoverable	371,507	250,002
Fees	7,400	7,900
Other	9,450	30,630
	<u>2,004,284</u>	<u>1,796,726</u>
Provision for doubtful debt	-	(159,852)
Total	<u>\$2,004,284</u>	<u>\$1,636,874</u>

The Provision for doubtful debts of \$nil (2018: \$159,852) relates to the net amount receivable from the Department of Inland Revenue for VAT. The Commission has arranged with the Ministry of Finance to deduct the net amount receivable from Premium Tax Payable. For all other categories of Accounts Receivable the Commission has determined that the expected credit loss is zero.

INSURANCE COMMISSION OF THE BAHAMAS

Notes to the Financial Statements

5. INVESTMENTS

	2019	2018
Term deposits	\$5,909,306	\$5,798,567
Bahamas Government Registered Stock	6,370,000	5,913,800
Total	\$12,279,306	\$11,712,367

During the period covered by these financial statements, the weighted average interest rate earned on certificates of deposit was 1.95% (2018: 1.95%). All certificates of deposit mature within twelve months of the date of the statement of financial position.

Investments in Bahamas Government Registered Stock have interest rates tied to Bahamian dollar prime rate (Prime). The interest rates ranged from 3.5% to Prime plus 5/48%. As of the date of the statement of financial position, Prime was 4.25% (2018: 4.25%).

6. PLANT AND EQUIPMENT

	Right-of- use	Computer Equipment	Furniture Fitting	Imaging System	Telephone System	Leaschold Improve	Auto	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
January 1, 2019	-	490,457	278,366	38,860	17,662	34,898	30,693	890,936
Additions	1,758,907	75,641	282,817	-	48,050	5,559	-	2,170,974
Disposals	-	(456,643)	(278,366)	(38,860)	(17,662)	(34,898)	-	(826,429)
December 31, 2019	1,758,907	109,455	282,817	-	48,050	5,559	30,693	2,235,481
Accumulated Depreciation								
January 1, 2019	-	476,654	278,366	38,860	17,662	34,898	18,416	864,856
Depreciation	219,863	36,485	56,563	-	16,017	1,112	6,138	336,178
Disposal	-	(456,643)	(278,366)	(38,860)	(17,662)	(34,898)	-	(826,429)
December 31, 2019	219,863	56,496	56,563	-	16,017	1,112	24,554	374,605
Net Book Value								
December 31, 2019	1,539,044	52,959	226,254	-	32,033	4,447	6,139	1,860,876
December 31, 2018	-	13,803	-	-	-	-	12,227	26,080

INSURANCE COMMISSION OF THE BAHAMAS
Notes to the Financial Statements

7. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	2019	2018
VAT payable to the Government	\$131,357	\$90,150
Due to the Securities Commission	61,289	-
Due to Poinciana SPV	160,496	-
Accrued expenses	236,682	274,467
Total accounts payable and accrued expenses	\$589,824	\$364,617

8. FUNDS HELD ON BEHALF OF LICENSEE

Funds held on behalf of a licensee of \$140,555 (2018: \$113,553) relates to a deposit prescribed under section 43(1) of the Insurance Act. Section 43 requires any company that wishes to be registered and carry on any class of insurance to deposit, with the Commission or with an approved financial institution on behalf of the Commission, the prescribed deposit. These funds are held at cost.

9. DEFERRED INCOME

Deferred income of \$165,458 (2018: \$162,158) relates to fee income received during the year in respect of future financial periods.

10. STAFF PENSION FUND

The amount recognised in the statement of financial position, relating to the defined benefit pension entitlements, were determined as follows:

	2019	2018
Present value of benefit obligation	\$1,081,231	\$1,022,506
Fair value of assets	-	-
Liability recognised in the statement of financial position	\$1,081,231	\$1,022,506
Assets recognised in the statement of financial position		
Present value of the amount due from The Government	\$375,771	\$366,262
Present value of benefit obligation	\$705,460	\$656,244

(Continued)

INSURANCE COMMISSION OF THE BAHAMAS
Notes to the Financial Statements

10. STAFF PENSION FUND (continued)

Movement in the net liability recognised in the statement of financial position are as follows:

	2019	2018
Net liability at start of period	\$656,243	\$643,756
Net expense recognised in the income statement	65,922	71,445
Amount recognised in other comprehensive income	(10,471)	630
Contributions employer	(6,234)	(59,588)
Net liability at end of period	<u>\$705,460</u>	<u>\$656,243</u>

The movement in the present value of the Staff Pension Fund benefit obligation are as follows:

	2019	2018
Opening present value obligation	\$1,022,506	\$1,020,115
Interest cost	57,630	53,450
Current service cost	28,436	37,566
Benefits paid	(6,234)	(59,588)
Actuarial gain/(loss) on obligation due to experience	(3,686)	6,502
Actuarial loss on obligation due to financial assumption change	(17,421)	(35,539)
Closing present value obligation	<u>\$1,081,231</u>	<u>\$1,022,506</u>

The movement in the pension contribution due from the Government is as follows:

	2019	2018
Opening present value of amount due from government	\$366,262	\$376,358
Interest cost	20,144	19,571
Actuarial (loss) on obligation	(10,636)	(29,667)
Closing present value obligation	<u>\$375,770</u>	<u>\$366,262</u>

(Continued)

INSURANCE COMMISSION OF THE BAHAMAS
Notes to the Financial Statements

10. STAFF PENSION FUND (continued)

The movement in the fair value of the plan assets are as follows:

	2019	2018
Opening present value of plan assets	\$ -	\$ -
Expected return on plan assets	-	-
Contribution - employer	6,234	59,588
Benefits paid	(6,234)	(59,588)
Actuarial gain/(loss) on obligation	-	-
Closing fair value of plan assets	<u>\$ -</u>	<u>\$ -</u>

The amount recognised in the statement of profit or loss and other comprehensive income comprises:

	2019	2018
Current service cost (net employees' contribution)	\$28,436	\$37,566
Interest Cost	37,486	33,879
Expense recognised in Statement Profit or Loss And Other Comprehensive Income or Loss	<u>\$65,922</u>	<u>\$71,445</u>
Actuarial (gain)/loss recognised in Other Comprehensive Income	(10,471)	630

Principal actuarial assumptions used were:

	2019	2018
Discount rate at end of year	5.65%	5.50%
Future salary increases	3.00%	3.00%

The following table illustrates the changes to the net liability as at December 31, 2019 for a 1% change in these respective assumptions while holding all other assumptions constant.

	1% increase	1% decrease
	\$	\$
Discount rate	(104,289)	126,457
Future salary increases	43,632	(40,296)

INSURANCE COMMISSION OF THE BAHAMAS

Notes to the Financial Statements

11. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Related parties comprise Government ministries and departments, Government corporations and agencies, entities controlled by the Government, entities in which the Government has a significant ownership interest and key management personnel. Balances and transactions with related parties include the following:

	2019	2018
<i>Assets</i>		
Cash at banks	\$2,868,183	\$864,817
Accounts receivable	490,467	348,988
Pension contribution receivable	375,771	366,262
Investments	12,279,306	11,712,367
<i>Liabilities</i>		
Accounts payable and accrued expenses	\$367,156	\$104,531
Premium taxes payable to The Bahamas Government	-	5,161
<i>Income</i>		
Interest income	\$369,116	\$371,992
<i>Expenses</i>		
Rent	\$350,005	\$ -
Utilities and property charges	200,383	77,384
Professional Fees	78,000	78,000
Commissioners' honoraria and expenses	29,217	28,597
Bank charges	11,188	11,019

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Commission directly or indirectly, including the members of the Commission. Compensation of key management personnel for the year is as follows:

	2019	2018
Short term employee benefits	\$585,950	\$556,500
Post-employment benefits	37,520	36,300
	<u>\$623,470</u>	<u>\$592,800</u>

INSURANCE COMMISSION OF THE BAHAMAS

Notes to the Financial Statements

12. LEASE OBLIGATIONS AS PER IFRS 16 IMPLEMENTATION, COMMITMENTS AND CONTINGENCIES

Lease obligations as per IFRS 16 implementation

In accordance with the requirements of IFRS 16, the Commission recognises a lease liability with respect to all lease arrangements with the exception of short term leases (defined as leases with a lease term of 12 months or less). For short term leases, the Commission recognises the lease payment as an operating expenses. As at December 31, 2019, the balance outstanding on the lease liability totaled \$1,600,520 (2018: Nil), and the current lease principal payment due within one year is \$174,139 (2018: Nil).

Commitments

The Commission has entered into a five-year lease agreement, with an option for three additional years, beginning January 1, 2019, with Poinciana SPV Limited. Obligations to make minimum lease payments as at December 31 are presented below:

Year	Minimum Lease Commitment
2020	\$ 254,052
2021	\$ 261,109
2022	\$ 268,166
2023	\$ 275,223
2024 and thereafter	\$ 867,971

The Commission has a service agreement with the Securities Commission of The Bahamas for certain accounting, human resources and information technology services at a cost of \$6,500 per month. The service agreement is renewable annually.

Contingencies

During 2009, the Commission entered into an indemnity agreement with a Judicial Manager, appointed by The Bahamas' Supreme Court (the Court), to manage the affairs of one of the licensees of the Commission. The indemnity guaranteed the payment of the Judicial Manager's fees and expenses in the event of insufficiency of payment by the Estate. All fees approved for payment by the Court to date have been paid by the Estate and no provision has been made in these financial statements for any of the Judicial Manager's fees or expenses.

INSURANCE COMMISSION OF THE BAHAMAS

Notes to the Financial Statements

13. FINANCIAL RISK MANAGEMENT

The Commission engages in transactions that expose it to credit risk, liquidity risk and interest rate risk in the normal course of business. The Commission's financial performance is affected by its capacity to understand and effectively manage these risks.

(a) Credit risk

Credit risk arises from the potential failure of a counterparty to perform according to the terms of the contract. The Commission's exposure to credit risk is concentrated in its cash at bank, investments and accounts receivable.

The Commission mitigates the risk associated with cash at banks by placing its deposits with domestic financial institutions in good standing with the Central Bank of The Bahamas.

The risk associated with investments is mitigated by placing term deposits in domestic financial institutions in good standing with the Central Bank of The Bahamas and investing in Bahamas Government Registered Stock which is guaranteed by the Government.

The risk associated with accounts receivable is mitigated by the monitoring of payment history of licensees before deciding whether to renew annual licenses.

The Commission, in its effort to minimise credit risk exposure, monitors the accounts receivable balances ensuring that all efforts are expended in order to reduce accounts with long overdue balances. A large proportion of accounts receivable related to premium taxes which are due within four weeks of the end of each quarter. In 2019, they were normally collected within 60 days after the period to which they apply. Most of the remaining accounts receivable is concentrated in a small group of insurers. The aged analysis of accounts receivable as of December 31, 2019 is set out below:

	2019	2018
Days outstanding:		
0 to 60 days	\$1,435,122	\$1,420,195
61 to 120 days	151,658	159,316
More than 120 days	417,504	217,215
Total	<u>\$2,004,284</u>	<u>\$1,796,726</u>

Fees are payable annually on the anniversary of the license issue date. Premium taxes are payable quarterly and within thirty days of the end of the quarter to which they relate.

INSURANCE COMMISSION OF THE BAHAMAS

Notes to the Financial Statements

13. FINANCIAL RISK MANAGEMENT *(continued)*

(b) Liquidity risk

The objective of liquidity management is to ensure the availability of sufficient funds to honour all of the Commission's financial commitments as they become due.

The Commission maintains a level of liquid assets that mature in the short term or could be redeemed immediately to meet cash requirements for normal operating purposes.

As of December 31, 2019, all of the Commission's payables and accrued expenses are due within one year.

(c) Interest rate risk

Interest rate risk is the risk that future cash flows or the fair value of a financial instrument will fluctuate because of changes in market interest rates. The Commission's exposure to cash flow interest rate risk is concentrated in cash at banks and investments; The Commission does not hedge this risk as it is not considered significant. The Commission does not have any significant fair value interest rate risk.

14. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments utilised by the Commission include the recorded financial assets and liabilities, and their estimated fair values approximate their carrying values.

15. CAPITAL MANAGEMENT

The Commission regards the balance of its Surplus account and any reserve fund as capital. The Commission's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain a capital base sufficient to support its regulatory powers and associated operations.

Effective July 1, 2013, surplus funds in excess of amounts authorized by the Minister of Finance to be reserved are payable to the Consolidated Fund.

INSURANCE COMMISSION OF THE BAHAMAS

Notes to the Financial Statements

16. UNCLAIMED FUNDS

At December 31, 2019, \$3,552,103 (2018: \$2,003,574), inclusive of interest, in unclaimed funds were being held on a special account at the Central Bank of The Bahamas, for the benefit of the policyholders' and beneficiaries, in accordance with Section 183 of the Act.

These funds represent statements of all unclaimed moneys outstanding for at least one year, which were submitted by the Commission's licensees, as outlined in Section 182 of the Act. The unclaimed funds are held in trust and are not included on the statement of financial position.

17. SUBSEQUENT EVENTS

Management has determined that there was no subsequent events requiring adjustment in the financial statements. Management notes that in March 2020, the Government of the Bahamas issued Emergency Powers (COVID 19) Orders in relation to the global pandemic. The rapid development and fluidity of this situation precludes any prediction as to the ultimate adverse impact of COVID-19. Nevertheless the Commission continues to closely monitor the situation with regards to the degree of uncertainty and any risk to its financial performance. The effect of the impact of COVID-19 has not been reflected in the financial statements; any such impact may affect future results.

The Emergency Powers (COVID 19) Orders have limited physical movement and permitted certain individual life and health policyholders who lost their jobs as a result of the pandemic or who had no ability to pay premiums electronically to defer payment of premiums until 60 days after the cessation of the Emergency Order. The Emergency Order is not expected to adversely impact the Commission's ability to operate effectively.

* * * * *





**INSURANCE COMMISSION
OF THE BAHAMAS**

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