



INSURANCE COMMISSION  
OF THE BAHAMAS



---

**2022** ANNUAL  
REPORT





INSURANCE COMMISSION  
OF THE BAHAMAS





## **MISSION STATEMENT**

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

# INSURANCE COMMISSION OF THE BAHAMAS



June 22, 2023

Senator the Hon. Michael Halkitis  
Minister of Economic Affairs  
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, 2022. Included with this report are the Audited Financial Statements for the same period.

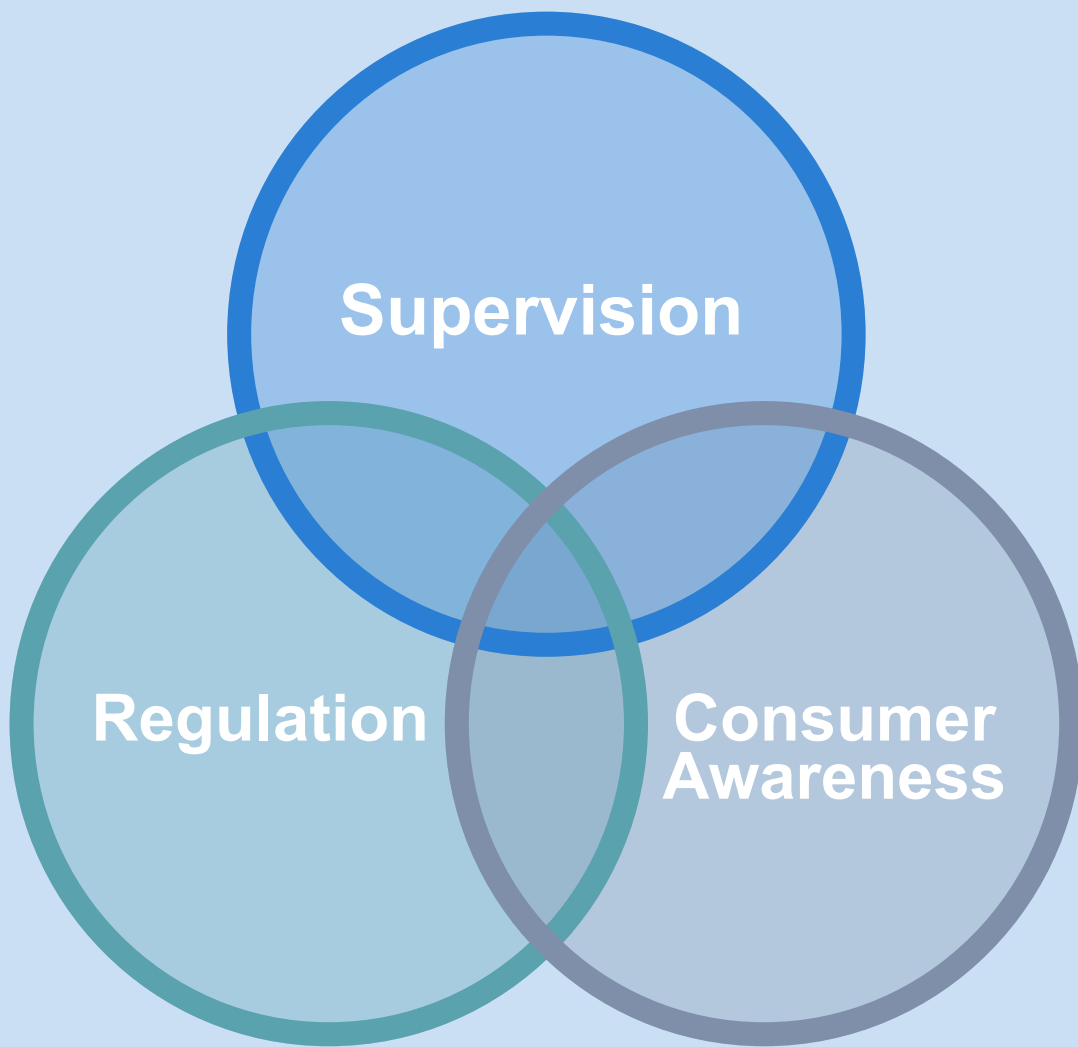
Yours sincerely,

Michele C. E. Fields  
Superintendent of Insurance

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## MESSAGE FROM THE SUPERINTENDENT OF INSURANCE

On behalf of the Members of the Commission, I am pleased to report on the operations and financial

performance of the Insurance Commission of The Bahamas for the year ending December 31, 2022. As the regulator of the insurance industry, the Commission continued to meet its mandate to ensure the industry's safety and soundness, protecting the interest of policyholders and other stakeholders.

In 2022 the industry remained stable with 19 general insurance companies, 12 long-term insurance companies and one association of underwriters registered to conduct insurance business in The Bahamas. The industry continues to be a key contributor to the economy, generating \$963.8 million (2021: \$913.2 million) in gross premiums in the domestic market, which constituted approximately 7.5% of the country's nominal GDP. Overall, the industry reported growth in net income of 11% over the prior year. Premium taxes from the sector amounted to \$29.6 million (2021: \$26.3 million). This growth is reflective of the rebounding economy, which, according to the Central Bank of The Bahamas, was primarily driven by significant increases in tourism expenditure, foreign investments, particularly in the real estate sector, and the easing of unemployment rates.

The financial results of the Commission for 2022 reflect prudent management and stewardship of entrusted funds. The Commission's income of \$8.4 million (2021: \$7.6 million) is derived primarily from the retention of 25% of premium taxes collected from registrants on behalf of the Government. Other sources of income include license and registration fees and interest income. Total expenses in 2022 amounted to \$5 million, an increase of 10% over the prior year, largely due to increased staff complement and the return to in-office operation.

Notwithstanding the stability experienced in the domestic market, property insurance coverage in the region has been challenged with rising costs and declining availability of catastrophe reinsurance coverage. This is partly attributed to several years of above average occurrence of storms and natural disasters in this region together with rising recovery costs. It is forecast that this challenge will continue into 2023. The Commission will continue to monitor this critical component of reinsurance coverage and its impact on the domestic insurance markets.

Consultation with general insurers on the Risk-Based Capital Framework continued during the year. The Framework has been amended to consider the impact of IFRS 17, which became effective January 2023. The Commission continues to engage registrants and licensees on their progress towards adopting the revised standard to ensure compliance for the upcoming reporting period.

The Removal of Preferential Exemption and the Commercial Entities (Substance Requirements) Acts of 2018 encouraged the harmonization of regulatory and tax treatment of foreign and domestic entities and served as the catalyst for the amalgamation of the insurance legislation. During 2022 the Commission made significant progress in amalgamating the Insurance Act, 2005 and the External Insurance Act, 2009. In 2023 the Commission will continue with the review and amalgamation of the regulations, following which a final industry consultation will take place.

The National Identified Risk Framework Steering Committee, led by the Attorney-General, is responsible for ensuring that the jurisdiction is compliant with the Financial Action Task Force (FATF) 40 Recommendations. This includes the assessment of the country's risks, threats, and vulnerabilities. Under the Insurance Act, 2005, the Commission is charged with ensuring the compliance of registrants and licensees with the Financial Transaction Reporting Act, 2018 and any other related legislation and obligations.

The Commission participated in assessing these risks during 2022 by conducting thematic onsite visits which focused on registrants' and licensees' identification of their risks.

For the past two years the Commission has been engaged in an appeal to the Supreme Court by a salesperson whose registration was cancelled. The appeal concluded with judgment in favour of the Commission which confirmed the fairness of the cancellation processes followed. Significant professional fees were incurred in relation to this matter which will be taxed by the Court in 2023. The Commission also continues to monitor the court-supervised proceedings of CLICO (Bahamas) Limited (In Liquidation), CLICO Enterprises Limited (In Liquidation), and British American Company Limited (In Judicial Management).

The Commission's three-year term as Chair and Secretariat of the Group of Financial Services Regulators (GFSR) ended in December 2022. During this time, the administrative and governance structure of the Group was formalized with the reconstituting of the Memorandum of Understanding between the members and related working committees. Significant work on the National Risk Assessment as well as Joint Guidance on matters impacting the financial services sector were advanced.

The Commission also actively interacts with its local, regional and international supervisory counterparts to support its regulatory oversight. The Commission's membership in the International Association of Insurance Supervisors (IAIS) continues, as we aim to ensure that international best practices for insurance regulation are followed. The Bahamas is also a member of the Group of International Insurance Centre Supervisors (GIICS) which consists of regulators of offshore jurisdictions engaged in international insurance.

At the Annual General Meeting of the Caribbean Association of Insurance Regulators (CAIR) held virtually in September 2022, the Commission was re-elected to its role as Secretary on the Executive Council. The Bahamas also served as Chair on the Technical Working Committee which successfully redeveloped and launched CAIR's website.

Following the Government's relaxation of the Covid-19 restrictions, the Commission returned to in-person operations in January 2022, maintaining

health protocols, including weekly Covid-19 tests. Notwithstanding the resumption of normal operations, the Commission's robust virtual framework continues to enable the flexibility that today's supervisory authorities must incorporate to effectively engage its stakeholders.

Concurrent with the return to office, work on the development of a three-year strategic plan, which was foreshadowed in our tenth-year anniversary, commenced mid-2022. The process includes reviewing the vision and mission statements, assessing strategic objectives, and reevaluating the organisational structure to align with the future needs of the Commission and the industry. This was a critical objective of our 2022 annual plan and will be finalised in 2023.

At the end of 2022 the staff complement remained unchanged from the prior year end, with two new hires and two resignations. In March Dana Munnings-Gray was appointed as Deputy Superintendent and in July an additional analyst was hired in the Supervision Unit. Two members of management who resigned during the year both joined the insurance industry.

The Commission continues to strongly support ongoing training and skills development. Staff members attended in-person and virtual training and conferences to keep abreast of trends and developments which may impact supervision and regulation.

I wish to congratulate the following staff who achieved certifications and designations during the year:

Rodney D. Bain	Associate, Life Management Institute
Carl Culmer Jr.	Postgraduate Diploma Financial Services Law
Tiffany Moss	Associate, Life Management Institute
Dana Munnings-Gray	Certified Anti-Money Laundering Specialist Fellow of International Compliance Association
Danielle Roberts	Associate, Life Management Institute
Darrin Rodgers	Certified Risk and Compliance Management Professional
Dominique Shepherd	Associate, Life Management Institute
Lakisca Thurston	Market Conduct Management

I also wish to acknowledge and commend Sheila McPhee, Senior Administrative Assistant, who celebrated ten years of dedicated service to the Commission in April 2022.

In keeping with our core value to maintain meaningful engagement with the community, the Commission continued its social outreach during 2022 and supported several groups and campaigns which included:

- Lupus 242
- Swift Athletic Club
- The Bahamas Primary Student of the Year Foundation
- Agricultural Development Organization
- Kevin Johnson Basketball Camp
- Chaplaincy Unit of The Bahamas Department of Corrections
- Alpha Phi Alpha Fraternity, Inc. Annual Honor's Day Program and Scholarship Fund

I thank the Board of Commissioners for their continued insightful guidance in the development of the Commission. I also thank the dedicated staff of the Commission, whose skills and enthusiasm undergirded our accomplishments over the past year. As we look forward to 2023, we will continue to enhance the regulation and supervision of the insurance sector and continue to engage with industry's stakeholders and other regulatory authorities. The Commission remains resolute in its mandate to provide robust oversight, to protect the interest of policyholders and to ensure consumer confidence.

## CORPORATE GOVERNANCE

Members of the Commission are appointed in accordance with the Insurance Act, 2005, and are responsible for the overall governance of the Commission. The Superintendent of Insurance, who acts as the Chief Executive Officer of the Commission, serves as an ex-officio member in the position of Chairman. The Deputy Superintendent also serves as an ex-officio member of the Board.

Members of the Commission, appointed by the Governor General for the year 2022, comprise five persons with experience in the areas of insurance, finance, business and law. The Board met nine times during the year commencing in April 2022.

Two Committees of the Board of the Commissioners have been established:

Audit and Finance Committee:

Mr. Ansel Watson – Chairperson  
Mr. Dwayne Mortimer

Human Resources Committee:

Mrs. Lourey C. Smith – Chairperson  
Mr. Keith Major  
Mrs. Janique Wilson

# MEMBERS OF THE BOARD OF COMMISSIONERS



**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 terms from 2014 to 2018, and in 2022 was re-elected for a third term as Secretary on 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, and currently serves as a member of the Implementation and Assessment Committee, which is responsible for pursuing the IAIS' high-level goal to support Members' efforts to implement the IAIS supervisory material. Mrs. Fields serves as an ex-officio member of the National Health Insurance Authority. Mrs. Fields is a past recipient of the Executive of the Year Award from the Bahamas Financial Services Board. She is a former Deputy President of The Bahamas Red Cross Society, a Charter Member of The Nassau Chapter of The Links, Inc. and currently serves as Vice-President of The Bahamas Girl Guides Association.



**Dana Munnings-Gray** was appointed as Deputy Superintendent of Insurance in March 2022. She has both regulatory experience and extensive knowledge in the financial

services sector having held senior managerial positions with financial institutions in The Bahamas and the Cayman Islands, including head of risk and compliance and money laundering reporting officer. Prior to her appointment, Mrs. Munnings-Gray served as Manager of Supervision at the Securities Commission of The Bahamas. She holds both a Bachelor of Science and Arts in Political Science and Business Management respectively from the College of Saint Benedict in Minnesota and obtained a Bachelor of Laws (Hons) from the University of Buckingham. After completing the Bar Professional Training Course at City University in London, she was called to the Bar of England and Wales as a member of the Honourable Society of Gray's Inn, and to the Bahamas Bar in 2014. Mrs. Munnings-Gray has served as a Financial Expert on the assessment team of the Caribbean Financial Action Task Force (CFATF), Association of Certified Fraud Examiners, Association of Certified Financial Crime Specialist, Association of Certified Anti-Money Laundering Specialist, and the International Compliance Association where she holds the designation of CFCS, CCCS, CAMS and MICA respectively. She also acquired a designation as a Certified International Risk Manager (CIRM), a Certified Risk and Compliance Management Professional in Insurance and Reinsurance (CRCMP(Re)I), a Specialist Certification in Financial Crime Risk in Global Banking and Markets, Crypto Crime Compliance and currently holds observer status with The Bahamas Association of Compliance Officers (BACO). Mrs. Munnings-Gray has completed regulatory and management training and certification with the International Organisation of Securities Commissions (IOSCO), Harvard Law School and the London School of Economics.



### **Keith Major**

who previously served as a member of the Commission from 2012-2015, is a motivational speaker, lecturer, counsellor, educator and business consultant. He is founder and president

of Kits International and addresses individual's self-motivation. Mr. Major attended Bahamas Academy and later graduated from West Indies College. He also earned a B. A. degree at Oakwood University in Alabama and was awarded an Honorary Doctorate from Sojourner-Douglass College, Maryland. He lectures at the Bahamas Institute of Financial Services in Supervision, Introduction to Business, Effective Presentations and English. He previously served as a member of the Board of Governors of Northern Caribbean University and on the Executive Committee for The Atlantic Caribbean Union from 2010-2015. Mr. Major has worked in the insurance industry for over 40 years, having served as Vice-President of three insurance companies. In 2020 Mr. Major received the Lifetime Achievement Award for Managers by GAMA International. Mr. Major has served the Johnson Park Seventh Day Adventist Church as organist from an early age and hosted the television program VOICES. He has served Toastmasters International in various capacities including Club President and Division Governor of The Bahamas and has attained the highest designation of Distinguished Toastmaster (DTM).



### **Dwayne Mortimer**

was educated in The Bahamas and Ireland, earning a Bachelor's Degree in Hotel Management from Shannon College of Hotel Management, Ireland. After holding several managerial positions in

the hotel industry in the UK and The Bahamas, he left the hotel industry in 1993 to join the finance department of a major insurance company in The Bahamas. He qualified as a Certified Public Accountant in the State of Georgia and has held senior executive positions in various industries including healthcare, insurance, real estate development, maritime and hospitality. He currently serves as the President of Balmoral Club, a position he has held from 2010.



### **Lourey Smith**

was educated at The University of the West Indies (Mona Campus) in Jamaica, where she achieved a Bachelor of Arts Degree with Honors and a Master of Science Degree in Economics before returning to The

Bahamas where she worked with the Government prior to transitioning into Law under the pupillage of the late Winston Saunders. She was admitted to the Bahamas Bar in October 1986 and has extensive experience in transactional law involving conveyancing, mortgages, contracts, commercial and corporate structures, business ventures, estate planning and administration and intellectual property. She is a past Deputy Chairman of The Bank of The Bahamas, past Director of the Airport Authority and past Director of the Bahamas Protected Area Fund. She is presently the President/ Director of The Exuma Foundation (Bahamas) Limited and a member of the Advisory Committee of The Moriah Harbour Cay National Park in Exuma.



### **Ansel Watson**

is a Chartered Accountant and Chartered Financial Analyst charter holder. As a professional accountant, he has a broad range of knowledge and experience in finance, banking, operations, investments, investment

funds, insurance, accounting and audits. Mr. Watson is President and CEO of Investar Securities Ltd and Brickell Management Group Ltd. Mr. Watson began his career in accounting with Deloitte and over the past thirty years he has worked with several financial and international institutions. He was strategically involved in the transition of an offshore bank and trust company to Bahamian ownership and the expansion and acquisition of investment fund operations. Mr. Watson served on the Bahamas Institute of Chartered Accountants (BICA) Council for several years and was Chairman of the Continuing Professional Education Committee. A past President and Treasurer of the Rotary Club of New Providence and a former Deputy Chairman on the Board of Directors of the Bahamas Electricity Corporation/BPL. Mr. Watson currently serves on the Catholic Board of Education.



### **Janique Wilson**

is an established and experienced senior executive with nearly 20 years in the financial services industry. She is a graduate of St. Mary's University, Canada, earning Bachelor of Commerce degree in

Finance. Mrs. Wilson's professional qualifications include certifications from the Canadian Securities Institute, the International Compliance Association and the Association of Certified Anti-Money Laundering Specialists. Along with her many years in financial services, she began her career in accounting, working in both the technology and insurance industries. Mrs. Wilson is currently employed at a leading private wealth management company as the Head of Risk and Compliance as well as the Money Laundering Reporting Officer. She is also a member of the company's Executive Committee.





# ORGANISATIONAL STRUCTURE



# STAFF OF THE INSURANCE COMMISSION



**Arthur Barnett Jr.**  
Manager  
Administration



**Jamell Bodie**  
Manager  
Supervision



**Carl Culmer Jr.**  
Manager  
Policies and Practices



**Lorna Longley-Rolle**  
Legal Counsel and  
Secretary to the Board



**Rodney Bain**  
Administration



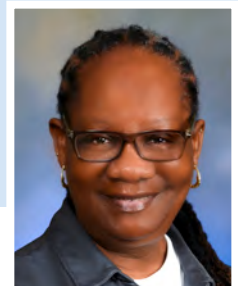
**Rodney D. Bain**  
Intermediaries and  
Market Conduct



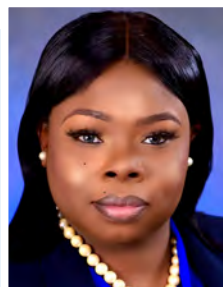
**Decoda Bethell**  
Supervision



**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



**Gerard Lightfoot**  
Supervision



**Nathan Mackey**  
Supervision



**Sheila McPhee**  
Office of the Superintendent



**Tiffany Moss**  
Intermediaries and  
Market Conduct



**Andy Moxey**  
Administration



**Kathrina Munroe**  
Supervision



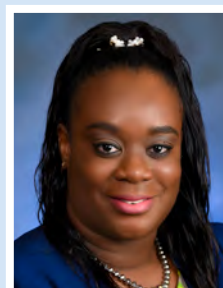
**Danielle Roberts**  
Intermediaries and  
Market Conduct



**Darrin Rodgers**  
Supervision



**Yolande Rolle**  
Legal



**Anishka Russell**  
Supervision



**Dominique Shepherd**  
Policies and Practices



**Raven Storr**  
Administration



**Lakisca Thurston**  
Intermediaries and  
Market Conduct



**Dominique Toote**  
Supervision



**Janairo Turnquest**  
Supervision

# INSURANCE COMPANY SUPERVISION

## Overview of the Supervision Unit

The Supervision Unit is responsible for the supervision and regulation of all insurance companies operating in and from within The Bahamas. This Unit, which consists of nine technical staff and one administrative assistant, carries out supervisory activities to ensure that insurance companies and external intermediaries comply with the insurance legislation, guidelines, and policies issued by the Commission, through its programme of off-site monitoring and onsite examinations.

## Insurance Market Structure

The insurance industry in The Bahamas is regulated in accordance with two primary acts, the Insurance Act and the External Insurance Act. Insurers registered under the Insurance Act are authorized to carry on either long-term or general insurance business for risks located within The Bahamas. Insurers operating in the domestic market are required to conduct business through local intermediaries.

Insurers licensed under the External Insurance Act are authorized to carry on business from within The

Bahamas, in jurisdictions whose legislation permits such activity. These insurers conduct long-term or general insurance business and are licensed as restricted or unrestricted insurers. Captives are licensed as restricted insurers.

Over the past three years, there has been minimal change in the number of insurance companies licensed. In 2022, there were no new domestic or international insurers licensed; however, 12 captive cells of segregated account companies were deregistered. Six domestic insurers continued in run-off status during 2022; four long-term insurers and two general insurers. The Commission continues to receive new applications, with one pending licensing at the end of the year.

## Prudential Supervision and Regulation

The Commission employs a Risk-Based Supervisory Framework to supervise and monitor insurers. Risk-based supervision is a comprehensive, formally structured system that assesses risks within the industry such as liquidity, reinsurance, market, operational,

## INSURANCE MARKET STRUCTURE

<b>Domestic Insurers</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
General Insurers	19	19	18
Long-term Insurers	12	12	12
Association of Underwriters	1	1	1
<b>Total</b>	<b>32</b>	<b>32</b>	<b>31</b>
<b>External Insurers</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>Captive Insurers:</b>			
Stand-alone Insurance Companies	8	8	7
Segregated Accounts Companies (SAC's)	5	5	6
Captive Cells (Segregated Accounts)	131	143	135
<b>Total</b>	<b>144</b>	<b>156</b>	<b>148</b>
<b>Non-Captive Insurers:</b>			
Stand-alone Insurance Companies	7	7	7
Segregated Accounts Companies	1	1	1
<b>Total</b>	<b>8</b>	<b>8</b>	<b>8</b>
<b>External Intermediaries</b>			
Insurance Managers	9	10	10
Brokers	1	1	1
<b>Total</b>	<b>10</b>	<b>11</b>	<b>11</b>

## AGGREGATE FINANCIAL STATEMENT – DOMESTIC INSURERS

(B\$ Thousands)	2022			2021 (Restated)		
	Long-Term Insurers	General Insurers	Total	Long-Term Insurers	General Insurers	Total
<b>BALANCE SHEET</b>						
<b>Investments</b>						
Cash and Deposits	177,685	151,122	328,807	115,396	128,980	244,376
Government Securities	742,337	42,487	784,824	628,593	44,760	673,353
Corporate Securities	62,538	4,993	67,531	59,482	4,701	64,183
Preference Shares	11,803	9,702	21,505	12,833	10,397	23,230
Corporate Equity Listed	32,238	24,856	57,094	29,928	23,398	53,327
Corporate Equity Non-Listed	4,205	2,311	6,516	4,203	2,311	6,514
Mutual Funds	34,402	3,518	37,920	39,593	3,020	42,613
Investment Property	93,928	15,237	109,165	93,778	15,046	108,824
Other Investments	9,339	19,225	28,564	48,123	14,401	62,524
Mortgage loans	116,826	-	116,826	121,162	-	121,162
Policy loans	95,936	-	95,936	97,461	-	97,461
Receivables	72,420	229,523	301,943	141,098	234,188	375,286
Reinsurance Recoverable	42,048	77,381	119,429	50,337	99,440	149,777
Intangibles	3,619	85	3,704	3,709	124	3,833
Fixed Assets	69,060	21,294	90,354	67,104	23,321	90,425
Other Asset	17,640	3,983	21,623	18,573	3,361	21,934
<b>TOTAL ASSETS</b>	<b>1,586,024</b>	<b>605,717</b>	<b>2,191,742</b>	<b>1,531,373</b>	<b>607,448</b>	<b>2,138,821</b>
Technical Reserves	750,099	263,543	1,013,642	724,465	278,963	1,003,428
Other Insurance Liabilities	252,201	61,171	313,372	241,451	65,208	306,659
Other Liabilities	99,440	25,264	124,704	110,078	26,584	136,662
<b>Total Liabilities</b>	<b>1,101,740</b>	<b>349,978</b>	<b>1,451,718</b>	<b>1,075,994</b>	<b>370,755</b>	<b>1,446,749</b>
Share Capital	60,361	57,269	117,630	58,531	55,169	113,700
Retained Earnings	302,357	118,385	420,742	287,770	109,394	397,164
Other Reserves	121,566	80,085	201,651	109,078	72,130	181,208
<b>Total Equity</b>	<b>484,284</b>	<b>255,739</b>	<b>740,023</b>	<b>455,379</b>	<b>236,693</b>	<b>692,072</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,586,024</b>	<b>605,717</b>	<b>2,191,741</b>	<b>1,531,373</b>	<b>607,448</b>	<b>2,138,821</b>
<b>INCOME STATEMENT</b>						
Gross Premiums	484,674	479,081	963,755	485,390	427,849	913,239
Reinsurance Assumed	6,755	1,547	8,302	11,114	1,633	12,747
Reinsurance Ceded	(53,606)	(355,080)	(408,686)	(71,806)	(313,935)	(385,741)
Change in unearned reserve	-	(5,039)	(5,039)	-	(3,546)	(3,546)
<b>Net Premiums</b>	<b>437,823</b>	<b>120,509</b>	<b>558,332</b>	<b>424,698</b>	<b>112,001</b>	<b>536,699</b>
Investment Income	54,004	7,876	61,880	58,943	1,815	60,758
Other Income	13,866	5,493	19,359	24,840	4,653	29,493
<b>Total Income</b>	<b>505,693</b>	<b>133,878</b>	<b>639,571</b>	<b>508,481</b>	<b>118,469</b>	<b>626,950</b>
Net Claims	321,280	32,243	353,523	330,046	22,238	352,284
Net Commissions	38,483	10,111	48,594	34,921	7,280	42,201
Expenses	109,275	75,012	184,287	110,028	74,903	184,931
<b>Total Expenses</b>	<b>469,038</b>	<b>117,366</b>	<b>586,404</b>	<b>474,995</b>	<b>104,421</b>	<b>579,416</b>
<b>NET INCOME</b>	<b>36,655</b>	<b>16,512</b>	<b>53,167</b>	<b>33,486</b>	<b>14,048</b>	<b>47,534</b>

catastrophe, underwriting and investment risks. This Framework enables the Commission to utilize its resources efficiently and effectively by prioritizing the areas of higher risk for individual insurers. It also promotes the implementation of best practices in corporate governance and risk management that are appropriate for the size, nature, and complexity of the institutions, in order to mitigate and manage risk in the company’s business operations.

The Commission conducts group-wide supervision for several insurers which operate in and from within The Bahamas, that are members of international groups. Group-wide supervision is carried out by way of supervisory colleges and home-host exchanges with regional and international regulatory bodies. Supervisory colleges, which consist of regulatory meetings with respective regulators and company management, help to enhance cooperation and coordination across jurisdictions. During 2022 the Commission participated in two supervisory colleges. The Commission also corresponded with home regulators of foreign branches registered in The Bahamas, as well as regulators in host jurisdictions in which Bahamian insurers are registered to conduct insurance business.

**Domestic Insurance Market Overview**

The insurance industry remained stable, with insurance companies demonstrating their resiliency following two

years of economic challenges due to the impact of the Covid-19 pandemic. Insurers reported increased gross premiums and rebounding investment returns, which resulted in a consolidated net profit for the insurance sector.

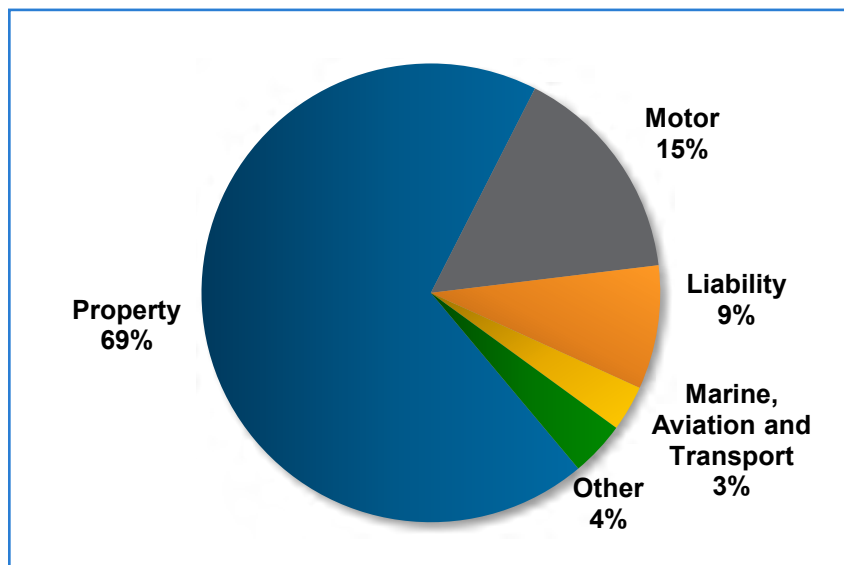
While most insurers maintained capital at the required levels, any deficiencies that the Commission identified were immediately addressed. The Commission’s capital adequacy guidelines require that insurers maintain or exceed the prescribed capital ratio of 150% at all times. A capital ratio below the prescribed level warrants regulatory action in accordance with the Commission’s Ladder of Supervisory Intervention. Insurers are also required to set a target capital ratio in excess of the Commission’s prescribed capital ratio.

**General Insurance Market Overview**

During 2022, gross premiums in the general insurance market amounted to \$479.1 million (2021: \$427.8 million), an increase of 12%. This increase in gross premiums is as a result of growth in the volume of business and rate increases across the market. In particular, the cost of catastrophe cover on property insurance has been impacted by increasing reinsurance rates.

Property, motor and liability insurance were the three largest lines of business accounting for approximately 69%, 16% and 9% of gross premiums respectively.

**GROSS PREMIUMS BY LINES OF BUSINESS – GENERAL INSURANCE**



These lines of business experienced growth in premium during the year; property insurance grew by \$36.3 million (12%), motor insurance grew by \$7.7 million (12%), and liability insurance increased by \$8.9 million (27%). The marine, aviation and transport line of business experienced marginal growth of \$1.8 million (3%), while the pecuniary loss and personal accident lines, which account for less than 1 % of gross premiums, shrunk by 25% and 46% respectively compared to the prior year. The chart below shows the distribution of premiums by lines of business.

The general insurance market finished the year with a net claims ratio of 27%, and a combined loss ratio of 70%. Net claims increased by \$10 million (45%) in this market and totalled \$32.2 million at the end of the year (2021: \$22.2million). The motor line experienced a 62% increase in net claims to \$23.2million (2021: \$14.8 million), and the property line increased 106% to \$6 million (2021: \$3.1million). These lines of business accounted for approximately 90% of the claims; property – 18.5% and motor – 71.6%.

## LINES OF BUSINESS - GENERAL INSURANCE

(B\$ Thousands)	Property	Motor	Fire	Liability	Marine, Aviation, Transport	Pecuniary Loss	Personal Accident	Other	Total
Gross Premiums Written	280,970	74,619	47,736	41,785	15,429	406	365	17,771	479,081
Reinsurance Assumed	1,375	-	205	29	(62)	-	-	-	1,547
Reinsurance Ceded	223,304	30,208	40,545	35,048	11,467	285	57	14,166	355,080
<b>Net Premiums Written</b>	<b>59,041</b>	<b>44,411</b>	<b>7,396</b>	<b>6,766</b>	<b>3,900</b>	<b>121</b>	<b>308</b>	<b>3,605</b>	<b>125,548</b>
Change in Unearned Premium Reserve	(4,199)	(478)	(394)	(21)	(55)	17	9	82	(5,039)
<b>Net Premiums Earned</b>	<b>54,842</b>	<b>43,933</b>	<b>7,002</b>	<b>6,745</b>	<b>3,845</b>	<b>138</b>	<b>317</b>	<b>3,687</b>	<b>120,509</b>
Gross Incurred Claims	18,686	40,112	3,104	3,520	2,335	(90)	109	1,993	69,769
Reinsurance Recovery	13,369	16,840	2,403	1,034	1,775	(68)	7	1,921	37,281
<b>Net Incurred Claims</b>	<b>5,317</b>	<b>23,272</b>	<b>701</b>	<b>2,486</b>	<b>560</b>	<b>(22)</b>	<b>102</b>	<b>72</b>	<b>32,488</b>
Commission Paid	37,881	18,465	8,463	2,267	2,085	80	91	4,271	73,602
Reinsurance Commission Received	37,711	11,789	7,857	1,761	1,714	117	33	2,510	63,492
<b>Net Commission Expense</b>	<b>170</b>	<b>6,675</b>	<b>606</b>	<b>506</b>	<b>371</b>	<b>(37)</b>	<b>58</b>	<b>1,761</b>	<b>10,110</b>
Other Underwriting Expenses	286	72	-	9	18	2	-	41	428
Premium Taxes	5,983	1,788	443	313	398	7	9	382	9,323
Catastrophe and Excess Loss of Reinsurance	22,970	2,881	3,932	590	1,631	-	29	(3)	32,030
<b>Total Underwriting Expenses</b>	<b>34,727</b>	<b>34,688</b>	<b>5,682</b>	<b>3,904</b>	<b>2,978</b>	<b>(50)</b>	<b>198</b>	<b>2,253</b>	<b>84,379</b>
<b>Net Underwriting Income/(Loss)</b>	<b>20,116</b>	<b>9,245</b>	<b>1,320</b>	<b>2,841</b>	<b>867</b>	<b>188</b>	<b>119</b>	<b>1,434</b>	<b>36,130</b>

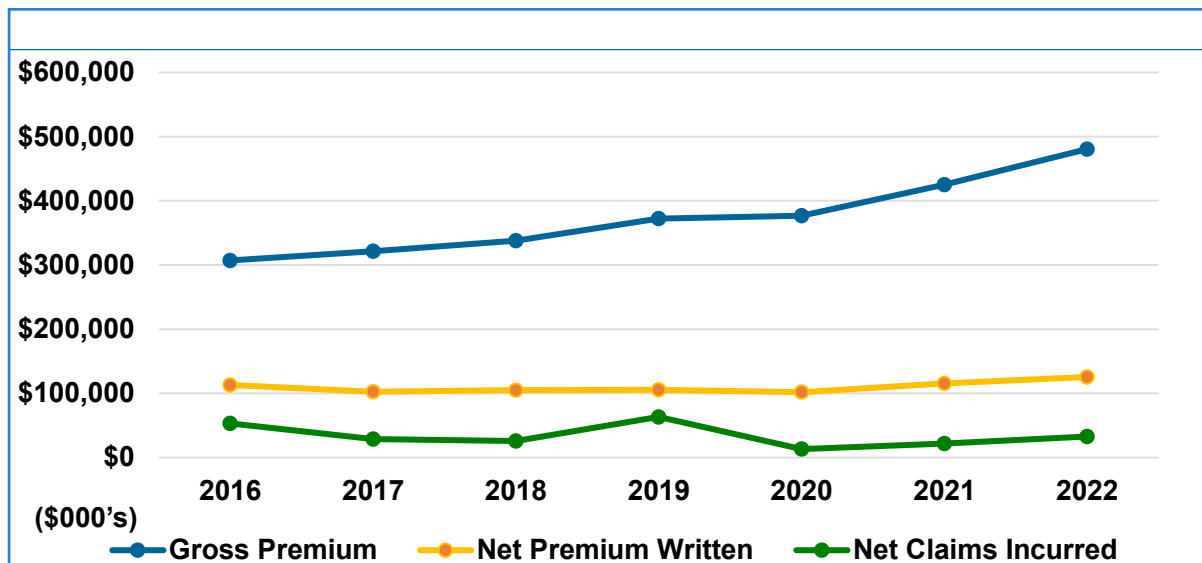
General insurers use reinsurance to mitigate their risk; companies cede between 70%-90% of insurance risk to highly rated reinsurers, as determined by A. M. Best. The Commission reviews the reinsurance treaties of general insurers annually to ensure that the reinsurance programs appropriately mitigate risks and adequately protect insurers' capital.

At December 31, 2022 general insurers reported a retention ratio of 25.2% (2021: 26.2%), with net

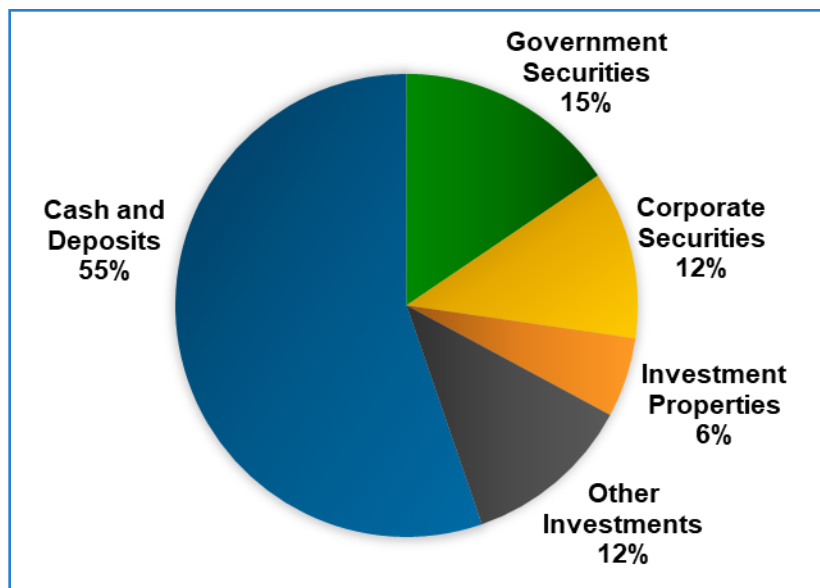
premiums of \$125.5 million (2021: \$112 million), an 8% increase over the prior year.

Net underwriting income for the year amounted to \$36.1 million (2021: \$39.4 million) a decrease of 8%. Operating expenses rose by \$2.5 million (7.8%) to \$33.9 million (2021: \$31.4 million). Nonetheless, general insurers reported a 20% increase in net income to \$16.8 million (2021: \$14 million) after taking into account the investment income.

### PREMIUMS AND CLAIMS - GENERAL INSURANCE



### INVESTMENTS – GENERAL INSURANCE





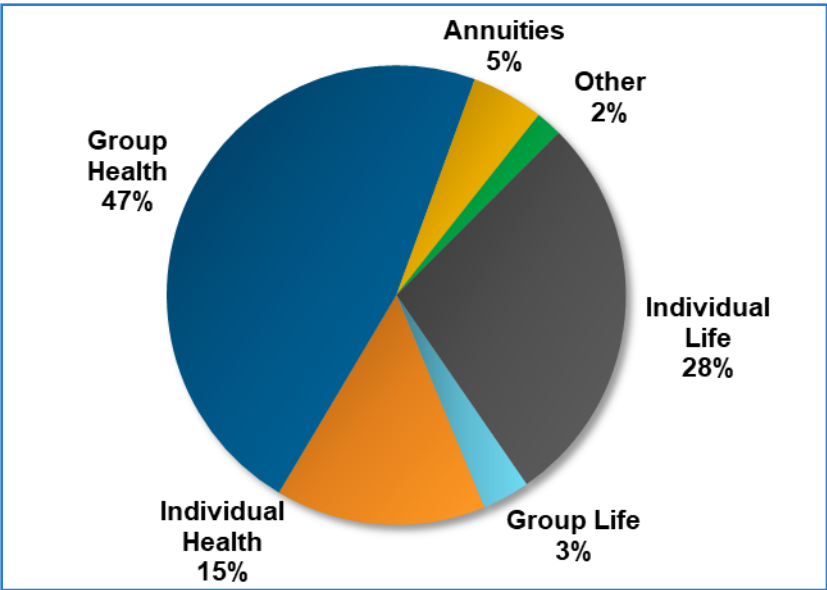
General insurers earned investment income of \$7.9 million during 2022 (2021: \$1.8 million), including realized and unrealized gains as economic conditions continued to improve. The market remained liquid, as cash represented 55.3% of the investment portfolio. The increase of \$26.4 million (10.7%) during 2022 was largely attributable to the accretion in cash of \$22.1 million (17.2%) which totaled \$151.1 million (2021: \$129 million) at the end of the year. This increase was due to the reduction in receivables from policyholders and reinsurers. Government guaranteed securities amounted to \$42.5 million (2021: \$44.8 million), 15.5% of invested assets. The remaining invested asset categories experienced minimal movement during the year. Total assets remained relatively stable overall

with a slight decline of \$1.7 million to \$605.7 million (2021: \$607.4 million).

Insurance liabilities, which account for 93% of the liabilities of the market, declined moderately during the year by 5.7% to \$324.7 million (2021: \$344.2 million). These liabilities include unearned premiums of \$169.6 million (2021: \$161.8 million), claims outstanding of \$56.8 million (2021: \$58.3 million) and claims provision of \$37.2 million (2021: \$58.9 million).

Risk-based capital is a method of measuring the minimum amount of capital appropriate for an insurer to support its overall business operations in consideration of its size and risk profile.

**GROSS PREMIUMS BY LINES OF BUSINESS - LONG-TERM INSURANCE**



The Risk-Based Capital Framework for general insurers was introduced to the industry for consultation during 2018. The Commission carried out a third iteration of the quantitative impact assessment during 2022. This iteration included amendments made to the Framework given the implementation of IFRS 17. The final round of quantitative impact studies is scheduled for 2023, prior to implementation of the Framework.

### Long-term Insurance Market

Gross premiums written in the long-term market increased by \$5.5 million (1.2%) to \$459.4 million (2021: \$453.9 million), while annuity deposits declined by \$6.2 million (19.7%) to \$25.2 million. The combined result is a minimal decrease of less than one percent in total gross premiums and deposits in the market. Additionally, reinsurance premiums assumed by insurers declined \$4.4 million (39.2%).

## LINES OF BUSINESS – LONG-TERM INSURANCE

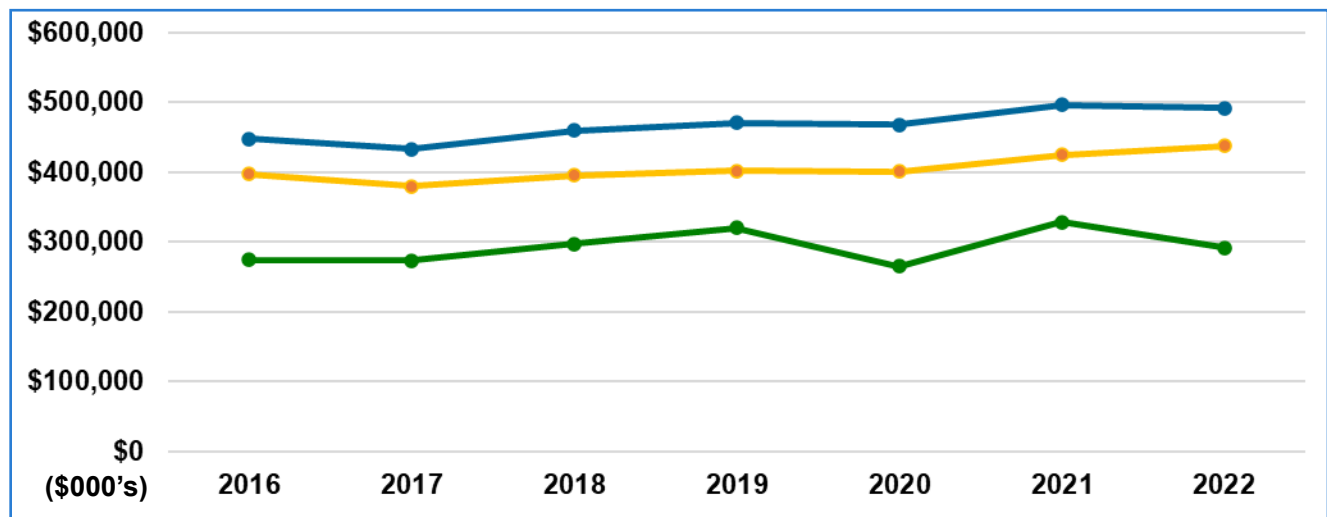
(B\$ Thousands)	Individual Life	Group Life	Individual Health	Group Health	Annuities	Other	Total
Gross Premiums Written	135,207	16,216	71,737	227,872	24,684	8,958	<b>484,674</b>
Reinsurance Assumed	-	-	-	-	-	6,755	<b>6,755</b>
Reinsurance Ceded	24,785	5,559	8,487	14,775	-	-	<b>53,606</b>
<b>Net Premiums Written</b>	<b>110,422</b>	<b>10,657</b>	<b>63,250</b>	<b>213,097</b>	<b>24,684</b>	<b>15,713</b>	<b>437,823</b>
Policyholder Benefit	80,618	5,132	31,734	175,778	23,138	10,918	<b>327,318</b>
Less: Reinsurance Recoveries	12,659	2,352	6,067	12,468	-	-	<b>33,546</b>
Changes in Reserves for Future Policyholder Benefits	14,670	127	1,378	4,646	6,806	(119)	<b>27,508</b>
<b>Total Policyholder Benefits</b>	<b>82,629</b>	<b>2,907</b>	<b>27,045</b>	<b>167,956</b>	<b>29,944</b>	<b>10,799</b>	<b>321,280</b>
Net Commission	20,069	175	6,079	11,221	298	641	<b>38,483</b>
Other Underwriting Expenses	9	-	-	-	-	-	<b>9</b>
Premium Taxes	4,204	298	974	7,836	-	230	<b>13,542</b>
<b>Total Underwriting Expenses</b>	<b>106,911</b>	<b>3,380</b>	<b>34,098</b>	<b>187,013</b>	<b>30,242</b>	<b>11,670</b>	<b>373,314</b>
<b>Total Underwriting Income/(Loss)</b>	<b>3,511</b>	<b>7,277</b>	<b>29,152</b>	<b>26,084</b>	<b>(5,558)</b>	<b>4,043</b>	<b>64,509</b>

Group health premiums decreased by \$14.8 million (6.1%) to \$227.9 million. This reduction is largely due to the elimination of the Government's Covid-19 Travel Protection Policy in June 2022. Individual health insurance premiums written increased by \$18.5 million (34.6%) during the year to \$71.7 million. Individual life premiums totalled \$134.1 million, reflecting minimal growth of less than one percent, while group life

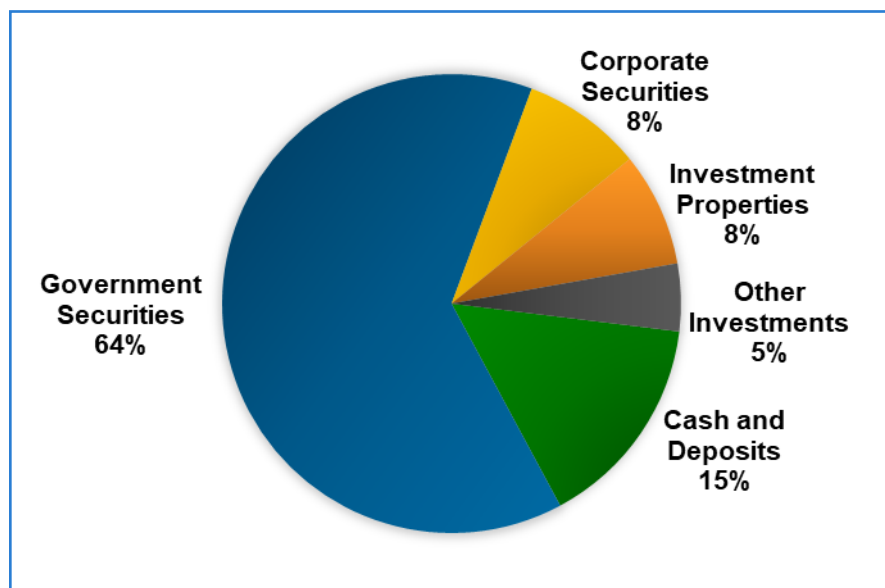
premiums grew by \$1.1million (7.1%) to \$16.2 million at the end of the year.

Net income for the year amounted to \$36.7 million (2021: \$33.5 million), a moderate growth of \$3.2 million (9.5%), as net policyholder benefits declined by \$8.8 million (2.7%), while expenses increased by \$5.4 million (3.8%). The long-term market experienced a combined loss ratio of approximately 107.49%.

### PREMIUMS AND CLAIMS – LONG-TERM INSURANCE



### INVESTMENTS – LONG-TERM INSURANCE



The underwriting results for the long-term market are buttressed by investment returns.

The long-term market earned an investment return of 4.1% (2021: 4.6%) during the year. Total investments increased by \$130.7 million (10.5%) to stand at \$1.38 billion. Despite this growth in invested assets, investment income which amounted to \$54 million (2021: \$58.9 million) for the year, declined by \$4.9 million (8.4%) due to unrealized losses in foreign denominated securities. Government securities, which comprise 53.7% of invested assets, grew by \$113.7 million (18%) to stand at \$742.3 million; cash and deposits, increased by \$62.3 million to \$177.3 million and mortgage loans declined \$4.3 million (4%) to \$116.8 million. Total assets for the market grew by \$54.6 million (3.6%) to \$1.6 billion (2021; \$1.5 billion).

Total insurance liabilities increased by \$36.4 million (3.8%) to \$1 billion; Technical reserves increased by \$25.6 million (3.5%) to \$750.1 million and other insurance liabilities grew by \$10.8 million (4.5%) to \$252.2 million. Other liabilities, which account for 9% of total liabilities declined by \$10.6 million (9.7%), during the year, resulting in a net increase in total liabilities of \$25.7 million (2.4%) to \$1.1 billion (2021: \$1.08 billion).

### **External Insurance Market**

The external insurance market, which insures risks located outside of The Bahamas, remained static during the year. While the 2022 financial statements were not available for the external insurance market at the time of this report, the 2021 statements provided some insight into the trends in this market.

The majority of captive insurance business stems from the United States. Although there was an increase in the number of captive cells during 2021, the net premium remained relatively stable, totaling \$69.5 million, a 1.1% increase over the prior year. Premiums related to the increase in the number of captive cells were offset by the cancellation of one captive insurance company. Gross premiums in the captive insurance market for 2021 rose by \$1.9 million (2.5%) to \$78.6 million. The majority of registered captives are cell captives which utilize reinsurance pooling arrangements for risk distribution. Reinsurance premiums assumed and ceded of \$37.2 million and \$46.3 million respectively, changed by less than one percent from the prior year. Net income in the captive market increased by

\$6.6 million (10.4%) to \$70.1 million, as claims and expenses declined by 23.4% and 4.1% respectively, while investment income improved by 30% to \$21.2 million, including unrealized gains.

Invested assets in the captive market expanded by \$24.3 million (6.3 %) to \$408.9 million and total assets increased by \$19.1 million (3.3%) to end the year at \$592 million. The primary asset categories for this market were receivables (23%), cash and deposits (21%) and listed equity securities (18%).

The non-captive market, which consists predominantly of insurers providing variable life insurance, generated net income of \$3.5 million, an increase of 2.1% over the prior year. Assets in this market increased slightly by 1.7%, totalling \$1.4 billion with approximately 90% of the assets being maintained in the separate accounts of variable life insurance policies.

### **Anti-Money Laundering**

Long-term insurance companies are deemed financial institutions under the Financial Transaction Reporting Act (FTRA) and hence are subject to the requirements under the suite of Anti-Money Laundering/Combating the Financing of Terrorism/Counter Proliferation Financing (AML/CFT/CPF) legislation. Although general insurers are not considered financial institutions and are not subject to the same degree of requirements as their long-term counterparts, these entities also have obligations under the FTRA and Proceeds of Crime Act (POCA). General insurers are required to implement AML/CFT/CPF programmes commensurate with the risk to which this market is exposed. The Commission is responsible for ensuring that all insurers comply with the FTRA, POCA and the Commission's AML/CFT/CPF guidelines.

The Commission's staff continue to receive local and international training on an annual basis to keep abreast of AML/CFT/CPF issues and trends, completing certifications in the fields of risk and compliance. The training and qualifications assist staff in developing supervisory strategies to monitor compliance with AML/CFT/CPF legislation and assess the impact of emerging money laundering and terrorist financing threats on the insurance sector.

## AGGREGATE FINANCIAL STATEMENTS – EXTERNAL INSURANCE

(B\$ thousands)	2021			2020 (Restated)		
	Captive Insurer	Non-Captive Insurer	Total	Captive Insurer	Non-Captive Insurer	Total
<b>BALANCE SHEET</b>						
<b>Investments</b>						
Cash and Deposits	123,231	16,806	140,037	124,550	15,857	140,407
Government Securities	45,256	25,911	71,167	44,391	28,403	72,794
Equities - Listed	108,701	58,670	167,371	88,804	55,193	143,997
Equities - Non-Listed	-	-	-	534	-	534
Mutual Funds	98,520	-	98,520	96,812	-	96,812
Segregated Accounts Investments	501	1,220,810	1,221,311	602	1,043,892	1,044,494
Other Investments	32,675	-	32,675	28,917	168	29,085
Receivables	136,884	25,600	162,484	129,907	9,900	139,807
Re-Insurance Recoveries	42,882	-	42,882	53,819	-	53,819
Fixed Assets	-	76	76	-	20	20
Other Assets	3,341	1,213	4,554	4,586	7	4,593
<b>TOTAL ASSETS</b>	<b>591,991</b>	<b>1,349,086</b>	<b>1,941,077</b>	<b>572,922</b>	<b>1,153,440</b>	<b>1,726,362</b>
Technical Reserves	163,735	583	164,318	169,334	636	169,970
Other Insurance Liabilities	28,144	-	28,144	26,035	-	26,035
Other Liabilities	15,243	1,338,220	1,353,463	15,621	1,143,225	1,158,846
<b>Total Liabilities</b>	<b>207,122</b>	<b>1,338,803</b>	<b>1,545,925</b>	<b>210,990</b>	<b>1,143,861</b>	<b>1,354,851</b>
Share Capital	36,347	3,107	39,454	35,054	3,000	38,054
Retained Earnings	342,841	7,176	350,017	322,080	6,579	328,659
Other Reserves	7,681	-	7,681	4,798	-	4,798
<b>Total Equity</b>	<b>386,869</b>	<b>10,283</b>	<b>397,152</b>	<b>361,932</b>	<b>9,579</b>	<b>371,511</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>593,991</b>	<b>1,349,086</b>	<b>1,943,077</b>	<b>572,922</b>	<b>1,153,440</b>	<b>1,726,362</b>
<b>INCOME STATEMENT</b>						
Gross Premiums	78,581	-	78,581	76,663	-	76,663
Reinsurance Assumed	37,183	-	37,183	37,332	-	37,332
Reinsurance Expense	(46,310)	-	(46,310)	(45,290)	-	(45,290)
<b>Net Premiums</b>	<b>69,454</b>	<b>-</b>	<b>69,454</b>	<b>68,705</b>	<b>-</b>	<b>68,705</b>
Investment Income	21,262	(7)	21,255	16,355	-	16,355
Other Income	397	6,697	7,094	354	6,199	6,553
<b>Total Income</b>	<b>91,113</b>	<b>6,690</b>	<b>97,803</b>	<b>85,414</b>	<b>6,199</b>	<b>91,613</b>
Net Claims	8,716	-	8,716	11,386	-	11,386
Expenses	12,340	3,237	15,577	10,577	2,818	13,395
<b>Total Expenses</b>	<b>21,056</b>	<b>3,237</b>	<b>24,293</b>	<b>21,963</b>	<b>2,818</b>	<b>24,781</b>
<b>NET INCOME</b>	<b>70,057</b>	<b>3,453</b>	<b>73,510</b>	<b>63,451</b>	<b>3,381</b>	<b>66,832</b>

## **National Risk Assessment**

In 2022 the Government of The Bahamas began the process of updating its National AML/CFT/CPF Risk Assessment which was originally completed in 2015/2016. The assessment aims to determine the current money laundering, terrorist financing and proliferation financing (ML/TF/PF) risks, threats and vulnerabilities of the country. As a part of the current assessment, the Commission conducted a comprehensive review of the insurance sector with a view to identifying ML/TF/PF vulnerabilities given the size, operations, customer base and products of insurance companies.

The Commission collected and analysed data to determine whether the risks identified were sufficiently mitigated by the AML controls in place. This data will assist the Commission in enhancing its AML supervisory framework. The report of the findings for the insurance sector's assessment and the overall level of vulnerability of the country is expected to be finalized in 2023.

## **Implementation of IFRS 17**

During 2022, the Commission continued to assess insurers' preparation for the implementation of impending changes of International Financial Reporting Standards (IFRS) 17. IFRS 17, which comes into effect January 2023, represents the most significant change to insurance accounting requirements in over 20 years. The Standard will demand a significant overhaul of the financial statements of insurers; it will affect how insurers determine the valuation of insurance contracts. Most insurers are on schedule with their implementation plans for reporting in 2023.

The Commission's staff completed training on the new standard in preparation for the impending implementation. Additionally, the financial reporting forms and the Risk-Based Capital Framework are being amended to align with IFRS 17 requirements.

## **Enforcement**

Pursuant to section 238 of the Insurance Act the Commission has the power to impose penalties for non-compliance with the Act or a directive of the Commission. The Commission sanctioned two registrants in 2022 for failure to file financial statements by the statutory deadline.

# INTERMEDIARIES AND MARKET CONDUCT

The Intermediaries and Market Conduct Unit monitors and has oversight of insurance intermediaries. The primary function of the Unit is to ensure that registered intermediaries adhere to legislation, regulations and guidelines while promoting fair treatment of policyholders. Additionally, the Unit ensures that intermediaries maintain proper record-keeping, trust accounts and prescribed capital. The Insurance Act prohibits insurance companies from selling products directly to the public, making intermediaries essential for the industry. Registered intermediaries include Brokers, Agents, Sub-Agents, Adjusters and Salespersons.

## Agents and Brokers

During 2022 the intermediary market remained stable and competitive, ending the year with 57 registered Agents and Brokers. The Commission issued certificates of registration to one Agent and Broker, one Sub-Agent Corporate, one Sub-Agent Sole Proprietor and cancelled the registration of one Sub-Agent Sole Proprietor. Agents are sponsored by insurance companies to promote and sell their products, while Brokers are engaged by policyholders to identify insurance products suitable for their needs. Intermediaries receive compensation in the form of commissions for business generated with the registered insurer. The 2022 audited financial statements have not been collated, however in 2021 aggregate audited financial statements of Agents and

Brokers reported gross commission received in the amount of approximately \$89.1 million, of which \$64 million (72%) was attributed to the 10 largest agents and brokers.

## Independent and Public Adjusters

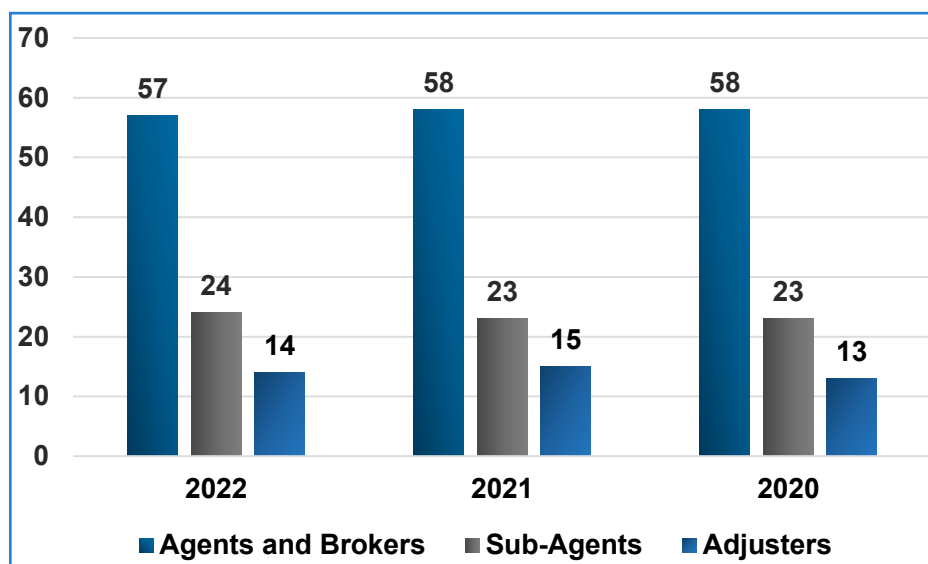
Independent Adjusters are used by insurance companies to assist with the assessment of specific claims. Public Adjusters and public assessors are engaged by policyholders to assist with the claims process. Adjusters are required to meet minimum professional qualifications and experience. As at December 31, 2022, there were nine individual adjusters, two public and four independent adjusting firms registered.

Following a catastrophe, the legislation permits registered adjusters and insurers to engage foreign adjusters to settle claims, with notice being given to the Commission. In 2022, following the passage of Tropical Storm Nicole, six such notices were received with two foreign adjusters being ultimately engaged.

## Salespersons

All insurance products must be approved by the Commission prior to being offered to the market. Insurance products and services are distributed predominantly through registered salespersons. As at December 2022, there were 668 (2021: 676) active registered salespersons, of which 496 were registered

## DOMESTIC CORPORATE INTERMEDIARIES



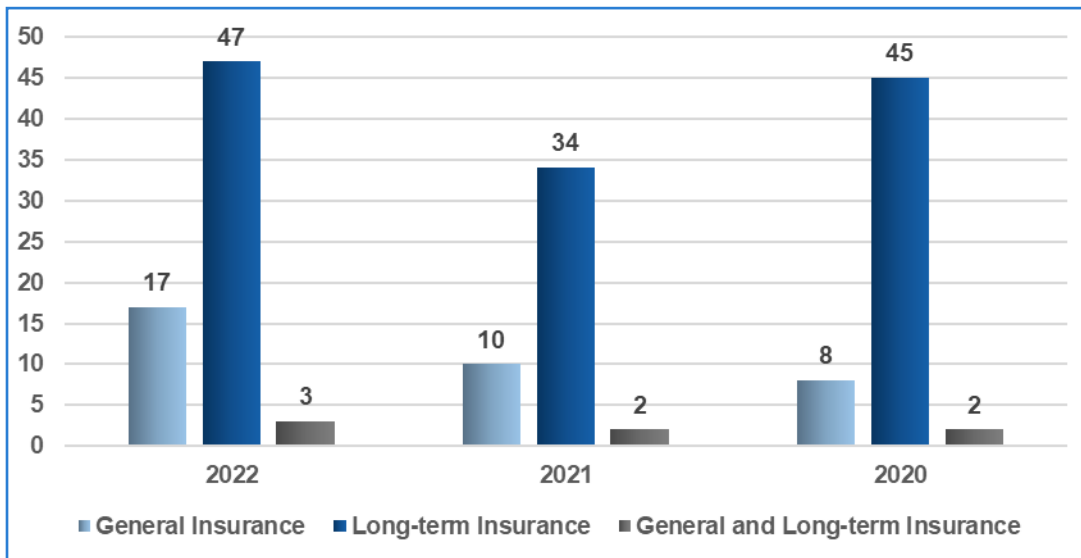
to sell only long-term insurance, 96 registered to sell only general insurance, and 76 registered to sell both long-term and general insurance. Salespersons act on behalf of registered insurers or corporate intermediaries to solicit applications for insurance coverage. Each salesperson can only be sponsored by one insurer or intermediary at a time, however, prior approval is required in instances where the salesperson may desire to change their sponsorship.

To become a registered salesperson, individuals must meet registration requirements and pass a comprehensive examination set by the Commission. Examinations for registration are conducted on a monthly basis in New Providence and Grand Bahama. The registration process also includes assessing the fitness and propriety of applicants. Salespersons must

maintain a high level of integrity and professionalism, receive relevant industry training and submit renewal documents and fees to maintain their registration with the Commission.

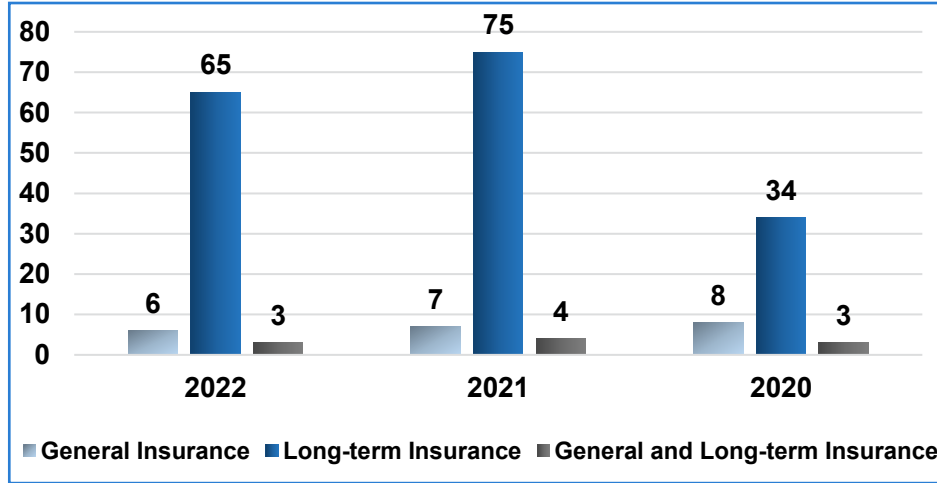
During 2022 the Commission registered 67 new insurance salespersons and cancelled the registration of 74 salespersons. The registration of a salesperson may be cancelled if the salesperson has not conducted any insurance business for a year, upon the request for cancellation by the salesperson, or if the Commission after conducting an investigation concludes that the salesperson acted in contravention of the legislation, thus making them unfit to be registered. Salespersons who have been inactive for less than one year, but have not yet been cancelled, may be categorised as dormant.

### REGISTRATION OF SALESPERSONS BY CLASS

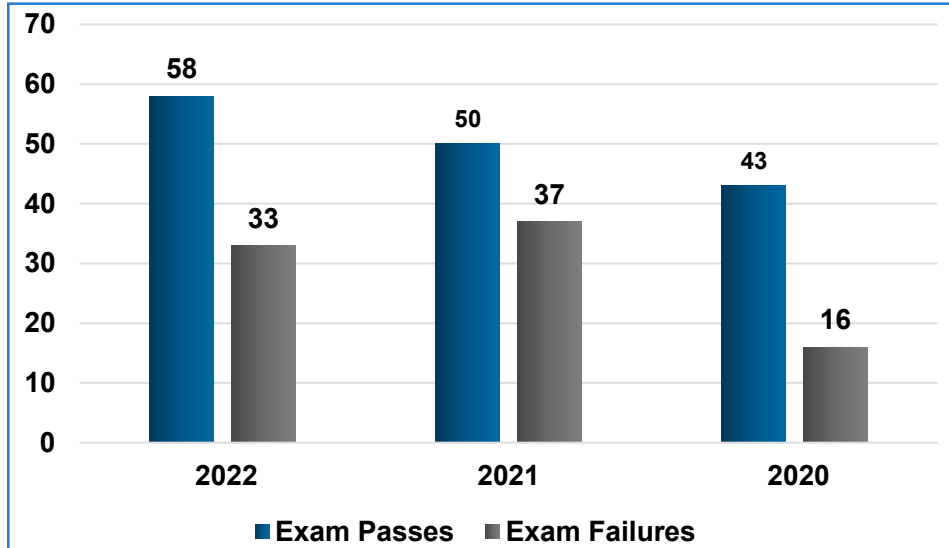




## CANCELLATIONS OF SALESPERSONS BY CLASS



## SALESPERSONS' EXAMINATION RESULTS



## Non-registered Companies

There are certain insurance coverage or specialty risks that are either not available in the local insurance market or cannot be obtained at a comparative cost. Under these circumstances, section 41 of the Insurance Act permits the placement of insurance business with insurers who are not registered by the Commission. Policyholders must apply for approval to obtain coverage with non-registered insurers, however the Commission does not assume any liability towards the applicant in relation to the insurance contract.

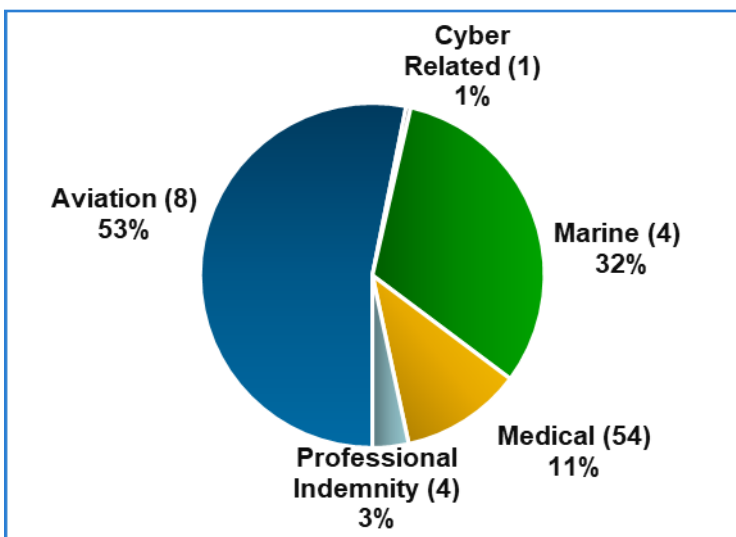
During the year, 71 applications were granted permission for placement of business with non-registered insurers as illustrated below:

## Complaints

The Commission is mandated to ensure that policyholders, claimants, and beneficiaries are treated fairly and in compliance with legislation, regulations, and guidelines. Market conduct oversight includes monitoring complaints received against insurers and conducting investigations into matters regarding improper actions of salespersons. This may lead to enforcement actions including administrative sanctions, fines and penalties against insurers, intermediary companies and cancellation of salespersons.

The Commission requires all registered insurance and intermediary companies to have an internal complaints process whereby a policyholder or beneficiary may file a formal complaint and obtain a resolution. The Company should issue a final position letter regarding the matter; if the policyholder or beneficiary deems this

## CONTRACTS WITH NON-REGISTERED COMPANIES



position unsatisfactory, a complaint may be initiated in accordance with the Commission's Complaint Process Guide. The Commission's complaint process guide includes mediation and arbitration where appropriate.

In 2022 the Commission investigated 26 complaints related to the following:

- misrepresentation or non-disclosure at the time of application
- policy lapses
- denial of request for reinstatement

Of these complaints, 10 were resolved and 16 remained under review at the end of the year. The Commission uses the information gathered from complaints to inform consumer awareness initiatives and to continue its consumer education campaign.

During the year eleven adverse reports against salespersons were received. These included allegations of misappropriation of client funds, failure to submit premiums on behalf of clients and falsification of client documents and signatures. Six matters remain under active investigation, one matter has been successfully resolved with a sanction issued, and four require further information to proceed.

### **Consumer Awareness**

The Commission plays a significant role in educating and informing the public about insurance. In 2022 the Commission continued its consumer awareness initiatives via its radio, television, and social media platforms.

# REGULATORY CO-OPERATION

In its efforts to enhance its regulatory and supervisory regime, and stay abreast of internationally accepted best practices and developments, the Commission continues to sustain relationships with local, regional and international bodies.

## **Group of Financial Services Regulators (GFSR)**

GFSR, which was established in 2002, is comprised 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 devise responses to actual and potential systemic risks to the financial services sector.

## **Caribbean Financial Action Task Force (CFATF)**

CFATF, a member of the FATF global network, was established in November 1992 to support compliance with FATF's 40 Recommendations and the AML/CFT/CPF programmes and strategies among its 24-state membership.

The Bahamas is a member of the Steering Group of CFATF which makes recommendations for improvements in its operation and administration. In 2022, the Commission was represented by members of staff at the virtual and in-person plenary meetings held during the year. At the plenary held in December 2022, The Bahamas was successful in achieving Compliant and Largely Compliant re-ratings in the final two FATF Recommendations.

## **Caribbean Association of Insurance Regulators (CAIR)**

CAIR was formed in 1994 to promote cooperation and coordination of insurance regulatory and supervisory work in the Caribbean. The Commission served as President of CAIR for two terms from 2014 to 2018, and in 2022 was re-elected for a third term as Secretary on the Executive Council. Due to the impact of the COVID-19 pandemic, the Association hosted its annual conference virtually in September 2022.

## **Group of International Insurance Centre Supervisors (GIICS)**

GIICS consists of regulators from offshore jurisdictions engaged in international insurance. It promotes vigorous supervision of all offshore insurance entities in accordance with IAIS principles. Membership in GIICS offers a unique forum where offshore jurisdictions can exchange information and work towards attaining the highest standard of insurance regulation in their jurisdiction.

## **International Association of Insurance Supervisors (IAIS)**

The Bahamas serves as a member of the Implementation and Assessment Committee of the IAIS, which is responsible for pursuing the IAIS' high-level objective to support members' efforts to implement the IAIS supervisory material. The IAIS, established in 1994, is a voluntary membership organisation of insurance supervisors and regulators from more than 200 jurisdictions. The IAIS is the international standard-setting body, responsible for developing and assisting in the implementation of principles, standards and other supporting material for the supervision of the insurance sector. The IAIS also provides a forum for members to share their experiences and understanding of insurance supervision and insurance markets. The mission of the IAIS is to promote effective and globally consistent supervision of the insurance industry to develop and maintain fair, safe and stable insurance markets for the benefit and protection of policyholders, and to contribute to global financial stability.

# COMMUNITY OUTREACH AND TRAINING



*ICB supports Breast Cancer, Lupus and Diabetes Awareness campaigns.*



*Sponsorships provided to the Kevin Johnson Summer Basketball Camp and the Chaplaincy Unit of The Bahamas Department of Corrections.*



*ICB supports The Bahamas Red Cross Society's Ball and the St. John's College 75th Anniversary Ball.*



*Staff attend conferences hosted by the Caribbean Regional Compliance Association, the Chartered Institute of Arbitrators and Microsoft Power Platform.*



**FINANCIAL STATEMENTS FOR THE  
YEAR ENDED DECEMBER 31, 2022  
AND INDEPENDENT AUDITORS' 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, 2022, and the statement of profit or loss and other comprehensive income or loss, statement of changes in net assets and statement of 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, 2022, 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.

### Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### 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.



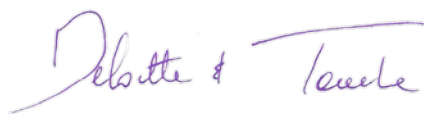
## Auditors' Responsibilities for the Audit of the Financial Statements

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.



June 22, 2023

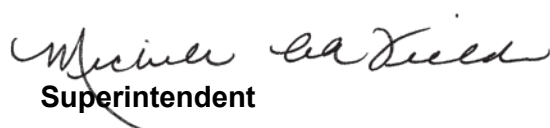
# Insurance Commission of The Bahamas

## Statement of Financial Position As of December 31, 2022 (Expressed in Bahamian dollars)

	2022 \$	2021 \$
<b>ASSETS</b>		
Cash on hand and at banks (Note 11)	808,218	714,212
Accounts receivable (Notes 4, 11 and 13)	2,015,280	2,107,106
Prepaid expenses and other assets	5,271	26,699
Pension contribution receivable (Notes 10 and 11)	145,407	410,108
Investments (Notes 5 and 11)	24,328,473	20,664,816
Plant and equipment (Note 6)	99,537	165,756
Right-of-use asset (Note 6)	1,281,770	1,099,317
<b>Total assets</b>	<b>28,683,956</b>	<b>25,188,014</b>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses (Notes 7 and 11)	539,567	415,776
Premium taxes payable to The Bahamas Government (Note 11)	3,016	5,331
Funds held on behalf of Licensees (Note 8)	155,828	154,018
Deferred income (Note 9)	194,852	183,619
Staff pension fund (Note 10)	1,303,625	1,207,321
Lease liability (Note 12)	1,445,475	1,235,643
<b>Total liabilities</b>	<b>3,642,363</b>	<b>3,201,708</b>
<b>NET ASSETS</b>	<b>25,041,593</b>	<b>21,986,306</b>
Represented by:		
<b>SURPLUS</b>	<b>25,041,593</b>	<b>21,986,306</b>

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 June 22, 2023, 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, 2022 (Expressed in Bahamian dollars)

	2022	2021
	\$	\$
<b>INCOME</b>		
Fee Income:		
Premium taxes	7,353,347	6,695,133
License and registration fees	403,723	344,515
Total fee income	<u>7,757,070</u>	<u>7,039,648</u>
Interest income (Note 11)	659,217	530,195
<b>Total income</b>	<b><u>8,416,287</u></b>	<b><u>7,569,843</u></b>
<b>EXPENSES</b>		
Salaries, wages, and employee benefits (Notes 10 and 11)	2,652,851	2,351,982
Professional fees (Note 11)	814,898	1,027,683
Depreciation (Note 6)	404,864	341,096
Utilities and property charges (Note 11)	345,391	290,398
Training and conferences	255,902	47,956
Public & community relations	185,702	128,564
Membership fees and subscriptions	102,655	97,115
Office	99,068	74,964
Lease interest expense (Note 11)	84,009	70,371
Commissioners' honoraria and expenses (Note 11)	72,383	26,500
Rent (Note 11)	7,725	113,242
Repairs and maintenance	7,133	4,622
Bank charges (Note 11)	5,007	7,425
Vehicle expense	4,824	2,629
Miscellaneous	73	19
<b>Total expense</b>	<b><u>5,042,485</u></b>	<b><u>4,584,566</u></b>
<b>Profit for the year</b>	<b>3,373,802</b>	<b>2,985,277</b>
<b>OTHER COMPREHENSIVE INCOME/ LOSS</b>		
Items that will not be reclassified subsequently to profit or loss:		
Actuarial loss on defined benefit plan (Note 10)	<b>(318,515)</b>	<b>(4,406)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b><u>3,055,287</u></b>	<b><u>2,980,871</u></b>

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, 2022 (Expressed in Bahamian dollars)

<b>SURPLUS</b>	<b>\$</b>
<b>Balance as of January 1, 2021</b>	<b>19,005,435</b>
Profit for the year	2,985,277
Other comprehensive loss	(4,406)
<b>Balance as of December 31, 2021</b>	<b>21,986,306</b>
Profit for the year	3,373,802
Other comprehensive loss	(318,515)
<b>Balance as of December 31, 2022</b>	<b>25,041,593</b>

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, 2022 (Expressed in Bahamian dollars)

	<b>2022</b>	<b>2021</b>
	\$	\$
<b>Cash flows from operating activities:</b>		
Profit for the year	3,373,802	2,985,277
Adjustment for non-cash items:		
Depreciation (Note 6)	404,864	341,096
Interest income (Note 11)	(659,217)	(530,195)
Movement in working capital:		
Decrease/ (increase) in accounts receivables	87,280	(155,796)
Decrease/ (increase) in prepaid expenses and other assets	21,428	(6,045)
Increase in pension contribution receivable	(22,556)	(22,080)
Increase in accounts payable and accrued expenses	123,791	141,497
(Decrease)/increase in premium taxes payable to Government	(2,315)	4,478
Increase in deferred income	11,233	20,723
Increase in staff pension fund liability	65,046	71,814
Increase in funds held on behalf of a licensee	1,810	1,795
Net cash from operating activities	<u><b>3,405,166</b></u>	<u><b>2,852,564</b></u>
<b>Cash flows from investing activities</b>		
Net movement in term deposits (Note 5)	(3,663,657)	(2,161,091)
Purchase of plant and equipment (Note 6)	(18,202)	(17,734)
Disposal of BGRS (Note 5)	1,000,000	-
Acquisition of BGRS (Note 5)	(1,000,000)	(2,000,000)
Interest received	663,763	501,129
Net cash used in investing activities	<u><b>(3,018,096)</b></u>	<u><b>(3,677,696)</b></u>
<b>Cash flows from financing activities</b>		
Increase/(decrease) in lease liability	(293,064)	(190,738)
Net cash used in financing activities	<u><b>(293,064)</b></u>	<u><b>(190,738)</b></u>
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>94,006</b>	<b>(1,015,870)</b>
Cash and cash equivalents as of beginning of period	714,212	1,730,082
<b>Cash and cash equivalents as of end of period</b>	<u><b>808,218</b></u>	<u><b>714,212</b></u>

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

# Insurance Commission of The Bahamas

## Notes to the Financial Statements

### 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, 2022.

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

Amendments to IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets  
Amendments to IFRS 3 – Reference to the Conceptual Framework  
Amendments to IFRS 16 – Property, Plant and Equipment

The above standards have not led to changes in the financial position of the Commission during the current year.

#### ***Relevant Standards and Interpretations in issue but not yet effective***

Amendments to IAS 1 – Presentation of Financial Statements  
Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors

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

# Insurance Commission of The Bahamas

## Notes to the Financial Statements

### 3. (a) Critical accounting judgments and key sources of estimation uncertainty (continued)

exercise its judgment in the process of applying its accounting policies. 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

Management conducts an annual Expected Credit Loss (ECL) assessment for all financial assets and has concluded there is no need to make an ECL provision in our financial statements. Investments are measured at amortised cost net of any write down for impairment.

### (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

# Insurance Commission of The Bahamas

## Notes to the Financial Statements

### (g) Plant and equipment (continued)

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

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



# Insurance Commission of The Bahamas

## Notes to the Financial Statements

### (j) Employee benefits (continued)

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 the 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.

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

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Premium taxes	1,787,240	1,827,703
Accrued interest income	172,992	177,538
VAT recoverable	40,442	72,838
Fees	3,100	5,850
Other	11,506	23,177
<b>Total</b>	<b><u>2,015,280</u></b>	<b><u>2,107,106</u></b>

For all categories of Accounts Receivable the Commission has determined that the expected credit loss is minimal and that no provision is necessary.

# Insurance Commission of The Bahamas

## Notes to the Financial Statements

### 5. Investments

	2022 \$	2021 \$
Term deposits	15,332,273	11,668,616
Bahamas Government Registered Stock	8,996,200	8,996,200
<b>Total</b>	<b>24,328,473</b>	<b>20,664,816</b>

During the period covered by these financial statements, the weighted average interest rate earned on certificates of deposit was 1.25% (2021: 1.41%). 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 the Bahamian dollar prime rate (Prime). The interest rates ranged from 4.25% to 6.50%. As of the date of the statement of financial position, Prime was 4.25% (2021: 4.25%). The Commission has determined that the expected credit loss with respect to BGRS is nil.

### 6. Plant and Equipment and Right of Use Asset

	Right-of- use Asset \$	Computer Equipment \$	Furniture Fitting \$	Telephone System \$	Leasehold Improve \$	Auto \$	Total \$
Cost							
January 1, 2022	1,758,907	143,183	338,238	48,050	5,559	30,693	2,324,630
Additions	502,896	5,852	12,350	-	-	-	521,098
Disposals	-	-	-	-	-	-	-
<b>December 31, 2022</b>	<b>2,261,803</b>	<b>149,035</b>	<b>350,588</b>	<b>48,050</b>	<b>5,559</b>	<b>30,693</b>	<b>2,845,728</b>
Accumulated Depreciation							
January 1, 2022	659,590	126,029	191,859	48,050	3,336	30,693	1,059,557
Depreciation	320,443	13,193	70,117	-	1,111	-	404,864
Disposal	-	-	-	-	-	-	-
<b>December 31, 2022</b>	<b>980,033</b>	<b>139,222</b>	<b>261,976</b>	<b>48,050</b>	<b>4,447</b>	<b>30,693</b>	<b>1,464,421</b>
Net Book Value							
<b>December 31, 2022</b>	<b>1,281,770</b>	<b>9,813</b>	<b>88,612</b>	<b>-</b>	<b>1,112</b>	<b>-</b>	<b>1,381,307</b>
<b>December 31, 2021</b>	<b>1,099,317</b>	<b>17,154</b>	<b>146,379</b>	<b>-</b>	<b>2,223</b>	<b>-</b>	<b>1,265,073</b>

### 7. Accounts Payable and Accrued Expenses

	2022 \$	2021 \$
VAT payable to the Government	11,814	13,362
Due to the Securities Commission	17,510	7,696
Due to Poinciana SPV	105,000	50,000
Accrued expenses	405,243	344,718
<b>Total accounts payable and accrued expenses</b>	<b>539,567</b>	<b>415,776</b>

## Insurance Commission of The Bahamas

### Notes to the Financial Statements

#### 8. Funds Held on Behalf of Licensee

Funds held on behalf of a licensee of \$155,828 (2021: \$154,018) relate 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

The deferred income of \$ 194,852 (2021: \$183,619) 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, was determined as follows:

	<b>2022</b>	<b>2021</b>
	\$	\$
Present value of benefit obligation	<u>1,303,625</u>	<u>1,207,321</u>
<b>Liability recognised in the statement of financial position</b>	<b>1,303,625</b>	<b>1,207,321</b>
Assets recognised in the statement of financial position		
Present value of the amount due from The Government	<u>(145,407)</u>	<u>(410,108)</u>
<b>Present value of benefit obligation</b>	<b>1,158,218</b>	<b>797,213</b>

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

	<b>2022</b>	<b>2021</b>
	\$	\$
Net liability at start of period	797,213	743,073
Net expense recognised in the Statement of Profit or Loss	64,730	71,974
Amount recognised in other comprehensive income	318,515	4,406
Contributions employer	<u>(22,240)</u>	<u>(22,240)</u>
<b>Net liability at end of period</b>	<b>1,158,218</b>	<b>797,213</b>

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

	<b>2022</b>	<b>2021</b>
	\$	\$
Opening present value obligation	1,207,321	1,130,443
Interest cost	66,912	65,433
Current service cost	20,374	28,621
Benefits paid	(22,240)	(22,240)
Actuarial gain/(loss) on obligation due to experience	31,258	(17,933)
Actuarial loss on obligation due to financial assumption change	-	22,997
<b>Closing present value obligation</b>	<b>1,303,625</b>	<b>1,207,321</b>

# Insurance Commission of The Bahamas

## Notes to the Financial Statements

### 10. Staff Pension Fund (continued)

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

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Opening present value of amount due from government	410,108	387,370
Interest cost	22,556	22,080
Actuarial (loss) on obligation	<u>(287,257)</u>	<u>658</u>
<b>Closing present value obligation</b>	<b><u>145,407</u></b>	<b><u>410,108</u></b>

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

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Opening present value of plan assets	-	-
Contribution - employer	22,240	22,240
Benefits paid	<u>(22,240)</u>	<u>(22,240)</u>
<b>Closing fair value of plan assets</b>	<b><u>-</u></b>	<b><u>-</u></b>

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

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Current service cost (net employees' contribution)	20,374	28,621
Interest Cost	<u>44,356</u>	<u>43,353</u>
<b>Expense recognised in Statement of Profit or Loss And Other Comprehensive Income or Loss</b>	<b><u>64,730</u></b>	<b><u>71,974</u></b>

**Actuarial (gain)/loss recognised in Other Comprehensive Income** **318,515** **4,406**

Principal actuarial assumptions used were:

	<b>2022</b>	<b>2021</b>
Discount rate at end of year	5.50%	5.50%
Future salary increases	3.00%	3.00%

The following table illustrates the changes to the net liability as at December 31, 2022 for a 1% change in these respective assumptions while holding all other assumptions constant.

	1% increase	1% decrease
	<b>\$</b>	<b>\$</b>
Discount rate	(121,240)	145,445
Future salary increases	44,601	(41,591)

## 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:

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
<i>Assets</i>		
Cash at banks	807,618	713,612
Accounts receivable	213,434	250,376
Pension contribution receivable	145,407	410,108
Investments	24,328,473	20,664,816
<i>Liabilities</i>		
Accounts payable and accrued expenses	138,458	74,759
Premium taxes payable to The Bahamas Government	3,016	5,331
<i>Income</i>		
Interest income	659,217	530,195
<i>Expenses</i>		
Lease payments	384,799	374,351
Utilities and property charges	336,330	281,429
Professional Fees	78,000	78,000
Commissioners' honoraria and expenses	72,383	26,500
Bank charges	5,007	7,425

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:

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Short term employee benefits	858,621	631,100
Post-employment benefits	43,855	39,760
	<u><b>902,476</b></u>	<u><b>670,860</b></u>

#### 12. Commitments and Contingencies

##### Lease obligation

In accordance with the requirements of IFRS 16, the Commission recognises a lease liability with respect to all lease agreements 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 expense. As at December 31, 2022, the balance outstanding on the lease liability totaled \$1,445,475 (2021: \$1,235,643) and the current lease payment due within one year is \$ 386,997 (2021: \$208,231).

# Insurance Commission of The Bahamas

## Notes to the Financial Statements

### 12. Commitments and Contingencies (continued)

#### 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. Obligations to make minimum lease payments as at December 31 are presented below:

Year	Minimum Lease Commitment
2023	\$ 386,997
2024	\$ 396,920
2025	\$ 406,843
2026	\$ 416,736

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.

### 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 the payment history of licensees before deciding whether to renew annual licenses.

# Insurance Commission of The Bahamas

## Notes to the Financial Statements

### (a) Credit risk (continued)

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 are related to premium taxes which are due within four weeks of the end of each quarter. In 2022, they were normally collected within 60 days after the period to which they applied.

Most of the remaining accounts receivable is concentrated in a small group of insurers. The aged analysis of accounts receivable as of December 31, 2022, is set out below:

	<b>2022</b>	<b>2021</b>
Days outstanding:	\$	\$
0 to 60 days	1,782,591	1,756,717
61 to 120 days	130,966	230,851
More than 120 days	<u>101,723</u>	<u>119,538</u>
<b>Total</b>	<b><u>2,015,280</u></b>	<b><u>2,107,106</u></b>

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.

### (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, 2022, 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.

# **Insurance Commission of The Bahamas**

## **Notes to the Financial Statements**

### **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.

### **16. Unclaimed Funds**

At December 31, 2022, \$4,777,323 (2021: \$4,465,474), inclusive of interest, in unclaimed funds were being held in 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 money 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**

There were no subsequent events post year end.











**INSURANCE COMMISSION  
OF THE BAHAMAS**

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