INSURANCE COMMISSION
OF THE BAHAMAS

GUIDELINES ON INDEPENDENT DIRECTORS

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1. INTRODUCTION

1.1.1. The Insurance Commission of The Bahamas ("the Commission") recognizes that sound corporate governance is critical to the effective management and sustainability of its registrants and licensees. Corporate governance refers to board and management functions, processes, structures, and information used for directing and overseeing the operations of an institution. It involves the relationships between an institution's Board, management, shareholders, policyholders, and employees, providing the structure through which objectives are set, attained, and performance monitored.

1.1.2. Independent Directors, by virtue of their objectivity and detachment from management and ownership interests, are essential to upholding high governance standards. Their presence enhances board independence, promotes balanced decision-making, and helps safeguard the interests of policyholders and the broader financial system.

1.1.3. These Guidelines set out the Commission's expectations regarding the appointment, role, and responsibilities of Independent Directors serving on the boards of its registrants and licensees in or from within The Bahamas. It should be read in conjunction with the Commission's *Corporate Governance and Oversight Assessment Criteria*, which together reflect the jurisdiction's commitment to international regulatory best practices. In particular, the Guidelines draw from Insurance Core Principle (ICP) 7 issued by the International Association of Insurance Supervisors (IAIS), which underscores the importance of a well-structured board, effective oversight, and clearly defined governance frameworks. This Guidance supports registrants and licensees in embedding independence, accountability, and transparency into their governance culture.

1.2. DEFINITIONS

1.2.1. For the purposes of these Guidelines:

Cooling-Off period	The time which must elapse before an individual who has had a defined interest with the registrant, licensee, or regulator may be appointed as Independent Director since the cessation of that relationship. This refers to any individual who has: • Served as a director, executive, senior manager, or as head of a Control Function of the registrant or licensee, any member of its group; • Had a material business, professional, or pecuniary relationship with the registrant or licensee or its group; or • Served as an executive, manager, or as a Board member of the Commission.
Control Functions	Functions with responsibility in a company to provide objective assessment, reporting, and/or assurance. This includes risk management, compliance, actuarial, and internal audit functions.
Corporate Governance	Board and management functions, processes, structures, and information used for directing and overseeing the operations of an institution.

Independence of a control function	The function is not subject to conflicts of interest or any condition that interferes with the function's ability to carry out its responsibilities objectively and without bias. The function must also not be directly involved in the management or execution of the activities in those areas.
Independence of mind	The ability to act objectively, without favor, provide constructive and robust challenge, request information when necessary, and make decisions solely in the interests of the company and its policyholders or stakeholders.
Independent Director	A member of the Board who is not subject to conflicts of interest or any condition that interferes with his or her ability to carry out responsibilities objectively and without bias.
Material Relationship	Any relationship that could reasonably be expected to interfere with the exercise of an Independent Director's judgment.

1.3. APPLICATION

1.3.1. These Guidelines apply to all registrants of the *Insurance Act, Ch.347* and licensees under the *External Insurance Act, Ch 348*. In accordance with the Commission's Branch Operations (Foreign Companies) Statement of Principles, the Commission will maintain relationships with the home regulators of foreign branches in order to monitor and assess the effectiveness of the company's Board of Directors. In addition, the Principal Representative of foreign branches is responsible for overseeing the management of the branch, as well as executing other corporate governance functions outlined in the Commission's Guidance Note on the *Role of the Principal Representative*.

2. BOARD OF DIRECTORS INDEPENDENCE CRITERIA

2.1.1. Where a registrant or licensee appoints the CEO or Managing Director as a Board member, that individual shall not be appointed or elected the Chair of the Board.

2.1.2. Independent Directors must adhere to duties of good faith, honesty, loyalty, and diligence, placing the company and policyholders' or stakeholders' interests ahead of their own. They must not use their position to gain undue advantage or cause any detriment to the company.

2.1.3. An independent director must not be directly involved in the management or execution of the activities of the company, and must demonstrate independence of mind, reflected in the ability to act objectively, without favor, constructively challenge proposals, request information when necessary, and make decisions solely in the interests of the company and its policyholders or stakeholders.

2.1.4. The Regulations define affiliation of natural persons in detail (*see Regulation 4*), and such persons are not considered independent.

2.1.5. At a minimum, one-third of the company's Board must be independent. The Board is responsible for periodically assessing whether this proportion remains adequate given the company's size, nature of operations, complexity, and overall risk profile. In cases where the business model, scale of activities, or level of inherent risk warrant, the Board should ensure that a higher proportion of Independent Directors is appointed to provide effective oversight. The rationale for the Board's determination must be documented, reviewed at least annually, and disclosed to the Commission within 120 days of the end of the calendar year.

2.1.6. In determining whether the number and proportion of Independent Directors is adequate, the Board must take into account the company's risk appetite and exposure to policyholder liabilities, the number and complexity of business lines and jurisdictions in which the company operates, the existence of group affiliations and cross-board memberships, and the extent of reliance on committees where independence is critical (such as audit, remuneration, and nominations committees). This dynamic assessment ensures that Board independence is aligned with the scale and complexity of the company's business and evolving risk profile.

2.1.7. The Board must establish clear and objective independence criteria, which must be met by an adequate number of members to promote objectivity in decision-making. These criteria should take account of all factors that may impair independence.

2.1.8. Reappointment of Independent Directors should be based on performance and contribution and should not be automatic.

3. INDEPENDENCE ASSESSMENT

3.1.1. A formal self-assessment of the Board, its committees, and each Director must be conducted annually. Independent Directors are specifically responsible for ensuring these evaluations occur, and that they cover both governance effectiveness and adherence to independence and oversight responsibilities.

3.1.2. The assessment must evaluate independence, independence of mind, and overall effectiveness, and should also review whether oversight responsibilities, such as risk management, internal controls, climate, and cybersecurity policies, are being properly discharged. It should also evaluate the adequacy of committee reporting to the Board and the effectiveness of systems and controls that promote appropriate, timely, and effective communication with the Commission and other relevant stakeholders. External expertise should be used periodically to enhance objectivity.

3.1.3. The assessment of independence must be documented, reviewed at least annually, and updated whenever significant changes occur in the company's operations or structure. The outcome of this assessment, together with supporting rationale, must be disclosed in the Board's annual certification to the Commission, as required under the *Compliance and Reporting Obligations* sections of these Guidelines.

3.1.4. Key considerations of the independence assessment must include:

- **Board Composition** – Independent Directors should collectively have an adequate spread of skills and expertise relevant to the company's business model, risks, and operations.

- **Tenure** – Long tenure may impair objectivity. Consider limiting years of service, with possible reappointment only after a defined cooling-off period.

- **Cooling-Off Period** – As defined, the minimum cooling-off period is three (3) years. The Board must verify compliance and retain evidence for review by the Commission. Any exception requires prior written approval from the Commission.

- **Number of Directorships** – Directorships should be limited to ensure sufficient time commitment and preparation for Board work.

- **Committee Roles** – Independent Directors serving on committees more likely to have conflicts of interest (e.g. audit, remuneration) must meet heightened independence requirements.

- **Board Committees** – The Board should consider either occasionally rotating the members and the chairs of its committees, or implementing tenure limits to serve on a committee, to avoid undue concentration of power and promote fresh perspectives.

- **Conflicts of Interest Policies** – The Board must adopt documented procedures for identifying, disclosing, and managing conflicts, including arm's-length requirements, abstention from voting, and prior shareholder approval where appropriate. Material conflicts of interest must be disclosed to the Board, and its stakeholders as appropriate. A Board member with a material conflict must decline to vote or take any decisions in any matters in which he/she has an interest.

3.1.5. Independent Directors should avoid personal ties, financial, or business interests that conflict with the company. Where such conflicts cannot be avoided, they must be disclosed and appropriately managed.

4. POLICIES AND PRACTICES

4.1.1. The Board must have governance practices that support efficient, objective, and independent judgment. Independent Directors should satisfy themselves that the Board is equipped with sufficient authority, resources, and where necessary, access to external expertise to discharge its responsibilities effectively.

4.1.2. The Board must ensure an appropriate separation of oversight and management responsibilities. This separation reinforces independent oversight and objective decision-making.

4.1.3. With respect to Independent Directors, Board policies must include:

- **Separation of Roles** – The role of the Chair and CEO must be separated. The Chair of the Board must be an Independent Non-Executive Director (INED) and must not serve as the chair of any Board committee, in order to maintain proper checks and balances.

  Regarding insurance groups or holding company structures, the Board must ensure that its corporate governance framework (including independence criteria, information flows, and oversight mechanisms) is appropriate to the structure, business, and risks of the group. Independence assessments should take account of intra-group relationships, cross-board memberships, and potential conflicts of interest arising from group affiliations. Boards must ensure that independent oversight is exercised effectively at both the solo and group levels, with sufficient independent representation on key committees responsible for audit, risk, and remuneration.

- **Induction and Ongoing Training** – A formal induction program covering the company's business model, risks, legal/regulatory context, and financial position. Ongoing training should be mandatory to maintain current knowledge of emerging risks, industry trends, and regulatory requirements. Training must include at least eight (8) hours annually, covering the company's operations, risk management, applicable laws and regulations, and developments in the insurance sector, with completion records maintained.

  Policies must also address the selection, approval, and renewal of directors using clear criteria, which Independent Directors should periodically review for adequacy.

  The Board should collectively and individually possess the skills, knowledge, and understanding necessary to fulfill its oversight responsibilities, and must be able to demonstrate to the Commission that these governance mechanisms operate effectively in practice.

- **Succession Planning** – The Board must adopt succession plans for replacing Independent Directors, recognizing the difficulty of sourcing qualified individuals with no material conflicts.

- **Committee Mandates and Reporting** – Committee mandates must promote independent, comprehensive oversight, with timely and regular reporting to the Board. Independent Directors serving on the Audit Committee must ensure robust governance of the external audit process.

  Committees responsible for audit, risk, and remuneration should be chaired by, and have a majority of, Independent Directors (other than the Chair) to reinforce objectivity and independent oversight, consistent with the separation of oversight from management.

- **Committee Independence and Rotation** – Committees must have clear mandates, and Independent Directors should be rotated periodically in committee roles to prevent concentration of power and encourage fresh perspectives. Committees must also have clearly defined authority and procedures to ensure accountability. Periodic rotation of committee members and chairs, or application of tenure limits, should be adopted to safeguard independence and objectivity.

4.1.4. The Board must have governance practices that support efficient, objective, and independent judgment.

5. ROLE OF INDEPENDENT DIRECTORS

5.1.1. Independent Directors must objectively evaluate Board and Management decisions, bringing an impartial perspective to deliberations and ensuring that these decisions serve the best interests of the company and its stakeholders.

5.1.2. Independent Directors are responsible for safeguarding the separation of roles of the CEO and the Chair of the Board, and must ensure that appropriate checks and balances are maintained at the Board level.

5.1.3. Independent Directors must ensure that the Board is provided with timely, relevant, accurate, and complete information, and that Board policies include practices for setting agendas and priorities to support independent, effective, and timely decisions.

5.1.4. Independent Directors must ensure that the Board reviews and approves the company's overall strategies, risk frameworks, and remuneration policies. Their responsibilities extend beyond financial oversight to include risk management, internal controls, cybersecurity, climate-related risks, outsourcing arrangements, and the fair treatment of customers. They are expected to provide effective challenges to management assumptions and decisions, thereby strengthening the Board's oversight of risk functions.

5.1.5. Independent Directors must also ensure that, when necessary, the company undertakes its **Own Risk and Solvency Assessment (ORSA)** on a regular basis and that the results meaningfully inform strategy, capital planning, and risk appetite. They must further ensure the existence of a reliable financial reporting process for both public disclosure and supervisory reporting, with clearly defined roles for the Board, Senior Management, and the External Auditor. This responsibility extends to oversight of Board and director remuneration, which should be structured to promote prudent decision-making and sound governance.

5.1.6. Independent Directors are expected to actively participate in the work of the Board, which involves serving on key committees such as the Audit, Investment, Conduct Review, and Remuneration Committees, with a majority of Independent Directors on certain committees where required. Independent Directors should prepare thoroughly for meetings and participate fully in discussions, seeking and obtaining information from both internal and external sources to remain well-informed on relevant matters.

5.1.7. Independent Directors must monitor the performance of management, including the execution of strategic plans, compliance with legal and regulatory requirements, and the effectiveness of risk management practices. They must also advise the Commission promptly, in writing, if there are any factors that might constrain their ability to carry out their duties effectively.

5.1.8. Independent Directors should further assist the Board in clearly defining the type, quality, and frequency of information it requires to fulfill its oversight role, and they should actively challenge management's assumptions to ensure robust decision-making.

6. BOARD OVERSIGHT OF CORPORATE CULTURE AND STRATEGY

6.1.1. The Board is collectively responsible for setting and overseeing the implementation of the company's corporate culture, business objectives, and strategies for achieving those objectives. The Board must ensure that the corporate culture promotes sound ethical behavior, integrity, and a strong sense of accountability throughout the organization. This responsibility includes ensuring that a confidential and non-retaliatory whistleblower policy is in place to allow employees to report illegal or unethical behavior without fear of reprisal.

6.1.2. The Board must adopt a rigorous and documented process for setting, approving and overseeing the implementation of the company's business objectives and strategies. This process should consider the long-term financial safety and soundness of the company, the interests of its policyholders and other stakeholders, and the company's risk appetite. The Board must also actively monitor the progress of these strategies and ensure that management is implementing them as intended.

6.1.3. Independent Directors have a crucial role in this process by providing objective and independent judgment. They should actively challenge management on proposed strategies and objectives, ensuring they are well-informed, prudent, and aligned with the long-term interests of the company and its stakeholders.

7. MANAGING CONFLICTS OF INTEREST

7.1.1. Board members must promptly disclose any actual, potential, or perceived conflict, including its nature (e.g. financial, family, professional), in writing, to the Commission. ***Where conflicts cannot be avoided, they must be managed in accordance with documented Board policies, and the Director may be required to abstain from decision-making in the matter.*** Independent Directors must submit, in writing, to the Commission a written "*Declaration of Interests*" annually and whenever a change occurs. The Board must maintain a "*Conflicts Register*," which must be reviewed quarterly. Any Director with a declared conflict must abstain from related decisions.

7.1.2. Conflicts of interest must be managed in accordance with documented Board policies that include, at a minimum:

- Full disclosure of actual, potential, or perceived conflicts;
- Requirements for arm's-length transactions;
- Abstention from voting where conflicts arise; and
- Prior Board or shareholder approval, where appropriate, of external professional positions or transactions.

8. COMPLIANCE AND REPORTING OBLIGATIONS

8.1.1. Registrants and licensees must maintain documented evidence of compliance with the requirements in these Guidelines and provide such documentation to the Commission upon request. The Chair of the Board, or a designated Board committee, must submit an annual certification to the Commission confirming that independence criteria have been met and maintained.

8.1.2. The Board must be able to demonstrate to the Commission that its governance framework (including the independence and effectiveness of its oversight mechanisms) operates effectively in practice and supports sound risk management and corporate governance consistent with the Commission's *Guidelines on Corporate Governance and Oversight Assessment Criteria*.

8.1.3. The Commission reserves the right to review the adequacy of Independent Director representation during supervisory assessments and may direct companies to strengthen Board Independence where deficiencies are identified. The Board may be required to increase the proportion of Independent Directors where in the Commission's view its risk profile, group structure, or business complexity so requires.

8.1.4. For insurance groups, the Commission will assess the adequacy of independent oversight at both the group and entity levels to ensure alignment with the *Guidelines on Corporate Governance and Oversight Assessment Criteria*.

8.1.5. The Board of Director's annual certification is given as an appendix in the guidelines on *Corporate Governance and Oversight Assessment Criteria*. Expanding on the listed requirements, the certification must include:

- Confirmation of Board composition, tenure, directorship limits, committee independence ratios, conflicts of interest disclosures, and training records.
- A list of all Independent Non-Executive Board members (and committee members), indicating whether each continues to meet independence requirements using the criteria given in these guidelines, with explanations for any changes and disclosure of any additional remuneration together with the rationale.
- A statement that the Board is discharging its functions in accordance with applicable legislation and that, in forming its opinion on adherence to the Corporate Governance Guidelines and these Guidelines, it has carefully considered reporting provided by Senior Management.
- Where the company is not fully compliant:
    1. An explanation of the reasons for deficiencies.
    2. Confirmation that an action plan is being implemented.
    3. Confirmation that the action plan has been, or will be, submitted to the Commission.

8.1.6. The Commission may require periodic meetings with Independent Directors, including sessions without management present, to assess independence and board effectiveness.

9. CONSEQUENCES OF NON-COMPLIANCE

9.1.1 Failure to comply with the requirements of these Guidelines may result in regulatory action, including but not limited to sanctions, restrictions on operations, or directives to change Board composition or governance practices.

10. TRANSITION PERIOD

10.1.1. Registrants and licensees shall have a period of six (6) months from the date of publication of these Guidelines to achieve full compliance with all provisions set out herein.