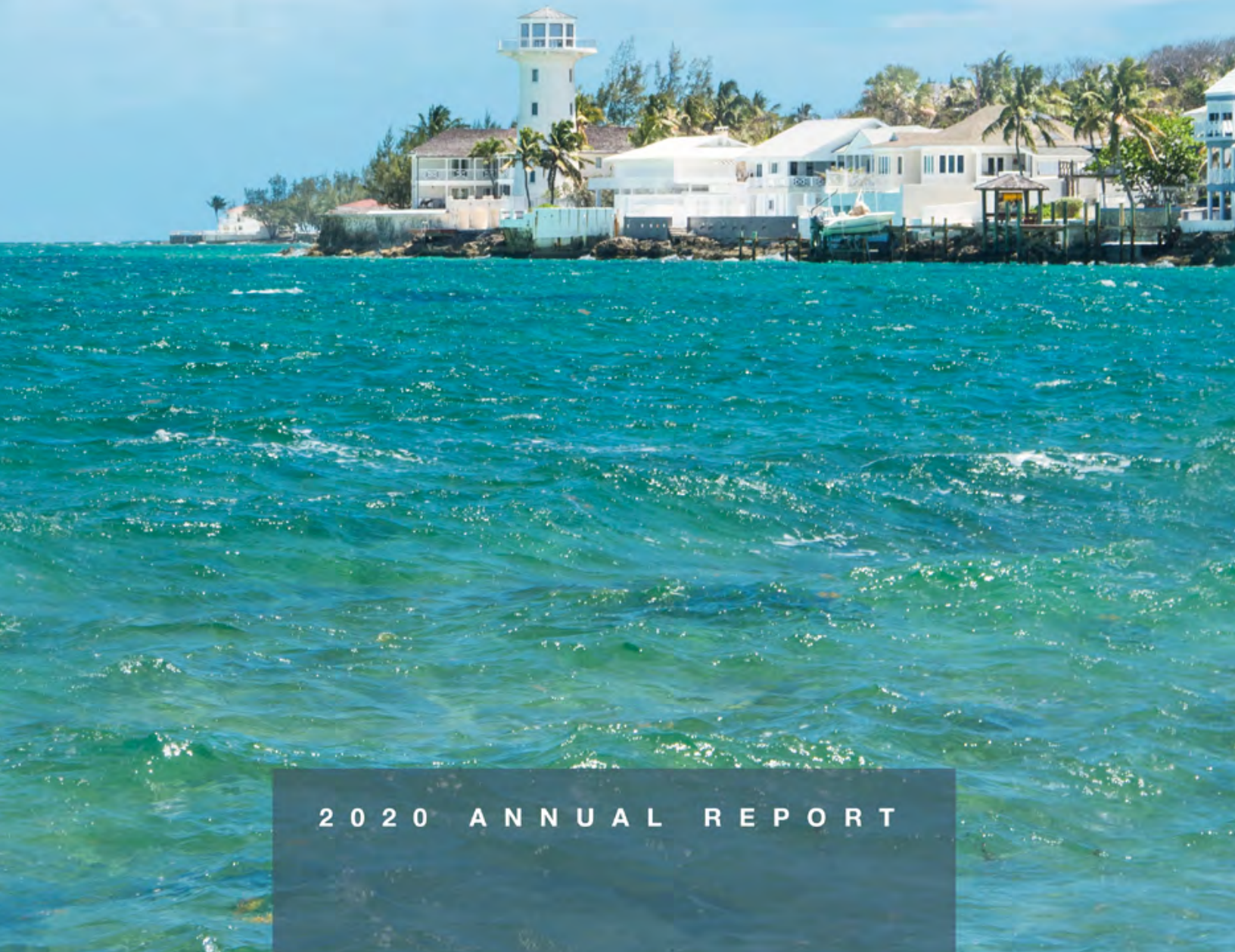




INSURANCE COMMISSION
OF THE BAHAMAS



2020 ANNUAL REPORT



INSURANCE COMMISSION
OF THE BAHAMAS

INSURANCE COMMISSION OF THE BAHAMAS



May 28, 2021

Senator the Hon. J. Kwasi Thompson
Minister of State for Finance
Ministry of Finance
Cecil V. Wallace-Whitfield Centre
Cable Beach
Nassau, N.P.
Bahamas.

Dear Minister,

In accordance with Section 18(1) of the Insurance Act, 2005, and on behalf of the Members of the Insurance Commission of The Bahamas, I am pleased to submit the Annual Report for the year ended December 31, 2020. Included with this report are the Audited Financial Statements for the same period.

Yours sincerely,

Michele C.E. Fields
Superintendent of Insurance

MISSION STATEMENT

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

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MESSAGE FROM THE SUPERINTENDENT OF INSURANCE

On behalf of the Members of the Commission, I wish to report on the activities and financial performance for the year ending December 31, 2020. The Insurance Commission of The Bahamas continued to meet its regulatory mandate to ensure the security and soundness of the domestic market, while protecting the interest of policyholders.

The impact of Hurricane Dorian and the COVID-19 pandemic of 2020, greatly influenced the economic environment in The Bahamas. Notwithstanding the consequential slowdown in economic activity, the insurance industry remained sound in 2020, generating approximately \$844.5 million in gross premiums within the domestic insurance sector, marginally up by \$6.9 million over the previous year. Gross premiums represent approximately 7% of The Bahamas' nominal GDP.

Financial results for the year ending 2020 indicated prudent management and stewardship of the Commission's resources. Annual income, which is primarily derived from the retention of 25% of premium tax collected from registered insurers on behalf of The Bahamas Government, grew by 7.22% in comparison to the year before to \$7.28 million. Total comprehensive income amounted to \$3.20 million, an increase of \$320 thousand over the prior year. Total expenses increased by 4.38% to \$4.09 million.

In March 2020, the Government of The Bahamas issued an Emergency Powers (COVID-19 Pandemic) Order which imposed various restrictions and lockdowns. This brought about the cessation of commercial in-person operations, prompting the Commission to activate its Business Continuity Plan. The Commission seamlessly transitioned to remote working due to its robust technology infrastructure that was enhanced in 2019. Staff continue to work virtually or in a hybrid mode, which will remain in effect in accordance with Government recommendations. The Commission's IT

infrastructure is a hybrid system consisting of on-premise and cloud based solutions. We are continuously exploring ways to augment our technology infrastructure to make it more resilient, secure, effective and efficient, while enhancing virtual interactions.

After a short period of adjustment, most licensees were able to facilitate customers in accordance with the Emergency Orders. The Government also issued a directive in March 2020 to suspend insurance premium payments, under certain parameters, with respect to group, general, health and life insurance, which ended at the end of August 2020. The Commission issued public messages to encourage policyholders to make payments to the best of their ability, and liaised with insurers to clearly articulate the alternative payment arrangements on their websites and social media pages. While the pandemic disrupted normal business operations, it also challenged the industry to be more innovative and efficient in the delivery of products and services through an enhanced digital platform.

The Commission continued to monitor the impact of Hurricane Dorian which occurred in September 2019, with loss data being reported on a quarterly basis. Total insured losses amounted to \$1.89 billion of which \$1.80 billion had been paid by December 31, 2020. Retained losses amounted to \$48.5 million, demonstrating the strength of the sector's reinsurance programmes.

A key indicator of the soundness of insurers is the assessment of their capital and solvency position. The Commission continues to enhance its Risk-Based Capital (RBC) Framework following its introduction to the general insurance sector in 2018. A second iteration of the RBC Framework will be circulated in 2021 based on the results of the impact study.

Anti-money laundering, countering the financing of terrorism and proliferation financing (AML/CFT/CPF) remain a central focus for the jurisdiction. During November 2020, the insurance industry participated in the Financial Action Task Force (FATF) Joint Meeting of the Americas; subsequently, The Bahamas was successful in its bid to be removed from the FATF grey list in AML matters, and the French blacklist in tax matters, thus no longer being classified as a non-cooperative jurisdiction. The jurisdiction will continue to demonstrate its commitment to the Financial Action Task Force (FATF) Recommendations, as the Attorney General of The Bahamas assumed the chairmanship of the Caribbean Financial Action Task Force (CFATF), a regional body of the FATF, following the November 2020 plenary. The Deputy Legal Counsel of the Commission, who has represented the Commission at the national level in AML matters since 2010, will serve as the Chair of the Planning Committee of the CFATF.

The Insurance Act, 2005 gives the Commission the responsibility of ensuring compliance with the Financial Transactions Reporting Act, 2018. Accordingly, each long-term insurer is required to carry out ongoing internal risk assessments that identify, assess and demonstrate an understanding of risks associated with ML/TF/PF, that may impact their operation. The FATF Recommendations also require general insurers to assess their ML risk. The Commission closely investigated and monitored insurers to ensure that deficiencies and recommendations were adequately addressed. The Commission issued the Guidance Note for General Insurers and their Intermediaries on Minimum Due Diligence Requirements for Policyholders, which became effective July 1, 2020. This Guidance Note outlined the minimum due diligence information that general insurers should obtain from policyholders, and encouraged a framework for data collection based upon the risk assessment of the policyholder. Accordingly, the general public will note the increase in due diligence requirements by general insurance entities.

The insurance industry will undergo significant changes in its reporting as a result of International Financial Reporting Standard (IFRS) 17, which is scheduled to come into effect from January 2023. The Commission continued to engage the insurance industry to ascertain their preparation status for the implementation of the new standard, which replaces IFRS

4 - Insurance Contracts. IFRS 17 will demand a complete overhaul of insurers' financial statements, affecting how insurers determine the valuation of insurance contracts. As we monitor insurers' preparation and the impact of the revised standard on their operations, training for the Commission's staff will be ongoing.

During 2020, there were no material changes to the number of registrants and licensees. Three insurance companies were registered, while other applications remain under review. Registrants at the end of 2020, comprised the following:

- 12 Long-term Insurers
- 18 General Insurers
- 171 External Insurers and Intermediaries
- 58 Agents and Brokers
- 24 Sub-Agents
- 14 Adjusters and Firms
- 744 Salespersons

Commercial Entities (Substance Requirements) Act, introduced by Government at the end of 2018, which harmonized the tax treatment of foreign and domestic entities, reprioritized the Commission's goal to amalgamate the Insurance Act, 2005 and the External Insurance Act, 2009. The Commission established a working group comprising of industry stakeholders and engaged a consulting firm to assist in research and the drafting of the proposed legislation, which is expected to be finalized during 2021.

The Commission assumed chairmanship of the Group of Financial Services Regulators (GFSR), effective January 2020, and subsequently developed a standardized reporting and a centralized depository for the Group's communication. Amendments to the GFSR Memorandum of Understanding were also finalized at the end of 2020 and approved during the first quarter of 2021.

During 2020, the Commission responded to the increasing need of the community arising from the pandemic. Donations were made to several entities including Hands for Hunger and the Freetown Urban Renewal Center. We were also pleased to support the Ministry of Education's virtual learning initiative through a \$10,000 donation towards devices earmarked for the Uriah McPhee Primary School. The Commission also

celebrated the student winners of our 10th Anniversary Essay Competition at an awards ceremony, where prizes included a \$5,000 scholarship, laptops and tablets.

The Commission places paramount importance on the development of its human capacity. In this vein, management and staff continued to participate in numerous and diverse seminars, workshops and conferences, albeit virtual, in order to improve technical skills and gain exposure to emerging issues. I wish to commend staff members who have obtained or continue to pursue the following relevant designations and certifications:

- Chartered Insurance Professional
- Associate in Captive Insurance
- Certified Risk Manager
- Professional Membership in International Compliance Association
- Certified Anti-Money Laundering Specialist
- Fellow and Associate, Life Management Institute
- Project Management Professional

The accomplishments of 2020 would not be possible without the leadership and ongoing contribution of the Board, whom I wish to thank. I am also grateful to the staff, whose dedication and enthusiasm continue to enhance the regulatory and supervisory goals of the Commission.

As we move forward, we remain committed to the Commission's mandate to provide robust industry oversight and protection of the interest of policyholders. The impact of the COVID-19 pandemic will continue to test the resilience of the financial services sector and likely be felt into 2021. The ongoing development and fluidity of this situation precludes any prediction as to the ultimate impact of COVID-19. Nevertheless, the Commission will closely monitor the situation with regards to the degree of uncertainty and risk on the performance of the industry.

CORPORATE GOVERNANCE

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

Upon advice from the responsible Minister, Members of the Commission are appointed by the Governor General

and consist of professionals from diverse fields including insurance, finance and commerce, law and administration.

The following Members of the Commission were appointed on July 1, 2017:

- Senator Janet L. R. Bostwick-Dean
- Mr. Algernon Cargill
- Ms. Trevania Clarke
- Mr. Elijah Knowles

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 2020 was re-elected 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 is currently an ex-officio member of the National Health Insurance Authority. She is a Charter Member of The Nassau Chapter of The Links, Inc. and also serves as Vice-President of The Bahamas Girl Guides Association.



JANET L. R. BOSTWICK-DEAN

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



ALGERNON CARGILL

holds an MBA degree with a specialization in International Business (Distinction) from the University of Miami, Florida. He has extensive experience in the Banking and Finance Industry, having served as the General Manager, Branch Banking of CIBC Bahamas Ltd and CIBC First Caribbean Ltd. Additionally, he held senior roles as Country Chair and Legal Representative for Chevron Puerto Rico LLC, as well as Director and CEO of the National Insurance Board. He has served as a director on the Boards of Cable Bahamas Ltd, Commonwealth Brewery Ltd, and The Bank of The Bahamas Ltd. Mr. Cargill currently serves as an Adjunct Faculty member in the Banking, Economics and Finance department of the School of Business, Hospitality and Tourism studies at the University

of The Bahamas, as well as the Bahamas Institute of Financial Services, and previously at the University of the West Indies campuses in Trinidad, Barbados and Jamaica, and the Sir Arthur Lewis Community College in St. Lucia. Mr. Cargill is currently the President of The Bahamas Aquatics Federation and was recently elected as one of 22 persons globally on the FINA Bureau for Aquatic Sports for a 4-year term. He previously served as a Vice-President of the Bahamas Olympic Committee. Mr. Cargill currently serves as Director of Aviation within the Ministry of Tourism and Aviation and Deputy Chairman of the Disaster Reconstruction Authority.



TREVANIA CLARKE

was educated in The Bahamas and United States, earning a B.A in Finance and Human Resources at Temple University, Philadelphia, Pennsylvania. She has served as accounting officer at McKinney, Bancroft & Hughes and AML Foods limited for 10 years. Since 2015 she has operated a local restaurant and provides administrative assistance to small businesses. Ms. Clarke is also a member of the National Association for the Advancement of Colored People.



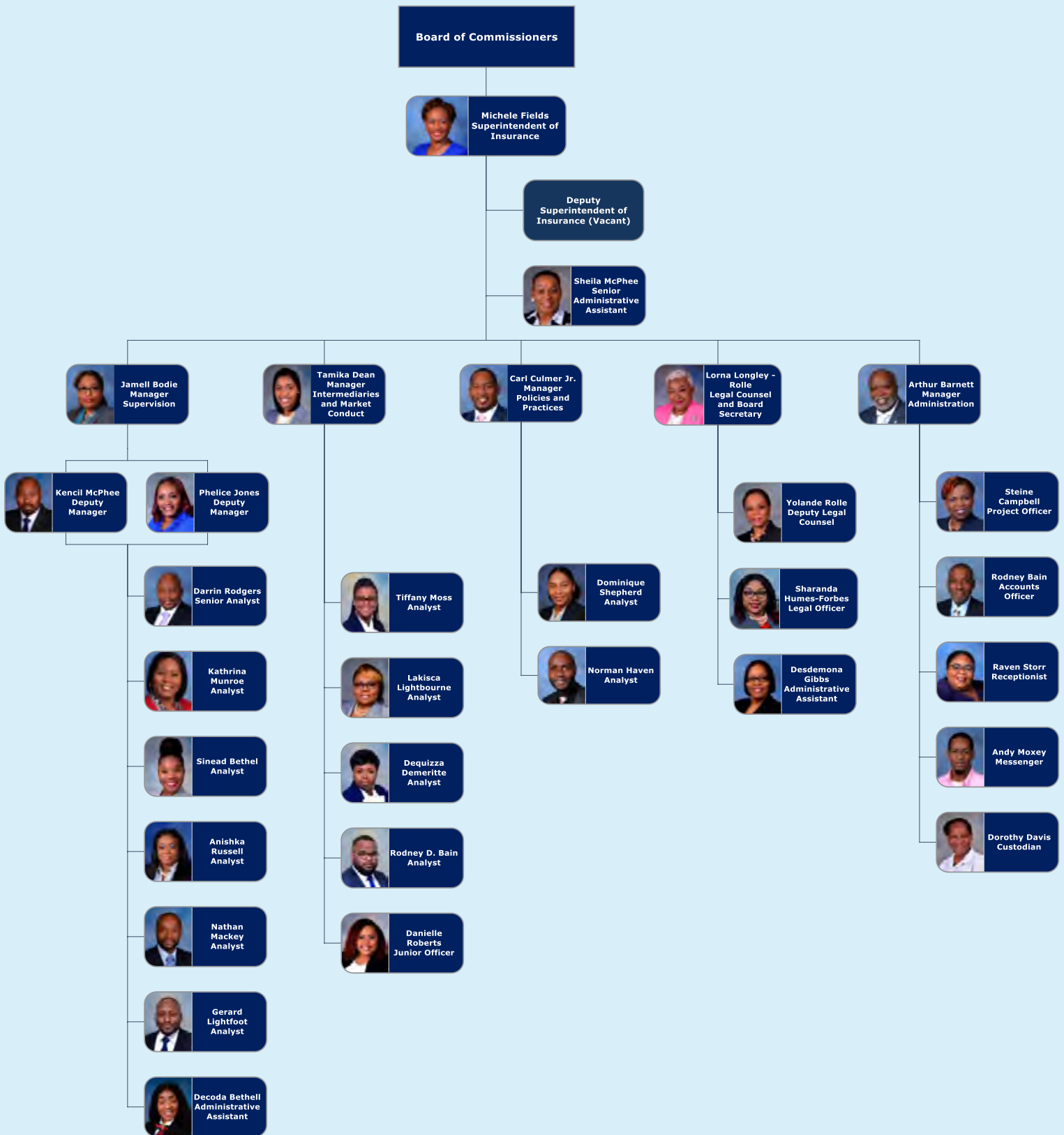
ELIJAH A. KNOWLES

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



INSURANCE COMMISSION
OF THE BAHAMAS

ORGANIZATIONAL STRUCTURE





INSURANCE COMMISSION
OF THE BAHAMAS

STAFF RECOGNITION

The Insurance Commission wishes to recognize members of staff who remain with the Commission since its inception in July 2009 and those who celebrate 10 year anniversaries in 2020. We thank them for their committed service and contribution to the development of the Commission.



Dominique Shepherd
July 2009



Rodney Bain
July 2009



Tiffany Moss
January 2010



Phelice Jones
January 2010



Lorna Longley-Rolle
January 2010



Jamell Bodie
February 2010



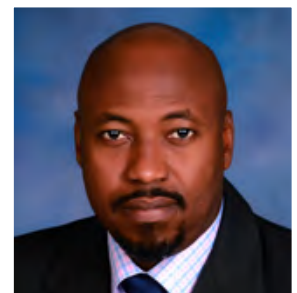
Dorothy Davis
April 2010



Anishka Russell
September 2010



Yolande Rolle
November 2010



Kencil McPhee
December 2010

INSURANCE COMPANY SUPERVISION

Overview of the Supervision Unit

The Supervision Unit is responsible for the supervision and regulation of all insurance companies operating in or from within The Bahamas, as well as external intermediaries which include insurance managers and brokers. This Unit, which consists of nine technical staff and one administrative person, carry out supervisory activities with respect to the Commission's licensees to ensure that insurance companies comply with the insurance legislation and guidelines, policies and guidance notes issued by the Commission through a program of off-site monitoring and onsite examinations. The Commission's Risk-Based Supervision Framework advocates that resources are allocated efficiently and effectively, by prioritizing the areas of highest risk for individual insurers. The framework promotes the implementation of best practices in the governance and risk management of insurers that

are appropriate for the size, nature and complexity of the institutions, so as to mitigate and manage risk in the company's business operations.

The Commission also participates in supervisory colleges which are an integral part of the supervision of insurance groups operating in the jurisdiction. Supervisory colleges help to enhance cooperation and coordination across jurisdictions and facilitate oversight of regionally and internationally active insurance groups. Supervisory colleges consist of meetings among the various regulators and company officials. During 2020, the Commission participated in several virtual colleges, where regulators reviewed group activities and discussed supervisory plans.

DOMESTIC LICENSEES

	2020	2019	2018	2017	2016
General	18	18	17	18	17
Long-term	12	12	11	11	11
Association of Underwriters	1	1	1	1	1
Total	31	31	29	30	29

AGGREGATE FINANCIAL STATEMENT - DOMESTIC LICENSEES

	2020			2019		
(B\$ Thousands)	Long-Term Insurers	General Insurers	Total	Long-Term Insurers	General Insurers	Total
BALANCE SHEET						
Cash and Deposits	203,457	149,940	353,397	199,208	196,039	395,247
Investments						
Government Securities	639,197	42,394	681,591	590,631	41,354	631,985
Corporate Securities	53,929	800	54,729	17,646	1,262	18,908
Preference Shares	17,583	12,620	30,203	21,859	14,253	36,112
Corporate Equities, Listed	28,639	23,016	51,655	32,723	27,130	59,853
Corp. Equities, Non-Listed	4,752	-	4,752	1,989	-	1,989
Mutual Funds	36,935	3,813	40,748	36,757	3,599	40,356
Investment Property	89,468	15,225	104,693	88,294	15,053	103,347
Other Investments	15,713	21,273	36,986	33,580	50,414	83,994
Mortgage loans	126,474	-	126,474	132,533	-	132,533
Policy loans	99,964	-	99,964	100,442	-	100,442
Receivables	96,324	213,822	310,146	106,936	263,960	370,896
Reinsurance Recoverable	30,123	178,318	208,441	29,815	1,029,805	1,059,620
Intangible Assets	8,203	189	8,392	459	230	689
Fixed Assets	59,806	18,187	77,993	66,019	27,126	93,145
Other Assets	18,443	2,717	21,160	16,983	1,350	18,333
TOTAL ASSETS	1,529,009	682,314	2,211,323	1,475,946	1,661,447	3,137,393
Technical Reserves	895,323	301,553	1,196,876	862,288	572,247	1,434,475
Other Liabilities	138,263	160,820	299,083	157,340	925,854	1,083,194
TOTAL LIABILITIES	1,033,586	462,373	1,495,959	1,019,628	1,498,101	2,517,729
Share Capital	51,843	54,345	106,188	51,823	54,345	106,168
Retained Earnings	340,340	100,744	441,084	274,307	47,262	321,569
Other Reserves	103,240	64,852	168,092	130,188	61,739	191,927
TOTAL EQUITY	495,423	219,941	715,364	456,318	163,346	619,664
INCOME STATEMENT						
Gross Premiums	457,865	376,570	844,529	454,509	364,884	819,393
Reinsurance Assumed	9,944	5,150	15,095	18,071	7,619	25,690
Reinsurance Ceded	(67,257)	(280,028)	(347,286)	(68,584)	(267,095)	(335,679)
Change in unearned reserve	-	4350	4,350	-	(2,444)	(2,444)
NET PREMIUMS	400,552	106,192	506,744	403,996	102,964	506,960
Investment Income	40,882	(708)	40,174	81,336	5,439	86,775
Other Income	13,576	3,490	17,066	4,165	5,134	9,298
TOTAL INCOME	455,010	108,974	563,984	489,497	113,537	603,033
Net Claims	264,848	13,348	278,196	322,267	63,440	385,707
Commissions	32,670	10,694	43,364	36,683	12,478	49,161
Expenses	98,497	67,716	166,213	100,227	60,801	161,028
TOTAL EXPENSES	396,015	91,758	487,773	459,177	136,719	595,896
NET INCOME	58,995	17,216	76,211	30,320	(23,182)	7,137

Insurance Sector Outlook

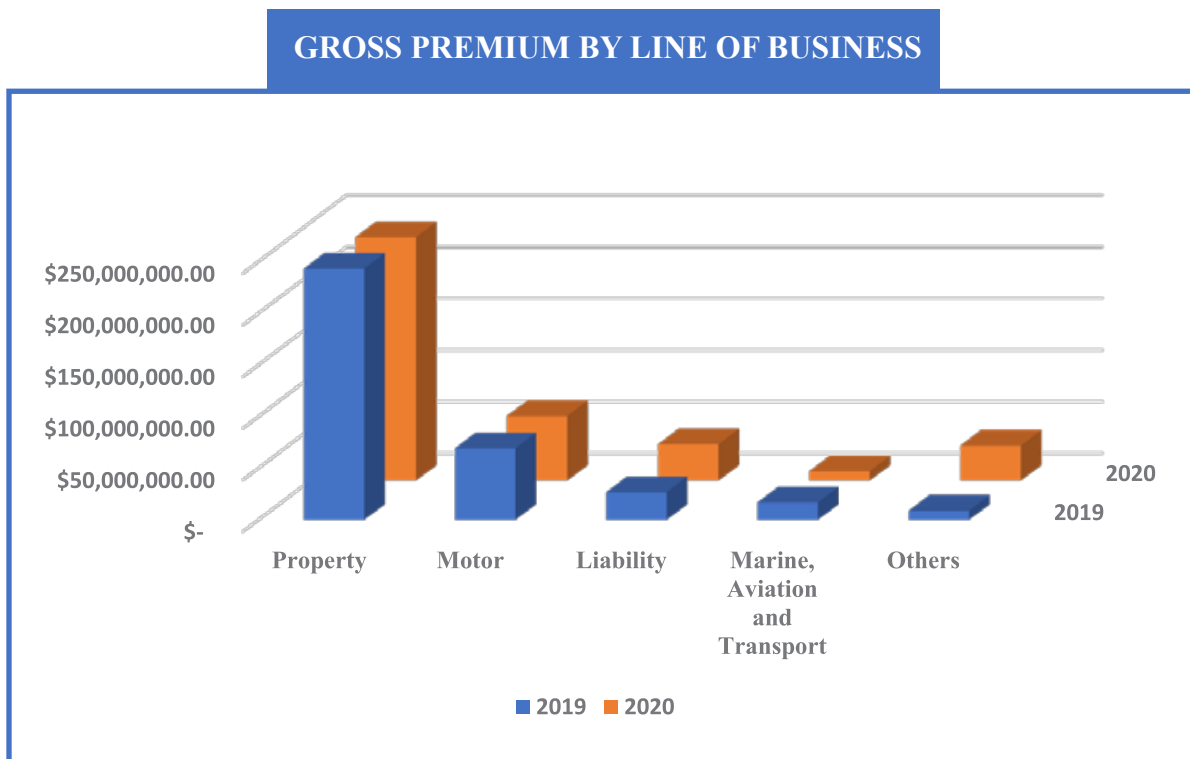
The insurance sector remains stable, as insurers have demonstrated the resiliency to withstand adverse events that present a challenge to their capital position. Insurers are required to maintain or exceed the Commission’s Prescribed Capital Ratio of 150%. Additionally, insurers are required to set an internal target capital ratio in excess of 150%, based on the insurers’ Own Risk and Solvency Assessment. Insurers must manage their capital levels such that their regulatory capital ratio is always in excess of the insurer’s target and the Commission’s prescribed ratio. A capital ratio below the prescribed ratio attracts regulatory attention in accordance with the Commission’s Ladder of Intervention. Notwithstanding the impact of Hurricane Dorian in 2019 and the economic downturn brought about by COVID-19 during 2020, insurance companies in the domestic and external insurance sectors continued to exceed the Commission’s solvency requirements and maintained financially sound business operations.

General Insurance Sector

In 2020, the domestic property and casualty industry comprised of 18 general insurers, eight of which were locally incorporated and the remaining were branches of regional and international insurance companies.

Registered general insurers typically maintain a conservative reinsurance program in which 75-90% of insured risk are ceded to highly rated reinsurers. The Commission assesses companies’ reinsurance programmes annually, including their reinsurance risk management policy, in order to determine whether insurers are appropriately mitigating their exposures and meeting capital requirements.

During 2020, general insurers underwrote gross premiums of \$376.7 million, a modest increase of 3.2% over the 2019 level. Property and motor insurance accounted for the majority of premium revenue, with approximately 69% and 17% of gross premiums respectively. The property line expanded by 7.3% or \$17.7 million during 2020, in part due to rate increases in this line of business as a result of Hurricane Dorian, which devastated several islands of The Bahamas during 2019. Liability insurance also experienced a growth of 31% or \$8.4 million year on year. All other lines of business contracted, given the decline in economic activity during the year resulting from the Covid 19 Pandemic. The graph below shows the distribution of premiums by lines of business:



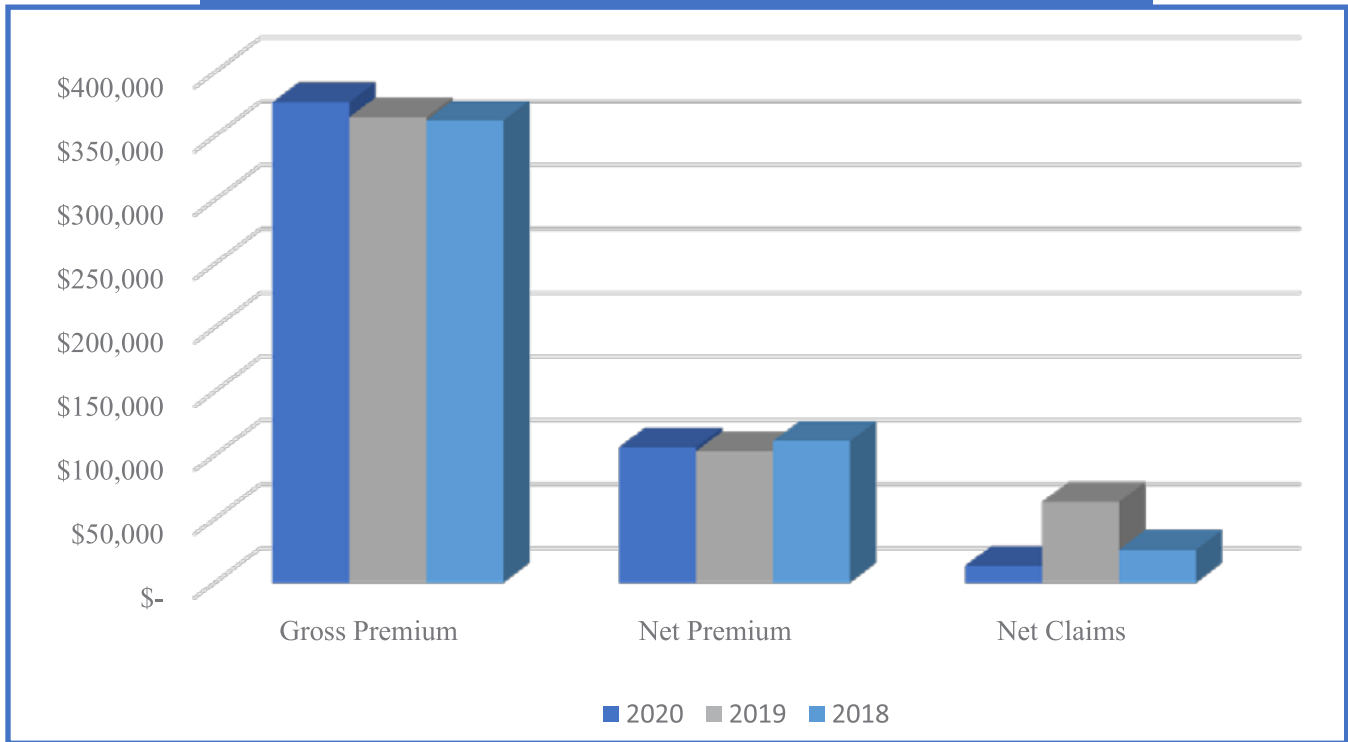
LINES OF BUSINESS – GENERAL INSURANCE SECTOR

(B\$ Thousands)	Property	Motor	Casualty Catastrophe	Liability	Marine, Aviation and Transport	Pecuniary Loss	Personal Accident	Other	Total
Gross Premiums Written	235,851	62,673	25,071	35,142	9,142	422	558	7,861	376,720
Reinsurance Assumed	981	-	475	3	3,691	-	-	-	5,150
Reinsurance Ceded	186,208	26,669	22,128	30,242	9,204	304	180	5,093	280,028
Net Premiums Written	50,624	36,004	3,418	4,903	3,629	118	378	2,768	101,842
Change in Unearned Premium Reserve	2,641	943	(158)	780	220	(26)	(28)	(22)	4,350
Net Premiums Earned	53,264	36,948	3,260	5,683	3,849	92	350	2,746	106,192
Gross Incurred Claims	63	31,810	118,712	52,389	6,211	(11)	(38)	843	209,979
Reinsurance Recovery	2,194	19,148	118,229	51,215	5,206	(44)	5	814	196,767
Net Incurred Claims	(2,131)	12,662	483	1,174	1,005	33	(43)	29	13,212
Commission Paid	35,167	15,480	4,442	2,394	1,623	109	124	2,291	61,630
Reinsurance Commission Received	32,429	9,237	4,488	2,169	1,276	42	37	1,258	50,936
Net Commission Expense	2,738	6,243	(46)	225	347	67	87	1,033	10,694
Other Underwriting Expenses	253	12	0	6	20	1	-	47	339
Premium Taxes	5,572	1,539	102	323	235	6	11	185	7,973
Catastrophe and Excess Loss of Reinsurance	23,174	3,076	2,470	206	1,330	1	-	341	30,598
Total Underwriting Expenses	29,606	23,532	3,009	1,934	2,937	108	55	1,635	62,816
Total Underwriting Income/(Loss)	23,658	13,416	251	3,749	912	(16)	295	1,111	43,376

No major insured catastrophic events occurred in 2020, therefore the sector finished the year with a net claims ratio of 13% and a combined loss ratio of 90%. This was in contrast to 2019, when the sector incurred significant losses following the devastation of Hurricane Dorian and ended the year with a net claims ratio of 60% and a combined loss ratio of 132%.

General insurers realized an underwriting gain of \$43.3 million and a total income of \$17.2 million in 2020, compared to the aggregate underwriting loss of \$6.8 million and total losses of \$23.1 million experienced in 2019.

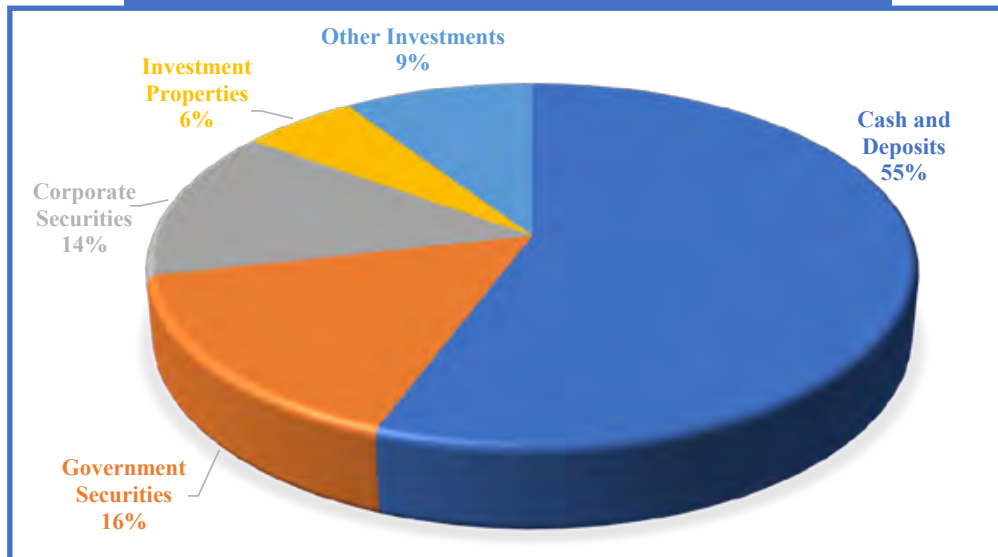
PREMIUMS AND CLAIMS (\$000's)



At the end of 2019 general insurers held significant cash balances representing funds received from reinsurers for Hurricane Dorian claims payments. 95% of these claims were settled by the end of 2020, hence, the cash and deposits decreased from \$199 million in 2019 to \$149.9 million in 2020, and the sector's total investment portfolio decreased by 23% to \$269.1 million. Nevertheless, the sector remained

liquid, holding more than half of its investments in cash and bank deposits (56%), and Bahamas Government Guaranteed Bonds (15%). Other invested assets comprised of listed equity securities (9%), investments in related parties (6%) and real estate (6%). During the year, general insurers collectively experienced an investment loss of \$708 thousand, primarily as a result of unrealized losses in the equity portfolio.

GENERAL INSURANCE INVESTMENTS (\$000's)



The Risk-Based Capital (RBC) Framework for general insurers was introduced to the industry for consultation during 2018. Risk-based capital is a method of measuring the minimum amount of capital appropriate for an insurer to support its overall business operations in consideration of its size and risk profile. Minimal progress was made in developing the framework further during 2020, however a second iteration will be circulated for consultation during 2021.

Long-term Insurance Sector

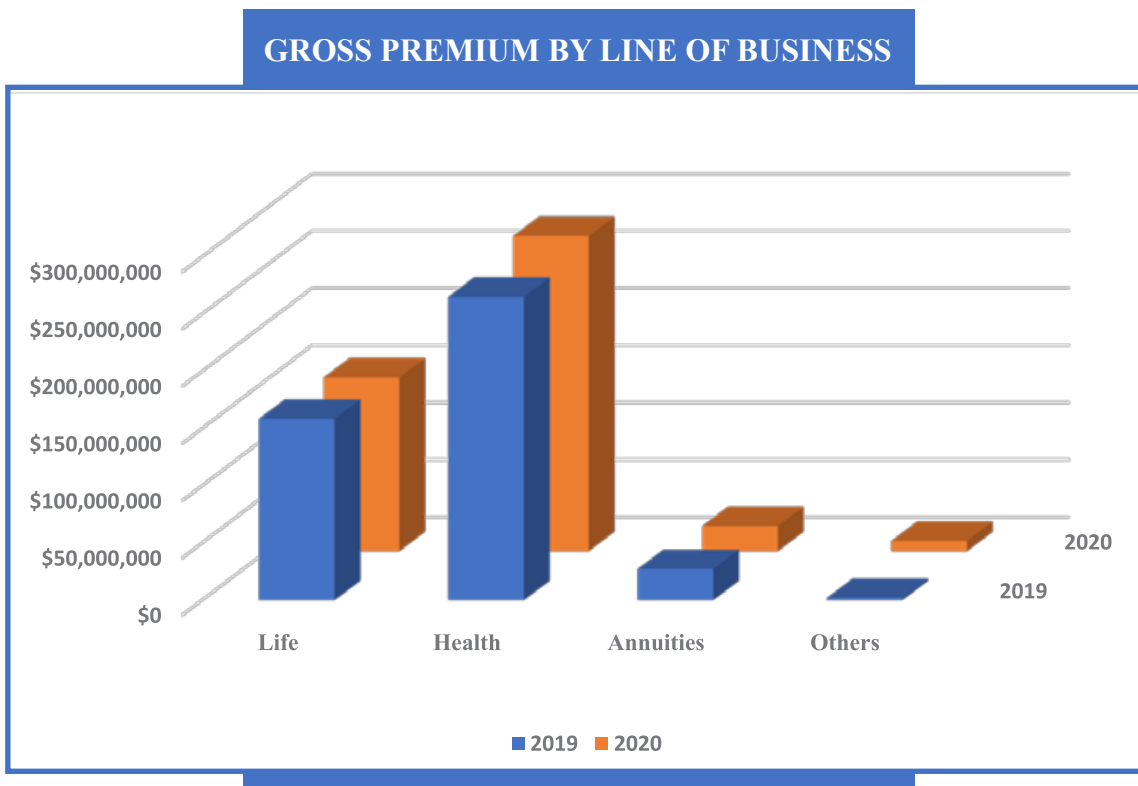
The domestic long-term insurance sector comprised of 12 long-term insurers at the end of 2020, including seven locally incorporated insurers and five branches of regional and international insurance companies.

Despite the COVID-19 pandemic and the resulting economic downturn, the gross premiums earned including reinsurance assumed in the long-term sector in 2020 remained steady, totaling \$467.8 million, down approximately \$4.8 million from the previous year. Health insurance premiums increased by 4% or \$10.2 million. Group health business, which accounts for 48% of premiums written, grew by 3.3%, totaling \$221.4 million. Individual health business accounting for 11.8% of premiums written, also experienced a 6.4% increase during

the year to \$53.8 million (\$50.5 million; 2019). Group and credit life business, which accounts for 4.4% of premiums written, grew by approximately 38.7% or \$5.7 million to \$20.4 million during 2020 (2019: \$14.6 million). However, individual life business was particularly impacted by the state of the economy, and gross premiums decreased by 8.6% or \$12.3 million, to \$131.3 million in 2020 (2019: \$143.6 million). Annuities were also adversely impacted by the financial climate, resulting in a 19% reduction year on year to \$21.9 million.

Total Policyholder benefits shrunk by \$57.4 million during 2020, predominantly as a result of the reduction in health insurance benefits, as access to medical care was deferred during the initial phase of the pandemic. Consequently, the sector produced a net income of \$59 million, double the 2019 reported amount.

The sector recorded a moderate growth of its investment assets of 5.3% or \$60.9 million, to stand at \$1.2 billion in 2020 (2019: \$1.16 billion). The largest movements occurred in Government securities and corporate bonds. Government securities grew by 8% or \$46.5 million to \$629.3 million, while corporate bonds increased significantly from \$17.6



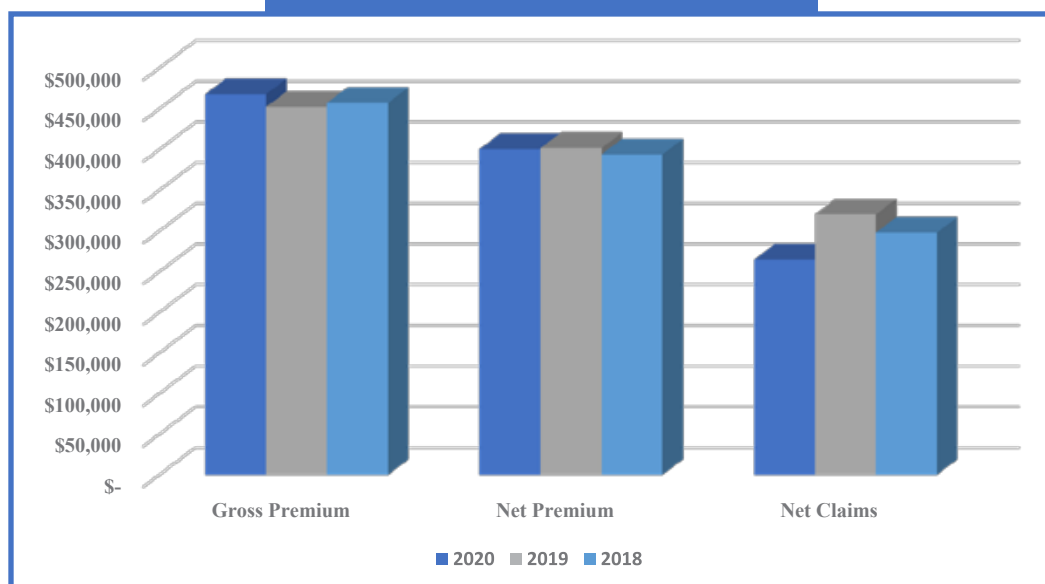
million in 2019 to \$53.9 million during 2020. Government guaranteed securities accounted for 52% of investment assets, followed by Cash and mortgage loans, which constituted 17% and 10% of investment assets respectively. Mortgage loans experienced a reduction of approximately 4.6% or \$6.1 million to \$124.5 million. Given the unfavorable economic

climate resulting from the COVID-19 Pandemic, market values of equity portfolios declined during 2020. Overall, the long-term sector's return on its investment portfolio shrunk from 8.8% in 2019 to 4% during 2020.

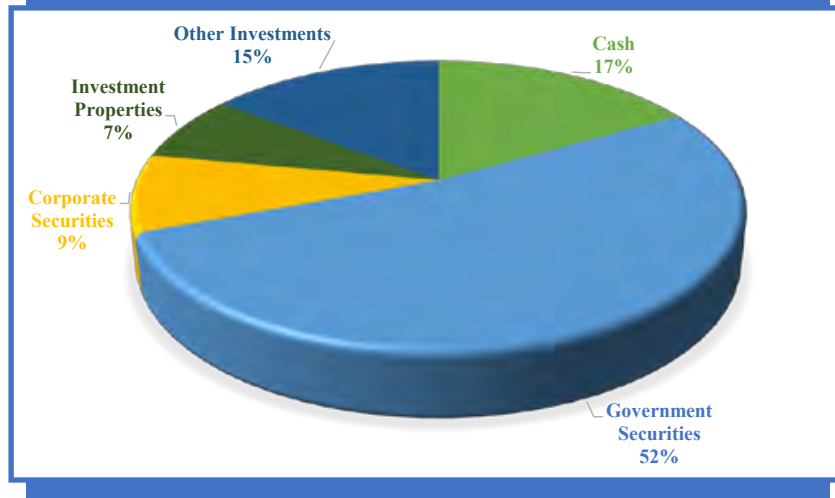
LINES OF BUSINESS - LONG-TERM INSURANCE SECTOR

(B\$ Thousands)	Individual Life	Group Life	Individual Health	Group Health	Annuities	Other	Total
Gross Premiums Written	131,372	20,350	53,813	221,430	21,977	8,922	457,864
Reinsurance Assumed	-	-	-	44	-	9,901	9,945
Reinsurance Ceded	22,358	4,654	3,706	36,539	-	-	67,257
Net Premiums Written	109,014	15,696	50,107	184,935	21,977	18,823	400,552
Policyholder Benefit	80,741	6,323	14,869	166,183	25,083	16,211	309,410
Less: Reinsurance Recoveries	15,810	3,431	1,780	27,872	-	-	48,893
Changes in Reserves for Future Policyholder Benefits	13,859	(362)	(553)	(1,859)	(2,672)	(4,085)	4,328
Total Policyholder Benefits	78,790	2,530	12,536	136,452	22,411	12,126	264,845
Net Commission Expense	15,317	84	5,847	10,164	186	791	32,389
Other underwriting Expenses	3	-	-	-	-	-	3
Premium Taxes	3,615	278	911	7,817	-	271	12,892
Total Underwriting Expenses	97,725	2,892	19,294	154,433	22,597	13,188	310,129
Total Underwriting Income/(loss)	11,289	12,804	30,813	30,503	(620)	5,634	90,423

PREMIUMS AND CLAIMS (\$000's)



LONG-TERM INSURANCE INVESTMENTS (\$000's)



External Insurance Sector

The External sector comprises of 10 captive insurance companies, 5 non-captive insurance companies and 7 segregated account companies in which 135 segregated accounts (cells) are registered. A cell captive is a type of captive which is more attractive and cost-efficient for small and medium sized businesses to manage and mitigate the insurable risks of a related party, as opposed to stand-alone captives. The intermediaries in this sector consisted of 11 captive managers and 1 external insurance broker. Growth in the external insurance sector has leveled over the last five years with movement occurring primarily in the cell captive space. The Commission licensed one segregated account company and one standalone captive during 2020 and approved 17 cell captives. 32 cell captives were discontinued during the year. In the non-captive space there continues to be interest, particularly in establishing variable life companies that would market unit linked products to form part of a client's investment portfolio.

The Commission's staff attended virtual captive conferences during 2020, in order to stay abreast of developing trends that impact this sector. These events included the World Captive

Forum and the Risk Management Society conferences, which are also attended by the Bahamas Financial Service Board to market The Bahamas as a captive domicile.

The 2020 financial statements were not collated at the time of this report, however the 2019 statements provide insight into the trends being demonstrated in this sector. The number of cell captives decreased by 6 to stand at 149. Gross premiums, including reinsurance assumed, declined year on year by 7% to stand at \$126.7 million, as there was a reduction in the volume of risk covered by the remaining captives. Captive insurers realized net income of \$86.5 million, compared to \$56.1 million in 2018. The increase in net income is primarily attributed to the rebound in investment income for the cell captives to \$29.7 million during this period, compared to a marginal loss in the prior year.

Non-captives, which primarily consist of insurers providing variable life insurance, experienced a reduction in invested assets of 6.3% to stand at \$903 million. The net income declined 3.7% year on year for this sector totaling \$2.3 million, compared to \$2.4 million in 2018.

EXTERNAL INSURERS

	2020	2019	2018	2017	2016
Captive Insurers					
Stand-alone Insurance Companies	10	11	11	10	9
Segregated Accounts Companies (SACs)	7	6	6	6	7
Captive Cells (Segregated Accounts)	135	149	155	149	157
Total	152	166	172	165	173
Other External Insurers (Non-Captive)	5	5	5	4	5
External Intermediaries					
Insurance Managers	11	10	9	8	8
Brokers	1	1	1	1	1
Total	12	11	10	9	9

AGGREGATE FINANCIAL STATEMENTS – EXTERNAL INSURERS

(B\$ Thousands)	2019			2018		
	Long-term Insurers	General Insurers	Total	Long-term Insurers	General Insurers	Total
BALANCE SHEET						
Cash and Deposits	104,590	20,825	125,415	98,556	26,873	125,429
Investments						
Government/Corporate Bonds	29,952	30,087	60,039	31,082	16,692	47,774
Equities, Listed	81,074	40,960	122,034	63,364	35,467	98,831
Equities, Non-Listed	486	-	486	1,722	-	1,722
Mutual Funds	93,451	-	93,451	77,649	-	77,649
Segregated Accounts Investments	12,670	809,933	822,603	21,017	769,816	790,833
Other Investments	26,934	-	26,934	29,842	-	29,842
Receivables	120,075	1,611	121,686	110,087	1,488	111,575
Reinsurance Recoverable	46,463	-	46,463	46,367	-	46,367
Fixed Assets	-	66	66	1	-	1
Other Asset	5,514	-	5,514	7,612	-	7,612
TOTAL ASSETS	521,209	903,482	1,424,691	487,299	850,336	1,337,635
Technical Reserves	148,914	672	149,586	166,250	656	166,906
Other Liabilities	45,982	896,046	942,028	47,690	845,238	892,928
TOTAL LIABILITIES	194,896	896,718	1,091,614	213,940	845,894	1,059,834
Share Capital	31,766	1,750	33,516	39,851	1,430	41,281
Retained Earnings	291,646	5,014	296,660	232,340	2,840	235,180
Other Reserves	2,901	-	2,901	1,168	172	1,340
TOTAL EQUITY	326,313	6,764	333,077	273,359	4,442	277,801
TOTAL EQUITY & LIABILITIES	521,209	903,482	1,424,691	487,299	850,336	1,337,635
INCOME STATEMENT						
Gross Premiums	85,557	600	86,157	88,578	-	88,578
Reinsurance Assumed	41,156	-	41,156	48,681	-	48,681
Reinsurance Expense	(52,306)	-	(52,306)	(55,739)	-	(55,739)
Net Premiums	74,407	600	75,007	81,520	-	81,520
Invest Income	29,756	(59)	29,697	(918)	-	(918)
Other Income	(70)	6,874	6,804	(673)	5,528	4,855
TOTAL INCOME	104,093	7,415	111,508	79,929	5,528	85,457
Net Claims	6,282	-	6,282	5,682	-	5,682
Expenses	11,260	5,074	16,334	18,101	3,340	21,441
TOTAL EXPENSES	17,542	5,074	22,616	23,783	3,340	27,123
NET INCOME	86,551	2,341	88,892	56,146	2,188	58,334

AML/CFT/CPF Assessment and Supervision

The Commission continued to focus on AML/CFT/CPF supervision of insurance companies during 2020. Long-term insurance companies, which are deemed financial institutions under the Financial Transactions Reporting Act (FTRA), are subject to the requirements under the suite of AML/CFT/CPF legislation. While general insurers are not considered financial institutions subject to the same degree of requirements as their long-term counterparts, these entities do have obligations under the FTRA and Proceeds of Crime Act. Accordingly, general insurers are also required to implement AML/CFT/CPF programmes commensurate with the risk to which this sector is exposed. All insurers must be guided by the Commission's AML/CFT/CPF Guidelines. The Commission requires insurance companies to carry out a risk assessment that identifies, assesses and demonstrates an understanding of money laundering, financing of terrorism and the proliferation financing of weapons of mass destruction risks that may impact the insurers' operations in accordance with the FTRA.

During 2020, the Commission reviewed the AML risk assessments which were prepared by all insurers to ensure that deficiencies and recommendations were adequately addressed.

The Commission also issued a Guidance Note for General Insurers and their Intermediaries on Minimum Due Diligence Requirements for Policyholders, which became effective July 1, 2020. This Guidance Note outlined the minimum due diligence information that general insurers should obtain from policyholders based upon their risk profile.

Implementation of IFRS 17

In 2020, the Commission engaged with the industry regarding insurers' preparation for the implementation of impending changes to International Financial Reporting Standards (IFRS) 17. IFRS 17, which is scheduled to become effective January 2023, represents the most significant changes to insurance accounting requirements in over 20 years. It will demand a complete overhaul of insurers' financial statements and will affect how insurers determine the valuation of insurance contracts. The Commission's staff is undergoing training both directly and in conjunction with the Caribbean Association of Insurance Regulators and will continue to monitor insurers' preparation.

INTERMEDIARIES AND MARKET CONDUCT

The Intermediaries and Market Conduct Unit is responsible for monitoring and oversight of insurance intermediaries. The Insurance Act, 2005 prohibits direct selling to prospective policyholders of insurance products by insurance companies, thus requiring the use of brokers, agents, sub-agents and salespersons. The Unit continued to enhance its monitoring processes for intermediaries to ensure best practices of market conduct throughout the industry. The Unit ensures that intermediaries maintain proper books and records, trust accounts, prescribed capital and submit renewal documentation as required under the legislation. The Unit also ensures that intermediaries are appropriately qualified and receive ongoing training to safeguard the interest of policyholders.

In 2020, the Commission issued the Guideline for Premium Trust Accounts which outlines requirements for intermediaries collecting funds on behalf of insurers or policyholders. In 2021, the Unit will continue to further strengthen its oversight and regulation of intermediaries.

Salespersons

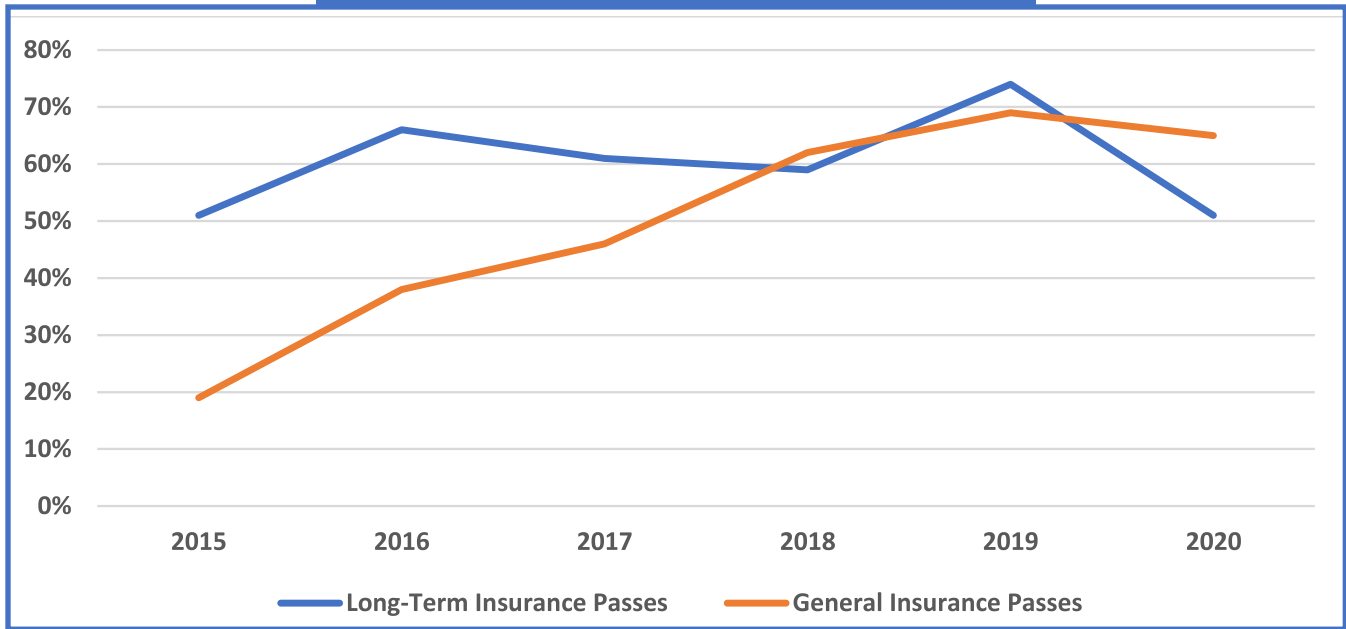
The primary responsibility of salespersons is to sell insurance products that satisfy the needs of potential clients. Salespersons solicit applications on behalf of registered insurers or corporate intermediaries. During the year, 54 new salespersons were registered and 32 canceled, resulting in 744 salespersons registered at the end of 2020.

Individuals who wish to become an insurance salesperson must fulfill all registration requirements and successfully pass a comprehensive examination administered by the Commission. Due to the pandemic, the examinations were briefly suspended in Freeport and Nassau, and resumed in Nassau in July. The Commission is in the developmental stages of administering the examination online.

DOMESTIC INTERMEDIARIES

	2020	2019	2018	2017	2016
Agents and Brokers	58	58	57	55	57
Sub-Agents	23	22	21	20	21
Adjusters	13	13	11	10	5
Total	94	93	89	85	83
Salespersons	744	710	683	675	691

SALESPERSON'S EXAMINATION RESULTS



Market Conduct

An indicator of both market conduct and consumer awareness is the range of complaints submitted to the Commission. The Commission's dispute resolution process includes mediation and arbitration, where necessary. Complaints are reviewed by an internal committee which analyzes and investigates each complaint and determines whether all parties adhered to the terms of the contractual obligations.

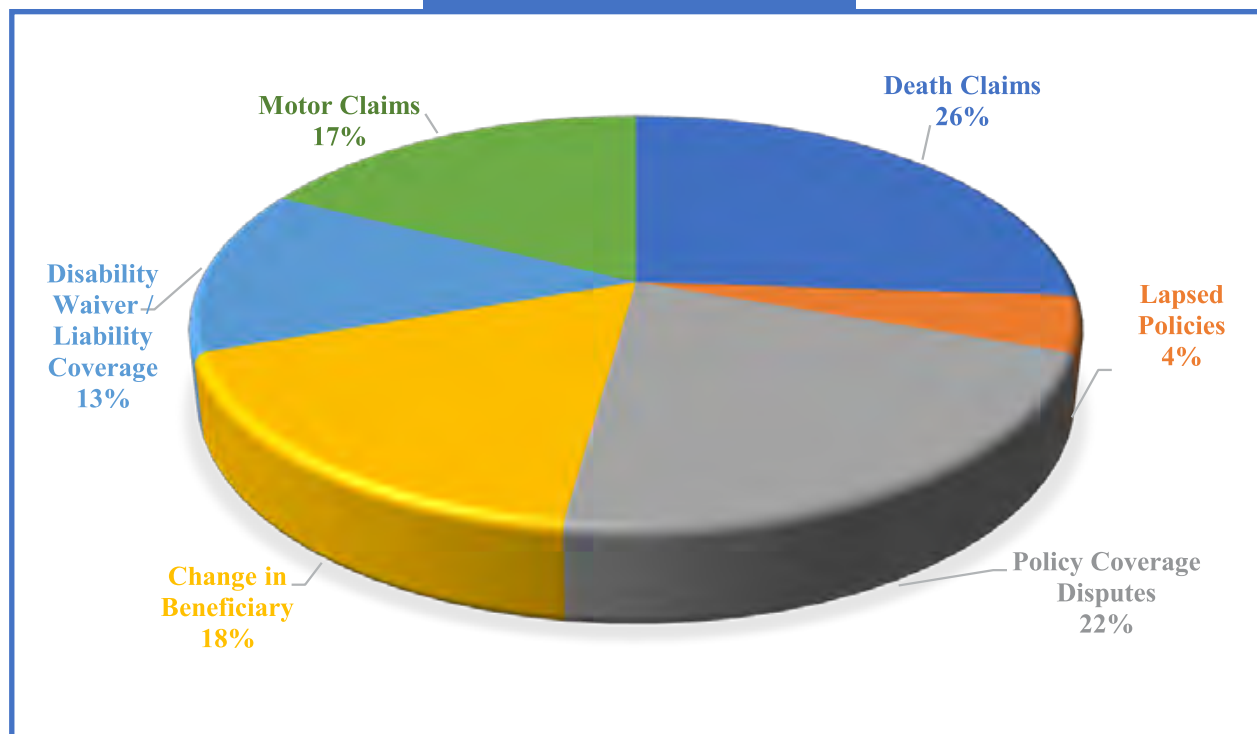
In 2020, the committee investigated 26 complaints of which 17 were satisfactorily settled; 9 complaints remain under

review. The majority of complaints submitted related to:

- policyholder's misrepresentation on proposal forms
- death benefits
- policy coverage disputes
- policy lapses

Data collected from complaints informs consumer awareness initiatives each year and acts as a barometer for the Commission's consumer education campaign.

COMPLAINTS BY TYPE



Consumer Awareness

The Commission plays an essential role in educating and informing the general public about insurance via radio, television and social media platforms. During 2020, the Commission continued to broadcast its public messages to educate the public on “Knowing your policy” and “Misrepresentation.” As a result of the impact of the pandemic

and Government policy, policyholders were encouraged to make arrangements to pay their insurance policies to avoid lapses and penalties. The Commission will continue to enhance public awareness through social media forums.

REGULATORY CO-OPERATION

The Insurance Commission continues to maintain strong relationships with local, regional and international bodies as a means to enhancing its regulatory and supervisory regime, and staying abreast of internationally accepted best practices and related developments. During 2020, the Commission liaised with industry stakeholders regarding impending legislative changes.

Group of Financial Services Regulators

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

Caribbean Financial Action Task Force

The Bahamas is a member of the Steering Group of the Caribbean Financial Action Task Force (CFATF). The Steering Group makes recommendations for improvements in the operation and administration of this regional body, which is designed to meet the needs of a wide range of member countries on AML/CFT/CPF. The Commission was represented by members of the Legal and Supervision Units at the CFATF Plenary meetings held in May and November 2020 via virtual platforms. The Commission continues to participate in addressing matters arising from the 2017 National Risk Assessment report, which was shared with industry and other stakeholders.

Group of International Insurance Centre Supervisors

Group of International Insurance Centre Supervisors (GIICS) represents jurisdictions engaged in the international insurance business. It promotes robust 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.

Caribbean Association of Insurance Regulators

Caribbean Association of Insurance Regulators (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 2020 was re-elected for a second term as Secretary on the Executive Council. As a result of the COVID-19 pandemic, the Association hosted its annual conference virtually.

International Association of Insurance Supervisors

The International Association of Insurance Supervisors (IAIS), established in 1994, is a voluntary membership organization 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. The Bahamas 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.



Top 3 Winners of ICB's 10th Anniversary High School Essay Competition are celebrated at the awards ceremony



Principal of Aquinas College (school of 1st prize winner) receives award during ICB's 10th Anniversary High School Essay Competition celebration



Monetary and commemorative 10th Anniversary "green bag" donation is made to Freetown Urban Renewal Center



ICB shares 10th Anniversary commemorative "green bags" with fellow regulators



ICB donates to the Ministry of Education's hand-held learning devices initiative



ICB staff supports The Bahamas Red Cross Society's annual fund-raising ball



Staff participate in a Vision Board team-building event



Staff donates supplies to the feeding programme of International Deliverance Ministry



Staff donates supplies to Bilney Lane Children's School



Staff donates supplies to Persis Rodgers Home for the Aged

Financial Statements For The
Year End December 31, 2020
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, 2020, and the statements of profit or loss and other comprehensive income, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Commission as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

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

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

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

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

Auditors' Responsibilities for the Audit of the financial statements

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

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

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

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

Deloitte & Touche

April 30, 2021

Insurance Commission of The Bahamas

Statement of Financial Position As of December 31, 2020 (Expressed in Bahamian dollars)

	2020	2019
	\$	\$
ASSETS		
Cash on hand and at banks (Note 11)	1,730,082	2,868,783
Accounts receivable (Notes 4, 11 and 13)	1,922,244	2,004,284
Prepaid expenses and other assets	20,654	11,310
Pension contribution receivable (Notes 10 and 11)	387,370	375,771
Investments (Notes 5 and 11)	16,503,725	12,279,306
Plant and equipment (Note 6)	269,255	321,832
Right-of-use asset (Note 6)	1,319,180	1,539,044
Total assets	22,152,510	19,400,330
LIABILITIES		
Accounts payable and accrued expenses (Notes 7 and 11)	274,279	589,824
Premium taxes payable to The Bahamas Government (Note 11)	853	-
Funds held on behalf of Licensees (Note 8)	152,223	140,555
Deferred income (Note 9)	162,896	165,458
Staff pension fund (Note 10)	1,130,443	1,081,232
Lease liability (Note 12)	1,426,381	1,600,520
Total liabilities	3,147,075	3,577,589
NET ASSETS	19,005,435	15,822,741
Represented by:		
SURPLUS	19,005,435	15,822,741

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 April 22, 2021 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, 2020 (Expressed in Bahamian dollars)

	2020	2019
	\$	\$
INCOME		
Fee Income:		
Premium taxes	6,542,799	6,063,962
License and registration fees	308,407	354,949
Total fee income	6,851,206	6,418,911
Interest income (Note 11)	410,769	369,116
Total income	7,261,975	6,788,027
EXPENSES		
Salaries, wages, and employee benefits (Notes 10 and 11)	2,239,695	2,210,371
Professional fees	545,674	412,840
Depreciation (Note 6)	343,856	336,178
Utilities and property charges (Note 11)	297,975	207,960
Public & community relations	190,971	202,295
Rent	110,376	110,690
Membership fees and subscriptions	97,323	94,133
Lease interest expense	79,913	88,608
Training and conferences	73,405	273,598
Office	72,083	85,269
Commissioners' honoraria and expenses (Note 11)	25,400	29,217
Bank charges (Note 11)	5,322	11,188
Repairs and maintenance	5,074	11,226
Vehicle expense	2,610	3,711
Miscellaneous	19	614
Provision for doubtful debt (Note 4)	-	(159,852)
Total expense	4,089,696	3,918,046
Profit for the year	3,172,279	2,869,981
OTHER COMPREHENSIVE INCOME/ LOSS		
Items that will not be reclassified subsequently to profit or loss:		
Actuarial gain on defined benefit plan (Note 10)	10,415	10,471
TOTAL COMPREHENSIVE INCOME	3,182,694	2,880,452

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, 2020 (Expressed in Bahamian dollars)

SURPLUS	\$
Balance as of January 1, 2019	12,942,289
Profit for the year	2,869,981
Other comprehensive income	10,471
Balance as of December 31, 2019	15,822,741
Profit for the year	3,172,279
Other comprehensive income	10,415
Balance as of December 31, 2020	19,005,435

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, 2020 (Expressed in Bahamian dollars)

	2020	2019
	\$	\$
Cash flows from operating activities:		
Profit for the year	3,172,279	2,869,981
Adjustment for non-cash items:		
Depreciation (Note 6)	343,856	336,178
Provision for doubtful debt (Note 4)	-	(159,852)
Interest income (Note 11)	(410,769)	(369,116)
Movement in working capital:		
Decrease/(increase) in accounts receivables	111,552	(187,584)
Increase in prepaid expenses and other assets	(9,344)	(8,026)
Increase in pension contribution receivable	(21,231)	(20,145)
(Decrease)/increase in accounts payable and accrued expenses	(315,545)	225,207
Increase/(decrease) in premium taxes payable to Bahamas Government	853	(5,161)
(Decrease)/increase in deferred income	(2,562)	3,300
Increase in staff pension fund liability	69,258	79,833
Increase in funds held on behalf of licensee	11,668	27,002
Net cash from operating activities	<u>2,950,015</u>	<u>2,791,617</u>
Cash flows from investing activities		
Net movement in term deposits (Note 5)	(3,598,219)	(110,739)
Purchase of plant and equipment (Note 6)	(71,415)	(412,067)
Acquisition of Bahamas Government Registered Stock (Note 5)	(626,200)	(456,200)
Acquisition of a right-of-use asset	-	(1,758,907)
Interest received	381,257	349,142
Net cash used in investing activities	<u>(3,914,577)</u>	<u>(2,388,771)</u>
Cash flows from financing activities		
(Decrease)/increase in lease liability	(174,139)	1,600,520
Net cash from financing activities	<u>(174,139)</u>	<u>1,600,520</u>
(Decrease)/increase in cash and cash equivalents	(1,138,701)	2,003,366
Cash and cash equivalents as of beginning of period	2,868,783	865,417
Cash and cash equivalents as of end of period	<u>1,730,082</u>	<u>2,868,783</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, 2020.

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

Amendments to IAS 1 – Presentation of Financial Statements
Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors
Amendments to IAS 39 – Financial Instruments: Recognition and Measurement
Amendments to IFRS 7- Financial Instruments: Disclosures
Amendments to IFRS 9 - Prepayment Features and Negative Curtailment or Settlement
Amendments to IFRS 16 - Lease
Amendments to the Conceptual Framework in IFRS standards

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 37 – Provisions, Contingent Liabilities, and Contingent Assets
Annual improvements to IFRS Standards 2018 -2020

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

3. Summary of Significant Accounting Policies

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

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

The preparation of financial statements in accordance with IFRS requires management to exercise its judgment in the process of applying its accounting policies. It also requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of

Insurance Commission of The Bahamas

Notes to the Financial Statements

3.

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

contingent assets and liabilities as of the date of the financial statements and reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Notes 3(e), 3(i), 3(j) and 10.

(b) Basis of preparation

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

(c) Foreign currency translation

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

(d) Cash and cash equivalents

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

(e) Accounts receivable

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

(f) Investments

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

(g) Plant and equipment

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

Insurance Commission of The Bahamas

Notes to the Financial Statements

(g) Plant and equipment (continued)

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 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

Insurance Commission of The Bahamas

Notes to the Financial Statements

(j) Employee benefits (continued)

pension liability that relates to the period before each employee was transferred to the Commission from ORIC is shown as a receivable from Government in the statement of financial position.

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

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

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

	2020	2019
	\$	\$
Premium taxes	1,708,654	1,496,967
Accrued interest income	148,472	118,960
VAT recoverable	48,380	371,507
Fees	9,400	7,400
Other	7,338	9,450
Total	<u>1,922,244</u>	<u>2,004,284</u>

The Commission has arranged with the Ministry of Finance to deduct the net amount of VAT recoverable from quarterly Premium Tax payments. Accordingly, the provision of \$159,852 related to VAT recoverable was reversed in 2019. For all other 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

	2020	2019
	\$	\$
Term deposits	9,507,525	5,909,306
Bahamas Government Registered Stock	6,996,200	6,370,000
Total	<u>16,503,725</u>	<u>12,279,306</u>

During the period covered by these financial statements, the weighted average interest rate earned on certificates of deposit was 1.95% (2019: 1.95%). All certificates of deposit mature within twelve months of the date of the statement of financial position.

Investments in Bahamas Government Registered Stock have interest rates tied to Bahamian dollar prime rate (Prime). The interest rates ranged from 3.5% to Prime plus 5/48%. As of the date of the statement of financial position, Prime was 4.25% (2019: 4.25%).

6. Plant and Equipment

	Right-of- use	Computer Equipment	Furniture Fitting	Telephone System	Leasehold Improve	Auto	Total
	\$	\$	\$	\$	\$	\$	\$
Cost							
January 1, 2020	1,758,907	109,455	282,817	48,050	5,559	30,693	2,235,481
Additions	-	15,994	55,421	-	-	-	71,415
Disposals	-	-	-	-	-	-	-
December 31, 2020	<u>1,758,907</u>	<u>125,449</u>	<u>338,238</u>	<u>48,050</u>	<u>5,559</u>	<u>30,693</u>	<u>2,306,896</u>
Accumulated Depreciation							
January 1, 2020	219,863	56,496	56,563	16,017	1,112	24,554	374,605
Depreciation	219,864	33,077	67,648	16,016	1,112	6,139	343,856
Disposal	-	-	-	-	-	-	-
December 31, 2020	<u>439,727</u>	<u>89,573</u>	<u>124,211</u>	<u>32,033</u>	<u>2,224</u>	<u>30,693</u>	<u>718,461</u>
Net Book Value							
December 31, 2020	<u>1,319,180</u>	<u>35,876</u>	<u>214,027</u>	<u>16,017</u>	<u>3,335</u>	<u>-</u>	<u>1,588,435</u>
December 31, 2019	<u>1,539,044</u>	<u>52,959</u>	<u>226,254</u>	<u>32,033</u>	<u>4,447</u>	<u>6,139</u>	<u>1,860,876</u>

7. Accounts Payable and Accrued Expenses

	2020	2019
	\$	\$
VAT payable to the Government	11,807	131,357
Due to the Securities Commission	45,430	68,929
Due to Poinciana SPV	-	160,496
Accrued expenses	217,042	229,042
Total accounts payable and accrued expenses	<u>274,279</u>	<u>589,824</u>

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 \$152,223 (2019: \$140,555) 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 \$162,896 (2019: \$165,458) relates to fee income received during the year in respect of future financial periods.

10. Staff Pension Fund

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

	2020	2019
	\$	\$
Present value of benefit obligation	1,130,443	1,081,232
Fair value of assets	-	-
Liability recognised in the statement of financial position	1,130,443	1,081,232
Assets recognised in the statement of financial position		
Present value of the amount due from The Government	387,370	375,771
Present value of benefit obligation	743,073	705,461

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

	2020	2019
	\$	\$
Net liability at start of period	705,460	656,244
Net expense recognised in the income statement	70,267	65,922
Amount recognised in other comprehensive income	(10,415)	(10,471)
Contributions employer	(22,240)	(6,234)
Net liability at end of period	743,073	705,461

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

	2020	2019
Opening present value obligation	1,081,232	1,022,507
Interest cost	62,121	57,630
Current service cost	29,377	28,436
Benefits paid	(22,240)	(6,234)
Actuarial gain/(loss) on obligation due to experience	(14,488)	(3,686)
Actuarial loss on obligation due to financial assumption change	(5,559)	(17,421)
Closing present value obligation	1,130,443	1,081,232

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:

	2020	2019
	\$	\$
Opening present value of amount due from government	375,771	366,262
Interest cost	21,231	20,144
Actuarial (loss) on obligation	(9,632)	(10,636)
Closing present value obligation	387,370	375,770

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

	2020	2019
	\$	\$
Opening present value of plan assets	-	-
Contribution - employer	22,240	6,234
Benefits paid	(22,240)	(6,234)
Closing fair value of plan assets	-	-

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

	2020	2019
	\$	\$
Current service cost (net employees' contribution)	29,377	28,436
Interest Cost	40,890	37,486
Expense recognised in Statement of Profit or Loss	70,267	65,922

Actuarial gain recognised in Other Comprehensive Income (10,415) (10,471)

Principal actuarial assumptions used were:

	2020	2019
	\$	\$
Discount rate at end of year	5.70%	5.65%
Future salary increases	3.00%	3.00%

The following table illustrates the changes to the net liability as at December 31, 2020 for a 1% change in these respective assumptions while holding all other assumptions constant.

	1% increase	1% decrease
	\$	\$
Discount rate	(100,932)	122,092
Future salary increases	40,492	(37,489)

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:

	2020	2019
	\$	\$
<i>Assets</i>		
Cash at banks	1,729,482	2,868,183
Accounts receivable	196,852	490,467
Pension contribution receivable	387,370	375,771
Investments	16,503,725	12,279,306
<i>Liabilities</i>		
Accounts payable and accrued expenses	60,651	367,156
Premium taxes payable to The Bahamas Government	853	-
<i>Income</i>		
Interest income	410,769	369,116
<i>Expenses</i>		
Rent	364,428	350,005
Utilities and property charges	291,307	200,383
Professional Fees	78,000	78,000
Commissioners' honoraria and expenses	25,400	29,217
Bank charges	5,322	11,188

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:

	2020	2019
	\$	\$
Short term employee benefits	619,600	600,470
Post-employment benefits	38,660	37,520
	<u>658,260</u>	<u>637,990</u>

12. Commitments and Contingencies

Lease obligation as per IFRS 16 implementation

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, 2020, the balance outstanding on the lease liability totaled \$1,426,381 (2019: \$1,600,520) and the current lease principal payment due within one year is \$190,738 (2019: \$174,139).

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
2021	\$ 261,109
2022	\$ 268,166
2023	\$ 275,223
2024	\$282,280
2025 and thereafter	\$ 585,701

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 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 related to premium taxes which are due within four weeks of the end of each quarter. In 2020, they were normally collected within 60 days after the period to which they apply.

Most of the remaining accounts receivable is concentrated in a small group of insurers. The aged analysis of accounts receivable as of December 31, 2020, is set out below:

	2020	2019
Days outstanding:	\$	\$
0 to 60 days	1,645,739	1,435,122
61 to 120 days	169,045	151,658
More than 120 days	107,460	417,504
Total	<u>1,922,244</u>	<u>2,004,284</u>

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

(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, 2020, all of the Commission's payables and accrued expenses are due within one year.

(c) Interest rate risk

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

14. Fair Value of Financial Instruments

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

15. Capital Management

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

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

Insurance Commission of The Bahamas

Notes to the Financial Statements

16. Unclaimed Funds

At December 31, 2020, \$4,138,956 (2019: \$3,587,747), inclusive of interest, in unclaimed funds were being held on a special account at the Central Bank of The Bahamas, for the benefit of the policyholders' and beneficiaries, in accordance with Section 183 of the Act.

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

17. Significant Events

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. As a result, the Government of The Bahamas issued Emergency Powers (COVID 19) Orders which limited physical movement and impacted the operations of businesses in all sectors.

During 2020, the Commission has taken measures to monitor and prevent the effects of the COVID 19 virus including health and safety measures, as well as the activation of the Commission's Remote Access protocol, which allowed all employees to work from home. Subsequent to the issuance of the Emergency Powers (COVID 19) Orders and its amendments, the Commission has operated in a hybrid mode, with staff working either from the office or remotely; the Commission was able to operate effectively in 2020.

In preparing these Financial Statements, the Commission has determined that the impact of COVID 19 on its operations and financial results has been limited. Nevertheless, the Commission continues to closely monitor the situation with regards to the degree of uncertainty and risk on the financial performance. The ongoing development and fluidity of this situation preclude any prediction as to the ultimate impact of COVID-19. Management has concluded that COVID-19 has not adversely impacted these financial statements.

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