

2021 ANNUAL REPORT



INSURANCE COMMISSION
OF THE BAHAMAS



INSURANCE COMMISSION
OF THE BAHAMAS



WET WALLS
SLIPPERY
WHEN WET

MISSION STATEMENT

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



INSURANCE COMMISSION OF THE BAHAMAS



May 31, 2022

Senator the Hon. Michael Halkitis
Minister of Economic Affairs
Ministry of Finance
Cecil V. Wallace-Whitfield Centre
Cable Beach
Nassau, N.P., Bahamas

Dear Minister,

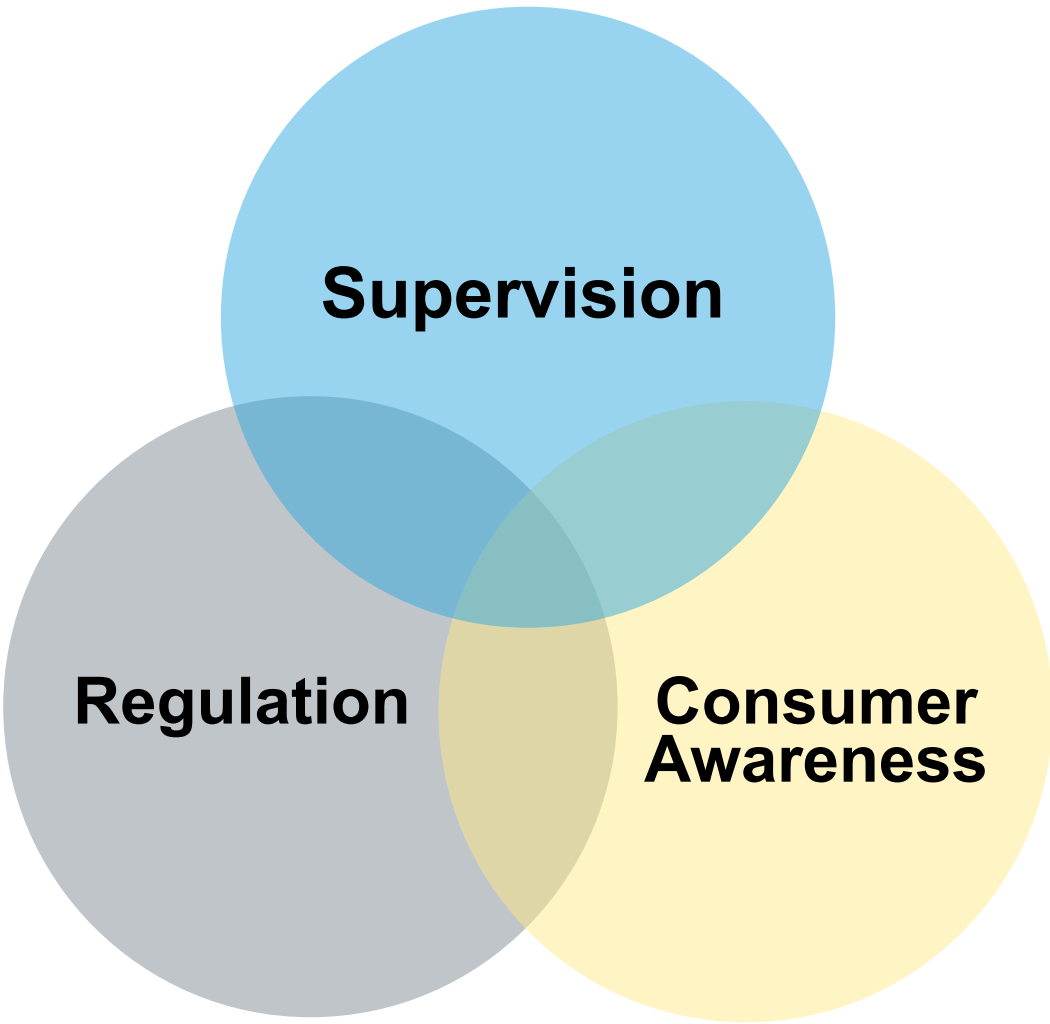
In accordance with Section 18(1) of the Insurance Act, 2005, and on behalf of the Members of the Insurance Commission of The Bahamas, I am pleased to submit the Annual Report for the year ended December 31, 2021. Included with this report are the Audited Financial Statements for the same period.

Yours sincerely,

Michele C.E. Fields
Superintendent of Insurance

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MESSAGE FROM THE SUPERINTENDENT OF INSURANCE

On behalf of the Members of the Commission, I am pleased to report on the activities

and financial performance for the year ending December 31, 2021. The Insurance Commission of The Bahamas continued to meet its supervisory and regulatory mandate to ensure a safe and sound insurance market, while safeguarding the interests of policyholders.

The 2019 Novel Coronavirus (COVID-19) and its variants remained a prevailing challenge for the country in 2021, bringing various health and safety restrictions and strain on the economy. Business and governmental entities were encouraged to continue to operate remotely in an effort to curb community spread. As such, the Commission continued to operate remotely in accordance with its Remote Access Management (RAM) Framework, engaging licensees and registrants through the Commission's virtual platform. To support the delivery of services, the Commission continued to enhance its information and communication technology capacity which included improved system accessibility, increased cloud storage capacity, and heightened cyber security to ensure operational resilience.

COVID-19 restrictions presented barriers to projected economic rebound, particularly in the summer months of 2021, however measured growth was experienced in both the tourism and construction sector into the end of the year, according to the Central Bank of The Bahamas. The insurance industry remained stable and continued to significantly contribute to the economy, generating more than \$908.99 million in insurance premiums in the domestic sector, which is an increase of approximately 9% over the previous year. Gross premiums in both the domestic and external sectors (\$985.69 million) represented approximately 8.79% of The Bahamas' nominal GDP as at the end of December, 2021.

The Commission's financial results for 2021 indicate prudent stewardship of resources. The primary source of income is generated from the retention of 25% of premium tax collected from licensees and registrants on behalf of The Bahamas Government. The total amount collected was \$26.31 million, of which \$6.69 million was retained. Expenses were contained in line with budget, resulting in a comprehensive income of \$2.98 million.

During 2021, the Commission continued to monitor the impact of Hurricane Dorian which took place in September 2019, through quarterly-submitted loss data reports. As of December 31, 2021 the following industry aggregates associated with this storm were reported as follows:

- Number of Claims reported - 12,656
- Total Incurred Losses - \$1.8 billion
- Total Claims Paid - \$1.71 billion
- Total Net Losses after Reinsurance - \$48.5 million

In 2021, the Insurance Act, 2005 was amended to require licensees to obtain approval from the Commission for senior management appointments. This change was necessary in order to be compliant with the Financial Action Task Force (FATF) Recommendations.

Significant focus was placed on the amalgamation of the Insurance Act, 2005 and the External Insurance Act, 2009, which was brought about in order to harmonize the regulatory and tax treatment of foreign and domestic entities. Following consultation with the insurance industry, the first draft of the amalgamated legislation has been completed and is under internal review. Further industry and public consultation will take place prior to submission to the Minister for presentation to the Cabinet.

The International Financial Reporting Standards (IFRS) 17, which replaces IFRS 4 (Insurance

Contracts), is scheduled to come into effect January 2023. This new standard will significantly change the presentation of the financial statements of insurers and the way in which regulators analyse these statements for solvency. In 2021, the Commission engaged the industry in order to ensure their readiness for the adoption of this standard. In addition, training of staff remains essential to the Commission and will take priority in 2022.

The Risk-Based Capital (RBC) Framework, which is used to evaluate an insurer's capital and solvency position, was introduced to general insurers in 2018. Since the initial quantitative impact studies in 2019, additional refinements were made, and a second iteration was conducted. During 2022, the RBC framework will be further amended to incorporate the impact of IFRS 17 and IFRS 9, which are scheduled for adoption in the beginning of 2023.

Under the Insurance Act, 2005, the Commission is mandated to ensure that licensees and registrants are compliant with the Financial Transactions Reporting Act, 2018. Accordingly, they are required to provide evidence of their ongoing risk assessments that identify, assess and demonstrate their understanding of ML/TF/PF risks, and the effectiveness of their internal systems. The Commission continued to closely monitor the industry, and where necessary investigated and addressed deficiencies. Dedicated resources were acquired in Q4-2021 for the supervisory oversight of AML/CFT compliance.

In 2021, the Commission issued Guidelines for Assessing General Fitness and Propriety, and Guidelines for the Conduct of Business. We continue to review our regulatory practices and determine areas where further guidance might be necessary.

The Commission continued its response to an appeal in the Supreme Court by an insurance salesperson, whose registration had been cancelled. During 2021, there were a number of preliminary applications, and the hearings were completed before the Chief Justice during early 2022. It is anticipated that the decision in this matter will either confirm the cancellation processes of the Commission or proffer further guidance for cancellation.

Since 2020, the Commission has served as chair of the Group of Financial Services Regulators (GFSR), which is currently coordinating the contributions of the financial sector towards the National Risk Assessment. This exercise is ongoing and is scheduled to be completed mid-2022.

The Commission maintains membership in the Caribbean Association of Insurance Regulators (CAIR), the Group of International Insurance Centre Supervisors (GIICS) and the International Association of Insurance Supervisors (IAIS) as we aim to ensure that international best practices for insurance regulation are followed. As part of its relationship with the IAIS, from 2019 to 2021, the Commission participated in eight self-assessments to evaluate its ongoing compliance with the IAIS Insurance Core Principles (ICP). The responses to these assessments were then reviewed by peer jurisdictions and assigned an appropriate level of observance. The Commission was assigned ratings of 'Observed' for two ICP's and 'Largely Observed' for six ICPS. The Commission remains committed to ensuring that recommendations to enhance ratings from 'Largely Observed' to 'Observed' are demonstrated through any required amendments to legislation, policies or procedures. Additionally, to further facilitate the sharing of information amongst IAIS Member jurisdictions, the Commission has submitted an application to become a signatory to the IAIS Multi-lateral Memorandum of Understanding (MMOU); the application is currently under review and is anticipated to be completed in 2022.

In 2021, the Commission continued to respond to the increasing needs of the community. Contributions were made to The Bahamas Red Cross Society, The Bahamas Primary School Student of the Year Foundation, the Alpha Phi Alpha Incorporated Salutatorian Scholarship Award, the Persis Rodgers Home for Aged and Unity House for The Elderly. Staff were also encouraged to contribute to these worthy causes.

Ongoing development by staff remains important to the work of the Commission. During 2021, members of staff participated in virtual training courses related to regulatory and insurance-specific topics. I wish to commend staff members who accomplished the following designations in 2021:

- Tamika Dean - Certified International Risk Manager
- Kencil McPhee - Associate in Captive Insurance
- Sharanda Humes-Forbes - Associate, Chartered Institute of Arbitration
- Darrin Rodgers - Associate, Chartered Institute of Arbitration
- Lakisca Thurston - Associate, Chartered Institute of Arbitration
- Sinead Bethel - Certified Anti-Money Laundering Specialist and Risk Management

In 2021, three staff members celebrated ten years of service. I would like to commend and recognize Lakisca Thurston, Tamika Dean and Carl Culmer Jr. for their continued dedication to the Commission.

I would like to thank members of the Board of Commissioners who provided guidance and unwavering support during 2021, particularly during challenges as a result of the pandemic. I am

also grateful to the management and staff of the Commission who remained productive and focused while working remotely. Their dedication ensured that the Commission continued to meet its regulatory and supervisory mandate. I wish to also welcome Dana Munnings-Gray, who joined the Commission as the Deputy Superintendent in March of this year.

CORPORATE GOVERNANCE

Members of the Commission are appointed in accordance with the Insurance Act, 2005, and bear 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 persons served as Members of the Commission in 2021:

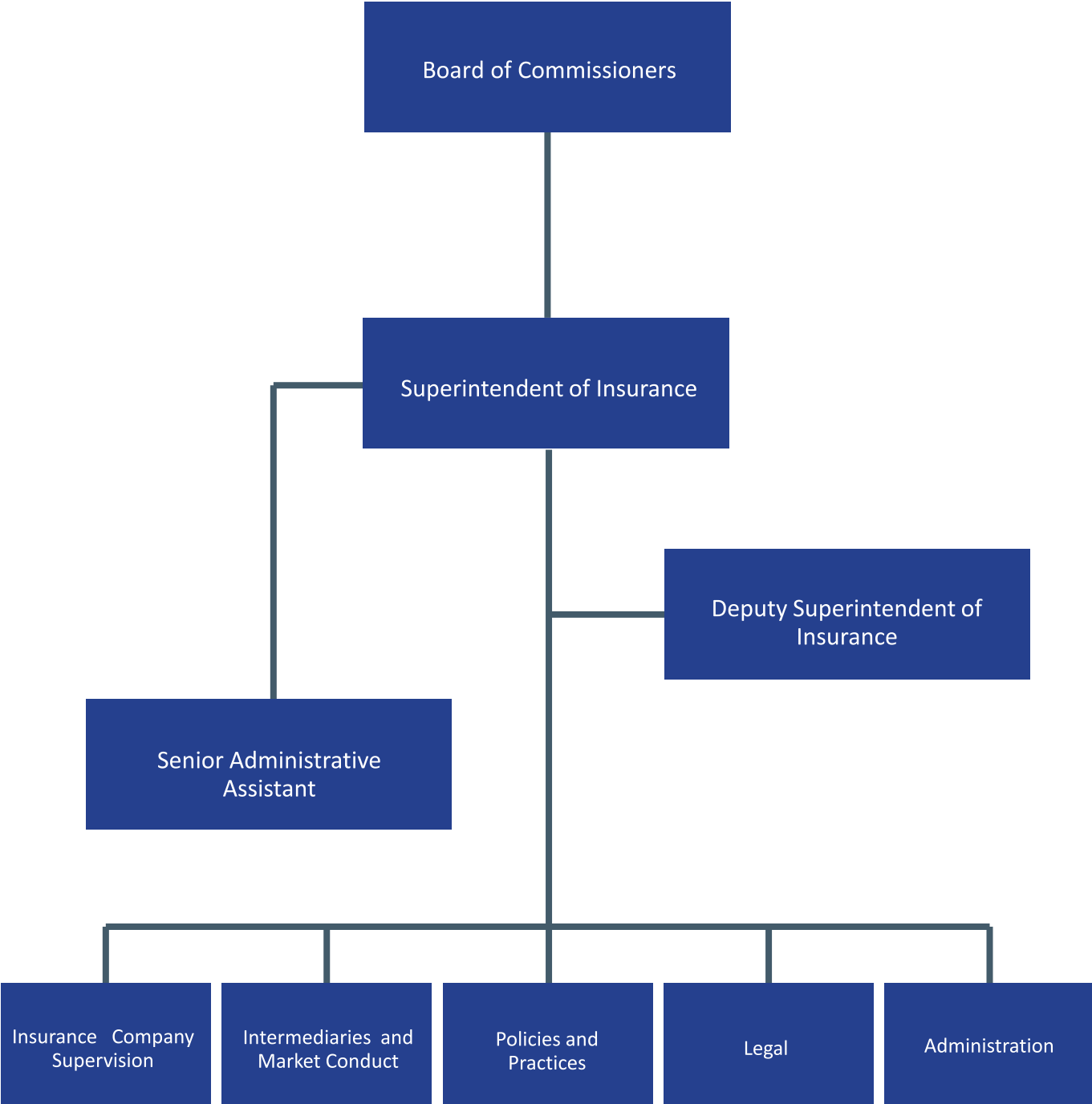
Janet Bostwick-Dean	January 2021 - December 2021
Algernon Cargill	January 2021 - August 2021
Trevannia Clarke	January 2021 - August 2021
Elijah Knowles	January 2021 - December 2021
John Delaney	September 2021 - December 2021
Cathleen Johnson-Hassan	September 2021 - December 2021
Dereck King	September 2021 - December 2021

SUPERINTENDENT'S PROFILE

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 2018 was 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.

ORGANIZATIONAL STRUCTURE



STAFF OF THE INSURANCE COMMISSION



Arthur Barnett Jr.
Manager
Administration



Jamell Bodie
Manager
Supervision



Carl Culmer Jr.
Manager
Policies and Practices



Tamika Dean
Manager
Intermediaries and Market Conduct



Lorna Longley-Rolle
Legal Counsel and
Secretary to the Board



Rodney Bain
Administration



Rodney D. Bain
Intermediaries and
Market Conduct



Decoda Bethell
Supervision



Steine Campbell
Administration



Dorothy Davis
Administration



Dequizza Demeritte
Intermediaries and
Market Conduct



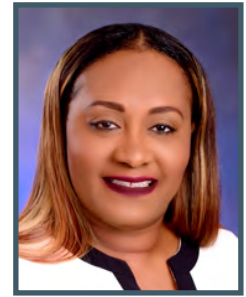
**Sharanda
Humes-Forbes**
Legal



Desdemona Gibbs
Legal



Norman Haven
Policies and Practices



Phelice Jones
Supervision



Gerard Lightfoot
Supervision



Nathan Mackey
Supervision



Kencil McPhee
Supervision



Sheila McPhee
Office of the Superintendent



Tiffany Moss
Intermediaries and
Market Conduct



Andy Moxey
Administration



Kathrina Munroe
Supervision



Danielle Roberts
Intermediaries and
Market Conduct



Darrin Rodgers
Supervision



Yolande Rolle
Legal



Anishka Russell
Supervision



Dominique Shepherd
Policies and Practices



Raven Storr
Administration



Lakisca Thurston
Intermediaries and
Market Conduct



Dominique Tooté
Supervision

INSURANCE COMPANY SUPERVISION

Overview of the Supervision Unit

The Supervision Unit is responsible for the supervision and regulation of all insurance companies operating in or from within The Bahamas, as well as external intermediaries (insurance managers and brokers). The Unit conducts oversight to ensure that licensees comply with insurance legislation, guidelines, and policies issued by the Commission, through a program of offsite monitoring and onsite examinations. The Risk-Based Supervisory Framework, employed by the Commission, ensures that resources are channelled efficiently and effectively. This approach prioritizes the areas of highest risk for each insurer and promotes the implementation of best practices in the institution's governance and risk management that are appropriate for its size, nature, and complexity in order to mitigate and manage risk in the insurer's operations.

The Unit conducts group-wide supervision for insurance groups operating in the jurisdiction. This is carried out through supervisory colleges and exchanges with regional and international regulatory bodies. Supervisory colleges which consist of regulatory meetings among regulators and company officials, help to enhance cooperation and coordination across jurisdictions. In addition, the Unit reviews the macro environment in order to identify potential risks to the entire industry. The Supervision Unit also processes applications for registration and licensing of insurance companies and external intermediaries.

Insurance Sector Outlook

While Hurricane Dorian in 2019 and the ongoing COVID-19 pandemic negatively affected the economy, the insurance sector continued to show resilience in 2021 in both the long-term and general domestic insurance markets. Most insurance companies experienced increases in gross premiums and investment income, which resulted in profitable operations for the year. Insurers are required to set a target capital ratio based on their Own Risk and Solvency Assessment, which should exceed the Commission's prescribed capital ratio of 150%. Capital ratios below the prescribed level trigger regulatory action in accordance with the Commission's Ladder of Supervisory Intervention. During 2021, insurers were generally able to maintain capital levels above their target capital ratio and the Commission's prescribed capital ratio. These indicators taken together exhibit continued strength of the sector.

General Insurance Sector

The Commission registered one new entity in 2021, increasing the total number of general insurance companies to 19, of which 10 were branches of foreign insurance companies. General insurers underwrote gross premiums of \$423.4 million (2020: \$376.7 million) and net premiums of \$115.5 million (2020: \$101.8 million), a moderate increase of 12% and 14% respectively. The increase in gross premiums was primarily due to the increase in the volume of business as the economy slowly began to recover, compounded by price increases across the industry, which took effect in 2020. These price increases were predominantly related to property insurance given the exorbitant losses incurred following Hurricane Dorian, which devastated several islands of The Bahamas during 2019. The major lines of business, property, and motor insurance, accounted for approximately 69% and 16% of gross premiums respectively. Property insurance premiums increased by approximately \$56.5 million (24%), while motor insurance premiums increased by \$4.2 million (7%) during the period. Other lines of business also experienced moderate to significant increases in premiums, including marine, aviation and transport, which increased by \$4.5 million (48%) to \$13.7 million during the period. However, liability coverage underwent a 7% decline during the period.

General insurers experienced underwriting gains of \$39.4 million and total income of \$14.1 million, marginally down from the aggregate underwriting income of \$42.4 million and total income of \$16.01 million in 2020, as net claims increased by \$8.3 million. Net claims incurred totalled \$21.9 million during the period of which 66% or \$14.4 million emanated from the motor line of business. This line of

DOMESTIC INSURERS

	2021	2020
General	19	18
Long-term	12	12
Association of Underwriters	1	1
Total	32	31

AGGREGATE FINANCIAL STATEMENT - DOMESTIC INSURERS

(B\$ Thousands)	2021			2020 (Restated)		
	Long-Term Insurers	General Insurers	Total	Long-Term Insurers	General Insurers	Total
BALANCE SHEET						
Cash and Deposits	146,926	128,935	275,861	203,350	146,141	349,491
Investments						
Government Securities	628,756	44,905	673,661	638,396	42,394	680,790
Corporate Securities	59,482	880	60,362	53,929	800	54,729
Preference Shares	12,833	11,214	24,047	17,583	12,620	30,203
Corporate Equities, Listed	29,890	23,398	53,288	28,639	23,016	51,655
Corp. Equities, Non-Listed	4,561	2,311	6,872	4,752	2,465	7,217
Mutual Funds	39,594	6,023	45,617	36,935	3,813	40,748
Investment Property	92,568	14,546	107,114	89,468	14,825	104,293
Other Investments	48,123	14,401	62,524	15,666	14,325	29,991
Mortgage Loans	127,781	0	127,781	126,593	0	126,593
Policy Loans	100,691	0	100,691	99,964	0	99,964
Receivables	138,953	230,535	369,488	96,130	210,719	306,849
Reinsurance Recoverable	48,054	87,893	135,947	30,311	173,532	203,843
Intangible Assets	3,091	124	3,215	8,203	189	8,392
Fixed Assets	63,699	18,076	81,775	59,923	18,586	78,509
Other Assets	17,715	6,922	24,637	18,820	9,654	28,474
TOTAL ASSETS	1,562,717	590,163	2,152,880	1,528,661	673,079	2,201,741
Technical Reserves	914,960	202,558	1,117,518	894,530	264,428	1,158,958
Other Liabilities	157,945	150,158	308,103	138,688	189,906	328,594
TOTAL LIABILITIES	1,072,905	352,716	1,425,621	1,033,218	454,334	1,487,552
Share Capital	58,533	55,169	113,702	51,843	54,775	106,618
Retained Earnings	324,417	109,886	434,303	340,378	101,392	441,770
Other Reserves	106,862	72,392	179,254	103,222	62,578	165,800
TOTAL EQUITY	489,812	237,447	727,259	495,443	218,745	714,188
TOTAL EQUITY & LIABILITIES	1,562,717	590,163	2,152,880	1,528,661	673,079	2,201,741
INCOME STATEMENT						
Gross Premiums	485,588	423,407	908,995	457,160	376,720	833,880
Reinsurance Assumed	11,114	1,633	12,747	9,945	5,150	15,095
Reinsurance Ceded	(72,400)	(309,493)	(381,893)	(65,608)	(280,082)	(345,690)
Change in Unearned Reserves	-	(3,546)	(3,546)	-	4,402	4,402
NET PREMIUMS	424,302	112,001	536,303	401,497	106,190	507,687
Investment Income	59,023	1,989	61,012	41,320	(708)	40,612
Other Income	22,026	4,654	26,680	14,361	3,490	17,851
TOTAL INCOME	505,351	118,644	623,995	457,178	108,972	566,150
Net Claims	327,987	21,982	349,969	260,531	13,677	274,208
Net Commissions	34,744	7,728	42,472	34,041	10,551	44,592
Expenses	107,245	74,836	182,081	104,009	68,731	172,740
TOTAL EXPENSES	469,976	104,546	574,522	398,581	92,959	491,540
NET INCOME	35,375	14,098	49,473	58,597	16,013	74,610

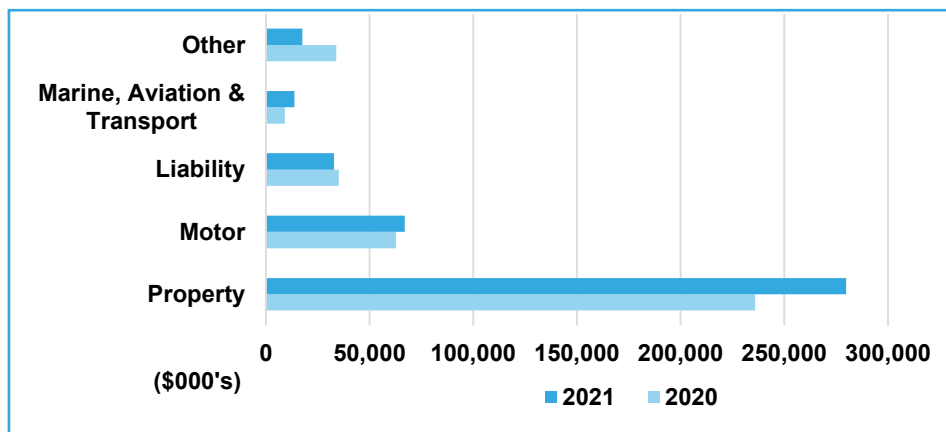
business incurred a 39% net loss ratio during 2021. The sector finished the year with a net loss ratio of 20%, and a combined loss ratio of 94%. This was up from 2020, when the sector incurred a net loss ratio of 13% and a combined loss ratio of 88%.

General insurers typically maintain conservative risk-retention levels, with 75-90% of the risk to which these companies are exposed being reinsured with highly rated reinsurers. This strategy enables companies

to maintain their solvency while providing capacity to insure catastrophic risks, such as hurricanes. The Commission reviews reinsurance programs annually to ensure that general insurers are appropriately mitigating risks and adequately protecting their capital.

The sector's total investment portfolio decreased by \$13.8 million (5%) during 2021. The sector remained liquid with cash and deposits accounting

GROSS PREMIUMS BY LINES OF BUSINESS - GENERAL INSURANCE



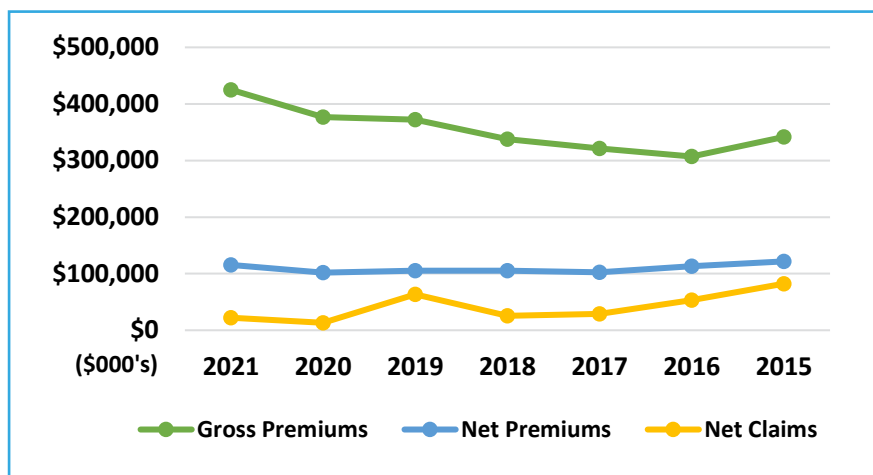
LINES OF BUSINESS - GENERAL INSURANCE

(B\$ Thousands)	Property	Motor	Fire	Liability	Marine, Aviation and Transport	Pecuniary Loss	Personal Accident	Other	Total
Gross Premiums Written	279,753	66,915	12,651	32,831	13,663	541	679	16,373	423,406
Reinsurance Assumed	1,610	-	-	23	-	-	-	-	1,633
Reinsurance Ceded	218,718	23,015	10,737	26,833	9,641	401	237	13,088	302,670
Net Premiums Written	62,645	43,900	1,914	6,021	4,022	140	442	3,285	122,369
Change in Unearned Premium Reserve	(3,525)	207	323	(172)	(181)	(3)	(59)	(136)	(3,546)
Net Premiums Earned	59,120	44,107	2,237	5,849	3,841	137	383	3,149	118,823
Gross Incurred Claims	21,737	21,638	876	3,612	1,884	(69)	1,040	320	51,038
Reinsurance Recovery	18,775	7,264	913	857	1,002	(81)	4	400	29,134
Net Incurred Claims	2,962	14,374	(37)	2,755	882	12	1,036	(80)	21,904
Commission Paid	39,163	16,739	2,012	1,898	1,587	76	132	3,505	65,112
Reinsurance Commission Received	37,896	11,550	2,105	1,449	1,302	104	44	1,978	56,428
Net Commission Expense	1,267	5,189	(93)	449	285	(28)	88	1,527	8,684
Other Underwriting Expenses	344	4	-	12	24	3	-	43	430
Premium Taxes	5,910	1,675	261	318	379	8	13	438	9,002
Catastrophe and Excess Loss of Reinsurance	28,223	2,939	409	385	1,270	1	-	285	33,512
Total Underwriting Expenses	38,706	24,181	540	3,919	2,840	(4)	1,137	2,213	73,532
Total Underwriting Income/(loss)	20,414	19,926	1,697	1,930	1,001	141	(754)	936	45,291

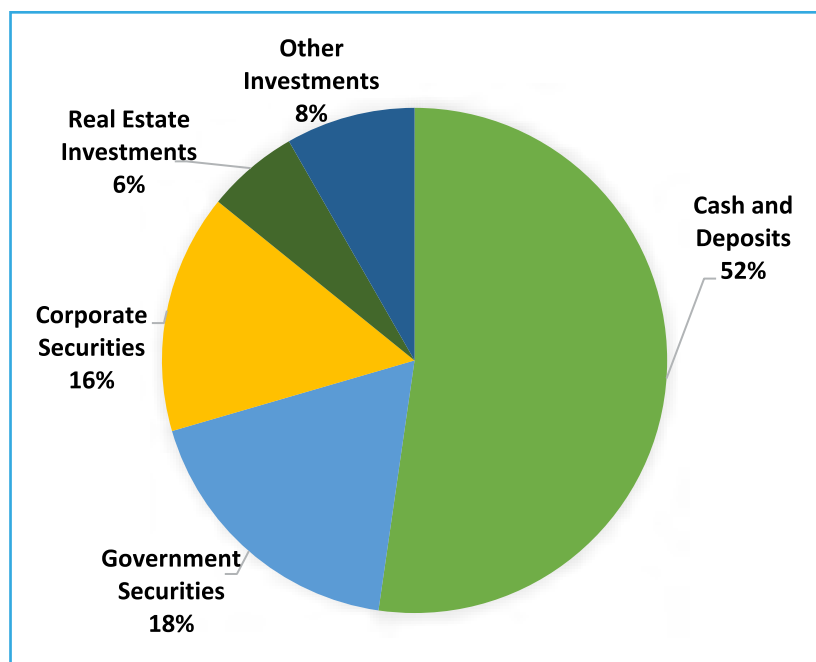
for 52% of its investment portfolio, despite a decline of \$17.2 million (12%). Government securities, the second largest category in the investment portfolio, accounted for 18% and increased by \$2.6 million (6%). Listed equity securities (9%), preferred shares (5%), real estate (6%) and investments in related parties (5%) experienced minimal movement during the period. General insurers collectively had an investment income of \$1.99 million during 2021 in contrast to a loss of \$708K in the prior year, which were due to unrealized losses in the equity portfolio. The sector earned a positive return on its investment of less than 1% during 2021.

The Risk-Based Capital (RBC) Framework for general insurers was introduced to the industry for consultation during 2018. This Framework 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. The Commission carried out another round of impact assessments during 2021 to ensure that the parameters within the Framework are appropriate for the industry. A final round of impact studies is envisaged during 2022, following modifications to the Framework.

PREMIUMS AND CLAIMS - GENERAL INSURANCE



INVESTMENTS - GENERAL INSURANCE



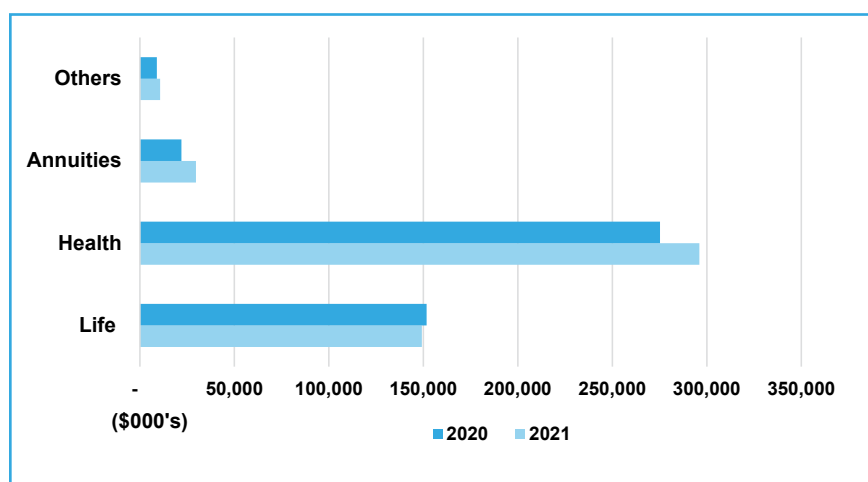
Long-term Insurance Sector

The composition of the domestic long-term insurance sector remained unchanged during 2021, reflecting 12 long-term insurers, inclusive of five Bahamian-owned and locally incorporated insurers, two subsidiaries of foreign insurers and five branches of regional and international insurers.

Gross premiums written, including annuities and reinsurance assumed in the long-term sector, increased by \$25.6 million (6%) over the prior year to stand at \$496.7 million in 2021, as the economy began to incrementally recover from the devastating effects of Hurricane Dorian and the pandemic. Group

health business, which accounts for 50% of premiums written, realized a \$21.3 million (10%) increase during 2021 to \$242.7 million, while individual health insurance, which accounts for 11% of premiums written, declined by 1% during the year to \$53.3 million. Individual life, the second largest line of business accounting for 28% of premiums, experienced minimal growth of 2%, while group life, which accounts for 3% of premiums written, underwent a significant decline in gross premiums during the year (\$5.2 million or 26%) to stand at \$15.1 million. The annuity line expanded by \$7.6 million (35%) during the period. The long-term sector experienced

GROSS PREMIUMS BY LINES OF BUSINESS - LONG-TERM INSURANCE



LINES OF BUSINESS - LONG-TERM INSURANCE

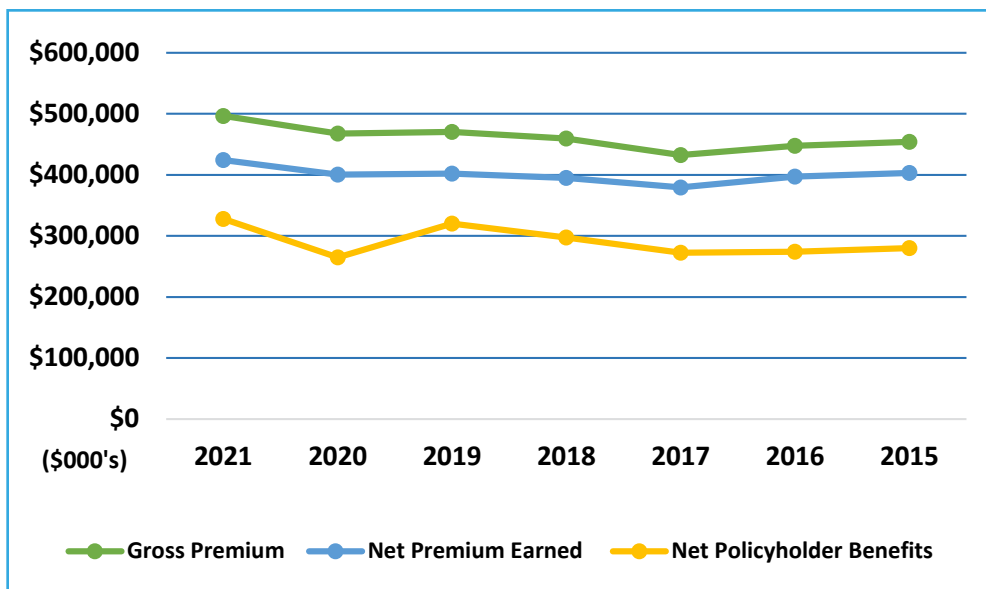
(B\$ Thousands)	Individual Life	Group Life	Individual Health	Group Health	Annuities	Other	Total
Gross Premiums Written	134,099	15,140	53,286	242,714	29,609	10,740	485,588
Reinsurance Assumed	0	0	0	0	0	11,114	11,114
Reinsurance Ceded	22,729	5,303	3,772	39,788	0	808	72,400
Net Premiums Written	111,370	9,837	49,514	202,926	29,609	21,046	424,302
Policyholder Benefit	103,313	6,953	30,716	175,202	23,985	17,805	357,975
Less: Reinsurance Recoveries	24,567	2,895	2,627	20,820	0	51	50,959
Changes in Reserves for Future Policyholder Benefits	11,602	(281)	(352)	4,368	4,552	1,082	20,971
Total Policyholder Benefits	90,348	3,777	27,737	158,750	28,537	18,836	327,985
Net Commission Expense	17,957	392	5,515	10,202	239	417	34,722
Other underwriting Expenses	4	(33)	0	157	0	0	128
Premium Taxes	3,695	454	1,595	7,658	0	203	13,605
Total Underwriting Expenses	112,004	4,590	34,847	176,767	28,776	19,456	376,440
Total Underwriting Income/(loss)	-634	5,247	14,667	26,159	833	1,590	47,862

a combined loss ratio of approximately 111%, with a net income of \$35.4 million, down 40% from the 2020 level (\$53.6 million) as policyholder benefits and expenses were up 26% and 3% respectively.

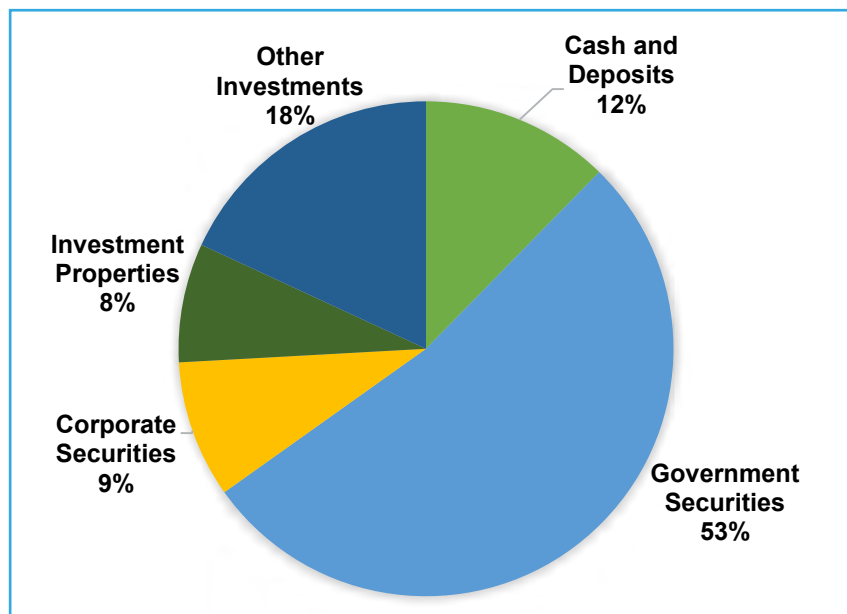
Although there was a modest decrease in total investment assets in the long-term sector of 2% during the year, there was a substantial rise of \$36.2 million (77%) in the sector's investment income during the period, primarily related to the recovery in investment gains at fair value. The long-term sector earned a return of 6% on its investment portfolio during the year. Investment assets and

total assets were \$1.2 billion and \$1.6 billion respectively. Government securities remained the largest investment (\$628.8 million) accounting for 53% of investment assets, followed by cash and deposits as noted above, and then mortgage loans, which accounts for 11% of investment assets or \$127.8 million. Cash and deposits, which account for 12% of total investments, decreased by \$56.4 million (28%) during 2021 to \$146.9 million, while other investments, which account for 4% of total investments, increased threefold during the period to \$48.1 million from \$15.7 million in 2020.

PREMIUMS AND CLAIMS - LONG-TERM INSURANCE



INVESTMENTS - LONG-TERM INSURANCE



External Insurance Sector

The external insurance sector, which insures risks located outside of The Bahamas, experienced a slight decline in the number of insurers in 2021 with a total of 7 standalone captives, 6 segregated accounts and 8 non-captives. The external sector also includes 10 captive managers and 1 captive broker. The Commission licensed one new non-captive insurer during the period. Two captive insurers liquidated operations during the period, resulting in cancellation of licenses held by these entities. While no additional standalone captives were licensed, 19 segregated accounts (cell captives) of Segregated Account Companies were approved and 10 cell captives discontinued, bringing the total number of cell captives at the end of 2021 to 144 (2020:135). Cell captives provide a more cost-efficient option for managing and mitigating the insurable risks of the parent entity, as compared to standalone captives.

Although 2021 financial statements were not available at the time of this report, the 2020 statements provided some insight into the trends in this sector. Gross premiums in the captive market continued to deteriorate compared to the prior year, with a decline of \$10.6 million (12%), to end the year at \$76.7 million (2019: \$87.3 million). The captive market produced net income of \$63.5 million, a 28% decline over the prior year (2019: \$88.5 million). The reductions are primarily due to a decrease in the number of captives which insured risk during the period, particularly cell captives. Captives are a useful alternative risk transfer mechanism used to mitigate risk to which its owners are exposed. These are typically used when coverage either cannot be obtained readily in the open market or such coverage is associated with exorbitant costs and the risk is well managed or low. Cell captives, which are a part of the segregated account company structure are a cost-efficient way to maintain a captive insurer. While several cell captives ceased operations during the year, there were others that continued although choosing not to insure risk through the captive during the period. Nevertheless, the assets in this market expanded by \$45.3 million (9%) to the end of the year at \$572.9 million.

The non-captive market consists predominantly of insurers providing variable life insurance products. Assets in this market expanded by 26%, totaling \$1.2 billion (2019: \$917.8 million) with more than 90% of the assets being maintained in the separate accounts of the Unit-Linked life policies. Net income totalled \$3.4 million, an increase of 42% over the prior year.

Staff attended virtual captive conferences during 2021 in order to keep abreast of trends and developments which may have an impact on supervision and regulation of entities in the external insurance sector. These conferences included those held by the World Captive Forum and the Risk Management Society.

Anti-Money Laundering Assessment and Supervision

Long-term insurance companies are deemed financial institutions under the Financial Transactions Reporting Act, 2018 (FTRA) and hence are subject to the requirements under the suite of Anti-Money Laundering, Countering Terrorism Financing and Countering Proliferation Financing (AML/CTF/CFP) legislation. Although general insurers are not considered financial institutions and thus are not subject to the same degree of requirements as their long-term insurer counterparts, these entities do have obligations under the FTRA and Proceeds of Crime Act, 2018 (POCA). General insurers are also required to implement AML/CTF/CFP programmes commensurate with the risks to which this sector is exposed. All insurers must be guided by the Commission's AML/CTF/CFP Guidelines.

The Supervision Unit continues to carry out supervisory and regulatory oversight to ensure that all insurers are compliant with the provisions of the AML legislation. This includes, but is not limited to, conducting risk assessments and appropriate customer due diligence. AML onsite examinations were conducted during the year, and the Supervision Unit ensured that insurers adequately addressed deficiencies and recommendations that were noted during the review of the prior year's risk assessments.

EXTERNAL COMPANIES

Captive Insurers	2020	2019
Stand-alone Insurance Companies	7	9
Segregated Accounts Companies	6	6
Segregated Accounts (Captive Cells)	144	135
Total	157	150
Other External Insurers (Non-Captive)	8	7
External Intermediaries		
Insurance Managers	10	11
Brokers	1	1
Total	11	12

AGGREGATE FINANCIAL STATEMENTS - EXTERNAL INSURERS

(B\$ Thousands)	2020			2019 (Restated)		
	Captive Insurer	Non-Captive Insurer	Total	Captive Insurer	Non-Captive Insurer	Total
BALANCE SHEET						
Cash and Deposits	124,550	15,857	140,407	105,629	21,664	127,293
Investments						
Government/Corporate Bonds	44,391	28,403	72,794	48,726	30,087	78,813
Equities, Listed	88,804	55,193	143,997	81,074	40,960	122,034
Equities, Non-listed	534	-	534	486	-	486
Mutual Funds	96,812	-	96,812	93,451	-	93,451
Segregated Accounts Investment	602	1,043,892	1,044,494	535	822,068	822,603
Other investments	28,917	168	29,085	26,393	541	26,934
Receivables	129,907	9,900	139,807	119,414	2,357	121,771
Reinsurance Recoveries	53,819	-	53,819	46,463	-	46,463
Fixed Assets	-	20	20	-	66	66
Other Assets	4,586	7	4,593	5,497	17	5,514
TOTAL ASSETS	572,922	1,153,350	1,726,362	527,668	917,760	1,445,428
Provision for Future Benefits	485	93	578	377	72	449
Technical Reserves	168,849	543	169,392	149,550	600	150,150
Other Liabilities	41,656	1,143,225	1,184,881	33,035	909,066	942,101
TOTAL LIABILITIES	210,990	1,143,861	1,354,851	182,962	909,738	1,092,700
Share Capital	35,054	3,000	38,054	32,995	3,022	36,017
Retained Earnings	322,080	6,579	328,659	308,810	5,000	313,810
Other Reserves	4,798	-	4,798	2,901	-	2,901
TOTAL EQUITY	361,932	9,579	371,511	344,706	8,022	352,728
TOTAL EQUITY & LIABILITIES	572,922	1,153,350	1,726,362	527,668	917,760	1,445,428
INCOME STATEMENT						
Gross Premiums	76,663	-	76,663	87,266	-	87,266
Reinsurance Assumed	37,332	-	37,332	41,156	-	41,156
Reinsurance Expense	(45,290)	-	(45,290)	(52,587)	-	(52,587)
NET PREMIUMS	68,705	-	68,705	75,835	-	75,835
Investment Income	16,355	-	16,355	31,121	-	31,121
Other Income	354	6,199	6,553	399	5,881	6,280
TOTAL INCOME	85,414	6,199	91,613	107,355	5,881	113,236
Net Claims	11,386	-	11,386	6,545	-	6,545
Expenses	10,577	2,818	13,395	12,355	3,514	15,869
TOTAL EXPENSES	21,963	2,818	24,781	18,900	3,514	22,414
NET INCOME	63,451	3,381	66,832	88,455	2,367	90,822

Impending Changes to IFRS 17

During 2021, the Commission continued to assess insurers' preparation for the implementation of impending changes of International Financial Reporting Standards (IFRS) 17. IFRS 17, which comes into effect January 2023, and represents the most significant change 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. Most insurers have made meaningful advancement in their preparation for this imminent change. The Commission will continue to monitor their progress and the impact that the revised standard will have on their operations and capital requirements.

INTERMEDIARIES AND MARKET CONDUCT

The Intermediaries and Market Conduct Unit is responsible for the monitoring and oversight of insurance intermediaries. Registered intermediaries include Brokers, Agents, Sub-Agents, Adjusters and Salespersons. The Insurance Act, 2005 prohibits insurance companies from selling products directly to the public, thus requiring the use of intermediaries. The Unit monitors each intermediary to ensure compliance with legislation and guidelines, and promotes fair treatment of policyholders throughout the industry. The Unit also ensures that intermediaries maintain proper books and records, trusts accounts and prescribed capital, which are confirmed during the annual renewal process.

In 2021, the Guidelines for Conduct of Business were issued to outline minimum standards for business practices within the insurance market, and to promote sound and prudent insurance management.

Agents and Brokers

There are 58 Agents and Brokers currently registered with the Commission. Agents are sponsored by insurance companies to sell products on their behalf, while Brokers are contracted by policyholders to seek the best products that meet their needs. Both Agents and Brokers are compensated via commission for business placed with the registered insurer. Collated 2020 annual audited financials revealed that total commissions paid to intermediaries amounted to approximately \$73.7 million. Of the total amount of commissions, \$58 million (78.7% of the market share) was paid to the top 10 largest intermediaries. The intermediary market remains competitive and continues to grow as licensees seek opportunities to satisfy the expected needs of potential consumers.

Salespersons

Salespersons represent the largest segment of the distribution channel of insurance products. All products are vetted and approved by the Commission before being sold in the market. At December 2021, there were 676 salespersons registered with the Commission; 502 were licensed to sell long-term insurance, 96 were licensed to sell general insurance only, while 78 had dual registrations to sell both general and long-term insurance. Salespersons solicit applications for insurance on behalf of their sponsors who are registered insurers or corporate intermediaries. Salespersons can only be sponsored by one insurer or intermediary at a time but may change sponsorship upon the approval of the Commission.

Persons who wish to become a licensed salesperson must fulfill all registration requirements and successfully pass a comprehensive examination. Registration as a salesperson is obtained after fitness and proprietary checks are completed with no adverse findings. All salespersons must maintain a level of integrity, relevant industry training and professionalism to maintain their registration.

In 2021, the Commission licensed 53 new insurance salespersons and cancelled 93 salespersons registrations. A salesperson's registration is cancelled after no insurance business has been conducted for a period of one year. Examinations to become registered as a salesperson are held monthly in New Providence and Grand Bahama. Following the implementation of a revised compendium of examination papers in 2019, there was a decline in the rate of passes for the long-term examination. While an upward trend was seen in the first quarter of 2020, a subsequent decline in results was attributed to the restrictions of the Covid-19 pandemic. These restrictions ultimately contributed to a decision to suspend all examination offerings in both Grand Bahama and New Providence for approximately five months. Examinations subsequently resumed in New Providence and Grand Bahama in September 2020 and May 2021, respectively. The Commission will continue to monitor these results and modify the examinations where needed, in line with international standards.

Market Conduct

The Commission's market conduct review includes oversight and supervision of insurers and intermediaries to certify that policyholders, claimants and beneficiaries are treated fairly and in accordance with laws, guidelines and regulations. Apart from the onsite examinations and offsite monitoring, the Commission also monitors the amount of complaints for each licensee.

Complaints are reviewed by an internal committee who analyses and investigates each complaint to determine whether or not all parties adhered to the terms of their contractual obligations. The Commission's complaints process includes mediation and arbitration, where necessary, between parties to the contract. In 2021, the Commission investigated 24 complaints relating to the following matters:

- death benefits
- policy lapses

- misrepresentation on proposal forms
- policy coverage disputes

Of the complaints reviewed, 17 were satisfactorily settled while 7 complaints remain under review.

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

Consumer Awareness

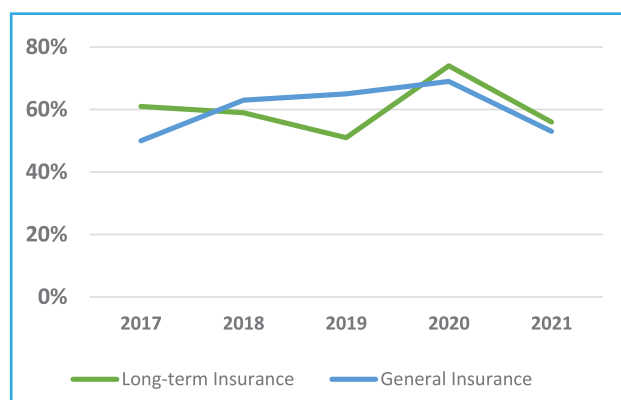
The Commission plays a significant role in educating and informing the public about insurance via radio, television, and social media platforms.

During 2021 the Commission broadened its consumer awareness initiative by implementing its Webinar Series ‘Understanding the Bahamian Insurance Industry.’ Topics to date featured discussions on Broker and Agent, Role of the Adjuster and Know your Insurer, Know your Policy which complemented the Commission’s public awareness campaign through mainstream and social media forums.

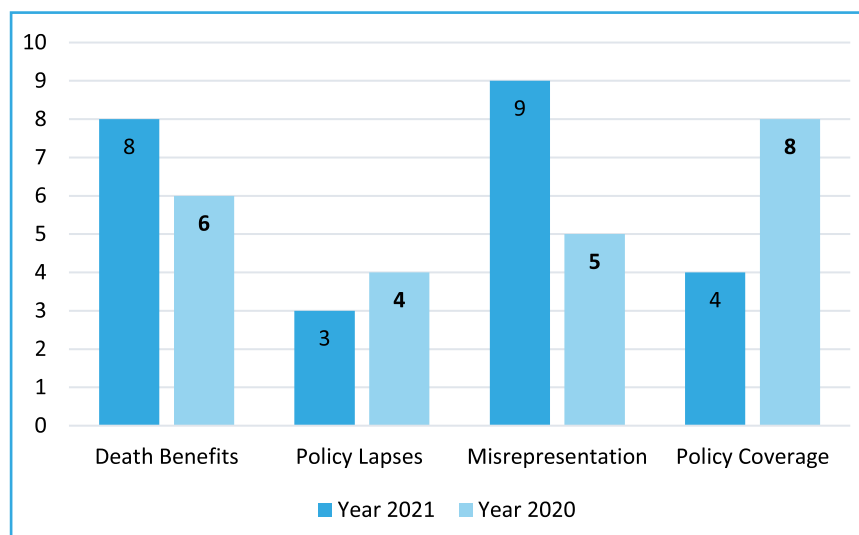
DOMESTIC INTERMEDIARIES

	2021	2020
Agents and Brokers	58	58
Sub-Agents	23	23
Adjusters	15	13
Total	96	94
Salespersons	676	744

SALESPERSON’S EXAMINATION PASSES



COMPLAINTS BY TYPES



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.

Group of Financial Services Regulators

The Commission has served as Chair of the Group of Financial Services Regulators (GFSR) since January 2020. The GFSR, established in 2002, comprises of the Central Bank of The Bahamas, the Securities Commission of The Bahamas, the Compliance Commission of The Bahamas, the Gaming Board for The Bahamas and the Insurance Commission of The Bahamas. The Group continues to coordinate their unique supervisory efforts and devise responses to both actual and potential systemic risks in the country.

Caribbean Financial Action Task Force

This organisation consists of over 24 regional member jurisdictions charged with implementing and managing measures to counter the challenges of ML/FT/PF. The Bahamas, as a member of the Steering Group of the Caribbean Financial Action Task Force (CFATF), continues to make recommendations for improvements in the operation and administration of this body which was designed to meet the needs of a wide range of member countries as it relates to AML/CFT/PF. As such, the Commission was represented by members of the Legal and Supervision Units at the CFATF Plenary virtual meetings held in 2021. The Commission continues to participate in addressing matters arising from the 2017 National Risk Assessment (NRA) report, which was shared with industry and other stakeholders. In 2022, the Commission, along with other regulators, will commence work towards the development of a second NRA.

Group of International Insurance Centre Supervisors

Group of International Insurance Centre Supervisors (GIICS) represents jurisdictions engaged in the international insurance business. In accordance with IAIS principles, GIICS promotes robust supervision of all offshore insurance entities. 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 once again 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.

COMMUNITY OUTREACH



Persis Rodgers Home for the Aged



Alpha Phi Alpha Incorporated Salutatorian Scholarship Award



Unity House for the Elderly

**FINANCIAL STATEMENTS FOR THE
YEAR ENDED DECEMBER 31, 2021 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, 2021, 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, 2021, 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 controls 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.

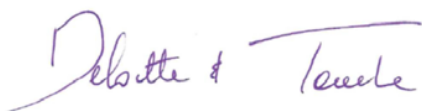
Auditors' Responsibilities for the Audit of the Financial Statements

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.



May 31, 2022

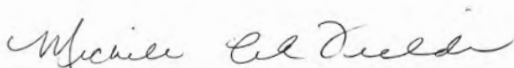
Insurance Commission of The Bahamas

Statement of Financial Position As of December 31, 2021 (Expressed in Bahamian dollars)

	2021 \$	2020 \$
ASSETS		
Cash on hand and at banks (Note 11)	714,212	1,730,082
Accounts receivable (Notes 4, 11 and 13)	2,107,106	1,922,244
Prepaid expenses and other assets	26,699	20,654
Pension contribution receivable (Notes 10 and 11)	410,108	387,370
Investments (Notes 5 and 11)	20,664,816	16,503,725
Plant and equipment (Note 6)	165,756	269,255
Right-of-use asset (Note 6)	1,099,317	1,319,180
Total assets	25,188,014	22,152,510
LIABILITIES		
Accounts payable and accrued expenses (Notes 7 and 11)	415,776	274,279
Premium taxes payable to The Bahamas Government (Note 11)	5,331	853
Funds held on behalf of Licensees (Note 8)	154,018	152,223
Deferred income (Note 9)	183,619	162,896
Staff pension fund (Note 10)	1,207,321	1,130,443
Lease liability (Note 12)	1,235,643	1,426,381
Total liabilities	3,201,708	3,147,075
NET ASSETS	21,986,306	19,005,435
Represented by:		
SURPLUS	21,986,306	19,005,435

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

These financial statements were approved and authorized for issue by the Members of the Commission on May 24, 2022, 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, 2021 (Expressed in Bahamian dollars)

	2021	2020
	\$	\$
INCOME		
Fee Income:		
Premium taxes	6,695,133	6,542,799
License and registration fees	344,515	308,407
Total fee income	7,039,648	6,851,206
Interest income (Note 11)	530,195	410,769
Total income	7,569,843	7,261,975
EXPENSES		
Salaries, wages, and employee benefits (Notes 10 and 11)	2,351,982	2,239,695
Professional fees (Note 11)	1,027,683	545,674
Depreciation (Note 6)	341,096	343,856
Utilities and property charges (Note 11)	290,398	297,975
Public & community relations	128,564	190,971
Rent (Note 11)	113,242	110,376
Membership fees and subscriptions	97,115	97,323
Office	74,964	72,083
Lease interest expense	70,371	79,913
Training and conferences	47,956	73,405
Commissioners' honoraria and expenses (Note 11)	26,500	25,400
Bank charges (Note 11)	7,425	5,322
Repairs and maintenance	4,622	5,074
Vehicle expense	2,629	2,610
Miscellaneous	19	19
Total expense	4,584,566	4,089,696
Profit for the year	2,985,277	3,172,279
OTHER COMPREHENSIVE INCOME/ LOSS		
Items that will not be reclassified subsequently to profit or loss:		
Actuarial gain on defined benefit plan (Note 10)	(4,406)	10,415
TOTAL COMPREHENSIVE INCOME	2,980,871	3,182,694

Insurance Commission of The Bahamas

Statement of Changes in Net Assets For the Year Ended December 31, 2021 (Expressed in Bahamian dollars)

SURPLUS	\$
Balance as of January 1, 2020	15,822,741
Profit for the year	3,172,279
Other comprehensive income	10,415
Balance as of December 31, 2021	19,005,435
Profit for the year	2,985,277
Other comprehensive income	(4,406)
Balance as of December 31, 2021	21,986,306

Insurance Commission of The Bahamas

Statement of Cash Flows For the Year Ended December 31, 2021 (Expressed in Bahamian dollars)

	2021 \$	2020 \$
Cash flows from operating activities:		
Profit for the year	2,985,277	3,172,279
Adjustment for non-cash items:		
Depreciation (Note 6)	341,096	343,856
Interest income (Note 11)	(530,195)	(410,769)
Movement in working capital:		
(Increase)/decrease in accounts receivables	(155,796)	111,552
Increase in prepaid expenses and other assets	(6,045)	(9,344)
Increase in pension contribution receivable	(22,080)	(21,231)
Increase/(decrease) in accounts payable and accrued expenses	141,497	(315,545)
Increase in premium taxes payable to Bahamas Government	4,478	853
Increase/(decrease) in deferred income	20,723	(2,562)
Increase in staff pension fund liability	71,814	69,258
Increase in funds held on behalf of licensee	1,795	11,668
Net cash from operating activities	<u>2,852,564</u>	<u>2,950,015</u>
Cash flows from investing activities		
Net movement in term deposits (Note 5)	(2,161,091)	(3,598,219)
Purchase of plant and equipment (Note 6)	(17,734)	(71,415)
Acquisition of Bahamas Government Registered Stock (Note 5)	(2,000,000)	(626,200)
Acquisition of a right-of-use asset	-	-
Interest received	501,129	381,257
Net cash used in investing activities	<u>(3,677,696)</u>	<u>(3,914,577)</u>
Cash flows from financing activities		
(Decrease)/increase in lease liability	(190,738)	(174,139)
Net cash used in financing activities	<u>(190,738)</u>	<u>(174,139)</u>
(Decrease)/increase in cash and cash equivalents	(1,015,870)	(1,138,701)
Cash and cash equivalents as of beginning of period	1,730,082	2,868,783
Cash and cash equivalents as of end of period	<u>714,212</u>	<u>1,730,082</u>

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, 2021.

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

Amendments to IAS 39 – Financial Instruments: Recognition and Measurement
Amendments to IFRS 4 – Insurance Contracts
Amendments to IFRS 7- Financial Instruments: Disclosures
Amendments to IFRS 9 - Prepayment Features and Negative Curtailment or Settlement

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

Relevant Standards and Interpretations in issue but not yet effective

Amendments to IAS 1 – Presentation of Financial Statements
Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors
Amendments to IAS 16 – Property, Plant and Equipment
Amendments to IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets

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

3. Summary of Significant Accounting Policies

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

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

The preparation of financial statements in accordance with IFRS requires management to

Insurance Commission of The Bahamas

Notes to the Financial Statements

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

exercise its judgment in the process of applying its accounting policies. It also requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Notes 3(e), 3(i), 3(j) and 10.

(b) Basis of preparation

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

(c) Foreign currency translation

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

(d) Cash and cash equivalents

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

(e) Accounts receivable

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

(f) Investments

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

Insurance Commission of The Bahamas

Notes to the Financial Statements

(j) Employee benefits (continued)

is the present value of the defined benefit obligation as of the statement of financial position date minus the fair value of plan assets, together with adjustments for actuarial gains or losses and past service costs. The part of the pension liability that relates to the period before each employee was transferred to the Commission from ORIC is shown as a receivable from the Government in the statement of financial position.

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

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

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

(k) Taxation

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

4. Accounts Receivable

	2021	2020
	\$	\$
Premium taxes	1,827,703	1,708,654
Accrued interest income	177,538	148,472
VAT recoverable	72,838	48,380
Fees	5,850	9,400
Other	23,177	7,338
Total	<u>2,107,106</u>	<u>1,922,244</u>

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

Insurance Commission of The Bahamas

Notes to the Financial Statements

5. Investments

	2021 \$	2020 \$
Term deposits	11,668,616	9,507,525
Bahamas Government Registered Stock	8,996,200	6,996,200
Total	20,664,816	16,503,725

During the period covered by these financial statements, the weighted average interest rate earned on certificates of deposit was 1.41% (2020: 1.69%). All certificates of deposit mature within twelve months of the date of the statement of financial position.

Investments in Bahamas Government Registered Stock have interest rates tied to the Bahamian dollar prime rate (Prime). The interest rates ranged from 3.5% to Prime plus 5/48%. As of the date of the statement of financial position, Prime was 4.25% (2020: 4.25%). The Commission has determined that the expected credit loss with respect to BGRS is nil.

6. Plant and Equipment and Right of Use Asset

	Right-of- use Asset \$	Computer Equipment \$	Furniture Fitting \$	Telephone System \$	Leasehold Improve \$	Auto \$	Total \$
Cost							
January 1, 2021	1,758,907	125,449	338,238	48,050	5,559	30,693	2,306,896
Additions	-	17,734	-	-	-	-	17,734
Disposals	-	-	-	-	-	-	-
December 31, 2021	1,758,907	143,183	338,238	48,050	5,559	30,693	2,324,630
Accumulated Depreciation							
January 1, 2021	439,727	89,573	124,211	32,033	2,224	30,693	718,461
Depreciation	219,863	36,456	67,648	16,017	1,112	-	341,096
Disposal	-	-	-	-	-	-	-
December 31, 2021	659,590	126,029	191,859	48,050	3,336	30,693	1,059,557
Net Book Value							
December 31, 2021	1,099,317	17,154	146,379	-	2,223	-	1,265,073
December 31, 2020	1,319,180	35,876	214,027	16,017	3,335	-	1,588,435

7. Accounts Payable and Accrued Expenses

	2021 \$	2020 \$
VAT payable to the Government	13,362	11,807
Due to the Securities Commission	7,696	45,430
Due to Poinciana SPV	50,000	-
Accrued expenses	344,718	217,042
Total accounts payable and accrued expenses	415,776	274,279

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 \$154,018 (2020: \$152,223) 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 \$183,619 (2020: \$162,896) relates to fee income received during the year in respect of future financial periods.

10. Staff Pension Fund

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

	2021	2020
	\$	\$
Present value of benefit obligation	1,207,321	1,130,443
Fair value of assets	-	-
Liability recognised in the statement of financial position	1,207,321	1,130,443
Assets recognised in the statement of financial position		
Present value of the amount due from The Government	(410,108)	(387,370)
Present value of benefit obligation	797,213	743,073

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

	2021	2020
	\$	\$
Net liability at start of period	743,073	705,461
Net expense recognised in the income statement	71,974	70,267
Amount recognised in other comprehensive income	4,406	(10,415)
Contributions employer	(22,240)	(22,240)
Net liability at end of period	797,213	743,073

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

	2021	2020
Opening present value obligation	1,130,443	1,081,232
Interest cost	65,433	62,121
Current service cost	28,621	29,377
Benefits paid	(22,240)	(22,240)
Actuarial gain/(loss) on obligation due to experience	(17,933)	(14,488)
Actuarial loss on obligation due to financial assumption change	22,997	(5,559)
Closing present value obligation	1,207,321	1,130,443

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:

	2021	2020
	\$	\$
Opening present value of amount due from government	387,370	375,771
Interest cost	22,080	21,231
Actuarial (loss) on obligation	658	(9,632)
Closing present value obligation	410,108	387,370

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

	2021	2020
	\$	\$
Opening present value of plan assets	-	-
Contribution - employer	22,240	22,240
Benefits paid	(22,240)	(22,240)
Closing fair value of plan assets	-	-

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

	2021	2020
	\$	\$
Current service cost (net employees' contribution)	28,621	29,377
Interest Cost	43,353	40,890
Expense recognised in Statement of Profit or Loss And Other Comprehensive Income or Loss	71,974	70,267

Actuarial gain/(loss) recognised in Other Comprehensive Income **4,406** **(10,415)**

Principal actuarial assumptions used were:

	2021	2020
	\$	\$
Discount rate at end of year	5.50%	5.70%
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%	1%
	increase	decrease
	\$	\$
Discount rate	(106,935)	129,181
Future salary increases	41,203	(38,207)

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:

	2021 \$	2020 \$
<i>Assets</i>		
Cash at banks	713,612	1,729,482
Accounts receivable	250,376	196,852
Pension contribution receivable	410,108	387,370
Investments	20,664,816	16,503,725
<i>Liabilities</i>		
Accounts payable and accrued expenses	74,759	60,651
Premium taxes payable to The Bahamas Government	5,331	853
<i>Income</i>		
Interest income	530,195	410,769
<i>Expenses</i>		
Rent	374,351	364,428
Utilities and property charges	281,429	291,307
Professional Fees	78,000	78,000
Commissioners' honoraria and expenses	26,500	25,400
Bank charges	7,425	5,322

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:

	2021 \$	2020 \$
Short term employee benefits	631,100	619,600
Post-employment benefits	39,760	38,660
	<u>670,860</u>	<u>658,260</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, 2021, the balance outstanding on the lease liability totaled \$1,235,643 (2020: \$1,426,381) and the current lease principal payment due within one year is \$208,231 (2020: \$190,738).

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
2022	\$ 268,166
2023	\$ 275,223
2024	\$ 282,280
2025	\$ 289,337
2026	\$ 296,364

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

Contingencies

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

13. Financial Risk Management

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

(a) Credit risk

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

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

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

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

Insurance Commission of The Bahamas

Notes to the Financial Statements

(a) Credit risk (continued)

The Commission, in its effort to minimise credit risk exposure, monitors the accounts receivable balances ensuring that all efforts are expended in order to reduce accounts with long-overdue balances. A large proportion of accounts receivable related to premium taxes which are due within four weeks of the end of each quarter. In 2021, 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, 2021, is set out below:

	2021	2020
Days outstanding:	\$	\$
0 to 60 days	1,756,717	1,645,739
61 to 120 days	230,851	169,045
More than 120 days	119,538	107,460
Total	<u>2,107,106</u>	<u>1,922,244</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, 2021, all of the Commission's payables and accrued expenses are due within one year.

(c) Interest rate risk

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

14. Fair Value of Financial Instruments

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

Insurance Commission of The Bahamas

Notes to the Financial Statements

15. Capital Management

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

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

16. Unclaimed Funds

At December 31, 2021, \$4,465,474 (2020: \$4,138,956), inclusive of interest, in unclaimed funds were being held in a special account at the Central Bank of The Bahamas, for the benefit of the policyholders and beneficiaries, in accordance with Section 183 of the Act.

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

17. 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.

In 2021, 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. After the issuance of the Emergency Powers (COVID 19) Orders and its amendments, the Commission has operated in a hybrid model, with staff working either from the office or remotely; the Commission was able to operate effectively in 2021.

In preparing these Financial Statements, the Commission has determined that the impact of COVID 19 on its operations and financial results have been limited. Nevertheless, the Commission continues to closely monitor the situation concerning the degree of uncertainty and risk to 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.





INSURANCE COMMISSION
OF THE BAHAMAS

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