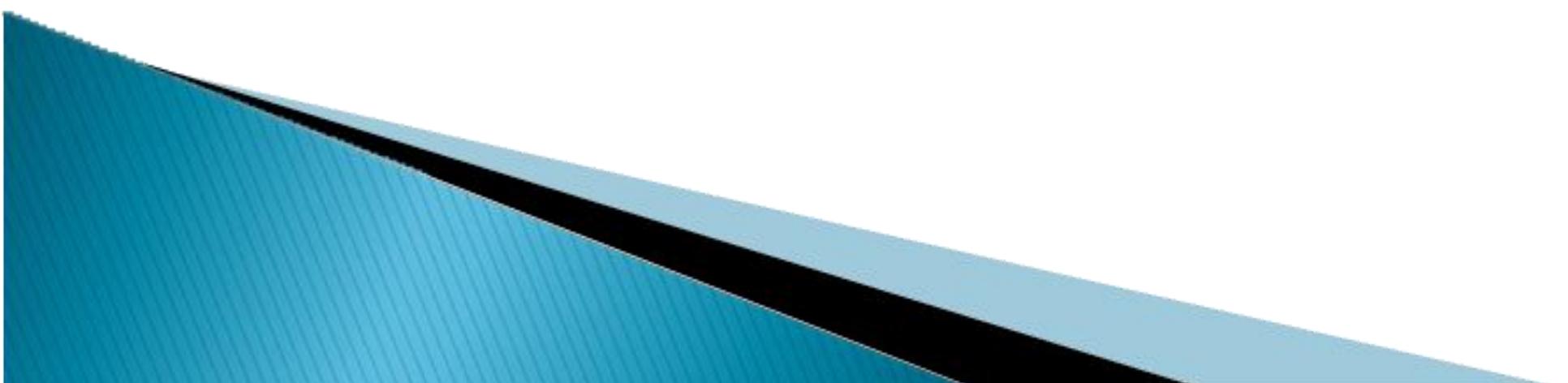




THE INSURANCE COMMISSION
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PROPOSED LEGISLATIVE AMENDMENTS



Agenda

- Financial Sector Reform and Commercial Entities Substance Requirements
- Licence Reform
 - Insurance (Amendment) Bill, 2019
 - External Insurance (Amendment) Bill, 2019
 - External Insurance (Capital Requirements for External Insurers, Insurance Managers and External Insurance Brokers) (Amendment) Regulations, 2019
- Fee Reform
 - Insurance (General) (Amendment) Regulations, 2019
 - External Insurance (Forms and Fees) (Amendment) Regulations, 2019
- Other Amendments
- Questions/Comments



Financial Sector Tax Reform and Commercial Entities Substance Requirements (CESRA)



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Financial Services Sector Reform

- ▶ Ministry of Finance tax reform addressed:
 1. Financial Services to both domestic and international clients
 2. Fiscal treatment of financial institutions
 3. Business Licence Fee



Commercial Economic Substance Requirements (CESRA)

▶ **CESRA addresses:**

- Commercial entities profits are commensurate with its level of economic activity
- Commercial entities tax residency in The Bahamas have its core income generating activity in The Bahamas
- Commercial entities must submit confirmation of foreign jurisdiction tax payment



Commercial Economic Substance Requirements (CESRA)

▶ **Under CESRA a commercial entity must:**

- Conduct Core Income Generating Activity;
- Have adequate people, premises and expenditure;
and
- Be directed and controlled in

The Bahamas to demonstrate adequate substance



Commercial Economic Substance Requirements

ICB Guidance on CESRA

Core Income Generating Activity (CIGA)

- Underwriting
- Claims Management
- Insurance Management
- Loss Adjustment

Outsourcing

- Material functions
- Supervisory oversight of outsourced activity

Corporate Governance and Control

- Branches
- Principal Representative
- Resident Representative



Insurance (Amendment) Bill, 2019: Licence Reform



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Licence Reform

- ▶ Certificate of Registrations and Licences are granted pursuant to the Insurance Act, 2005 and the External Insurance Act, 2009
- ▶ Insurance Act, 2005:
 - General Insurance Business (classes and sub-classes)
 - Long-term Insurance Business (classes and sub-classes)
- ▶ External Insurance Act, 2009:
 - Restricted (General or Long-term Insurance Business)
 - Unrestricted (General or Long-term Insurance Business)



Insurance (Amendment) Bill, 2019

Section 2 – Insurance Act, 2005

“category of registration” —

- (a) **Category A** means an insurer carrying on insurance business in The Bahamas, including reinsurance, in any class or insurance business; or
- (b) **Category B** means an insurer carrying on insurance business in The Bahamas and is licensed as a Segregated Accounts Company (SAC); or
- (c) **Category C** means an insurer carrying on insurance business in The Bahamas which underwrites the risk for an association of members or related parties; or
- (d) **Category D** means an insurer carrying on insurance business in The Bahamas which underwrites only the risk of owners of the company and related parties of the owners; or
- (e) **Category E** means an insurer carrying on insurance business in The Bahamas that is licensed as a Segregated Accounts Company (SAC) and underwrites the risk of the owners of the company and related parties of the owners.



Insurance (Amendment) Bill, 2019

Section 2 - Insurance Act, 2005

“association of members” - a company formed to provide goods and services to registered persons who –

- (a) belong to a common industry;
- (b) belong to a trade association, professional body or organization; or
- (c) satisfy criteria for continuous membership



Insurance (Amendment) Bill, 2019

	Current	Proposed
Section 10(b)	<p>The funds and resources of the Commission shall consist of – (b) any moneys as from time to time may accrue to the Commission from its operations, including fees, fines and twenty-five percent of the business licence tax collected from registered insurers and associations by the Business Licence Office and remitted to the Commission.</p>	<p>(b) any moneys as from time to time may accrue to the Commission from its operations, including fees, fines and <u>levies collected from registered insurers and associations by the Commission</u></p>



Insurance (Amendment) Bill, 2019

	Current	Proposed
Section 29	<p>The Commission shall furnish to every insurer registered under this Act a certificate in the prescribed form that the company has been so registered, and the certificate shall state the class or classes of insurance business for which it is registered and shall be prima facie evidence that the company specified in the certificate has been so registered</p>	<p>...the certificate shall state the <u>category</u>, class or classes of insurance business for which it is registered and shall be prima facie evidence that the company specified in the certificate has been so registered.</p>



External Insurance (Amendment) Bill, 2019: License Reform



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External Insurance (Amendment) Bill, 2019

Section 2

“category of registration”—

- (a) **Category A** means an insurer carrying on insurance business in and from within The Bahamas, including reinsurance, in any class or insurance business; or
- (b) **Category B** means an insurer carrying on insurance business in and from within The Bahamas and is licensed as a Segregated Accounts Company (SAC); or
- (c) **Category C** means an insurer carrying on insurance business in and from within The Bahamas which underwrites the risk for an association of members or related parties; or
- (d) **Category D** means an insurer carrying on insurance business in and from within The Bahamas which underwrites only the risk of owners of the company and related parties of the owners; or
- (e) **Category E** means an insurer carrying on insurance business in and from within The Bahamas that is licensed as a Segregated Accounts Company (SAC) and underwrites the risk of the owners of the company and related parties of the owners.



External Insurance (Amendment) Bill, 2019

Section 2 – External Insurance Act, 2009

“association of members” - a company formed to provide goods and services to registered persons who –

- (a) belong to a common industry;
- (b) belong to a trade association, professional body or organization; or
- (c) satisfy criteria for continuous membership



External Insurance (Amendment) Bill, 2019

	Current	Proposed
Section 9(a)	<p>Upon approval of an application for a licence and on payment of the relevant fee—</p> <p>(a) The Commission shall license a company as either a restricted or unrestricted external insurer.</p>	<p>(a) The Commission shall license a company as <u>a Category A, B, C, D, or E</u> external insurer.</p>
Section 10(1)	<p>On issuing a licence under this Act, the Commission shall specify the class or classes or insurance business in which the licensee may engage, and whether the licensee has been licensed as a restricted or unrestricted external insurer</p>	<p>...licensed as <u>an</u> external insurer.</p>



External Insurance (Amendment) Bill, 2019

- ▶ Further amendments:
 - **Sections 22 (1), 23(2), 31(1)** – delete “unrestricted” and replace with “**Category A or B**”
 - **Sections 22(2), 31(2)** – delete “restricted” and replace with “**Category C, D or E**”



External Insurance (Capital Requirements for External Insurers, Insurance Managers and External Insurance Brokers) (Amendment) Regulations, 2019



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Capital Requirements for External Insurers

	Delete	Amend
Regulations 2(1) 2(2) 2(3)	Remove reference to “unrestricted”	Insert “ Category A or B ”
Regulations 2(4)	Remove reference to “restricted”	Insert “ Category C, D or E ”

- Addresses minimum statutory capital requirements for insurers carrying on:
 - General insurance business (\$100,000)
 - Long-term Insurance business (\$200,000)



Fee Reform



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Fee Reform

- ▶ Business License Act (First Schedule – Part III) states that registered insurers, under the Insurance Act 2005, must pay on a quarterly basis a sum that is the higher of:
 - a) A fee of three percent of the gross premiums collected by that registered insurer during the quarter; or
 - b) The sum of twenty-five dollars

- ▶ Premium taxes will be formally replaced and redefined as a Systemic Risk Levy payable on a quarterly basis and assessed at three percent of gross premiums to:
 - Insurers underwriting risk located in The Bahamas.



Fee Assessment

Category A	The greater of Systemic Risk Levy assessed at 3% of Gross written Premium or \$20,000
Category B	The Systemic Risk Levy assessed at 3% of Gross Written Premium plus the fee based on the number of segregated accounts Segregated Accounts: Tiered Annual Supervision Fee 1-50 SA: \$5,000 51-100 SA: \$10,000 100 - 200 SA: \$20,000
Category C	The greater of Systemic Risk Levy assessed at 3% of Gross written Premium or \$10,000
Category D	The greater of Systemic Risk Levy assessed at 3% of Gross written Premium or \$5,000
Category E	The Systemic Risk Levy assessed at 3% of Gross Written Premium plus the fee based on the number of segregated accounts Segregated Accounts: Tiered Annual Supervision Fee 1-50 SA: \$5,000 51-100 SA: \$7,500 100 - 200 SA: \$10,000



Other Amendments



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Other Amendments

- ▶ Further (minor) amendments:
- ▶ Insurance (Amendment) Bill, 2019:
 - **Section 52 (1)** – amend phrase “securities specified by legislation” to “prescribed securities”
 - **Sections 54 (1)(c) and (d)** – remove “wife” and insert “spouse”
 - **Section 90(1)** – amend phrase “general business” to “general insurance business”
- ▶ External Insurance (Amendment) Bill, 2019
 - **Section 32(1)** – amend phrase “persons manager” to “person”



