



INSURANCE COMMISSION
OF THE BAHAMAS

The Evolving Landscape for the Insurance Professional

**Bahamas Institute of Financial Services
Financial Services Week
May 24, 2023**

Agenda

- Why is the insurance industry important?
- “Emerging” Risks Impacting Insurers
- Supervisory Considerations to Emerging Risks
- Questions/ Comments

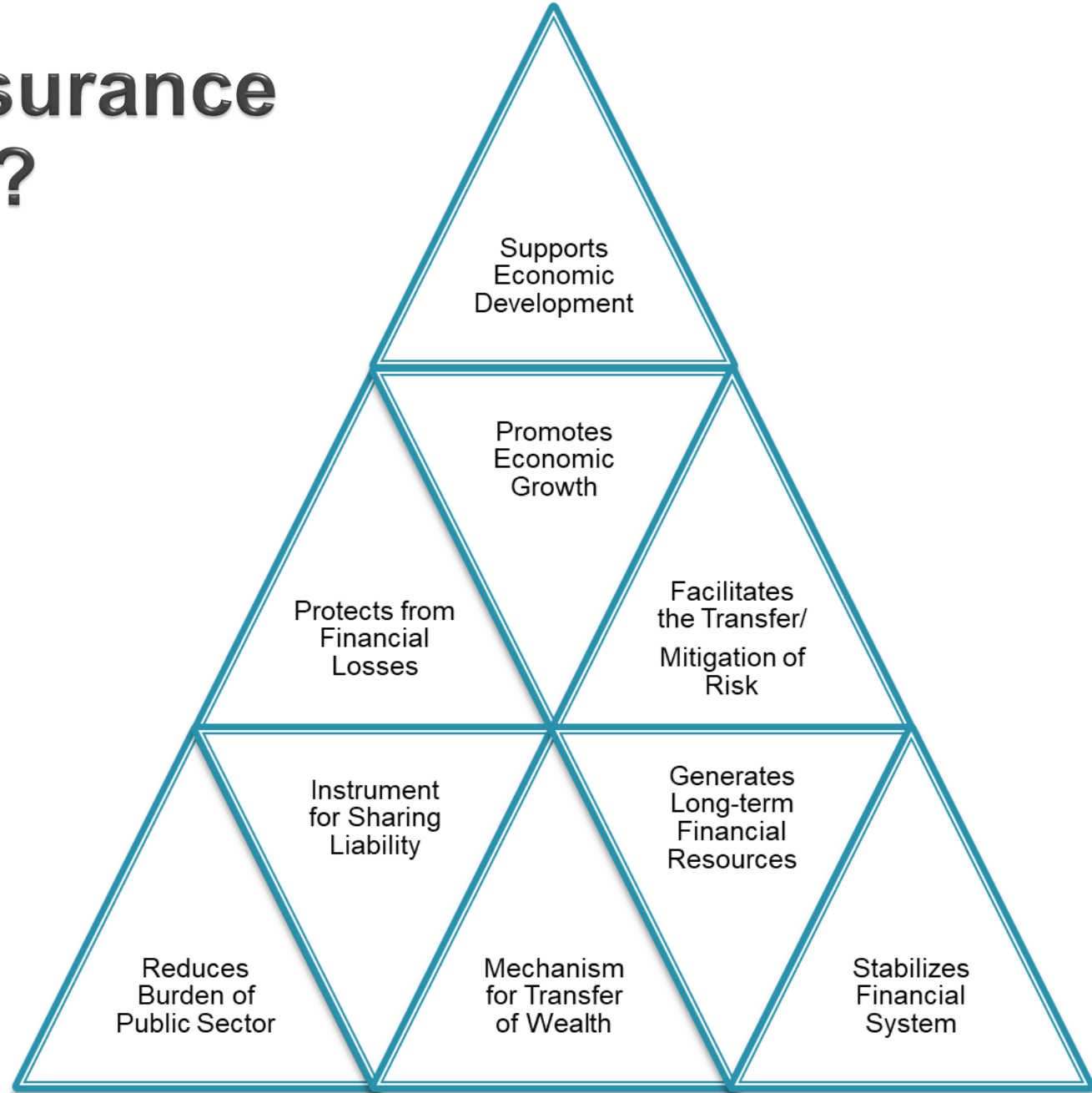


Why is the Insurance Industry Important?



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Why is insurance important?



Emerging Risks

- ▶ Climate Change
- ▶ Reduced Access and Increased Cost of Reinsurance
- ▶ Increased levels of Underinsurance
- ▶ “Color” Listing (Grey and Black)
- ▶ Technological advancements



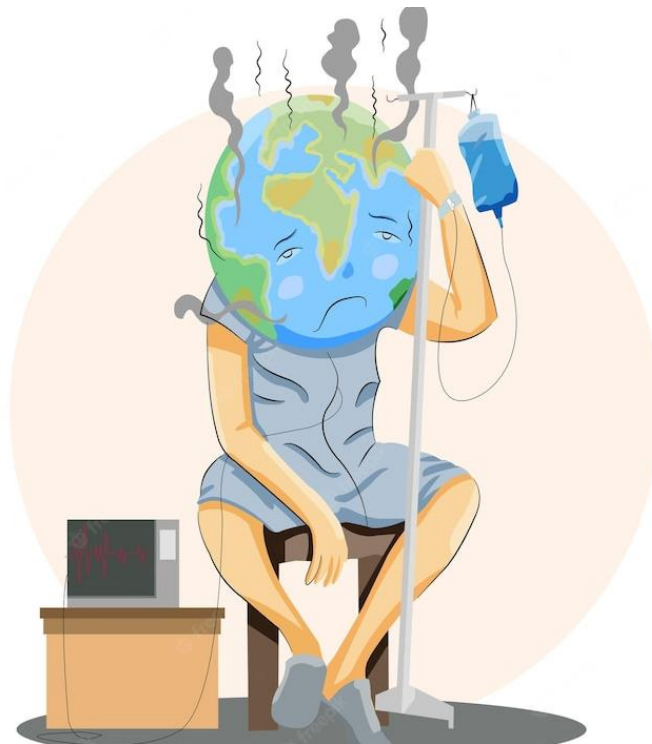
Impact of Climate Change



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“Climate change is one of the biggest issues for the insurance sector...we must evolve with it to ensure we are capturing the risks and protecting our communities”.

Andrew Mais
Commissioner, Connecticut Insurance Dept.
(NAIC)



Impact of Climate Change

Caribbean:

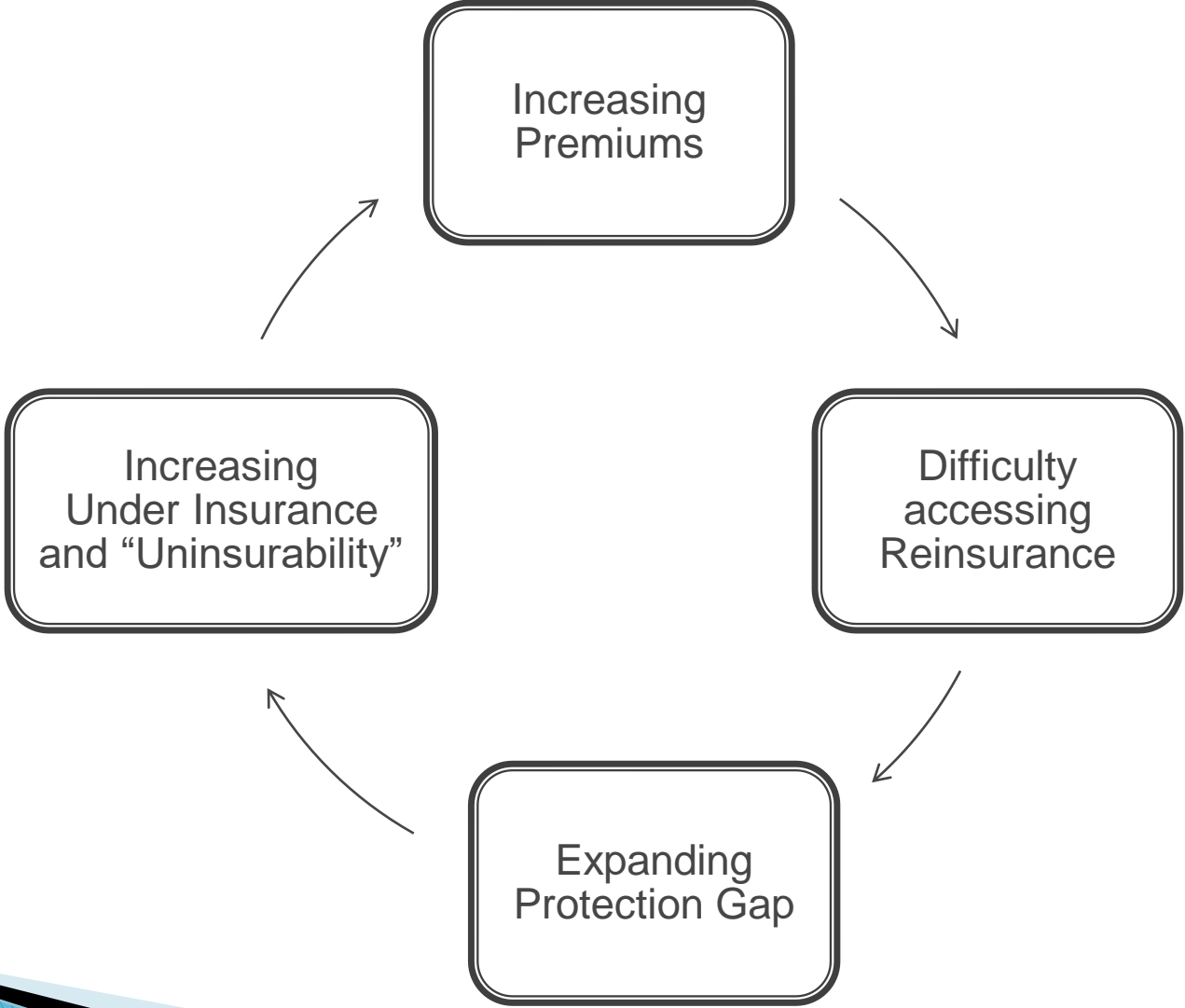
- Rising temperatures and sea levels
- Change in rain patterns
- Increased frequency and intensity of Natural Disasters (30 named storms in 2020 in the Atlantic Ocean)

The Bahamas:

- Increased levels of localized flooding and coastal erosion
- Recent years, islands impacted by major category 4 and 5 Hurricanes (Joaquin 2015 – Cat.4, Matthew 2016 – Cat.5, Irma 2017 – Cat.5)
- Hurricane Dorian 2019 – Cat.5
 - Devastated second and third largest economic contributors - Abaco and Grand Bahama
 - Loss of more than 70 lives
 - Physical Damage estimated at \$3.4 billion
 - Insurance Claims of \$1.8 billion



Impact of Climate Change: Insurers



Reinsurance Capacity



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Factors affecting (Catastrophe) Reinsurance Capacity

- Increased losses arising from high frequency/high severity catastrophe events
- Withdrawal from the sector and region by large reinsurers
- Rising Inflation
- Availability of better (alternative) investment returns
- Stronger dollar versus Pound Sterling and Euro
- Blacklisting of Jurisdiction (German Tax Haven Protection Act)



Net Effect of Shrinking Reinsurance Capacity

- Higher risk retention by Insurers
- Higher Cost Structure for different types of reinsurance programs (Quota Share vs Excess of Loss)
- Change in Cash Flow predictability
- Increased level of “Dropped” or Underinsured coverage by policyholders
- Restriction on insurable amount and number of policyholders to be covered by insurers
- Increase premiums for policyholders
- Self-Insurance

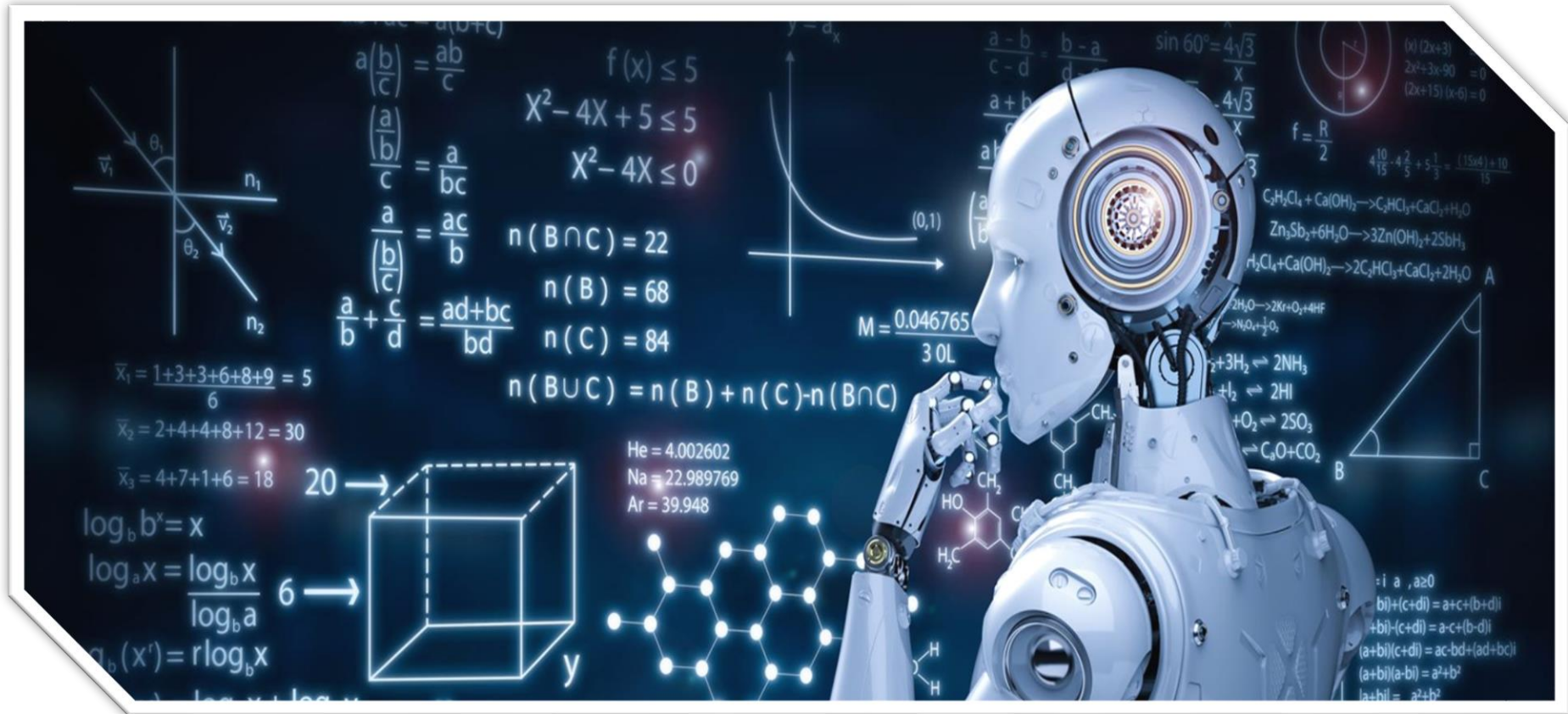


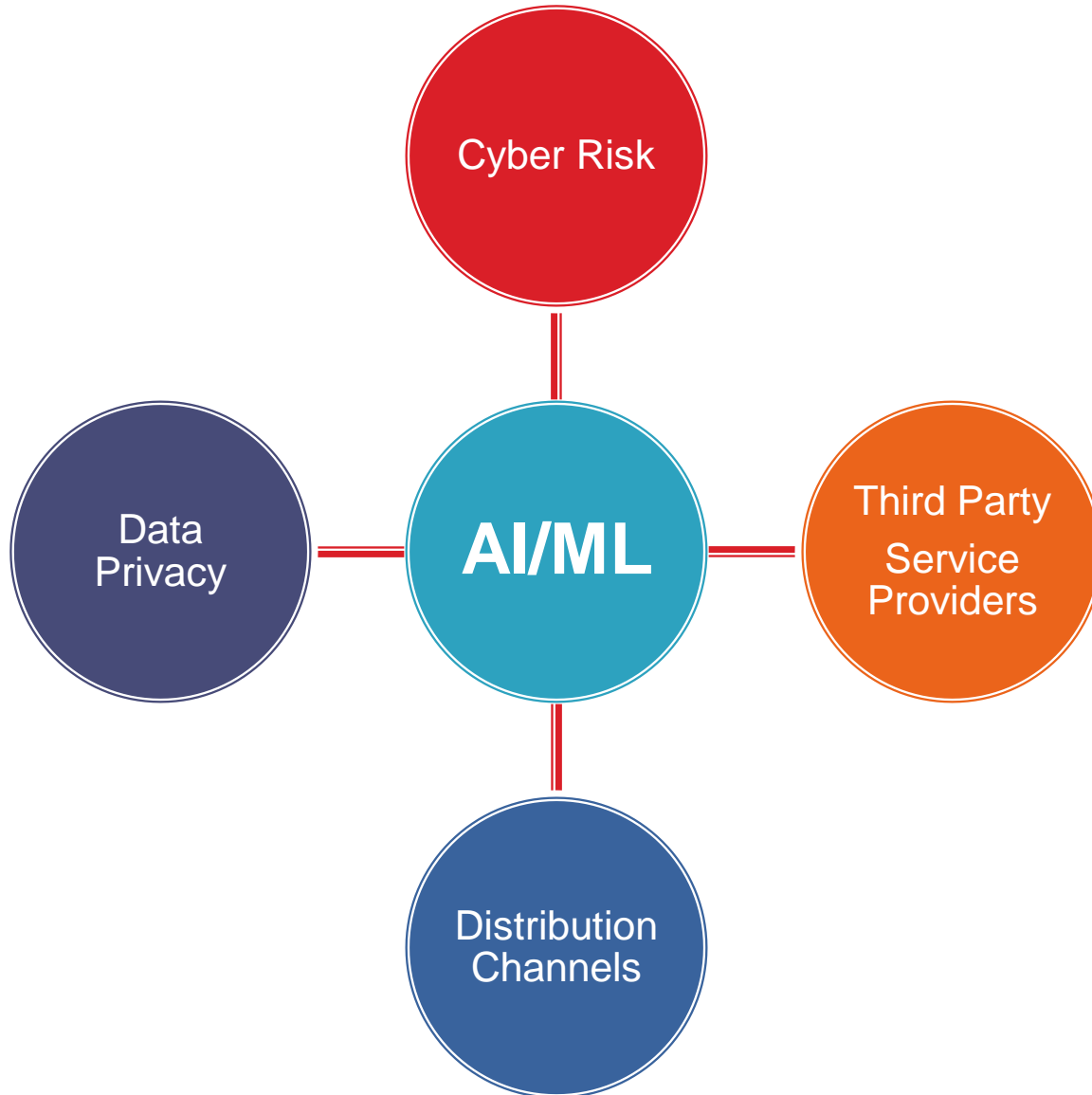
Technological Advancement



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Artificial Intelligence (AI) and Machine Learning (ML)



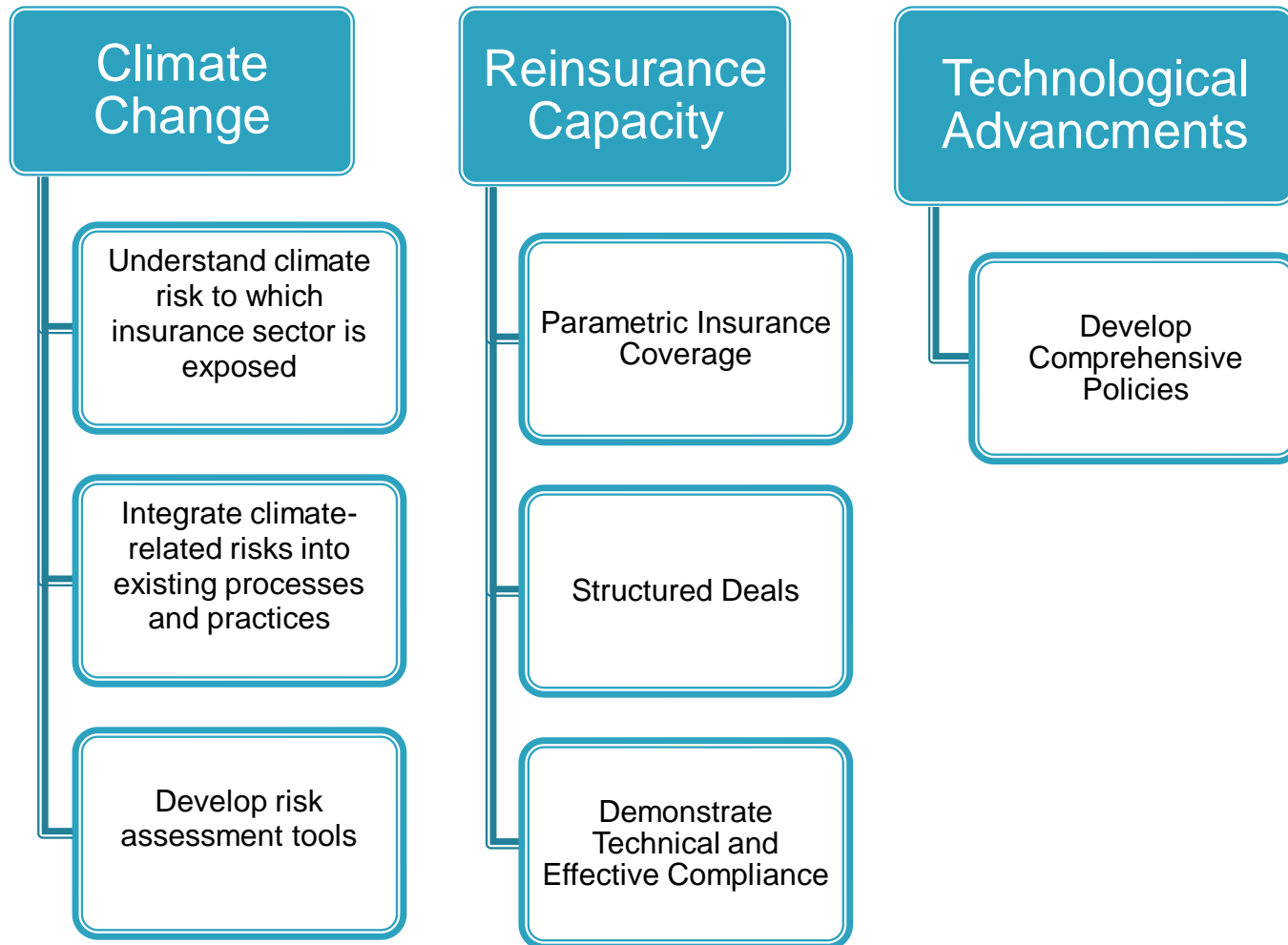


Supervisory Response to Emerging Risk



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Considerations for Insurance Supervisors and Insurers





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