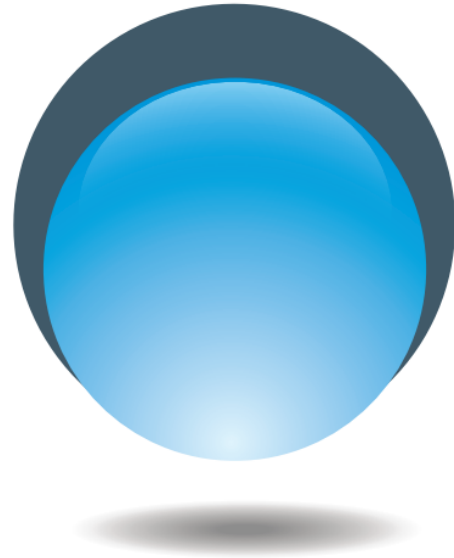


Industry Training Session for General Insurers



**INSURANCE COMMISSION
OF THE BAHAMAS**

Agenda

June 29, 2023

1. Introductions and Agenda
2. Risk Based Capital Quantitative Impact Study
3. Quarterly Reporting Forms
4. Questions

Presenters:

Sekayi Campbell FCIA

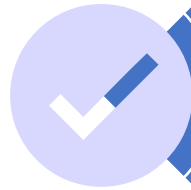
Simone Balkissoon FIA

Risk Based Capital Quantitative Impact Study

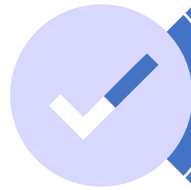
Background



Objectives of the Quantitative Impact Study (QIS)



Evaluate the impact of IFRS 17 & IFRS 9 on insurers



Consider allowance for operational risk and diversification in the capital calculation



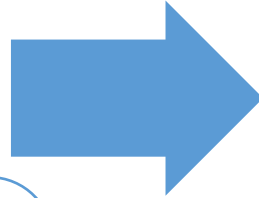
Recommend changes needed to capital standards for the new IFRS's based on analysis of the QIS results

Note: The final capital framework may be different from Company submitted QIS results.

QIS Approach

December 2022 Capital Adequacy
based on IFRS 4 financials

- In Excel format



Revised Capital Adequacy based on
new IFRS financials

Components of the Capital Adequacy Calculation

Available Capital {

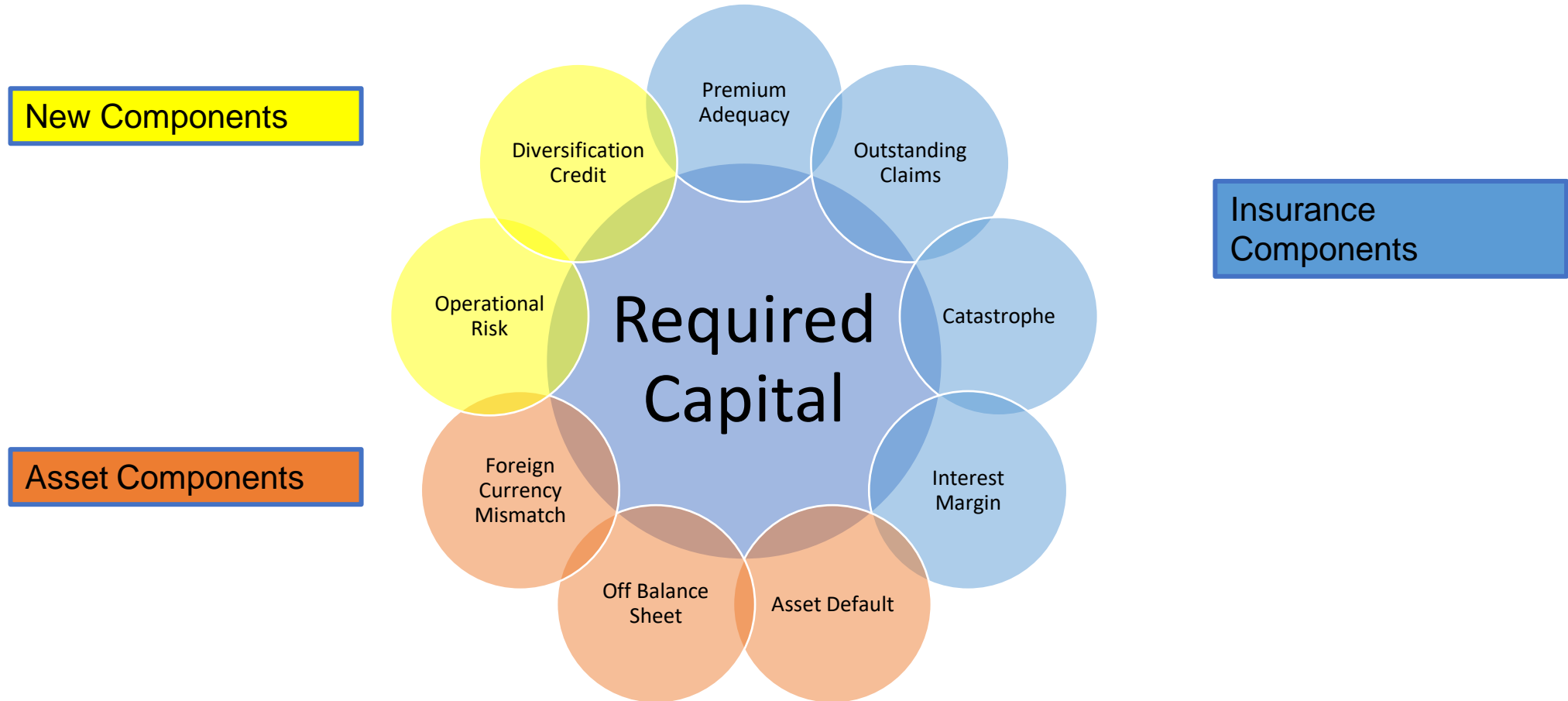
Available Capital

Largely the same approach as before

- Domestic insurers: sum of Tier 1, Tier 2A and Tier 2B Capital less deductions
- Foreign insurers: Initial deposit, statutory funds held in trust, plus any excess assets in The Bahamas less the total liabilities and reserves required in The Bahamas
- The amount of capital reported in an insurer's Statement of Financial Position (balance sheet) will be impacted by the changes to the accounting standard.
- Contractual Service Margin (CSM) included as Tier 1 capital

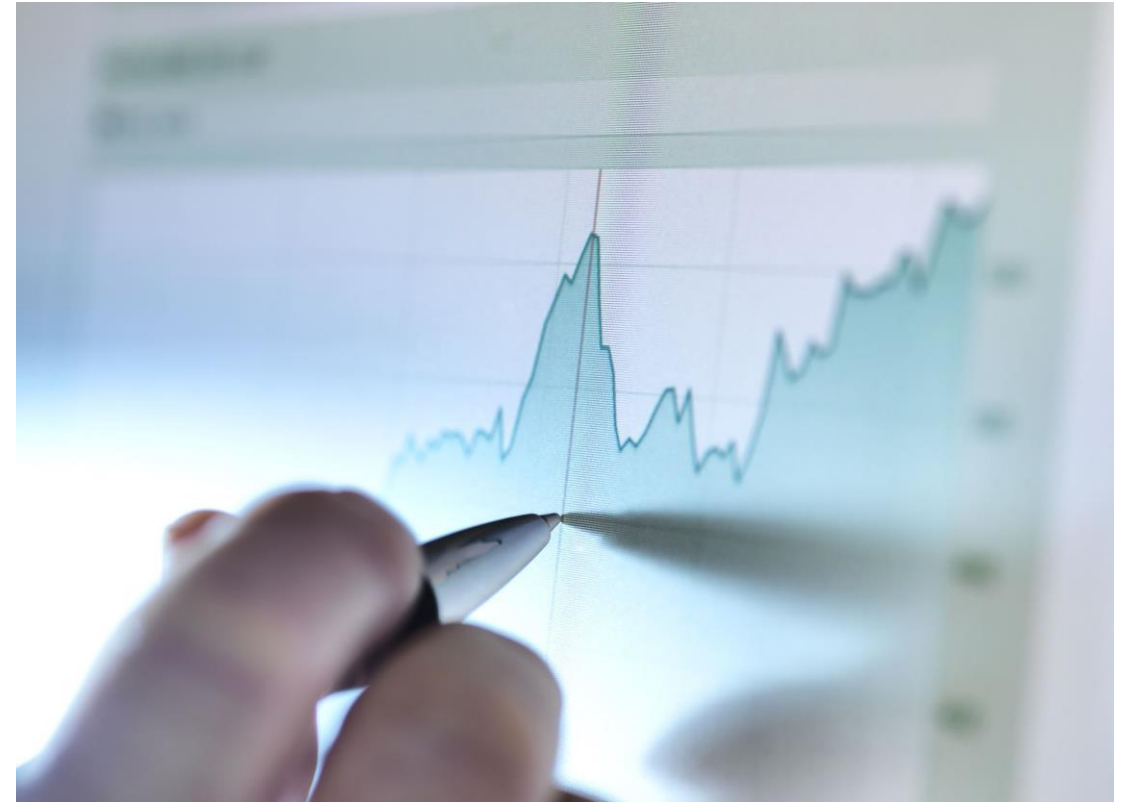


Required Capital Components



Asset Risks

Credit (Asset Default) Risk



Asset Risks

Foreign Exchange Risk

Liability Risks

Premium Adequacy Risk

Liability Risks

Continuing Claims Risk

Liability Risks

Catastrophe Risk

New Components

Operational Risk

New Components

Diversification Credit

Regulatory Capital Ratio

- Calculated as
$$\frac{\text{Total Available Capital} + \text{Risk Adjustment}}{\text{Total Required Capital}}$$



Disclosures

IFRS 17 Balance sheet

Reconciliation of actuarial liabilities IFRS4 -> IFRS17

Gross Premiums, Gross Sum Insured

Net Premiums, Net Sums Insured

IFRS 17 Discount rates

General Insurer submission by August 31, 2023

RCR calculations
based as at YE
2022 based on
reported
financials



RCR calculations
as at YE 2022
based on IFRS
17 financials



Quarterly Reporting Forms



Quarterly Reporting Forms

Financial Statements

Form		Comments
Balance Sheet	Amended	<p>Separate forms for Assets and Liabilities & Equity</p> <p>Addition of the following items: Asset for Insurance Acquisition Cash Flows Insurance Contract Assets Reinsurance Contract Held Assets</p> <p>Removal of Insurance related receivables</p> <p>Replacement of existing payables and provisions with: Insurance Contract Liabilities Reinsurance Contract Held Liabilities Investment Contract Liabilities</p> <p>Investment Details moved to a new form</p>

Quarterly Reporting Forms

Financial Statements

Form		Comments
Statement of Profit or Loss	Amended	Radically changed for IFRS 17 including replacement of prior line items with: Insurance Service Result Net Investment Result Other Income and Expenses
Notes to the Financial Statements	New	Allows the entry of qualitative information to supplement data included in other tabs.

Quarterly Reporting Forms

Assets, Liabilities and Equity

Form		Comments
Investment Summary	New	Includes asset classification categories and disclosure of Expected Credit Losses under IFRS 9
Receivable From Payable To	New	Includes amounts receivable from/payable to subsidiaries, associates and joint ventures
Reinsurance Contracts Held Summary	New	Includes details on the total amounts of all contracts held with each reinsurer

Quarterly Reporting Forms

Assets, Liabilities and Equity

Form		Comments
General Statement of Equity	Unchanged	
Insurance and Reinsurance Contracts	New	Discloses components of insurance and reinsurance contract assets and liabilities

Quarterly Reporting Forms

Income and Expenses

Form		Comments
Insurance Service Result	New	Aligns with IFRS 17 presentation requirements
Investment Return	New	Aligns with IFRS 17 presentation requirements
Insurance Service and Other Operating Expense	New	Aligns with IFRS 17 presentation requirements
General Premium Tax Report Form	Unchanged	

Quarterly Reporting Forms

Miscellaneous

Form		Comments
Other Information	New	Selected statistics presented by line of business
EWT Ratios	Amended	Updated to reflect IFRS 17 metrics
Errors	Amended	

Questions



Thank you

Sekayi Campbell
Principal Actuary

Simone Balkissoon
Principal Actuary