



INSURANCE COMMISSION  
OF THE BAHAMAS

# GUIDELINES ON INDEPENDENT DIRECTORS

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# GUIDELINES ON INDEPENDENT DIRECTORS

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## 1. INTRODUCTION

- 1.1.1. The Insurance Commission of The Bahamas (“the Commission”) recognizes that sound corporate governance is critical to the effective management and sustainability of its registrants and licensees. Corporate governance refers to board and management functions, processes, structures, and information used for directing and overseeing the operations of an institution. It involves the relationships between an institution’s Board, management, shareholders, policyholders, and employees, providing the structure through which objectives are set and attained, and performance monitored.
- 1.1.2. Independent Directors, by virtue of their objectivity and detachment from management and ownership interests, are essential to upholding high governance standards. Their presence enhances board independence, promotes balanced decision-making, and helps safeguard the interests of policyholders and the broader financial system.
- 1.1.3. These Guidelines set out the Commission’s expectations regarding the appointment, role, and responsibilities of Independent Directors serving on the boards of its registrants and licensees in or from within The Bahamas. It should be read in conjunction with the Commission’s *Corporate Governance and Oversight Assessment Criteria*, which together reflect the jurisdiction’s commitment to international regulatory best practices. In particular, the Guidelines draw from Insurance Core Principle (ICP) 7 issued by the International Association of Insurance Supervisors (IAIS), which underscores the importance of a well-structured board, effective oversight, and clearly defined governance frameworks. This Guidance supports registrants and licensees in embedding independence, accountability, and transparency into their governance culture.

## 1.2. DEFINITIONS

- 1.2.1. For the purposes of these Guidelines:

<b>Cooling-Off period</b>	<p>The time which must elapse before an individual who has had a defined interest with the registrant, licensee, or regulator may be appointed as Independent Director since the cessation of that relationship.</p> <p>This refers to any individual who has:</p> <ul style="list-style-type: none"> <li>• Served as a director, executive, senior manager, or as head of a Control Function of the registrant or licensee, any member of its group;</li> <li>• Had a material business, professional, or pecuniary relationship with the registrant or licensee or its group; or</li> <li>• Served as an executive, manager, or as a Board member of the Commission.</li> </ul>
<b>Control Functions</b>	Functions with responsibility in a company to provide objective assessment, reporting, and/or assurance. This includes risk management, compliance, actuarial, and internal audit functions.
<b>Corporate Governance</b>	Board and management functions, processes, structures, and information used for directing and overseeing the operations of an institution.

<b>Independence of a control function</b>	The function is not subject to conflicts of interest or any condition that interferes with the function's ability to carry out its responsibilities objectively and without bias. The function must also not be directly involved in the management or execution of the activities in those areas.
<b>Independence of mind</b>	The ability to act objectively, without favor, provide constructive and robust challenge, request information when necessary, and make decisions solely in the interests of the company and its policyholders or stakeholders.
<b>Independent Director</b>	A member of the Board who is not subject to conflicts of interest or any condition that interferes with his or her ability to carry out responsibilities objectively and without bias.
<b>Material Relationship</b>	Any relationship that could reasonably be expected to interfere with the exercise of an Independent Director's judgment.

### 1.3. APPLICATION

1.3.1. These Guidelines apply to all registrants of the *Insurance Act, Ch.347* and licensees under the *External Insurance Act, Ch 348*. In accordance with the Commission's Branch Operations (Foreign Companies) Statement of Principles, the Commission will maintain relationships with the home regulators of foreign branches in order to monitor and assess the effectiveness of the company's Board of Directors. In addition, Principal Representatives of external insurers are responsible for overseeing the management of local operations, as well as executing other functions as outlined in the Commission's *Guidance Note on the Role of the Principal Representative*.

## 2. INDEPENDENCE CRITERIA

### 2.1. FACTORS TO DETERMINE BOARD INDEPENDENCE

2.1.1. Directors must collectively and individually possess an appropriate range of skills, experience, and expertise relevant to the company's business model, risks, and operations, and must be able to demonstrate to the Commission that these governance arrangements fulfill their oversight responsibilities and operate effectively in practice. For a Board of Directors to satisfy the Commission's independence requirements, the following criteria must be met:

- The Chair of the Board must be non-executive and not a high-ranking senior leader of the company.
- At a minimum, one-third of the members of the Board must be Independent Directors, as defined in this Guideline. The Board is responsible for periodically assessing whether this proportion remains adequate given the company's size, nature of operations, complexity, and overall risk profile.
- An Independent Director must not be directly involved in the management or execution of the company's operational activities.
- All Independent Directors must demonstrate independence of mind and must be able to act objectively, exercise impartial judgment, constructively challenge management

decisions, and make decisions solely in the interests of the company, its stakeholders, and its policyholders.

- Independent Directors must not have any material relationship with the company, its group, management, or shareholders that could reasonably be expected to impair the Director's ability to exercise objective and independent judgment.
- Affiliated persons as defined in "affiliation of natural persons" in the Regulations are not independent.

## 2.2. FACTORS TO DETERMINE DIRECTOR INDEPENDENCE

2.2.1. In determining whether a Director satisfies the independence criteria outlined in the previous section, the Board must consider all relevant factors that may impair, or reasonably be perceived to impair, a Director's ability to exercise independent judgment. These factors include, but are not limited to:

- **Tenure** – Lengthy tenure may impair objectivity; therefore, a director who has served more than eight years cannot be considered as independent.
- **Cooling-Off Period** – Individuals described in the given definition must observe a cooling-off period of at least three years prior to being eligible for the position of an Independent Director. During those three years the prospective Independent Director must not have had any material relationship with the registrant or licensee.
- **Number of Directors** – Directors must have sufficient time and capacity to perform their duties effectively. Excessive directorships may impair independence and effective oversight.
- **Board Committee Membership** – Boards should periodically review committee composition and consider rotation of members or committee chairs to prevent concentration of influence and promote objective oversight.
- **Conflicts of Interest** – Directors must not have financial, personal, or professional relationships that may compromise their independence. Where conflicts arise, they must be disclosed and managed in accordance with documented Board policies.

## 3. INDEPENDENCE ASSESSMENT

### *Annual Assessment Requirement*

3.1.1. The Board must conduct a formal assessment of its independence on at least an annual basis. This assessment must evaluate whether the composition of the Board and the status of each Director continue to satisfy the independence criteria set out in these Guidelines.

### *Scope of the Assessment*

3.1.2. The independence assessment must evaluate:

- The independent status of each Director;
- The overall independence of the Board, including the proportion of Independent Directors; and
- Whether any relationships, interests, or circumstances exist that could impair, or reasonably be perceived to impair, a Director's ability to exercise objective and independent judgment.

### *Ongoing Monitoring of Independence*

- 3.1.3. The Board must ensure that the independence of Directors is monitored on an ongoing basis and reassessed whenever circumstances arise that could affect a Director's independence, including changes in employment, professional relationships, financial interests, or other affiliations.

### *Documentation of the Assessment*

- 3.1.4. The Board must document the outcome of the independence assessment, including:
- The determination of whether each Director satisfies the independence criteria;
  - The rationale supporting each determination; and
  - Any measures taken to address potential or identified threats to independence.
- 3.1.5. Records of the independence assessment must be retained and made available to the Commission upon request.

### *Disclosure to the Commission*

- 3.1.6. The outcome of the Board's independence assessment must be disclosed to the Commission as part of the Board's annual certification procedures, in accordance with the Compliance and Reporting Obligations set out in these Guidelines.

### *Use of External Expertise*

- 3.1.7. The Board must periodically consider the use of independent external expertise to support or validate its assessment of Board independence, particularly where the structure, complexity, or risk profile of the company warrants enhanced oversight.

## **4. POLICIES AND PRACTICES**

- 4.1.1. Board appointments and succession plans should be based on merit and objective criteria, preventing discrimination and promoting diversity and equal opportunity. The Board must establish appropriate measures to achieve and maintain diversity in age, gender, and professional background.
- 4.1.2. The Board's governance practices must support efficient, objective, and independent decision-making. Independent Directors must ensure that the Board has sufficient authority, resources, and where necessary, access to external expertise to discharge its responsibilities effectively.
- 4.1.3. The Board must ensure a clear separation between oversight and management responsibilities. This separation preserves independent oversight and objective decision-making.
- 4.1.4. Board policies relating to Independent Directors must include, at a minimum, the following:
- **Separation of Roles** – The role of Chair and Chief Executive must be separate. Ideally, the Chair of the Board should be Independent and not serve as Chair of any Board committee.

- **Group Governance** – Where the company is part of an insurance group or holding company structure, the Board must ensure that its corporate governance framework is appropriate to the structure, business, and risks of the group. Independence assessments must consider intra-group relationships, cross-board memberships, and potential conflicts arising from group affiliations. The Board must ensure that independent oversight is exercised effectively at both the entity and group levels, including appropriate independent representation on key committees such as audit, risk, and remuneration.
- **Induction and Ongoing Training** – If not already in place, the Board must establish a formal induction program for new Directors. The program must cover the company's business model, risks, financial position, and legal and regulatory environment. Ongoing training must be provided to ensure Directors remain informed of emerging risks, industry developments, and regulatory requirements. Directors must complete at least eight (8) hours of annual training, and records of completion must be maintained.

Board policies must also address the selection, approval, and renewal of directorships, using clear and objective criteria. Independent Directors must periodically review these criteria to ensure they are adequate.

- **Succession Planning** - The Board must adopt succession plans for Independent Directors to ensure continuity of independent oversight and to address the potential difficulty of sourcing qualified individuals who meet independence requirements.
- **Committee Mandates and Reporting** – Board committees must have clearly defined mandates that promote independent and effective oversight, with timely and regular reporting to the Board. Independent Directors who serve on the Audit Committee must ensure that there is robust oversight of the external audit process.

Committees responsible for audit, risk, and remuneration must be chaired by an Independent Director.

- **Committee Independence and Rotation** – Committees must operate under clear authority and procedures that promote accountability. Independent Directors should be periodically rotated across committee roles, or tenure limits applied, to prevent concentration of influence and promote fresh perspectives.

## 5. ROLE OF INDEPENDENT DIRECTORS

- 5.1.1. Independent Directors must objectively evaluate Board and Management decisions, bringing an impartial perspective to deliberations and ensuring that these decisions serve the best interests of the company and its stakeholders.
- 5.1.2. Independent Directors must promote appropriate checks and balances within the governance structure of the company, including safeguarding the separation of the roles of Chair of the Board and Chief Executive Officer.
- 5.1.3. Independent Directors must ensure that the Board receives timely, relevant, accurate, and complete information necessary to support effective decision-making and oversight.

- 5.1.4. Independent Directors must ensure that the Board reviews and approves the company's strategy, risk management framework, internal controls, and remuneration policies. Their oversight responsibilities extend to key risk areas including cybersecurity, climate-related risks, outsourcing arrangements, and the fair treatment of policyholders.
- 5.1.5. Independent Directors must ensure that the Board provides appropriate oversight of the company's risk management processes, including the conduct of the Own Risk and Solvency Assessment (ORSA), and that the results of such assessments inform the company's strategy, capital planning, and risk appetite.
- 5.1.6. Independent Directors must also ensure that the company maintains a reliable financial reporting framework for both public discourse and supervisory reporting, with clearly defined roles for the Board, Senior Management, and the External Auditor. This responsibility extends to oversight of Board and director remuneration, which should be structured to promote prudent decision-making and sound governance.
- 5.1.7. Independent Directors must actively participate in the work of the Board, including serving on key committees such as the Audit, Investment, Conduct Review, and Remuneration Committees, where appropriate. Independent Directors must prepare adequately for meetings and participate fully in discussions, seeking and obtaining information from both internal and external sources to remain well-informed on relevant matters.
- 5.1.8. Independent Directors must monitor the performance of management, including the implementation of strategic plans, compliance with legal and regulatory requirements, and the effectiveness of risk management practices.
- 5.1.9. Independent Directors should assist the Board in defining the type, quality, and frequency of information required to support effective oversight and must provide constructive challenges to management's assumptions and proposals.
- 5.1.10. Independent Directors must promptly notify the Commission promptly in writing if any circumstances arise that may constrain their ability to carry out their duties effectively.

## **6. BOARD OVERSIGHT OF CORPORATE CULTURE AND STRATEGY**

- 6.1.1. The Board is collectively responsible for setting and overseeing the implementation of the company's corporate culture, business objectives, and strategies for achieving those objectives. The Board must ensure that the corporate culture promotes sound ethical behavior, integrity, diversity, inclusion, equal opportunity, and a strong sense of accountability throughout the organization.
- 6.1.2. The Board must ensure that a confidential and non-retaliatory whistleblower policy is in place to allow employees to report illegal or unethical behavior without fear of reprisal.
- 6.1.3. The Board must adopt a rigorous and documented process for setting, approving and overseeing the implementation of the company's business objectives and strategies. This process must consider the long-term financial safety and soundness of the company, the interests of its policyholders and stakeholders, and the company's risk appetite.

- 6.1.4. The Board must actively monitor the implementation of these strategies and ensure that management is executing them in accordance with the Board's approved objectives and risk parameters.
- 6.1.5. Independent Directors play a crucial role in this process by providing objective and independent judgment. They must actively challenge management's proposed strategies and objectives to ensure that they are well-informed, prudent, and aligned with the long-term interests of the company and its stakeholders.

## 7. MANAGING CONFLICTS OF INTEREST

### *Disclosure of Conflicts of Interest*

- 7.1.1. Directors (including Independent Directors) must disclose the nature (e.g. financial, family, or professional) and extent of any conflict of interest, whether it be actual, potential, or perceived. The disclosure must be made in writing to the Board, or by having the disclosure entered into the Board's minutes. This is particularly so if the Director:
- Is party to a material contract or proposed material contract with the company;
  - Serves as a director or officer of an entity that is a party to such a contract; or
  - Holds a significant interest in a person who is a party to such a contract.

### *Timing of Disclosure*

- 7.1.2. Disclosures must be made at the first Board meeting in which the probable conflict is presented. If this is not possible, the disclosure must be presented at the first meeting after the conflict is revealed.

### *General Notice*

- 7.1.3. A Director must also disclose whether he or she serves as director or officer of another entity or if the director has significant interest in a person involved in the conflict. "Significant interest" signifies a relationship that is substantial enough to potentially compromise the director's objectivity. A *general notice* provided by said director is considered sufficient, and covers any future contracts made with that entity or person.

## 7.2. Management of Conflicts

### *Abstention and Presence*

- 7.2.1. Where a director has an interest in a contract, or anything that may create a conflict, the Director must not be present during Board deliberations or vote on any resolution to approve said contract.
- 7.2.2. Abstention, however, is not required for conflicts relating to the director's remuneration, indemnification/insurance for directors, or arrangements for money lent by the director for the company's benefit.
- 7.2.3. All transactions involving a disclosed interest must be reasonable, fair to the company at the time of approval, and conducted at arm's-length.

### *Conflicts Register*

- 7.2.4. The Board must maintain a "*Conflicts Register*," documenting conflicts of interest. The register must be reviewed by the Board at least quarterly.

### *Declaration of Interests*

7.2.5. Notwithstanding the duty for immediate disclosure, Directors must submit a written “*Declaration of Interests*” to the Commission on an annual basis or whenever there is a change in circumstance that may compromise their independence.

### *Mandatory Vacation of Office*

7.2.6. Any director who knowingly fails to abstain from meetings or voting where a conflict exists (as per section 7.2.1) must immediately cease to hold office.

### *Ineligibility Period*

7.2.7. Pursuant to regulatory standards, any director found in contravention of these conflicts of interest provisions will be ineligible for election or appointment as a director of any insurance company for a period of five years from the date of the contravention.

## **8. COMPLIANCE AND REPORTING OBLIGATIONS**

### *Documentation of Compliance*

8.1.1. Registrants and licensees must maintain documented evidence demonstrating compliance with the requirements in these Guidelines and must provide such documentation to the Commission upon request.

### *Annual Board Certification*

8.1.2. The Chair of the Board, or a designated Board committee-member, must submit an annual certification to the Commission within 120 days of the end of the calendar year.

8.1.3. The annual certification is covered in Appendix A of the guidelines on *Corporate Governance and Oversight Assessment Criteria* and must also confirm that the independence criteria set out in these Guidelines have been met and maintained. The certification in those Guidelines was expanded to include:

- Confirmation of Board composition, tenure, directorship limits, committee independence ratios, conflicts of interest disclosures, and training records.
- A list of all Independent Non-Executive Board members (and committee members), indicating whether each continues to meet independence requirements using the criteria given in these guidelines, with explanations for any changes and disclosure of any additional remuneration together with the rationale.
- A statement that the Board is discharging its functions in accordance with applicable legislation and that, in forming its opinion on adherence to the Corporate Governance Guidelines and these Guidelines, it has carefully considered reporting provided by Senior Management.
- Where the company is not fully compliant:
  1. An explanation of the reasons for deficiencies.
  2. Confirmation that an action plan is being implemented; and
  3. Confirmation that the action plan has been, or will be, submitted to the Commission.

### *Demonstration of Governance Effectiveness*

- 8.1.4. The Board must be able to demonstrate to the Commission that its governance framework, including the independence and effectiveness of its oversight mechanisms, operates effectively in practice and supports sound risk management and corporate governance consistent with the Commission's *Guidelines on Corporate Governance and Oversight Assessment Criteria*.

### *Supervisory Review of Board Independence*

- 8.1.5. The Commission reserves the right to review the adequacy of Independent Director representation during supervisory assessments and may direct a licensee or registrant to strengthen Board Independence where deficiencies are identified. Where necessary, the Commission may require the Board to increase the proportion of Independent Directors based on the company's risk profile, group structure, or business complexity.

### *Group-level Oversight*

- 8.1.6. For insurance groups, the Commission will assess the adequacy of independent oversight at both the group and entity levels to ensure alignment with the *Guidelines on Corporate Governance and Oversight Assessment Criteria*.

### *Supervisory Engagement with Independent Directors*

- 8.1.7. The Commission may require periodic meetings with Independent Directors, including sessions without management present, to assess independence and the effectiveness of the Board.

## **9. CONSEQUENCES OF NON-COMPLIANCE**

- 9.1.1. Failure to comply with the requirements of these Guidelines may result in supervisory or regulatory action by the Commission, including, but not limited to, sanctions, restrictions on operations, or directives requiring changes to Board composition, governance practices, or other corrective measures deemed necessary.

## **10. TRANSITION PERIOD**

- 10.1.1. Registrants and licensees shall have a period of six (6) months from the date of publication of these Guidelines to achieve full compliance with all provisions set out herein.