

OFFICE OF THE REGISTRAR OF INSURANCE COMPANIES

MINISTRY OF FINANCIAL SERVICES AND INVESTMENTS

GUIDELINES ON THE ISSUANCE OF INSURANCE LICENCES IN THE BAHAMAS FOR BOTH DOMESTIC AND EXTERNAL (CAPTIVE) OPERATIONS

(The following guidelines are for applications for insurers, brokers, agents and managers.)

An insurance company wishing to be licensed in The Bahamas must show that those persons who control its affairs are competent, with evidence of relevant ability, integrity, and experience in the field of insurance. The Insurance Act of 1969 (Domestic), and the External Insurance Act of 1983, along with the relevant Regulations, have been designed to accommodate a wide variety of insurance business.

Business Plan

Fundamental to an application for a licence to operate in or from The Bahamas is the submission of a Business Plan, which will -

- a) be a major factor in determining whether or not a licence is issued; and
- b) if so, define and thereby control the *modus operandi* of the licensee.

This Business Plan must include, where appropriate -

- 1) The reasons for choosing The Bahamas as a base for operations.
- 2) A five year projection including anticipated risk exposure and asset base at the end of each year during the period.
- 3) The type and source of business contemplated, specifically categorized.
- 4) Anticipated premium income, properly categorized.
- 5) An overall assessment of the risk factors and, if appropriate, an analysis of proposed reinsurances. Details of reinsurance and net risk retained must be provided. The prime concern is to ensure that where reinsurances are used to reduce substantially the potential liabilities outstanding, the policies are to be taken out with only reputable, well reserved, and financially sound reinsurers.
- 6) An assessment of the expected ratio of claims to premiums for each category of business written, with a statement explaining the rationale applied.

Company Name

The name of the company should reflect the type of insurance business to be undertaken, and should not confuse or deceive. The Office of the Registrar of Insurance must approve the company's name.

Capital Requirements

Capital requirements for insurers will vary, but those companies wishing to engage in domestic general business will be expected to have minimum paid-up and unencumbered capital of **B\$1,000,000**. For companies wishing to engage in domestic long-term business, this minimum paid-up capital will be **B\$2,000,000**.

For companies wishing to engage in External (Captive) **life** insurance business, the minimum paid-up capital will be **B\$200,000**.

Companies wishing to engage in External (Captive) **general** insurance business will be expected to have a net worth based on premium income, with the minimum being **\$100,000.00**.

Please note that these are minimum requirements and that the actual required capital levels can vary depending on the business plan submitted, and will be determined on the following criteria (projected or actual):

1. The size of the company as measured by its assets, capital and/or surplus, reserves, premium writings and insurance in force.
2. The kinds of business written, the company's net exposure and the degree of diversification of lines of insurance.
3. The past and anticipated trend in the size of the company's capital and consideration of premium growth, operating history, loss and expense ratios.

Brokers and Agents under the Insurance Act, 1969, must have start-up capital of at least **\$10,000.00**.

Additional Requirements

The following additional requirements are to be satisfied when filing the application:

- (a) In the case of an existing company, audited financial statements for the previous two years.
- (b) In the case of individuals/partnerships, certified Net Worth Statements for all beneficial owners.
- (c) Where the applicant is currently doing insurance business in other jurisdictions, a "Certificate of Good Standing" from the relevant regulators.

- (d) Letters from the aforementioned regulators that they would have no objections to the insurance entity being registered in this jurisdiction.
- (e) Current police certificates on behalf of all beneficial owners, directors, and executives.
- (f) A detailed resumé of each of the beneficial owners and key officers, together with certified proof of qualifications listed.
- (g) Personal, professional, and banking letters of reference for the beneficial owners, the directors, and the officers of the proposed insurance entity.
- (h) In case of a branch, certified copies of all of the constitutive documents for the parent insurance entity.

Solvency Margins

Solvency ratios will be established on the basis of risk assessment in each particular case. As a guideline, the minimum solvency margin ratio for domestic long-term and general insurers will be 5 to 1 net premium to Capital/Surplus, but 3 to 1 is preferred.

Admissible/Permitted Assets

Admissible (permitted) assets for the calculation of solvency margins will include:

1. Cash and time deposits with acceptable financial institutions.
2. Fixed interest securities and blue-chip equities traded on recognized stock exchanges.
3. Government Bonds.
4. Premiums receivable – but excluding premiums more than 6 months outstanding.
5. Irrevocable Letters of Credit issued by acceptable financial institutions.

All assets should be valued at *market value* and no amounts receivable from related parties may be included without prior written approval from the Registrar.

Non-Admissible or Prohibited Assets

Non-Admissible or prohibited assets will include:

1. Machinery, computer hardware and software.
2. Loans to group or connected companies and individuals.
3. Investments in options, futures, or forward contracts.
4. Premiums more than 6 months outstanding from due date.
5. Non-income-bearing real estate.

Categories of Licence

There are, at present, five categories of insurance licence covering:

1. Insurance Salesman
2. Agent
3. Broker

Categories of Licence (contd.)

- 4. Insurer
- 5. Underwriting Manager

Further categories of licence may be added when circumstances dictate.

Branches/subsidiaries of leading international or regional insurance companies will receive every assistance when applying for a licence. Parent companies, however, may be required to provide a suitable guarantee covering the liabilities of any *subsidiary* applying for a licence. Additionally, approval from the insurance supervisor in the company’s country of domicile and copies, periodically, of statutory filings made in the home jurisdiction, may be requested.

Application Fee

Non-refundable licence application fees are applicable as follows –

- for an Insurer’s, Underwriting Manager’s or Insurance Broker’s licence \$25.00
- for an Agent’s licence\$25.00
- for a salesman’s licence Nil

Application Forms

Application forms are in the First Schedule/Part A of the Regulations to the Insurance Act, 1969, and the External Insurance Act, 1983. These documents may be viewed at:

<http://www.bahamas.gov.bs/compliancecommission>

Hard copies of the Acts and Regulations are available from:

Government Publications
P.O. Box N-7147
Nassau, The Bahamas

Partially completed, undated or unsigned applications without adequate supporting required documentation, should not be submitted.

Initial Registration Fees

Should the application be given favourable consideration, the initial registration fees are as follows:

1. **Domestic Business**

- (1) ***For insurers writing life assurance business –***
 - (a) ***where the gross premium business in the preceding year exceeded \$1,000,000.00 from local policies\$3,000.00;***
 - (b) ***where the gross premium business in the preceding year exceeded \$100,000.00 but did not exceed \$1,000,000.00 from local policies\$1,500.00;***
 - (c) ***in all other cases, including newly formed companies\$1,000.00;***
- (2) ***For insurers writing other- than- life business 1,000.00;***
- (3) ***For Brokers and Agents..... \$650.00;***
- (4) ***For Salesmen \$25.00***

2. **External (e.g. Captive) Business**

- (1) *For insurers writing life and other-than-life business \$2,500.00*
- (2) *For Underwriting Managers \$650.00*
- (3) *For Brokers \$650.00*

Annual Fees

Subsequent annual registration fees for licences are as follows:

1. **Domestic Business**

- (1) *For Insurers writing life and other-than-life business ...\$1.00 per \$1,000.00 worth of all local policy premium business subject to a minimum fee of \$500.00 and a maximum of \$5,000.00.*
- (2) *For Brokers and Agents \$650.00.*
- (3) *For Salesmen \$25.00.*

2. **External (i.e. Captive) Business**

- (1) *For Insurers \$2,500.00*
- (2) *For Underwriting Managers \$650.00*
- (3) *For Brokers \$650.00*

The Insurance Acts require every Licensee to conspicuously display at each of its offices the current licence or a copy thereof.

Indemnity Bond/Insurance for Domestic Brokers

In addition to the registration fee, an Indemnity Bond of \$500,000 or an appropriate level of E & O Insurance must be procured within three months after the start of operations.

Financial Statements and Balance Sheets

Profit and loss statements and balance sheets must be prepared and audited. Such accounts are required annually, or every six months if deemed necessary by the Registrar, and subject to the type of business written. In any event, a full set of accounts will be required annually.

Independent Auditors

While prior approval of the independent auditors of insurance companies by the Registrar is not a requirement, the auditors must be suitably and professionally qualified, and must be certified members of the Bahamas Institute of Chartered Accountants. The independent auditor is required to provide the necessary annual confirmations (accounts/business plan compliance) to the Registrar.

Actuaries

Actuarial valuations, at least once every three years, will be required of life insurers. However, the Registrar may also, in his discretion, require a general insurer to submit an actuarial valuation in relation to its general business. The actuary must hold appropriate professional qualifications and, unless otherwise specified, all valuations prepared must be sent directly to the Registrar.

Annual Compliance Requirements

Apart from the payment by all licensees of an annual licence fee, insurers, underwriting managers, and brokers are required to submit as well, within four (4) months after the end of their financial years, certain specified documents and/or undertakings so as to ensure that acceptable business standards and practices are not only in place, but are also maintained while the company/licensee is carrying on insurance business.

Penalties

The conduct of insurance business in or from within The Bahamas will be closely monitored, and the Insurance Acts provide for the suspension or revocation of licences where such action is justified. Additionally, fines and imprisonment can be imposed where a person contravened the provisions of the Acts and Regulations. The intention of the Acts and the Regulations is to attract quality insurance operations to the Commonwealth of The Bahamas.

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