

THE BAHAMAS POISED TO RE-EMERGE AS AN INTERNATIONAL INSURANCE CENTRE

In recent years, there has been a resurgence in interest in The Bahamas as an international insurance centre due primarily to three factors: market friendly regulations, competitive pricing and the necessity of sophisticated tax compliant wealth management structures.

The insurance industry in The Bahamas has benefited from limited predatory competition and organizational structures which facilitated capital accumulation. That capital is now being invested in technology around key business drivers. As such, many Bahamian insurance firms have an advantage over other financial institutions.

The domestic insurance market in The Bahamas is especially vibrant and competitive, benefiting from operating in a stable environment. This market is segmented into two main classes of business: “Life and Health” and “Non-Life or General Insurance.” These sectors are represented by two main trade associations, namely: the Bahamas Association of Life and Health Insurers (BALHI) representing the Life and Health sector with 11 member companies and the Bahamas General Insurance Association (BGIA) representing the General sector with 18 member companies.

There is also a growing international life insurance sector as well as the re-establishment of The Bahamas as a captive insurance domicile.

This growth has been driven by the established international financial services industry which has sought out new wealth management tools as the global regulatory and market conditions have changed. Nearly all of the world’s major

banks have a substantial presence in Nassau and these institutions are becoming increasingly involved in both international life insurance and captives.

REGULATORY BACKGROUND

Insurance in The Bahamas is conducted through locally incorporated companies and through branches of companies incorporated internationally. The primary legislation concerning the incorporation, regulation and winding-up of companies in The Bahamas is The Companies Act, 1992.

Two primary pieces of legislation concerning the operations of insurance companies are:

- The Insurance Act, 1969, as amended;
- The External Insurance Act, 1983, as amended in 1996.

In order to encourage the development of international insurance from The Bahamas, the Government enacted the External Insurance Act of 1983, which was subsequently amended in 1996. In conjunction with the industry, the government continually reviews appropriate legislative initiatives to enhance the competitive position of the jurisdiction.

The insurance industry falls under the Ministry of Financial Services and Investments through the Registrar of Insurance Companies.

The objective of the Government of The Bahamas has consistently been to encourage the presence of legitimate and reputable institutions. The insurance regulations are not onerous and are intended to allow flexibility in operating, while maintaining careful screening of initial license applications, and reasonable supervision of subsequent operations.

One of the most attractive features of The Bahamas as a financial centre is the tax structure. There are no taxes levied on capital gains, corporate earnings, personal income, sales, inheritance or dividends. This tax freedom is available to all residents, corporations, partnerships, individuals and trusts.

The Government is careful to ensure that the taxation position remains attractive and this has been reinforced in the External Insurance Act.

With the modernisation of the anti-money laundering framework, insurance companies are called upon to “know-their-customer” and comply fully with the new legislative regime in The Bahamas. In recognition of their limited risk, the Life sector does not have to meet the requirements of this legislation for policies with annual premiums under \$2,500, and the General sector is only concerned with “Investment-Related Insurance.” The industry is supervised through the office of the

Registrar of Insurance who is appointed periodically by the Government. The legislation and supporting regulations specify the minimum levels of reporting that are required although the Registrar may request additional reporting for business that is deemed to be higher than normal risk.

However, for captive insurance companies the main responsibility for the ongoing operations of such entities rests with the “captive manager.” This must be a Bahamian company set up for the purpose of providing management and insurance expertise for captives and which holds an appropriate license issued by the Registrar.

In addition, all insurance companies are subject to annual audit in accordance with generally accepted accounting principles by an independent audit firm. The major accounting firms have a presence in Nassau and can provide this service.



MARKET OPPORTUNITIES

The Bahamas is seeing diverse growth in the captive business in areas such as export receivables insurance, credit life captives, medical captives, family captives and association captives.

While still in its infancy, the international life insurance market is also growing as it provides a legitimate compliant alternative to existing financial products such as trusts and offshore corporations.

In particular, The Bahamas is looking to exploit its existing wealth management industry which already has a substantial client base and distribution network. There is considerable potential for the cross-selling of insurance products to this existing block business.

PROFESSIONAL ASSOCIATIONS

In addition to BALHI and BGIA, there are four professional associations: the Bahamas Insurance Brokers Association (BIBA), the Bahamas Life & Health Insurance Managers Association (BLHIMA), the Insurance Institute of The Bahamas (IIB), and the Life Underwriters Association of The Bahamas (LUABh). These Associations are the driving force for sustaining professional standards by offering ongoing education to their members and tutorial assistance to agents who are engaged in international courses that lead to professional qualifications in insurance.



IN CONCLUSION

The Bahamas is poised to re-emerge as an international insurance centre. The demand for insurance services is driven by The Bahamas' strong institutional presence which already has an extensive network throughout the global financial community which is ultimately the source of this business.

The international environment changes constantly in response to economic, fiscal and regulatory changes. The Bahamas has proved to be proactive and flexible in responding to these changes and its reaction to the burgeoning demand for international insurance products is a good example of its sensitivity as a jurisdiction in the financial services marketplace. Both the Bahamian Government and the private sector are committed to ensuring the continuance of this approach.



FOR MORE INFORMATION ON BFSB AND THE FINANCIAL SERVICES INDUSTRY, PLEASE VISIT OUR WEBSITE AT WWW.BFSB-BAHAMAS.COM OR CONTACT:

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