

THE Bahamas Advantage 

Your Wealth and Asset Management Gateway of The Americas since 1930



## The Bahamas Advantage Creates a Fertile Insurance Environment

“The Bahamas is committed to growth and developing its natural resources and cultivated assets to create an environment that supports business and the enjoyment of life in equal measure.”

It is not by chance that The Bahamas is one of the most successful international financial centres in the region today. More than 80 years of thought, effort and co-operation have produced ideal conditions for (Ultra) High Net Worth individuals, families and businesses to manage their wealth efficiently in comfort and style.

The country’s mature financial services industry, established infrastructure, progressive government, tax neutral environment, political and economic stability, progressive regulations, work permit and immigration policy and luxury lifestyle all have been carefully cultivated to create advantages for doing business in The Bahamas.

These advantages may be summed up very simply: The Bahamas is committed to growth and developing its natural resources and cultivated assets to create an environment that supports business and the enjoyment of life in equal measure. Individuals, companies and family offices all will find a warm welcome when they come to The Bahamas.

### Insurance Business

Choice of domicile is often the first and most important question for an insurance company. The Bahamas, an established and progressive jurisdiction, offers a number of compelling competitive advantages as a domicile of choice. In addition, the Government of The Bahamas has affirmed a strong desire and willingness to maintain the necessary framework which will ensure that The Bahamas is an attractive business centre for insurance.

### Legislation

The Bahamas always has had market friendly insurance legislation in place. Legislative changes in recent years consolidated this jurisdiction’s approach to the sector.

The Insurance Act 2005 introduced a new system for licensing and regulating domestic insurers based on international standards; it also introduced harmonization with the insurance legislation of a number of other jurisdictions in the region. The Insurance Act provided for the establishment of the Insurance Commission of The Bahamas, an



independent supervisory authority holding powers of regulation, inspection and supervision over insurance companies.

The External Insurance Act (EIA) 2009 repealed the External Insurance Act, 1983 modernising the legislation and regulations applicable to external insurance business.

## Captives

The legislative and regulatory regime establishes a clear, predictable and efficient structure whereby a captive insurance company covering risks outside of The Bahamas may be established in The Bahamas. Specifically, the establishment, licensing and business operation of captive insurance companies in The Bahamas are governed by the External Insurance Act, 2009 and the External Insurance Regulations, 2010.

The existing regime provides a clear response to the demand for cost effective means of entering into captive or self insurance by small to medium sized enterprises while satisfying international standards.

Principal features of the regulatory requirements are:

- Captives must be registered as External Insurers under the Act; such registration is renewable annually
- Company name is subject to approval of the Commission
- Minimum of two directors
- Annual audited financial statement to be submitted to the Commission 4 months after the fiscal year end
- Actuarial valuation of life insurers at least every 3 years
- Every insurer must appoint a Resident Representative in The Bahamas; this person must be able to represent the insurer

Accessibility to the United States and South America makes The Bahamas particularly attractive for the development and expansion of a captive insurance industry. Since captive insurance companies are normally regulated in the jurisdiction in which they are organized, insurance policies and negotiations must be carried out in the country of organization, i.e. The Bahamas. For companies in the western hemisphere, ease of access to the jurisdiction is a real plus. The Bahamas is not only a financial centre but also a prime vacation destination.

## Capital and Solvency

A Restricted External Insurer's Licence may be issued for a single parent captive where that company has capital as approved by the Commission. The minimum capital requirements applicable to External Insurers are as follows:

- I. Insurers carrying on long-term insurance business US\$200,000
- II. Insurers carrying on general insurance business US\$100,000
- III. Insurers carrying on both long-term and general insurance \$300,000

**Note:** There may be additional regulatory capital requirements depending on the business plan submitted.

Insurers must maintain a positive net worth, i.e. assets in excess of liabilities. General insurers are required to maintain a net worth based on net premium income as follows:

<b>Net Premium Income</b>	<b>Minimum Net Worth</b>
Up to US\$5,000,000	20% of net premium income
Over US\$5,000,000	US\$1,000,000 plus 10% of net premium in excess of US\$5,000,000



Life insurers are required to maintain assets in excess of liabilities (including actuarially determined reserves) of US\$200,000.

## Fees

Fees are payable to The Insurance Commission of The Bahamas as follows:

- Application fee (non-refundable) of US\$100
- Annual registration fee (including Registrar General fees):
  - Restricted Insurer (Captive) US\$2,500
  - Unrestricted Insurer US\$3,500
  - External Insurance Manager US\$1,000
  - External Insurance Broker US\$1,000

## Other Wealth Management Considerations

### Life Insurance

Life insurance and annuities are excellent wealth management instruments both for tax planning as well as asset protection. Private placement life insurance and annuity policies provide qualified investors with the opportunity to invest in more tailored investment solutions and to react quickly to changes in the market landscape. Due to the robust asset protection laws of The Bahamas and its geographic location, The Bahamas is an ideal jurisdiction from which to operate a private placement life insurance company.

### Asset protection

The EIA, 2009 provides for the establishment of segregated accounts by an external insurance company conducting “variable insurance business” as defined under the Act. The assets of a client held in any such segregated or separate account will not form any part of the liability of the insurance company. Accordingly, in the event of liquidation of an external insurance company licensed under the Act, the client’s assets will not form a part of the general assets of the insurance company and therefore will not be available to creditors of the insurance company.

The EIA, 2009 also restricts the distribution of any assets held under a policy of insurance issued on the life of the policy holder or another person to any third party not designated in the policy, and further makes the proceeds of such policy exempt from the claims of any creditor of the policyholder, or the insured, or the estate of either of them, and of any other beneficiary (or other claimant other than a beneficiary under the policy) or the estate of any beneficiary under the policy. Similar protection is granted to the holder of any annuity contract issued by a licensed external insurance company.

In addition, the EIA, 2009 has incorporated the asset protection mechanism set out in the Fraudulent Dispositions Act, which

provides the basis for offshore protection of trust assets, by providing the specific circumstances in which an action may be pursued by a creditor of a policy holder who hopes to be paid out of the assets of the separate account held by the licensee for the benefit of such policy holder. A creditor may make a claim to attach rights or interests in the policy only where: (i) the purchase of the policy was made with the intent to willfully defeat an obligation owed to the creditor by the policy holder; or (ii) proceedings in bankruptcy have been commenced by or against a policy holder at the date of the purchase of the policy or within three months of the date of the purchase of the policy. If an action or claim is not commenced within two years of the date of the relevant disposition, it is time barred by the provisions of the EIA, 2009.

## The Bahamas: A premier financial services centre

The Bahamas’ historic financial services culture combined with our location, modern and compliant regulatory regime and market responsive insurance legislation are integral parts of The Bahamas Advantage – and make The Bahamas the ideal choice for your insurance business.

## Contacts for further information:

### Bahamas Financial Services Board

P.O. Box N 1764  
Nassau, N.P. The Bahamas  
Tel: (242) 326.7001  
Fax: (242) 326.7007  
Email: [info@bfsb-bahamas.com](mailto:info@bfsb-bahamas.com)  
[www.bfsb-bahamas.com](http://www.bfsb-bahamas.com)

### Insurance Commission of The Bahamas

P.O. Box N-4844  
Nassau, Bahamas  
Tel: (242) 397.4100  
Fax: (242) 328.1070  
Email: [info@icb.gov.bs](mailto:info@icb.gov.bs)  
[www.icb.gov.bs](http://www.icb.gov.bs)



Call The Bahamas Financial Services Board to learn more about  
The Bahamas Advantage (242) 326.7001 or  
email [info@bfsb-bahamas.com](mailto:info@bfsb-bahamas.com) | [www.bfsb-bahamas.com](http://www.bfsb-bahamas.com)