# CHAPTER 348

EXTERNAL INSURANCE

## EXTERNAL INSURANCE (CAPITAL REQUIREMENTS FOR EXTERNAL INSURERS, INSURANCE MANAGERS AND EXTERNAL INSURANCE BROKERS) REGULATIONS

*S.I. 39/2010*

(SECTIONS 22 AND 34(2))

*[Commencement 3rd May, 2010]*

Citation.

**1.** These Regulations may be cited as the External Insurance (Capital Requirements for External Insurers, Insurance Managers and External Insurance Brokers) Regulations.

Capital requirements for external insurers.

**2.** (1) An unrestricted external insurer may be licensed to carry on long-term insurance business if its fully paid-up capital, capital surplus and subordinated capital or contributed reserve fund is a minimum of $200,000.

(2) An unrestricted external insurer may be licensed to carry on general insurance business if its fully paid-up capital, capital surplus and subordinated capital or contributed reserve fund is a minimum of $100,000.

(3) An unrestricted external insurer may be licensed to carry on both long-term insurance business and general insurance business if its fully paid-up capital, capital surplus and subordinated capital or contributed reserve fund is a minimum of $300,000.

(4) A licence may be issued to a restricted external insurer where that company has a minimum paid-up capital or contributed reserve fund as may be approved by the Commission.

Capital requirements and net assets for intermediaries.

**3.** (1) A minimum paid-up share capital and minimum net assets value shall be maintained at all times by every insurance manager and those minimum amounts shall be the greater of the following —

(a) the maximum deductible amount of the insurance manager's professional indemnity insurance policy; or

(b) $10,000.

(2) A minimum paid-up share capital and minimum net assets value shall be maintained at all times by every external insurance broker and those minimum amounts shall be the greater of the following —

(a) the maximum deductible amount of the external insurance broker's professional indemnity insurance policy; or

(b) $25,000.

(3) The minimum net asset values mentioned in paragraphs (1) and (2) shall be determined in accordance with international financial reporting standards, such net asset values shall not however include intangible assets.

(4) Where an insurance manager or external insurance broker carrying on external insurance business in The Bahamas at the commencement of these Regulations is unable to meet the requirements of paragraphs (1) and (2), the Commission may, if satisfied that the insurance manager or external insurance broker is able to increase its capital to the amount so required by the expiry of three years from the commencement of these Regulations, issue a licence pursuant to section 8 of the Act.

Professional indemnity policy.

**4.** (1) Every insurance manager and external insurance broker shall —

(a) maintain and continue to maintain in force, in respect of their insurance management and brokerage activities; and

(b) place with a carrier acceptable to the Commission,

a professional indemnity policy with a minimum limit of indemnity for any one claim, in any one insurance period of twelve months.

(2) The limit of indemnity, under paragraph (1), shall be —

(a) a sum equal to —

(i) the aggregate insurance brokerage, commission or fee income relating to the average for the three years immediately preceding the date of commencement of the professional indemnity insurance cover (applicable to an insurance manager or external insurance broker who has been in business for a period exceeding three years),

(ii) the projected insurance brokerage, commission or fee income for twelve months for the period of the professional indemnity insurance cover (applicable to an insurance manager or external insurance broker who has been in business for a period not exceeding three years); or

(b) a minimum sum of $500,000.

(3) The professional indemnity insurance coverage, which exceeds the amounts under paragraph (2), may be required by the Commission to meet the requirements of an individual insurance manager or external insurance broker.

(4) If as a result of a claim the indemnity available falls below the amount determined under paragraph (2), the insurance manager or external insurance broker shall effect a reinstatement of cover up to a minimum amount of $500,000.

(5) In the event that the professional indemnity insurance is withdrawn or cancelled, or the insurance is not renewed, the insurance manager or external insurance broker shall immediately notify the Commission and shall immediately cease to solicit further insurance business until such professional indemnity insurance has been reinstated or replaced.

(6) In these Regulations —

"insurance brokerage, commission or fee income" means income derived from advising on or arranging any contract which contains an element of insurance, irrespective of the extent of such insurance element;

"professional indemnity insurance" means insurance against legal liability towards third parties for injury, loss or damage, arising from a person's own professional negligence, error or omission or that of his employees.