

INSURANCE INTERMEDIARIES
COMPLIANCE WITH THE FINANCIAL REPORTING REQUIREMENTS
SPECIFIED BY REGULATIONS 139 & 140 OF THE INSURANCE (GENERAL) REGULATIONS, 2010
MARCH 2015

1. SCOPE

The purpose of this policy document issued by The Insurance Commission of the Bahamas (the Commission) is to assist registered corporate intermediaries in complying with the financial reporting requirements in the legislation.

Under the legislation, all corporate intermediaries are required to submit audited financial statements within four months of the close of their fiscal year end. The Commission continues to be of the view that audited financials provide an important means of ensuring that relevant and reliable financial information is provided to the Commission. However, the Commission realizes that the cost of audits has placed an undue burden on smaller agents and brokers and the Commission has complied with requests for exemptions by smaller entities. In these situations the Commission has required alternate procedures to assess the credibility of the financial information being presented. This policy outlines the circumstances in which the Commission will consider an exemption from the audit requirement and the alternate requirements where such an exemption is given.

2. POLICY

Audited financial statements are a requirement for all corporate intermediaries under the legislation. All intermediaries that seek to be exempted from the requirement to submit audited financial statements must make an application in writing for an exemption. This application must be submitted prior to end of the reporting period under consideration.

Generally an exemption from the ¹audit requirement will not be granted to an intermediary that transacts gross premiums greater than \$2,000,000 or receives gross commission income in excess of \$500,000.

In assessing the application for exemption the Commission will apply the following size test based on projected Gross Written Premiums and Gross Commissions.

Category	Attestation Report	Gross Written Premiums	Gross Commissions
1	² Review Report	Less than \$ 2,000,000	Less than \$500,000
2	³ Compilation Report	Less than \$1,000,000	Less than \$250,000

In addition to the size criteria outlined above, the Commission will also consider other factors such as the financial condition and the nature and complexity of the intermediary's operations, in deciding on the audit exemption.

¹ Audit - an examination and verification of the financial books and records in accordance with generally accepted auditing standards performed by an "auditor" as defined in section 2 of the Insurance Act, 2005

² Review Report – A report from an independent accountant certifying that the financial statements are reasonable based on a review and analysis of the financial information.

³ Compilation Report - A report from an independent accountant certifying that the financial statements prepared by the company have not been audited or reviewed but are compiled in accordance with International Standards.

The following summarizes the additional reporting requirements where an audit exemption has been granted.

Review Engagement

In addition to an opinion on the review engagement, the accountant will be required to certify the following.

- The books of accounts have been properly kept
- Reconciliation of the trust account has been reviewed and confirmed with banks
- Aging report of receivables⁴ has been reviewed and bad debt provisions are reasonable
- Accounts payable to insurers have been confirmed and reconciled

Compilation Engagement

The intermediary will be required to submit financial statements in accordance with generally accepted accounting practices compiled by an independent accountant. The intermediary will also be required to provide the following additional information:

- Confirmation that books and accounts have been properly kept
- A declaration of the proper maintenance of a trust account
- A letter from the bank confirming the trust account balance
- An aging report of receivables showing the aging categories: 0-30 days, 30-60 days, 60-90 days, and over 90 days
- Aging report of payables (showing the aging categories: 0-30 days, 30-60 days, 60-90 days, and over 90 days) and completed letters of good standing from sponsors (confirming the outstanding balance)

3. PENALTIES

Corporate intermediaries that fail to meet the requirements for financial reporting will be in breach of the legislation and could face:

- a. Suspension - See Section 125, Insurance Act, Chapter 347
- b. Cancellation – See Section 126, Insurance Act, Chapter 347
- c. Penalties and fines as prescribed in the legislation – See section 237, Insurance Act, Chapter 347

All penalties and fines levied will be placed on the Commission's website and published in the local newspapers.

⁴ Receivables – premiums owed to the intermediary for booking insurance products or services, by way of credit.