



FINANCIAL SERVICES
COMMISSION

2025 Barbados Risk and Insurance Management (BRIM) Conference

Featured Remarks by Rosina Knight

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Financial Services Commission - Regulatory Update

Good morning to you all.

I'd like to thank the organisers for giving the FSC the opportunity to engage with you our stakeholders in this forum. You may have noticed, I am not Curtis Lowe, the designated presenter for the FSC today. My colleague became unexpectedly unavailable, and I am attempting to fill his shoes. If you have met Curtis previously or seen him will know that he is tall, I – am – not. He can seamlessly intersperse quotes by Shakespeare into his speeches and presentations or responses to queries. I cannot. The best I came up with for today was "*Friends, Romans, countrymen, lend me your ears*". Perhaps not the best option but I think that I can make it work. So, while I cannot promise a delivery as elegant as the one my colleague would have provided, I will seek to ensure that it is at least as informative as he intended.

With that in mind, my name is Rosina Knight, I am Deputy CEO with the Financial Services Commission, and I am pleased to provide you with the FSC's regulatory update - "*Friends, Colleagues, Stakeholders, lend me your ears*".

Industry Status

The captive insurance Industry in Barbados is over 40 years old. Barbados launched its first piece of legislation for captive insurance supervision in 1983. Since that time, the legislative and supervisory framework, as well as the size and nature of the sector has evolved.

As at the end of February 2025 the FSC, regulates 177 Class 1 Insurance companies (i.e. companies that are insuring or reinsuring the risks of a parent company and related parties), one of which is an insurance company with a local parent, our first such entity since the changes to the insurance legislation in 2019 which harmonised the international and domestic regulatory programme. There are 115 Class 2 insurance companies under our supervision (i.e. those companies that are authorised to insure or reinsure risks of third parties), 20 of which undertake insurance business domestically. So, there is a collective 272 class 1 and class 2 insurers and reinsurers that write risks located outside of Barbados and whose premiums are generated outside of Barbados.

Approximately 57% of the international sector are involved in general insurance business, an estimated 16% are composite insurers and the remaining approximately 10% are involved in life/long-term insurance business. In the domestic sector the general / life insurance split is approximately 70% to 30% as there are very few composite insurers.

Segregated Cell Company structures continue to be used by the international insurance sector. As at February 2025 there were 86 SCCs, however there are presently no Incorporated Cell Companies licensed as insurers. As part of our legislative review exercise that I will speak to in more detail, we would be interested in understanding your views on the usefulness of ICCs versus SCCs as a corporate structure for insurers.

Sixteen (16) insurance managers operate within Barbados and are licensed with the Commission to provide insurance management services to 229 class 1 and class 2 insurers or approximately 80% of the sector, the remaining 20% of entities are therefore self-managed.

Capital and Solvency

Throughout the history of the supervision of the insurance sector, both domestic and international insurers were subject to regulatory requirements related to capitalisation, solvency, filings of financial information and risk management. These continue to be our areas of focus in our supervisory programme.

As it relates to capitalisation and solvency, the FSC has previously highlighted that these are areas due for a substantive update. There have been incremental steps towards incorporating more risk-based capital requirements and updated solvency requirements. In 2024 the FSC's policy recommendations for amendments to the Insurance Act to enable the FSC to impose risk-based capital requirements and to update solvency requirements were favourably considered by Cabinet and a bill was drafted. The bill outlines, among other things that:

- An insurer is required to maintain capital, liquidity, and assets (including custody of assets) in accordance with the requirements of the FSC
- The FSC may direct an insurer to increase capital or provide additional liquidity

Detailed solvency methodology and capital standards and will be outlined through guidelines, rather than spelt out in the Act.

There are no immediate changes to the methodology for determining solvency whether you are writing business domestically or not. The guidelines which are being drafted will re-affirm the requirements that are in place pending a full-scale re-assessment and determination of solvency requirements. We do not anticipate that the re-assessment will take place this year.

As it relates to risk-based capital requirements, we want to share some of the key requirements that we are seeking to incorporate into the framework and critical factors that we have considered.

The objective of our risk-based capital framework is to be risk sensitive and proportionate. The size and degree of risk undertaken by an insurer will be factored into capital requirements.

i.e. insurers will be expected to establish and subsequently maintain capital in proportion to the risk make-up of their portfolio. While the legislation outlines a static minimum paid-up capital required at licensing, insurers should be able to demonstrate at licensing and at any time thereafter, that their opening capital and capital management plan will ensure their financial soundness and ability to meet their obligations. Insurers will be expected to demonstrate that as their businesses evolve and risks change, they have remained adequately capitalised. Reliance on maintaining the minimum capital requirements will not be enough to avoid being placed under enhanced supervision.

Buffers or surpluses will be built into the revised capital framework which will act as triggers for supervisory intervention. If for example, surplus requirements are set at 200%, 150%, or 100% etc of the minimum regulatory capital amount, at each trigger point the intervention escalates. If an insurer falls below 200% the FSC may require the insurer to submit a plan of corrective measures. If an insurer's surplus falls below 50% of the regulatory capital, the FSC may seek enhanced measures e.g. suspension of the licence pending rectification of the issues or further action.

The FSC is guided in its development of the risk-based capital regime by the International Association of Insurance Supervisors (IAIS)' principles and other guidance in this area. Thus, in addition to the use of capital buffers/surpluses, requirements related to own risk capital assessments (ORSAs) are expected to be incorporated into the regime. ORSAs will not be applicable to all insurers.

Some of the general but key considerations that we want captives and other insurers and reinsurers to consider in their capital management and ensuring capital adequacy are:

1. **Source of further capital support:** For applicants for a licence we anticipate that while you may meet and have determined that the statutory minimum capital is adequate as you start your operations, we expect that you will have a capital management plan which evidences where future capital support will come from. Whether that is a parent

company as may be the case for captives or other capital support strategies. If the support is from a parent, what form will that support take e.g. parental agreements?.

2. **Build-up of capital:** For new insurers the initial paid-up capital is your starting point, and the understanding is that there will be a build up of that capital through retained earnings from your underwriting and investment income. Where business does not commence/grow as projected however, we have noted that some entities report an erosion of the capital. The new guidelines will stress the need to maintain adequate levels of capital. Consequently, unless there is a revision to the business plan and financial projections, our expectation is that the level of capital that you established is still required.
3. **Use of reinsurance:** Reinsurance , when strategically employed permits an insurer to reduce its risk and thus the level of capital required. The domestic insurance industry, as expected, significantly employs reinsurance programmes as part of their capital management strategies. For the international sector including captives, the use of reinsurance or retrocessionaire arrangements is varied. At the licence application stage companies are required to disclose if they are using reinsurance programmes and if not, to explain why. It is anticipated that such companies are continuously assessing their capital position and have reliable capital support arrangements in place.
4. **Stress testing:** For a number of insurers effective capital management includes robust stress testing. Stress testing done correctly serves to inform insurers of the extent to which their capital could absorb losses under stressed conditions. The information from stress test is used considered in determining the mitigating strategies that are required. We do not require stress testing of all insurers but where companies have opted to undertake such we are interested in understanding how the results have shaped your understanding of your company's capital needs.

As the FSC undertakes its assessment of entities and engages the industry (both domestic and international) regarding revised capital and solvency frameworks and these are some of the factors that will form part of those discussions. We want to stress that ultimately we are focused on using a risk-based approach as we use our current capital and solvency framework, and as we look at revising the requirements.

Legislation

The Insurance Act is objectively dated. It is a 2017 Act with provisions which have been amended over time. The efforts to overhaul this legislation and the other specified enactments which commenced some time ago continue to be undertaken. We have identified several areas for revision and enhancement through our internal review and we are pivoting to engagement with our stakeholders on what you want the new legislation to be/deliver. A virtual suggestion box has been set up on the FSC's website. To participate, go to the website **fsc.gov.bb** and select the "Legislation" under the "About Us" tab. There you will find a survey for completion. The survey will close on **April 15, 2025** so we urge you to take advantage of this opportunity to give written feedback. This survey will provide us with critical insight as we finalise our policy recommendations. And **yes**, there will be other consultation exercises with the industry. We have a goal to complete our work on this reform exercise by the end of Q4 2025 i.e. submission of the total policy package for consideration by the Ministry of Finance.

Registration & Licensing – The Application Management System

At a prior BRIM conference, we launched our expedited application framework, which remains available to entities seeking to have their applications fast tracked. This year, we are happy to announce a further development in our objective to enhance the registration and licensing process. In active development is an application management system (AMS) through which all applications for registration and licensing will be processed. AMS is a technological solution which will facilitate your direct input of application details and supporting information, secure upload of supporting documentation, and provision of documentation.

AMS will:

- Give you updates at various stages of the application process
- Advise you if your application is incomplete
- Support faster review and assessment of application documentation so that the overall processing time is reduced

I've had a sneak peek at what has been developed so far. I can confirm that it is user-friendly. We look forward to launching AMS in the new financial year and for you to benefit from the implementation of this new system.

As we build out other technological solutions/suptech solutions, you may find that we are reaching out to confirm / re-confirm the information that we have in our records. The accuracy and completeness of the information is vital. We are therefore asking that you respond to any surveys, questionnaires and the like which may be issued. We will try to minimise disruption to your organisations, however any surveys and information requests are critical to our ability to better serve you, our stakeholders.

All other applications/requests/filings

While other aspects of our suptech are to be developed, we still want to streamline our processes and operations for you in the interim. On the FSC's website sector you will find sector specific email addresses. We've kept it really simple, for example for the insurance sector it is insurance@fsc.gov.bb. This email address is your primary submissions hub. Submit your requests for extensions, material change reports, financial returns, audited financial statements etc to this email address. Give your email a subject that clearly identifies the submission e.g. Name of the company and the type of matter e.g. BRIM Insurance Company – Q1 2025 financial returns.

Why the change?

- Our internal restructuring and staff recruitment will introduce new regulatory managers, senior analysts, analysts and junior analysts to you who will be working on your

portfolios. By sending your correspondence to the central email address we can ensure that it is assigned and addressed in a timely manner.

- This approach aligns with how a supotech solution will work where your submissions go to one portal. You won't need to remember or use several individual addresses.
- You can use the sector email address to follow-up on a previously submitted matter.

2025 Supervisory Plan

Each year we give you insights into our supervisory plan. I'd like to quickly touch on the highlights:

- In terms of risk areas, this year we will focus on:
 - Capital and Solvency
 - Risk management
 - Governance
 - Compliance in the insurance sector (w.r.t financial filings)
- We project that we will conduct more thematic examinations this year. The findings of our thematic examinations will be shared in anonymised sector reports.
- Questionnaires on insurers' risk management practices will be issued during this April 2025 to March 2026 financial year.
- This year we are seeking to complete an exercise where we place our Class 1 and Class 2 insurers in peer groups. This is part of our risk-based supervisory approach to regulating the sector. To assist with this exercise, we will be updating our records on the activities and business of entities to ensure that we are making decisions on the best information available. We may therefore reach out to you via questionnaires and other means. The end result, we hope, will be a fuller understanding of each of your businesses so that you have requirements that are more tailored to your risk profiles.

- As you begin to use the new financial reporting forms/returns this year, whether you are reporting using IFRS 17 or not, we will be working with you to ensure that we understand, and resolve any issues that arise. We have prepared guidance on the filing deadlines for this year's quarterly returns and the annual returns for 2023 and 2024 and that information is available on our website. We will continue to post information on our website to guide you in complying with the reporting requirements. Individual requests for extensions to filing deadlines can be made to the insurance@fsc.gov.bb address.
- We anticipate the issuance of at least 2 new guidelines for consultation (Market Conduct and Business Interruption) and will update you on any other guidelines that we anticipate may be issued.
- Virtual meetings will be held during the year with the industry stakeholders. The first meeting series will be held in the 1st quarter of the FSC's financial year i.e. between April and June 2025. The 1st meetings will be an opportunity for us to provide additional context regarding this year's supervisory plan, and our restructured supervision department. It will also be an opportunity for you to share with us, your feedback and requests for additional information or guidance.

AML-CFT Supervision

Our AML-CFT unit recently concluded a number of compliance examinations which between November 2024 and January 2025. The results of the examinations are being analysed but our initial findings of the 32 financial institutions examined (including insurance companies) suggest that there are room for improvement in AML-CFT compliance. Further information on the results of the examinations will be provided by our AML team in due course.

The AML-CFT team released a questionnaire for the general insurance sector which aims to update our records of your business activities and aid in our assessment as to the reclassification of general insurance business as low risk for AML-CFT purposes. The response

rate has not been as robust as we would have hoped notwithstanding extensions to the deadline, and we encourage the sector to complete the survey so that the review can be concluded and we can revert to you with our findings and recommendation.

Closing

I hope that the information shared today gave you insight into the work being undertaken at the FSC and what that will mean for you/your entities. What I have touched on is only a small part of the matters and activities that are occupying our attention daily. We are undertaking developmental work – reviewing our procedures and processes to streamline them, we are re-assessing the information that we have about our entities to incorporate that into how we further develop our assessments, supervisory framework and guidelines. We are focused on intervention measures for entities that are failing to meet regulatory requirements and standards, prompting them to take corrective measures, and where those efforts are not fruitful, referring such entities for enforcement. Our staff of regulatory professionals remains committed to undertaking training to enhance their knowledge and expertise.

I didn't get to quote Shakespeare but I conclude with this quote by Stephen Covey a businessman: *"Your most important work is always ahead of you, never behind you."* The FSC's most important work continues to be ahead of us. Our next regulatory update will build on what we have done.

Thank you for your interest and attention this morning. We remain available for further engagement. There are a number of members of our team here today to whom you can pose questions or just say a quick hi to, so that you get to know the new faces.

I wish you a productive remainder of the day and look forward to our own meeting with you in the coming months. Thank you.