



GENERAL REQUIREMENTS MODULE



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MODULE	GR: General Requirements
CHAPTER	GR-A: Introduction

GR-A.1 Purpose

Executive Summary

GR-A.1.1 The General Requirements Module presents a variety of different requirements that are not extensive enough to warrant their own stand-alone Module, but for the most part are of general applicability. These include requirements on books and records; on the use of corporate and trade names; and on controllers and close links. Each set of requirements is contained in its own Chapter: a table listing these and their application to licensees is given in Chapter GR-B.

Legal Basis

GR-A.1.2 This Module contains the Central Bank of Bahrain's ('CBB') Directive (as amended from time to time) regarding general requirements applicable to insurance licensees, and is issued under the powers available to the CBB under Article 38 of the Central Bank of Bahrain and Financial Institutions Law 2006 ('CBB Law'). Requirements regarding transfer of business (see Chapter GR-4) and controllers (see Chapter GR-5) are also included in Regulations, to be issued by the CBB. It also contains the minimum qualifications and fit and proper requirements for appointed representatives issued in 2009 under Resolution 11 in accordance with Article 74 of the CBB Law.

GR-A.1.3 For an explanation of the CBB's rule-making powers and different regulatory instruments, see Section UG-1.1.



MODULE	GR:	General Requirements
CHAPTER	GR-A:	Introduction

GR-A.2 Module History

GR-A.2.1 This Module was first issued in April 2005 by the BMA together with the rest of Volume 3 (Insurance). Any material changes that have subsequently been made to this Module are annotated with the calendar quarter date in which the change was made: Chapter UG-3 provides further details on Rulebook maintenance and version control.

GR-A.2.2 When the CBB replaced the BMA in September 2006, the provisions of this Module remained in force. Volume 3 was updated in January 2007 to reflect the switch to the CBB; however, new calendar quarter dates were only issued where the update necessitated changes to actual requirements.

GR-A.2.3 A list of recent changes made to this Module is detailed in the table below:

Module Ref.	Change Date	Description of Changes
GR-B-1	01/07/05	Clarified that GR-7 also applies to insurance brokers.
GR-7.1	01/07/05	Corrected that cash deposit requirements also apply to insurance brokers and simplified the calculation of cash deposit required for insurance firms.
GR-1.2	01/10/05	Clarified that transaction records must be maintained in Bahrain.
GR-4.4	01/10/05	Corrected cross-reference.
GR-6.1	01/10/05	Corrected references to Forms.
GR-10.1	01/10/05	Clarified when evidence of professional indemnity coverage is to be provided and corrected cross-reference.
GR-7.1	01/01/06	Clarified that insurance licensees originally licensed as exempt companies can opt to have their cash deposit maintained with the CBB.
GR-7.1.2	01/04/06	Clarified that the requirement to maintain a cash deposit does not apply to insurance firms that are in run-off and whose license is restricted from entering into new contracts of insurance.
GR-10.1.7	01/04/06	Clarified the meaning of the clause required dealing with an automatic extended reporting period.
GR-A.1.2	01/2007	New Rule introduced, categorising this Module as a Directive.
GR-B.1.1	01/2007	Clarified that Chapters GR-4 and GR-8 apply to all insurance licensees.
GR-1.1	01/2007	Rule amended and Guidance added with respect to translation and archiving of books and records.
GR-2.1.1	01/2007	Clarified the vetting of names for subsidiaries.
GR-4	01/2007	This Chapter applies to all insurance licensees and was amended to be aligned with the requirements of the CBB Law.
GR-5.1	01/2007	Minor changes to align controller requirements with the CBB Law.
GR-5.2	01/2007	Clarification of definition of controller.
GR-5.3	01/2007	Clarification of criteria for assessing suitability of controllers.
GR-5.4	01/2007	Alignment of procedures for approving controllers with CBB Law.
GR-7.1.1	01/2007	Reference to CBB Law on requirement for a cash deposit.
GR-7.1.3	01/2007	Paragraph deleted as now redundant since captive insurers are exempted from a cash deposit requirement as per GR-7.1.2.
GR-7.2.1	01/2007	Rule deleted.
GR-8	01/2007	This Chapter applies to all insurance licensees and was amended to be aligned with the requirements of the CBB Law.
GR-10.1.13	01/2007	Clarified the format of the notice related to the professional indemnity coverage.
GR-1.2.1 and 1.2.5	10/2007	Clarified the record retention period for customer and transaction records in line with Article 60 of the CBB Law.
GR-10.1.1A	04/2008	Added Guidance concerning limitations on indemnification coverage.
GR-3.1	04/2009	Clarified the rules governing the request for CBB no-objection on any dividend proposed.



MODULE	GR:	General Requirements
CHAPTER	GR-A:	Introduction

GR-A.2 Module History (cont'd)

GR-A.2.3 (continued)

Module Ref.	Change Date	Description of Changes
GR-A.1.2	10/2009	Added the legal requirements as per Article 74 of the CBB Law.
GR-5.4.2	10/2009	Guidance amended to be consistent with wording under Article 53(a) of the CBB Law.
GR-9	10/2009	Incorporated the requirements of Resolution 11 as per Article 74 of the CBB Law.
GR-A.1.2	01/2011	Clarified legal basis

GR-A.2.4 Guidance on the implementation and transition to Volume 3 (Insurance) is given in Module ES (Executive Summary).



MODULE	GR: General Requirements
CHAPTER	GR-B: Scope of Application

GR-B.1 Insurance Licensees

GR-B.1.1

The requirements in Module GR (General Requirements) apply to insurance licensees, as follows:

Chapter	Application to license categories	Application to activities of overseas insurance licensees
GR-1	Applies to all <u>insurance licensees</u> ; but GR-1.2.9 to GR-1.2.16 apply to <u>insurance brokers</u> only.	Applies to Bahrain branch business only.
GR-2	Applies to all <u>insurance licensees</u> .	Applies to Bahrain branch business only.
GR-3	Applies to <u>Bahraini insurance licensees</u> except captives, who are exempted.	Exempted.
GR-4	Applies to all <u>insurance licensees</u> ; conditional exemptions for captives and reinsurers apply (cf. GR-4.2.2 and GR-4.4.4).	Applies to Bahrain branch business only.
GR-5	Applies to all <u>insurance licensees</u> .	Applies to the whole corporate entity.
GR-6	Applies to all <u>insurance licensees</u> .	Applies to the whole corporate entity.
GR-7	Applies to <u>insurance firms</u> and <u>insurance brokers</u> .	Applies to Bahrain branch business only.
GR-8	Applies to all <u>insurance licensees</u> ; captives may seek exemption from GR-8.1.5 and GR-8.1.6.	Applies to Bahrain branch business only.
GR-9	Applies to <u>insurance firms</u> only.	Applies to Bahrain branch business only.
GR-10	Applies to <u>insurance brokers</u> and <u>insurance consultants</u> only.	Applies to Bahrain branch business only.



MODULE	GR: General Requirements
CHAPTER	GR-1: Books and Records

GR-1.1 General Requirements

GR-1.1.1 The requirements in Chapter GR-1 apply in full to Bahraini insurance licensees. The requirements in Chapter GR-1 also apply to overseas insurance licensees, but only with respect to the business booked in their branch in Bahrain and the records of that branch.

GR-1.1.2 All insurance licensees must maintain books and records (whether in electronic or hard copy form) sufficient to produce financial statements and show a complete record of the business undertaken by a licensee, including records sufficient to verify the identity of customers.

GR-1.1.3 For those insurance firms granted grandfathering provisions as per Paragraph AU-1.1.15, separate books and records must be maintained in respect of both general and long-term insurance business. The transactions relating to each kind of business must be maintained separately. The insurance firm must maintain such accounting and other records as necessary to identify all assets and liabilities in respect of each kind of business.

GR-1.1.4 Unless otherwise agreed to with the CBB in writing, records must be kept in either English or Arabic. Any records kept in other languages must be accompanied by a certified English or Arabic translation. Records must be kept current. The records must be sufficient to allow an audit of the licensee's business or an on-site examination of the licensee by the CBB.

GR-1.1.4A Translations produced in compliance with Rule GR-1.1.4 may be undertaken in-house, by an employee or contractor of the licensee, providing they are certified by an appropriate officer of the licensee.

GR-1.1.5 For captive insurers, the maintenance of books and records may be carried out by an insurance manager. Should this be the case, the captive insurer must ensure that the CBB has access to these records at any time. In addition, these records must be sufficient to allow an audit or an on-site examination by the CBB of the captive insurer.

GR-1.1.6 Records must be accessible at any time from within the Kingdom of Bahrain, or as otherwise agreed with the CBB in writing.



MODULE	GR: General Requirements
CHAPTER	GR-1: Books and Records

GR-1.1 General Requirements (continued)

GR-1.1.7 Where older records have been archived, or in the case of records relating to overseas branches of Bahraini insurance licensees, the CBB may accept that records be accessible within a reasonably short time frame (e.g. within 5 business days), instead of immediately. The CBB may also agree similar arrangements for overseas insurance licensees, as well as Bahraini insurance licensees, where elements of record retention and management have been centralised in another group company, whether inside or outside of Bahrain.



MODULE	GR: General Requirements
CHAPTER	GR 1: Books and Records

GR-1.2 Customer and Transaction Records

Customer Records

GR-1.2.1

Insurance licensees must keep records with respect to all customer relationships that remain active or potentially active. These records must be in hard copy or in original form, and retained for at least ten years after a customer relationship has terminated.

GR-1.2.2

Customer records include original account opening and due diligence documentation including identification information, sufficient to confirm compliance with all statutory and regulatory Know Your Customer requirements (see Module FC).

GR-1.2.3

The requirement in Paragraph GR-1.2.1 applies to all customer facilities booked in Bahrain by the licensee or where a customer relationship is administered from Bahrain. Licensees may not use record-keeping systems outside Bahrain for customer business booked in Bahrain, except for back-up purposes only.

GR-1.2.4

For captive insurers, where the customers are limited to related companies, the due diligence requirement does not apply.

Transaction Records

GR-1.2.5

Insurance licensees must keep completed transaction records for as long as they are relevant for the purposes for which they were made (with a minimum period in all cases of ten years from the date when the transaction was completed). Records of completed transactions may be retained in either hard copy and/or electronic format, but must be kept in their original form. Completed transaction records for business booked in the Kingdom of Bahrain must be maintained in the Kingdom or be accessible to the CBB within a reasonable period of time, as determined by the CBB.

GR-1.2.6

For example, if the original documents are paper, they must be kept in their original form. Electronic payments and receipts may be kept electronically without the need for hard copies. The record format selected must be capable of producing complete and accurate financial, management and regulatory reports, and allow monitoring and review of all transactions.

GR-1.2.7

In the case of Bahraini insurance licensees, the requirement in Paragraph GR-1.2.5 applies only to transactions relating to business booked in Bahrain by the licensee. It does not relate to transactions relating to business booked in overseas branches or subsidiaries of the licensee.



MODULE	GR: General Requirements
CHAPTER	GR 1: Books and Records

GR-1.2 Customer and Transaction Records (continued)

GR-1.2.8 In the case of overseas insurance licensees, all the requirements of Chapter GR-1 are limited to the business booked in their branch in Bahrain and the records of that branch (see GR-1.1.1).

Keeping of Separate Client Accounts

GR-1.2.9 An insurance broker must, in connection with any premiums received in the course of its business, establish and maintain separate client accounts separate from those used for its own funds.

GR-1.2.10 An insurance broker must not make withdrawals from its client accounts for any purposes other than those of the client.

GR-1.2.11 Payment of premiums to insurance firms, or commissions (brokerage) to the insurance broker's own accounts shall not be effected until the premiums to which these payments relate have been duly received from that client and credited to the client account.

GR-1.2.12 In respect of premiums booked in Bahrain, in relation to residents and non-residents of Bahrain, these accounts are to be maintained with a retail bank licensed to operate in the Kingdom of Bahrain.

GR-1.2.13 The following guidance material provides examples of circumstances under which monies shall be deposited into or withdrawn from a client account.

GR-1.2.14 Amounts that may be deposited into a client account:

- Monies received from the client for the purpose of purchasing contracts of insurance;
- Monies received on behalf of the client from (re)insurance firms, insurance intermediaries and any other third parties relating to the settlement of insurance claims;
- Monies received for the purposes of the client which are incidental to the ordinary transactions of insurance broking business; and
- Monies required to be deposited for settlement of bank charges incurred on a client account.



MODULE	GR: General Requirements
CHAPTER	GR 1: Books and Records

GR-1.2 Customer and Transaction Records (continued)

Keeping of Separate Client Accounts (continued)

- GR-1.2.15 Amounts that may be withdrawn from a client account:
- (a) Premium monies required to be paid on behalf of the client to (re)insurance firms or other insurance intermediaries for the purchase of contracts of insurance;
 - (b) Claim monies received on behalf of the client and required to be paid to the claimant or the person entitled to receive them;
 - (c) Payments made for the purposes of the client which are incidental to the ordinary transactions of insurance broking business;
 - (d) Monies drawn on a client's written authority;
 - (e) Interests received from deposits placed with client account;
 - (f) Monies required to be withdrawn for settlement of bank charges incurred on a client account; and
 - (g) Monies which may by mistake or accident have been paid into the account.
- GR-1.2.16 For the avoidance of doubt, monies incidental to ordinary insurance broking business, as referred to above include:
- (a) Refunds to clients;
 - (b) Policy loans and associated interests;
 - (c) Fees, charges, levies relating to contracts of insurance; and
 - (d) Discounts, commissions and brokerage.



MODULE	GR: General Requirements
CHAPTER	GR 1: Books and Records

GR-1.3 Other Records

GR-1.3.1

Insurance licensees must maintain the following records in original form or in hard copy at their premises in Bahrain:

- (a) Internal policies, procedures and operating manuals;
- (b) Corporate records, including minutes of shareholders', Directors' and management meetings;
- (c) Accounts, books, files and other records that adequately record all the business affairs of the insurance licensee, and any other records that substantiate the value of the assets, liabilities and off-balance sheet activities of the licensee;
- (d) Correspondence with the CBB and records relevant to monitoring compliance with CBB requirements;
- (e) Reports prepared by the insurance licensee's internal and external auditors; and
- (f) Employee training manuals and records.

GR-1.3.2

In the case of Bahraini insurance licensees, these requirements apply to the licensee as a whole, including any overseas branches. In the case of overseas insurance licensees, all the requirements of Chapter GR-1 are limited to the business booked in their branch in Bahrain and the records of that branch (see GR-1.1.1). Overseas insurance licensees are thus not required to hold copies of shareholders' and Directors' meetings, except where relevant to the branch's operations.



MODULE	GR:	General Requirements
CHAPTER	GR 2:	Corporate and Trade Names

GR-2.1 Vetting of Names

GR-2.1.1 Insurance licensees, other than captive insurers, must seek prior approval from the CBB for their corporate name and any trade names, and those of their subsidiaries located in Bahrain.

GR-2.1.2 GR-2.1.1 applies to overseas insurance licensees only with respect to their Bahrain branch.

GR-2.1.3 In approving a corporate or trade name, the CBB seeks to ensure that it is sufficiently distinct as to reduce possible confusion with other unconnected businesses, particularly those operating in the financial services sector. The CBB also seeks to ensure that names used by unregulated subsidiaries do not suggest those subsidiaries are in fact regulated.



MODULE	GR: General Requirements
CHAPTER	GR-3: Dividends

GR-3.1 CBB Non-Objection

- GR-3.1.1** Bahraini insurance licensees, other than captive insurers, must obtain a letter of no-objection from the CBB to any dividend proposed, before announcing the proposed dividend by way of press announcement or any other means of communication and prior to submitting a proposal for a distribution of profits to a shareholder vote.
- GR-3.1.1A** When submitting a request for a letter of no-objection for proposed dividend, the request made by the insurance licensee must:
- (a) Be made at a minimum 3 working days before the proposed announcement;
 - (b) Include a copy of the draft audited financial statements for the year to which the request for the proposed dividend pertains to; and
 - (c) Include a detailed analysis of the impact of the proposed dividend on the capital adequacy and solvency margin requirements as outlined in Module CA (Capital Adequacy) of Volume 3 CBB Rulebook.
- GR-3.1.1B To comply with the requirements of Subparagraph GR-3.1.1A (c), the insurance licensee should complete and submit to the CBB those pages of the Insurance Firm Return (Form IFR) pertaining to the capital adequacy and solvency margin requirements.
- GR-3.1.2 Upon receiving the request in accordance with all the requirements in Paragraph GR-3.1.1A, the CBB will provide a reply to the insurance licensee before the scheduled annual general meeting of the shareholders. The CBB will grant a no-objection letter where it is satisfied that the level of dividend proposed is unlikely to leave the licensee vulnerable – for the foreseeable future – to breaching the CBB’s financial resources requirements, taking into account (as appropriate) trends in the licensee’s business volumes, expenses, claims experience and investment environment. Where there are major concerns about the potential impact of a proposed dividend, the CBB may require an actuarial report to be provided.
- GR-3.1.3 Insurance licensees, subject to Paragraph GR-3.1.1, should provide the CBB with a copy of the proposed agenda for the annual general meeting or other special meeting, noting the licensee’s intended declared dividends for the coming year.



MODULE	GR: General Requirements
CHAPTER	GR-4: Business Transfers

GR-4.1 CBB Approval

GR-4.1.1

In accordance with Article 66 of the CBB Law, an insurance licensee must seek prior written approval from the CBB before transferring any of its business to a third party.

GR-4.1.2

Rule GR-4.1.1 is intended to apply to circumstances where an insurance licensee wishes to transfer all or part of its business to a third party. A business transfer is not the same as an insurance firm ceding (reinsuring) some or all of its policyholder liabilities to a reinsurer. Reinsurance creates an additional set of rights and obligations between the insurance firm and the reinsurer but does not change the insurance firm's obligations to its policyholders nor does it create any direct obligations (to each other) between the insurance firm's policyholders and the insurance firm's reinsurer.

GR-4.1.3

In the case of a Bahraini insurance licensee, Chapter GR-4 applies both to business booked in Bahrain and in the licensee's overseas branches. In the case of an overseas insurance licensee, Chapter GR-4 applies only to business booked in the firm's Bahrain branch.

GR-4.1.4

In all cases, CBB approval to transfer business will only be given where:

- (a) The transfer of business will not damage or otherwise prejudice the legitimate interests of the licensee's customers;
- (b) The transferee is duly licensed to undertake the business which it is to receive; and
- (c) The CBB is satisfied that the transfer will not breach any applicable Laws and regulations, and would not create any supervisory concerns.

GR-4.1.5

For purposes of Paragraph GR-4.1.1, a business transfer refers to a transfer of all the rights and obligations of one insurance licensee to another insurance licensee, so that the policyholders and reinsurers continue to be subject to the same terms and conditions as those originally agreed. Business transfers may enable licensees that have ceased writing certain lines of business to manage their affairs more effectively and be beneficial both to the insurance licensee and the policyholders, particularly if the insurance licensee that is assuming the business is financially stronger than the insurance licensee transferring the business.

GR-4.1.6

In assessing the criteria outlined in Paragraph GR-4.1.4, the CBB will, amongst other factors, take into account the financial strength of the transferee; its capacity to manage the business being transferred; its track record in complying with applicable regulatory requirements; and (where applicable) its track record in treating customers fairly. The CBB will also take into account the impact of the transfer on the transferor, and any consequences this may have for the transferor's remaining customers.



MODULE	GR: General Requirements
CHAPTER	GR-4: Business Transfers

GR-4.2 Procedure with Respect to Applications

GR-4.2.1

Insurance licensees seeking to obtain the CBB's permission to transfer business must apply to the CBB in writing, in the form of a covering letter, together with supporting attachments. Unless otherwise directed by the CBB, the application must provide:

- (a) Full details of the business to be transferred including a detailed list of all liabilities that will be transferred, including the name of the individual policyholder, where applicable, related outstanding liabilities and the jurisdiction where the insurance risk is situated;
- (b) The rationale for the proposed transfer;
- (c) If applicable, an assessment of the impact of the transfer on any customers directly affected by the transfer, and any mitigating factors or measures;
- (d) If applicable, an assessment of the impact of the transfer on the transferor's remaining business and customers, and any mitigating factors or measures; and
- (e) Evidence that the proposed transfer has been duly authorised by the transferor (such as a certified copy of a Board resolution approving the transfer).

GR-4.2.2 Subject to the CBB's review, the requirements of Paragraph GR-4.2.1 do not apply to the transfer of the portfolio from a captive insurer or to a business transfer entirely comprising reinsurance business, where all of the policyholders affected by the transfer have given their consent.

GR-4.2.3 Insurance licensees intending to apply for a transfer of business are advised to contact the CBB at the earliest possible opportunity, in order that the CBB may determine the nature and level of documentation to be provided and the need for actuarial or other expert opinion to be provided to support the application. Transfers of long-term business will in all cases require an actuarial evaluation to be provided to the CBB. An affected policyholder is a policyholder, whose policy is included in the transfer, or his policy is with the transferor and the CBB has ruled, after consulting the transferor that the policyholder's rights and obligations under the policy will or may be materially affected by the transfer.



MODULE	GR: General Requirements
CHAPTER	GR-4: Business Transfers

GR-4.2 Procedure with Respect to Applications (continued)

GR-4.2.4

The CBB will consider an application under Paragraph GR-4.1.1 if it is satisfied that:

- (a) Any objections received to the application to transfer the business following its publication in the Official Gazette and in two daily newspapers in the Kingdom of Bahrain (one in Arabic and one in English) as required under Article 66(b) have been reviewed and resolved by the CBB ;
- (b) Except in so far as the CBB has otherwise directed, a copy of the notice that has been sent to every affected policyholder and every other person who claims an interest in a policy included in the proposed transfer (and has given written notice of his claim to the transferor);
- (c) Copies of a statement setting out particulars of the transfer, approved by the CBB, have been available for inspection at one or more places in Bahrain for at least 30 days, from the date of publication of the notice specified in GR-4.2.4(a); and
- (d) Where the proposed transfer includes any contract of direct insurance and the risk is situated in a jurisdiction other than Bahrain, a statement setting out particulars of the transfer, approved by the CBB, has been available for inspection at one or more places in that jurisdiction for at least 30 days, starting with the date of publication of the notice specified in sub-Paragraph GR-4.2.4 (a).

GR-4.2.5

The CBB notice referred to in Paragraph GR-4.2.4 (a) will include a statement that written representations concerning the transfer may be sent to the CBB within three months from the date of publication. The notice shall specify the period during which the policyholder may exercise any right to cancel the policy. The CBB will not decide on the application until after considering any representations made to the CBB within the prescribed time period. In all cases, the costs of publication of this notice must be met by the transferor.

GR-4.2.6

Where the risk is situated in a jurisdiction other than Bahrain, the law of the jurisdiction in which the risk is situated shall determine whether the policyholder has a right to cancel the policy, and the conditions applicable to any such right.

GR-4.2.7

The CBB reserves the right to impose additional requirements if, in the opinion of the CBB, additional requirements are necessary to protect policyholder interests. In all cases where additional requirements are imposed, the CBB shall state the reasons for doing so.



MODULE	GR: General Requirements
CHAPTER	GR-4: Business Transfers

GR-4.3 Determination of Applications

GR-4.3.1

The CBB will not approve the transfer, under the terms of Paragraph GR-4.2.1, unless it is satisfied that:

- (a) The transferee is authorised to carry on regulated insurance services in Bahrain or (where relevant) is authorised or otherwise permitted to carry on regulated insurance services in the jurisdiction where any overseas risks are situated;
- (b) Every policy included in the transfer evidences a contract which was entered into before the date of the application;
- (c) The transferee possesses the necessary margin of solvency, required by the regulatory authorities to which he is subject to, after taking the proposed transfer into account;
- (d) Where policies are being transferred from an overseas branch of the insurance licensee, or the transferee is an overseas insurance licensee, the relevant overseas regulatory authority has been consulted about the proposed transfer, the law of that jurisdiction provides for the possibility of such a transfer, and the relevant supervisory authority in that jurisdiction has agreed to the transfer; and
- (e) There are no material adverse consequences from the transfer on the transferee or the security of policyholders.



MODULE	GR: General Requirements
CHAPTER	GR-4: Business Transfers

GR-4.4 CBB Decision

GR-4.4.1

In accordance with Article 67 (d) of the CBB Law, the CBB's decision regarding the application for transfer made under Section GR-4.3, will be published as a notice in the Official Gazette and in two local newspapers (one in Arabic and one in English). If the liabilities are located in a jurisdiction outside Bahrain, the CBB may also publish such notice in the jurisdiction in which the risk is situated. In all cases, the costs of publication of this notice must be met by the transferor.

GR-4.4.2

[This Paragraph was deleted in January 2007].

GR-4.4.3

[This Paragraph was moved to Section GR-4.2 in January 2007].

GR-4.4.4

The requirement in Paragraph GR-4.4.1 does not have to be met in respect of a transfer of business where the transferor is a **Category C1 captive insurance firm**.

GR-4.4.5

Article 67(e) of the CBB Law notes that where the application for business transfer has been turned down by the CBB or includes restrictions, the applicant may appeal to a competent court within 30 calendar days from the date of publication referred to in Paragraph GR-4.4.1.



MODULE	GR: General Requirements
CHAPTER	GR-5: Controllers

GR-5.1 Key Provisions

GR-5.1.1 Whenever they are aware of such cases, insurance licensees must obtain prior approval from the CBB for any of the following changes to their controllers (as defined in Section GR-5.2):

- (a) A new controller;
- (b) An existing controller increasing its holding from below 20% to above 20%;
- (c) An existing controller increasing its holding from below 50% to above 50%; and
- (d) An existing controller reducing its holding from above 50% to below 50%.

GR-5.1.2 Articles 52 to 56 of the CBB Law require notification to the CBB of all controllers of licensees and of listed companies; it further gives the CBB the right to refuse approval of controllers if deemed damaging to the interests of the market, customers, or in contravention of the criteria set by the CBB.

GR-5.1.3 Condition 3 of CBB's licensing conditions specifies, amongst other things, that insurance licensees must satisfy the CBB that their controllers are suitable and pose no undue risks to the licensee. (See Paragraph AU-2.3.1.)

GR-5.1.4 Requests for approval under Paragraph GR-5.1.1 must be made by submitting a duly completed Form 2 (Application for Authorisation of Controller) to the CBB. Notification must be made by the controller or intended controller, and by the licensee where it is aware of a change in controllers.

GR-5.1.5 If, as a result of circumstances outside the insurance licensee's knowledge and/or control, one of the changes specified in Paragraph GR-5.1.1 is triggered prior to CBB approval being sought or obtained, the insurance licensee must notify the CBB as soon as it becomes aware of the fact and no later than 15 calendar days.



MODULE	GR: General Requirements
CHAPTER	GR-5: Controllers

GR-5.1 Key Provisions (continued)

GR-5.1.6 An approval of controller is valid for the period specified in the approval letter issued by the CBB. The CBB may impose any restrictions that it considers necessary to be observed when granting its approval.

GR-5.1.7 Insurance licensees must submit, within 3 months of their financial year-end, a report on their controllers. This report must identify all controllers of the licensee, as defined in Section GR-5.2. This report is included as part of the CBB annual reporting requirements in Forms IFR or IMR (depending on the type of license issued).



MODULE	GR: General Requirements
CHAPTER	GR-5: Controllers

GR-5.2 Definition of Controller

GR-5.2.1

A controller of an insurance licensee is a natural or legal person who, either alone or with his associates:

- (a) Holds 10% or more of the shares in the licensee ('A'), or is able to exercise (or control the exercise) of more than 10% of the voting power in A; or
- (b) Holds 10% or more of the shares in a parent undertaking ('P') of A, or is able to exercise (or control the exercise) of more than 10% of the voting power in P; or
- (c) Is able to exercise significant influence over the management of A or P.

GR-5.2.2

For the purposes of Paragraph GR-5.2.1, 'associate' includes:

- (a) The spouse, child or stepchild of a controller;
- (b) An undertaking of which a controller is a Director;
- (c) A person who is an employee or partner of the controller;
- (d) If the controller is a corporate entity, a Director of the controller, a subsidiary of the controller, or a Director of any subsidiary of the controller.

GR-5.2.3

Associate also includes any other person or undertaking with which the controller has entered into an agreement or arrangement as to the acquisition, holding or disposal of shares or other interests in the insurance licensee, or under which they undertake to act together in exercising their voting power in relation to the insurance licensee.

GR-5.2.4

For the avoidance of doubt, the management company of a captive insurer is not automatically a controller of the firm.



MODULE	GR: General Requirements
CHAPTER	GR-5: Controllers

GR-5.3 Suitability of Controllers

GR-5.3.1

Insurance licensee must satisfy the CBB of the suitability of their (proposed) controllers.

GR-5.3.2

In assessing the suitability of controllers who are natural persons, the CBB has regard to their professional and personal conduct, including, but not limited to, the following:

- (a) The propriety of a person's conduct, whether or not such conduct resulted in conviction for a criminal offence, the contravention of a law or regulation, or the institution of legal or disciplinary proceedings;
- (b) A conviction or finding of guilt in respect of any offence, other than a minor traffic offence, by any court or competent jurisdiction;
- (c) Any adverse finding in a civil action by any court or competent jurisdiction, relating to fraud, misfeasance or other misconduct in connection with the formation or management of a corporation or partnership;
- (d) Whether the person has been the subject of any disciplinary proceeding by any government authority, regulatory agency or professional body or association;
- (e) The contravention of any financial services legislation or regulation;
- (f) Whether the person has ever been refused a license, authorisation, registration or other authority;
- (g) Dismissal or a request to resign from any office or employment;
- (h) Disqualification by a court, regulator or other competent body, as a Director or as a manager of a corporation;
- (i) Whether the person has been a Director, partner or manager of a corporation or partnership which has gone into liquidation or administration or where one or more partners or managers have been declared bankrupt whilst the person was connected with that partnership or corporation;
- (j) The extent to which the person has been truthful and open with regulators;
- (k) Whether the person has ever been adjudged bankrupt, entered into any arrangement with creditors in relation to the inability to pay due debts, or failed to satisfy a judgement debt under a court order or has defaulted on any debts;
- (l) The financial resources of the person and likely stability of their shareholding, and their track record as a controller or significant investor in financial institutions;
- (m) Existing Directorships or ownership of more than 20% of the capital or voting rights of any financial institution in the Kingdom of Bahrain or elsewhere, and the potential for conflicts of interests that such Directorships or ownership may imply;
- (n) The legitimate interests of investors, creditors and shareholders (including minority shareholders) of the licensee;
- (o) Whether the approval of a controller is or could be detrimental to Bahrain's financial sector; and
- (p) Whether the person is able to deal with existing shareholders and the Board in a constructive and co-operative manner.



MODULE	GR: General Requirements
CHAPTER	GR-5: Controllers

GR-5.3 Suitability of Controllers (continued)

GR-5.3.3 Finally, natural persons who intend to take a stake of 20% or more in a Bahraini insurance licensee are subject to enhanced scrutiny, given the CBB's position as home supervisor of such licensees. The level of scrutiny and of expected compliance with the above standards become more onerous as the level of proposed ownership increases. Natural persons will not normally be approved to take majority control (i.e. a stake of 50% or more of either the capital or voting rights) of a Bahraini insurance licensee.

GR-5.3.4 In assessing the suitability of corporate controllers who are legal persons, the CBB has regard to their financial standing, judicial and regulatory record, and standards of business practice and reputation, including, but not limited to, the following:

- (a) The financial strength of the controller, its parent(s) and other members of its group, its implications for the insurance licensee and the likely stability of the controller's shareholding;
- (b) Whether the controller or members of its group has ever entered into any arrangement with creditors in relation to the inability to pay due debts;
- (c) The controller's jurisdiction of incorporation, location of Head Office, group structure and close links, and the implications for the insurance licensee as regards effective supervision of the insurance licensee and potential conflicts of interest;
- (d) The controller's (and other group members') propriety and general standards of business conduct, including the contravention of any laws or regulations, or the institution of disciplinary proceedings by a government authority, regulatory agency or professional body;
- (e) Any adverse finding in a civil action by any court or competent jurisdiction, relating to fraud, misfeasance or other misconduct;
- (f) Any criminal actions instigated against the controller or other members of its group, whether or not this resulted in an adverse finding; and
- (g) The extent to which the controller or other members of its group have been truthful and open with regulators and supervisor;
- (h) Whether the person has ever been refused a license, authorization, registration or other authority;
- (i) The person's track record as a controller or investor in financial institutions;
- (j) The legitimate interests of policyholders, creditors and shareholders of the licensee;
- (k) Whether their approval as a controller is or could be detrimental to Bahrain's financial sector; and
- (l) Whether the person is able to deal with existing shareholders and the Board in a constructive manner.



MODULE	GR: General Requirements
CHAPTER	GR-5: Controllers

GR-5.3 Suitability of Controllers (continued)

- GR-5.3.5 Finally, legal persons who intend to take a stake of 20% or more in a Bahraini insurance licensee are subject to enhanced scrutiny, given the CBB's position as home supervisor of such licensees. The level of scrutiny and of expected compliance with the above standards becomes more onerous as the level of proposed ownership increases. In particular, unregulated legal persons will not normally be approved to take majority control (i.e. a stake of 50% or more of either the capital or voting rights of a Bahraini insurance licensee, unless the proposed parent is a well-established business (that satisfies the above conditions), and its ownership would not pose undue conflicts of interest. Regulated legal persons will normally only be approved to take majority control where – in addition to the above conditions – the resulting group would be subject to effective consolidated supervision in accordance with relevant international standards; and the home supervisor of the parent entity has agreed to the proposed acquisition, as well as to the sharing of relevant prudential information for supervisory purposes (expressed, if necessary, through the signing of a Memorandum of Understanding between the CBB and the home supervisor, setting out their respective supervisory responsibilities).
- GR-5.3.6 The CBB may contact references and supervisory bodies in connection with any information provided to support an application for controller. The CBB may also ask for further information, in addition to that provided in the Form 2, if required to satisfy itself as to the suitability of the applicant.



MODULE	GR: General Requirements
CHAPTER	GR-5: Controllers

GR-5.4 Approval Process

GR-5.4.1

Within 3 months of receipt of an approval request under Paragraph GR-5.1.1, the CBB will issue a written notice of approval (or of refusal, if it is not satisfied that the person concerned is suitable to become a controller of the insurance licensee). The notice of refusal will specify the reasons for the objection and specify the applicant's right of appeal. Where an approval notice is given, it will specify the period for which it is valid and any conditions that may be applied.

GR-5.4.2 Article 53 allows the CBB up to 3 months in which to respond to an application, although the CBB aims to respond within 30 calendar days. Notices of refusal have to be approved by an Executive Director of the CBB. The applicant has 30 calendar days from the date of a notice in which to appeal a decision to refuse the application or any conditions imposed as a condition of approval. The CBB then has 30 calendar days from the date of the appeal in which to consider any mitigating evidence submitted and make a final determination. See Module EN (Enforcement).

GR-5.4.3 Where a person has become a controller by virtue of their shareholding in contravention of Paragraph GR-5.1.1, or a notice of refusal has been served on them under Paragraph GR-5.4.1 and the period of appeal has expired, the CBB may, by notice in writing served on the person concerned, instruct the person concerned to transfer such shares, or refrain from exercising voting rights in respect of such shares.

GR-5.4.4 If the person concerned fails to take the action specified under Paragraph GR-5.4.3, then the CBB may seek a court order to take appropriate measures: these may include forcing the person to sell their shares.

GR-5.4.5 The powers available to the CBB that are described in Paragraphs GR-5.4.3 and GR-5.4.4 are specified in Article 56 of the CBB Law.

GR-5.4.6 Insurance licensees are encouraged to notify the CBB as soon as they become aware of events that are likely to lead to changes in their controllers, both through new controllers coming in or existing controllers ceasing to have control.



MODULE	GR:	General Requirements
CHAPTER	GR 6:	Close Links

GR-6.1 Key Provisions

GR-6.1.1 Condition 3 of the CBB's licensing conditions specifies, amongst other things, that insurance licensees must satisfy the CBB that their close links do not prevent the effective supervision of the licensee and otherwise pose no undue risks to the licensee. (See Paragraph AU-2.3.1).

GR-6.1.2 Applicants for an insurance license must provide details of their close links, as provided for under Form 1 (Application for a License). (See Paragraph AU-5.1.5).

GR-6.1.3 Insurance licensees must submit to the CBB, attached to their annual return and within 3 months of their financial year-end, a report on their close links. The report must identify all undertakings closely linked to the licensee, as defined in Section GR-6.2.

GR-6.1.4 Insurance licensees may satisfy the requirement in Paragraph GR-6.1.3 by submitting a corporate structure chart, identifying all undertakings closely linked to the licensee. In the case of insurance firms, the report is included as part of the Insurance Firm Return (Form IFR (C) or IFR (I)). In the case of insurance intermediaries and insurance managers, the report is included as part of the Insurance Intermediary and Manager Return (Form IMR).

GR-6.1.5 Insurance licensees must provide information on undertakings with which they are closely linked, as requested by the CBB.



MODULE	GR: General Requirements
CHAPTER	GR 6: Close Links

GR-6.2 Definition of Close Links

GR-6.2.1

An insurance licensee ('A') has close links with another undertaking ('C'), if:

- (a) C is a parent undertaking of A;
- (b) C is a subsidiary of A;
- (c) C is a parent undertaking of a subsidiary of A;
- (d) C is a subsidiary of a parent undertaking of A;
- (e) C owns or controls 20% or more of the voting rights or capital of A; or
- (f) A, any of its parent or subsidiaries, or any of the subsidiaries of its parent, owns or controls 20% or more of the voting rights or capital of C.



MODULE	GR:	General Requirements
CHAPTER	GR 6:	Close Links

GR-6.3 Assessment Criteria

- GR-6.3.1 In assessing whether an insurance licensee's close links may prevent the effective supervision of the firm, or otherwise poses no undue risks to the insurance licensee, the CBB takes into account the following:
- (a) Whether the CBB will receive adequate information from the insurance licensee, and those with whom the licensee has close links, to enable it to determine whether the licensee is complying with CBB requirements;
 - (b) The structure and geographical spread of the licensee, its group and other undertakings with which it has close links, and whether this might hinder the provision of adequate and reliable flows of information to the CBB, for instance because of operations in territories which restrict the free flow of information for supervisory purposes;
 - (c) In the case of an overseas insurance licensee, whether the insurance licensee and its group will be subject to supervision on a consolidated basis (for example, if a financial resources requirement is determined for the group as a whole); and
 - (d) Whether it is possible to assess with confidence the overall financial position of the group at any particular time, and whether there are factors that might hinder this, such as group members having different financial year ends or auditors, or the corporate structure being unnecessarily complex and opaque.



MODULE	GR: General Requirements
CHAPTER	GR 7: Statutory Deposits and Compulsory Reserve

GR-7.1 Requirement for a Cash Deposit

GR-7.1.1 Article 181 of the CBB Law governs the deposits required by insurance licensees.

GR-7.1.2 Insurance firms, except for captive insurers and insurance firms who are in run-off and whose license is restricted from entering into new contracts of insurance as per Paragraph GR-8.1.3, must maintain a cash deposit with a retail bank licensed to do business in Bahrain, for the following amounts:

- (a) BD 50,000 for life insurance and/or savings and fund accumulation categories;
- (b) BD 75,000 for any insurance category of general insurance for all insurance categories; and
- (c) BD 150,000 for firms solely effecting reinsurance contracts.

GR-7.1.3 [This Paragraph was deleted in January 2007].

GR-7.1.4 Insurance brokers must maintain a cash deposit with a retail bank licensed to do business in Bahrain for the following amounts:

- (a) BD 2,500 for life insurance and savings and fund accumulation categories; and
- (b) BD 5,000 for general insurance for all insurance categories.

GR-7.1.5 The cash deposit must be in the name of the insurance firm or insurance broker and for the order of the CBB. It may not be disposed of except by written permission of the CBB.

GR-7.1.6 The interest and profits arising from the deposit shall be for the account of the insurance firm or insurance broker. The deposit may be moved to another retail bank licensed to do business in Bahrain, providing that prior approval has been obtained from the CBB.

GR-7.1.7 In the case of insurance licensees originally licensed as exempt companies, insurance licensees may opt to have the cash deposit required as per Paragraphs GR-7.1.2 and GR-7.1.4 maintained with the CBB.



MODULE	GR:	General Requirements
CHAPTER	GR 7:	Statutory Deposits and Compulsory Reserve

GR-7.2 Compulsory Reserve

GR-7.2.1

[This Paragraph was deleted in January 2007].

GR-7.2.2

In accordance with the Bahrain Commercial Companies Law, Bahraini insurance licensees must comply with the statutory requirements of this law requiring that 10% of annual profits be set aside as a statutory reserve. The requirements of the Bahrain Commercial Companies Law note that the balance of such reserve is to equal 50% of the paid-up capital of the company.



MODULE	GR: General Requirements
CHAPTER	GR 8: Cessation of Business

GR-8.1 CBB Approval

GR-8.1.1 As specified in Article 50 of the CBB Law, an insurance licensee wishing to cease to provide any or all its regulated insurance services, completely or at any of its branches and/or liquidate its business must obtain prior written approval from the CBB.

GR-8.1.2 If the insurance licensee wishes to effect a business transfer, it must also comply with the requirements contained in Chapter GR-4.

GR-8.1.3 In the case of a Bahraini insurance licensee, Chapter GR-8 applies both to its business booked in Bahrain and in the licensee's overseas branches. In the case of an overseas insurance licensee, Chapter GR-8 applies only to business booked in the licensee's Bahrain branch.

GR-8.1.4 Insurance licensees seeking to obtain the CBB's permission to cease business must apply to the CBB in writing, in the form of a covering letter together with any supporting attachments. Unless otherwise directed by the CBB, the application must provide:

- (a) Full details of the business to be terminated;
- (b) The rationale for the cessation;
- (c) If applicable, an assessment of the impact of the cessation on any customers directly affected by the cessation, and any mitigating factors or measures;
- (d) If applicable, an assessment of the impact of the cessation on the licensee's remaining business and customers, and any mitigating factors or measures; and
- (e) Evidence that the proposed cessation has been duly authorised by the licensee (such as a certified copy of a Board resolution approving the cessation).

GR-8.1.5 Licensees intending to apply to cease business are advised to contact the CBB at the earliest possible opportunity, prior to submitting a formal application, in order that the CBB may determine the nature and level of documentation to be provided and the need for an auditor or other expert opinion to be provided to support the application. The documentation specified in Paragraph GR-8.1.4 may be varied by the CBB, depending on the nature of the proposed cessation, such as the materiality of the business concerned and its impact on customers.

GR-8.1.6 Approval to cease business will generally be given where adequate arrangements have been made to offer alternative arrangements to any affected customers. The CBB's approval may be given subject to any conditions deemed appropriate by the CBB. In all cases where additional requirements are imposed, the CBB shall state the reasons for doing so.



MODULE	GR: General Requirements
CHAPTER	GR 8: Cessation of Business

GR-8.1 CBB Approval (continued)

GR-8.1.7

When the CBB has given its approval to an application to cease business, the licensee must publish a notice of its intention to cease business in two local newspapers (one in Arabic, the other in English). Notices must also be displayed in the premises (including any branch offices) of the licensee concerned. These notices must be given not less than 30 calendar days before the cessation is to take effect, and must include such information as the CBB may specify. If the insurance licensee had entered into direct contracts of insurance relating to risks situated in a jurisdiction other than Bahrain, a notice must also be published in two national newspapers in the jurisdiction concerned.

GR-8.1.8

If the insurance licensee wishes to go into run-off, the CBB will revise its license to restrict the firm from entering into new contracts of insurance. The insurance licensee must continue to comply with all applicable CBB requirements until such time as it is formally notified by the CBB that its obligations have been discharged and that it may surrender its license.

GR-8.1.9

An insurance firm in run-off must continue to meet its contractual and regulatory obligations to policyholders.

GR-8.1.10

The notices referred to in Paragraph GR-8.1.7 must include a statement that written representations concerning the cessation of business may be sent to the CBB before a specified day, which shall not be earlier than 60 calendar days after the day of the first publication of the notice. The CBB will not decide on the application until after considering any representations made to the CBB before the specified day.

GR-8.1.11

If no objections to the cessation of business are upheld by the CBB, then the CBB will issue a written notice of approval for the cessation of business and where the insurance licensee is leaving the market such notice will also provide for the surrender of the license and for the return of the insurance licensee's statutory deposit.

GR-8.1.12

As per Article 49 of the CBB Law, the CBB shall publish its approval to cancel or amend a license in the Official Gazette as well as in two local daily newspapers (one in Arabic, and the other in English), once this decision has been implemented. The publication costs of these notices are to be met by the licensee concerned.

GR-8.1.13

Upon application, the CBB may grant exemptions to the disclosure requirements of Paragraph GR-8.1.7 for captive insurers. However, all other provisions of Chapter GR-8 apply in full to captive insurers.



MODULE	GR: General Requirements
CHAPTER	GR 9: Appointed Representatives

GR-9.1 Key Provisions

GR-9.1.1

An insurance firm may appoint as its representative for its Bahrain business a person who is not licensed by the CBB, known as an appointed representative. However, appointed representatives must be registered with the CBB. Insurance firms that appoint appointed representatives are called licensed principals.

GR-9.1.1A This Chapter does not apply to insurance firms whose business is limited to reinsurance.

GR-9.1.1B Insurance licensees, other than insurance firms, may not appoint appointed representatives. More specifically, insurance brokers may not appoint representatives acting on their behalf.

GR-9.1.1C The requirements for registration and minimum qualifications of appointed representatives are effective 1st January 2010 (refer to ES-2.5.4).

GR-9.1.2 Appointed representatives are persons acting on behalf, and under the overall control of a licensed principal. They are effectively an extension of the licensed principal. The licensed principal takes full responsibility for the actions of their appointed representatives vis-à-vis the CBB. Note that only insurance firms may act as licensed principals.

GR-9.1.3

An appointed representative may be a natural or corporate person. An appointed representative may be a CBB licensed firm (e.g. a bank) that does not hold any of the permissions of insurance firm, insurance broker, or insurance consultant. Where the appointed representative is a corporate entity, its memorandum and articles of association must include the activities of the appointed representative of the CBB licensed insurance firm, as required under Resolution 11 issued as per Article 74 of the CBB Law.

GR-9.1.3A

An appointed representative must be registered with the CBB in accordance with Paragraph AU-1.3A.

GR-9.1.4

An appointed representative may have agencies with no more than one licensed principal per type of business. For the purposes of this requirement the types of business are as follows:

- (a) General insurance as defined in Paragraph AU-1.4.9; and
- (b) Long-term insurance (as defined in Paragraph AU-1.4.8).

GR-9.1.4A

An appointed representative that is authorised to conduct both Islamic and conventional business by virtue of its license provided by the CBB, may have different agencies per type of business, for both Islamic and conventional insurance business.



MODULE	GR: General Requirements
CHAPTER	GR 9: Appointed Representatives

GR-9.1 Key Provisions (continued)

GR-9.1.5 An appointed representative may only undertake the types of business for which the licensed principal is authorised to undertake by the CBB.

GR-9.1.5A An insurance firm can only nominate appointed representatives that meet minimum qualifications and fit and proper requirements of the CBB.

GR-9.1.5B For purposes of Paragraph GR-9.1.5A, the minimum qualifications of appointed representatives recognised by the CBB are:

- (a) For general insurance, the Award in General Insurance from the Chartered Insurance Institute (CII) and the Bahrain Institute of Banking and Finance (BIBF); and
- (b) For long-term insurance, the Award in Financial Planning from the Chartered Insurance Institute (CII) and the Bahrain Institute of Banking and Finance (BIBF).

GR-9.1.5C Upon written application to the CBB, equivalent or higher qualification from an internationally recognised insurance institute may be acceptable, provided it substantially covers the core syllabuses of the minimum qualifications outlined in Paragraph GR-9.1.5B.

GR-9.1.5D Where the appointed representative is a retailer of goods, including motor vehicles, or a travel agent selling insurance policies or helping customers make a claim under the policy and the insurance services provided are complementary to the main activity conducted by the appointed representative, an exemption from the requirements of Paragraph GR-9.1.5B may be sought by the licensed principal. A request for such exemption must be submitted in writing to the Director, Insurance Supervision outlining what alternative training has been provided to the appointed representative to ensure that potential policyholders are treated in a fair and equitable manner and that the provision of insurance coverage complies with all the requirements outlined in Module BC, and in particular with Chapter BC-2, The Insurance Code of Practice.



MODULE	GR: General Requirements
CHAPTER	GR-9: Appointed Representatives

GR-9.1 Key Provisions (continued)

GR-9.1.6

In the case where an appointed representative acts as agent for more than one licensed principal, it must arrange its business to achieve reasonable segregation between principals to allow each licensed principal to carry out monitoring of its business under its agency agreement.

GR-9.1.7

An appointed representative must maintain separate bank accounts for any monies relating to premiums and claims handled on behalf of each licensed principal.

GR-9.1.8

An appointment by an insurance firm of an appointed representative must be the subject of a written contract of agency. This contract must state, inter alia:

- (a) The name of the appointed representative;
- (b) The name of the licensed principal;
- (c) That the licensed principal is responsible for the actions and conduct of the representative concerned when acting or purporting to act under it (without prejudice to any rights to bring actions for damages by the licensed principal against the appointed representative or vice versa);
- (d) The type(s) of business for which the agency is granted;
- (e) That the appointed representative allows full access to the CBB, the licensed principal and the licensed principal's external auditors, given reasonable notice, to all records relating to the business falling within its agency;
- (f) The terms and conditions for the handling of and accounting for client money, including a statement that the appointed representative is acting solely as agent of the licensed principal in the handling of such money;
- (g) The conditions for cancellation, which cannot alter or cancel the continuing responsibility of the licensed firm to take responsibility for the representative's action and conduct (without prejudice to any rights to bring actions for damages by the licensed firm against the representative or vice versa); and
- (h) That the appointed representative is prohibited from carrying on agencies with other licensed principals for the same type of business, in accordance with Paragraph GR-9.1.4, or may do so in accordance with Paragraph GR-9.1.4A, for conventional and Takaful insurance.



MODULE	GR: General Requirements
CHAPTER	GR-9: Appointed Representatives

GR-9.1 Key Provisions (continued)

GR-9.1.9 The powers of access given to the CBB and the licensed principal's auditors by Sub-paragraph GR-9.1.8 (e) are in order to ensure that the agency between the licensed principal and the appointed representative does not impede the effective supervision of the licensed principal by the CBB.

GR-9.1.10 Once appointed, the licensed principal must take full responsibility for the actions and conduct of the appointed representative, in respect of any matters of compliance with, or breach of, the requirements of the CBB Rulebook that relate to activities of the appointed representative acting within the real or implied authority of the licensed principal. This is without prejudice to any rights of redress the licensed principal may have at law against the appointed representative.

GR-9.1.11 The licensed principal must ensure that the appointed representative complies with the provisions of the CBB Rulebook applicable to the activities being undertaken in accordance with the agency, including, but not limited to:

- (a) Record-keeping;
- (b) Business conduct; and
- (c) Financial crime requirements.

GR-9.1.12 The licensed principal must ensure that periodic monitoring of the appointed representative is undertaken to ensure the adequacy of the systems and controls in place. The licensed principal or an appropriately qualified independent party may undertake this monitoring.

GR-9.1.13 All appointments of appointed representatives, variations in terms of appointment and cancellations of appointment must be notified in writing to the CBB no later than 5 working days after they have taken place. Such notifications must be addressed to the Director, Licensing & Policy Directorate.

GR-9.1.14 An appointed representative must at all times act within the limits of his authority in the conduct of activities covered by the terms of the agency agreement.

GR-9.1.15 An appointed representative must disclose to clients the relationship that he has with the licensed principal and any other parties that could reasonably be considered material to the insurance contract.



MODULE	GR: General Requirements
CHAPTER	GR-10: Professional Indemnity Coverage

GR-10.1 Insurance Brokers and Insurance Consultants

GR-10.1.1 Insurance brokers and insurance consultants must maintain professional indemnity coverage, acceptable to the CBB, with a minimum limit of indemnity for any one claim and in any one insurance period of 12 months. Insurance brokers and insurance consultants must provide, upon request, evidence to the CBB of the coverage in force.

GR-10.1.1A In accordance with Paragraph EN-B.3.1, insurance licensees may not enter into or make a claim under a contract of insurance that is intended to, or has the effect of, indemnifying them from the financial penalties provided for in Module EN.

GR-10.1.2 The requirements for professional indemnity coverage will normally be met by the insurance broker or insurance consultant obtaining an insurance policy from an insurance firm. However, upon written application to the CBB, coverage may be met by the insurance broker or insurance consultant depositing with a retail bank licensed to operate in the Kingdom of Bahrain, an amount, specified by the CBB, to be held in escrow against future claims. This amount will not be less than the minimum required policy limit.

GR-10.1.3 The minimum limit of indemnity is BD 100,000 for insurance brokers and BD 75,000 for insurance consultants.

GR-10.1.4 Other than in the case of Paragraph GR-10.1.2, the maximum excess or deductible allowable under the policy shall be BD 15,000.

GR-10.1.5 Branches of insurance brokers or insurance consultants of a company incorporated under the laws of its territory of incorporation must provide evidence of professional indemnity coverage maintained by their company and specifically indicating that the coverage of the professional indemnity extends to the operations of the branch resident in Bahrain.

GR-10.1.6 Unless the licensee has access to the professional indemnity cover meeting the minimum requirements of Paragraphs GR-10.1.3 and GR-10.1.4 provided to its parent company, separate professional indemnity cover will need to be provided.

GR-10.1.7 Unless otherwise agreed in writing with the CBB, the policy must contain a clause that it may not be cancelled or lapsed without the prior approval of the CBB. The policy must also contain a provision for an automatic extended reporting period in the event that the policy is cancelled or lapsed, such that claims relating to the period during which the policy was in force may subsequently still be reported.



MODULE	GR: General Requirements
CHAPTER	GR-10: Professional Indemnity Coverage

GR-10.1 Insurance Brokers and Insurance Consultants (continued)

GR-10.1.8 If an insurance broker or insurance consultant applies to the CBB for a voluntary surrender of its authorisation, it must ensure that suitable arrangements are in place for professional indemnity coverage to continue in respect of any unreported claims arising from past sales or advice.

GR-10.1.9 The CBB will not allow a voluntary surrender of authorisation to take effect until the insurance licensee, in the opinion of the CBB, has discharged all its regulatory responsibilities to its customers. See also Section AU-5.5, on the cancellation of authorisation.

GR-10.1.10 Except as provided for by Paragraph ES-2.5.3, professional indemnity coverage requirements must be met by insurance brokers and insurance consultants by 31 December 2005 (refer to ES-2.5.2).

GR-10.1.11 Unincorporated Bahraini insurance brokers licensed prior to 1 June 2005 must meet the professional indemnity coverage requirements by 31 December 2006 (refer to ES-2.5.3).

GR-10.1.12 Insurance brokers and insurance consultants must prominently display in their premises a notice stating that they have in place professional indemnity coverage that meet the minimum requirements of the CBB and the period of coverage, such that claims relating to the period during which the policy was in force may subsequently still be reported.

GR-10.1.13 The above notice may be either issued by the insurance firm providing the coverage on behalf of the insurance licensee, or by the licensee itself. The notice should specify the main features of the coverage maintained (or, where relevant, the amount of funds placed in escrow, in accordance with Paragraph GR-10.1.2). It should also specify the procedures for submitting a claim under the coverage maintained.