



EDFIS/C/028/2016  
19<sup>th</sup> April 2016

**Chief Executive Officer/General Manager**  
All TPAs  
Manama  
Kingdom of Bahrain

Dear Sir,

**CBB Rulebook: Amendments to Volume 5 Related to TPAs**

Following the recent release of specific modules for ancillary service providers, the Central Bank of Bahrain ('the CBB') is issuing specific amendments related to Third Party Administrators (TPAs). The amendments pertain to Modules AU and GR and clarify that TPAs can process claims for insurance firms and may also offer their services to self-funded schemes outside Bahrain.

Should you have any queries regarding these amendments, you may contact the Director of Insurance Supervision on 17547302 or the CBB Rulebook team at ([rulebook@cbb.gov.bh](mailto:rulebook@cbb.gov.bh)).

Yours faithfully,

**Abdul Rahman Al Baker**

Enclosures.



MODULE	AU: Authorisation
CHAPTER	AU-1: Requirement to Hold a License

## AU-1.2 Definition of Regulated Ancillary Services

- AU-1.2.1** Regulated ancillary services are any of the following activities, carried on by way of business:
- (a) Third party administrators (TPA);
  - (b) Card processing;
  - (c) Credit reference bureau;
  - (d) Payment service provider (PSP);
  - (e) Shari'a advisory/review services; and
  - (f) Any other ancillary services that are related to the financial services industry.

- AU-1.2.2** For the purposes of Rule AU-1.2.1, carrying on a regulated ancillary service by way of business means:
- (a) Undertaking any of the regulated ancillary service activities as defined in Section AU-1.2, for commercial gain; or
  - (b) Holding oneself out as willing and able to engage in such activities.

AU-1.2.3 While Paragraph AU-1.2.1 covers different activities under regulated ancillary services, only the license itself will specify the list of activities the licensee has been authorised to carry out. For existing ancillary service providers at April 2016, no new license will be issued.

### *Third Party Administrators (TPAs)*

- AU-1.2.4** TPA refers to processing claims in connection with insurance coverage offered by insurance firms.

- AU-1.2.5** Notwithstanding Rule AU-1.2.4, TPAs are also allowed to offer their services to self-funded schemes outside Bahrain.

**AU-1.2.5A** When TPAs process claims for insurance firms, the CBB regards this activity as an outsourced activity and insurance firms should refer to Chapter RM-7 Outsourcing Risk under Volume 3 (Insurance) of the CBB Rulebook.

MODULE	GR: General Requirements
CHAPTER	GR-4: General Requirements for TPAs

## GR-4.2 Code of Conduct

- GR-4.2.1** TPAs are allowed to enter into agreement with more than **one:**
- (a) Insurance firm; and/or
  - (b) A self-funded scheme outside of Bahrain.
- GR-4.2.2** TPAs must not charge any kind of fees **to** the claimants/policyholders.
- GR-4.2.3** TPAs must not market or sell insurance nor own any part of a healthcare facility or company.
- GR-4.2.4** Where a TPA owns any part of a healthcare facility or company at the time this Module is issued, it will be permitted to retain its ownership in the company.
- GR-4.2.5** TPAs must act in the **insurance firm's and/or self-funded scheme's (limited to outside Bahrain)** best interests at all times and must fulfill their needs to the best of their ability.
- GR-4.2.6** TPAs must improve the skills of their employees and increase their knowledge through continuing education and training.
- GR-4.2.7** TPAs must disclose to the existing and prospective **insurance firm and/or self-funded scheme (limited to outside Bahrain)** any and all information that may affect the TPA's ability to provide services and/or advice to the clients.
- GR-4.2.8** TPAs must ensure that all funds collected and/or held by the TPA are used for the express purpose for which the funds are collected and/or held as understood by the **insurance firm and/or self-funded scheme (limited to outside Bahrain)**.
- GR-4.2.9** TPAs must fully disclose to each **insurance firm and/or self-funded scheme (limited to outside Bahrain)** the terms of engagement and the services to be rendered to that client.





MODULE	GR:	General Requirements
CHAPTER	GR-4:	General Requirements for TPAs

### GR-4.3 Segregation of Funds

#### GR-4.3.1

All funds remitted to a TPA by an insurance firm and/or self-funded scheme (limited to outside Bahrain) must be held by the TPA in a separate account maintained in the name of the insurance firm and/or self-funded scheme (limited to outside Bahrain) or in a separate account maintained jointly in the names of the insurance firm and/or self-funded scheme (limited to outside Bahrain) and the TPA.

#### GR-4.3.2

When funds are collected by a TPA from a healthcare provider on behalf of an insurance firm and/or self-funded scheme (limited to outside Bahrain), such funds must be promptly deposited in a separate account maintained in the name of the insurance firm and/or self-funded scheme (limited to outside Bahrain) or an account maintained jointly in the names of the insurance firm and/or self-funded scheme (limited to outside Bahrain) and the TPA, or remitted to the insurance firm and/or self-funded scheme (limited to outside Bahrain), as provided for in the agreement.

#### GR-4.3.3

When an account is held jointly in the names of the insurance firm and/or self-funded scheme (limited to outside Bahrain) and the TPA, the TPA must provide the insurance firm and/or self-funded scheme (limited to outside Bahrain) on a monthly basis a record of all transactions in the joint account.

#### GR-4.3.4

Funds must not be commingled with any other funds of the TPA nor other insurance firm and/or self-funded scheme (limited to outside Bahrain) of the TPA. Records of a TPA must clearly show funds received and paid out allocated per insurance firm and/or self-funded scheme (limited to outside Bahrain) and must be made available to the insurance firm and/or self-funded scheme (limited to outside Bahrain) upon request.

#### GR-4.3.5

An insurance firm and/or self-funded scheme (limited to outside Bahrain) shall have the responsibility to make available to the TPA funds necessary to enable the TPA to pay claims in a timely manner, as provided in the agreement.

#### GR-4.3.6

TPAs must process and settle claims of the policyholder/claimant within 15 calendar days from the receipt of all necessary documents.



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#### GR-4.4 Content of Written Agreement

##### GR-4.4.1

A TPA must not conduct any business with an insurance firm and/or self-funded scheme (limited to outside Bahrain) in the absence of a written agreement between the TPA and the insurance firm and/or self-funded scheme (limited to outside Bahrain). The agreement must be retained as part of the official records of the TPA for the duration of the agreement.

##### GR-4.4.2

The agreement referred to in Paragraph GR-4.4.1 must include at a minimum:

- (a) The services to be provided by the TPA on behalf of the insurance firm and/or self-funded scheme (limited to outside Bahrain);
- (b) Financial arrangements;
- (c) Provisions setting forth the respective liability of the insurance firm and/or self-funded scheme (limited to outside Bahrain) and the TPA for the accuracy and eligibility of submitted claims, and for the prompt submission of claims; and
- (d) The responsibilities of the TPA to the insurance firm and/or self-funded scheme (limited to outside Bahrain) with respect to the maintenance of appropriate back-up systems against the loss of records, and the maintenance of appropriate insurance coverage by the TPA against the risk of loss.



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## GR-4.5 Prohibition of Collection of Premiums/Contributions

### GR-4.5.1

TPAs are prohibited from collecting premiums/contributions from **policyholders**. Premiums/contributions must be paid directly by the policyholders to insurance firms.