



# **AUTHORISATION MODULE**

<b>MODULE:</b>	<b>AU (Authorisation)</b>
<b>Table of Contents</b>	

		<b>Current Issue Date</b>
<b>AU-A Introduction</b>		
AU-A.1	Purpose	04/2005
AU-A.2	Module History	07/2006
<b>AU-B Scope of Application</b>		
AU-B.1	General Prohibitions	04/2005
AU-B.2	Authorised Persons	04/2005
<b>AU-1 Authorisation Requirements</b>		
AU-1.1	Insurance Licensees	10/2005
AU-1.2	Approved Persons	07/2006
AU-1.3	Registered Actuaries and Loss Adjusters	04/2005
AU-1.4	Definition of Regulated Insurance Services	07/2005
<b>AU-2 Licensing Conditions</b>		
AU-2.1	Condition 1: Legal Status	04/2006
AU-2.2	Condition 2: Mind and Management	10/2005
AU-2.3	Condition 3: Controllers and Close Links	04/2005
AU-2.4	Condition 4: Board and Employees	04/2005
AU-2.5	Condition 5: Financial Resources	04/2005
AU-2.6	Condition 6: Systems and Controls	04/2005
AU-2.7	Condition 7: External Auditors and Reporting Actuaries	04/2005
AU-2.8	Condition 8: Other Requirements	10/2005
<b>AU-3 Approved Persons Conditions</b>		
AU-3.1	Condition 1: “Fit and Proper”	04/2005
AU-3.2	Interpretative Guidance on “Fit and Proper”	04/2005
<b>AU-4 Registration Conditions</b>		
AU-4.1	Condition 1: Relevant Expertise	04/2005
AU-4.2	Condition 2: General Suitability	04/2005
<b>AU-5 Information Requirements and Processes</b>		
AU-5.1	Licensing	07/2005
AU-5.2	Approved Persons	07/2005
AU-5.3	Registration	07/2005
AU-5.4	Variations to Authorisation	04/2005
AU-5.5	Withdrawal of Authorised Status	04/2005

<b>MODULE</b>	<b>AU: Authorisation</b>
<b>CHAPTER</b>	<b>AU-A: Introduction</b>

## AU-A.1 Purpose

AU-A.1.1 The Authorisation Module sets out the BMA’s approach to licensing providers of regulated insurance services in the Kingdom of Bahrain. It also sets out BMA requirements for approving persons undertaking key functions in those providers. Finally, it sets out requirements for registering certain support services (actuaries and loss adjusters).

AU-A.1.2 The Module builds on the legal requirements contained in Legislative Decree No. 17 of 1987, with respect to insurance companies and organisations (“the insurance law 1987”). The Module is issued under legal powers granted to the BMA by the insurance law 1987, contained in articles 7, 28 and 30.

### *Licensing*

AU-A.1.3 Persons who provide any of the following regulated insurance services within or from the Kingdom of Bahrain require a license:

- (a) the carrying on of insurance business;
- (b) the broking of insurance contracts;
- (c) the offering of advice to third parties regarding individual insurance requirements and products;
- (d) the provision of insurance management services (such as captive managers); and
- (e) the operating of a recognised insurance exchange.

AU-A.1.4 The categories of regulated insurance services listed in AU-A.1.3 in turn determine the license category of the provider. The Rules and Guidance contained in Volume 3 (Insurance) vary in some areas according to the license category concerned, in order to address the specific features and risks associated with each type of regulated service.

AU-A.1.5 For the purposes of Volume 3 (Insurance), providers licensed to undertake activities falling under AU-A.1.3 (a) are categorised as “insurance firms”; those under (b), as “insurance brokers”; those under (c), as “insurance consultants”; those under (d), as “insurance managers”; and those under (e), as “insurance exchange operators”. A provider of regulated insurance services can only hold one of the above license categories; different categories may not be combined.

AU-A.1.6 Collectively, licensed providers of regulated insurance services are called insurance licensees. Bahrain-incorporated insurance licensees are called Bahraini insurance licensees. Insurance licensees that are incorporated in an overseas jurisdiction and operate via a branch presence in the Kingdom of Bahrain are called overseas insurance licensees. The same naming convention applies to the various categories of license holders: for example, Bahraini insurance brokers are incorporated in Bahrain and overseas insurance brokers operate via a branch presence.

<b>MODULE</b>	<b>AU: Authorisation</b>
<b>CHAPTER</b>	<b>AU-A: Introduction</b>

## AU-A.1 Purpose (continued)

### *Approved Persons*

AU-A.1.7 Persons undertaking certain functions in relation to BMA insurance licensees require prior BMA approval. These functions (called “controlled functions”) include directors and members of senior management. The controlled functions regime supplements the licensing regime by ensuring that key persons involved in the running of insurance licensees are fit and proper. Those authorised by the BMA to undertake controlled functions are called approved persons.

### *Registration*

AU-A.1.8 Persons wishing to carry on the business of an actuary or a loss adjuster within the Kingdom of Bahrain are required to register with the BMA. Registrants are subject to basic screening to verify their expertise and general suitability, at the point of application. Unlike insurance licensees, they are not subject to detailed regulations and continuous, risk-based supervision.

### *Retaining Authorised Status*

**AU-A.1.9** The requirements set out in Chapters AU-2, AU-3 and AU-4 represent the minimum conditions that have to be met in each case, both at the point of authorisation and on an on-going basis thereafter, in order for authorised status to be retained.

### *Representative Offices and Ancillary Services Providers*

AU-A.1.10 Representative offices of overseas (re-)insurance companies and organisations (such as insurance exchanges) are not covered in Volume 3 (Insurance) of the Rulebook. Requirements covering Representative Offices (for all financial services firms) will instead be included in Volume 5.

**AU-A.1.11** Until such time as Volume 5 (Specialised Activities) of the BMA Rulebook is issued, representative offices of foreign insurance companies and organisations remain subject to the provisions of Articles 65 to 68 inclusive of the Implementing Regulations issued under Ministerial Order No. 6 of 1990.

AU-A.1.12 Providers of ancillary services to the financial sector are not covered in Volume 3 (Insurance) of the Rulebook. Requirements covering ancillary services providers will instead be included in Volume 5.

**AU-A.1.13** Until such time as Volume 5 (Specialised Activities) of the BMA Rulebook is issued, ancillary service providers remain subject to the requirements contained in the BMA’s “Standard Conditions and Licensing Criteria”, pages 34 and 35, dealing with providers of ancillary services to the financial sector.

<b>MODULE</b>	<b>AU: Authorisation</b>
<b>CHAPTER</b>	<b>AU-A: Introduction</b>

## AU-A.2 Module History

AU-A.2.1 This Module was first issued in April 2005, together with the rest of Volume 3 (Insurance). It is numbered as version 01. All subsequent changes to this Module are annotated with a sequential version number: UG-3 provides further details on Rulebook maintenance and version control.

AU-A.2.2 A list of recent changes made to this Module is provided below:

Module Ref.	Change Date	Description of Changes
AU-1.1	01/07/05	Corrections made to cross references
AU-1.2	01/07/05	Correction to typo and clarification to AU-1.2.4
AU-1.4	01/07/05	Clarified possible exclusion to regulated insurance services
AU-5.1	01/07/05	Clarified AU-5.1.2 and amended AU-5.1.8 (e) to reflect that the cash deposit to be held with a commercial bank also applies to insurance brokers
AU-5.2	01/07/05	Correction made to cross reference
AU-5.3	01/07/05	Corrected reference to form 4 (Application for Registration)
AU-1.1	01/10/05	Clarified application of grandfathering provisions for composite companies.
AU-2.1	01/10/05	Clarified legal status for E.C. companies and added the option for insurance manager to operate as a branch resident in Bahrain of a company incorporated in another jurisdiction
AU-2.2	01/10/05	Clarified guidance on mind and management for insurance licensees originally licensed as exempt companies.
AU-2.8	01/10/05	Clarified the application of IFRS and AAOIFI standards
AU-2.1	01/01/06	Clarified legal status for EC companies that are insurance brokers and insurance consultants.
AU-2.1.6	01/04/06	Guidance Paragraph deleted in October 2005.
AU-1.2.2	01/01/07	Added Signing Actuary (where the Signing Actuary is an employee of the insurance firm) to the list of controlled functions for which an application for approved person must be submitted.

AU-A.2.3 This Module supersedes various articles contained in Ministerial Order No. 6 of 1990 regarding the issue of regulations for implementing legislative decree No. 17 of 1987 with respect to insurance companies and organisations. The specific articles in the Ministerial Order that have been cancelled by this Module are listed below:

Order No.6 Article Ref.	Module Ref.	Subject
2-8		Licensing of <u>insurance firms</u>
21-27		Licensing of <u>insurance brokers</u>
33-42		Registration of <u>actuaries</u>
43-51		Registration of <u>loss adjusters</u>
53-64		Licensing of <u>insurance consultants</u>

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

<b>MODULE</b>	<b>AU: Authorisation</b>
<b>CHAPTER</b>	<b>AU-B: Scope of Application</b>

## **AU-B.1 General Prohibitions**

AU-B.1.1 The Authorisation requirements in Chapter AU-1 have general applicability, in that they prevent a person from undertaking certain specified activities without the appropriate authorisation from BMA.

AU-B.1.2 Any person who provides a regulated insurance service within or from the Kingdom of Bahrain requires a license (see AU-1.1). Persons undertaking certain functions in relation to BMA insurance licensees require prior BMA approval (see AU-1.2). And any person wishing to provide actuarial or loss adjuster services within the Kingdom of Bahrain is required to register with the BMA (see AU-1.3).

<b>MODULE</b>	<b>AU: Authorisation</b>
<b>CHAPTER</b>	<b>AU-B: Scope of Application</b>

## **AU-B.2 Authorised Persons**

AU-B.2.1 The requirements in Chapters AU-2 to AU-5 inclusive apply to those persons who are authorised by BMA, or to those seeking BMA authorisation.

AU-B.2.2 Chapter AU-2 applies to insurance licensees, and those seeking authorisation as an insurance licensee. Chapter AU-3 applies to insurance licensees and those persons nominated by them to be authorised by BMA as an approved person. Chapter AU-4 applies to actuaries and loss adjusters that are either registered by BMA or are seeking to be registered by the BMA. Chapter AU-5 applies to all those seeking a BMA authorisation.

<b>MODULE</b>	<b>AU: Authorisation</b>
<b>CHAPTER</b>	<b>AU-1: Authorisation Requirements</b>

## AU-1.1 Insurance Licensees

### AU-1.1.1

No person may:

- (a) undertake (or hold themselves out to undertake) regulated insurance services within or from the Kingdom of Bahrain unless duly licensed by the BMA; or
- (b) hold themselves out to be licensed by the BMA unless they have as a matter of fact been so licensed.

### AU-1.1.2

For the purposes of AU-1.1.1(b), persons would be considered in breach of this requirement if they were to trade as, or incorporate a company in Bahrain with a name containing the words “(re)insurance”, “(re)assurance” or “(re)takaful”, or the words “broker”, “consultant”, or “manager” in combination with “(re)insurance”, “(re)assurance” or “(re)takaful” (or the equivalents in any language), without holding the appropriate BMA license or the prior approval of the BMA.

### AU-1.1.3

Depending on the type of regulated insurance service that a person wishes to undertake, applicants must seek to be licensed either as an insurance firm, an insurance broker, an insurance consultant, an insurance manager or an insurance exchange operator. These license categories cannot be combined.

### AU-1.1.4

Within the Kingdom of Bahrain and in respect of Bahrain residents, licensed insurance firms and insurance brokers may only effect contracts of insurance through intermediaries when these intermediaries are:

- (a) licensed by the BMA (i.e. as an insurance broker);
- (b) exempt introducers (as defined in Paragraph AU-1.4.13); or
- (c) appointed representatives.

### AU-1.1.5

Persons wishing to be licensed to undertake regulated insurance services within or from the Kingdom of Bahrain must apply in writing to the BMA.

### AU-1.1.6

An application for a license must be in the form prescribed by the BMA and must contain, inter alia:

- (a) a business plan specifying the type of business to be conducted;
- (b) application forms for all controllers;
- (c) application forms for all controlled functions; and
- (d) for insurance brokers and insurance consultants, details of proposed professional indemnity coverage.



<b>MODULE</b>	<b>AU: Authorisation</b>
<b>CHAPTER</b>	<b>AU-1: Authorisation Requirements</b>

## AU-1.1 Insurance Licensees (continued)

AU-1.1.7 The BMA will review the application and duly advise the applicant in writing when it has:

- (a) granted the application without conditions;
- (b) granted the application subject to conditions specified by the BMA; or
- (c) refused the application, stating the grounds on which the application has been refused and the process for appealing against that decision.

AU-1.1.8 Detailed rules and guidance regarding information requirements and processes for licenses can be found in Section AU-5.1. As specified in AU-5.1.12, BMA will provide a formal decision on a license application within three months of all required documentation having been submitted in a form acceptable to BMA.

**AU-1.1.9** All applicants for insurance licenses must satisfy the BMA that they meet, by the date of authorisation, the minimum criteria for licensing, as contained in Chapter AU-2. Once licensed, insurance licensees must maintain these criteria on an ongoing basis.

**AU-1.1.10** An insurance licensee must not carry on any commercial business in the Kingdom of Bahrain or elsewhere other than insurance business and activities directly arising from or incidental to that business.

AU-1.1.11 In instances where an insurance licensee carries on a commercial business, at the time where the Insurance Rulebook becomes effective, the insurance licensee must notify the BMA to establish the transitional rules in relation to this prohibited activity (refer to ES-2.2.1).

AU-1.1.12 Activities ‘directly arising from or incidental’ to an insurance firm’s business, for instance, will depend on the type of insurance provided by an insurer. By way of example, an insurance firm providing health insurance may show a connection with owning and managing hospitals, an insurer providing insurance that covers damage to motor vehicles may reasonably be able to own accident repairers or garages. Insurers should consult the BMA in relation to their own circumstances in determining if an activity directly arises from or is incidental to their insurance business.

### *Insurance Firms*

**AU-1.1.13** For the purposes of Volume 3 (Insurance), insurance firms are defined as insurance licensees who undertake the regulated insurance service of carrying on insurance business, as defined in AU-1.4.7 to AU-1.4.9.

<b>MODULE</b>	<b>AU: Authorisation</b>
<b>CHAPTER</b>	<b>AU-1: Authorisation Requirements</b>

## AU-1.1 Insurance Licensees (continued)

### *Insurance Firms (continued)*

#### AU-1.1.14

An insurance firm must satisfy the BMA as to its suitability for each type and class of insurance business for which it is seeking authorisation. With the exception of captive insurers, an insurance firm cannot undertake both general and long term insurance business. Insurance firms (including captive insurers), must operate on either conventional insurance principles or on takaful principles: they cannot combine the two.

AU-1.1.15 In granting new licenses, BMA will specify the classes of insurance for which authorisation has been granted, and on what basis (i.e. conventional insurance principles or takaful principles). For reinsurance companies, the license will restrict the insurance firm to undertaking reinsurance business only. For captive insurers, the license will also restrict the insurance firm to effecting insurance contracts with its own group members only. Grandfathering provisions apply for those insurance firms whose past license granted them the right to undertake both general and long term insurance business (composite companies). In addition, composite companies are subject to the requirements of Paragraph GR-1.1.3 with respect to separate books and records for each kind of business. The grandfathering exemption will only apply to the licensee's classes of insurance business as at 1<sup>st</sup> April 2005, i.e. when Volume 3 (Insurance) was first issued. Should the insurance licensee wish to add additional classes of business, it will be required to separate its general and long term business into separate licenses.

### *Insurance Brokers*

#### AU-1.1.16

For the purposes of Volume 3 (Insurance), insurance brokers are defined as insurance licensees who undertake the regulated insurance service of broking of insurance contracts, as defined in AU-1.4.10 to AU-1.4.15.

#### AU-1.1.17

An insurance broker must satisfy the BMA as to its suitability for each type and class of insurance business for which it is seeking authorisation.

AU-1.1.18 An insurance broker may be licensed for one or more of the following types of business:

- (a) general insurance (as defined in AU-1.4.9);
- (b) unit linked long-term insurance;
- (c) long-term insurance (as defined in AU-1.4.8) other than unit linked business;
- (d) reinsurance; and
- (e) takaful products.

<b>MODULE</b>	<b>AU: Authorisation</b>
<b>CHAPTER</b>	<b>AU-1: Authorisation Requirements</b>

## AU-1.1 Insurance Licensees (continued)

### *Insurance Consultants*

**AU-1.1.19** For the purposes of Volume 3 (Insurance), insurance consultants are defined as insurance licensees who undertake the regulated insurance service of offering insurance advice, as defined in AU-1.4.16 to AU-1.4.18.

**AU-1.1.20** An insurance consultant must satisfy the BMA as to its suitability for each type and class of insurance business for which it is seeking authorisation.

AU-1.1.21 An insurance consultant may be licensed for one or more of the following types of business:

- (a) general insurance (as defined in AU-1.4.9);
- (b) unit-linked long term insurance;
- (c) long-term insurance (as defined in AU-1.4.8) other than unit-linked business;
- (d) reinsurance; and
- (e) takaful products.

### *Insurance Managers*

**AU-1.1.22** For the purpose of Volume 3 (Insurance), insurance managers are defined as insurance licensees who undertake the regulated insurance service of providing insurance management services, as defined in AU-1.4.19 to AU-1.4.22.

### *Insurance Exchange Operators*

**AU-1.1.23** For the purpose of Volume 3 (Insurance), insurance exchange operators are defined as insurance licensees who undertake the regulated insurance service of operating an insurance exchange, as defined in AU-1.4.23 and AU-1.4.24.

<b>MODULE</b>	<b>AU: Authorisation</b>
<b>CHAPTER</b>	<b>AU-1: Authorisation Requirements</b>

## AU-1.2 Approved Persons

### *General Requirement*

**AU-1.2.1** All persons wishing to undertake a controlled function in an insurance licensee must be approved by the BMA prior to their appointment, subject to the variations contained in AU-1.2.3 to AU-1.2.5.

**AU-1.2.2** Controlled functions are those of:

- (a) Director;
- (b) Chief Executive or General Manager;
- (c) head of function;
- (d) compliance officer;
- (e) Money Laundering Reporting Officer;
- (f) member of Shari'a Supervisory Board (where applicable);
- (g) unit-linked investment adviser; and
- (h) Signing Actuary (where the function is undertaken by an employee of the insurance firm).

**AU-1.2.3** In the case of Bahraini insurance licensees, prior approval is required for controlled functions (a), (b), (c), (f) where applicable and (g). Prior approval is also required for controlled functions (d) and (e), although these function may be combined with other functions.

**AU-1.2.4** In the case of overseas insurance licensees, prior approval is required for controlled function (b), defined as the "Branch Manager" of the Bahrain branch (however titled by the licensee). It is also required for controlled functions (c), (f) where applicable and (g). Prior approval is also required for controlled functions (d) and (e), although these function may be combined with other functions.

**AU-1.2.5** Approval for controlled function (f) is required for all insurance licensees carrying out (re-)takaful.

### *Basis for Approval*

**AU-1.2.6** Approval under Paragraph AU-1.2.1 is only granted by the BMA, if it is satisfied that the person is fit and proper to hold the particular position in the licensee concerned. "Fit and proper" is determined by the BMA on a case-by-case basis. The definition of "fit and proper" and associated guidance is provided in Sections AU-3.1 and AU-3.2 respectively.

<b>MODULE</b>	<b>AU: Authorisation</b>
<b>CHAPTER</b>	<b>AU-1: Authorisation Requirements</b>

## AU-1.2 Approved Persons (continued)

### *Definitions*

**AU-1.2.7** Director is any person who occupies the position of a Director, as defined in Article 173 of the Commercial Companies Law (Legislative Decree No. 21 of 2001).

AU-1.2.8 The fact that a person may have "Director" in their job title does not of itself make them a Director within the meaning of the definition noted in Paragraph AU-1.2.7. For example, a 'Director of Marketing', is not necessarily a member of the Board of Directors and therefore may not fall under the definition of Paragraph AU-1.2.7.

**AU-1.2.9** The Chief Executive or General Manager means a person who is responsible for the conduct of the licensee (regardless of actual title). The Chief Executive or General Manager must be resident in Bahrain. This person is responsible, alone or jointly, for the conduct of the whole of the firm, or, in the case of an overseas insurance licensee, for all of the activities of the branch.

**AU-1.2.10** Head of function means a person who exercises major managerial responsibilities, is responsible for a significant business or operating unit, or has senior managerial responsibility for maintaining accounts or other records of the licensee.

AU-1.2.11 Whether a person is a head of function will depend on the facts in each case and is not determined by the presence or absence of the word in their job title. Examples of head of function might include, depending on the scale, nature and complexity of the business, a deputy Chief Executive; heads of departments such as Underwriting, Claims, Risk Management, Compliance or Internal Audit; the Chief Financial Officer; or a Signing Actuary (where that person is a Director or employee of the insurance firm concerned).

**AU-1.2.12** Where a firm is in doubt as to whether a function should be considered a controlled function it must discuss the case with the BMA.

**AU-1.2.13** A unit-linked investment adviser refers to the function of advising clients on contracts that are, by their nature, investment products, including, but not limited to pension and retirement products. The unit-linked investment adviser function is a controlled function.

MODULE	AU: Authorisation
CHAPTER	AU-1: Authorisation Requirements

## AU-1.3 Registered Actuaries and Loss Adjusters

**AU-1.3.1** A person may not carry on the business of an actuary or a loss adjuster, without being registered as such with the BMA.

**AU-1.3.2** For the purposes of AU-1.3.1, actuaries are defined as persons who hold themselves out as able to give a professional opinion on the level of reserves that should be held in order to meet potential insurance liabilities and are accredited by an international recognised organisation.

**AU-1.3.3** For the purposes of AU-1.3.1, loss adjusters are defined as persons who hold themselves out as being able to determine the extent of a firm's liability for loss when a claim is submitted. In doing so, loss adjusters may investigate and settle losses for an insurance firm by surveying or assessing the extent of damages being claimed for under an insurance contract, investigate the causes of such damage, and the extent to which those damages are covered by the contract of insurance.

<b>MODULE</b>	<b>AU: Authorisation</b>
<b>CHAPTER</b>	<b>AU-1: Authorisation Requirements</b>

## AU-1.4 Definition of Regulated Insurance Services

**AU-1.4.1** For the purposes of Volume 3 (Insurance), regulated insurance services are any of the activities specified in Section AU-1.4, carried on by way of business. However, upon application, the BMA may exclude one or more specific transactions from the definition of regulated insurance services.

AU-1.4.2 The BMA will normally only consider granting such an exemption when a Bahrain resident is unable to obtain a specific product in Bahrain and it would be unreasonable to require the overseas provider of that product to be licensed for that particular transaction.

**AU-1.4.3** For the purposes of Volume 3 (Insurance), carrying on a regulated insurance service by way of business means:

- (a) undertaking one or more of the activities specified in Section AU-1.4 for commercial gain;
- (b) holding oneself out as willing and able to engage in that activity; or
- (c) regularly soliciting other persons to engage in transactions constituting that activity.

### *General exclusions*

**AU-1.4.4** With the exception of insurance firms licensed to carry on insurance business as a captive insurer, a person does not carry on an activity constituting a regulated insurance service if the person is a body corporate and carries on that activity solely with or for other bodies corporate, and they are all members of the same group.

**AU-1.4.5** A person does not carry on an activity constituting a regulated insurance service if the activity:

- (a) is carried on in the course of a business which does not ordinarily constitute of the carrying on of financial services;
- (b) may reasonably be regarded as a necessary part of any other services provided in the course of that business; and
- (c) is not remunerated separately from the other services.

**AU-1.4.6** A person does not carry on an activity constituting a regulated insurance service if he carries on an activity with or for another person, and they are both members of the same family.

MODULE	AU: Authorisation
CHAPTER	AU-1: Authorisation Requirements

## AU-1.4 Definition of Regulated Insurance Services (continued)

### *Carrying on of Insurance Business (Insurance Firms)*

**AU-1.4.7** The carrying on of insurance business includes the carrying out and effecting of insurance contracts as principal, including with limitation contracts of long-term insurance or contracts of general insurance. Effecting contracts of insurance means assuming (as principal) insurance risk, by entering into a contract of insurance or contract of reinsurance. Carrying out contracts of insurance means performing (as principal) obligations under a contract of insurance or reinsurance.

**AU-1.4.8** A contract of long-term insurance includes any insurance contract dealing with life insurance, personal accident with a term over 1 year and savings and fund accumulation insurance.

**AU-1.4.9** A contract of general insurance includes any insurance contract dealing within one or more of the following categories:

- (a) fire and other property damage;
- (b) marine, aviation and transport;
- (c) accident and liability insurance;
- (d) motor insurance; or
- (e) such other activities as the BMA may specify from time to time.

### *The Broking of Insurance Contracts (Insurance Brokers)*

**AU-1.4.10** The broking of insurance contracts means:

- (a) acting as agent for another person in relation to the buying of insurance for that other person;
- (b) making arrangements with a view to another person, whether as principal or agent, buying insurance; or
- (c) advising on insurance.

**AU-1.4.11** In AU-1.4.10 (c), 'advising' means giving advice to a person in his capacity as a policyholder or potential policyholder (or in his capacity as agent for a policyholder or potential policyholder), on the merits of entering into a contract of insurance whether as principal or agent.



MODULE	AU: Authorisation
CHAPTER	AU-2: Authorisation Requirements

## AU-1.4 Definition of Regulated Insurance Services (continued)

### *The Broking of Insurance Contracts (continued)*

**AU-1.4.12** A person does not carry on the activities specified in AU-1.4.10 (a) or (b) if he enters or is to enter into a transaction in respect of a contract of insurance as principal.

**AU-1.4.13** A person does not carry on the broking of insurance contracts if he falls under the definition of exempt introducer, defined as:

- (a) a person selling an extended warranty insurance product where the product is sold as part of an exclusive arrangement originated by the product manufacturer and in conjunction with the purchase by the insured of the product;
- (b) a person selling travel insurance as part of, or in conjunction with, a travel package, either directly or through a travel agent (where no advice is being provided other than that contained in the product literature);
- (c) a person, approved or licensed as an insurance intermediary in its country of incorporation or residence, providing marine, aviation or transit insurance, general reinsurance or long term reinsurance to clients in Bahrain;
- (d) a person whose activities are limited solely to introducing clients to insurance licensees; and
- (e) an insurer or reinsurance broker located outside Bahrain ('A') placing business on behalf of a BMA licensed insurance broker ('B'), where B is carrying on business in Bahrain and on behalf of Bahraini residents and A is acting on behalf of B.

**AU-1.4.14** A person does not give advice in relation to an insurance contract by giving advice in any newspaper, journal, magazine, broadcast services or similar service in any medium if the principal purpose of the publication or service, taken as a whole, is neither:

- (a) that of giving advice of the kind mentioned in AU-1.2.6; nor
- (b) that of leading or enabling persons to buy insurance contracts.

**AU-1.4.15** A person does not arrange insurance contracts merely by providing the means by which one party to a transaction is able to communicate with other such parties.

<b>MODULE</b>	<b>AU: Authorisation</b>
<b>CHAPTER</b>	<b>AU-1: Authorisation Requirements</b>

## AU-1.4 Definition of Regulated Insurance Services (continued)

### *The Offering of Insurance Advice (Insurance Consultants)*

**AU-1.4.16** The offering of insurance advice means advising on insurance to third parties, without also acting as agent or making arrangements with a view to another person buying insurance.

**AU-1.4.17** In AU-1.4.16, ‘advising on insurance’ means giving advice to a person in his capacity as a policyholder or potential policyholder (or in his capacity as agent for a policyholder or potential policyholder), on the merits of entering into a contract of insurance whether as principal or agent.

**AU-1.4.18** A person does not give advice in relation to an insurance contract by giving advice in any newspaper, journal, magazine, broadcast services or similar service in any medium if the principal purpose of the publication or service, taken as a whole, is neither:  
(a) that of giving advice of the kind mentioned in AU-1.4.16; nor  
(b) that of leading or enabling persons to buy insurance.

AU-1.4.19 Advice given by professionals may not constitute the activity of advising on insurance, even if the matter relates to insurance, providing it satisfies the general exclusion specified in Paragraph AU-1.4.5. These may include circumstances such as lawyers providing legal advice on the interpretation of insurance contracts; business consultancy advice on the establishment of a new business, which may include, in general terms, discussion of the classes of insurance that the business may need; and the interpretation of insurance contracts by loss adjusters.

### *The Provision of Insurance Management Services (Insurance Managers)*

**AU-1.4.20** The provision of insurance management services means the provision of management services to, or the exercising of managerial functions on behalf of, an insurance firm.

**AU-1.4.21** Management services and managerial functions include the administration and underwriting of insurance contracts.

**AU-1.4.22** A person does not provide insurance management services to an insurance firm, if he is an employee or a Board member of that licensee.

<b>MODULE</b>	<b>AU: Authorisation</b>
<b>CHAPTER</b>	<b>AU-1: Authorisation Requirements</b>

## AU-1.4 Definition of Regulated Insurance Services (continued)

### *The Provision of Insurance Management Services (Insurance Managers) (continued)*

AU-1.4.23 An insurance manager may provide management services to undertakings other than insurance firms, providing that these activities do not compromise the manager's ability to provide a professional service to insurance firms and the manager can meet the licensing conditions specified in Chapter AU-2. It is possible for a group to include separate licensees, one an insurance broker and the other an insurance manager.

### *The Operating of an Insurance Exchange*

**AU-1.4.24** The operating of an insurance exchange means the maintenance, administration and management of an insurance exchange located within the Kingdom of Bahrain by, inter alia, determining its membership, operating rules or arranging the provision of shared services to users of the exchange.

**AU-1.4.25** For the purposes of AU-1.4.24, an insurance exchange means a distinct market place comprising as members insurance firms or insurance brokers, and undertaking insurance related activities. The fact that the exchange may undertake other non-insurance related activities does not preclude it from being an 'insurance exchange' within the meaning of AU-1.4.24.

<b>MODULE</b>	<b>AU: Authorisation</b>
<b>CHAPTER</b>	<b>AU-2: Licensing Conditions</b>

## AU-2.1 Condition 1: Legal Status

### *Insurance Firm*

**AU-2.1.1** Except for captive insurers, the legal status of an insurance firm must be:

- (i) a Bahraini joint stock company (BSC);
- (ii) a branch resident in Bahrain of a company incorporated under the laws of its territory of incorporation and (where local regulation so requires) authorized as an insurance or reinsurance firm in that territory; or
- (iii) a Bahraini exempt company (E.C.) which was incorporated and licensed to conduct insurance business prior to 1<sup>st</sup> January 2005.

**AU-2.1.2** For captive insurers, the legal status of an insurance firm must be:

- (i) a Bahraini special purpose vehicle (SPV), specifically established to carry out the activities of a captive insurer; or
- (ii) any of the legal structures noted in AU-2.1.1.

AU-2.1.3 A Bahraini SPV is a category of a closed Bahraini joint stock company (BSC(c)). The minimum capital required by the Ministry of Commerce to incorporate such a company is much lower than for other types of companies, at BD 1,000. In addition, however, captive insurers must satisfy BMA's capital requirements for captives, as set out in Module CA (Capital Adequacy).

AU-2.1.4 Where the insurance licensee is a branch of an overseas insurance company, in deciding whether to grant a license, the BMA will pay close regard to its activities elsewhere and how these activities are regulated. If the insurance licensee is not regulated elsewhere (e.g. some countries do not regulate reinsurance firms) or in a jurisdiction not substantially compliant with IAIS Core Principles or FATF standards, then an application for licensing can only be considered after exhaustive enquiries into the firm's shareholders, management structure and financial position.

AU-2.1.5 Article 3 of the Insurance Law 1987 restricts insurance companies operating in the form of a branch of an overseas insurance company to life insurance business only. However, this restriction does not apply to branches that were already operating in the Kingdom of Bahrain on the effective date of the Insurance Law 1987 (i.e. 28 December 1987). BMA expects the restriction to be lifted when the new BMA law is enacted.

AU-2.1.6 [Guidance Paragraph deleted in October 2005.]

MODULE	AU: Authorisation
CHAPTER	AU-2: Licensing Conditions

## AU-2.1 Condition 1: Legal Status (continued)

### *Insurance Broker*

**AU-2.1.7** Licensees who were carrying out activities that fall within the definition of the regulated activity of insurance broker prior to 1 April 2005 may be unincorporated entities or natural persons and may continue as such until 31 December 2006.

**AU-2.1.8** New applicants for licensing as insurance brokers after 1 April 2005 must be:

- (i) a Bahraini single person company;
- (ii) a Bahraini joint stock company (BSC);
- (iii) a Bahraini company with limited liability (“WLL”);
- (iv) a branch resident in Bahrain of a company incorporated under the laws of its territory of incorporation and (where local regulation so requires) authorized as an insurance or reinsurance intermediary in that territory; or
- (v) a Bahraini exempt company (E.C.) which was incorporated and licensed to conduct insurance business prior to 1<sup>st</sup> January 2005.

**AU-2.1.9** The BMA will consider, without application fee, applications by insurance brokers currently trading as an unincorporated entity or natural person to transfer the license to one of the options listed in AU-2.1.8, before 31 December 2006.

**AU-2.1.10** An insurance broker’s business activity must be restricted by its Memorandum and Articles of Association to insurance broking.

### *Insurance Consultant*

**AU-2.1.11** Persons carrying out the regulated activity of insurance consultant, and who meet the licensing criteria of this section, must be:

- (i) a sole proprietorship registered with the Ministry of Commerce;
- (ii) a Bahraini single person company;
- (iii) a Bahraini joint stock company (BSC);
- (iv) a Bahraini company with limited liability (“WLL”);
- (v) a branch resident in Bahrain of a company incorporated under the laws of its territory of incorporation; or
- (vi) a Bahraini exempt company (E.C.) which was incorporated and licensed to conduct insurance business prior to 1<sup>st</sup> January 2005.

<b>MODULE</b>	<b>AU: Authorisation</b>
<b>CHAPTER</b>	<b>AU-2: Licensing Conditions</b>

## AU-2.1 Condition 1: Legal Status (continued)

### *Insurance Manager*

#### AU-2.1.12

Persons carrying out the regulated activity of insurance manager, and who meet the licensing criteria of this section must be:

- (i) a Bahraini joint stock company (BSC);
- (ii) a Bahraini company with limited liability (“WLL”); or
- (iii) a branch resident in Bahrain of a company incorporated under the laws of its territory of incorporation and (where local regulation so requires) authorized as an insurance or reinsurance intermediary in that territory.

#### AU-2.1.13

An insurance manager is a professional provider of services to insurance firms, which may include company secretarial, bookkeeping, claims processing and underwriting and, where duly licensed, insurance consulting and actuarial services. The BMA would, in principle, regard it as acceptable for the insurance manager to provide these services to other clients, whether or not insurance clients. It would not regard it as acceptable for the firm to combine these activities with that of insurance broker, although it is possible for a group to include both insurance broker and insurance manager activities, for instance, by an insurance broker establishing a subsidiary to act as an insurance manager (or vice versa).

<b>MODULE</b>	<b>AU: Authorisation</b>
<b>CHAPTER</b>	<b>AU-2: Licensing Conditions</b>

## AU-2.2 Condition 2: Mind and Management

**AU-2.2.1** Insurance licensees with their Registered Office in the Kingdom of Bahrain must maintain their Head Office in the Kingdom. Overseas insurance licensees must maintain a local management presence and premises in the Kingdom appropriate to the nature and scale of their activities.

AU-2.2.2 In assessing the location of an insurance licensee's Head Office, the BMA will take into account the residency of its directors and senior management. The BMA requires the majority of key decision makers in executive management – including the chief executive officer - to be resident in Bahrain. In the case of overseas licensees, the BMA requires the branch or subsidiary of a foreign owned company to have a substantive presence, demonstrated by a level of staff and other resources sufficient to ensure adequate local scrutiny and control over business booked in the Bahrain branch or subsidiary.

AU-2.2.3 In the case of insurance licensees originally licensed as exempt companies, the BMA will consider the granting of temporary individual waivers on a case-by-case basis from the requirements in AU-2.2.1. In all cases, the BMA's objective is to require all such companies that wish to remain licensed by the BMA, to have a suitable office in the Kingdom of Bahrain. This requirement means that knowledgeable staff should be resident in Bahrain.

**AU-2.2.4** Subject to BMA approval, an insurance licensee that is a captive (re-)insurance company may maintain its Head Office or place of business at the offices of an insurance manager appointed to manage its affairs.

AU-2.2.5 BMA's overall approach to insurance captives is summarized in Module CI. The day-to-day operations of insurance captives are typically outsourced to specialist captive managers, and AU-2.2.4 allows for this possibility. BMA requires captive managers providing services to BMA-licensed insurance captives to be also licensed by BMA and thus also to have a substantive presence within the Kingdom.

<b>MODULE</b>	<b>AU: Authorisation</b>
<b>CHAPTER</b>	<b>AU-2: Licensing Conditions</b>

## AU-2.3 Condition 3: Controllers and Close Links

### AU-2.3.1

Insurance licensees must satisfy the BMA that their controllers are suitable and pose no undue risks to the licensee. Insurance licensees must also satisfy the BMA that their close links do not prevent the effective supervision of the insurance licensee by the BMA and otherwise pose no undue risks to the licensee.

AU-2.3.2 Chapters GR-5 and GR-6 contains the BMA's requirements and definitions regarding controllers and close links.

AU-2.3.3 In summary, controllers are persons who directly or indirectly are significant shareholders in an insurance licensee, or who are otherwise able to exert significant influence on the insurance licensee. The BMA seeks to ensure that controllers pose no significant risks to the licensee. In general terms, controllers are assessed in terms of their financial standing, their judicial and regulatory record, and standards of business and (where relevant) personal probity.

AU-2.3.4 In summary, an insurance licensee has close links with its subsidiaries, with its parent undertakings, and with subsidiaries of its parent undertakings. It also has close links with any entity in which the licensee, its subsidiaries, its parent undertakings, and the subsidiaries of its parent undertakings has an equity interest of more than 20% (either in terms of capital or voting rights). The BMA seeks to ensure that these closely linked entities do not pose any material financial, reputational or other risks to the licensee. The BMA also seeks to ensure that the structure and geographical spread of the group is such that it is subject to adequate scrutiny at group level.

AU-2.3.5 In all cases, when judging applications from existing groups, the BMA will have regard to the reputation and financial standing of the group as a whole. Where relevant, the BMA will also take into account the extent and quality of supervision applied to overseas members of the group and take into account any information provided by other supervisors in relation to any member of the group.



<b>MODULE</b>	<b>AU: Authorisation</b>
<b>CHAPTER</b>	<b>AU-2: Licensing Conditions</b>

## AU-2.4 Condition 4: Board and Employees

**AU-2.4.1** Those nominated to carry out controlled functions must satisfy BMA's approved persons requirements.

AU-2.4.2 The definition of controlled functions is contained in AU-1.2, whilst AU-3 sets out BMA's approved persons requirements.

**AU-2.4.3** The insurance licensee's staff, taken together, must collectively provide a sufficient range of skills and experience to manage the affairs of the licensee in a sound and prudent manner. Insurance licensees must ensure their employees meet any training and competency requirements specified by the BMA.

MODULE	AU: Authorisation
CHAPTER	AU-2: Licensing Conditions

## AU-2.5 Condition 5: Financial Resources

**AU-2.5.1** Insurance licensees must maintain a level of financial resources, as agreed with the BMA, adequate for the level of business proposed. The level of financial resources held must at all times meet the minimum requirements contained in Module CA (Capital Adequacy), as specified for the category of insurance license held.

**AU-2.5.2** A 3-year business plan, with financial projections, must be submitted with any application for a license, demonstrating the adequacy of financial resources over that period, together with details (where appropriate) as to the calculation of rates, technical reserves, use of reinsurance, investment and valuation policies.

**AU-2.5.3** Overseas insurance applicants are required to provide written confirmation from their head office that the head office will provide financial support to the branch sufficient to enable it to meet its obligations as and when they fall due. Overseas insurance applicants must also demonstrate that the company as a whole is adequately resourced for the amount of risks underwritten, and that it and its group meet solvency standards applied by its home supervisor.

**AU-2.5.4** Insurance firms must maintain a cash deposit with a commercial bank licensed to operate in the Kingdom of Bahrain, in keeping with the requirement specified in Section GR-7.1.

**AU-2.5.5** Insurance brokers and insurance consultants must maintain professional indemnity coverage as specified in Chapter GR-10.

MODULE	AU: Authorisation
CHAPTER	AU-2: Licensing Conditions

## AU-2.6 Condition 6: Systems and Controls

**AU-2.6.1** Insurance licensees must maintain systems and controls that are, in the opinion of the BMA, adequate for the scale and complexity of their activities. These systems and controls must meet the minimum requirements contained in Modules HC and RM, as specified for the category of insurance license held.

**AU-2.6.2** Insurance licensees must maintain systems and controls that are, in the opinion of the BMA, adequate to address the risks of financial crime occurring in the licensee. These systems and controls must meet the minimum requirements contained in Module FC, as specified for the category of insurance license held.

**AU-2.6.3** Applicants will be required to demonstrate in their business plan (together with any supporting documentation) what risks their business would be subject to and how they would manage those risks. Applicants may be asked to provide an independent assessment of the appropriateness of their systems and controls to the BMA, as part of the licensing approval process.

**AU-2.6.4** Insurance brokers must, in connection with any premium monies received in the course of their business, establish and maintain separate client accounts separate to those for their own funds as required per Section GR-1.2.

MODULE	AU: Authorisation
CHAPTER	AU-2: Licensing Conditions

## AU-2.7 Condition 7: External Auditors and Reporting Actuaries

**AU-2.7.1** Insurance licensees must appoint external auditors, subject to prior BMA approval. The minimum requirements regarding auditors contained in Module AA (Auditors and Actuaries) must be met.

**AU-2.7.2** Insurance firms authorized to undertake long-term business must appoint a Reporting Actuary, subject to prior BMA approval. The minimum requirements contained in Module AA (Auditors and Actuaries) regarding Reporting Actuaries must be met at all times.

**AU-2.7.3** Applicants must submit details of their proposed external auditors and, where relevant, Reporting Actuary, to the BMA as part of their license application.

<b>MODULE</b>	<b>AU: Authorisation</b>
<b>CHAPTER</b>	<b>AU-2: Licensing Conditions</b>

## AU-2.8 Condition 8: Other Requirements

### *Books and Records*

#### AU-2.8.1

Insurance licensees must maintain comprehensive books of accounts and other records, which must be available for inspection within the Kingdom of Bahrain by the BMA, or persons appointed by the BMA, at any time. Insurance licensees must comply with the minimum record keeping requirements contained in Module GR. Books of accounts must comply with International Financial Reporting Standard (IFRS) (and for takaful and retakaful companies relevant AAOIFI standards), and recognised international actuarial standards.

### *Provision of Information*

#### AU-2.8.2

Insurance licensees must act in an open and cooperative manner with the BMA. Insurance licensees must meet the regulatory reporting and public disclosure requirements contained in Modules BR and PD respectively.

### *General Conduct*

#### AU-2.8.3

Insurance licensees must conduct their activities in a professional and orderly manner, in keeping with good market practice standards. Insurance licensees must comply with the general standards of business conduct contained in Module PB, as well as the standards relating to treatment of customers contained in Module BC.

### *License fees*

#### AU-2.8.4

Insurance licensees must comply with any license fee requirements applied by the BMA.

AU-2.8.5 Following the transfer of insurance supervision to the BMA, the Agency is not currently applying license fees on insurance licensees, pending a review of its overall approach to licensee fees. Any proposals for license fees would be consulted on, and would be in line with other regional and international financial centres.

<b>MODULE</b>	<b>AU: Authorisation</b>
<b>CHAPTER</b>	<b>AU-2: Licensing Conditions</b>

## AU-2.8 Condition 8: Other Requirements (continued)

### *Additional Conditions*

#### AU-2.8.6

Insurance licensees must comply with any other specific requirements or restrictions imposed by the BMA on the scope of their license.

AU-2.8.7 When granting a license, BMA specifies the regulated insurance service that the licensee may undertake and (where relevant) the type and classes of insurance business that the licensee may undertake. Licensees must respect the scope of their license. AU-5.4 sets out the process for varying the scope of an authorisation, should a licensee wish to undertake new activities.

AU-2.8.8 In addition, BMA may impose additional restrictions or requirements, beyond those already specified in Volume 3, to address specific risks. For instance, authorisation may be granted subject to strict limitations on intra-group transactions.

<b>MODULE</b>	<b>AU: Authorisation</b>
<b>CHAPTER</b>	<b>AU-3: Approved Persons Conditions</b>

## AU-3.1 Condition 1: “Fit and Proper”

**AU-3.1.1** Licensees seeking an approved person authorisation for an individual, must satisfy the BMA that the individual concerned is “fit and proper” to undertake the controlled function in question.

AU-3.1.2 The authorisation requirement for persons nominated to carry out controlled functions is contained in Section AU-1.2. The authorisation process is described in Section AU-5.2.

**AU-3.1.3** To be considered “fit and proper”, those nominated must demonstrate:

- (a) personal integrity, honesty and good reputation;
- (b) professional competence, experience and expertise, sufficient for the controlled function for which authorisation is being applied for, and given the scale, complexity and nature of the insurance licensee concerned; and
- (c) financial soundness.

AU-3.1.4 In assessing the conditions prescribed in AU-3.1.3, the BMA will take into account the criteria contained in Section AU-3.2. The BMA reviews each application on a case-by-case basis, taking into account all relevant circumstances. A person may be considered “fit and proper” to undertake one type of controlled function but not another, depending on the function’s job size and required levels of experience and expertise. Similarly, a person approved to undertake a controlled function in one insurance licensee may not be considered to have sufficient expertise and experience to undertake nominally the same controlled function but in a much bigger licensee.

**AU-3.1.5** Approved persons undertaking a controlled function must act prudently, and with honesty, integrity, care, skill and due diligence in the performance of their duties. They must avoid conflicts of interest arising whilst undertaking a controlled function.

AU-3.1.6 In determining where there may be a conflict of interest arising, factors that may be considered will include whether:

- (a) a person has breached any fiduciary obligations to the company or terms of employment;
- (b) a person has undertaken actions that would be difficult to defend, when looked at objectively, as being in the interest of the licensee; and
- (c) a person has failed to declare a personal interest that has a material impact in terms of the person’s relationship with the licensee.

<b>MODULE</b>	<b>AU: Authorisation</b>
<b>CHAPTER</b>	<b>AU-3: Approved Persons Conditions</b>

## **AU-3.2 Interpretative Guidance on “Fit and Proper”**

**AU-3.2.1** In assessing a person’s fitness and propriety, the BMA will consider previous professional and personal conduct (in Bahrain or elsewhere) including, but not limited to, the following:

- (a) the propriety of a person’s conduct, whether or not such conduct resulted in the commission of 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 have been declared bankrupt whilst the person was connected with that partnership;
- (j) the extent to which the person has been truthful and open with supervisors;
- (k) the extent to which the person has appropriate professional and other qualifications for the controlled function in question;
- (l) the extent to which the person has sufficient experience, or is otherwise able to perform the functions of the controlled function in question;
- (m) 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.

**AU-3.2.2** With respect to AU-3.2.1.(b), (c), (d) and (e), the BMA will take into account the length of time since any such event occurred, as well as the seriousness of the matter in question.

**AU-3.2.3** Further guidance on the process for assessing a person’s “fit and proper” status is given in Module EN (Enforcement): see Chapter EN-8.



<b>MODULE</b>	<b>AU: Authorisation</b>
<b>CHAPTER</b>	<b>AU-4: Registration Conditions</b>

## AU-4.1 Condition 1: Relevant Expertise

**AU-4.1.1** Actuaries and loss adjusters seeking registration must satisfy the BMA that they have relevant expertise. They must hold appropriate professional qualifications from a relevant, recognised professional body.

AU-4.1.2 For actuaries, all Fellows (or members of equivalent status) in good standing of the Society of Actuaries (USA), the Institute and Faculty of Actuaries (UK) or the American Academy of Actuaries or any other similar body with mutually reciprocal licensing arrangements with any of these bodies, will satisfy the requirement in AU-4.1.1.

AU-4.1.3 In the case of corporate persons wishing to provide actuarial or loss adjuster services, the BMA expects management and other staff collectively to have sufficient appropriate professional qualifications to ensure a professional level of service.

AU-4.1.4 The above requirement does not oblige actuaries or loss adjusters to be residents of the Kingdom of Bahrain, in order to be registered by the BMA. Non-resident actuaries and loss adjusters wishing to practice in Bahrain may seek registration on the same basis as resident actuaries and loss adjusters.

<b>MODULE</b>	<b>AU: Authorisation</b>
<b>CHAPTER</b>	<b>AU-4: Registration Conditions</b>

## **AU-4.2 Condition 2: General Suitability**

### **AU-4.2.1**

**Actuaries and loss adjusters seeking registration must satisfy the BMA that they are generally suitable to operate as such.**

AU-4.2.2 In the case of natural persons, the BMA will have regard to their fitness and propriety, using the rules and guidance contained in Sections AU-3.1 and AU-3.2.

AU-4.2.3 In the case of corporate persons, the BMA will have regard to the corporation's reputation, financial soundness, and business conduct. The BMA will also review closely linked entities against the same criteria, using the definition of close links contained in Module GR.

<b>MODULE</b>	<b>AU: Authorisation</b>
<b>CHAPTER</b>	<b>AU-5: Information Requirements and Processes</b>

## AU-5.1 Licensing

### AU-5.1.1

The application process for an insurance license consists of two parts: Phase 1 and Phase 2. For Phase 1, applicants for a license must submit a duly completed Form 1 (Phase 1) (Application for a License), under cover of a letter signed by an authorised signatory of the applicant marked for the attention of the Director, Licensing and Policy Directorate. The application must be accompanied by the documents listed in Paragraph AU-5.1.5, unless otherwise directed by the BMA.

### AU-5.1.2

If, after submission of a duly completed Form 1 (Phase 1) and associated documents, an applicant is granted a conditional approval for a license, the applicant must submit Form 1 (Phase 2), together with the documents referred to in Paragraph AU-5.1.8.

### AU-5.1.3

When referring to the applicant, reference is made to the proposed licensee seeking an insurance license. The applicant may choose to have an authorized representative, acting on its behalf. In instances where an authorized representative is used by the applicant, the application form should provide all details regarding the authorized representative and is to be signed by both the applicant and authorized representative.

### AU-5.1.4

Insurance licensees who were licensed prior to the publication of Volume 3 of the Rulebook do not need to resubmit an application for a license. Their license category, and the scope of their authorization, will be confirmed in an exchange of letters. Such licensees, however, will have to comply with the other requirements of the Rulebook, as set out in Module ES (Executive Summary), unless different transition arrangements have been agreed in writing with the BMA beforehand.

### AU-5.1.5

Unless otherwise directed by the BMA, the following documents must be provided as Part of Phase 1 in support of a license application:

- a duly completed Form 2 (Application for Authorisation of Controller) for each controller of the proposed licensee;
- a duly completed Form 3 (Application for Approved Person status), for each proposed director of the proposed licensee;
- a comprehensive business plan for the application, addressing the matters described in AU-5.1.6;
- for overseas companies, a copy of the company's current commercial registration or equivalent documentation;
- where the applicant is a registered company, a copy of the applicant's commercial registration;

<b>MODULE</b>	<b>AU: Authorisation</b>
<b>CHAPTER</b>	<b>AU-5: Information Requirements and Processes</b>

## AU-5.1 Licensing (continued)

### AU-5.1.5

- (f) where the applicant is a corporate body, a certified copy of a board resolution of the applicant, confirming its decision to seek a BMA insurance license;
- (g) details of the proposed licensee's close links as required under Chapter GR-6;
- (h) in the case of applicants that are part of a regulated group, a letter of non-objection to the proposed license application from the applicant's home supervisor, together with confirmation that the group is in good regulatory standing and is in compliance with applicable supervisory requirements, including those relating to capital and solvency requirements;
- (i) in the case of branch applicants, a letter of non-objection to the proposed license application from the applicant's home supervisor, together with confirmation that the applicant is in good regulatory standing and is in compliance with applicable supervisory requirements, including those relating to capital and solvency requirements;
- (k) in the case of branch applicants, copies of the audited financial statements of the applicant (head office) for the three years immediately prior to the date of application; and
- (l) in the case of other applicants, copies of the audited financial statements of the applicant's major shareholder and/or group (as directed by the BMA), for the three years immediately prior to the date of application.

### AU-5.1.6

- The business plan submitted in support of an application should explain:
- (a) an outline of the history of the applicant and its shareholders;
  - (b) the reasons for applying for a license, including the applicant's strategy and market objectives;
  - (c) the proposed type of activities to be carried on by the applicant in/from the Kingdom of Bahrain;
  - (d) the proposed Board and senior management of the applicant and the proposed organisational structure of the applicant;
  - (e) an assessment of the risks that may be faced by the applicant, together with the proposed systems and controls framework to be put in place for addressing those risks and to be used for the main business functions, including underwriting, claims and accounting; and
  - (f) an opening balance sheet for the applicant, together with a three-year financial projection, with all assumptions clearly outlined, demonstrating that the applicant will be able to meet applicable capital and solvency requirements.

<b>MODULE</b>	<b>AU: Authorisation</b>
<b>CHAPTER</b>	<b>AU-5: Information Requirements and Processes</b>

## AU-5.1 Licensing (continued)

**AU-5.1.7** The applicant's memorandum and articles of association must explicitly provide for it to undertake the activities proposed in the licensed application, and must preclude the applicant from undertaking other regulated insurance services, or commercial activities, unless these arise out of its insurance activities or are incidental to those.

**AU-5.1.8** As part of Phase 2 of the licensing application process, unless otherwise directed by the BMA, the following documents and information must be provided:

- (a) a duly completed Form 3 (Application for Approved Person status), for each individual, (other than for directors, submitted as part of Phase 1) applying to undertake controlled functions in the applicant;
- (b) a draft copy of the applicant's memorandum and articles of association, addressing the matters described in AU-5.1.7;
- (c) a letter of guarantee from the applicant's major shareholder, confirming its willingness to support the proposed licensee in case of need;
- (d) in the case of branch applicants, a letter of guarantee from the applicant's head office, confirming responsibility for all of the liabilities of the proposed branch, together with evidence of the power to give such a guarantee;
- (e) for insurance firms and insurance brokers, confirmation of the cash deposit required to be held with a commercial bank in Bahrain under the insurance law 1987 (see GR-7.1); and
- (f) for insurance brokers and insurance consultants confirmation of professional indemnity coverage as required under Chapter GR-10.

**AU-5.1.9** All documentation provided to the BMA as part of an application for a license must be in either the Arabic or English languages. Any documentation in a language other than English or Arabic must be accompanied by a certified English or Arabic translation thereof.

**AU-5.1.10** Any material changes or proposed changes to the information provided to the BMA in support of an authorisation application that occurs prior to authorisation must be reported to the BMA.

AU-5.1.11 Failure to inform BMA of the changes specified in AU-5.1.10 is likely to be viewed as a failure to provide full and open disclosure of information, and thus a failure to meet licensing condition AU-2.8.2.

<b>MODULE</b>	<b>AU: Authorisation</b>
<b>CHAPTER</b>	<b>AU-5: Information Requirements and Processes</b>

## AU-5.1 Licensing (continued)

AU-5.1.12 As part of the Phase 1 review of application process, BMA will provide a formal decision on a license application within 60 calendar days of all required documentation having been submitted in a form acceptable to the BMA. Once an “in principal” approval has been granted for Phase 1, the applicant must submit within 6 months of the “in principal” approval, all requirements for Phase 2 as outlined in Paragraph AU-5.1.8. The BMA will provide a final decision within 30 calendar days of all Phase 2 documentation having been submitted in a form acceptable to the BMA. Applicants are encouraged to approach the BMA to discuss their application at an early stage, so that any specific questions can be dealt with prior to the finalisation of the application

### AU-5.1.13

**Within 6 months of the license being issued, the new licensee must provide to the BMA:**

- (a) the registered office address and details of premises to be used to carry out the business of the proposed licensee;
- (b) the address in the Kingdom of Bahrain where full business records will be kept;
- (c) the licensee’s contact details including telephone and fax number, e-mail address and website;
- (d) a description of the business continuity plan;
- (e) a description of the IT system that will be used, including details of how IT systems and other records will be backed up;
- (f) a copy of the auditor’s acceptance to act as auditor for the applicant;
- (g) a copy of the Ministry of Commerce commercial registration certificate; and
- (h) other information as may be specified by the BMA.

AU-5.1.15 Applicants who are refused a license have a right of appeal under the provisions contained in Article 8 of the insurance law 1987.

<b>MODULE</b>	<b>AU: Authorisation</b>
<b>CHAPTER</b>	<b>AU-5: Information Requirements and Processes</b>

## AU-5.2 Approved Persons

### AU-5.2.1

Insurance licensees must obtain BMA approval before a person is formally appointed to a controlled function. The request for BMA approval must be made by submitting to BMA a duly completed Form 3 (Application for Approved Person status).

### AU-5.2.2

When the request for approved person status forms part of a license application, the Form 3 must be marked for the attention of the Director, Licensing and Policy Directorate. When the submission to undertake a controlled function is in relation to an existing insurance licensee, the Form 3 must be marked for the attention of the Director, Insurance Supervision Directorate.

AU-5.2.3 Licensees should give the BMA a reasonable amount of notice in order for an application to be reviewed. The BMA aims to respond within 2 weeks of receipt of an application, although in some cases, where referral to an overseas supervisor is required, the response time is likely to be longer.

AU-5.2.4 Licensees seeking to appoint Board directors should seek BMA approval for all the candidates to be put forward for election at a shareholder meeting, in advance of the agenda being issued to shareholders. BMA approval of the candidates does not in any way limit shareholders' rights to refuse those put forward for election.

AU-5.2.5 All refusals by the BMA to grant a person approved person status have to be reviewed and approved by an Executive Director of the BMA. A notice of intent is issued to the person concerned, setting out the basis for the decision. The person has 30 calendar days from the date of the notice in which to appeal the decision. The BMA then has 30 calendar days from the date of the representation in which to make a final determination. See also Chapter EN-8.

### AU-5.2.6

Insurance licensees must immediately notify BMA when an approved person ceases to hold a controlled function. In such cases, their approved person status is automatically withdrawn by BMA.

<b>MODULE</b>	<b>AU: Authorisation</b>
<b>CHAPTER</b>	<b>AU-5: Information Requirements and Processes</b>

### **AU-5.3 Registration**

#### **AU-5.3.1**

Persons wishing to be registered as an actuary or loss adjuster must submit a duly completed Form 4 (Application for Registration). The form must be marked for the attention of the Director, Licensing and Policy Directorate.

AU-5.3.2 BMA aims to respond to applications for registration within 2 weeks of receipt of a Form 4, although in some cases, where referral to an overseas supervisor is required, the response time is likely to be longer.

AU-5.3.3 All refusals by the BMA to grant a person registered person status have to be reviewed and approved by an Executive Director of the BMA. A notice of intent is issued to the person concerned, setting out the basis for the decision. The person has 30 calendar days from the date of the notice in which to appeal the decision. The BMA then has 30 calendar days from the date of the representation in which to make a final determination. See also Chapter EN-10.



<b>MODULE</b>	<b>AU: Authorisation</b>
<b>CHAPTER</b>	<b>AU-5: Information Requirements and Processes</b>

## **AU-5.4 Variations to Authorisation**

### **AU-5.4.1**

Persons wishing to vary the scope of their authorisation must obtain BMA approval in advance of effecting any such change. Insurance licensees must seek prior BMA approval before undertaking new activities (such as carrying out or broking new classes of business), or changing the range of functions undertaken by an Approved Person.

### **AU-5.4.2**

Failure to secure the BMA approval prior to effecting such changes is likely to be viewed as a serious breach of a licensee's regulatory obligations. When in doubt, insurance licensees should consult the BMA for guidance as to what constitutes a material change.

### **AU-5.4.3**

In addition to any other information requested by the BMA, and unless otherwise directed by the BMA, an insurance licensee requesting BMA approval to undertake new activities must provide the following documentation:

- (a) a summary of the rationale for undertaking the proposed new activities;
- (b) a description of how the new business will be managed and controlled;
- (c) an analysis of the financial impact of the new activities; and
- (d) a summary of the due diligence undertaken by the Board and management of the insurance licensee on the proposed new activities.

### **AU-5.4.4**

Module BR (BMA Reporting) sets out a list of notification and approval requirements for licensees. A request for approval to undertake new activities submitted in compliance with Module BR satisfies the requirement in AU-5.4.1 above, and vice-versa.

<b>MODULE</b>	<b>AU: Authorisation</b>
<b>CHAPTER</b>	<b>AU-5: Information Requirements and Processes</b>

## AU-5.5 Withdrawal of Authorised Status

### *Voluntary Surrender*

**AU-5.5.1** All requests for the voluntary surrender of authorised status are subject to BMA approval. Such requests must be made in writing to the Director of Insurance Supervision, setting out in full the reasons for the request and how the voluntary surrender is to be carried out.

**AU-5.5.2** Insurance licensees must satisfy BMA that their customers' interests are to be safeguarded during and after the proposed voluntary surrender. In the case of insurance firms, the requirements contained in Module GR regarding suspension of business must be satisfied.

**AU-5.5.3** In the case of approved persons, insurance licensees must explain why the person concerned is no longer carrying out a controlled function. In the case of insurance brokers and consultants, the requirements relating to professional indemnity coverage must be observed (see Paragraph GR-10.1.8)

**AU-5.5.4** The BMA will only approve a voluntary surrender where it has no outstanding regulatory concerns and any relevant customers' interests would not be prejudiced. A voluntary surrender will not be accepted where it is aimed at pre-empting supervisory actions by the BMA. In the case of insurance licensees, a voluntary surrender will only take effect once the licensee, in the opinion of the BMA, has discharged all its regulatory responsibilities to customers.

### *Cancellation*

**AU-5.5.5** Cancellation of authorised status requires BMA to issue a formal notice of cancellation to the person concerned. The notice of cancellation must describe the BMA's rationale for the proposed cancellation.

**AU-5.5.6** Failure to meet the relevant conditions contained in Chapters AU-2, AU-3 or AU-4 can lead to cancellation of authorised status by BMA. The BMA generally views cancellation of an authorisation as appropriate only in the most serious of circumstances, and generally tries to address supervisory concerns through other means beforehand. Further guidance is contained in Module EN (Enforcement), regarding BMA's approach to enforcement and on the process for issuing a notice of cancellation and the recipient's right to appeal the notice.

<b>MODULE</b>	<b>AU: Authorisation</b>
<b>CHAPTER</b>	<b>AU-5: Information Requirements and Processes</b>

## **AU-5.5      Withdrawal of Authorised Status (continued)**

### ***Cancellation (continued)***

AU-5.5.7      Normally, where cancellation of a license has been confirmed by BMA, BMA will only effect the cancellation once a licensee has discharged all its regulatory responsibilities to customers. Until such time, BMA will retain all its regulatory powers with regards to the licensee, and will direct the licensee such that no new insurance activity may be undertaken whilst the licensee discharges its obligations to customers.