



# **CBB REPORTING MODULE**



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IFRQ (T)	Insurance Firm Quarterly Return (takaful principles)	04/2009
GIFR	Group Insurance Firm Return	04/2008
<del>IMR</del>	[This return was deleted in April 2012]	04/2012
IBR	Insurance Broker Return	04/2012
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<b>CHAPTER</b>	<b>BR-A:</b>	<b>Introduction</b>

## **BR-A.1      Purpose**

### *Executive Summary*

BR-A.1.1      This Module sets out the Central Bank of Bahrain’s (“CBB”) financial reporting requirements, as well as notifications and CBB prior approvals required from insurance licensees, except for licensees exempted as per Chapter BR-1. This Module also outlines the methods used by the CBB in gathering information required in the supervision of insurance licensees.

### *Legal Basis*

#### **BR-A.1.2**

This Module contains the CBB’s (as amended from time to time) Directive relating to reporting requirements of the CBB 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”). The Directive in this Module is applicable to insurance licensees (including their approved persons).

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



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## **BR-A.2      Module History**

BR-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 is made: UG-3 provides further details on Rulebook maintenance and version control.

BR-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.

BR-A.2.3      A list of recent changes made to this Module is provided below:

<b>Module Ref.</b>	<b>Change Date</b>	<b>Description of Changes</b>
BR-1.1	01/10/05	Corrected reference to Form IFR; Clarified definition of equity basis; amended requirement to have IFR reviewed (instead of audited) by external auditors; amended signatures required for IFR for overseas insurance firms and; added a Paragraph detailing other reporting requirements.
BR-1.2	01/10/05	Amended requirement to have IMR reviewed (instead of audited) by external auditors; amended signatures required for IMR for overseas insurance licensees and; added a Paragraph detailing other reporting requirements.
BR-1.4	01/10/05	Corrected reference to Form IFRQ and amended due date of quarterly return to within 45 days of the relevant quarter year end.
BR-2.2	01/10/05	Added notification requirement for appointed representatives and for reinsurance in excess of 25%.
BR-2.3	01/10/05	Clarified that prior approval for changes in controllers is required for all insurance licensees.
BR-1.1	01/01/06	Clarified that the Insurance Firm Return (IFR) of every insurance firm must be reviewed in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagements. Added a transition period for the submission of the first IFR for the period ending December 31, 2006.
BR-1.2	01/01/06	Clarified that the IMR of every insurance intermediary and insurance manager must be reviewed, in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagements.
BR-1.3	01/01/06	Added a transition period for the submission of the first GIFR for the period ending December 31, 2006.
BR-1.4	01/01/06	Added a transition period for the submission of the first QIFR for the period ending March 31, 2007.



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## **BR-A.2      Module History (continued)**

Module Ref.	Change Date	Description of Changes
BR-1.1	01/04/06	Added the requirement for filing a copy of the external auditor's management letter.
BR-1.2	01/04/06	Added the requirement for filing a copy of the external auditor's management letter.
BR-2.3.22 BR-2.3.23 BR-2.3.29(d)	01/04/06	Corrected cross reference to Module CA and clarified prior approval requirements in the case of insurance contracts with related parties; corrected cross reference to Module AU.
BR-A.1.2	01/2007	New Rule introduced, categorising this Module as a Directive.
BR-1.1.5, 16, 17 and 26 and BR- 1.2.5., 15, 16 and 17	01/2007	Auditor's report (Agreed Upon Procedures) for both the IFR and IMR is to be submitted separately, within four months of the financial year end.
BR-1.1.18	01/2007	Amended details of actuary's certification in line with new format of certificate included as part of the IFR.
BR-1.1.29 and 36 and BR-1.2.20 and 27	01/2007	The management letter issued by the external auditors is to be deposited along with the audited financial statements with every IFR and IMR.
BR-1.4.2	01/2007	Clarified that quarterly reporting requirements do not apply to insurance firms in run-off and to pure reinsurers.
BR-2.3.22	01/2007	Clarified the Rule regarding related party transactions.
BR-1.1.22, 23, 25	10/2007	Reporting requirements for actuarial reports amended as per changes to Chapter AA-4.
BR-1.1.26 and 30	10/2007	Amended number and format of copies of IFR to be submitted to CBB
BR-1.2.17 and 21	10/2007	Amended number and format of copies of IMR to be submitted to CBB
BR-2.3.29	10/2007	Added that CBB prior approval is required for dividend distribution.
BR-2.2.14	04/2009	Added notification requirement for when an approved person ceases to occupy a controlled function.
BR-2.2.8	04/2010	Added conflict of interest in notification requirements.
BR-2.2.11(g)	04/2010	Amended name of bankruptcy legislation.
BR-A.1.2	01/01/11	Clarified legal basis.
BR-1.5	01/2011	Added IIS reporting requirements.
BR-1.5.2	04/2011	Corrected cross reference.
BR-1.5.3	10/2011	Added requirement for submission of complaint handling procedures report.
BR-3.4.1	10/2011	Corrected cross reference.
BR-3.5	10/2011	Added new Section on the Role of the Appointed Expert (Material transferred from EN-2).
BR-1.1.35(a)	04/2011	Corrected cross reference.
BR-1.2	04/2012	Amended to reflect updated requirements for insurance consultant and manager financial reporting.
BR-1.2A	04/2012	New Section added for Insurance Broker return.
BR-1.4A	04/2012	New Section added for semi-annual prudential reporting by insurance brokers.
BR-1.5	04/2012	Added requirement for a report reviewing the insurance broker's compliance with Module CL and other minor corrections.



<b>MODULE</b>	<b>BR:</b>	<b>CBB Reporting</b>
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## **BR-A.2      Module History (continued)**

Module Ref.	Change Date	Description of Changes
BR-3.1.1A and BR- 3.1.1B	04/2012	Added Paragraphs to clarify Rules on power to request information.
BR-3.3.1 and BR-3.4	04/2012	Minor corrections.

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



<b>MODULE</b>	<b>BR:</b>	<b>CBB Reporting</b>
<b>CHAPTER</b>	<b>BR-B:</b>	<b>Scope of Application</b>

## **BR-B.1 Scope**

### **BR-B.1.1**

**The content of this Module – unless otherwise stated – applies to all insurance licensees authorised in the Kingdom, that is insurance firms, insurance intermediaries and insurance managers.**

#### **BR-B.1.2**

The effect of BR-B.1.1 is that this Module, unless otherwise stated, applies in full to all insurance licensees authorised in Bahrain whether or not the insurance licensee is incorporated in an overseas territory and operating through a branch in the Kingdom. In respect of insurance firms, unless otherwise stated, this Module applies in full whether or not the insurance firm is a direct insurer, a reinsurer, or both.

#### **BR-B.1.3**

In this Module, the term ‘in writing’ includes electronic communication capable of being reproduced in paper form.



<b>MODULE</b>	<b>BR:</b>	<b>CBB Reporting</b>
<b>CHAPTER</b>	<b>BR-1:</b>	<b>Prudential Reporting</b>

## **BR-1.1 Insurance Firms - Insurance Firm Return**

**BR-1.1.1**

Insurance firms must prepare and submit to the CBB an Insurance Firm Return for each financial year, within 3 months of the insurance firm's financial year end.

**BR-1.1.2**

The financial year of an insurance firm must be a 12-month period ending on 31 December, except where the firm has obtained the written consent from the CBB for either the period or the period end to be other than 12 months and 31 December respectively. In any event, the financial year can never be less than a 6-month period or greater than an 18-month period.

**BR-1.1.3**

Except in exceptional circumstances and subject to BR-1.1.2, an insurance firm's financial year, for the purposes of preparing the Insurance Firm Return, and the financial year for the purposes of preparing the shareholder accounts, must coincide.

BR-1.1.4

For the purposes of BR-1.1.3, the CBB would usually accept that the financial year end of an overseas insurance firm would be the same as that of the company itself. The only times that the CBB would be likely to consider allowing an insurance firm to adopt a financial period of other than 12 months would be the year in which it is authorised (i.e. a period of less than 12 months) or when the company itself changes its reporting period for the purposes of its shareholder accounts.

### ***Content of the Insurance Firm Return***

**BR-1.1.5**

For every insurance firm who undertakes insurance business, an Insurance Firm Return must be submitted within three months of its financial year end, using the prescribed form IFR from Part B of Volume 3 (Insurance), together with the required Directors' Certificate, and where applicable, Actuary's Certificate and report.

**BR-1.1.6**

For purposes of Paragraph BR-1.1.5, captive insurers are required to submit additional information, as outlined in prescribed Form IFR. This information covers:

- (a) Risk Gap – the degree to which the firm's potential liabilities (under the policy limits) exceed available assets and the resources available to meet this gap; and
- (b) Reinsurance – the firm's providers, limits and claims.



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## **BR-1.1 Insurance Firms - Insurance Firm Return (continued)**

### **BR-1.1.7**

The content of the Insurance Firm Return required to be submitted by an insurance firm in accordance with BR-1.1.5 must be in the format prescribed by the CBB and completed in accordance with any instructions specified by the CBB.

### **BR-1.1.8**

The Insurance Firm Return must be completed by every insurance firm licensed in Bahrain, in the following manner:

- (a) In the case of an insurance firm incorporated in Bahrain the Insurance Firm Return must be completed on an equity basis, (cost of investment plus share of profits and less share of loss and dividends declared) detailing all investments in subsidiaries; or
- (b) In the case of an overseas insurance firm licensed in Bahrain, the Insurance Firm Return must be completed in respect of the insurance business carried out by the overseas insurance firm in Bahrain.

### **BR-1.1.9**

The format of the Insurance Firm Return is included in Part B of the Rulebook as Form IFR, with forms applicable for conventional business, IFR(C) and for takaful business, IFR (T).

#### ***Valuation of Assets and Liabilities***

### **BR-1.1.10**

For the purposes of the Insurance Firm Return, the information submitted must include the amounts as per the audited financial statements, the value or amount given for an asset or a liability of the insurance licensee as determined in accordance with Chapter CA-4, Valuation of Assets and Chapter CA-5, Valuation of Liabilities, as well as the admissibility and counterparty limits of the firm's assets for purposes of calculating the firm's capital available.

### **BR-1.1.11**

The valuation of liabilities in respect of long-term insurance business must be made on a basis not less stringent than the minimum basis specified in Chapter CA-5. Should this long-term business relate to a jurisdiction other than Bahrain, the valuation basis adopted must be the more stringent of:

- (a) The basis specified in Chapter CA-5; and
- (b) The basis required by the law of that other jurisdiction for regulatory purposes.



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## **BR-1.1 Insurance Firms - Insurance Firm Return (continued)**

### *Directors' Certificate*

#### **BR-1.1.12**

The Board of the insurance firm submitting the Insurance Firm Return must make and annex as part of the document referred to in BR-1.1.1 a Directors' Certificate, in the format prescribed by the CBB.

#### BR-1.1.13

The certificate referred to in Paragraph BR-1.1.12 will vary in its contents, according to the type of insurance firm (general, long-term or composite). The format of the Directors' Certificate is included as part of the IFR.

### *Audit and Auditor's Report*

#### **BR-1.1.14**

The Insurance Firm Return (IFR) of every insurance firm must be reviewed in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagements. The review must certify that the information provided in the IFR is in agreement with the books and records of the company and its audited financial statements.

#### **BR-1.1.15**

The Insurance Firm Return must be reviewed by the firm's external auditor, appointed in accordance with Module AA, or by other qualified persons as directed by the CBB.

#### **BR-1.1.16**

The insurance firm must provide to the CBB within four months of the financial year end, an auditor's report, in the format prescribed by the CBB, stating the auditor's opinion on the matters identified in this Module.

#### BR-1.1.17

The format of the Auditor's Report is included in Part B of the Rulebook, as part of the Supplementary Information.

### *Actuary's Certification*

#### **BR-1.1.18**

An actuary's certification is included as part of the IFR. The certification must be in the format prescribed by the CBB and signed by the actuary. It must state that, in his opinion, the actuary has satisfied himself as to the accuracy of the valuations made for the purposes of the investigation and as to their adequacy to meet the obligations of the insurance firm and the financial statements fairly present the results of the valuation. In addition, the actuary will have verified the consistency of the valuation data with the insurance firm's financial records.

#### BR-1.1.19

The format of the Actuary's Certification is included as part of the IFR.



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## **BR-1.1 Insurance Firms - Insurance Firm Return (continued)**

### **BR-1.1.20**

The actuary must also disclose and quantify in his certification the effect on his valuations of any material event that occurs after the valuation date.

### **BR-1.1.21**

The Actuary's Certificate must be submitted every year where an Actuary's Report must be submitted in accordance with Chapter AA-4.

#### *Actuary's Report for Long-Term Insurance*

### **BR-1.1.22**

As required under Paragraph AA-4.3.1, an insurance firm authorised to write long-term insurance business must commission each financial year an actuarial evaluation and must submit to the CBB an abstract of the actuary's report as prescribed in Paragraph BR-1.1.23.

### **BR-1.1.23**

An abstract of the actuary's report must be submitted in the prescribed form in compliance with the Valuations of Liabilities rules outlined in Chapter CA-5. The abstract must be signed by the actuary, recognised by the CBB in accordance with Chapter AA-4.

### **BR-1.1.24**

The abstract must include:

- A summary and valuation of the policies; and
- A valuation result and the actuary's opinion of the surplus available for distribution, for each of the separate funds maintained by the insurance firm.

#### *Actuary's Report for General Insurance*

### **BR-1.1.25**

An insurance firm authorised to write general insurance business must submit to the CBB an actuary's report prepared pursuant to Paragraphs AA-4.1.4.

#### *Preparation and Deposit of the Insurance Firm Return*

### **BR-1.1.26**

Every Insurance Firm Return, including the Directors' Certificate required under Paragraph BR-1.1.12, the Actuary's Certificate made pursuant to Paragraph BR-1.1.18 and any report made by the actuary pursuant to Paragraph 1.1.22 and 1.1.25 must be deposited with the CBB within 3 months of the financial year end. One electronic copy of the IFR and one hard copy (with appropriate signatures required) of the IFR must be submitted to the CBB.



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## **BR-1.1 Insurance Firms - Insurance Firm Return (continued)**

**BR-1.1.27**

If the CBB notifies the insurance firm that a document deposited under Paragraph BR-1.1.26 appears to be inaccurate or incomplete, the insurance firm must consider the matter and within one month of the CBB notification, it must correct any inaccuracies and make good any omissions and submit the amended parts of the Insurance Firm Return.

**BR-1.1.28**

The external auditor and actuary must consider the impact on their report of any amendment referred to in Paragraph BR-1.1.27, and withdraw and correct their original report based on the revised information.

**BR-1.1.29**

The audited financial statements submitted to the shareholders and policyholders (or participants, in the case of takaful companies) of the insurance firm and the management letter issued by the external auditor must be deposited with every Insurance Firm Return in respect of the financial year to which the Insurance Firm Return relates.

**BR-1.1.30**

The hard copy of the Insurance Firm Return must be signed by at least two of the Bahraini insurance firm's Directors on behalf of the Board of Directors. One of those two Directors signing the Insurance Firm Return must be the Chairman of the insurance firm and the other must be formally authorised by the Board of Directors to sign on its behalf.

**BR-1.1.31**

In the case of overseas insurance firms, the General Manager as defined under Section HC-3.1 and an authorised member of the Board of Directors of the company itself must sign the Insurance Firm Return of the overseas insurance firm licensed in the Kingdom.

### ***Public Disclosure***

BR-1.1.32

While certain information related to insurance firms is subject to public disclosure as prescribed by Module PD, the Insurance Firm Return is not a public document and as such will not, unless otherwise provided in the CBB's Rulebook, be disclosed to third parties by the CBB without the insurance firm's consent.

BR-1.1.33

Whilst the Insurance Firm Return is not a public document, the CBB may from time to time publish aggregate information derived from the Insurance Firm Return relating to classes of insurance firms and the Bahrain insurance industry as a whole.



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## **BR-1.1 Insurance Firms - Insurance Firm Return (continued)**

BR-1.1.34 Whilst the Insurance Firm Return is not a public document, as per Paragraph BR-1.1.32 insurance firms are not prevented from providing complete copies (including all relevant certifications and reports) to third parties.

### *Other Reporting Requirements*

**BR-1.1.35**

The IFR Form also includes other reporting requirements found throughout Volume 3 (Insurance), including:

- (a) Directors' High-Level Control Certificate (HC-1.11.3); and
- (b) Report on close links (GR-6.2.1).

**BR-1.1.36**

All insurance firms must submit a copy of the external auditor's management letter no later than three months of the insurance firm's financial year end.

### *Transition Period*

BR-1.1.37

The first Insurance Firm Return (IFR) for both conventional and takaful insurance firms, required under Section BR-1.1, must be submitted to the CBB for the financial year ending 31 December 2006 (refer to ES-2.7.1).



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## **BR-1.2 Insurance Consultants and Managers Financial Reporting –**

### **BR-1.2.1**

Insurance consultants and insurance managers must submit to the CBB the audited financial statements for each financial year, within 3 months of the insurance consultant's and insurance manager's financial year end.

### **BR-1.2.2**

The financial year of an insurance consultant or an insurance manager must be a 12-month period ending on 31 December except where the firm has obtained the written consent from the CBB for either the period or the period end to be other than 12 months and 31 December respectively. In any event, the financial year can never be less than a 6-month period or greater than an 18-month period.

### **BR-1.2.3**

**[This Paragraph was deleted in April 2012].**

### **BR-1.2.4**

For the purposes of BR-1.2.2, the CBB would usually accept that the financial year end of an overseas insurance licensee would be the same as that of the company itself. The only times that the CBB would be likely to consider allowing an insurance consultant or insurance manager to adopt a financial period of other than 12 months would be the year in which it is authorised (i.e. a period of less than 12 months) or when the company itself changes its reporting period for the purposes of its shareholder accounts.

**[Paragraphs BR-1.2.5 to 1.2.27 were deleted in April 2012 as insurance consultants and insurance managers are no longer required to file form IMR nor subject to other reporting requirements, other than those referred to in Paragraph BR-1.2.1].**



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## **BR-1.2A Insurance Brokers – Insurance Broker Return**

**BR-1.2A.1** Insurance brokers must prepare and submit to the CBB an Insurance Broker Return (Form IBR) for each financial year, within 2 months of the insurance broker's financial year end.

**BR-1.2A.2** The first annual return (IBR) for insurance brokers is to be submitted to the CBB for the annual period ending 31<sup>st</sup> December 2012 (refer to ES-2.7.4).

**BR-1.2A.3** The financial year of an insurance broker must be a 12-month period ending on 31 December, except where the licensee has obtained the written consent from the CBB for either the period or the period end to be other than 12 months and 31 December respectively. In any event, the financial year can never be less than a 6-month period or greater than an 18-month period.

**BR-1.2A.4** Except in exceptional circumstances and subject to Paragraph BR-1.2A.3, an insurance broker's financial year, for the purposes of preparing the Insurance Broker Return, and the financial year for the purposes of preparing the shareholder accounts, must coincide.

**BR-1.2A.5** For the purposes of Paragraph BR-1.2A.4, the CBB would usually accept that the financial year end of an overseas insurance broker would be the same as that of the company itself. The only times that the CBB would be likely to consider allowing an insurance broker to adopt a financial period of other than 12 months would be the year in which it is authorised (i.e. a period of less than 12 months) or when the company itself changes its reporting period for the purposes of its shareholder accounts.

### ***Content of the Insurance Broker Return***

**BR-1.2A.6** For every insurance broker who undertakes the broking of insurance contracts as defined under Paragraph AU-1.4.10, an Insurance Broker Return must be submitted within two months of its financial year end, using the prescribed form IBR from Part B of Volume 3 (Insurance), together with the required Directors' Certificate.

**BR-1.2A.7** The content of the IBR required to be submitted by an insurance broker in accordance with Paragraph BR-1.2A.6 must be in the format prescribed by the CBB and completed in accordance with any instructions specified by the CBB.



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## **BR-1.2A Insurance Brokers – Insurance Broker Return (continued)**

**BR-1.2A.8** The IBR must be completed by every insurance broker licensed in Bahrain, in the following manner:

- (a) In the case of an insurance broker incorporated in Bahrain, the IBR must be completed on an equity basis, detailing all investments in subsidiaries; or
- (b) In the case of an overseas insurance licensee, the IBR must be completed in respect of the activities carried out by the overseas insurance licensee in Bahrain.

**BR-1.2A.9** The format of the IBR is included in Part B of the Rulebook as Form IBR.

### ***Valuation of Assets and Liabilities***

**BR-1.2A.10** For the purposes of the IBR, the value or amount given for an asset or a liability of the insurance licensee must be the value or amount of that asset or a liability as determined in accordance with generally accepted accounting principles applicable in the Kingdom and in compliance with any requirements from the Ministry of Industry and Commerce, and where applicable, with CBB requirements.

### ***Directors' Certificate***

**BR-1.2A.11** The Board of the insurance broker submitting the IBR must include as part of the document referred to in Paragraph **BR-1.2A.1** a Directors' Certificate, in the format prescribed by the CBB.

**BR-1.2A.12** Insurance brokers whose legal status as allowed under Section AU-2.1 is that of a Bahraini single person company registered with the Ministry of Commerce, are exempted from the requirements of Paragraph **BR-1.2A.11**.

**BR-1.2A.13** The format of the Director's Certificate is included as part of the IBR in Part B of the Rulebook.



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## **BR-1.2A Insurance Brokers – Insurance Broker Return (continued)**

### ***Audit and Auditor's Report***

**BR-1.2A.14** The IBR of every insurance broker must be reviewed, in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagements. The review must certify that the information provided in the IBR is in agreement with the books and records of the licensee and its audited financial statements.

**BR-1.2A.15** The IBR must be reviewed by the licensee's external auditor, appointed in accordance with Module AA, or by other qualified persons as directed by the CBB.

**BR-1.2A.16** The insurance licensee must provide to the CBB, within three months of the financial year end, an auditor's report, in the format prescribed by the CBB, stating the auditor's opinion on the matters identified in this Module.

**BR-1.2A.17** The format of the Auditor's Report is included in Part B of the Rulebook as Appendix BR-(ii), as part of the Supplementary Information.

### ***Preparation and Deposit of the IBR***

**BR-1.2A.18** Every IBR, including the Directors' Certificate required under Paragraph BR-1.2A.11, must be deposited with the CBB within 3 months of the financial year end. One electronic copy of the IBR and one hard copy (with appropriate signatures required) of the IBR must be submitted to the CBB.

**BR-1.2A.19** If the CBB notifies the insurance licensee that a document deposited under Paragraph BR-1.2A.18 appears to be inaccurate or incomplete, the insurance licensee must consider the matter and within one month of the CBB notification it must correct any inaccuracies and make good any omissions and submit the amended parts of the IBR.

**BR-1.2A.20** The external auditor must consider the impact on his report of any amendment referred to in Paragraph BR-1.2A.19, and withdraw and correct his original report based on the revised information.



<b>MODULE</b>	<b>BR:</b>	<b>CBB Reporting</b>
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## **BR-1.2A Insurance Brokers – Insurance Broker Return (continued)**

**BR-1.2A.21** The hard copy of the IBR must be signed by at least two of the Bahraini insurance licensee's Directors on behalf of the Board of Directors. One of those two Directors signing the IBR must be the Chairman of the insurance licensee and the other must be formally authorised by the Board of Directors to sign on its behalf.

**BR-1.2A.22** In the case of overseas insurance licensees, the General Manager as defined under Paragraph AU-1.2.9 and an authorised member of the Board of Directors of the company itself must sign the IBR of the overseas insurance licensee in the Kingdom.

### *Submission of Audited Financial Statements and Management Letter*

**BR-1.2A.23** The audited financial statements submitted to the shareholders of the insurance licensee and the management letter issued by the external auditor must be submitted to the CBB no later than three months following the insurance broker's financial year end.

### *Public Disclosure*

**BR-1.2A.24** The IBR is not a public document and as such will not, unless otherwise provided in the CBB's Rulebook, be disclosed to third parties by the CBB without the insurance licensee's consent.

**BR-1.2A.25** Whilst the IBR is not a public document, the CBB may from time to time publish aggregate information derived from IBR relating to the classes of licensees and the Bahrain insurance industry as a whole.

**BR-1.2A.26** Whilst the IBR is not a public document, as per Paragraph BR-1.2A.24, insurance brokers are not prevented from providing complete copies (including all relevant certifications and reports) to third parties.

### *Other Reporting Requirements*

**BR-1.2A.27** The IBR Form also includes other reporting requirements found throughout Volume 3 (Insurance), including:

- (a) Directors' High-Level Control Certificate (HC-1.11.3); and
- (b) Report on close links (GR-6.2.1).



<b>MODULE</b>	<b>BR:</b>	<b>CBB Reporting</b>
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## **BR-1.3      Group Financial Reporting**

### *Group Insurance Firm Return*

**BR-1.3.1**

Group financial reporting is required for the following insurance firms:

- (a) Overseas insurance firms; and
- (b) Bahraini insurance firms that are part of a group.

**BR-1.3.2**

Captive insurers are exempt from submitting a Group Insurance Firm Return.

BR-1.3.3

Group financial reporting is required in order for the CBB to better assess the financial condition of the group as a whole and the possible impact this may have on the operations of the Bahraini insurance firm.

**BR-1.3.4**

For those insurance firms referred to in Paragraph BR-1.3.1 that are required to submit an Insurance Firm Return they must prepare and submit to the CBB a Group Insurance Firm Return in respect of the ultimate parent undertaking for each financial year.

**BR-1.3.5**

The financial year for the purposes of Paragraph BR-1.3.4 must coincide with that of the ultimate parent undertaking. In instances where the financial year end of the parent undertaking is other than 31 December, the insurance licensee must provide written notification to the CBB, within three months of 31 December detailing the financial year end of the parent undertaking.

**BR-1.3.6**

For the purposes of this Chapter, the ultimate parent undertaking means (in relation to an insurance firm) the highest parent insurance undertaking of the insurance firm or the holding company whose predominant investment are shares of the insurance firm(s) (wherever established) that is not itself the subsidiary of another undertaking.

**BR-1.3.7**

The Group Insurance Firm Return must be submitted to the CBB within 6 months of the relevant parent undertaking's financial year end, using the prescribed form GIFR from Part B of Volume 3 (Insurance).

**BR-1.3.8**

For purposes of Paragraph BR-1.3.7, the Group Insurance Firm Return must contain consolidated information extracted from the consolidated financial statements prepared in respect of the relevant parent undertaking and its subsidiaries as a whole, that carry on regulated insurance services as defined in accordance with Section AU-1.4.



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### **BR-1.3      Group Financial Reporting (continued)**

BR-1.3.9      Insurance firms may also need to provide to the CBB information for the purposes of monitoring Group Solvency as required in Chapter CA-7, in addition to the requirements of Section BR-1.3.

BR-1.3.10      The first Group Insurance Firm Return (GIFR) for insurance firms, required under Section BR-1.3, must be submitted to the CBB for the financial year ending 31 December 2006 (refer to ES-2.7.2).



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## **BR-1.4      Quarterly Financial Reporting**

### **BR-1.4.1**

Except as provided for under Paragraph BR-1.4.2, every insurance firm required to submit an Insurance Firm Return must prepare and submit to the CBB selected Sections of the Insurance Firm Return for each quarter ending 3, 6 and 9 months after its financial year end, except where the written consent of the CBB has been obtained to modify the length of these quarters.

### BR-1.4.2

This Chapter does not apply to captive insurers in recognition of the structure of these licensees and limited exposure to policyholders. Insurance firms who are in run-off and whose license is restricted from entering into new contracts of insurance as per Paragraph GR-8.1.8, are grandfathered and not required to apply the requirements of Paragraph BR-1.4.1. In addition, insurance firms whose business is limited to reinsurance are not required to apply the requirements of Paragraph BR-1.4.1.

### BR-1.4.3

The format of the information required to be submitted on a quarterly basis is included in Part B of Volume 3 (Insurance) of the Rulebook, as Insurance Firm Quarterly Return (IFRQ).

### **BR-1.4.4**

For the purposes of BR-1.4.1 the financial year end will be the year end as determined for the purposes of the preparation and submission of the Insurance Firm Return (Form IFR) required under Chapter BR-1.1 of this Module.

### BR-1.4.5

The circumstances where the CBB will consider requests to modify BR-1.4.1 are equivalent to those set out in BR-1.1.

### **BR-1.4.6**

**Quarterly financial reporting** consists of such parts of the Insurance Firm Return as may be specified by the CBB and must be completed in accordance with the rules, formats and instructions applicable to those parts that apply to the Insurance Firm Return.

### **BR-1.4.7**

**Quarterly financial reporting** must be submitted to the CBB within 45 calendar days of the relevant quarter end.

### BR-1.4.8

The first quarterly return (IFRQ) for insurance firms must be submitted to the CBB for the quarter ending 31 March 2007 (refer to ES-2.7.3).



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### **BR-1.4A Semi-annual Prudential Reporting by Insurance Brokers**

**BR-1.4A.1** Every insurance broker required to submit an Insurance Broker Return under Section BR-1.2A, must prepare and submit to the CBB selected Sections of the Insurance Broker Return semi-annually 6 months after its financial year end.

**BR-1.4A.2** The first semi-annual return (IBRS) for insurance brokers is to be submitted to the CBB for the semi-annual period ending 30<sup>th</sup> June 2012 (refer to ES-2.7.5).

**BR-1.4A.3** The format of the information required to be submitted on a semi-annual basis is included in Part B of Volume 3 (Insurance) of the Rulebook, as Insurance Broker Semi-Annual Return (IBRS).

**BR-1.4A.4** For the purposes of BR-1.4A.1, the financial year end will be the year end as determined for the purposes of the preparation and submission of the Insurance Broker Return (Form IBR) required under Section BR-1.2A of this Module.

**BR-1.4A.5** Semi-annual financial reporting consists of such parts of the Insurance Broker Return as may be specified by the CBB and must be completed in accordance with the rules, formats and instructions applicable to those parts that apply to the Insurance Broker Return or as specified by the CBB.

**BR-1.4A.6** Semi-annual financial reporting must be submitted to the CBB within 2 months of the end of semi-annual period, by 31<sup>st</sup> August.



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## **BR-1.5 Other Reporting Requirements**

### ***IIS Reporting Requirements***

#### **BR-1.5.1**

Insurance licensees, registered actuaries and loss adjusters are required to complete online non-financial information related to their institution by accessing the CBB's institutional information system (IIS). Insurance licensees registered actuaries and loss adjusters must update the required information at least on a quarterly basis or when a significant change occurs in the non-financial information included in the IIS. If no information has changed during the quarter, the insurance licensees, registered actuaries and loss adjusters must still access the IIS quarterly and confirm that the information contained in the IIS is correct.

#### BR-1.5.2

Insurance licensees, registered actuaries and loss adjusters failing to comply with the requirements of Paragraph BR-1.5.1 or reporting inaccurate information may be subject to financial penalties or other enforcement actions as outlined in Module (EN) Enforcement.

### ***Complaint Handling Procedures Report***

#### **BR-1.5.3**

Insurance licensees must submit quarterly to the CBB's Compliance Directorate a report summarising the outcome of their complaint handling procedures in accordance with the requirements of Paragraph BC-4.7.1.

### ***Compliance with Module CL (Client Assets)***

#### **BR-1.5.4**

Every insurance broker must submit to the CBB within three months from the financial year-end, a report as to the quality of the insurance broker's procedures dealing with the insurance broker's fiduciary assets/liabilities and compliance with Module CL (Client Assets).

#### **BR-1.5.5**

The report required under Paragraph BR-1.5.4 must be prepared by the licensee's external auditor, in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagements.

#### BR-1.5.6

The format of the Auditor's Report required under Paragraph BR-1.5.4 is included in Part B of the Rulebook as Appendix BR-(iv), as part of the Supplementary Information.



<b>MODULE</b>	<b>BR:</b>	<b>CBB Reporting</b>
<b>CHAPTER</b>	<b>BR-2:</b>	<b>Notifications and Approvals</b>

## **BR-2.1      Introduction**

BR-2.1.1      Insurance licensees are required to provide the CBB with a wide range of information to enable it to meet its responsibilities for monitoring the insurance licensee's compliance with requirements imposed by or under the CBB Law. Some of this information is provided through regular reports, whereas others are in response to the occurrence of a particular event such as a change in name or address. The following sets out several of the commonly occurring reports for which an insurance licensee will be required to notify the CBB or seek its approval.

**BR-2.1.2**      All notifications and approvals required in this Chapter are to be submitted by insurance licensees in writing.



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## **BR-2.2 Notification Requirements**

### *Matters Having a Serious Supervisory Impact*

#### **BR-2.2.1**

An insurance licensee must provide written notification to the CBB immediately it becomes aware, or has information which reasonably suggests, that any of the following has occurred, may have occurred or may occur in the foreseeable future:

- (a) The insurance licensee failing to satisfy one or more of the Principles of Business referred to in Module PB;
- (b) Any matter which could have a significant adverse impact on the insurance licensee's reputation;
- (c) Any matter which could affect the insurance licensee's ability to continue to provide adequate services to its customers and which could result in serious detriment to a customer of the insurance licensee; or
- (d) Any matter in respect of the insurance licensee that could result in serious financial consequences to the financial system or to other insurance licensees.

#### BR-2.2.2

The circumstances that may give rise to any of the events in Paragraph BR-2.2.1 are wide-ranging and the probability of any matter resulting in such an outcome, and the severity of the outcome, may be difficult to determine. However, the CBB expects insurance licensees to consider properly all potential consequences of events.

#### BR-2.2.3

In determining whether an event that may occur in the foreseeable future should be notified to the CBB, an insurance licensee should consider both the probability of the event happening and the severity of the outcome should it happen. Matters having a supervisory impact could also include matters relating to a parent undertaking or controller that may indirectly have an effect on the insurance licensee.

### *Breaches of Rules and Other Requirements*

#### **BR-2.2.4**

An insurance licensee must notify the CBB of:

- (a) A significant breach of any provision of the Rulebook (including a Principle);
- (b) A breach of any requirement imposed by the relevant law or by Regulations or an order made under any relevant law by the CBB; or
- (c) The bringing of a prosecution for, or conviction of, any offence under any relevant law against the insurance licensee that would prevent the insurance licensee from meeting the Principles of Business (Module PB) or any of its Directors, officers, approved persons, or appointed representatives from meeting the fit and proper requirements of Module AU.



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## BR-2.2 Notification Requirements (continued)

### BR-2.2.5

An insurance licensee must make the notification in Paragraph BR-2.2.4 immediately it becomes aware, or has information which reasonably suggests, that any of the matters in Paragraph BR-2.2.4 has occurred, may have occurred or may occur in the foreseeable future (refer also to Paragraph EN-8.2.3).

*Legal, Professional, Administrative or other Proceedings Against an Insurance Licensee*

### BR-2.2.6

An insurance licensee must notify the CBB immediately of any legal, professional or administrative or other proceedings instituted against the insurance licensee, controller or a close link including a parent undertaking of the insurance licensee that is known to the insurance licensee and is significant in relation to the insurance licensee's financial resources or its reputation.

### BR-2.2.7

The requirement imposed on insurance licensees under Paragraph BR-2.2.6 applies whether the event relates to a matter that has occurred in Bahrain or in any other jurisdiction.

*Fraud, Errors and other Irregularities*

### BR-2.2.8

An insurance licensee must notify the CBB immediately if one of the following events arises and the event is significant:

- (a) It becomes aware that an employee may have committed a fraud against one of its customers;
- (b) It becomes aware that a person, whether or not employed by it, is acting with intent to commit fraud against it;
- (c) It identifies irregularities in its accounting or other records, whether or not there is evidence of fraud;
- (d) It suspects that one of its employees may be guilty of serious misconduct concerning his honesty or integrity and which is connected with the insurance licensee's regulated or ancillary activities; or
- (e) Conflicts of interest.



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<b>CHAPTER</b>	<b>BR-2:</b>	<b>Notifications and Approvals</b>

## **BR-2.2 Notification Requirements (continued)**

### *Meaning of the term 'significant'*

BR-2.2.9 For the purposes of this Chapter, in determining whether a matter is significant, an insurance licensee should have regard to:

- The size of any monetary loss or potential monetary loss to itself or its customers (either in terms of a single incident or group of similar or related incidents);
- The risk of reputational loss to the insurance licensee; and
- Whether the incident or a pattern of incidents reflects weaknesses in the insurance licensee's internal controls.

BR-2.2.10 In addition, if the insurance licensee may have suffered significant financial losses as a result of the incident, or may suffer reputational loss, the CBB will wish to consider this and whether the incident suggests weaknesses in the insurance licensee's internal controls.

### *Insolvency, Bankruptcy and Winding Up*

#### **BR-2.2.11**

Except in instances where the CBB has initiated the following actions, an insurance licensee must notify the CBB immediately of any of the following events:

- The calling of a meeting to consider a resolution for winding up the insurance licensee, a controller or close link, including a parent undertaking of the insurance licensee;
- An application to dissolve the insurance licensee, a controller or close link, including a parent undertaking of the insurance licensee or to strike the insurance licensee off the Register of Insurance Companies;
- The presentation of a petition for the winding up of the insurance licensee, a controller or close link, including a parent undertaking of the insurance licensee;
- The making of any proposals for the making of a composition or arrangement with any one or more of the insurance licensee's creditors;
- An application for the appointment of an administrator or trustee in bankruptcy to the insurance licensee, a controller or close link, including a parent undertaking of the insurance licensee;
- The appointment of a receiver to the insurance licensee, a controller or close link, including a parent undertaking of the insurance licensee (whether an administrative receiver or a receiver appointed over particular property); or



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## **BR-2.2 Notification Requirements (continued)**

(g) An application for an interim order against the insurance licensee, a controller or close link, including a parent undertaking of the insurance licensee under the Bankruptcy and Composition Law, Decree Law No (11), 1987 or similar legislation in another jurisdiction.

### *Other Supervisors*

#### **BR-2.2.12**

An insurance licensee must notify the CBB immediately if it becomes subject to or ceases to be subject to the supervision of any overseas supervisor (including a home supervisor).

#### BR-2.2.13

The supervisory regime and any legislative or foreign provisions to which the insurance licensee, including its branches, is subject, influence the CBB's approach to the supervision of the insurance licensee.

### *Other Notifications*

#### **BR-2.2.14**

An insurance licensee must notify the CBB of the following:

- (a) Removal or resignation of auditors (ref. AA-1.2.1);
- (b) Change in audit partner (ref. AA-1.3.2);
- (c) Removal or resignation of the actuary (ref. AA-4.4.1);
- (d) Appointment of appointed representatives, variations in terms of appointment and cancellations of appointment (ref. GR-9.1.13);
- (e) Reinsurance exposure in excess of 25% limit (ref. RM-2.1.7); and
- (f) When an approved person ceases to hold a controlled function (ref AU-5.2.6).



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## **BR-2.3 Approval Requirements**

### *Change in Name*

#### **BR-2.3.1**

In accordance with Paragraph GR-2.1.1, an insurance licensee must seek prior written approval from the CBB and give reasonable advance notice of a change in:

- (a) The insurance licensee's name (which is the registered name if the insurance licensee is a body corporate); or
- (b) Any business name under which the insurance licensee carries on a regulated activity or ancillary activity from an establishment in Bahrain.

#### **BR-2.3.2**

A notification under Paragraph BR-2.3.1 must include the details of the proposed new name and the date on which the insurance licensee intends to implement the change of name.

### *Change of Address*

#### **BR-2.3.3**

An insurance licensee must seek approval from the CBB and give reasonable advance notice of a change in any of the following addresses:

- (a) The insurance licensee's principal place of business in Bahrain; or
- (b) In the case of an overseas insurance licensee, its registered office (or head office) address.

#### **BR-2.3.4**

A notification under Paragraph BR-2.3.3 must include the details of the proposed new address and the date on which the insurance licensee intends to implement the change of address.

### *Change in Legal Status*

#### **BR-2.3.5**

An insurance licensee must seek CBB approval and give reasonable advance notice of a change in its legal status that may, in any way, affect its relationship with or limit its liability to its policyholders or customers.

### *Business Transfer*

#### **BR-2.3.6**

In accordance with Chapter GR-4, an insurance licensee must seek prior written approval from the CBB before transferring to a third party all or a significant portion of all its rights and obligations under contracts of insurance that it has underwritten or provided to policyholders.



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## **BR-2.3 Approval Requirements (continued)**

### *Controller and Close Links*

#### **BR-2.3.7**

In accordance with Section GR-5.1, an insurance licensee must seek CBB approval and give reasonable advance notice of any of the following events concerning the insurance licensee:

- (a) A person acquiring control or ceasing to have control;
- (b) An existing controller acquiring an additional type of control (such as ownership or significant influence) or ceasing to have a type of control;
- (c) An existing controller increasing or decreasing a type of control which he already has so that the percentage of shares or voting power concerned becomes or ceases to be equal to or greater than 20 or 50; or
- (d) An existing controller becoming or ceasing to be a parent undertaking.

#### BR-2.3.8

As part of the CBB's function of monitoring an insurance licensee's continuing satisfaction of the Principles of Business, the CBB needs to consider the impact of any significant change in the circumstances of one or more of its controllers, for example: changes in their financial standing; changes in respect of their corporate controllers; and changes in their governing bodies. Consequently, the CBB needs to know if there are any such changes.

#### BR-2.3.9

Every insurance licensee authorised in Bahrain is required to submit an annual report on its controllers, as per Paragraph GR-5.1.7, and close links as set out in Paragraph GR-6.1.3.

#### **BR-2.3.10**

An overseas insurance licensee must seek CBB approval and give reasonable advance notice of any of the following events concerning the overseas insurance licensee:

- (a) A person acquiring control or ceasing to have control; and
- (b) An existing controller becoming or ceasing to be a parent undertaking.

#### BR-2.3.11

If there is uncertainty whether a particular relationship constitutes control, it may be appropriate for the insurance licensee or controller or proposed controller to ask the CBB for guidance and to obtain its own legal advice.



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## **BR-2.3 Approval Requirements (continued)**

### **BR-2.3.12**

In accordance with Paragraph GR-6.1.3, an insurance licensee must submit within 3 months of its financial year end, a report on its close links. This report must identify all undertakings closely linked to the licensee, as defined in Section GR-6.2. In addition, where at any time requested by the CBB, insurance licensees must provide information on undertakings with which they are closely linked.

### BR-2.3.13

Insurance licensees must satisfy the requirements of Paragraph GR-6.1.3 by submitting a corporate structure chart, identifying all undertakings closely linked to the licensee.

#### *Carrying out Business in Another Jurisdiction*

### **BR-2.3.14**

An insurance licensee must seek CBB approval and give three months notice of its intention to undertake insurance business in a jurisdiction other than Bahrain, or in the case of an overseas company licensed in Bahrain, a jurisdiction other than Bahrain and its country of incorporation or establishment, prior to commencing that business and where the effect of commencing that business may have a significant impact on:

- (a) The insurance licensee's business in Bahrain; or
- (b) The capital resources, required solvency margin or Bahrain required solvency margin (whichever applies) of the insurance licensee.

This requirement applies whether or not the insurance licensee is required to be regulated locally in the jurisdiction where it proposes to undertake insurance business.

### BR-2.3.15

In the case of an insurance licensee incorporated in Bahrain, the CBB will use this information to consider whether or not it should object to or impose additional requirements on the licensee. In the case of an overseas insurance licensee, the CBB would normally expect that were such action deemed necessary that it would be taken by the company's home supervisor and not the CBB.

### BR-2.3.16

Insurance licensees are reminded that with limited exceptions (refer Section AU-1.1.10) that 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. 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 CBB to establish the transitional rules in relation to this prohibited activity.



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<b>CHAPTER</b>	<b>BR-2:</b>	<b>Notifications and Approvals</b>

## **BR-2.3 Approval Requirements (continued)**

### *Mergers, Acquisitions, Disposals and Establishment of New Subsidiaries*

**BR-2.3.17**

An insurance licensee incorporated in Bahrain must seek CBB approval and give reasonable advance notice of its intention to enter into a:

- (a) Merger with another undertaking; or
- (b) A proposed acquisition, disposal or establishment of a new subsidiary,

whether or not the proposed merger, acquisition, disposal or establishment of a new subsidiary is to take place in Bahrain or another jurisdiction.

BR-2.3.18

Bahraini insurance licensees will in addition to this approval requirement need to consider the implications of a merger, acquisition, disposal or establishment of a new subsidiary in the context of the controllers and close links Rules set out in Module GR. Where an insurance licensee proposes to enter into a merger, the CBB would ordinarily expect to be notified in the context of the controller notification requirements set out in Module GR and Paragraph BR-2.3.17.

BR-2.3.19

Overseas insurance licensees, whilst not having to give advance notice of a proposed merger with another undertaking, a proposed acquisition, disposal or establishment of a new subsidiary under Paragraph BR-2.3.17, will still need to consider the implications of such transactions in the context of the controllers and close links rules set out in Module GR. Where an overseas insurance licensee proposes to enter into a merger, the CBB would ordinarily expect to be notified in the context of the controller notification requirements set out in Module GR and Paragraph BR-2.3.16.

### *New or Additional Premises*

**BR-2.3.20**

An insurance licensee must seek prior approval from the CBB of its intention to carry on its business from new or additional premises in Bahrain. This requirement applies whether or not the premises are to be used for the purposes of transacting business with policyholders or customers, administration of the business or as the head office in Bahrain of the insurance licensee.



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## **BR-2.3 Approval Requirements (continued)**

BR-2.3.21 Insurance licensees are not required to notify the CBB of premises where business on behalf of the insurance licensee is carried out by appointed representatives of the insurance licensee. However, the CBB expects the insurance licensee to maintain a record of all such premises and to be able to produce that record should it be requested by the CBB.

### *Transactions with Related Parties*

**BR-2.3.22** An insurance firm that is not a captive insurer must obtain the prior approval of the CBB of any proposed transaction with a related party (a related party transaction) where the fair value of that related party transaction exceeds 10 per cent, or where several smaller transactions that appear to be linked fall above this threshold, of the insurance firm's capital available, as defined in Paragraph CA-1.2.21.

BR-2.3.23 In the case of insurance contracts, for purposes of Paragraph BR-2.3.22, prior approval of the CBB is required where the sum insured under the insurance contract exceeds 10 per cent of the insurance firm's capital available.

**BR-2.3.24** For the purposes of this Section, 'fair value' is the market value being the amount that would be paid or received in a transaction between a willing buyer and a willing seller that are themselves not related parties.

**BR-2.3.25** The only exceptions to Paragraph BR-2.3.22 are:

- (a) In the case of an overseas insurance firm, Paragraph BR-2.3.22 applies only in relation to transactions initiated or made on behalf of the overseas insurance firm or with an approved person of the overseas insurance firm; or
- (b) Where the related party transaction is one involving the effecting or carrying out of a contract of insurance and that transaction is on terms no more favourable than those that would apply were the transacting parties not related parties.

**BR-2.3.26** For the purpose of this Section, a related party of an insurance firm includes:

- (a) A controller of the insurance firm as defined in Module GR;
- (b) A close link of the insurance firm as defined in Module GR;
- (c) An associate of a controller as defined in Module GR;
- (d) The extended family of a controller including a father, mother, father-in-law, mother-in-law, brother, sister, brother-in-law, sister-in-law, or grandparent; and



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## **BR-2.3 Approval Requirements (continued)**

(e) A corporate entity, whether or not licensed or incorporated in Bahrain, where any of the persons identified in Sub-Paragraphs (c) and (d) is a Director or would be considered a controller were the definition of controller set out in Paragraph GR-5.2.1 applied to that corporate entity.

**BR-2.3.27**

For the purposes of this Section, a related party transaction means the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a price is charged.

BR-2.3.28

For purposes of Paragraph BR-2.3.26, insurance firms should note the use of 'includes' in the definition of related party. The CBB is of the view that whilst the definition should be sufficient to identify most related parties there may be individual circumstances where a related party exists that is not explicitly within the definition. Accordingly where an insurance firm is in any doubt as to whether or not a party is a related party they should notify and seek the CBB's advice accordingly.

### *Other Prior Approvals Required*

**BR-2.3.29**

An insurance licensee must seek prior approval from the CBB for the following:

- (a) Outsourcing of the internal audit function (ref. HC-3.3.2) and other material functions (RM-7.1.2);
- (b) Appointment or re-appointment of external auditors (ref. AU-2.7.1 and AA-1.1.1);
- (c) Appointment of actuary (ref. AU-2.7.2 and AA-4.1.1);
- (d) Appointment of persons undertaking a controlled function in an insurance licensee (ref. AU-1.2.1);
- (e) Appointment or cancellation of appointment of an insurance manager in accordance with AU-2.2.4;
- (f) Any material changes or proposed changes to the information provided to the CBB in support of an authorisation application that occurs after authorisation has been granted. Insurance licensees must, in particular, seek prior CBB approval before undertaking activities in new classes of insurance. (ref. AU-5.4.1); and
- (g) Before submitting a proposal for a distribution of profits (dividends) to a shareholder vote (ref GR-3.1.1).



<b>MODULE</b>	<b>BR:</b>	<b>CBB Reporting</b>
<b>CHAPTER</b>	<b>BR-3:</b>	<b>Information Gathering by the CBB</b>

## **BR-3.1 Power to Request Information**

### **BR-3.1.1**

In accordance with Article 111 of the CBB Law, insurance licensees must provide all information that the CBB may reasonably request in order to discharge its regulatory obligations.

### **BR-3.1.1A**

Insurance licensees must provide all relevant information and assistance to the CBB inspectors and appointed experts on demand as required by Articles 111 and 114 of the CBB Law. Failure by insurance licensees to cooperate fully with the CBB's inspectors or appointed experts, or to respond to their examination reports within the time limits specified, will be treated as demonstrating a material lack of cooperation with the CBB which will result in other enforcement measures being considered, as described elsewhere in Module EN. This rule is supported by Article 114(a) of the CBB Law.

### **BR-3.1.1B**

Article 163 of the CBB Law provides for criminal sanctions where false or misleading statements are made to the CBB or any person /appointed expert appointed by the CBB to conduct an inspection or investigation on the business of the insurance licensee or the listed licensee.

### *Information Requested on Behalf of other Supervisors*

#### **BR-3.1.2**

The CBB may ask an insurance licensee to provide it with information at the request of or on behalf of other supervisors to enable them to discharge their functions properly. Those supervisors may include overseas supervisors or government agencies in Bahrain. The CBB may also, without notifying an insurance licensee, pass on to those supervisors or agencies information that it already has in its possession.



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## **BR-3.2 Access to Premises**

### **BR-3.2.1**

In accordance with Article 114 of the CBB Law, an insurance licensee must permit representatives of the CBB, or persons appointed for the purpose by the CBB to have access, with or without notice, during reasonable business hours to any of its business premises in relation to the discharge of the CBB's functions under the relevant law.

### **BR-3.2.2**

An insurance licensee must take reasonable steps to ensure that its agents, suppliers under outsourcing arrangements and appointed representatives permit such access to their business premises, to the CBB.

### **BR-3.2.3**

An insurance licensee must take reasonable steps to ensure that each of its suppliers under material outsourcing arrangements deals in an open and cooperative way with the CBB in the discharge of its functions under the CBB Law in relation to the insurance licensee.

### **BR-3.2.4**

The cooperation that an insurance licensee is expected to procure from such suppliers is similar to that expected of the insurance licensee, in the light of the Guidance in Paragraph BR-3.4.3.



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## **BR-3.3 Accuracy of Information**

### **BR-3.3.1**

An insurance licensee must take reasonable steps to ensure that all information it gives **to** the CBB in accordance with any parts of the Insurance Rulebook and CBB Law is:

- (a) Factually accurate or, in the case of estimates and judgements, fairly and properly based after appropriate enquiries have been made by the insurance licensee; and
- (b) Complete, in that it should include **everything** which the CBB would reasonably **and ordinarily expect to have**.

### **BR-3.3.2**

If an insurance licensee becomes aware, or has information that reasonably suggests that it has or may have provided the CBB with information that was or may have been false, misleading, incomplete or inaccurate, or has or may have changed in a material way, it must notify the CBB immediately. The notification must include:

- (a) Details of the information which is or may be false, misleading, incomplete or inaccurate, or has or may have changed;
- (b) An explanation why such information was or may have been provided; and
- (c) The correct information.

### **BR-3.3.3**

If the information in Paragraph BR-3.3.2 cannot be submitted with the notification (because it is not immediately available), it must instead be submitted as soon as possible afterwards.



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## **BR-3.4 Methods of Information Gathering**

**BR-3.4.1** The CBB uses various methods of information gathering on its own initiative which require the cooperation of insurance licensees:

- (a) Representatives of the CBB may make onsite visits at the premises of the insurance licensee. These visits may be made on a regular basis, **or** on a sample basis, for special purposes such as theme visits (looking at a particular issue across a range of insurance licensees), or when the CBB has a particular reason for visiting an insurance licensee;
- (b) Appointees of the CBB may also make onsite visits at the premises of the insurance licensee. Appointees of the CBB may include persons who are not CBB staff, but who have been appointed to undertake particular monitoring activities for the CBB, such as in the case of appointed experts (refer to Section BR-3.5).
- (c) The CBB may request the insurance licensee to attend meetings at the CBB's premises or elsewhere;
- (d) The CBB may seek information or request documents by telephone, at meetings or in writing, including electronic communication;
- (e) The CBB may require insurance licensees to submit various documents or notifications, as per Chapter BR-2, in the ordinary course of their business such as financial reports or on the happening of a particular event in relation to the insurance licensee such as a change in control.

**BR-3.4.2** When seeking meetings with an insurance licensee or access to the licensee's premises, the CBB or the CBB appointee needs to have access to an insurance licensee's documents and personnel. Such requests will be made during reasonable business hours and with proper notice. There may be instances where the CBB may seek access to the licensee's premises without prior notice. While such visits are not **common**, the prospect of unannounced visits is intended to encourage insurance licensees to comply at all times with the requirements and standards imposed by the CBB as per the CBB Law and Insurance Rulebook.

**BR-3.4.3** The CBB considers that an insurance licensee should:

- (a) Make itself readily available for meetings with representatives or appointees of the CBB;
- (b) Give representatives or appointees of the CBB reasonable access to any records, files, tapes or computer systems, which are within the insurance licensee's possession or control, and provide any facilities which the representatives or appointees may reasonably request;
- (c) Produce to representatives or appointees of the CBB specified documents, files, tapes, computer data or other material in the insurance licensee's possession or control as **may be** reasonably requested;



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## **BR-3.4 Methods of Information Gathering (continued)**

- (d) Print information in the insurance licensee's possession or control which is held on computer or on microfilm or otherwise convert it into a readily legible document or any other record which the CBB may reasonably request;
- (e) Permit representatives or appointees of the CBB to copy documents of other material on the premises of the insurance licensee at the insurance licensee's expense and to remove copies and hold them elsewhere, or provide any copies, as **may be** reasonably requested; and
- (f) Answer truthfully, fully and promptly all questions which representatives or appointees of the CBB reasonably put to it.

BR-3.4.4 The CBB considers that an insurance licensee should take reasonable steps to ensure that the following persons act in the manner set out in Paragraph BR-3.4.3:

- (a) Its employees and appointed representatives; and
- (b) Any other members of its **group** and their employees and appointed representatives.

BR-3.4.5 In gathering information to fulfill its supervisory duties, the CBB acts in a professional manner and with due regard to maintaining confidential information obtained during the course of its information gathering activities.



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## **BR-3.5 The Role of the Appointed Expert**

### *Introduction*

#### **BR-3.5.1**

**The content of this Chapter is applicable to all insurance licensees and appointed experts.**

#### BR-3.5.2

The purpose of the contents of this Chapter is to set out the roles and responsibilities of appointed experts when appointed pursuant to Article 114 or 121 of the CBB Law (see EN-2.1.1). These Articles empower the CBB to assign some of its officials or others to inspect or conduct investigations of insurance licensees.

#### BR-3.5.3

The CBB uses its own inspectors to undertake on-site examinations of licensees as an integral part of its regular supervisory efforts. In addition, the CBB may commission reports on matters relating to the business of licensees in order to help it assess their compliance with CBB requirements. Inspections may be carried out either by the CBB's own officials, by duly qualified appointed experts appointed for the purpose by the CBB, or a combination of the two.

#### BR-3.5.4

The CBB will not, as a matter of general policy, publicise the appointment of an appointed expert, although it reserves the right to do so where this would help achieve its supervisory objectives. Both the appointed expert and the CBB are bound to confidentiality provisions restricting the disclosure of confidential information with regards to any such information obtained in the course of the investigation.

#### **BR-3.5.5**

**Unless the CBB otherwise permits, appointed experts should not be the same firm appointed as external auditor of the insurance licensee.**

#### **BR-3.5.6**

**Appointed experts will be appointed in writing, through an appointment letter, by the CBB. In each case, the CBB will decide on the range, scope and frequency of work to be carried out by appointed experts.**

#### BR-3.5.7

All proposals to appoint appointed experts require approval by an Executive Director or more senior official of the CBB. The appointment will be made in writing, and made directly with the appointed experts concerned. A separate letter is sent to the licensee, notifying them of the appointment. At the CBB's discretion, a trilateral meeting may be held at any point, involving the CBB and representatives of the licensee and the appointed experts, to discuss any aspect of the investigation.

#### BR-3.5.8

Following the completion of the investigation, the CBB will normally provide feedback on the findings of the investigation to the licensee.



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## **BR-3.5      Role of the Appointed Expert (continued)**

**BR-3.5.9**

Appointed experts will report directly to and be responsible to the CBB in this context and will specify in their report any limitations placed on them in completing their work (for example due to the licensee's group structure). The report produced by the appointed experts is the property of the CBB (but is usually shared by the CBB with the firm concerned).

**BR-3.5.10**

Compliance by appointed experts with the contents of this Chapter will not, of itself, constitute a breach of any other duty owed by them to a particular insurance licensee (i.e. create a conflict of interest).

BR-3.5.11

The CBB may appoint one or more of its officials to work on the appointed experts' team for a particular insurance licensee.

### ***The Required Report***

**BR-3.5.12**

The scope of the required report will be determined and detailed by the CBB in the appointment letter. Commissioned appointed experts would normally be required to report on one or more of the following aspects of a licensee's business:

- (a) Accounting and other records;
- (b) Internal control systems;
- (c) Returns of information provided to the CBB;
- (d) Operations of certain departments; and/or
- (e) Other matters specified by the CBB.

**BR-3.5.13**

Appointed experts will be required to form an opinion on whether, during the period examined, the licensee is in compliance with the relevant provisions of the CBB Law and the CBB's relevant requirements, as well as other requirements of Bahrain Law and, where relevant, industry best practice locally and/or internationally.

BR-3.5.14

The appointed experts' report should follow the format set out in Appendix BR-(iii), in part B of the CBB Rulebook.

**BR-3.5.15**

Unless otherwise directed by the CBB or unless the circumstances described in Section BR-3.5.19 apply, the report must be discussed with the Board of directors and/or senior management in advance of it being sent to the CBB.



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## **BR-3.5      Role of the Appointed Expert (continued)**

**BR-3.5.16**

Where the report is qualified by exception, the report must clearly set out the risks which the licensee runs by not correcting the weakness, with an indication of the severity of the weakness should it not be corrected. Appointed experts will be expected to report on the type, nature and extent of any weaknesses found during their work, as well as the implications of a failure to address and resolve such weaknesses.

**BR-3.5.17**

If the appointed experts conclude, after discussing the matter with the licensee, that they will give a negative opinion (as opposed to one qualified by exception) or that the issue of the report will be delayed, they must immediately inform the CBB in writing giving an explanation in this regard.

**BR-3.5.18**

The report must be completed, dated and submitted, together with any comments by directors or management (including any proposed timeframe within which the licensee has committed to resolving any issues highlighted by the report), to the CBB within the timeframe applicable.

### *Other Notifications to the CBB*

**BR-3.5.19**

Appointed experts must communicate to the CBB, during the conduct of their duties, any reasonable belief or concern they may have that any of the requirements of the CBB, including the criteria for licensing a licensee (see Module AU), are not or have not been fulfilled, or that there has been a material loss or there exists a significant risk of material loss in the concerned licensee, or that the interests of customers are at risk because of adverse changes in the financial position or in the management or other resources of a licensee. Notwithstanding the above, it is primarily the licensee's responsibility to report such matters to the CBB.

BR-3.5.20

The CBB recognises that appointed experts cannot be expected to be aware of all circumstances which, had they known of them, would have led them to make a communication to the CBB as outlined above. It is only when appointed experts, in carrying out their duties, become aware of such a circumstance that they should make detailed inquiries with the above specific duty in mind.

BR-3.5.21

If appointed experts decide to communicate directly with the CBB in the circumstances set out in Paragraph BR-3.5.19, they may wish to consider whether the matter should be reported at an appropriate senior level in the licensee at the same time and whether an appropriate senior representative of the licensee should be invited to attend the meeting with the CBB.



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## **BR-3.5      Role of the Appointed Expert (continued)**

### *Permitted Disclosure by the CBB*

#### **BR-3.5.22**

Information which is confidential and has been obtained under, or for the purposes of, this chapter or the CBB Law may only be disclosed by the CBB in the circumstances permitted under the Law. This will allow the CBB to disclose information to appointed experts to fulfil their duties. It should be noted, however, that appointed experts must keep this information confidential and not divulge it to a third party except with the CBB's permission and/or unless required by Bahrain Law.

### *Trilateral Meeting*

#### **BR-3.5.23**

The CBB may, at its discretion, call for a trilateral meeting(s) to be held between the CBB and representatives of the relevant insurance licensee and the appointed experts. This meeting will provide an opportunity to discuss the appointed experts' examination of, and report on, the insurance licensee.