



EXECUTIVE SUMMARY MODULE



MODULE	ES:	Executive Summary
Table of Contents		

		Date Last Changed
ES-A	Introduction	
	ES-A.1 Purpose	01/2011
	ES-A.2 Module History	04/2012
ES-1	Structure and Summary of Insurance Modules	
	ES-1.1 Structure of Volume 3 (Insurance)	04/2012
	ES-1.2 Module AU -- Authorisation	10/2009
	ES-1.3 Module PB – Principles of Business	04/2005
	ES-1.4 Module HC – High-Level Controls	04/2011
	ES-1.5 Module AA – Auditors and Actuaries	10/2009
	ES-1.6 Module GR – General Requirements	04/2005
	ES-1.7 Module CA – Capital Adequacy	04/2005
	ES-1.8 Module BC – Business Conduct	04/2005
	ES-1.8A Module CL – Client Money	04/2012
	ES-1.9 Module RM – Risk Management	04/2005
	ES-1.10 Module FC – Financial Crime	10/2005
	ES-1.11 Module TC – Training & Competency	10/2009
	ES-1.12 Module BR – CBB Reporting	04/2005
	ES-1.13 Module PD – Public Disclosure	04/2005
	ES-1.14 Module EN -- Enforcement	10/2009
	ES-1.15 Module DP – Dispute Procedures	04/2005
	ES-1.16 Module CP -- Compensation	04/2005
	ES-1.17 Module CI – Captive Insurers	04/2011
	ES-1.18 Module IM – Insurance Intermediaries and Managers	04/2005
	ES-1.19 Module TA – Takaful/retakaful	04/2005
ES-2	Transition Rules	
	ES-2.1 General Requirements	04/2005
	ES-2.2 Module AU – Authorisation	04/2005
	ES-2.3 Module HC – High-Level Controls	04/2011
	ES-2.4 Module AA – Auditors and Actuaries	10/2007
	ES-2.5 Module GR – General Requirements	10/2009
	ES-2.6 Module CA – Capital Adequacy	10/2007
	ES-2.6AA1 Module BC – Business Conduct	04/2012
	ES-2.6AA2 Module CL – Client Money	04/2012
	ES-2.6A Module RM – Risk Management	07/2006
	ES-2.6B Module FC – Financial Crime	01/2007
	ES-2.7 Module BR – CBB Reporting	04/2012
	ES-2.8 Module PD – Public Disclosure	07/2006



MODULE	ES: Executive Summary
CHAPTER	ES-A: Introduction

ES-A.1 Purpose

Executive Summary

- ES-A.1.1 The purpose of this Module is to:
- Provide an overview of the structure of Volume 3 (Insurance);
 - Provide a summary of each Module; and
 - Outline the transition rules for the implementation of Volume 3.
- ES-A.1.2 The Central Bank of Bahrain ('CBB'), in its capacity as the regulatory and supervisory authority for all financial institutions in Bahrain, has as its mission:
- To ensure monetary and financial stability in the Kingdom of Bahrain; and
 - To regulate, develop and maintain confidence in the financial sector.
- ES-A.1.3 As the single regulator, the CBB ensures the consistent application of regulatory standards in banking, insurance and capital markets, as well as encourages an open and cooperative approach in dealing with financial institutions.
- ES-A.1.4 The supervision of the insurance sector in the Kingdom pays particular regard to the standards set by the International Association of Insurance Supervisors (IAIS). The CBB plays an important role in meeting stakeholders' expectations – the principal stakeholders of the CBB are the Government of the Kingdom of Bahrain, the regulated financial institutions, the consumers, the IAIS and several other international organisations.
- ES-A.1.5 To carry out its responsibilities in relation to the insurance sector, the CBB has four supervisory objectives, namely to:
- Promote the stability and soundness in the insurance system;
 - Provide an appropriate degree of protection to insurance company policyholders;
 - Promote transparency and market discipline; and
 - Reduce the likelihood of insurance licensees being used for financial crime (including money laundering activities).

Legal Basis

ES-A.1.6 This Module contains the CBB's (as amended from time to time) Directive relating to transition rules 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 all insurance licensees (including their approved persons).

ES-A.1.7 For an explanation of the CBB's rule-making power and different regulatory instruments, see Section UG-1.1.



MODULE	ES: Executive Summary
CHAPTER	ES-A: Introduction

ES-A.2 Module History

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

ES-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.

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

Module Ref.	Change Date	Description of Changes
ES-1.1	01/07/05	Module BR: Corrected first quarterly return due for the period ending 31 March 2006
ES-1.1	01/10/05	Clarified application of Module FC to insurance managers.
ES-1.10	01/10/05	Corrected cross-reference referring to examples of suspicious transactions.
ES-2.4	01/10/05	Added transition period for actuarial requirements for insurance firms whose long-term insurance business is restricted to group life policies having a maturity of less than or equal to 1 year.
ES-2.5	01/10/05	Corrected cross-reference
ES-2.6	01/10/05	Updated transition rules for minimum Tier 1 capital
ES-1.1	01/01/06	Transition rules for reporting by insurance firms updated.
ES-2.7	01/01/06	A Section on transition rules for reporting by insurance firms was added.
ES-1.1.5	01/07/06	Transition rule for Modules RM and PD has been added.
ES-2.6A	01/07/06	Added transition rules for physical security measures and third party insurance
ES-2.8	01/07/06	Transition rules in respect of semi-annual disclosure requirements have been added.
ES-A.1.6	01/2007	New Rule introduced, categorising this Module as a Directive.
ES-1.1.9 and ES-2.4.2	01/2007	Clarified the first period for which a report from the <u>Signing Actuary</u> is required.
ES-1.1.9 and ES-2.6B.1	01/2007	Allowed for a transition period for the external auditor's report required under Subparagraph FC-3.3.1(d).
ES-1.1.9	10/2007	Minimum Tier 1 capital only applies to <u>Bahraini insurance firms</u> .
ES-1.2.2	10/2007	Pure reinsurers can undertake both <u>general insurance business</u> and <u>long-term insurance business</u> within the same entity.
ES-2.4.3	10/2007	Clarified the transition period for the rotation of audit partner.
ES-2.6.2	10/2007	Minimum Tier 1 capital only applies to <u>Bahraini insurance firms</u> .
ES-1.1, ES-1.2, ES-1.11, ES-1.14	10/2009	Reference added to appointed representatives as per Resolution (11) of 2009.
ES-1.2.3	10/2009	Amended list of controlled functions to be consistent with Module AU.
ES-1.5.4	10/2009	Amended to be consistent with Section AA-4.2.
ES-2.5.4	10/2009	Introduced transition rule for new requirements for appointed representatives as per Resolution (11) of 2009.
ES-A.1.6	01/2011	Clarified legal basis



MODULE	ES:	Executive Summary
CHAPTER	ES-A:	Introduction

ES-A.2 Module History (continued)

Module Ref.	Change Date	Description of Changes
ES1.1.9 ES-1.4, ES-1.17.3 and ES-2.3	04/2011	Amended to reflect changes to Module HC.
ES-1.1.9, ES-1.8A and ES- 2.6AA2	04/2012	Amendments made to reflect the issuance of Module CL (Client Money).
ES- 2.6AA1	04/2012	Added transition period to have in place customer complaints procedures as outlined in Chapter BC-4.
ES-2.7.4 and ES- 2.7.5	04/2012	Added transition period for filing of IBR and IBRS.



MODULE	ES: Executive Summary
CHAPTER	ES-1: Structure and Summary of Insurance Modules

ES-1.1 Structure of Volume 3 (Insurance)

ES-1.1.1 Volume 3 (Insurance) of the Rulebook covers insurance activities, i.e. the provision of regulated insurance services by insurance licensees. It also includes requirements regarding approved persons; and the registration requirements for actuaries, loss adjusters and appointed representatives.

ES-1.1.2 Volume 3 excludes representative offices of insurance firms, and ancillary services providers. These Regulations will later be incorporated into Volume 5 (Specialised Activities) of the CBB Rulebook, to be released at a later date.

ES-1.1.3 Volume 3 (Insurance) is made up of two volumes: Part A is the main Volume containing detailed Modules containing the Rules and Guidance and Part B is an appendix Volume containing a glossary of defined terms, CBB authorisation forms, CBB reporting forms and any supplementary information.

ES-1.1.4 Part A of Volume 3 (Insurance) is organized under the following headings:

- Introduction;
- High-level Standards;
- Business Standards;
- Reporting Requirements;
- Enforcement and Redress; and
- Sector Guides.

ES-1.1.5 Including this Executive Summary Module, there are 20 Modules that make up Part A of Volume 3 (Insurance). The requirements for the various insurance license categories are embedded throughout Part A. In addition, for some specialised licenses (captive insurers, insurance intermediaries and takaful/retakaful) there are sector guides summarizing the key requirements, specifically applicable to these categories.

ES-1.1.6 Part B of Volume 3 is organized under the following headings:

- Glossary;
- Authorisations Forms;
- Reporting Forms; and
- Supplementary Information.

ES-1.1.7 Defined terms used in the Rulebook are underlined; their definition can be found in the Glossary. Each volume has its own Glossary, as definitions of terms used apply only to the Volume in question. It is possible for the same term to be used in a different volume with a different meaning.

ES-1.1.8 There are four authorisation forms, comprising (i) Form 1 (application for a license); (ii) Form 2 (application for the authorisation of a controller); (iii) Form 3 (application for approved person status); and (iv) Form 4 (application for registration).



MODULE	ES: Executive Summary
CHAPTER	ES-1: Structure and Summary of Insurance Modules

ES-1.1 Structure of Volume 3 (Insurance) (continued)

ES-1.1.9 A summary of the Modules, their application and implementation is given in the table below:

Module	Application	Transition Rules
AU	All new applicants for licenses, <u>approved persons</u> and registration of <u>actuaries, loss adjusters and appointed representatives</u> .	Effective 1 June 2005. Module AU-1.1.11 where an insurance licensee carries on a prohibited commercial business, the licensee must notify the CBB and establish the transitional rules.
PB	All <u>insurance licensees</u> and <u>approved persons</u> .	None. Effective 1 June 2005.
HC	1. Applies to all <u>Bahraini insurance licensees</u> except for Bahraini single person companies. 2. Insurance consultants, insurance managers and captive insurers are subject to Guidance under HC-10. 3. Exemption possible from the requirement to have 2 <u>independent non-executive Directors</u> for <u>Bahraini insurance licensees</u> that are part of an overseas group and exemption to have Board Committees (HC-1.5.2). 4. Where an insurance broker's Board does not consider it necessary to create an audit committee, it must be prepared to give reasons for its decision to the CBB (HC-B.1.2).	The updated Module is effective on 1 st January 2011. All <u>insurance licensees</u> to which Module HC applies must be in full compliance by the financial year end 2011.
AA	All <u>insurance licensees</u> -- <u>auditors</u> . All <u>insurance firms</u> – <u>actuaries</u> .	For <u>insurance firms</u> whose business is restricted to group life policies, having a maturity of less than or equal to 1 year, actuarial requirements must be met by December 31, 2007. The first period for which a report is required by a <u>Signing Actuary</u> is for the period ending December. 31, 2008. All other requirements are effective 1 July 2005.



MODULE	ES: Executive Summary
CHAPTER	ES-1: Structure and Summary of Insurance Modules

ES-1.1 Structure of Volume 3 (Insurance) (continued)

Module	Application	Transition Rules
GR	Refer to chart in GR-B.1.1 for application.	All <u>insurance licensees</u> must comply with the requirements for books and records within Bahrain, effective 1 July 2005. Professional indemnity coverage must be met by all <u>insurance brokers</u> and <u>insurance consultants</u> by 31 Dec. 2005. For unincorporated brokers licensed prior to 1 June 2005, professional indemnity coverage must be met by 31 Dec 2006. All other provisions of Module GR are to be applied effective 1 June 2005. Compliance with Resolution (11) of 2009 dealing with <u>appointed representatives</u> is effective 1 st January 2010.
CA	All <u>insurance licensees</u> , with specific requirements applicable to different types of licensees. Also special rules in place for <u>takaful firms</u> .	Minimum Tier 1 capital for <u>Bahraini insurance firms</u> to be met by December 31, 2007. For <u>insurance brokers</u> licensed prior to 1 June 2005, implementation effective 31 Dec. 2006. For new <u>takaful</u> companies, specific transition rules. For other <u>insurance licensees</u> licensed prior to 1 June 2005, implementation effective 31 Dec. 2005.
BC	Applicable to direct <u>domestic business</u> . Reinsurance business is exempted. Also special rules in place for <u>takaful firms</u> .	None. Effective 1 July 2005.
CL	Applies to all insurance brokers and appointed representatives licensed by the CBB that undertake the broking of insurance contracts (see Rule AU-1.4.10) and hold client money.	Effective 1 July 2012.



MODULE	ES: Executive Summary
CHAPTER	ES-1: Structure and Summary of Insurance Modules

ES-1.1 Structure of Volume 3 (Insurance) (continued)

Module	Application	Transition Rules
RM	Only applies to <u>insurance firms</u> and <u>insurance brokers</u> .	Physical Security Measures and Third Party Insurance are effective December 31, 2006.
FC	Measures for the prevention of money laundering and terrorism financing apply to <u>insurance firms</u> and <u>insurance brokers</u> , with some exemptions for <u>captive insurers</u> managed by an <u>insurance manager</u> . Where <u>captive insurers</u> are managed by an <u>insurance manager</u> , this Module also applies to the <u>insurance manager</u> . Some exemption possible for reinsurers (FC-B.1.2). Measures dealing with fraud (FC-8) apply to all <u>insurance licensees</u> .	Effective 1 July 2005. For long-term insurance contracts, the CBB expects the Module to be applied to current clients gradually on a case by case basis.
TC	To be developed in the future.	
BR	All <u>insurance licensees</u> , with specific requirements applicable to different types of licensees.	For <u>insurance firms</u> , first annual and group reporting due for the period ending 31 December 2006 and first quarterly report due for the quarter ending 31 March 2007. Notification and approval requirements effective 1 June 2005.
PD	Only applies to <u>insurance firms</u> .	First disclosure requirements required for the period ending 31 December 2005. First semi-annual disclosure requirements required for the period ending 30 June 2008.
EN	All <u>insurance licensees</u> , <u>approved persons</u> and registered persons.	None. Effective 1 June 2005.
DP	To be developed in the future.	
CP	To be developed in the future.	
CI	<u>Captive insurers</u> .	Transition rules as per those stated in main Modules.



MODULE	ES:	Executive Summary
CHAPTER	ES-1:	Structure and Summary of Insurance Modules

ES-1.1 Structure of Volume 3 (Insurance) (continued)

Module	Application	Transition Rules
IM	<u>Insurance intermediaries.</u>	Transition rules as per those stated in main Modules.
TA	<u>Takaful/retakaful.</u>	Transition rules as per those stated in main Modules.



MODULE	ES: Executive Summary
CHAPTER	ES-1: Structure and Summary of Insurance Modules

ES-1.2 Module AU -- Authorisation

- ES-1.2.1 Module AU covers the licensing requirements for insurance licensees; registration requirements for actuaries, loss adjusters and appointed representatives; and authorisation requirements for approved persons. The Module defines what is included as part of regulated services, specifically providing definitions for:
- Carrying on of insurance business (insurance firms);
 - The broking of insurance contracts (insurance brokers);
 - The offering of insurance advice (insurance consultants);
 - The provision of insurance management services (insurance managers); and
 - Operators of an insurance exchange (insurance exchange operators).
- ES-1.2.2 With the exception of captive insurers and pure reinsurers, an insurance firm cannot undertake both long-term insurance business and general insurance business. Insurance firms (including captive insurers), must operate on either conventional insurance principles or on takaful principles: they cannot combine the two. Grandfathering provisions apply for those companies whose past license granted them the right to undertake both long-term insurance business and general business.
- ES-1.2.3 Module AU deals with the requirements and conditions for approved persons, i.e. those wishing to undertake a controlled function in an insurance licensee. Controlled functions are those of:
- Director;
 - Chief executive or general manager;
 - Head of function;
 - Compliance officer;
 - Money Laundering Reporting Officer;
 - Member of Shari'a Supervisory Board;
 - Unit-linked investment adviser; and
 - Signing Actuary (where the function is undertaken by a Director or an employee of the insurance firm).
- ES-1.2.4 The licensing conditions that must be abided by all insurance licensees are outlined as part of Chapter AU-2 of the Module.
- ES-1.2.5 The Module outlines the information requirements and procedures that must be followed as part of the process for:
- Licensing;
 - Approved persons; and
 - Registration of actuaries, loss adjusters and appointed representatives.



MODULE	ES:	Executive Summary
CHAPTER	ES-1:	Structure and Summary of Insurance Modules

ES-1.3 Module PB – Principles of Business

ES-1.3.1 The 10 Principles of Business covered in Module PB are a general statement of the fundamental obligations of all CBB insurance licensees and approved persons. They have the status of Rules and provide a basis for other more detailed Rules elsewhere in Volume 3.

ES-1.3.2 All Principles of Business apply to activities carried out by the licensees, including activities carried out through overseas branches. Principles 1 to 8 also apply to approved persons, in respect of controlled functions for which they have been approved. Principles 9 (Adequate Resources) and Principles 10 (Management, Systems and Controls) also take into account any activities of other members of the group of which the licensee is a member.

ES-1.3.3 The Principles of Business are:
Principle 1 – Integrity
Principle 2 – Conflicts of Interest
Principle 3 – Due Skill, Care and Diligence
Principle 4 – Confidentiality
Principle 5 – Market Conduct
Principle 6 – Customer Assets
Principle 7 – Customer Interests
Principle 8 – Relations with Regulators/Supervisors
Principle 9 – Adequate Resources
Principle 10 – Management, Systems and Controls



MODULE	ES: Executive Summary
CHAPTER	ES-1: Structure and Summary of Insurance Modules

ES-1.4 Module HC – High-Level Controls

ES-1.4.1 Module HC outlines the requirements that must be met by insurance licensees with respect to:

- (a) Corporate governance principles issued by the Ministry of Industry and Commerce as The Corporate Governance Code;; and
- (b) Related high-level controls and policies.

ES-1.4.1A The Principles referred to in this Module are in line with the Principles relating to the Corporate Governance Code issued by the Ministry of Industry and Commerce.

ES-1.4.1B The requirements distinguish between different types of insurance licensees. For insurance brokers, Sections HC-3.2 Audit Committee and HC-3.3 Audit Committee Charter are to be considered as Guidance and the Comply or Explain Principle (see Paragraph HC-A.1.8) applies. In addition references to the Nominating and Remuneration Committees do not apply for insurance brokers. Because of their limited business activities, and consequent lesser risk to customers, insurance consultants, insurance managers and captive insurance firms are subject to applicable Guidance Paragraphs included in Chapter HC-10.

ES-1.4.2 The high-level controls covered by this Module deal with:

- (a) The function of chief executive officer and general manager;
- (b) The mapping of risks and responsibilities;
- (c) Internal audit;
- (d) Compliance;
- (e) Remuneration policies for approved persons;
- (f) Corporate ethics;
- (g) Transparency and disclosure;
- (h) Committees of the Board;
- (i) Financial statements certification;
- (j) Appointment, training and evaluation of the Board;
- (k) Management structure;
- (l) Communication between the Board and shareholders; and
- (m) Governance and disclosure per Shari'a principles.

ES-1.4.3 Module HC also includes requirements for an annual Board review and certification, on the implementation of internal governance processes and their effectiveness in achieving the Board's objectives, and whether the Board can attest that it has fulfilled its responsibilities for directing and monitoring the overall conduct of the licensee's affairs.



MODULE	ES:	Executive Summary
CHAPTER	ES-1:	Structure and Summary of Insurance Modules

ES-1.5 Module AA – Auditors and Actuaries

ES-1.5.1 Module AA deals with requirements on the appointment and functions of auditors and actuaries of insurance licensees. Requirements dealing with actuaries only apply to insurance firms and are not applicable to insurance intermediaries and insurance managers.

ES-1.5.2 The auditor requirements deal with:

- (a) The appointment of auditors;
- (b) The removal and resignation of auditors;
- (c) Audit partner rotation;
- (d) Auditor independence; and
- (e) Restrictions on the relationship between the insurance licensee and the auditor.

ES-1.5.3 The Module covers the CBB's requirements regarding access to auditors and actuaries as well as the auditors' access to outsourcing providers. In addition, the Module outlines the requirement for insurance licensees to arrange for their auditors to review the licensee's annual return submitted to the CBB.

ES-1.5.4 Module AA provides requirements for both Registered Actuaries and Signing Actuaries.



MODULE	ES: Executive Summary
CHAPTER	ES-1: Structure and Summary of Insurance Modules

ES-1.6 Module GR – General Requirements

ES-1.6.1 Module GR covers requirements dealing with areas not covered in other Modules.

The areas covered are:

- (a) Books and records;
- (b) Corporate and trade names;
- (c) Dividends;
- (d) Business transfers;
- (e) Controllers;
- (f) Close links;
- (g) Statutory deposits and compulsory reserve;
- (h) Cessation of business;
- (i) Appointed representatives; and
- (j) Professional indemnity coverage.

ES-1.6.2 Item (i) applies only to insurance firms; item (g) applies to insurance firms and insurance brokers, whereas item (j) only applies to insurance brokers and insurance consultants.



MODULE	ES: Executive Summary
CHAPTER	ES-1: Structure and Summary of Insurance Modules

ES-1.7 Module CA – Capital Adequacy

- ES-1.7.1 Module CA covers requirements governing the minimum capital and solvency requirements as well as the valuation of assets and liabilities.
- ES-1.7.2 Considering the nature of their business, the requirements regarding capital and solvency for insurance firms are far more detailed than for insurance intermediaries and insurance managers.
- ES-1.7.3 Similarly the rules dealing with the valuation of assets and valuation of liabilities are only applicable to insurance firms.
- ES-1.7.4 For insurance firms, Module CA outlines various currency matching and localisation requirements as well as whole firm and group solvency requirements.
- ES-1.7.5 The Module provides detailed rules for requirements dealing with takaful and retakaful specifically addressing:
- (a) General capital requirements;
 - (b) The basis of operating a takaful business;
 - (c) The segregation of funds;
 - (d) The capital adequacy and solvency requirements for both the takaful operator and takaful funds; and
 - (e) The distribution of surplus.



MODULE	ES: Executive Summary
CHAPTER	ES-1: Structure and Summary of Insurance Modules

ES-1.8 Module BC – Business Conduct

ES-1.8.1 This Module presents under the form of an Insurance Code of Practice the minimum standards of good practice for market conduct in relation to direct insurance activities. This Module applies to domestic business. Reinsurance business is exempted from the requirements of this Module.

ES-1.8.2 The Insurance Code of Practice is made up of overarching principles applied throughout the customer relationship. These principles cover:

- (a) Marketing and promotion;
- (b) Initial customer information service;
- (c) Identification of customer requirements;
- (d) Advice and recommendation;
- (e) Customer identification before commitment to contract;
- (f) Confirmation of cover and policy documentation;
- (g) Service after the point of sale;
- (h) Claims;
- (i) Renewal, expiry and cancellation;
- (j) Complaints;
- (k) Information conditions applying to all customer information;
- (l) Fair treatment; and
- (m) Confidentiality and security of customer assets.

ES-1.8.3 Module BC has additional requirements dealing specifically with requirements unique to takaful and retakaful, including the requirement to clearly disclose to participants the calculation of wakala and mudaraba fees paid by the takaful fund(s) to the takaful operator.



MODULE	ES:	Executive Summary
CHAPTER	ES-1:	Structure and Summary of Insurance Modules

ES-1.8A Module CL – Client Money

ES-1.8A.1 This Module provides detailed Rules and Guidance with respect to the holding of client money by insurance brokers and appointed representatives. They are aimed at ensuring proper protection of client money to minimise the risk of client money being used by insurance brokers and appointed representatives and to prevent the commingling of client money with the insurance brokers’ and appointed representatives’ assets.

ES-1.8A.2 As a general rule, client monies are required to be segregated from a firm’s own assets, and client money must be held in a client money account. Various other restrictions and protections apply to client money, whilst the rules also apply certain reconciliation and reporting requirements.

ES-1.8A.3 Rules applying to appointed representatives are applicable based on the type of appointed representatives. The Module deals with:

- (a) Individual appointed representatives;
- (b) Corporate appointed representatives that are financial institutions; and
- (c) Corporate appointed representatives, other than financial institutions.



MODULE	ES: Executive Summary
CHAPTER	ES-1: Structure and Summary of Insurance Modules

ES-1.9 Module RM – Risk Management

ES-1.9.1 This Module provides detailed Rules and Guidance on risk management systems and controls required for insurance firms and insurance brokers. The Module imposes on these licensees the obligation to identify the range of risks that they face and to effectively manage these through the implementation of risk management systems that monitor and control all material risks.

ES-1.9.2 Module RM specifically addresses certain risk categories. However, insurance firms and insurance brokers must determine any additional risk categories relevant to their business and how these are addressed.

ES-1.9.3 The risk management standards addressed in Module RM are:

- (a) Credit risk;
- (b) Liquidity risk;
- (c) Market risk;
- (d) Insurance technical risk;
- (e) Operational risk;
- (f) Outsourcing risk; and
- (g) Group risk.



MODULE	ES: Executive Summary
CHAPTER	ES-1: Structure and Summary of Insurance Modules

ES-1.10 Module FC – Financial Crime

ES-1.10.1 Module FC implements the Financial Action Task Force (FATF) recommendations on money laundering and special recommendations on terrorism financing that are relevant to the insurance sector in Bahrain.

ES-1.10.2 The Module covers the detailed procedures required for:

- (a) Customer identification;
- (b) Reporting;
- (c) Staff awareness and training;
- (d) The appointment of a money laundering reporting officer;
- (e) Compliance monitoring;
- (f) Record-keeping arrangements;
- (g) Segregation of duties;
- (h) Special measures for non-cooperative countries; and
- (i) Contact with relevant authorities.

ES-1.10.3 Item FC (iv) in Part B of Volume 3 (Insurance) provides further examples of transactions that may be suspicious or unusual.

ES-1.10.4 In addition, Module FC has a Chapter dealing with the area of insurance fraud and steps that must be taken by insurance licensees to address this area.



MODULE	ES:	Executive Summary
CHAPTER	ES-1:	Structure and Summary of Insurance Modules

ES-1.11 Module TC – Training and Competency

ES-1.11.1 This Module is to be issued at a later date.

ES-1.11.2 When finalised, the Module will provide detailed Rules and Guidance on training and competency requirements for employees of insurance licensees as well as for actuaries, loss adjusters and appointed representatives.



MODULE	ES:	Executive Summary
CHAPTER	ES-1:	Structure and Summary of Insurance Modules

ES-1.12 Module BR – CBB Reporting

ES-1.12.1 Module BR outlines the CBB's reporting requirements. The reporting requirements are broken down into three main categories:

- (a) Financial reporting;
- (b) Notifications; and
- (c) Approvals.

ES-1.12.2 Annual financial reporting is required for all insurance licensees. Group and quarterly reporting are required only for insurance firms. The financial reporting Chapter contains various Rules, Directives and Guidance which underpin the reporting forms included in Part B of Volume 3 (Insurance).

ES-1.12.3 The Module outlines instances and procedures to be followed where insurance licensees must submit written notifications to the CBB. These include matters having a serious supervisory impact, breaches of Regulations and Directives and other requirements and the removal or resignation of auditors or Reporting Actuaries.

ES-1.12.4 The Module also outlines where insurance licensees must seek the CBB's prior approval for changes in their operations, such as change in legal status, mergers, acquisitions, disposals and establishment of new subsidiaries. The CBB's prior approval is also required for insurance licensees undertaking business transfers and for related party transactions above a specified threshold.

ES-1.12.5 Finally, the Module outlines the various ways in which the CBB gathers its information from insurance licensees including onsite visits by the CBB, and where deemed necessary the use of Appointed Experts.



MODULE	ES:	Executive Summary
CHAPTER	ES-1:	Structure and Summary of Insurance Modules

ES-1.13 Module PD – Public Disclosure

- ES-1.13.1 Module PD governs the minimum requirements to be followed by insurance firms with respect to corporate and financial transparency through meaningful public disclosures. Public disclosures help protect customers of insurance firms and facilitate market discipline.
- ES-1.13.2 The disclosure requirements for insurance firms cover both annual and semi-annual disclosure requirements.
- ES-1.13.3 Module PD outlines what information and by what means this information must be disclosed, distinguishing the type of information to be disclosed by the insurance firm subject to these requirements.
- ES-1.12.4 To assist those insurance firms subject to this Module wishing to go further than the CBB's minimum requirements, further guidance and best practice are set out in Chapter PD-3.



MODULE	ES: Executive Summary
CHAPTER	ES-1: Structure and Summary of Insurance Modules

ES-1.14 Module EN – Enforcement

- ES-1.14.1 This Module outlines enforcement powers and processes that may be applied by the CBB to address failures by insurance licensees, approved persons or registered persons. The purpose of such measures is to encourage a high standard of compliance by all those authorised by the CBB, thus reducing risk to policyholders and the financial system.
- ES-1.14.2 The enforcement measures contained in the Module are of varying severity and will be used in keeping with the CBB’s assessment of the contravention, reserving the most serious enforcement measures for the most serious of contraventions.
- ES-1.14.3 The CBB follows a proportionality principle in its enforcement measures, and will usually opt for the least severe of appropriate enforcement measures, consistent with the desired outcome. The CBB’s enforcement approach includes:
- (a) Formal requests for information;
 - (b) Investigations;
 - (c) Formal warnings;
 - (d) Directions;
 - (e) Financial penalties;
 - (f) Administration;
 - (g) Cancellation of license;
 - (h) Cancellation of “fit and proper” approval; and
 - (i) Cancellation of registration (for actuaries, loss adjusters and appointed representatives only).
- ES-1.14.4 A reminder of criminal sanctions in the CBB Law is set out in Chapter EN-10.



MODULE	ES:	Executive Summary
CHAPTER	ES-1:	Structure and Summary of Insurance Modules

ES-1.15 Module DP – Dispute Resolution

ES-1.15.1 This Module is to be issued at a later date.

ES-1.15.2 When finalised, the Module will set out certain basic requirements regarding the treatment of customer complaints by insurance licensees, and the reporting of certain statistics relating to such complaints and their outcomes, to the CBB.



MODULE	ES:	Executive Summary
CHAPTER	ES-1:	Structure and Summary of Insurance Modules

ES-1.16 Module CP – Compensation

ES-1.16.1 This Module provides space, for possible inclusion at a later date, for a description of a policyholder protection scheme, should such a scheme be developed in cooperation with the industry.



MODULE	ES: Executive Summary
CHAPTER	ES-1: Structure and Summary of Insurance Modules

ES-1.17 Module CI – Captive Insurers

- ES-1.17.1 This Module provides a summary of Rules and Guidance applicable to captive insurance firms, that are contained in the main subject Modules of Volume 3 (Insurance). Module CI (Captive Insurers) only contains Guidance material.
- ES-1.17.2 While Module CI is primarily focused for captive insurers, it contains the requirements that would need to be fulfilled by captive management firms (insurance managers), in meeting the regulatory obligations of captive insurers.
- ES-1.17.3 The Module extracts several of the rules applicable to captive insurers, and tailored to meet the unique nature of captive insurers, including:
- (a) The option to be licensed as a special purpose vehicle (SPV), specifically established to carry out the activities of a captive insurer (Module AU);
 - (b) Lighter requirements with respect to high-level controls (Module HC);
 - (c) Exemptions to rules in respect of due diligence requirement for client records, approval for corporate and trade names and pre-approval for distribution of dividends to shareholders (Module GR);
 - (d) Capital requirements based on the type (Category C1 or Category C2 firm) of captive insurers (Module CA);
 - (e) Exemptions from quarterly and group financial reporting (Module BR); and
 - (f) The non-application of public disclosure requirements for captive insurers (Module PD).



MODULE	ES:	Executive Summary
CHAPTER	ES-1:	Structure and Summary of Insurance Modules

ES-1.18 Module IM – Insurance Intermediaries and Managers

- ES-1.18.1 This Module provides a summary of Rules and Guidance applicable to insurance intermediaries (insurance brokers and insurance consultants) and insurance managers, that are contained in the main subject Modules of Volume 3 (Insurance). Module IM (Insurance Intermediaries and Managers) only contains Guidance material.
- ES-1.18.2 The regulated insurance services of insurance consultants and insurance managers are defined in Section AU-1.4, detailing the type of services that can be offered by these intermediaries.
- ES-1.18.3 The Category of insurance manager is being introduced in the Rulebook, as the CBB has also introduced a regulatory framework to cater to the unique nature of captive insurers. The CBB recognises that, in most cases, the operations of captive insurers are sub-contracted to insurance managers. To simplify the approval of the management subcontracted by a captive insurer, the licensing of insurance managers will have been considered by the CBB in detail as part of its licensing process.
- ES-1.18.4 The Module extracts the rules applicable to insurance intermediaries and insurance managers, including:
- (a) The requirements to have in place professional indemnity coverage for insurance brokers and insurance consultants.(Module GR);
 - (b) The capital requirements for insurance intermediaries and insurance managers (Module CA); and
 - (c) Exemptions from quarterly and group financial reporting (Module BR).



MODULE	ES:	Executive Summary
CHAPTER	ES-1:	Structure and Summary of Insurance Modules

ES-1.19 Module TA – Takaful/retakaful

- ES-1.19.1 This Module provides a summary of Rules and Guidance applicable to takaful and retakaful business that are contained in the main subject Modules of Volume 3 (Insurance). Module TA (Takaful/retakaful) only contains Guidance material.
- ES-1.19.2 Module TA recognises the unique nature of the takaful/retakaful business and has carved out Rules in instances where conventional Rules could not be applied to a takaful entity.
- ES-1.19.3 Included in the Rules tailored to meet the requirements of the takaful industry are:
- (a) The requirement for takaful firms to have a Shari'a Supervisory Board in addition to a Board of Directors (Module HC); and
 - (b) Capital and solvency Rules taking into account the takaful funds and the possibility of loans from the shareholder fund in instances where the takaful fund does not fully meet the solvency requirements (Module CA).



MODULE	ES:	Executive Summary
CHAPTER	ES-2:	Transition Rules

ES-2.1 General Requirements

ES-2.1.1 Insurance licensees who were licensed prior to the publication of Volume 3 (Insurance), do not need to resubmit an application for a license.

ES-2.1.2 Insurance licensees licensed prior to 1 June 2005 will have their license Category, and the scope of their authorisation, confirmed in an exchange of letters.

ES-2.1.3 Insurance licensees licensed prior to 1 June 2005, must comply with all other requirements of the Rulebook, when these take effect on 1 June 2005, unless different transition arrangements have been agreed in writing with the CBB beforehand or in accordance with the transition rules incorporated throughout in this Module.



MODULE	ES:	Executive Summary
CHAPTER	ES-2:	Transition Rules

ES-2.2 Module AU – Authorisation

ES-2.2.1

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 (refer to AU-1.1.11).



MODULE	ES: Executive Summary
CHAPTER	ES-2: Transition Rules

ES-2.3 Module HC – High–Level Controls

ES-2.3.1 Insurance brokers who were licensed prior to the introduction of Volume 3 (Insurance), and who were unincorporated entities or natural persons at that time, may continue as such until 31 December 2006.

ES-2.3.2 [This Paragraph was deleted in April 2011].

ES-2.3.3 The updated Module is effective on 1st January 2011. All insurance licensees to which Module HC applies must be in full compliance by the financial year end 2011.



MODULE	ES:	Executive Summary
CHAPTER	ES-2:	Transition Rules

ES-2.4 Module AA – Auditors and Actuaries

ES-2.4.1 For insurance firms whose long-term insurance business is restricted to group life policies, having a maturity of less than or equal to 1 year, actuarial requirements must be met by December 31, 2007.

ES-2.4.2 The first period for the requirement of the actuary report referred to in Paragraph AA-4.1.6 ends 31 December 2008.

ES-2.4.3 The first five year-period where the requirement for the rotation of audit partner referred to in Paragraph AA-1.3.1 takes effect, ends 31 December 2010. Therefore, unless there has been a change in the partner appointed since the Rulebook was issued in May 2005, or if a company has been licensed since the Rulebook has been issued, insurance licensees will need to have a new partner responsible for the audit engagement for the year 2011.



MODULE	ES:	Executive Summary
CHAPTER	ES-2:	Transition Rules

ES-2.5 Module GR – General Requirements

Books and Records (GR-1)

ES-2.5.1 All insurance licensees must comply with the requirements for books and records outlined in Chapter GR-1, effective 1 July 2005.

Professional Indemnity Coverage (GR-10)

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

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

Appointed Representatives (GR-9)

ES-2.5.4 Requirements for the registration of appointed representatives and minimum qualifications as outlined in Chapter GR-9 are effective 1st January 2010.



MODULE	ES:	Executive Summary
CHAPTER	ES-2:	Transition Rules

ES-2.6 Module CA – Capital Adequacy

ES-2.6.1 Except as otherwise noted below, the requirements of Module CA are to be implemented, effective 31 December 2005.

Insurance Firm

ES-2.6.2 Bahraini insurance firms licensed prior to 1 April 2005 that do not meet the requirements of Paragraph CA-1.2.1, will be required to meet the requirements for minimum Tier 1 capital by 31 December 2007. In addition, the requirements to maintain a capital available in excess of the greater of the Required Solvency Margin and minimum fund must be met by insurance firms by 31 December 2005. 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 CA-1.2.1.

Insurance Broker

ES-2.6.3 In respect of licensees who were carrying out activities that fall within the definition of the regulated activity of insurance broker prior to 1 April 2005, the requirements of Paragraph CA-1.3.1 (capital requirements) will apply from 1 January 2007.

Takaful Firms

ES-2.6.4 Where a takaful firm was licensed prior to the Rulebook coming into force, Sections ES-2.6.5 to ES-2.6.7 will apply.

ES-2.6.5 A takaful firm operating on a basis other than that prescribed by Paragraph CA-8.2.1 at the date the Rulebook comes into force, must (except where Paragraph CA-8.2.7 has been implemented) in respect of all takaful contracts written after this date, manage those contracts in accordance with Paragraph CA-8.2.1. Takaful contracts written before this date hereafter referred to as pre-existing contracts, must continue to be managed in accordance with the takaful model or models operated by the takaful firm prior to Paragraph CA-8.2.1 coming into force, until such time as all obligations of the takaful fund or funds under those pre-existing contracts have been discharged in full.



MODULE	ES:	Executive Summary
CHAPTER	ES-2:	Transition Rules

ES-2.6 Module CA – Capital Adequacy (continued)

ES-2.6.6

A takaful firm to which Paragraph CA-8.2.5 applies may, with the participants' consent, switch existing policies from a non-wakala model to the al wakala model, so long as no other terms and conditions attaching to the policy are affected. Where sufficient participants (both number and value of outstanding obligations of the takaful firm) are prepared to switch, a takaful firm may apply to the relevant Courts to sanction transferring all those policies to an al wakala basis.

ES-2.6.7

A takaful firm to which CA-8.2.5 applies that has not adopted the provisions of CA-8.2.6 may either establish new takaful funds for takaful contracts written after these Rules come into force or establish a subfund(s), being a separately identifiable part of a fund, for its pre-existing contracts. A takaful firm may only establish subfunds where it maintains records to enable it to properly allocate assets, liabilities, revenue and expenses to those subfunds.

ES-2.6.8

In the case of a newly incorporated takaful insurer, for the first year of its operation, the takaful fund will be exempt from meeting the required margin of solvency to allow it to build up its capital base. Following this first year, should it not meet the solvency requirements, the CBB expects the shareholders of the takaful firm to cover any shortfall to meeting this requirement by way of an arm's length free loan provided to the takaful fund and meeting the requirements noted in Paragraphs CA-8.4.6 and CA-8.4.7. However, the shareholder fund must meet the minimum Tier 1 capital as defined under Paragraph CA-1.2.1 at all times, including in the first year of operations.



MODULE	ES:	Executive Summary
CHAPTER	ES-2:	Transition Rules

ES-2.6AA1 Module BC – Business Conduct

ES-2.6AA1.1 All insurance licensees must have appropriate customer complaints handling procedures and systems for effective handling of complaints made by customers by 31st March 2012.



MODULE	ES:	Executive Summary
CHAPTER	ES-2:	Transition Rules

ES-2.6AA2 Module CL – Client Money

ES-2.6AA2.1 All insurance brokers and appointed representatives and where applicable, insurance firms, must comply with the requirements of Module CL, effective 1st July 2012 (See Paragraph CL-A.1.5).



MODULE	ES:	Executive Summary
CHAPTER	ES-2:	Transition Rules

ES-2.6A Module RM – Risk Management

ES-2.6A.1

Insurance licensees are required to comply with physical security measures and third party insurance (Paragraphs RM-6.1.13 to RM-6.1.17), by 31 December 2006.



MODULE	ES:	Executive Summary
CHAPTER	ES-2:	Transition Rules

ES-2.6B Module FC – Financial Crime

ES-2.6B.1

For the year ending 31 December 2006, insurance licensees must submit the report required as per Paragraph FC-3.3.1 (d), no later than 30 June 2007.



MODULE	ES:	Executive Summary
CHAPTER	ES-2:	Transition Rules

ES-2.7 Module BR – CBB Reporting

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

ES-2.7.2 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.

ES-2.7.3 The first quarterly return (IFRQ) for insurance firms, required under Section BR-1.4, must be submitted to the CBB for the quarter ending 31 March 2007.

ES-2.7.4 The first annual return (IBR) for insurance brokers, required under Section BR-1.2A, must be submitted to the CBB for the semi-annual period ending 31 December 2012.

ES-2.7.5 The first semi-annual return (IBRS) for insurance brokers, required under Section BR-1.4A, must be submitted to the CBB for the semi-annual period ending 30 June 2012.



MODULE	ES:	Executive Summary
CHAPTER	ES-2:	Transition Rules

ES-2.8 **Module PD – Public Disclosure**

ES-2.8.1

For purposes of Chapter PD-2, semi-annual disclosure requirements are effective for the period ending 30 June 2008.