



# **GENERAL REQUIREMENTS MODULE**



<b>MODULE:</b>	<b>GR (General Requirements)</b>
<b>Table of Contents</b>	

		<b>Date Last Changed</b>
<b>GR-A</b>	<b>Introduction</b>	
	GR-A.1 Purpose	10/2015
	GR-A.2 Module History	07/2023
<b>GR-B</b>	<b>Scope of Application</b>	
	GR-B.1 Insurance Licensees	10/2015
<b>GR-1</b>	<b>Books and Records</b>	
	GR-1.1 General Requirements	10/2018
	GR-1.2 Customer and Transaction Records	01/2020
	GR-1.3 Other Records	04/2005
<b>GR-2</b>	<b>Corporate and Trade Names</b>	
	GR-2.1 Vetting of Names	01/2022
	GR-2.2 Publication of Documents by the Licensee	10/2014
<b>GR-3</b>	<b>Dividends</b>	
	GR-3.1 CBB Non-Objection	10/2017
<b>GR-4</b>	<b>Business Transfers</b>	
	GR-4.1 CBB Approval	01/2007
	GR-4.2 Procedure with Respect to Applications	01/2007
	GR-4.3 Determination of Applications	01/2007
	GR-4.4 CBB Decision	01/2007
<b>GR-5</b>	<b>Controllers</b>	
	GR-5.1 Key Provisions for Bahraini Insurance Licensees	04/2019
	GR-5.2 Definition of Controller of a Bahraini Insurance Licensee	10/2015
	GR-5.3 Suitability of Controllers for Bahraini Insurance Licensee	10/2015
	GR-5.4 Approval Process for Bahraini Insurance Licensee	10/2015
	GR-5.5 Key Provisions for Overseas Insurance Licensees	10/2015
<b>GR-6</b>	<b>Close Links</b>	
	GR-6.1 Key Provisions	04/2012
	GR-6.2 Definition of Close Links	04/2005
	GR-6.3 Assessment Criteria	04/2005
<b>GR-7</b>	<b>Statutory Deposit and Compulsory Reserve</b>	
	GR-7.1 Requirement for a Cash Deposit	07/2016
	GR-7.2 Compulsory Reserve	01/2007



<b>MODULE:</b>	<b>GR (General Requirements)</b>
<b>Table of Contents</b>	

		<b>Date Last Changed</b>
<b>GR-8</b>	<b>Cessation of Business</b>	
GR-8.1	CBB Approval	04/2020
<b>GR-9</b>	<b>Appointed Representatives</b>	
GR-9.1	Appointed Representatives	07/2023
<b>GR-10</b>	<b>Professional Indemnity Coverage</b>	
GR-10.1	Insurance Brokers and Insurance Consultants	04/2008



MODULE	GR:	General Requirements
CHAPTER	GR-A:	Introduction

## GR-A.1 Purpose

### *Executive Summary*

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

### *Legal Basis*

#### GR-A.1.2

This Module contains the Central Bank of Bahrain's ('CBB') Directive (as amended from time to time) regarding general requirements applicable to insurance licensees, and is issued under the powers available to the CBB under Article 38 of the Central Bank of Bahrain and Financial Institutions Law 2006 ('CBB Law'). This Module contains the requirements governing control in insurance licensees under Resolution No (27) of 2015. Requirements regarding transfer of business (see Chapter GR-4) are also included in this Module in line with Resolution No (15) of 2009. It also contains the minimum qualifications and fit and proper requirements for appointed representatives issued in 2009 under Resolution 11 in accordance with Article 74 of the CBB Law.

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



<b>MODULE</b>	<b>GR: General Requirements</b>
<b>CHAPTER</b>	<b>GR-A: Introduction</b>

## **GR-A.2 Module History**

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

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

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

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



<b>MODULE</b>	<b>GR: General Requirements</b>
<b>CHAPTER</b>	<b>GR-A: Introduction</b>

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

Module Ref.	Change Date	Description of Changes
GR-A.1.2	10/2009	Added the legal requirements as per Article 74 of the CBB Law.
GR-5.4.2	10/2009	Guidance amended to be consistent with wording under Article 53(a) of the CBB Law.
GR-9	10/2009	Incorporated the requirements of Resolution 11 as per Article 74 of the CBB Law.
GR-A.1.2	01/2011	Clarified legal basis
GR-5.3	10/2011	Amended to be in line with other Volumes of the CBB Rulebook and to reflect the issuance of Resolution No.(43) of 2011.
GR-8.1	10/2011	Clarified language on cessation of business to be in line with other Volumes of the CBB Rulebook.
GR-B.1.1	04/2012	Amended to reflect the deletion of certain Paragraphs in Section GR-1.2.
GR-1.2	04/2012	Amendments made to reflect the issuance of Module CL (Client Money).
GR-6.1	04/2012	Clarified that the reporting requirements for close links are only applicable to <u>insurance firms and insurance brokers</u> .
GR-2.2	10/2014	New Section added regarding publication of documents by the licensee.
GR-A.1.2, GR-B.1.2 and GR-5	10/2015	Updated to reflect issuance of Resolution No. (27) of 2015 governing control in insurance licensees.
GR-7.1	07/2016	Amended requirements for cash deposit.
GR-8.1.14	10/2016	Added additional requirements for cessation of business to be in line with all Volumes.
GR-5.1.5	01/2017	Consistency of notification timeline rule on controllers with other Volumes of the CBB Rulebook.
GR-1.2.5	07/2017	Amended paragraph according to the Legislative Decree No. (28) of 2002.
GR-1.2.6	07/2017	Deleted paragraph.
GR-3.1.1A	10/2017	Added additional requirement to submit when requesting no-objection letter for proposed dividend.
GR-1.1.2	10/2018	Amended Paragraph to be consistent with other Volumes.
GR-5.1.1A	04/2019	Added a new Paragraph on exposure to controllers.
GR-5.1.1B	04/2019	Added a new Paragraph on exposure to controllers.
GR-1.2.5	01/2020	Amended Paragraph.
GR-8.1.14	04/2020	Amended Paragraph.
GR-9.1.13	04/2020	Amended Paragraph.
GR-2.1.1	01/2022	Amended Paragraph on licensee legal and corporate name.
GR-2.1.3	01/2022	Amended Paragraph on licensee change in legal name.
<b>GR-9</b>	<b>07/2023</b>	<b>Amended Chapter with new revised appointed representatives requirements.</b>

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



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

## GR-B.1 Insurance Licensees

### GR-B.1.1

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

Chapter	Application to license categories	Application to activities of overseas insurance licensees
GR-1	Applies to all <u>insurance licensees</u> ; but GR-1.2.9 to GR-1.2.12 apply to <u>insurance brokers</u> only.	Applies to Bahrain branch business only.
GR-2	Applies to all <u>insurance licensees</u> .	Applies to Bahrain branch business only.
GR-3	Applies to <u>Bahraini insurance licensees</u> except captives, who are exempted.	Exempted.
GR-4	Applies to all <u>insurance licensees</u> ; conditional exemptions for captives and reinsurers apply (cf. GR-4.2.2 and GR-4.4.4).	Applies to Bahrain branch business only.
GR-5	GR-5.1 to GR-5.4 apply to the whole firm.	Only GR-5.5 applies.
GR-6	Applies to all <u>insurance licensees</u> .	Applies to the whole corporate entity.
GR-7	Applies to <u>insurance firms</u> and <u>insurance brokers</u> .	Applies to Bahrain branch business only.
GR-8	Applies to all <u>insurance licensees</u> ; captives may seek exemption from GR-8.1.5 and GR-8.1.6.	Applies to Bahrain branch business only.
GR-9	Applies to <u>insurance firms</u> only.	Applies to Bahrain branch business only.
GR-10	Applies to <u>insurance brokers</u> and <u>insurance consultants</u> only.	Applies to Bahrain branch business only.



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

## GR-1.1 General Requirements

### GR-1.1.1

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

### GR-1.1.2

All insurance licensees must maintain books and records (whether in electronic or hard copy form) sufficient to produce financial statements and show a complete record of the business undertaken by a licensee, including records sufficient to verify the identity of customers. These records must be retained for at least 10 years according to Article 60 of the CBB Law.

### GR-1.1.3

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

### GR-1.1.4

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

#### GR-1.1.4A

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

### GR-1.1.5

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

### GR-1.1.6

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





<b>MODULE</b>	<b>GR:</b>	<b>General Requirements</b>
<b>CHAPTER</b>	<b>GR-1:</b>	<b>Books and Records</b>

## **GR-1.1      General Requirements (continued)**

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



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

## GR-1.2 Customer and Transaction Records

### *Customer Records*

**GR-1.2.1** Insurance licensees must keep records with respect to all customer relationships that remain active or potentially active. These records must be in hard copy or in original form, and retained for at least ten years after a customer relationship has terminated.

GR-1.2.2 Customer records include original account opening and due diligence documentation including identification information, sufficient to confirm compliance with all statutory and regulatory Know Your Customer requirements (see Module FC).

**GR-1.2.3** The requirement in Paragraph GR-1.2.1 applies to all customer facilities booked in Bahrain by the licensee or where a customer relationship is administered from Bahrain. Licensees may not use record-keeping systems outside Bahrain for customer business booked in Bahrain, except for back-up purposes only.

**GR-1.2.4** For captive insurers, where the customers are limited to related companies, the due diligence requirement does not apply.

### *Transaction Records*

**GR-1.2.5** Insurance licensees must keep completed transaction records for as long as they are relevant for the purposes for which they were made (with a minimum period in all cases of five years from the date when the transaction was completed – see Module Section FC-7.1). Records of completed transactions must be kept whether in hard copy or electronic format as per the Legislative Decree No. (54) of 2018 with respect to Electronic Transactions “The Electronic Communications and Transactions Law” and its amendments.

GR-1.2.6 [This Paragraph has been deleted in July 2017].

**GR-1.2.7** In the case of Bahraini insurance licensees, the requirement in Paragraph GR-1.2.5 applies only to transactions relating to business booked in Bahrain by the licensee. It does not relate to transactions relating to business booked in overseas branches or subsidiaries of the licensee.



<b>MODULE</b>	<b>GR:</b>	<b>General Requirements</b>
<b>CHAPTER</b>	<b>GR 1:</b>	<b>Books and Records</b>

## **GR-1.2 Customer and Transaction Records (continued)**

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

### *Keeping of Separate Client Accounts*

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

GR-1.2.9A Specific Rules and guidance dealing with the holding of client money are contained in Module CL (Client Money).

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

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

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

GR-1.2.13 [This Paragraph was deleted in April 2012].

GR-1.2.14 [This Paragraph was deleted in April 2012 and new guidance is now contained in Paragraph CL-1.1.9].



<b>MODULE</b>	<b>GR:</b>	<b>General Requirements</b>
<b>CHAPTER</b>	<b>GR 1:</b>	<b>Books and Records</b>

## **GR-1.2 Customer and Transaction Records (continued)**

### ***Keeping of Separate Client Accounts (continued)***

GR-1.2.15 [This Paragraph was deleted in April 2012 and new guidance is now contained in Paragraph CL-1.1.10].

GR-1.2.16 [This Paragraph was deleted in April 2012].



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

## GR-1.3 Other Records

### GR-1.3.1

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

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

### GR-1.3.2

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



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

## GR-2.1 Vetting of Names

**GR-2.1.1** Insurance licensees must obtain CBB's prior written approval for any change in their legal name. Licensees must notify the CBB of any change in their corporate name at least one week prior to effecting the proposed change.

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

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



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

## GR-2.2 Publication of Documents by the Licensee

### GR-2.2.1

Any written communication, including stationery, business cards or other business documentation published by the licensee, or used by its employees (agents, representatives, financial advisers or introducers) must include a statement that the licensee is regulated by the Central Bank of Bahrain, the type and category of license and the legal status. Additionally, written communication (stationery) should state the authorised and paid up capital of the licensee. All licensees should comply with this requirement by 31st December 2014 at the latest.



MODULE	GR: General Requirements
CHAPTER	GR-3: Dividends

## GR-3.1 CBB Non-Objection

**GR-3.1.1** Bahraini insurance licensees, other than captive insurers, must obtain a letter of no-objection from the CBB to any dividend proposed, before announcing the proposed dividend by way of press announcement or any other means of communication and prior to submitting a proposal for a distribution of profits to a shareholder vote.

**GR-3.1.1A** When submitting a request for a letter of no-objection for proposed dividend, the request made by the insurance licensee must:

- (a) Be made at a minimum 3 working days before the proposed announcement;
- (b) Include a copy of the draft audited financial statements for the year to which the request for the proposed dividend pertains to; and
- (c) Include a detailed analysis of the impact of the proposed dividend on the capital adequacy and solvency margin requirements as outlined in Module CA (Capital Adequacy) of Volume 3 CBB Rulebook and the liquidity position of the licensee.

GR-3.1.1B To comply with the requirements of Subparagraph GR-3.1.1A (c), the insurance licensee should complete and submit to the CBB those pages of the Insurance Firm Return (Form IFR) pertaining to the capital adequacy and solvency margin requirements.

GR-3.1.2 Upon receiving the request in accordance with all the requirements in Paragraph GR-3.1.1A, the CBB will provide a reply to the insurance licensee before the scheduled annual general meeting of the shareholders. The CBB will grant a no-objection letter where it is satisfied that the level of dividend proposed is unlikely to leave the licensee vulnerable – for the foreseeable future – to breaching the CBB’s financial resources requirements, taking into account (as appropriate) trends in the licensee’s business volumes, expenses, claims experience and investment environment. Where there are major concerns about the potential impact of a proposed dividend, the CBB may require an actuarial report to be provided.

GR-3.1.3 Insurance licensees, subject to Paragraph GR-3.1.1, should provide the CBB with a copy of the proposed agenda for the annual general meeting or other special meeting, noting the licensee’s intended declared dividends for the coming year.





<b>MODULE</b>	<b>GR: General Requirements</b>
<b>CHAPTER</b>	<b>GR-4: Business Transfers</b>

## **GR-4.1 CBB Approval**

### **GR-4.1.1**

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

#### GR-4.1.2

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

### **GR-4.1.3**

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

### **GR-4.1.4**

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

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

#### GR-4.1.5

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

#### GR-4.1.6

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



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

## GR-4.2 Procedure with Respect to Applications

### GR-4.2.1

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

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

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

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



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

## GR-4.2 Procedure with Respect to Applications (continued)

### GR-4.2.4

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

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

### GR-4.2.5

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

### GR-4.2.6

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

### GR-4.2.7

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



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

### GR-4.3 Determination of Applications

#### GR-4.3.1

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

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



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

## GR-4.4 CBB Decision

### GR-4.4.1

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

### GR-4.4.2

[This Paragraph was deleted in January 2007].

### GR-4.4.3

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

### GR-4.4.4

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

### GR-4.4.5

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



MODULE	GR: General Requirements
CHAPTER	GR-5: Controllers

## GR-5.1 Key Provisions for Bahraini Insurance Licensees

### GR-5.1.1

Bahraini insurance licensees must obtain prior approval from the CBB for any of the following changes to their controllers (as defined in Section GR-5.2):

- (a) A new controller;
- (b) An existing controller increasing its holding from 10% to 20%;
- (c) An existing controller increasing its holding from below 20% to 30%;
- (d) An existing controller increasing its holding from below 30% to 40%;
- (e) An existing controller increasing its holding to above 40% for licensees not listed on any exchange in Bahrain or abroad; and
- (f) An existing controller reducing its holding to below 10%.

### GR-5.1.1A

Licensees must not incur or otherwise have an exposure (either directly or indirectly) to their controllers, including subsidiaries and associated companies of such controllers.

### GR-5.1.1B

For the purpose of Paragraph GR-5.1.1A, licensees that already have an exposure to controllers must have an action plan agreed with the CBB's supervisory point of contact to address such exposures within a timeline agreed with the CBB.

### GR-5.1.2

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

### GR-5.1.3

[This Paragraph was deleted in October 2015.]

### GR-5.1.4

Requests for approval under Paragraph GR-5.1.1 must be made by submitting a duly completed Form 2 (Application for Authorisation of Controller) to the CBB.

### GR-5.1.4A

Where the direct controller of a Bahraini insurance licensee is not the ultimate parent undertaking of the licensee, the CBB will require that Form 2 be completed by the ultimate parent undertaking and that the details be provided of the structure of the group, clearly detailing the relationship between the licensee and the ultimate parent undertaking (e.g. by providing an organisational structure of the group).



MODULE	GR: General Requirements
CHAPTER	GR-5: Controllers

## GR-5.1 Key Provisions for Bahraini Insurance Licensees (continued)

**GR-5.1.4B** Bahraini insurance licensees must immediately notify the CBB in case of any material change to the information provided in a Form 2 submitted for a controller.

**GR-5.1.4C** Where a controller is a legal person, any change in its shareholding must be notified to the CBB as the earlier of:

- (a) When the change takes effect; and
- (b) When the controller becomes aware of the proposed change.

**GR-5.1.5** If, as a result of circumstances outside the Bahraini insurance licensee's knowledge and/or control, one of the changes specified in Paragraph GR-5.1.1 is triggered prior to CBB approval being sought or obtained, the insurance licensee must notify the no later than 15 calendar days from the date on which those changes have occurred.

**GR-5.1.5A** For approval under Rule GR-5.1.1 to be granted, the applicant must satisfy the CBB that the proposed change in controller poses no undue risks to the licensee or its customers, and is not damaging to the interests of the market, as defined in the suitability criteria for controllers, contained under Section GR-5.3.

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

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



MODULE	GR: General Requirements
CHAPTER	GR-5: Controllers

## GR-5.2 Definition of Controller of a Bahraini Insurance Licensee

### GR-5.2.1

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

- (a) Holds 10% or more of the issued and paid up capital in the licensee or parent undertaking; or
- (b) Is able to exercise more than 10% of the voting power over the licensee or the parent undertaking.

### GR-5.2.2

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

- (a) In the case of natural persons, a member of the controller's family;
- (b) An undertaking of which a controller is a Director;
- (c) A person who is an employee or partner of the controller;
- (d) If the controller is a legal person, a Director of the controller, a subsidiary of the controller, or a Director of any subsidiary of the controller; and
- (e) Any other person or undertaking with which the controller has entered into an agreement or arrangement as to the acquisition, holding or disposal of shares or other interests in the insurance licensee, or under which they undertake to act together in exercising their voting power in relation to the insurance licensee.

### GR-5.2.3

In addition to the provisions of this Chapter, listed companies and their controllers shall be bound by the CBB's regulatory requirements for capital markets stipulated in the CBB's Rulebook related to changes in the ownership of shares in listed companies. For overseas insurance licensees, Section GR-5.5 shall apply.

### GR-5.2.4

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

### GR-5.2.5

The restrictions set forth in this Chapter shall apply to any changes in the legality of the shares' ownership of the controllers in the licensees, or to the voting powers the controllers are entitled to in the licensees. Failure to comply with such restrictions shall result in the imposition of penalties as indicated in Module EN (Enforcement) of the CBB Rulebook. The imposition of such penalties shall not affect the CBB's right to impose other penalties and to take any other administrative measures against the controller in accordance with the provisions of the Law including preventing the controller from exercising his voting right or transferring of shares.





<b>MODULE</b>	<b>GR: General Requirements</b>
<b>CHAPTER</b>	<b>GR-5: Controllers</b>

### **GR-5.3 Suitability of Controllers for Bahraini Insurance Licensees**

#### **GR-5.3.1**

Bahraini insurance licensees must satisfy the CBB of the suitability of their proposed controllers.

GR-5.3.1A [This Paragraph was deleted in October 2015.]

#### *Natural Persons*

#### **GR-5.3.2**

The percentage of direct or indirect control of a natural person in a Bahraini insurance licensee must not exceed 30% of the issued and paid up capital. This limit does not apply to insurance consultants nor to insurance managers.

GR-5.3.3 In assessing the suitability of controllers who are natural persons, the CBB will consider the following:

- (a) Whether the approval or refusal of a controller is or could be detrimental to the licensee, Bahrain's financial sector and the national interest of the Kingdom of Bahrain;
- (b) The legitimate interests of clients, creditors, non-controlling interests, and all other stakeholders of the licensee;
- (c) A conviction or finding of guilt in respect of any offence, other than a minor traffic offence, by any court or competent jurisdiction;
- (d) Any adverse finding in a civil action by any court or competent jurisdiction, relating to fraud, misfeasance or other misconduct in connection with the formation or management of a corporation or partnership;
- (e) Whether the person has been the subject of any disciplinary proceeding by any government authority, regulatory agency or professional body or association;
- (f) The contravention of any financial services legislation or regulation;
- (g) Whether the person has ever been refused an authorisation as controller, a license to undertake regulated activities by the CBB or any other regulator in another jurisdiction;
- (h) Dismissal or a request to resign from any office or employment;
- (i) Disqualification by a court, regulator or other competent body, as a Director or as a manager of a corporation;
- (j) Whether the person has been a Director, partner or manager of a corporation or partnership which has gone into liquidation or administration or declared bankrupt or one or more of its partners or managers have been declared bankrupt;
- (k) The extent to which the person has been truthful and open with regulators;
- (l) Whether the person has ever been adjudged bankrupt, entered into any arrangement with creditors in relation to the inability to pay due debts, or failed to satisfy a judgement debt under a court order or has defaulted on any debts;
- (m) The track record as a controller in another company or investor in a financial institution, whether in the Kingdom of Bahrain or abroad;



<b>MODULE</b>	<b>GR: General Requirements</b>
<b>CHAPTER</b>	<b>GR-5: Controllers</b>

### **GR-5.3 Suitability of Controllers for Bahraini Insurance Licensees (continued)**

GR-5.3.3 (continued)

- (n) The financial resources of the person and the stability of their shareholding;
- (o) Existing Directorships or ownership of more than 20% of the issued or paid up capital in any financial institution in the Kingdom of Bahrain or elsewhere, and the potential for conflicts of interests that such Directorships or ownership may imply;
- (p) The ability of the person to deal with existing shareholders and the Board in a constructive and co-operative manner; and
- (q) The propriety of a person's conduct, whether or not such conduct resulted in conviction for a criminal offence, the contravention of a law or regulation, or the institution of legal or disciplinary proceedings.

#### ***Unregulated Legal Persons***

**GR-5.3.3A The percentage of direct or indirect control of an unregulated legal person in a Bahraini insurance licensee must not exceed 30% of the issued and paid up capital.**

GR-5.3.4 In assessing the suitability of controllers who are unregulated legal persons, the CBB will consider the following:

- (a) Whether their approval or refusal of a controller is or could be detrimental to the licensee, Bahrain's financial sector and the national interest of the Kingdom of Bahrain;
- (b) The legitimate interests of investors, creditors, non-controlling interests and all other stakeholders of the licensee
- (c) The financial strength of the controller, its parent(s) and its subsidiaries, its implications for the insurance licensee and the likely stability of the controller's shareholding in the insurance licensee;
- (d) Whether the unregulated legal person or any of its subsidiaries or any of its shareholders have ever been adjudged bankrupt, or failed to satisfy a judgement debt under a court order, or have defaulted on any debts, or entered into any arrangement with creditors in relation to the inability to pay due debts;
- (e) The controller's jurisdiction of incorporation, location of Head Office, group structure and close links, and the implications for the insurance licensee as regards effective supervision of the insurance licensee and potential conflicts of interest;
- (f) The controller's (and other subsidiaries') propriety and general standards of business conduct, including the contravention of any laws or regulations related to financial services, or the institution of disciplinary proceedings by a government authority, regulatory agency or professional body;
- (g) Any conviction related to fraud, misfeasance or other misconduct;



<b>MODULE</b>	<b>GR: General Requirements</b>
<b>CHAPTER</b>	<b>GR-5: Controllers</b>

### **GR-5.3 Suitability of Controllers for Bahraini Insurance Licensees (continued)**

GR-5.3.4 (continued)

- (h) Whether the unregulated legal person or any of its subsidiaries has been subject to any disciplinary proceeding whether by court order any proceeding by a specialised body, and whether the unregulated legal person is sued in any court;
- (i) The extent to which the controller or its subsidiaries have been truthful and open with regulators and supervisor;
- (j) Whether the unregulated legal person has ever been refused an authorisation as controller, a license to undertake regulated activities by the CBB or any other regulator in another jurisdiction;
- (k) The track record as a controller or investor in financial institutions;
- (l) The ability of the unregulated legal person to deal with existing shareholders and the Board in a constructive and co-operative manner;
- (m) Directorships in the Kingdom of Bahrain or elsewhere or ownership of more than 20% of the capital or voting rights of any financial institution, and the potential for conflicts of interest that such directorships or ownership may imply; and
- (n) Whether the unregulated legal person or any of its subsidiaries have ever entered into any arrangement with creditors in relation to the inability to pay due debts.

#### ***Regulated Legal Persons***

**GR-5.3.5**

The percentage of direct or indirect control of a regulated legal person in a Bahraini insurance licensee must not exceed 40% of the issued and paid up capital.

**GR-5.3.6**

The 40% limit referred to in Paragraph GR-5.3.5 does not apply to Bahraini insurance licensees not listed on a licensed exchange or an exchange abroad, or to mergers or acquisitions which have been approved by the CBB.

GR-5.3.7

Subject to the discretion of the CBB, regulated financial institutions may be allowed to own or control holdings of voting capital of listed licensees in excess of the abovementioned 40% level, if such control is not detrimental to the licensee, Bahrain's financial sector and the national interest of the Kingdom of Bahrain.

**GR-5.3.8**

Regulated financial institutions wishing to acquire more than 40% of the voting capital of a Bahraini insurance licensee must observe the criteria set forth in Guidance GR-5.3.4 related to unregulated legal persons, in addition to the conditions set forth under Guidance GR-5.3.9.



MODULE	GR: General Requirements
CHAPTER	GR-5: Controllers

### GR-5.3 Suitability of Controllers for Bahraini Insurance Licensees (continued)

- GR-5.3.9 In assessing the suitability of controllers who are regulated legal persons, the CBB will consider the following:
- (a) The person must be subject to effective consolidated supervision by a supervisory authority which effectively implements the Basel Committee on Banking Supervision Core Principles, or the IOSCO Core Principles or the IAIS Core Principles as well as the FATF Recommendations on Money Laundering and the financing of terrorism & proliferation;
  - (b) The home supervisor of the person must give its formal written prior approval for (or otherwise raise no objection to) the proposed acquisition of the Bahraini insurance licensee;
  - (c) The home supervisor of the person must confirm to the CBB that it will require the person to consolidate the activities of the concerned Bahraini insurance licensee for regulatory and accounting purposes if the case so requires;
  - (d) The home supervisor of the person must formally agree to the exchange of customer information between the person and its prospective Bahraini subsidiary/acquisition for AML/CFT purposes and for Large Exposures monitoring purposes;
  - (e) The home supervisor of the person and the CBB must conclude a Memorandum of Understanding in respect of supervisory responsibilities, exchange of information and mutual inspection visits; and
  - (f) The person must provide an acceptably worded letter of guarantee to the CBB in respect of its obligation to support the licensee, should such letter be requested.



<b>MODULE</b>	<b>GR: General Requirements</b>
<b>CHAPTER</b>	<b>GR-5: Controllers</b>

## **GR-5.4 Approval Process for Bahraini Insurance Licensees**

GR-5.4.1 Within 3 months of receipt of an approval request under Paragraph GR-5.1.1, with the complete documentation requirements to the satisfaction of the CBB, the CBB will issue a written notice of approval or of refusal by registered mail, to the Bahraini insurance licensee and the applicant. Where an approval notice is given, it will specify the period for which it is valid and any conditions that may be applied.

GR-5.4.1A The CBB may refuse an application for approval if the applicant does not meet the criteria set forth in Section GR-5.3. The notice of refusal will specify the reasons for the objection and specify the applicant's right of appeal.

GR-5.4.2 Article 53 of the CBB Law allows the CBB up to 3 months in which to respond to an application, although the CBB aims to respond within 30 calendar days. Notices of refusal have to be approved by the concerned Executive Director of the CBB.

### ***Appeal Process***

GR-5.4.2A The applicant has 30 calendar days from the date of a notice in which to appeal a decision to refuse the application or any conditions imposed as a condition of approval. The CBB then has 30 calendar days from the date of the appeal in which to consider any mitigating evidence submitted and make a final determination.

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

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

GR-5.4.5 [This Paragraph was deleted in October 2015.]

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

GR-5.4.7 The CBB may contact references and supervisory bodies in connection with any information provided to support an application for controller. The CBB may also ask for further information, in addition to that provided in the Form 2, if required to satisfy itself as to the suitability of the applicant.



<b>MODULE</b>	<b>GR: General Requirements</b>
<b>CHAPTER</b>	<b>GR-5: Controllers</b>

## **GR-5.4 Approval Process for Bahraini Insurance Licensees (continued)**

GR-5.4.8 In accordance with Paragraph EN-8.2.6, and where a controller is a natural person, the CBB may, depending on the seriousness of a situation, impose enforcement measures, which may include disqualification from being a controller of any licensed firm.



MODULE	GR:	General Requirements
CHAPTER	GR-5:	Controllers

## GR-5.5 Key Provisions for Overseas Insurance Licensees

### GR-5.5.1

In the case of overseas insurance licensees, the branch must notify the CBB of any new significant ownership in excess of 50% of the issued and paid up capital of the concerned licensee's direct parent undertaking as soon as the branch becomes aware. The overseas insurance firm licensee must provide a copy of the relevant approval by the home supervisor of the parent. The CBB will take the appropriate action in such case.

### GR-5.5.2

In assessing the suitability of a controller of the parent of an overseas insurance licensee, the CBB will take into regard that the change in control poses no undue risks to the licensee or its customers, and is not damaging to the interests of the market.

### GR-5.5.3

Overseas insurance licensees must submit, within 3 months of their financial year-end, a report on their controllers. This report must identify all controllers of the branch, and details of the type of control.

### GR-5.5.4

For overseas insurance licensees, the controller is the direct parent undertaking. Any material changes as outlined in Paragraph GR-5.5.1, to the control of the direct parent undertaking must be filed through submission of an updated Form 2 to the CBB.



MODULE	GR: General Requirements
CHAPTER	GR 6: Close Links

## GR-6.1 Key Provisions

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

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

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

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

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





MODULE	GR: General Requirements
CHAPTER	GR 6: Close Links

## GR-6.2 Definition of Close Links

### GR-6.2.1

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

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



MODULE	GR: General Requirements
CHAPTER	GR 6: Close Links

### GR-6.3 Assessment Criteria

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



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

## GR-7.1 Requirement for a Cash Deposit

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

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

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

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

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

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

**GR-7.1.5** The cash deposit must be in the name of the insurance firm or insurance broker and for the order of the CBB. The cash deposit and accumulated interest (or profit) thereon may not be disposed of except by written permission of the CBB.

**GR-7.1.6** The deposit and any of its accumulated interest (if any) may be moved to another retail bank licensed to do business in Bahrain, providing that prior written approval has been obtained from the CBB. When seeking CBB approval, the insurance licensee must provide a valid reason for requesting the move to another retail bank.

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



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

## GR-7.2 Compulsory Reserve

### GR-7.2.1

[This Paragraph was deleted in January 2007].

### GR-7.2.2

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



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

## GR-8.1 CBB Approval

### GR-8.1.1

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

### GR-8.1.2

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

### GR-8.1.3

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

### GR-8.1.4

Insurance licensees seeking to obtain the CBB's permission to cease business must apply to the CBB in writing, in the form of a covering letter together with any supporting attachments. Unless otherwise directed by the CBB, the following requirements must be provided in support of the request:

- (a) Full details of the business to be terminated;
- (b) The rationale for the cessation;
- (c) If applicable, an assessment of the impact of the cessation on any customers directly affected by the cessation, and any mitigating factors or measures;
- (d) If applicable, an assessment of the impact of the cessation on the licensee's remaining business and customers, and any mitigating factors or measures;
- (e) Evidence that the proposed cessation has been duly authorized by the licensee (such as a certified copy of a Board resolution approving the cessation);
- (f) How the licensee proposes to cease business;
- (g) Notice of an Extraordinary Meeting setting out the agenda to discuss and approve the cessation, and inviting the CBB for such meeting;
- (h) Formal request to the CBB for the appointment of a liquidator acceptable to the CBB;
- (i) A cut-off date by which the licensee will stop its operations;
- (j) If the insurance licensee wishes to cease its whole business, confirmation that the licensee will not enter into new business with effect from the cut-off date;



<b>MODULE</b>	<b>GR: General Requirements</b>
<b>CHAPTER</b>	<b>GR 8: Cessation of Business</b>

## **GR-8.1 CBB Approval (continued)**

- (k) The audited accounts of the licensee as of the last date on which it stopped operations. The commencement of the period covering these final accounts should be the beginning of the financial year of the licensee; and
- (l) The final liquidator's report of the licensee.

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

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

**GR-8.1.7** When the CBB has given its approval to an application to cease business, the licensee must publish a notice of its intention to cease business in two local newspapers (one in Arabic, the other in English). Notices must also be displayed in the premises (including any branch offices) of the licensee concerned. These notices must be given not less than 30 calendar days before the cessation is to take effect, and must include such information as the CBB may specify. If the insurance licensee had entered into direct contracts of insurance relating to risks situated in a jurisdiction other than Bahrain, a notice must also be published in two national newspapers in the jurisdiction concerned.

**GR-8.1.8** If the insurance licensee wishes to go into run-off or liquidate its business, the CBB will revise its license to restrict the firm from entering into new contracts of insurance. The insurance licensee must continue to comply with all applicable CBB requirements until such time as it is formally notified by the CBB that its obligations have been discharged and that it may surrender its license.

**GR-8.1.9** An insurance firm in run-off must continue to meet its contractual and regulatory obligations to policyholders.



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

## GR-8.1 CBB Approval (continued)

### GR-8.1.10

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

### GR-8.1.11

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

### GR-8.1.12

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

### GR-8.1.13

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

### GR-8.1.14

Upon satisfactorily meeting the requirement set out in GR-8.1.4, the insurance licensee must surrender the original license certificate issued by the Licensing Directorate at the time of establishment, and submit confirmation of the cancellation of its commercial registration from the Ministry of Industry, Commerce and Tourism.

MODULE	GR: General Requirements
CHAPTER	GR 9: Appointed Representatives

## GR-9.1 Appointed Representatives

**GR-9.1.1** Insurance firms must register its appointed representatives with the CBB in accordance with Chapter AU-1.3A. Insurance brokers and insurance consultants are not allowed to be appointed by insurance firms to act as appointed representatives nor are they allowed to appoint appointed representatives.

**GR-9.1.2** An appointed representative may only represent one Takaful firm and one conventional insurance firm. An appointed representative may be a natural person, a CBB licensee or a commercial entity not licensed by the CBB who offers insurance products as a representative of a licensed insurance firm complementing the sale of its products and services.

**GR-9.1.3** Insurance firms that appoint appointed representatives take full responsibility for the actions of their appointed representatives and must ensure the following:

- (a) The appointed representatives and ‘designated individuals’ in the case of incorporated entities acting as appointed representatives have good conduct and have the experience and qualifications consistent with the licensee’s internal policies relevant to employees undertaking similar functions;
- (b) The appointed representatives do not subcontract any of the activities undertaken on behalf of the insurance firm;
- (c) The appointed representatives do not approach clients for the renewal of policies originally sold through them;
- (d) Compliance with CBB law and relevant regulations by their appointed representatives for the activities undertaken on the licensee’s behalf;





MODULE	GR: General Requirements
CHAPTER	GR 9: Appointed Representatives

## GR-9.1 Appointed Representatives (continued)

- (e) The relationship between the licensee and its appointed representatives must be governed by an agreement that addresses, among other matters, the following:
- i. Adherence to the licensee's internal policies in respect of customer safeguards including avoidance of conflicts of interest and adequate disclosures to customers regarding terms of the insurance policy;
  - ii. Effective handling of customer complaints and prompt and timely escalation of the complaints to the insurance firm and maintenance of records for the same;
  - iii. The arrangements for receipt of premiums/contributions (see Paragraph GR-9.1.6);
  - iv. Where a person acts as appointed representative for more than one insurance firm, it must ensure reasonable segregation of business and confidential data attributable to different licensed principals in order to mitigate conflicts of interest;
  - v. Adequate recourse, legal or otherwise, to the appointed representative in case of its non-compliance with the CBB law and regulations; and
  - vi. Access to the CBB, its appointed experts, the insurance firm and its external auditors to all information and records relevant to the insurance activities undertaken by the appointed representatives on behalf of the insurance firm.
- (f) Perform periodic reviews of the arrangements with appointed representatives with respect to their quality of service and compliance with CBB requirements.

- GR-9.1.4 For purposes of Subparagraph GR-9.1.3 (a), the CBB recognises the following minimum or equivalent (as agreed with the CBB) qualifications for appointed representatives:
- (a) For general insurance, the Award in General Insurance from the Chartered Insurance Institute (CII) and the Bahrain Institute of Banking and Finance (BIBF); and
  - (b) For long-term insurance, the Award in Financial Planning from the Chartered Insurance Institute (CII) and the Bahrain Institute of Banking and Finance (BIBF).



MODULE	GR: General Requirements
CHAPTER	GR 9: Appointed Representatives

## GR-9.1 Appointed Representatives (continued)

GR-9.1.5 Paragraph GR-9.1.3 (a) does not apply to appointed representatives who offer insurance products as a representative of a licensed insurance firm complementary to the sale of its products and services, e.g. travel agents, car dealers and retailers of goods. In such cases, licensees' arrangements with appointed representatives should include alternative training needs.

GR-9.1.6 Insurance firms must ensure that appointed representatives that are natural persons must not receive premiums/contributions directly from policyholders, and the amounts must be paid directly to the insurance firms. Appointed representatives, other than natural persons must remit the premiums/contributions received no later than (15) calendar days from the date of the receipt of such amounts.



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

## GR-10.1 Insurance Brokers and Insurance Consultants

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

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

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

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

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

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

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

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



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

## GR-10.1 Insurance Brokers and Insurance Consultants (continued)

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

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

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

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

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

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