



Glossary of Defined Terms



Glossary History

Date Last Changed	Description of Changes	Page Amended
04/2005	Initial Launch	
01/2007	Added definition for ancillary services provider(s)	1
01/2007	Added definitions for Bahraini insurance broker(s), Bahraini insurance consultant(s), Bahraini insurance intermediaries and Bahraini insurance managers	3
01/2007	Page reformatted and definitions of Categories clarified	5
01/2007	Added definition for general insurance or general insurance business	11
01/2007	Added definition for global insurance broking activities	11
01/2007	Deleted reference to insurance law; added definition for insurance exchange operators	14
01/2007	Added reinsurance firm to the definition of insurance firm	14
01/2007	Added definition for insurance technical risk	15
01/2007	Amended reference to Net assets	18
01/2007	Added definition for overseas insurance licensee	20
01/2007	Deleted definition for portfolio transfer	21
01/2007	Amended the definition of reference period	22
01/2007	Added definition for relevant operating expenses	23
01/2007	Added definition for Representative Office(s)	24
01/2007	Added definition for Retakaful	24
01/2007	Added takaful or takaful firms to definitions	26
10/2007	Added definition for Registered Actuary	22
10/2007	Deleted definition for Reporting Actuary	23
10/2007	Amended definition for Signing Actuary	25
10/2009	Added definition for investigator	15
10/2009	Added definition for qualified by exception	22
04/2010	Added definition for Managing Director	17
01/2011	Amended definition of appointed expert(s)	2
01/2011	Amended definition for Chief Executive Officer	5
01/2011	Amended definition of Employee; added definition for Executive Director	10



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01/2011	Added definition for Independent director	13A
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01/2011	Amended the definition of outsourcing [outsource]	19
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01/2011	Added definition for Remuneration	24
01/2011	Amended definition of representative office or representative office licensee(s)	24
01/2011	Added definition of senior manager/management	24
01/2011	Amended definition of shareholder(s)	25
04/2011	Amended definition of appointed expert(s)	2
04/2011	Amended definition of Employee; amended definition of Executive Director	10
04/2011	Corrected cross reference for definition of managing director	17
04/2011	Amended definition for qualified by exception	22
04/2011	Amended definition of representative office or representative office licensee(s)	24
04/2011	Amended definition of shareholder(s)	25
10/2011	Added definition for conflict of interest	6
10/2011	Clarified definition of independent director	13A and 13B
10/2011	Added definition for trilateral meeting	27
01/2012	Amended definition of independent director	13B
04/2012	Added definition for client money	6
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04/2012	Added definition for fiduciary assets	11
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04/2012	Added definition for licensee(s)	15
01/2013	Added definition for financial services	11
04/2013	Split the definitions for Takaful and Takaful firms	26
04/2014	Added definition for earmarked assets	10
10/2014	Corrected reference for the definition of exempt introducer	10
10/2014	Corrected reference for the definition of relevant authorities	23
10/2015	Amended definition of family	11
07/2016	Amended definition of Politically Exposed Persons ('PEPs')	21
10/2017	Added definition for Beneficiary.	3A
10/2019	Added definition of Insurance Aggregators	13B
10/2019	Added definition for 'without delay'	28
07/2020	Amended definition of 'independent director'	13A
07/2020	Deleted definition of 'independent non-executive director'	13B
10/2020	Added point (f) to definition of 'independent director'.	13A



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24ths basis

A premium income recognition methodology where premiums are assumed to be earned over the life of the policy. This method is used when data limitations mean that more accurate methods cannot be used. Under the 24ths basis all premiums written in a month (policies covering a 12 month period) are earned over 13 months. 1/24th of the premium is earned in the first month, 2/24ths in each subsequent month and 1/24th in the 13th month. The 24ths basis is commonly used where an insurer receives premiums via a monthly bordereaux.

A

Acquisition costs

Commission and other expenses related to acquisition of insurance business.

Actuary (as defined under Paragraph AU-1.3.2)

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

Admissible value

The value assigned to an asset that may be taken into account for the purposes of the solvency requirements in Module CA, in accordance with the rules in CA-4.

AML/CFT

Anti–Money Laundering/Combating Financial Terrorism (see Module FC).

Ancillary services provider(s)

A person who is licensed by the CBB in relation to the carrying on of one or more ancillary services, such as third party administrators (TPA), or those providing compliance services, data-processing services, or a local service or management office, with respect to other CBB licensees. Such persons are not subject to Volume 3 of the CBB Rulebook, but are separately licensed and subject to the requirements contained in the relevant CBB's 'Standard Conditions and Licensing Criteria" (cf. AU-A.1.10).



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Appointed expert(s)

A duly qualified individual or firm appointed by the CBB to carry out inspections in accordance with Article 114 of the CBB Law or special investigations of insurance licensees in accordance with Article 121 of the CBB Law. Appointed experts are appointed in addition to the CBB's own officials. Examples of appointed experts are reporting accountants, expert witnesses and independent actuaries (see Paragraph EN-2.2.3).

Appointed representative

An agent, who is not licensed by the CBB as insurance firm, insurance broker or insurance consultant, appointed by an insurance firm as its representative according to the rules in Chapter GR-9.

Approved financial institution

For purposes of Module CA, all financial institutions licensed and supervised by a financial services regulator/supervisor.

Approved person

Persons undertaking certain functions in relation to CBB insurance licensees require prior CBB approval. These functions (called "controlled functions") include directors and members of senior management. The controlled functions regime supplements the licensing regime by ensuring that key persons involved in the running of insurance licensees are fit and proper. Those authorised by the CBB to undertake controlled functions are called approved persons (see Paragraph AU-A.1.2).

Associate(d)

A company or other enterprise, which is not a subsidiary or joint venture, over which the insurance licensee has significant influence. Significant influence means the power to participate in financial and operating policy decisions. Such influence is presumed to exist if the insurance licensee owns more than 20 per cent of the associate.

Auditor

The firm/partnership charged with carrying out the audit of a licensee and its partners, directors and managers (see Module AA).

Authorised person

A person authorised by the CBB to carry on a controlled function..



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B

Bahrain required solvency margin

An overseas insurance firm's margin of solvency computed by reference to the assets and liabilities of the business carried on by that insurer from a branch in Bahrain (see Paragraph CA-2.1.2).

Bahraini insurance broker(s)

A Bahraini insurance licensee that is authorised by the CBB to undertake the activity of broking of insurance contracts (see Rule AU-1.4.10).

Bahraini insurance consultant(s)

A Bahraini insurance licensee that is authorised by the CBB to undertake the activity of offering insurance advice (see Rule AU-1.4.16).

Bahraini insurance firm(s)

An insurance firm incorporated in Bahrain (See Paragraph AU-A.1.5)

Bahraini insurance intermediaries

Bahraini insurance firm or a Bahraini insurance broker.

Bahraini insurance licensee(s)

An insurance licensee incorporated in Bahrain (see Paragraph AU-A.1.6).

Bahraini insurance manager(s)

A Bahraini insurance licensee that is authorised by the CBB to undertake the activity of providing insurance management services (see Rule AU-1.4.20).



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Beneficiary

In the context of life insurance or another investment linked insurance policy, a beneficiary is the natural or legal person, or a legal arrangement, or category of persons, who will be paid the policy proceeds when/if an insured event occurs, which is covered by the policy.

Book value

The amount of an asset or liability as recorded in the books and records maintained by an insurer for the purposes of preparing its annual financial statements.

Branch(es)

A place of business which is a part of a firm and which has no separate legal personality.



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C

Capital available

Is the sum of an insurance firm's Tier 1 and Tier 2 capital resources as determined by Module CA.

Capital sum at risk

The benefit amounts payable as a consequence of the happening of the contingency covered by the policy contract less the mathematical reserves in respect of the relevant contract (See Rule CA-2.1.11).

Capital sum at risk calculation

The calculation described in Paragraph CA 2.1.11.

Captive insurance firm or captive insurer

An insurance firm in Categories C1-C2 that insures or reinsurance only the risks of its owners or group members.

Category C1 (as defined under Paragraph CA-2.1.6)

An insurance firm whose business is restricted to insuring only the insurance risks (other than liability risk) of its shareholder(s) or those of subsidiary or associated companies of its shareholder(s).



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Category C2 (as defined under Paragraph CA-2.1.6)

An insurance firm whose business is restricted to insuring only the risks of its shareholder(s) or of subsidiary or associated companies of its shareholder(s) and whose business may include liability risks, subject to the CBB being satisfied that the activity, capital structure and management provide sufficient protection to potential third party claimants

Category 1 insurer (as defined under Paragraph CA-2.1.6)

An insurance firm whose license is limited to any of the following types of insurance: Fire; Damage to property; Health; and Miscellaneous financial loss.

Category 2 insurer (as defined under Paragraph CA-2.1.6)

An insurance firm whose license includes any of the following types of insurance: marine cargo and marine hull; aviation; motor; engineering; liability; and any other general insurance class not specifically mentioned. These may only be in addition to any category 1 activities. Note short term refers to policies whose coverage periods are not more than one year.

Category 3 insurer (as defined under Paragraph CA-2.1.6)

An insurance firm whose license includes any of the following types of insurance: life insurance of all types; personal accident whose term is over 1 year; and fund accumulation insurance.

Category 4 insurer (as defined under Paragraph CA-2.1.6)

An insurance firm, licensed prior to April 1, 2005 and whose license includes any of the types of insurance specified in Category 3 and in Category 1 or 2, or both.

Chief Executive, Chief Executive Officer or CEO

Chief executive, chief executive officer or CEO. The board shall determine that person's actual title, which may be 'CEO', 'Chief Executive Officer', 'President', 'Managing Director', or another title.

Claim basis calculation (of solvency margin)

The calculation contained in Paragraph CA-2.1.14.



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Client

See Customer

Client money

Is money of any currency that an insurance broker or appointed representative receives and holds for its client (or clients of appointed representatives) when carrying on insurance mediation. It can include premiums/contributions and premium/ contribution refunds.

Client money account

A separate bank account of the insurance broker or appointed representative to hold money as agent of the insurer that conforms to the terms of the agreement with the insurer. The terms of the agreement between the insurance broker or appointed representative and the retail bank should clearly state that the client of the insurance broker or appointed representative retains full legal ownership of the funds. The terms of the bank agreement should also clearly state that only the following monies can be withdrawn from the client money account:

- (a) Premium monies required to be paid on behalf of the client to (re)insurance firms or other insurance intermediaries for the purchase of contracts of insurance;
- (b) Monies drawn on a client's written authority in accordance with the insurance contract; and
- (c) Monies which may by mistake or accident have been paid into the account.

Close link (as defined under Paragraph 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 undertaking of A;
- (c) C is a parent undertaking of a subsidiary undertaking of A;
- (d) C is a subsidiary undertaking 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 subsidiary undertakings, or any of the subsidiary undertakings of its parent, owns or controls 20% or more of the voting rights or capital of C.



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Conflict of interest

A situation when a person or an entity has competing professional or personal obligations to other parties in a financial transaction (e.g. underwriting a securities transaction and simultaneously advising clients whether to buy the security or not) or in ongoing financial relationships (e.g. when a licensee has a director or one of its major borrowers on its board), or personal or financial interests that would make it difficult to fulfil his duties fairly.

Contract of insurance

Any contract of insurance which is a long-term insurance contract or a general insurance contract, including:

- (a) Fidelity bonds, performance bonds, administration bonds, customs bonds or similar contracts of guarantee, where these are:
 - (i) Effectuated or carried out by a person not carrying on a banking business;
 - (ii) Not effectuated merely incidentally to some other business carried on by the person effectuating them; and
 - (iii) Effectuated in return for the payment of one or more premiums;
- (b) Tontines;
- (c) Capital redemption contracts or pension fund management contracts, where these are effectuated or carried out by a person who:
 - (i) Does not carry on a banking business; and
 - (ii) Otherwise carries on the regulated activity of effectuating or carrying out contracts of insurance;
- (d) Contracts to pay annuities on human life; but not including a funeral plan contract. In this definition, 'annuities on human life' does not include superannuation allowances and annuities payable out of any fund applicable solely to the relief and maintenance of persons engaged or who have been engaged in any particular trade or profession, or the dependants of such persons.



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Control

(in relation to the acquisition, increase or reduction of control of a firm) the relationship between a person and the firm or other undertaking of which the person is a controller.

Controlled function

A function of a firm that may only be exercised by a person duly authorised by the CBB to do so.

Controller

A person who, in relation to a licensed firm, falls into any of the categories listed in Section GR-5.2.

Conventional (re)insurance

(re)insurance that is not specifically formulated with respect to Islamic principles, which is not intended to convey an opinion as to whether or not that insurance is Shari'a compliant or not.

Counterparty

In relation to an insurance firm: any one individual; any one unincorporated body of persons, any one company not being a member of a group; any group of companies excluding any companies within the group which are subsidiary undertakings of the insurance firm; or any government of a jurisdiction together with all the public bodies, local authorities or nationalised industries of that jurisdiction, in which the insurance firm has made investments or against whom it has rights whether in pursuance of a contract entered into by the insurance firm or otherwise.

Counterparty limit

Where the holding of an asset implies the existence of a counterparty, the largest amount of assets held with an individual counterparty permitted to be taken into account for the purposes of the solvency requirements of the capital adequacy rules.



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Credit risk (as defined under Paragraph RM-2.1.4)

Credit risk is the risk that a counterparty will not meet its obligations in accordance with agreed terms, causing a financial loss to the insurance firm. In the case of an insurance firm, credit risk will normally relate to exposures to:

- (a) Reinsurance counterparties;
- (b) Assets (e.g. stock, loans);
- (c) Derivatives; and
- (d) Insurance debtors (premiums due from insured persons and intermediaries).

Customer

Any person with or for whom a person conducts or intends to conduct insurance business or ancillary business, whether on his own behalf or as agent for or on behalf of another.

D

Dated subordinated debt

A subordinated debt instrument whose maturity date is fixed at the time the instrument is issued.

Dependant

A company that is a subsidiary of another company under the Commercial Companies' Law 2001 of the Kingdom of Bahrain.



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Derivative contract

A contract for differences (rights under any contract, the purpose or pretended purpose of which is to secure a profit or avoid a loss by reference to fluctuations in: i) the value or price of property of any description; or ii) an index or other factor designated for that purpose in the contract (futures, options, swaps and forwards).

Direct insurance

Those dealings between insurance licensees and customers, excluding the business of reinsurance.

Director

A person who is acting in the capacity of director of a firm (whether appointed or not or whether titled director or not). In the case of a sole trader, unincorporated body or partnership, a person directing its affairs or partner (of a partnership). This is a controlled function.

Domestic business

For the purposes of the Business Conduct Module (BC), “Domestic business” means risks arising in or from within the Kingdom of Bahrain.



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E

Earmarked asset(s) (as used in CA-8.4.7)

Must comply with the criteria outlined in Paragraph CA-8.4.6 and refer to the following allocated assets from the shareholder fund to each of the participants' fund:

- (a) Cash and unencumbered current accounts with financial institutions;
- (b) Placements with financial institutions maturing within one month;
- (c) Readily marketable securities;
- (d) GCC government securities;
- (e) Other sovereign securities, other than (c) and (d), up to one year maturity, carrying an S&P minimum rating of A (or equivalent); and
- (f) Accounts receivable due within one month.

Employee

An individual: a) who is employed or appointed by a person in connection with that person's business, whether under a contract of service or otherwise; or b) whose services, under an arrangement between that person and a third party, are placed at the disposal and under the control of that person; but excluding an Appointed Representative of that person.

Endowment assurance contract

A life policy which pays a sum of money on the survival of the life assured to a specific date or on his earlier death.

Executive director

Means a director who is an officer or employee, or is otherwise involved in day-to-day management, of either:

- a) The insurance licensee;
- b) Another company which is a controller of the insurance licensee;
- c) Another company of which the insurance licensee is a controller; or
- d) Another company which is controlled by a controller of the insurance licensee.

In this definition, the word "company" which is a controller of the licensee excludes sovereigns such as government owned entities and government ministries.

Exempt introducer

A person who introduces business to an insurance firm or intermediary who does not fall within the definition of insurance intermediary or Appointed Representative as a consequence of the exclusions in Paragraph AU-1.4.13.



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F

Family

The term family refers to: father, mother, brother, sister, spouse, sons or daughters.

Family takaful

Takaful that is long-term insurance.

Fiduciary assets

Comprise of both receivables and funds held in a fiduciary capacity. Fiduciary receivables are uncollected premiums from insureds and uncollected refunds from insurers and Fiduciary funds are unremitted insurance premiums held in client money account.

Fiduciary liabilities

Obligations to remit fiduciary funds to insureds.

Financial services (as used in Module AU)

For the purpose of Module AU, financial services means:

- (a) Any dealings in any instrument defined as a financial instrument in any Volume of the CBB Rulebook;
- (b) Any arrangement where money, goods or services are made available to a person in exchange for his promise to pay at a later date and that arrangement is of a type habitually provided by another person for commercial gain;
- (c) Any arrangement in which money is solicited from the public in return for a promise of financial gain on, or safekeeping of, that money; or
- (d) Any product or other financial services in the area of regulated services (regulated by the CBB) marketed in the Kingdom of Bahrain.

Firm

Any organisation whose purpose is to carry on a business.

G

General insurance business amount

The value of the insurance firm's assets (other than long-term insurance business assets) and excluding reinsurance recoveries as determined in accordance with the Valuation of Assets Rules.



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General insurance or general insurance business

Any insurance that does not fall under the definition of long-term insurance business.

General Manager

The General Manager (of a firm whether incorporated in Bahrain or not) means a person who (regardless of actual title) is responsible, alone or jointly, for the conduct of the whole of the firm, or in the case of an overseas licensee, for all the activities of the branch. Equivalent to Chief Executive in the case of firms incorporated in Bahrain.



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Global insurance broking activities (as defined under Paragraph CA-1.3.3)

Refers to annual income of a Bahrain incorporated brokerage firm including any income being generated by any of the firm's brokerage subsidiaries and/or branches operating in other jurisdictions.

GPR

See gross premiums receivable

Gross claims incurred (GCI)

In relation to an insurance firm and a financial year means outstanding claims at the end of the year plus claims paid during the year less outstanding claims at the beginning of the year in each case without deduction for the claim amounts payable by the reinsurers as their share

Gross premiums receivable (GPR)

In relation to general insurance business and a financial year means premiums receivable (including premiums receivable by the company under contracts of reinsurance) as recorded in the books of the company in respect of contracts commencing in that year after deduction of discounts, refunds and rebates of premium but before deduction of premiums for reinsurance ceded and before deduction of commission payable by the company. In terms of long term insurance business, gross premiums receivable are single premiums, recurrent single premiums and annualised amount of premiums payable at regular intervals during the policy year before deduction of amounts of premiums for reinsurance ceded and before deduction of commission payable by the company.

Gross written premium (or Gross premium written)

The amount shown as such in the firm's profit and loss account.

Group

A holding company or enterprise and its subsidiaries. That company or enterprise and each of the subsidiaries being a member of the Group.



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H

Head of function

A person who, under the immediate authority of a director or the chief executive or general manager, exercises one or more major managerial functions or is responsible for maintaining accounts or other records of the firm.

Home Supervisor

The competent authority in which the parent insurance licensee is incorporated, or in which the head office of a branch is incorporated.

Host Regulator / Supervisor

The competent authority in which a branch of a foreign insurance licensee is located or in which a subsidiary or joint venture of a foreign parent insurance licensee is incorporated.

I

Inadmissible asset

An asset that may not be taken into account for the purposes of the solvency requirements in the capital adequacy rules.



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Independent director

Determination by the Board. Under Module HC an ‘independent director’ is a director whom the board has specifically determined has no material relationship which could affect his independence of judgment, taking into account all known facts. The board should consider that, although a particular director meets the formal requirements, he may not be independent owing to specific circumstances of the person or the insurance licensee, ownership structure of the insurance licensee, or for any other reason. The board’s determination should be a good faith finding after diligent review and full discussion.

Formal Requirements. ‘Independent director’ means a director of the insurance licensee who, or whose family shareholders either separately or together with him or each other, does not have any material pecuniary relationships or transactions with the insurance licensee (not counting director’s remuneration for this purpose) and in particular who, during the one year preceding the time in question met all the following conditions:

- (a) Was not an employee of the company;
- (b) Did not:
 - (i) Make to, or receive from, the insurance licensee payments of more than 31,000 BD or equivalent (not counting director’s remuneration);
 - (ii) Own more than a 10% share or other ownership interest, directly or indirectly, in an entity that made to or received from the insurance licensee payments of more than such amount;
 - (iii) Act as a general partner, manager, director or officer of a partnership or company that made to or received from the insurance licensee payments of more than such amount;
 - (iv) Have any significant contractual or business relationship with the insurance licensee which could be seen to materially interfere with the person’s capacity to act in an independent manner,
- (c) Did not own directly or indirectly (including for this purpose ownership by any family member or related person) 5% or more of the shares of any type or class of the insurance licensee;
- (d) Was not engaged directly or indirectly as an auditor or professional advisor for the insurance licensee;
- (e) Was not an associate of a Director or a member of senior management of the insurance licensee; and
- (f) Was not an associate of a Director, member of senior management or board member of the insurance licensee’s controller.

For purposes of this definition, the ‘payments’ referred to in paragraph (b)(i), (b)(ii) and (b) (iii) do not include monies received from dividends; reference to such payments only applies to contractual payments for services rendered to the licensee by the director or company concerned, or paid (or payable) by the concerned director or company to the licensee for services provided by the licensee.



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Dividends are to be considered under item (b)(iv) of the definition.

For the purpose of the definition of “independent director”:

- (a) Where the term “family” or “family member or related persons” is used reference is made to: spouse, father, mother, son(s) or daughter(s); and
- (b) Where the term “associate” is used reference is made to:
 - (i) Spouse, father, mother, son(s) or daughter(s); or
 - (ii) A person who is an employee or partner.

Independent non-executive director

(This definition was deleted in July 2020).

Independent qualified valuer

A person holding a generally recognized professional qualification in valuing properties and having experience in valuing properties in the location and category of the property which is the subject of the valuation, and who is not employed by the insurance firm whose property is the subject of the valuation or by any of the associated companies of the insurance firm.

Individual

A natural person.

Insurance Aggregator

Insurance aggregator is defined as an insurance intermediary with an insurance broker’s license who operates an online platform, whether hosted on an Internet website or available as a smart device application, which provides price comparisons and facilitates the purchase of insurance on behalf of insurance companies.

Insurance broker

Defined as insurance licensees who undertake the regulated insurance service of broking of insurance contracts, as defined in Paragraphs AU-1.4.9 to AU-1.4.14.

Insurance business

The business of effecting or carrying out contracts of insurance.



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Insurance business amount (as defined under Paragraph CA-4.2.34)

For the purposes of Section CA-4.2, “insurance business amount” means “general insurance business amount” or “long term insurance business amount” as follows:

- (a) in terms of general insurance business, the general insurance business amount is the value of the insurance firm’s assets (other than long-term insurance business assets) and excluding reinsurance recoveries as determined in accordance with Chapter CA-4; and
- (b) in terms of long term insurance business, the long term insurance business amount is the value of the insurance firm’s assets (other than those relating to general insurance business) and excluding reinsurance recoveries and assets required to match property-linked liabilities in accordance with Chapter CA-4.

Insurance consultant

Defined as insurance licensees who undertake the regulated insurance service of the offering of insurance advice to third parties, as defined in Paragraphs AU-1.4.15 to AU-1.4.18.

Insurance exchange operators

Defined as insurance licensees who undertake the regulated insurance service of operating an insurance exchange, as defined in AU-1.4.24 and AU-1.4.25.

Insurance firm or reinsurance firm

An insurance licensee who undertakes the regulated insurance service of carrying on insurance business, as defined in Paragraphs AU-1.4.7 to AU-1.4.9.

Insurance Intermediary

For purposes of Module IM, the term insurance intermediary refers to insurance brokers and insurance consultants.

Insurance licensee

An insurance firm, insurance broker, insurance consultant, insurance manager or an insurance exchange operator who has been granted a licence by the CBB to undertake regulated insurance services as defined in Section AU-1.4.



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Insurance manager

Defined as insurance licensees who provide management services to, or exercise the managerial functions on behalf of an insurance firm, as defined in Paragraphs AU-1.4.20 to AU-1.4.22.

Insurance technical risk (as defined under Paragraph RM-5.1.3)

Insurance technical risk is the normal trading risk, arising out of contracts of insurance, that the insurance licensee is exposed to in its day-to-day operations, and includes the technical and actuarial bases of calculation for premiums and technical provisions in both long-term and general insurance.

Investigator

An Investigator is a person appointed by the CBB under the authority of Article 121 of the CBB Law to carry out an investigation of the business of a licensee or listed company.

Investment grade security

A security with a credit rating of BBB/Baa or above as assigned by S & P or Moody's.

L

Liability risk

For greater certainty, the term 'liability risk' in Module CI includes professional liability, marine liability as well as public liability of the direct owner(s) of the captive insurer or those of its subsidiaries or associated companies.

Licensed principal

An insurance firm that appoints an appointed representative.

Licensee(s)

Any person licensed by the CBB under any of the Volumes of the CBB Rulebook.

Linked long-term insurance business

Contracts of life business where the benefits are wholly or partly to be determined by reference to the value of, or the income from, property of any description or by reference to fluctuations in, or in an index of, the value of property of any description.



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Liquidation

The process of terminating a company's activities whereby all creditors are discharged either in full (a solvent liquidation), or in part (an insolvent liquidation) and any remaining funds are returned to the shareholders. This process normally takes place in accordance with the requirements of specific legislation in the country of incorporation. In Bahrain this includes the Bankruptcy and Preventative Settlements Act.

Liquidity risk (as defined under Paragraph RM-3.1.3)

Liquidity risk is the risk that even where an insurance licensee has adequate capital resources, it lacks available resources to meet liabilities when they fall due. Liquidity risk can result from claims falling due earlier than anticipated, higher than expected policy surrender or changes in mortality rates.

Listed security

In relation to an investment, that there has been granted and not withdrawn a listing in respect of that investment on any stock exchange in an GCC State which is a stock exchange within the law of that GCC State, or on any stock exchange where that exchange is a full member of the World Federation of Exchanges.

Locally incorporated

Incorporated in the Kingdom of Bahrain.

Long-term insurance fund

The fund referred to in CA-3.1.

Long-term insurance business

Long term insurance means life insurance, personal accident insurance over one year, savings and fund accumulation insurance.

Loss adjuster (as defined under Paragraph AU-1.3.3)

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



Glossary of Defined Terms

M

Managing Director

Defined in Rule AU-1.2.9A. A Managing Director is a Director on the Board of a licensee who:

- (a) Should be fully responsible for the executive management and performance of the licensee, within the framework of delegated authorities set by the Board;
- (b) Must devote full-time working hours to the licensee; and
- (c) Must not be employed at any other firm.

Market risk (as defined under Paragraph RM-4.1.3)

Market risk relates to the exposure of the insurance licensee to fluctuations in the market value, currency or yield of an asset.

Market value

The amount that could reasonably be expected to be received from the disposal of an asset in an orderly market.

Mathematical reserves

The provision made by an insurance firm to cover liabilities (excluding liabilities which have fallen due) arising under or in connection with contracts for long term insurance business.

Mathematical reserves basis calculation

The calculation described in CA-2.1.10.

Matrix management

Organisational structures where people have multiple reporting lines. Such situations can arise where business units cut across geographic or functional units.



Glossary of Defined Terms

Minimum fund

An amount fixed by the CBB from time to time not less than the following: Category 1 Insurer: BD 300,000 Category 2 Insurer: BD 500,000 Category 3 Insurer: BD 400,000 Category 4 Insurer: The relevant minimum fund for category 1 or 2 (depending on the type of general business underwritten) PLUS the Category 3 minimum. For captive insurers, Category C1 Insurer: BD 75,000 Category C2 Insurer: BD 300,000.

Morbidity

Incidence of disability, medical, dental, critical illness or other health related coverage.



Glossary of Defined Terms

N

Net asset value per share

(of a company, unit trust, mutual or managed fund) - the excess of assets over liabilities divided by the number of shares or units outstanding as per the latest published audited accounts of the company, unit trust, mutual or managed fund.

Net assets (as defined under Paragraph CA-1.2.8 (g) and CA-1.3.5)

For purposes of Module CA, net assets means the excess of assets over liabilities. The minimum net assets value is to be determined by excluding all intangible assets and in accordance with accounting principles generally accepted in Bahrain.

Net claims incurred (NCI)

In relation to an insurance firm and a financial year means outstanding claims at the end of the year plus claims paid during the year less outstanding claims at the beginning of the year in each case after deduction for the claim amounts payable by the reinsurers as their share.

Net premium valuation method

The standard actuarial procedure for valuing liabilities where the actual stream of premiums due under a policy is replaced by a notional stream of premiums calculated according to the rates of interest and rates of mortality and morbidity used in the process of valuation, which would have been sufficient at the outset to provide for the benefits under the contract according to the contingencies upon which they are payable, exclusive of any additions for profits, expenses or other charges.

Non-executive director

Means any director who is not an executive director.



Glossary of Defined Terms

O

Officer

A director, member of the Executive Management Committee or any Board Committee, Chief Executive, Head of Function or any other similar position within a firm, or a person purporting to act in that capacity.

Officially linked (currencies)

A currency to which the exchange rate of a particular currency is fixed, or a third currency whose exchange rate is also fixed to that currency, where there are no exchange controls between the currencies.

Operational risk (as defined under Paragraph RM-6.1.3)

Operational risk is the risk to the insurance licensee of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

Original term

(in respect of redeemable instruments including dated subordinated debt and redeemable preference shares) - the period of time between the date of issue and the earliest date that those instruments will mature or can be redeemed.

Outsourcing [outsource]

The use of a person to provide customised services to a licensee other than by a director or employee of the licensee.

Outsourcing provider

The person providing the customised services as described in the definition of "outsourcing".



Glossary of Defined Terms

Outsourcing risk

Refers to the risks associated with outsourcing including the suitability or otherwise of the service provider, business continuity, reduced control over the activity and access to relevant information, and increased legal and client confidentiality risks.

Overseas (as in insurance firm, broker, etc) licensee

Incorporated in a location outside the Kingdom of Bahrain (with a branch licensed in Bahrain) (see Paragraph AU-A.1.6).

Overseas insurance broker

Insurance licensees that undertake the regulated insurance service of broking of insurance contracts, as defined in Paragraphs AU-1.4.9 to AU-1.4.14, that are incorporated in a location outside the Kingdom of Bahrain (with a branch licensed in Bahrain).

Overseas insurance licensee

Insurance licensees that are incorporated in a location outside the Kingdom of Bahrain (with a branch licensed in Bahrain).

P

Parent undertaking or parent

An undertaking which has the following relationship to another undertaking ("S"):(i) it holds (alone or, under an agreement with other shareholders) a majority of the voting rights in S; or (ii) it is a member of S and has the right to appoint or remove a majority of its board of directors; or (iii) it has the right to exercise a dominant influence over S through: (A)provisions contained in S's memorandum or articles; or (B) a control contract; or (iv) it is a parent undertaking of a parent undertaking of S; or (v) he is an individual and would be a parent undertaking if he were an undertaking; or in relation to (ii) , the undertaking will be treated as a member of S if any of its subsidiary undertakings is a member of S, or if any shares in S are held by a person acting on behalf of the undertaking or any of its subsidiary undertakings.

Participating policies

Long term policies contractually entitled to receive part of the surplus of an insurance fund ("with profit policies").



Glossary of Defined Terms

Perpetual subordinated debt

A subordinated debt instrument that does not have a specified maturity date at the time the instrument is issued i.e. there is no fixed date for repayment of this debt and any repayment is at the option of the issuer.

Person

Any person having legal status, including a natural person, a firm or a partnership.

Policy

A contract of insurance, or any document evidencing such a contract.

Policyholder

The person who for the time being is the legal holder of the policy, including any person to whom, under the policy, a sum is due, a periodic payment is payable or any other benefit is to be provided or to whom such a sum, payment or benefit is contingently due, payable or to be provided.

Politically Exposed Persons ('PEPs')

'Politically Exposed Persons' or 'PEPs' means individuals who are, or have been entrusted with prominent public functions in Bahrain or a foreign country, for example Heads of State or government, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations or important political party officials or persons who are or have been entrusted with a prominent function by an international organisation. Business relationships with family members or close associates of PEPs involve reputational risks similar to PEPs themselves. The definition is not intended to cover middle-ranking or more junior officials in the foregoing categories. Bahraini PEPs would include all Ministers, all MPs, and all Ministry officials with the rank of Undersecretary or above.

Premium

In relation to a general insurance contract, the consideration payable under the contract by the policyholder to the insurer. In relation to a long-term insurance contract, a payment under the contract.



Glossary of Defined Terms

Premium basis calculation (of solvency margin)

The calculation contained in CA-2.1.13.

Principal regulator

(of an overseas insurance firm) - the regulator (usually of the jurisdiction of the head office of the firm) to whose supervisory requirements the firm is primarily subjected.

Proper valuation

A valuation made by a qualified valuer not more than three years before the relevant date which determined the amount which would be realised at the time of the valuation on an open market sale of the property free from any mortgage or charge.

Pure reinsurer

An insurance firm whose business is restricted to reinsurance.

Q

Qualified by exception

A report issued by an appointed expert that is qualified and indicates that certain areas or issues remain unresolved or are unverifiable due to certain limitations imposed on the appointed expert's work. The report will clearly indicate the type and reason for exception and the action that would have been taken by the appointed experts had the mentioned limitation not been placed on their work.

R

Reference period (as defined under Paragraph CA-2.1.15)

For the purposes of Paragraph CA-2.1.14 the reference period for all classes of business will be the three most recent financial years up to and including the current financial year.

Registered Actuary

An actuary appointed in accordance with Article 74 of the CBB Law, is registered with the CBB and who is independent from an insurance licensee.



Glossary of Defined Terms

Regulated

Any activity the carrying on of which falls under the jurisdiction of the CBB, or would fall under the jurisdiction of the CBB if it were carried out in the Kingdom of Bahrain.

Regulated insurance services

As defined under Section AU-1.4.

Reinsurance

Risk transfer contracts where one of the parties is licensed as an insurance or reinsurance firm, that may be either (re)conventional (re)insurance or (re)takaful.

Related party transactions (as defined under Paragraph BR-2.3.26)

A related party of an insurance firm includes:

- (a) A controller of the insurance firm as defined in Module GR;
- (b) A close link of the insurance firm as defined in Module GR;
- (c) An associate of a controller as defined in Module GR;
- (d) The extended family of a controller including a father, mother, father-in-law, mother-in-law, brother, sister, brother-in-law, sister-in-law, or grandparent;
- (e) A corporate entity, whether or not licensed or incorporated in Bahrain, where any of the persons identified in Sub-Paragraphs (c) and (d) is a director or would be considered a controller were the definition of controller set out in Paragraph GR-5.2.1 applied to that corporate entity.

Relative (up to first/second etc degree)

A first-degree relative of a person is any of the following: that person's spouse (or spouse equivalent), children, step-children, siblings, half-siblings, step-siblings, parents or step-parents. A second-degree relative of a person is any first-degree relative of one of that person's first-degree relatives. A relative who is both a first-degree relative of a person and also a first-degree relative of a first-degree relative of that person is deemed to be a first-degree relative of that person. A relative up to the second degree means any first- or second-degree relative.

Relevant authorities

For the purposes of Module FC, the authorities listed in Paragraph FC-4.3.2.

Relevant capital sum

As defined in CA 5.1.26.



Glossary of Defined Terms

Relevant operating expenses

As defined in AU-6.3.7.

Remuneration

Means all types of compensation including but not limited to salary, fee and non-cash benefits such as grants of stock, stock options or pension benefits.

Representative office or Representative office licensee(s)

A person who has been granted a license by the CBB to undertake regulated representative office services as defined in Section AU-1.3.

Required solvency margin

The minimum permitted amount by which an insurance firm's assets exceed its liabilities.

Retakaful

Risk transfer contract analogous to an insurance contract where one of the parties is an Islamic institution licensed as an insurance or reinsurance firm. It is known in some markets as 'Islamic insurance' or 'cooperative insurance'.

Retakaful firm

An (re)insurance firm, licensed as such, that is an Islamic financial institution.

S

Senior Manager/Management

Refers to individuals occupying the position of CEO or head of function.

Service level agreement

An agreement forming part of the Outsourcing Agreement between the outsourcing service provider and the insurance licensee that outlines the standards of service to be provided by the outsourcing service provider.



Glossary of Defined Terms

Share

The investment which is a share or stock in the share capital of a) any body corporate, wherever incorporated; b) any unincorporated body constituted under the law of a country or territory.

Share premium reserve

For purposes of Module CA, the share premium reserve or share premium account records the difference between the nominal value of shares issued and the fair value of the consideration received. For example if a company issues 1.0m shares (with a par of 1BD per share) at 3BD per share then in its accounting records it will record an increase in issued shares of 1.0m BD and an increase in the share premium reserve of 2.0m BD (i.e. the 3.0m BD received less the par value of the shares issued 1.0m BD).

Shareholder(s)

Person(s) who own shares in a company.

Shari'a board or shari'a supervisory board

An independent body of specialised jurists who, collectively, are entrusted with the duty of directing, reviewing and supervising the activities of an Islamic financial institution in order to ensure that they are in compliance with Islamic Shari'a rules and principles.

Signing Actuary

An actuary approved by the CBB who is appointed to report on a firm's actuarial evaluation. The Signing Actuary may be a Director or employee of the licensee.

Solvency margin

The amount by which an insurance firm's assets exceed its liabilities, both being valued in accordance with Module CA.

Stakeholder

Any person who may be affected by the actions of a firm is a stakeholder in that firm.



Glossary of Defined Terms

Subordinated debt

Any debt, which on a winding up or liquidation of the issuer the debtor ranks for payment after the claims of general creditors. A subordinated debt is not to be repaid until the claims of all the general creditors outstanding at the time of the winding up or liquidation have been settled.

Subsidiary

A company or other enterprise controlled by another company or enterprise (the parent or holding company).

Surplus assets

Assets in excess of the Required Solvency.

T

Takaful

Mutual insurance arrangements that conform to the principles of Shari'a. In a Takaful arrangement, the participants contribute a sum of money as tabarru (donation) into a common fund, which will be used for mutual assistance of the members against specified loss or damage.

Takaful firm(s)

An insurance company, licensed as such, that carries out its operations in accordance with Islamic principles.

Technical provisions

All provisions or liabilities made by an insurance firms to cover liabilities arising under or in connection with contracts of insurance including (where relevant):

- (a) unearned premiums;
- (b) claims outstanding;
- (c) unexpired risk provisions; and
- (d) any other amounts so described.

Tier 1 capital

Capital resources of an insurance firm of the types specified in Paragraph CA-1.2.8.

Tier 2 capital

Capital resources of an insurance firm of the types specified in Paragraph CA-1.2.12.



Glossary of Defined Terms

Traditional long term insurance business

Long term insurance business that is not linked long term insurance business.

Trilateral Meeting

A meeting between a licensee, an appointed expert and the CBB.

U

Ultimate parent undertaking

The highest parent insurance undertaking of the insurance firm or the holding company whose predominant investment are shares of the insurance firm(s) (wherever established) that is not itself the subsidiary of another undertaking.

Unearned premiums

The amount set aside by a company at the end of its financial year out of premiums in respect of risks to be borne by the company after the end of the financial year under contracts of insurance entered into before the end of that year.

Unit-linked investment adviser

An insurance intermediary that advises clients in relation to insurance products of an investment nature, including but not limited to those providing retirement income and pensions.

Unit trust

A collective investment scheme under which the property in question is held in trust for the participants.



Glossary of Defined Terms

V

Valuation of assets regulations

The Regulations contained in Chapter CA-4

Valuation of liabilities regulations

The Regulations contained in Chapter CA-5.

W

Whole life assurance

A contract of insurance which, disregarding any benefit payable on surrender, secures a capital sum only on death or either on death or on disability, but does not include a term assurance.

Without delay

The phrase *without delay* means, ideally, within a matter of hours of a designation by the United Nations Security Council or its relevant Sanctions Committee (e.g. the 1267 Committee, the 1988 Committee, the 1718 Sanctions Committee or the 1737 Sanctions Committee). For the purposes of S/RES/1373(2001), the phrase *without delay* means upon having reasonable grounds, or a reasonable basis, to suspect or believe that a person or entity is a terrorist, one who finances terrorism or a terrorist organisation. In both cases, the phrase *without delay* should be interpreted in the context of the need to prevent the flight or dissipation of funds or other assets which are linked to terrorists, terrorist organisations, those who finance terrorism, and to the financing of proliferation of weapons of mass destruction, and the need for global, concerted action to interdict and disrupt their flow swiftly.



Glossary of Defined Terms

Z

Zillmerising

The method known by that name for modifying the net premium reserve method of valuing a long term policy by increasing the part of the future premiums for which credit is taken so as to allow for initial expenses.

Zone A country

Any country which is a full member of the Organisation for Economic Co-operation and Development or which has concluded special lending arrangements with the International Monetary Fund associated with the Fund's General Arrangements to Borrow.