



EDFIS/C/012/2012
29th May 2012

The General Manager
All Insurance Licensees
Manama
Kingdom of Bahrain

Dear Sir,

Dealing with Intermediaries and Third Party Administrators (TPAs)

As you are aware, regulation plays a crucial role in the growth and progress of the insurance industry. In this regard, as a regulator the role of Central Bank of Bahrain (CBB) is vitally important in ensuring that the interest of all the stakeholders is properly safeguarded through appropriate rules and regulations. It is also very important to ensure that the industry comply with these rules and regulations in totality.

The Central Bank of Bahrain (CBB) has observed that some insurance companies are dealing with certain intermediaries and companies providing the support services including the Third Party Administrators (TPAs) that are not licensed or registered by the CBB.

This constitutes a serious breach of the CBB law and regulations. Under Article 41(b) of the CBB Law, no person, other than a financial institution licensed for the provision of insurance or reinsurance services and those registered in accordance with Article 74 of the CBB law, can provide expert service in the area of insurance business, brokerage, or in any other activity related to insurance. This is further elaborated by requirements specified in the Authorization Module of Volume 3 Rulebook with specific reference to AU-1.1.4 which clearly stated that licensed insurance firms and insurance brokers may only affect contracts of insurance through intermediaries when these intermediaries are licensed by or registered with the CBB.

The role of the intermediaries and TPAs is critical for the well-being of the insurer and for safeguarding the interest of insurance consumers. By dealing with licensed or registered intermediaries and TPAs the requisite protection is afforded to the licensed firm and consumers.

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In light of the above, the CBB hereby gives a notice period of three months, from the date of this circular, to all insurance firms who are dealing with TPAs and with immediate effect for all insurance firms dealing with non-licensed/non-registered intermediaries, to bring their respective businesses in order and terminate all contracts signed with non-licensed/non-registered entities and reestablish contract with licensed/registered intermediaries and TPAs. Failure to comply with these requirements, within the above specified time, will result in the CBB taking the necessary measures against the licensed firm as outlined in Module EN (Enforcement) of the Insurance Rulebook (Volume 3).

The CBB expects that you will take prompt action at your firm to remedy the situation. In case you require any further guidance or assistance on the matter, please feel free to contact us.

Yours faithfully,



Abdul Rahman Al Baker