



PUBLIC DISCLOSURE MODULE



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MODULE	PD: Public Disclosure
CHAPTER	PD-A: Introduction

PD-A.1 Purpose

Executive Summary

- PD-A.1.1 The purpose of this Module is to set out the minimum requirements applied by the Central Bank of Bahrain ('CBB') to insurance firms, with respect to corporate and financial transparency through meaningful public disclosures. Such disclosures help protect customers of insurance firms and facilitate market discipline.
- PD-A.1.2 The CBB's disclosure requirements vary according to the Category of insurance licensee. Certain categories are exempt from these requirements, because of the limited nature of their business. The scope of application of these requirements is given in Section PD-B.1.
- PD-A.1.3 The CBB encourages insurance firms to go beyond the minimum requirements specified in this Module. Further guidance on international best practice in this regard is provided in Chapter PD-3.
- PD-A.1.4 In setting out certain detailed disclosure requirements, this Module supports various other parts of the Rulebook, namely:
- (a) Principles of Business (Module PB);
 - (b) Authorisation (Module AU);
 - (c) Auditors and Actuaries (Module AA);
 - (d) CBB Reporting (Module BR);
 - (e) Capital Adequacy (Module CA); and
 - (f) Business Conduct (Module BC).

Legal Basis

PD-A.1.5

This Module contains the CBB's Directive (as amended from time to time) relating to public disclosure and is issued under the powers available to the CBB under Article 38 of the Central Bank of Bahrain and Financial Institutions Law 2006 ('CBB Law'). The Directive in this Module is applicable to insurance licensees.

- PD-A.1.6 For an explanation of the CBB's rule-making powers and different regulatory instruments, see Section UG-1.1.



MODULE	PD: Public Disclosure
CHAPTER	PD-A: Introduction

PD-A.2 Module History

PD-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.

PD-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

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

Module Ref.	Change Date	Description of Changes
PD-1.1	01/10/05	Amended the requirement that the Annual Report be available only in printed form (electronic format is optional).
PD-2.1	01/10/05	Reference added to IAS 34; clarified the semi-annual financial statements are subject to “review” and not “audit”.
PD-1.1.6	01/04/06	Clarified local disclosure requirements.
PD-2.1.5	01/07/06	Added a transition period for semi-annual disclosure requirements.
PD-A1.5	01/2007	New Rule introduced referring to the CBB Law and categorising this Module as a Directive.
PD-2.1.2	01/2007	Clarified that insurance firms are to disclose prior year comparative figures as part of the requirements for semi-annual disclosure requirements.
PD-1.1.6A, 1.2.5A and 2.1.4A	10/2007	Clarified that insurance firms must submit the newspaper copy of the required published financial statements.
PD-2.1.4B	01/2007	Clarified that pure reinsurers need not published in local newspapers their semi-annual results. Publication of these results on their website will meet CBB requirements.
PD-A.1.5	07/2009	Corrected application of legal basis.
PD-1.1.12	07/2009	Clarified format of auditor’s opinion for audited financial statements to be submitted
PD-A.1.5	01/2011	Clarified legal basis.
PD-2.2	01/2011	Added a new Section for newly-established insurance firms.
PD-1.1.12A, PD-1.1.13A, and PD-2.1.2A	04/2014	Added public disclosure requirements for Takaful firms.

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



MODULE	PD: Public Disclosure
CHAPTER	PD-B: Scope of Application

PD-B.1 Scope

PD-B.1.1 The contents of this Module apply to both Bahraini insurance firms and overseas insurance firms.

PD-B.1.2 The disclosures required generally relate to all the corporate activities of the licensee concerned, including activities undertaken outside Bahrain through overseas branches or an overseas head office. Specific rules and guidance in this respect are included in Chapter PD-1.

PD-B.1.3 Where licensees are part of a group, then certain disclosures also require information relating to the licensee's subsidiaries, parents and affiliates. Specific requirements in this respect are also included in Chapter PD-1.

PD-B.1.4 This Module does not apply to captive insurers; insurance brokers; insurance consultants; insurance managers; and appointed representatives.

PD-B.1.5 Captive insurers for the most part expose only connected counterparties to financial risks. The remaining categories listed in Paragraph PD-B.1.4 pose limited financial risk to policyholders because of the limited nature of their activities.



MODULE	PD: Public Disclosure
CHAPTER	PD-1: Annual Disclosure Requirements

PD-1.1 Disclosure by Bahraini Insurance Firms

Publication of Annual Reports

PD-1.1.1

Bahraini insurance firms must publish an Annual Report, in the manner prescribed in this Section, within 3 months of the end of the firm's financial year.

PD-1.1.2

In addition to the requirements specified in this Module, Bahraini insurance firms are also required to comply with the requirements regarding the publication of audited financial accounts, as specified in Article 62 of the CBB Law, the Bahrain Commercial Companies Law 2001 (as amended) and the Bahrain Stock Exchange Regulations (where applicable).

PD-1.1.3

Bahraini insurance firms must apply financial years that end on 31 December, unless prior written approval has been obtained from the CBB for a different year-end.

PD-1.1.4

The Annual Report must be made available in printed form.

PD-1.1.5

The Annual Report must be published in both Arabic and English.

PD-1.1.6

The requirement to publish an Annual Report will be met where firms publish financial information (balance sheet and income statement) and any financial penalties paid to the CBB, in two local (Bahrain) daily newspapers (one in Arabic, one in English), containing details of where interested parties may obtain a copy of the full Annual Report in either electronic or paper form.

PD-1.1.6A

Bahraini insurance firms must submit a newspaper copy of the published financial statements (referred to under Paragraph PD-1.1.1) to the CBB within three months from the statements' date. The copy should be accompanied by a letter clearly showing on which date and in which publication(s) the statements were published.

PD-1.1.7

The Annual Report must include the information that insurance firms are required to disclose on an annual basis as set out in this Module, together with additional information that may facilitate the understanding by prospective and existing policyholders and other market participants of the financial position of the firm and the risks to which it is subject.

PD-1.1.8

Bahraini insurance firms whose business is limited to reinsurance activities, are exempt from publishing summary financial information in local newspapers. However, their Annual Report must be made available in electronic format via the firm's web site.

PD-1.1.9

Bahraini insurance firms must provide printed copies of their Annual Report on request, but may charge a fee for providing a printed copy to persons who are neither policyholders nor shareholders of the firm.



MODULE	PD: Public Disclosure
CHAPTER	PD-1: Annual Disclosure Requirements

PD-1.1 Disclosure by Bahraini Insurance Firms (continued)

Categories of Information to be Disclosed

PD-1.1.10

Bahraini insurance firms must, in their Annual Report, provide timely information that facilitates market participants' assessment of the firm. There are five broad categories of information, each of which must be addressed in clear terms and with appropriate details to help achieve a satisfactory level of transparency. The five categories are:

- (a) Financial position;
- (b) Financial performance;
- (c) Corporate governance;
- (d) Compliance; and
- (e) Risk management strategies and practices.

PD-1.1.11

The disclosure requirements listed in this Module are in addition to or serve to clarify the disclosure requirements under International Financial Reporting Standards ('IFRS'). These requirements may either be integrated into the Notes to the Accounts, or addressed in the Directors' Report.

Financial Position

PD-1.1.12

The Annual Report must contain a copy of the firm's annual, audited financial statements in accordance with the requirements contained in the CBB Law, the Bahrain Commercial Companies Law 2001 (as amended) and the Bahrain Stock Exchange regulations (where applicable). The financial statements must contain the auditor's opinion which must be made in accordance with the International Standards on Auditing, established by the International Federation of Accountants. The Annual Report must also contain a solvency statement and the auditor's report.

PD-1.1.12A

For Takaful firms, the published financial statements must provide a detailed breakdown of the statement of financial position and statement of comprehensive income for the shareholder fund and for any participant fund(s) of the Takaful firm.

PD-1.1.13

The solvency statement specified in Paragraph PD-1.1.12 must include a breakdown of the firm's CBB capital available (as specified in Paragraph CA-1.2.21) and a summary of the firm's CBB solvency margin requirements (as prescribed in Chapter CA-2).



MODULE	PD: Public Disclosure
CHAPTER	PD-1: Annual Disclosure Requirements

PD-1.1 Disclosure by Bahraini Insurance Firms (continued)

PD-1.1.13A In instances where a Takaful firm has opted to write-off a Qard Hassan granted to meet solvency requirements under the CBB Rules at that time, the amount of the Qard Hassan must be disclosed as an off-balance sheet item in accordance with Subparagraph CA-8.4.16.

PD-1.1.14 Firms must disclose in their published accounts all information which policyholders and shareholders would reasonably expect to enable them to form a view of the firm's ability to meet its obligations.

PD-1.1.15 Firms are encouraged to include within the annual reports key ratios that would assist readers in understanding the firm's financial performance, performance on its insurance account and in making comparisons with previous financial periods on a like-for-like basis. Possible ratios include those contained in the Insurance Firm Return (cf. Module BR (CBB Reporting)).

Financial Performance

PD-1.1.16 The following information relating to the financial performance and position of the firm must, where relevant to an understanding of the firm's financial performance, be included in the Annual Report:

- (a) A discussion of the main factors that influenced the firm's financial performance for the year, explaining any differences in performance between the current year and previous years and the reasons for such changes, and discussing factors that will have a significant influence on the firm's future financial performance;
- (b) Comparisons with the previous period's financial performance (unless this is the firm's first reporting period), including comparisons between business segments;
- (c) The performance of the technical account, including, but not necessarily limited to, comparisons with past performance of claims ratios, claims development and how the underwriting portfolio is made up;
- (d) Performance of the technical account both net and gross of reinsurance;
- (e) Investment performance;
- (f) Claims trends and key claims, where relevant to an understanding of the financial performance;
- (g) A discussion of the impact of acquisitions of new businesses; and
- (h) The impact of any changes in the capital structure on earnings and dividends.



MODULE	PD: Public Disclosure
CHAPTER	PD-1: Annual Disclosure Requirements

PD-1.1 Disclosure by Bahraini Insurance Firms (continued)

Corporate Governance

PD-1.1.17

The Annual Report of insurance firms must contain details of any shares in the firm held by its Directors and Chief Executive Officer/General Manager. Such details must include:

- (a) The total number of shares held by such individuals as at the financial year-end (broken down by class of share where applicable); and
- (b) Any acquisitions or disposals in such shares during the financial year in question, including the numbers of such shares and the price at which they were acquired or sold.

PD-1.1.18

For the purpose of the disclosures required under Paragraph PD-1.1.17, shares held by Directors and Chief Executive Officers/General Managers also include any shares held in the firm by their spouses, children or any other person whose share holdings may fall under their control.

PD-1.1.19

The following information relating to corporate governance must also be included in the firm's Annual Report:

- (a) Information about the Board and Board committees (if any). This must include details of Board membership (including a summary of each Board member's professional experience, qualifications, date of appointment and other Directorships held); details of the membership and mandates of any Board Committees; and the number of Board and any Board committee meetings held during the financial year in question;
- (b) Information about the managerial structure. This must include a summary of the Chief Executive Officer's/General Manager's professional experience, qualifications and date of appointment; a summary of any management committees, their mandates and membership; and a summary of the senior management structure and reporting lines; and
- (c) Information about the firm's basic organisational structure. This must include a clear description of the lines of business and legal entity structures.



MODULE	PD: Public Disclosure
CHAPTER	PD-1: Annual Disclosure Requirements

PD-1.1 Disclosure by Bahraini Insurance Firms (continued)

Compliance

PD-1.1.20

The Annual Report must include a declaration by the external auditor that no violations have taken place of:

- (a) The Bahrain Commercial Companies Law of 2001 (as amended);
- (b) The CBB Law ; and
- (c) The CBB's insurance Directives and Regulations (as contained in Volume 3 of the CBB Rulebook),

insofar as the violations have any material impact on the financial statements of the firm.

PD-1.1.21

In addition, in accordance with Paragraph EN-B.4.5, insurance firms are required to disclose in their Annual Report the amount of any financial penalties paid to the CBB, together with a factual description of the reason(s) given by the CBB for the penalty.

Risk Management Strategies and Practices

PD-1.1.22

The following information relating to the firm's risk management strategies and practices must be included in the Annual Report:

- (a) A summary of the significant internal and external risks facing the firm;
- (b) A summary of the firm's risk management policies (including, but not limited to, underwriting, credit, investment, reserving, legal, operational and group risks); and
- (c) A summary of the firm's risk monitoring organisation and processes, including details on the firm's risk management and internal audit functions; the use of reinsurance; and controls on underwriting, credit and investment risk.



MODULE	PD: Public Disclosure
CHAPTER	PD-1: Annual Disclosure Requirements

PD-1.2 Disclosure by Overseas Insurance Firms

PD-1.2.1 Overseas insurance firms must publish on an annual basis audited financial statements for their Bahrain operations, in the manner described in this Section, within 3 months of the end of the firm's financial year.

PD-1.2.2 The disclosure requirements referred to in Paragraph PD-1.2.1 are in addition to those required under International Financial Reporting Standards ('IFRS').

PD-1.2.3 Overseas insurance firms must disclose in their published accounts all information which policyholders would reasonably expect to be given in order to form a view of the branch's ability to meet its obligations.

PD-1.2.4 In accordance with Paragraph EN-B-4.5, overseas insurance firms must also disclose the amount of any financial penalties paid to the CBB, together with a factual description of the reason(s) given by the CBB for the penalty.

PD-1.2.5 The requirement to publish audited financial statements will be met where overseas insurance firms publish financial information (balance sheet and income statement) and financial penalties paid to the CBB, in two local daily newspapers (one in Arabic, one in English), containing details of where interested parties may obtain a copy of the full audited financial statements in either electronic or paper form.

PD-1.2.5A Overseas insurance firms must submit a newspaper copy of the published financial statements (referred to under Paragraph PD-1.2.1) to the CBB within three months from the statements' date. The copy should be accompanied by a letter clearly showing on which date and in which publication(s) the statements were published.

PD-1.2.6 Overseas insurance firms whose business is limited to reinsurance activities are exempt from publishing information in local newspapers. However, their audited financial statements and information related to any financial penalties paid to the CBB must be made available in electronic format via the firm's web site.

PD-1.2.7 Overseas insurance firms must provide printed copies of their audited financial statements on request, but may charge a fee for providing a printed copy to persons who are neither policyholders nor shareholders of the company.



MODULE	PD: Public Disclosure
CHAPTER	PD-1: Annual Disclosure Requirements

PD-1.2 Disclosure by Overseas Insurance Firms (continued)

PD-1.2.8

Overseas insurance firms must make available in Bahrain information on the overall financial position of the firm (i.e. including head office operations), to enable an understanding of the company as a whole. This requirement can be discharged by:

- (a) Publication of information on the overall financial position of the whole firm as part of the publication of branch financial statements in Bahrain; or
- (b) Reference in the publication in Bahrain to the firm's web site where information that meets these requirements can be found (in English and/or Arabic).



MODULE	PD: Public Disclosure
CHAPTER	PD-2: Semi-Annual Disclosure Requirements

PD-2.1 General Requirements

Application

PD-2.1.1 This Chapter applies to all insurance firms.

The Requirements

PD-2.1.2 Insurance firms must publish interim summary financial statements, in accordance with IAS 34 (International Accounting Standards). Insurance firms must also provide prior year comparative figures, as dictated by IAS 34, when disclosing semi-annual results.

PD-2.1.2A For Takaful firms, the published interim financial statements must provide a detailed breakdown of the statement of financial position and statement of comprehensive income for the shareholder fund and for any participant fund(s) of the Takaful firm.

PD-2.1.3 The statements referred to under Paragraph PD-2.1.2 must be reviewed by the firm's external auditor, in accordance with International Standards on Auditing (ISA) applicable to Review engagements.

PD-2.1.4 The statements referred to under Paragraph PD-2.1.2 must be published in two local newspapers (one in Arabic, one in English), within two months of the statements' date.

PD-2.1.4A Insurance firms must submit a newspaper copy of the published financial statements (referred to under Paragraph PD-2.1.4) to the CBB within two months from the statements' date. The copy should be accompanied by a letter clearly showing on which date and in which publication(s) the statements were published.

PD-2.1.4B Bahraini insurance firms, whose business is limited to reinsurance activities, are exempt from publishing semi-annual interim financial statements in local newspapers. However, interim results must be made available in electronic format via the firm's web site.

PD-2.1.5 Insurance firms are required to comply with the requirements of Chapter PD-2, effective for the period ending 30 June 2008. (Refer to ES-2.8.1)



MODULE	PD:	Public Disclosure
CHAPTER	PD-2:	Semi-Annual Disclosure Requirements

PD-2.2 Special Arrangements for Newly-Established Insurance Firms

PD-2.2.1 Newly-established insurance firms are not required to follow the publication requirements of Section PD-2.1 for the first semi-annual results of their operation or until the commencement of their second financial year of operation (whichever period is the latest).

PD-2.2.2 After the period referred to in Paragraph PD-2.2.1 has expired, all newly-established insurance firms must follow the publication requirements of Section PD-2.1. Newly-established insurance firms must follow the requirements for annual public disclosure outlined in Chapter PD-1.



MODULE	PD: Public Disclosure
CHAPTER	PD-3: Further Guidance and Best Practice

PD-3.1 Introduction

PD-3.1.1 This Chapter provides references to sources of additional guidance issued by international bodies. The CBB encourages insurance licensees to go beyond the minimum disclosure standards contained in this Module, and to refer to guidance issued by international bodies on best practice.

PD-3.1.2 Should any guidance referred to in this Chapter conflict with specific CBB requirements, then the CBB requirements will prevail.



MODULE	PD: Public Disclosure
CHAPTER	PD-3: Further Guidance and Best Practice

PD-3.2 Guidance Provided by Other International Bodies

International Association of Insurance Supervisors: 'Guidance Paper on Public Disclosure by Insurers'

PD-3.2.1 This paper provides guidance on the public disclosure of reliable and timely information, involving both the quality of disclosure by insurers and the nature of the information being disclosed. Disclosure improves the understanding of policyholders and market participants of the financial position of insurers. The CBB encourages insurance licensees to refer to this document and to apply the disclosure principles it contains (see www.iaisweb.org).

AAOIFI Financial Accounting Standard 12 (General Presentation and Disclosure in the Financial Statements of Islamic Insurance Companies)

PD-3.2.2 The CBB requires takaful companies to follow Financial Accounting Standard 12 (General Presentation and Disclosure in the Financial Statements of Islamic Insurance Companies) published by the Accounting and Auditing Organisation for Islamic Financial Institutions – www.aoifi.com (refer to Section BC-3.4).