CBB: Sustaining the momentum

The Central Bank of Bahrain (CBB) has been instrumental in cementing the Kingdom's position as a financial and insurance centre. In an interview with **Mr Nader Saeed Al Mandeel**, Director of the Insurance Supervision Directorate, *MiddleEast Insurance Review* learns that the regulator is making every effort to maintain its track record by reviewing its rules and continuing to work closely with the industry.

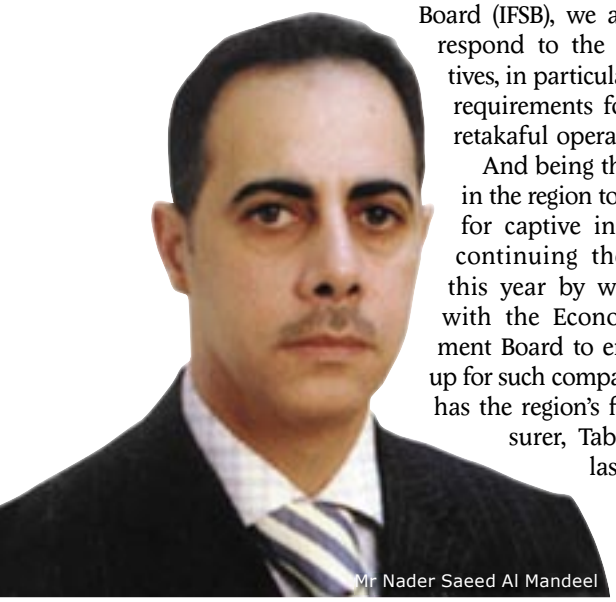
Although insurers in Bahrain were achieving their financial projections at the end of the first nine months of 2008, insurance firms were well aware that their investment returns supplementing their insurance underwriting would not be as high as at the end of 2007, due to the state of the financial markets, observed Mr Nader Saeed Al Mandeel.

Due to the uncertain investment climate, the CBB, well-known in the region for its proactive regulations, examined the impact of the downturn in investments on the capital adequacy and solvency margins of the Bahrain insurers. The results, he said, showed that the impact was minimal. "All insurance firms operating in Bahrain are in line with solvency requirements and are well-capitalised. However, as prudent measures, we have monitored our insurance licensees and have discussed with them actions that will be taken where there has been a deterioration in their investment portfolios. We will continue to follow up with our insurance licensees on this matter."

Another area which the CBB is championing is corporate governance. Besides partnering with the industry to strengthen these practices, CBB is also an active member of the corporate governance and compliance sub-committee of the IAIS. Additionally, in May, the CBB will be supporting a governance seminar organised by the General Arab Insurance Federation (GAIF) and the Bahrain Insurance Association (BIA).

Reviewing and enhancing the rules

Having firmly placed Bahrain on the takaful map, the CBB will be looking at re-addressing the takaful and retakaful rules and regulations already in place, revealed Mr Al Mandeel. "As a member of the Islamic Financial Services Board (IFSB), we are working to respond to the current initiatives, in particular, the solvency requirements for takaful and retakaful operators."


Mr Nader Saeed Al Mandeel

And being the first country in the region to establish rules for captive insurers, CBB is continuing the momentum this year by working closely with the Economic Development Board to enhance the set up for such companies. It already has the region's first captive insurer, Tabreed, and late last year, licensed its second captive insurance manager, Heritage.

Formula for success

Mr Al Mandeel is confident that Bahrain has what it takes to succeed in the regional insurance industry. "We have the highest penetration rate in the GCC, and we brought takaful to this region, benefiting from the good track record in Islamic banking. Bahrain has one of the best talent pools in the region, and it helps that the CBB works hand in hand with the Bahrain Institute of Banking and Finance (BIBF) to further develop human resources."

The CBB has also supported the Chartered Insurance Institute (CII)'s move to work within the premises of the BIBF. The latter's takaful course, in turn, is accredited by the CII.

"The BIBF and the CII have jointly developed a unique programme on takaful. The new programme will be offered in 2009 and will culminate in an internationally recognised certification by both BIBF and CII."

Another reason for success is the CBB's consultative approach, he added. "We always consult with the insurance industry, whether it is regarding new regulations, or reviewing existing ones. The triangle of our success is based on CBB at the apex, co-operating with BIA and BIBF."

Medical insurance

Commenting on the ongoing government attempts to introduce compulsory medical insurance for expatriates, Mr Al Mandeel said the scheme will materialise, "hopefully in the near future. The scheme is in its last phase and ready to be launched, once it is reviewed and endorsed by official entities."

He added: "Medical insurers have reached a stage whereby they have the capacity and the infrastructure to service a large number of members, thanks to the number of sophisticated third-party administrators in the market."

Back to basics

Getting back to fundamentals is still necessary in order to raise the insurance profile in the region. "It is vital to increase penetration and density, and this will not materialise unless the insurance industry, together with the regulators, come up with a unique public awareness campaign that should address all segments of the community."

In Mr Al Mandeel's opinion, GCC countries should focus on developing life insurance. "This would help the insurance sector contribute more to the national economy. It is not quite easy to achieve this as we need to have a well-established local life insurance industry. However, suitable life products from conventional and takaful firms are now available in our markets, tailored to respond to the needs of different segments within our community."