



**FINANCING COMPANIES
BUSINESS AND MARKET CONDUCT
MODULE**

CONSULTATION

MODULE:	BC (Business and Market Conduct)
Table of Contents	

		Date Last Changed
BC-A	Introduction	
	BC-A.1 Purpose	01/2014
	BC-A.2 Module History	07/2023
BC-B	Scope of Application	
	BC-B.1 Scope	01/2014
BC-C	Provision of Financial Services on a Non-discriminatory Basis	
	BC-C.1 Provision of Financial Services on a Non-discriminatory Basis	10/2020
BC -1	Promotion of Financial Products and Services	
	BC-1.1 Promotion of Financial Products and Services Offered in/from Bahrain by Means of Incentives.	04/2022
	BC-1.2 Advertisements for Financial Products and Services	07/2021
BC -2	Client Confidentiality	
	BC-2.1 Disclosure of Information about Individual Accounts	01/2014
BC -3	Customer Account Services and Charges	
	BC-3.1 Disclosure of Charges by Licensees	07/2021
	BC-3.2 Notification to the CBB on Introduction of New or Expanded Customer Products and Facilities	07/2023
	BC-3.3 Dealing with Inheritance Claims	01/2014
	BC-3.4 Compliance with the Code of Best Practice on Consumer Credit and Charging	01/2014
	BC-3.5 Credit Check Reports	10/2015
	BC-3.6 Transaction Advice	07/2016
	BC-3.7 Fees and Charges for Services Provided to Individuals	04/2018
	BC-3.8 Interest on Credit Card Transactions	07/2019
	BC-3.9 Fund Transfers by Customers of Payment Service Providers (PSP)	10/2020
	BC-3.10 Merchant Fees on Payments to Zakat and Charity Fund	04/2021
	BC-3.11 Insurance Cover on Loans	xx/2024
BC -4	Customer Complaints Procedures	
	BC-4.1 General Requirements	01/2014
	BC-4.2 Documenting Customer Complaints Handling Procedure	01/2014
	BC-4.3 Procedures for Effective Handling of Complaints	04/2020
	BC-4.4 Internal Complaint Handling Procedures	01/2014
	BC-4.5 Response to Complaints	04/2020
	BC-4.6 Records of Complaints	01/2014
	BC-4.7 Reporting of Complaints	01/2022
	BC-4.8 Monitoring and Enforcement	01/2014

MODULE:	BC (Business and Market Conduct)
----------------	---

Table of Contents

Date Last
Changed

BC -5	Cheques		
	BC-5.1	Return Policy – Post-Dated Cheques	01/2017

CONSULTATION

MODULE	BC:	Business and Market Conduct
CHAPTER	BC-3:	Customer Account Services and Charges

BC-3.11 Insurance Cover on Loans

BC-3.11.1

The requirements in this Section apply to financing company licensees which seek life or other insurance cover in respect of loans to a borrower. These requirements are effective from XX 2024, i.e. all credit exposures that mature or are repaid/prepaid in full on or after XX 2024 must be subject to the requirements in this Section.

BC-3.11.2

Licensees using insurance cover as risk mitigant for its loans to individuals must comply with the following requirements:

- (a) Credit policies must specify whether the licensee will bear the cost of insurance cover or if it will recover the cost from the customer;
- (b) If a customer wishes to buy his own insurance cover, the licensee must not refuse to accept assignment of such policy, however, the licensee may require the customer to ensure that the insurance policy terms, duration and features match its requirements;
- (c) If insurance is arranged by the licensee for its customer, the cost recovered from the customer must be the actual cost paid by the licensee to the insurance provider;
- (d) The insurance cost recovered from the customer, in the case of group insurance cover, must not exceed the proportionate aggregate cost payable to the insurance company attributable to the credit facility. Licensees must, on an annual basis, evaluate the insurance costs, which must be based on the actual insurance premiums levied by the insurer for the purpose of determining the insurance cost to be recovered for new facilities. At maturity of loans or at the point of early repayment, the licensee must refund any excess insurance cost amount collected;
- (e) Licensee must not receive any commission, referral fees or any other fees from the insurance provider and/or receive any commission from the borrower;
- (f) Full disclosure with respect to the insurance arrangement (whether individual or group insurance cover), must be made to the customer prior to signing the loan agreement regarding:
 - (i) The terms of the insurance coverage and name of the insurance provider;
 - (ii) Benefits and exclusions;
 - (iii) Need for medical examinations, underlying illnesses not covered and the implications of health conditions on the insurance cost or the insurance claim;
 - (iv) Payment method for the insurance cost (i.e. one time upfront payment or addition to loan amount and recovered as part of repayment instalments);



MODULE	BC:	Business and Market Conduct
CHAPTER	BC-3:	Customer Account Services and Charges

BC-3.11 Insurance Cover on Loans (continued)

- (v) The insurance premium rate currently applicable;
- (vi) The basis and method of calculation of the insurance cost at the time of granting of the loan; and
- (vii) Refund/adjustment of insurance cost in the case of early repayment/ pre-payments and top-ups;
- (g) Customers must be informed in writing if:
 - (i) There is a change in the insurance provider in the case of individual insurance cover;
 - (ii) There is a possibility of additional costs to be recovered or refunds in case of upfront payments due to changes in insurance premium rates; and
 - (iii) Additional insurance costs would be recovered from the customer if loan repayment instalments are not paid on time; and
- (h) The loan or credit card statement must clearly show the insurance cost as a separate item where applicable.

BC-3.11.3

If licensees decide to restructure the loan but cannot obtain insurance coverage due to the customer's age or due to a 'retiree' status, they must inform the customer in writing about the unavailability of insurance for the extended loan period. In such cases, the licensee must not demand full repayment of loan by the customer due to the customer's age.

BC-3.11.4

Licensees' credit policy must specify, at a minimum, the following:

- (a) Disclosures to be made to customers prior to signing of the loan agreement;
- (b) Age limits, if any, that apply for insurance cover as per the licensee's arrangements with the insurer and the options available to customers not meeting the age limits;
- (c) Measures or implications of default or extension of tenor for any reason, particularly for loans which have an expiry date falling in a higher age bracket at the time of grant of the loan; and
- (d) Any additional terms that apply to customers who fall within the higher age bracket.

BC-3.11.5

Licensees' credit policy must also specify its approach with regard to lending and the corresponding insurance coverage implications for customers who fall within higher age groups (to be defined by the licensee) and those who have retired from employment or will retire during the tenor of the loan.

MODULE	BC:	Business and Market Conduct
CHAPTER	BC-3:	Customer Account Services and Charges

BC-3.11 Insurance Cover on Loans (continued)

BC-3.11.6 For the purposes of BC-3.11.5, extension of loans to individuals who are beyond the retirement age should take into account, in addition to other factors, the increases in life expectancy in Bahrain and the general trend in loss ratios. For this purpose, licensees should agree with their insurer the terms, conditions and procedures in order to meet the needs of individuals above the insurable age of the group loan portfolio and consider measures to be taken in the case of exceptional scenarios such as a customer in the higher age group needing to restructure a facility.

BC-3.11.7 **Licensees using group insurance cover must perform a due diligence of the insurance provider at periodic intervals to ensure optimum benefits are obtained for their customers. The due diligence must also involve assessment of various insurance plans and loss ratios.**

BC-3.11.8 **If the insurance provider is a related party of the licensee, the insurance cost must not be higher than the market quotes for similar insurance cover.**