



EDFIS/C/013/2006
10th October 2006

The Compliance Officer
All Insurance Licensees
Manama
Kingdom of Bahrain

Dear Sir,

**CBB Rulebook, Volume 3 (Insurance):
October 2006 Quarterly Update**

The October quarterly update to Volume 3 has now been incorporated in the website version of the Rulebook.¹

This cover letter highlights any changes introduced this quarter. **Licensees are required to note any policy changes. In addition, recipients who wish to update their hard copy folders should access the CBB website and print off the relevant pages for insertion in their folders.**

▪ **October 2006 Changes**

No policy changes have been made to Volume 3 this quarter. However, reporting forms for all licensees have now been finalised and can be found on the CBB website under Volume 3, Part B, Reporting Forms.

¹ Volume 3 can be accessed, as usual, from www.cbb.gov.bh (Home > Regulation & Supervision > Rulebook > Volume 3: Insurance).

- **CBB Law**

This is the first update since the coming into force on 7th September 2006 of the Central Bank of Bahrain and Financial Institutions Law 2006. Article 4 of Decree No. (64) of 2006, which promulgated this law, carries over all regulations previously issued by the Bahrain Monetary Agency, which were in force when the new law took effect. **Volume 3 of the CBB Rulebook, therefore, continues to have full effect.**

The CBB has started a review of Volume 3, to ensure that it fully reflects the new law. For instance, references to the Bahrain Monetary Agency and to the superseded 1987 Insurance Law will be updated. All such changes will be reflected in the January 2007 update to Volume 3.

Pending the January 2007 update, all references to the Bahrain Monetary Agency in Volume 3 should be read as referring to the Central Bank of Bahrain.

- **Future Policy Changes (Part A of Volume 3 (Insurance) Rulebook)**

Some of the more significant changes for Part A of the Rulebook that will be included as amendments in January 2007 include the following:

Module HC (High-level Controls)

The rules for board composition of insurance licensees, other than insurance firms, have been amended so that the minimum number of directors required is three, of which at least two must be non-executive. In addition there must be at least one independent non-executive member.

Module CA (Capital Adequacy)

The required solvency margin for pure reinsurers, other than for the reinsurance of linked business is to be calculated in accordance with Paragraph CA-2.1.12.

Module FC (Financial Crime)

As a follow up to the 4th September 2006 circular sent to all insurance firms, a transition period for the submission of the external auditor's report required under Subparagraph FC-3.3.1(d) will be incorporated, in line with the September circular.

Module BR (CBB Reporting)

The Auditor's report (Agreed-Upon Procedures) for both the IFR and IMR is now to be submitted separately, within four months of the financial year end.

▪ **Reporting Forms (Part B of Volume 3 (Insurance) Rulebook) Final Form IFR (C) and IFR (T) and GIFR and Amended Form IMR**

Following the consultation period, the final versions of reporting forms and accompanying instructions for conventional insurance firms (IFR (C)) and takaful firms (IFR (T)) are now included in Part B of the Rulebook along with the Group Insurance Reporting Form (GIFR). These updated forms can now be accessed on the CBB website.

In addition, some minor changes have also been made to the Insurance Intermediary and Manager Return (IMR Form).

▪ **Hard Copy Users**

Recipients who wish to update hard copy versions of Volume 3 should access the CBB website and print off the relevant pages from the updated PDF versions of Volume 3, for insertion into their folder. Note that for the above-noted reporting forms, all documents are in an excel format to facilitate completion of these returns. The table attached to this letter lists which pages to print off.

Since there are no policy changes this quarter, only the contents page for each Module issued in Part (A) have been updated. These contents pages (which help hard copy users verify the current version of the contents of

each Module) show the latest quarter date at the bottom right hand corner of the page, i.e. October 2006. Their headers have also been updated, to refer to the Central Bank of Bahrain.

Further information

Should you have any queries regarding these updates, you may contact the CBB Rulebook team at (rulebook@cbb.gov.bh), or the Director of the Insurance Supervision Directorate at Tel: +973 1754 7302; e-mail: Tawfiq@cbb.gov.bh.

Yours faithfully,



Abdul Rahman Al Baker
Executive Director – Financial Institutions Supervision

CBB Rulebook (Volume 3) – October 2006 Quarterly Update

Summary of Changes and Printing Instructions for Hard Copy Users

PART A FOLDER		
Module Code	Module Title	Summary of Changes and Printing Instructions
Contents Page for each Module issued (i.e. Modules UG, ES, AU, PB, HC, AA, GR, CA, BC, RM, FC, BR, PD, EN, CI, IM and TA)		Contents Pages have been updated, to show their current issue date in the bottom right hand corner (i.e. <u>October 2006</u>); and Central Bank of Bahrain in the header. Print off the contents page for each of the Modules specified.

PART B FOLDER		
Reporting Forms		
IFR (C) and IFR (T) Forms	Insurance Firm Return	IFR (C) and IFR (T) Forms and related instructions have now been finalised following consultation. Print off final IFR (C) and IFR (T) Forms and related instructions.
GIFR Form	Group Insurance Firm Return	GIFR Form has now been completed following consultation. Print off final GIFR Form.
IMR Form	Insurance Intermediary and Manager Return	Agreed Upon Procedures are no longer part of this form and are now included under Supplementary Information. IMR 3.0 has therefore been deleted. A few other minor changes have been made to the IMR taking into account the IMRs submitted for the 2005 year end.
Supplementary Information		
BR- (i)	IFR: Agreed Upon Procedures	Agreed Upon Procedures to be completed by the external auditors for the IFR Return. Print off complete document.
BR- (ii)	IMR: Agreed Upon Procedures	Agreed Upon Procedures to be completed by the external auditors for the IMR Return. Print off complete document.