



Central Bank of Bahrain

Instructions for Insurance Firm Return

**(to be used in completing Sections IFR(C), IFRQ(C), IFR(T) and
IFRQ(T))**

October 2008



Instructions for Insurance Firm Return

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	Instructions for Insurance Firm Return
Section I	Introduction

Statutory Authority

Detailed Rules and Guidance for CBB Reporting are outlined in Volume 3 (Insurance) Module BR. The instructions contained herein summarise some of the Rules of Module BR. The definitive version of the reporting requirements is contained in Module BR.

Pursuant to Article 111 of the Central Bank of Bahrain and Financial Institutions Law 2006 ('the CBB Law') and Paragraph BR-1.1.1, insurance firms must prepare and submit to the Central Bank of Bahrain ('the CBB') an Insurance Firm Return (IFR) for each financial year. In addition Paragraph BR-1.4.1 requires every insurance firm to submit to the CBB selected sections of the IFR for each quarter ending 3, 6 and 9 months after its financial year end.

Insurance Firm

The term 'insurance firm' refers to all insurance firms, whether conventional or takaful, licensed by the Central Bank of Bahrain, carrying on insurance business as defined in Paragraphs AU-1.4.7 to AU-1.4.9 of Module AU (Authorisation). For greater certainty, this includes:

- (a) Insurance firms locally incorporated;
- (b) Branches of foreign insurance firms operating in Bahrain;
- (c) Insurance firms whose business is limited to jurisdictions, other than in Bahrain;
- (d) Insurance firms whose business is limited to reinsurance; and
- (e) Captive insurers.

Insurance firms that are branches of foreign insurance firms operating in Bahrain are referred to as 'Overseas insurance firms' throughout Volume 3 (Insurance) whereas locally incorporated insurance firms are referred to as 'Bahraini insurance firms'.

Filing Deadlines and Copy Requirements

One electronic version ('soft copy') of the IFR (and IFRQ for quarterly filing) is to be sent by e-mail to: IFR@cbb.gov.bh

In addition, one properly completed hard copy of the IFR (and IFRQ for quarterly filing) must be submitted and addressed to:

The Director of the Insurance Supervision Directorate
Central Bank of Bahrain
P.O. Box 27
Manama
Bahrain

The IFR must be submitted to the CBB annually, within 3 months of the insurance firm's financial year end, along with the audited financial statements, external auditor's management letter and, where applicable, detailed actuarial report. The IFRQ must be submitted to the CBB within 45 calendar days of the relevant quarter end.

If the filed information is illegible, inaccurate or incomplete, the IFR and IFRQ will not be considered filed.



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The IFR and IFRQ must bear original signatures on all Certifications (IFR 10.10, 10.20 and 10.30). To facilitate verification of original signatures, it would be appreciated if a colour different from the print is used for signing. Photocopies of signatures will not be accepted.

Filing Deadlines and Copy Requirements (continued)

For Bahraini insurance firms, the 'hard' copy of the Directors' Certificate must be signed by at least two of the insurance firm's directors on behalf of the Board of Directors. One of those two directors signing the certificate must be the Chairman of the insurance firm and the other must be formally authorised by the Board of Directors to sign on their behalf. (Refer to BR-1.1.30)

For overseas insurance firms, the General Manager (as defined under Section HC-3.1) and an authorised member of the Board of Directors of the company itself must sign the IFR and IFRQ of the overseas insurance firm licensed in the Kingdom (refer to BR-1.1.31)

Penalties for Late Filing

The IFR and IFRQ must be received at the CBB on the due dates. Insurance licensees failing to comply with the filing deadline are subject to enforcement action as outlined in Module EN (Enforcement).

Actuary's Report

Two copies of the Actuary's Report (where required by Chapter AA-4) on the adequacy of the provision for unearned premiums and unpaid claims must be filed with the IFR; failure to include the Actuary's Report would deem the filing incomplete. Note that a certificate of opinion in lieu of a full report is not acceptable.

Auditor's Report

The Auditor's Report to the shareholders/policyholders, together with the audited annual financial statements, are expected to be filed with the IFR; failure to include the Auditor's Report would deem the filing incomplete. Companies are also requested to submit a copy of the audit management letter.

Company Name and Year of Return

It is important that the company name and the year (or period for IFRQ) of the return be shown on each page to permit proper identification. The Excel spreadsheet has been formatted to facilitate this process, i.e., when entering the company name and year end on the cover page of the return, this information will automatically appear on all pages of the return.

Year End/Financial Quarter End

The IFR is to be completed as at the last day of the company's year end (December 31, unless given prior approval by the CBB). For quarterly returns, (IFRQ) the financial quarter ended should be noted as well as the number of months for the profit and loss account/income statement.

Subsidiaries

A copy of the current financial statements (audited, where required) of each subsidiary of the company must be kept at the company's head office, to be available on request.



	Instructions for Insurance Firm Return
Section I	Introduction

Supporting Details

Supporting information and working papers should be available at the company's offices for review by the CBB's inspectors. This information includes details of both the consolidated and non-consolidated financial statements. Companies must maintain working papers to support the allocation of income, expenditure and other items by line of business as well as by fund.

Opening Balances

All opening balances should agree with the prior year's closing balance for the particular account. Comparative figures for the prior year should be prepared on a basis consistent with the current year. In any account, if the opening balance does not agree with the closing balance for the prior year, an explanatory note of the changes must be provided.

Additional Pages and Information

Pre-printed information or descriptions must not be changed. Adequate blank lines are provided for additional information. Any write-in information must be self-explanatory. If additional pages are required for detailed information, these must be provided in like sections, titled, dated, identified as to the company, and pages numbered using the following convention: IFR 30.40 A, IFR 30.40 B, etc.

Amended Returns

If amendments are made to the IFR or IFRQ, the amended pages (on which the changes have been highlighted) must be filed with the CBB immediately. An updated Auditor's Report may also be required if there are material changes affecting the pages related to the financial statements.

Glossary of Defined Terms

Companies are reminded that a Glossary of defined Terms is included in Part B of Volume 3(Insurance) Rulebook.

Takaful Return

Unless otherwise specified, reference throughout these instructions to general insurance business, refers to general takaful business and long-term insurance business refers to family takaful business.



	Instructions for Insurance Firm Return
Section II	Detailed Instructions

**Instructions for completion of Section IFR 20.11, 20.12 and 20.13
Company Information**

1. Question 10

The date of appointment for the external audit firm and the name of the audit partner refers to the original appointment date (not reappointment date).

2. Question 15

For this question, 'substantial' means any share transfer involving 10% or more of the voting rights or any transfer of shares that results in a change of control of the insurance firm.

3. Question 18

Pledged assets are assets on which an insurance firm has granted a security interest. A security interest may be created in many ways, including providing deposits against reinsurance obligations, mortgaging real estate, and lending securities. By giving secured parties first claim against an insurance firm's assets, pledging affects the realisation of assets for the benefit of policyholders.



	Instructions for Insurance Firm Return
Section II	Detailed Instructions

**Instructions for completion of Section IFR 20.50
Close Links**

1. The corporate organisation chart should show the interrelationships between the insurance licensee, its immediate and ultimate parent, and all other close links (upstream and downstream) that are:
 - (i) publicly traded companies within the group;
 - (ii) financial institutions, other than insurance licensees within the group;
 - (iii) other insurance licensees within the group;
 - (iv) insurance companies in which the insurance licensee has a controlling interest (20%) (such as joint ventures);
 - (v) subsidiaries of the insurance licensee; and
 - (vi) insurance management companies within the group.



	Instructions for Insurance Firm Return
Section II	Detailed Instructions

**Instructions for completion of Section IFR 20.60
Summary Financial Position (Unconsolidated)**

1. Insurance firms should complete the summary financial position on an unconsolidated basis, showing investments in subsidiaries as equity investments. The unconsolidated information should include all branch operations that are not subsidiaries.
2. Line 11, dividends should include dividends paid and declared. Proposed dividends, for which retained earnings have **not** been appropriated at year end, are not to be included on line 11.
3. Line 13, for overseas insurance companies refers to amount transferred to Head Office Account.
4. The link for line 40, in respect of long-term business assets, should only be completed where the category of assets on the IFR 40.10 to IFR 40.40 is clearly labeled as long-term business assets. That is, for those companies restricted to general business, no amount should appear on line 40.

**Instructions for completion of Section IFR 20.60 (T)
Treatment of Qard Hassan**

1. Any Qard Hassan (free loan) granted from the shareholder fund to the takaful fund should be excluded from the assets of the shareholder fund (i.e. no amount shown as loan receivable from takaful fund) and from the liabilities of the takaful fund(s) (i.e. no amount shown as owing to shareholder fund). For statutory reporting purposes, assets of the takaful fund should reflect the assets transferred from the shareholder fund as part of the Qard Hassan, i.e. assets are to be physically transferred from the shareholder fund to the takaful fund and **any income accruing from these assets is income of the takaful fund.**



	Instructions for Insurance Firm Return
Section II	Detailed Instructions

**Instructions for completion of Section IFR 20.70 (C)
Income Statement (Conventional principles)**

1. Line 08 – Service Charges

Insurance firms must report only service charges to policyholders on this line. Insurance firms that do not wish to identify service charges separately should continue to include them with premiums on line 01.

2. Line 09 -- Other

Policyholder dividends or rating refunds are to be reported on this line.

2A. Line 12 – Commissions (Net) -- For IFR(C)

This is the **net** amount of commission reflecting commission income and commission expenses as outlined in IFR 70.40. Note that IFR 70.40 must be completed BEFORE IFR 20.70 as the amount in IFR 70.40 is automatically linked to IFR 20.70.

2B. Line 14 – General Expenses – For IFR (C)

This is the amount of general expenses as outlined in IFR 70.50. Note that IFR 70.50 must be completed BEFORE IFR 20.70 as the amount in IFR 70.50 is automatically linked to IFR 20.70.

3. Line 20 – Premium Deficiency Adjustments

Adjustments to any premium deficiency liability are to be reported on this line. An increase in the liability would be an expense item and should be reported with a '-' and a decrease would be an increase (revenue) item.

**Instructions for completion of Section IFR 20.70 (T), 20.72 and 20.75
Statement of Revenue and Expenses (Takaful principles)**

1. There are 3 different statements of Revenue and Expenses that are to be completed by Takaful firms. IFR20.70 is the statement of Participants' Revenue and Expenses for the General Takaful Fund; IFR20.72 is the statement of Participants' Revenue and Expenses for the Family Takaful Fund; and IFR 20.75 is the Profit and Loss account for the Shareholder fund.



	Instructions for Insurance Firm Return
Section II	Detailed Instructions

Instructions for completion of Section General Business Ratios: Section IFR 20.80

Under Development for IFR (T)

For IFR (C)

1. A number of automatically generated ratios have been integrated in IFR 20.80. These ratios are for the analytical usage of the CBB and have been calculated on a consistent basis for CBB purposes and may not reflect ratios currently used by insurance firms. Formulas integrated in the forms have been locked.



	Instructions for Insurance Firm Return
Section II	Detailed Instructions

**Instructions for completion of Section Long Term Business Ratios: Section
IFR 20.90**

Under Development for IFR (T)

For IFR (C)

1. A number of automatically generated ratios have been integrated in IFR 20.90. These ratios are for the analytical usage of the CBB and have been calculated on a consistent basis for CBB purposes and may not reflect ratios currently used by insurance firms. Therefore formulas integrated should not be adjusted.



	Instructions for Insurance Firm Return
Section II	Detailed Instructions

**Instructions for completion of Section IFR 30.10 (conventional principles)
Statement of Solvency**

1. For a composite insurer, the whole Section shall be completed, with the sum of the entries at lines 11 and 21 being equal to the entry at Section IFR 30.21 line 85.
2. For an insurer transacting only general business, only lines 11 to 13 and line 41 shall be completed, with the entry at line 11 being equal to the entry at Section IFR 30.21 line 81.
3. For an insurer transacting only long-term business, only lines 21 to 23 and 42 shall be completed, with the entry at line 21 being equal to the entry at Section IFR 30.21 line 82.
4. The entries at lines 41 to 42 shall not include provision for any liability to any taxes on capital gains (if applicable).

Instructions for completion of Section IFR 30.10 (takaful principles)

1. For a composite insurer, both the general takaful and family takaful information must be completed.
2. Lines 17 and 27 should sum only takaful funds that are in deficit.

Instructions for completion of Section IFR 30.10 Contingent Liabilities Lines 41 and 42 and IFR 30.11 (T) and IFR 30.12 (T) Line 42

1. The contingent liabilities that appear on lines 41 and 42 refer to quantifiable liabilities that have not been setup as a liability (provision) on the balance sheet. This is in line with IAS 37 and relates to instances where the outflow of cash/resources depends (is contingent) on the occurrence or non occurrence of a certain event. An example of such a situation occurs in the case of a performance guarantee taken out by a company. Such liability would be quantifiable but contingent based on the performance of the company. The liability would only crystallise if the company does not perform under the terms of the contract.



	Instructions for Insurance Firm Return
Section II	Detailed Instructions

Instructions for completion of Section IFR 30.11 and IFR 30.12

Statement of Solvency – General Takaful

Statement of Solvency – Family Takaful

1. The liabilities reported for the takaful funds on line 23, exclude any amount of Qard Hassan. The balance of the Qard Hassan is to be shown on lines 50 to 53 as an additional note to these statutory statements.



	Instructions for Insurance Firm Return
Section II	Detailed Instructions

**Instructions for completion of Section IFR 30.20
Capital Available**

1. Reserves (line 13) should only include legal and general reserves included as part of shareholders equity in the shareholder accounts, but exclude any fair value investment reserve. These include any statutory reserves in place. A Supplementary note should provide details of the Reserves.
2. For overseas insurance firms no amounts should be included in Tier 1 Capital other than the net assets of the licensee, which should be shown at line 17. Overseas insurance firms should note that Head Office Account is not considered as an asset for regulatory purposes and should be reported separately as part of the balance sheet.

**Instructions for Takaful Firms completion of Section IFR 30.20
Capital Available (Shareholder Fund)**

1. For takaful funds, the calculation of capital available only refers to the capital available for the shareholder fund.



	Instructions for Insurance Firm Return
Section II	Detailed Instructions

**Instructions for completion of Section IFR 30.21
Capital Available**

1. Line 67 'Dividends paid, declared or proposed' excludes bonus shares.
2. The allocation in lines 81 and 82 is a notional allocation between general business and long-term business. The allocation should be done on a basis such that where applicable sufficient capital is allocated to each category of business. As a guide, the ratio of each Required Solvency Margin (RSM) to the combined general RSM plus Long term RSM may be used.

**Instructions for Takaful Firms completion of Section IFR 30.21
Capital Available (Shareholder Fund)**

1. For Takaful Firms, the net capital available adjusted for Qard Hassan should be shown on line 100. Line 81 should equal line 53 of IFR 30.11 and Line 82 should equal line 53 of IFR 30.12.



	Instructions for Insurance Firm Return
Section II	Detailed Instructions

Instructions for completion of Section IFR 30.30.

General Business: Calculation of required margin of solvency – Premium basis

1. Gross Written Premium (Column 1) should be derived from the aggregation of direct and assumed business including Bahrain and Non-Bahrain business as shown on Section IFR 70.20
2. Net Written Premium (Column 2) should equal the amount shown for a particular class in Column 06 of Section IFR 70.20.
3. Where the number of months in the accounting period is 12 months, Column 3 will equal Column 1. Where the number of months in the accounting period is other than 12 months, Column 3 is calculated by multiplying Column 1 by the number of months in the accounting period divided by 12.
4. The reinsurance factor (Column 4) is calculated as the higher of 0.5 or (Line 30: Column 2 divided by Column 1). **The reinsurance factor is calculated on total business NOT individual classes.**
5. The class risk factor, Column 5 is 15% for Fire, Damage to property and miscellaneous financial loss for all insurers except captives where it is 12%. The class factor for all other classes is 20%.
6. Where an insurer is unable to properly allocate business to a specific class that business may be included in the category 'Other'.

Instructions for calculating required margin of solvency for IFRQ

1. The calculations for the premium basis and claims basis are to be done using a moving average year basis. As an example, this would mean that for the premium basis, for the 1st quarter reporting, gross and net premiums for the period from 1 April 2006 to 31 March 2007 should be used.



	Instructions for Insurance Firm Return
Section II	Detailed Instructions

Instructions for completion of Section IFR 30.40

General Business: Calculation of required margin of solvency – Claim basis

1. The reference period for **all classes of business** will be the three most recent financial years up to and including the current financial year. Where an insurer has not been in business long enough to acquire a reference period, the reference period will be nil. That is the required solvency margin under the claim basis is nil.
2. The average gross claims incurred and average net claims incurred are based on results for the 3 most recent financial years up to and including the current financial year. Therefore, as an example, for the year ending December 31, 2005, the average shall be determined by establishing the gross or net claims for each of 2005, 2004 (current year -1) and 2003 (current year-2).
3. The reinsurance factor (Column 9) is calculated as the higher of 0.5 or (Line 30: Column 8 divided by Column 4). **The reinsurance factor is calculated on total business NOT individual classes.**
4. The class risk factor, Column 10 is 20% for Fire, Damage to property and miscellaneous financial loss for all insurers. The class factor for all other classes is 25%.
5. Where an insurer is unable to properly allocate business to a specific class that business may be included in the category 'Other'.

Instructions for calculating required margin of solvency for IFRQ

1. The calculations for the premium basis and claims basis are to be done using a moving average year basis. As an example, this would mean that for the claims basis, the average gross and net claims would be calculated for the 12-month periods ending 31 March 2007, 31 March 2006 and 31 March 2005.



	Instructions for Insurance Firm Return
Section II	Detailed Instructions

Instructions for completion of Section IFR 30.50

General Business: Calculation of required margin of solvency

1. The minimum fund, (Line 42, IFR 30.50) is determined in accordance with CA-2.1.5 depending on the Category of the insurance firms and the classes of business underwritten.



	Instructions for Insurance Firm Return
Section II	Detailed Instructions

Instructions for completion of Section IFR 30.60 and 30.61

Long-term business: Required minimum margin

1. For the purposes of the Mathematical Reserves basis calculation, the relevant factors to be applied gross of reinsurance is 2.0% of mathematical reserves except in the case of linked life insurance business where the insurer bears no investment risk where the relevant factor will be 0.5% of mathematical reserves.
2. For the purposes of the Mathematical Reserves basis calculation, the relevant factors to be applied at a net of reinsurance level is 4.0% of mathematical reserves except in the case of linked life insurance business where the insurer bears no investment risk where the relevant factor will be 1.0% of mathematical reserves.
3. For the purposes of the Capital Sum at Risk basis calculation, the relevant factors to be applied gross of reinsurance is 0.15% of mathematical reserves.
4. For the purposes of the Capital Sum at Risk basis calculation, the relevant factors to be applied gross of reinsurance is 0.30% of mathematical reserves.
5. Capital at risk shall be shown after distribution of any surplus.
6. The minimum fund Line 41 is the amount specified in Module CA applicable to long-term insurers, i.e. BD400,000.
7. Any additional mathematical reserves shown at line 63 of Section IFR 60.40 shall be included at columns 4 or 5, as appropriate.



	Instructions for Insurance Firm Return
Section II	Detailed Instructions

**Instructions for completion of Section IFR 30.70 and 30.80
Summary Currency Balance Sheets**

1. Note that IFR 30.70 and 30.80 are not to be completed by insurance firms whose business is limited to reinsurance (pure reinsurers).
2. While IFR 30.70 and 30.80 do require a breakdown of all currencies, including US dollar that may be pegged to GCC currencies, this will be taken into account when establishing the company's compliance with the requirements of the Currency Matching and Localisation Requirements Contained in Chapter CA-6. Formulas have been entered in the excel spreadsheet accordingly.



	Instructions for Insurance Firm Return
Section II	Detailed Instructions

Instructions for completion of Sections IFR 40.10, 40.20, 40.30 and 40.40

(and IFR 41.10(T) to IFR 41.40(T) and IFR 42.10(T) to IFR 42.40(T))

Analysis of Admissible Assets – Valuation and Category Limits

1. IFR 40.10, 40.20, 40.30 and 40.40 shall be completed for shareholder assets and for the assets of the General Takaful funds IFR 41.10(T) to IFR 41.50(T) shall be completed and for Family Takaful fund IFR 42.10(T) to IFR 42.50(T). The words 'Shareholder assets', 'General Takaful fund' or 'Family Takaful fund (non-linked)' is shown against the heading 'Category of Assets'.
2. Only assets that have a value under the Rules can be included in lines 21 to 94 as admissible assets. Furthermore where the category of an asset is admissible only the maximum amount of that asset as permitted by CA should be included in lines 21 to 94.
3. In lines 21 to 94:
 - (a) Assets shall be valued in accordance with Section CA4-2, and
 - (b) Only the admissible portion of the assets of any particular description is to be shown, i.e. after deduction of inadmissible portion as per the instructions in Section CA-4-2, Valuation and Admissibility of Assets.
4. For IFR 40.10, where an insurance firm has an interest in an associate (as defined in the Rulebook Glossary) in order to establish the admissible amount as per Module CA, the insurance firm should be prepared to support how the admissible amount was determined.
5. For IFR 40.20, reversionary interests or remainders in property other than land or buildings shall be stated by way of a supplementary note to this section, together with a description of such investments.
6. Amounts in respect of salvage or subrogation included above other than at Section IFR 40.30 line 73 shall be stated by way of a supplementary note.
7. IFR 40.30 Lines 61 to 64 and IFR 40.40 Line 87 relate only to general business insurance.



	Instructions for Insurance Firm Return
Section II	Detailed Instructions

Instructions for completion of Sections IFR 40.50

(and IFR 41.50(T) and IFR 42.50(T))

Analysis of admissible assets -- Counterparty Limits

1. Where an asset is not subject to counterparty limits, such as where the counterparty is a government of a jurisdiction, other from a Zone A Country, GCC country, the Kingdom of Bahrain and any other jurisdiction approved by the CBB, such asset will not be listed as part of IFR 40.50, but may have been subject to valuation or category adjustments in completing IFR 40.10 to 40.40.
2. For Takaful Firms, separate calculations of counterparty limits are to be completed for the shareholder fund IFR 40.50 (T), General Takaful Fund (IFR 41.50 (T) and Family Takaful Fund (IFR 42.50 (T))



	Instructions for Insurance Firm Return
Section II	Detailed Instructions

**Instructions for completion of Section IFR 45.00
Calculation of the Insurance Business Amount**

1. For conventional insurance firms, Paragraph CA-4.2.34 defines insurance business amount as follows:

'Insurance business amount' means 'general insurance business amount' or 'long-term insurance business amount' as follows:

 - (a) In terms of general insurance business, the general insurance business amount is the value of the insurance firm's assets (other than long-term insurance business assets) and excluding reinsurance recoveries as determined in accordance with Chapter CA-4; and
 - (b) In terms of long-term insurance business, the long-term insurance business amount is the value of the insurance firm's assets (other than those relating to general insurance business) and excluding reinsurance recoveries and assets required to match linked liabilities in accordance with Chapter CA-4.
2. For Takaful funds, reference should be made to Paragraph CA-8.4.4 for the calculation of the insurance business amount.
3. For Takaful firms, Paragraph CA-8.4.7 states:

For the purpose of calculating the capital available of the shareholder fund, the insurance business amount referred to in CA-4.2.34 means the assets of the shareholder fund, excluding for greater certainty any assets of the Takaful fund(s).
4. For insurers carrying on general insurance business, the insurance business amount should relate and is connected to the Section IFR 40.40 (or IFR 41.40 (T) for General Takaful fund) prepared for that business i.e. all assets other than long-term insurance business assets. For long-term insurers (or Family Takaful Fund) the same is true except that the long-term insurance business amount relates and is connected to the Section IFR 40.40 (or IFR 42.40 for Family Takaful Fund) prepared for total long-term insurance business assets, other than assets matched to linked long-term liabilities.
5. The critical difference between the reconciliation items shown on lines 10 to 17 of Section 55.10 is that the insurance business amount is used as the basis to determine the admissible amount that will be included in line 10 of Section 55.10.



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Section II	Detailed Instructions

**Instructions for completion of Section IFR 50.10
Analysis of admissible assets linked to long-term liabilities**

1. This section relates to admissible assets matched to linked long-term liabilities determined in accordance with CA-4.3.
2. Separate sections are to be completed for each fund or group of funds for which separate assets are appropriated. The name of the fund is to be indicated against the heading 'Name of fund'.



	Instructions for Insurance Firm Return
Section II	Detailed Instructions

**Instructions for completion of Section IFR 55.10
Reconciliation to asset values determined in accordance with Volume 3**

1. In IFR 55.10 line 17 'Assets of a type not valued above' refers to assets left out of account under Module CA but have a value for the purposes of the audited financial statements (shareholder accounts).



	Instructions for Insurance Firm Return
Section II	Detailed Instructions

**Instructions for completion of Section IFR 60.10
Traded Derivative Contracts**

1. Where a firm has held derivative contracts during the year, the firm must set out in a supplementary note:
 - (i) A summary of the firms derivative strategy including whether this strategy is limited to hedging positions;
 - (ii) A summary of the exposure limits the firm has in place for derivatives trading (by type and in aggregate);
 - (iii) A statement as to whether or not the firm has complied with those limits at all times during the financial year; and
 - (iv) A statement confirming (or not as the case may be) that the firm has in place appropriate internal controls to deal with derivative trading.
2. Where a firm reports a value for traded derivatives on IFR 40.20 line 48, the firm must complete Section 60.10.



	Instructions for Insurance Firm Return
Section II	Detailed Instructions

**Instructions for completion of Section IFR 60.20
Aged analysis of receivables arising out of insurance operations**

1. The purpose of this Section is to provide an analysis of aged insurance receivables.
2. The Section is divided into five sections. The totals in column 5 lines 20, 40, 60, 80 and 100 must agree to the amounts shown in Section 40.30 column 6 lines 71, 72, 73, 74 and 75 respectively.
3. Columns 1 to 3 analyses the insurance receivables as shown in the insurance firm's financial statements. Column 3 is calculated as column 1 minus column 2.
4. Column 4 represents further valuation/admissibility adjustments required to be made to the insurance receivables so as to comply with the CBB's general asset valuation regulations, CA-4-2.
5. Column 5 is calculated as column 3 minus column 4 adjustments. Column 6 is comparative information that should be taken from the column 5 of the previous years Return.
6. The term pipeline premium refers to the difference between written and booked premiums, i.e. the word pipeline describes the state of the premium – it's in the pipeline and on its way. In certain jurisdiction it is also referred to as unclosed business.



	Instructions for Insurance Firm Return
Section II	Detailed Instructions

**Instructions for completion of Section IFR 60.30
Liabilities (General insurance business)**

1. Amounts in lines 11 to 14 shall be stated gross of reinsurers' share.
2. Line 11 provision for unearned premiums should also include any unearned commissions.
3. Line 13, premium deficiency (also referred to as provision for unexpired risks) refers to a provision made where the unearned premiums will not be sufficient to discharge all the expected liabilities that will accrue to the policies, including all expenses associated with the servicing of the policies.
4. The aggregate amount of any accrued dividend in respect of cumulative preference shares issued by the company shall be shown by way of a supplementary note to this section.
5. The provision for adverse change (line 71) refers to future liabilities that may arise due to an investment (or transaction associated with an investment) held and for which there are no appropriate assets to cover that liability. (This type of provision occurs most commonly, but not exclusively, in respect of derivative contracts). This provision is in addition to any liability which would be required to be provided in accordance with generally accepted accounting practice.



	Instructions for Insurance Firm Return
Section II	Detailed Instructions

**Instructions for completion of Section IFR 60.40
Long-term business liabilities and margin**

1. The section shall be completed for the total long-term business liabilities and margins of the insurer or branch and for each fund or group of funds for which separate assets are appropriated. The words 'Total long-term business assets' or the name of the fund shall be shown against the heading 'Category of assets'.
2. The entry at line 11 shall include unearned premiums, outstanding loss reserves and IBNR (in the case of Group Life) on a gross basis.
3. The entry at line 12 shall equal line 42 of the appropriate Section or Sections IFR 75.60.
4. The entry at line 13 shall equal line 49 of the appropriate Section or Sections IFR 75.60.
5. The entry at line 14 shall equal line 59 of the appropriate Section or Sections IFR 75.10.
6. The entry at line 51 shall be:
 - (a) The value of the admissible assets (as included in line 94 of Section IFR 40.40 and line 80 column 4 IFR 50.10) representing the long-term business funds, fund or group of funds to which the Section relates, less
 - (b) The amount of those funds, fund or group of funds, being the sum of the amounts shown at lines 14 and 49.
7. The entry at line 63 shall be the amount specified in the appointed actuary's certificate, but only insofar as it relates to the fund, funds or groups of funds to which this Section IFR 60.40 relates.



	Instructions for Insurance Firm Return
Section II	Detailed Instructions

**Instructions for completion of Section IFR 70.40
General Business: Commissions**

1. Insurance firms must report separately deferred commissions, and unearned commissions for all classes of insurance. Net commissions attributable to the year must also be reported for all classes.
2. Deferred commissions must include commissions paid on direct business and on reinsurance assumed.
3. Unearned commissions arise from commissions revenue on reinsurance ceded.
4. The split of net commissions (line 30, column 10) between commission expense and commission income, is to be shown on lines 80 and 81.
5. All commissions, including contingent and other non-deferrable commissions, must be shown on this page. Non-deferrable commissions are those that cannot be readily identified as exclusively relating to and varying with the acquisition of premiums and therefore are not recoverable.



	Instructions for Insurance Firm Return
Section II	Detailed Instructions

**Instructions for completion of Section IFR 70.50
General Business: Expenses -- Insurance Operations**

1. To assist insurance firms in classifying their general expenses, an expense classification guide is included as Appendix (a) to these instructions.
2. Insurance firms should analyse their operations to identify all operating expenses that are allocable to the acquisition of business. Accordingly, acquisition expenses that are deferred at the end of the year are to be reported in column 01; acquisition expenses that are not deferred or are attributable to the current year, including deferrals of the previous year, are to be reported in column 02.
3. Expenses that should be reported in column 02 include:
 - Expenses that vary directly with and are directly related to the acquisition of business (new and renewal premiums written during the accounting period) and can be associated directly with specific revenues; for example:
 - Agency
 - Inspections and investigations
 - Management fees
 - Other expenses which may vary indirectly with the acquisition of business but are directly related to the premiums written during the period in which they are incurred; for example:
 - Salaries and Employee Benefits of employees in underwriting and policy issue
 - Occupancy
 - Information Technology
4. Expenses that are not allocated to the acquisition of business (excluding investment expenses) are to be reported in column 04.
5. Any management agreement that also provides for underwriting service and/or claims service and/or investment service must be apportioned to the appropriate type of operating expense on a reasonable basis.
6. Management fees included on line 10 relate to services provided by outside parties, whether related or non-related parties.



	Instructions for Insurance Firm Return
Section II	Detailed Instructions

Instructions for completion of Section IFR 70.60 and IFR 70.60 (RE), IFR 70.61 and 70.61 (RE)

General business; Analysis of net claims paid and unpaid IFR 70.60

General business: Analysis of gross claims paid and unpaid IFR 70.61

1. The analysis of claims paid and unpaid is to be completed on an **accident year** basis for all insurance firms, except for those whose business is limited to reinsurance (pure reinsurers). For **pure reinsurers only**, this section is to be completed on an underwriting year basis, using forms IFR 70.60 (RE) and 70.61 (RE).
2. For the IFR 70.60, all figures are to be shown net of the reinsurers' share, whereas the IFR 70.61 is to be completed on a gross basis.
3. For IFR 70.60, the accident years (for pure reinsurers, reference is to underwriting year) shown at lines 11 to 20 shall correspond to this financial year and the 9 previous financial years respectively. Line 11 should reflect the current financial year, followed by all previous financial years. Based on available data, a transition period will be allowed to collect the necessary data to complete this section. For the year ending December 31, 2006, we expect insurance firms to provide claims data by accident year for a minimum of 3 years (2004, 2005 and 2006). For subsequent years, the accident year data should increase by one additional year (e.g. for 2007, a minimum of 4 years should be provided).
4. The percentage shown at column 12 shall be the ratio of the columns $3 + 4 + 5 + 6 - 2$ to column 2.
5. The percentage shown at column 13 shall be the ratio of columns $1 + 3 + 4 + 5 + 6$ to column 11.
6. The percentages shown at columns 12 and 13 are to be expressed as percentages to one place of decimals.
7. In completed this section, information for the current year of the return, should be shown on line 11. The subsequent lines will show the data by accident year for the immediately preceding year. As an example for the 31 December 2007 year end, line 11 will show data for the 2007 accident year, line 12 will show data for the 2006 accident year, etc. **Data provided is for the accident year only and should not be shown on a cumulative basis.**



	Instructions for Insurance Firm Return
Section II	Detailed Instructions

Instructions for completion of Section IFR 70.60 and IFR 70.60 (RE), IFR 70.61 and 70.61 (RE)

General business; Analysis of net claims paid and unpaid IFR 70.60

General business: Analysis of gross claims paid and unpaid IFR 70.61

8. The claims ratio calculation in this Section is calculated on the basis of the claims data for the accident year extracted from the claims run-off. The ratio will reflect the claims 'development' as initial estimates are refined. Therefore it will be a better reflection of results than the conventional ratio calculated only for the specific year of the account. The net premiums earned to calculate this ratio should be the same as the net premiums earned used for the claims ratio by year of account (as per IFR 70.20).



	Instructions for Insurance Firm Return
Section II	Detailed Instructions

Instructions for completion of Section IFR 75.10

Long-term business: Revenue account

1. The entry at IFR 75.10:11.1 shall be equal to the sum of IFR 75.20:19.3 and IFR 75.20:29.3, the entry at IFR 75.10:21.1 shall be equal to IFR 75.30:59.3 and the entry at IFR 75.10:22.1 shall be equal to IFR 75.20:49.3.
2. Any item of income which cannot properly be allocated to lines 11, 12, 13 or 14 shall be entered in line 15, and similarly, any item of expenditure which cannot properly be allocated to lines 21, 22, 23 or 24 shall be entered in line 25. Particulars of such items shall be specified in a supplementary note.
3. Where a company decides to allocate to the long-term business the whole or any part of investment income and/or net capital gains arising from assets not attributable to its long-term business, the amounts in question shall be shown as a transfer in line 26 and particulars shall be specified in a supplementary note.
4. Where a transfer is made to the non-technical account, the entry at line 26 will show amounts, which have been included in line 47 of Section IFR 75.60.
5. The entry at line 12 is to exclude value re-adjustments on investments and gains on the realisation of investments, which shall be shown in lines 13 or 14 as appropriate.
6. The entry at line 11 is to exclude any change in the provision for unearned premiums.



	Instructions for Insurance Firm Return
Section II	Detailed Instructions

Instructions for completion of Section IFR 75.20

Long-term business: Analysis of premiums and expenses

1. Lines 11, 13, 15, 17, and 19 will include all single premium amounts where there is no expectation of continuing premiums being paid at regular intervals.
2. Lines 12, 14, 16, 18, and 29 will include premiums payable at regular intervals during the policy year, including repeated or recurrent single premiums where the level of premium is defined.



	Instructions for Insurance Firm Return
Section II	Detailed Instructions

Instructions for completion of Section IFR 75.40

Long-term business; Summary of changes in long-term business

1. Information is to be gross of reinsurance ceded and shall be provided for, non-linked and linked contracts.
2. The figures for annual premiums shall include repeated or recurrent single premiums where the level of premium is defined.
3. For hybrid linked contracts, movements between linked and non-linked business shall be shown in lines 13 and 27 as appropriate.
4. Only claims payments which result in the termination of a contract providing cover for other insured events should be shown in line 22.



	Instructions for Insurance Firm Return
Section II	Detailed Instructions

**Instructions for completion of Section IFR 75.50
Analysis of new long-term business**

1. New business shall be shown gross of reinsurance ceded and shall include increases to premiums on existing policies, and in dealing with such increases, columns 2 and 5 shall be left blank.
2. Single premium contracts shall consist of those contracts under which there is no expectation of continuing premiums being paid at regular intervals. Additional single premiums paid in respect of existing individual contracts shall be included.
3. Regular premium contracts shall include those contracts under which premiums are payable at regular intervals during the policy year, including repeated or recurrent single premiums where the level of premium is defined.
4. The information shall be shown separately and totaled within each type of business in the sequence specified below:
 - (i) Life insurance of all types - assurance and general annuity business
 - (ii) Personal accident and long-term medication insurance
 - (iii) Fund accumulation insurance – Other than pensions business
 - (iv) Fund accumulation insurance – Pensions business
5. The information is to be further analysed and sub-totaled in the sequence specified below:
 - (i) Accumulating with-profits policies
 - (ii) Non-linked with-profits policies
 - (iii) Non-linked non-profit policies
 - (iv) Index linked contracts
 - (v) Other linked contractsand where a policy falls within more than one of the above categories, it shall be placed in the first appropriate category.



	Instructions for Insurance Firm Return
Section II	Detailed Instructions

Instructions for completion of Section IFR 75.60

Long-term business: Valuation result and distribution of surplus (does not apply to pure reinsurers)

1. Separate statements shall be completed in respect of each separate fund or part of a fund for which a surplus is determined. The name of the fund or part of a fund shall be shown against the heading 'Category of surplus'. The entry at line 11 shall be equal to the entry at line 59 in Section IFR 75.10 for the relevant fund or part of fund.
2. Where interim, mortuary or terminal bonuses are determined in advance of a valuation and are paid in anticipation of surplus arising at the valuation, the amounts of such bonus actually paid in the period up to the valuation date shall be entered in lines 12 and 41. To the extent that it is the practice of the company to make special provision for the cost of such bonuses payable on future claims out of surplus arising at a valuation, such amounts shall be treated as amounts allocated to policyholders at the valuation in question and included in line 44, and the actual amounts paid shall not appear at lines 12 and 41 at future valuations. An appropriate supplementary note shall identify the various items where necessary.
3. Where policies have been transferred from one fund/part of fund to another, the associated transfer of reserves shall not be included as a 'transfer' in this section. Where any other transfer has been made, only one positive figure shall be inserted in either line 15 or line 34 (depending on the direction of the net transfer) leaving the other line blank. Corresponding entries shall be made in either the block comprising lines 13 and 14 or the block comprising lines 32 and 33, as appropriate.
4. Where the entry in line 14 or line 33 represents more than one transaction, each transfer shall be separately identified in a supplementary note.
5. Line 61 is line 46 expressed as a percentage of line 48.
6. For each fund/part of fund, the entry at line 18 shall equal the total liabilities shown in column 12 of Section IFR 75.70, and the entries at lines 17, 19 and 20 shall equal the total liabilities shown in column 15 of Sections IFR 80.30, IFR 80.40 and IFR 80.50 respectively.
7. The figure at lines 39 and 59 shall equal the figure at line 29.
8. The figure at line 47 shall equal the figure at line 15.



	Instructions for Insurance Firm Return
Section II	Detailed Instructions

Instructions for completion of Sections IFR 75.70, IFR 80.30, IFR 80.40 and IFR 80.50

Long-term business: Valuation summary

1. Separate valuation summaries shall be completed in respect of each separate fund or part of a fund for which a surplus is determined. The name of the fund or part of a fund shall be shown against the heading 'Category of surplus'.
2. Separate totals for column 5 on Section IFR 75.70 and columns 5, 6, and 7 on Sections IFR 80.30, IFR 80.40 and IFR 80.50 shall be shown for sums assured, for annuities per annum and for other measures of benefit.
3. The information shall be shown on separate pages and totaled for each type of business in the sequence specified below.
 - (i) Life insurance of all types: Assurance and general annuity business ('L&GA')
 - (ii) Personal accident and long-term medication insurance ('PAMI')
 - (iii) Fund Accumulation: Other than pension business ('FAOP')
 - (iv) Fund Accumulation: Pension business ('FAP')
4. 'Type of business' shall be completed by the insertion of 'L&GA', 'PAMI', 'FAOP' or 'FAPR' respectively for each of the types (i), (ii), (iii) and (iv) specified above.
5. The information is to be further analysed and sub-totaled for:
 - (i) Direct written business
 - (ii) Reassurance accepted
 - (iii) Reassurance cededand totals net of reinsurance ceded are also to be shown.

Provided that where any information to be provided in accordance with subparagraph (iii) duplicates any information required to be provided in accordance with instructions 6, 7 and 8 in respect of sub-paragraphs (i) or (ii), then for the purpose of sub-paragraph (iii), the total of the reinsurance ceded may be shown in respect of the duplicated information.

6. The information required under Columns 6 and 7 relate to the actual annual gross and net premiums. Columns 10 and 11 relate to the value of an annuity of that premium. If the actuary uses the net premium method in calculating the mathematical reserves, column 10 will need to be completed; if the gross



premium method is used column 11 will need to be completed. Regardless of what method is used columns 6 and 7 must be completed.



	Instructions for Insurance Firm Return
Section II	Detailed Instructions

Instructions for completion of Sections IFR 75.70, IFR 80.30, IFR 80.40 and IFR 80.50 (continued)

6. The information shall be further analysed and sub-totaled within each basis of participation in profits in the sequence specified below:
 - (i) With-profits policies
 - (ii) Non-profit policies
7. Within each subdivision required under paragraphs 3, 5 and 6 above the appropriate types of insurance from the following list shall be shown separately:
 - (i) Whole life assurance
 - (ii) Endowment insurance
 - (iii) Pure endowment insurance
 - (iv) Term assurance
 - (v) Other assurance (to be specified)
 - (vi) Miscellaneous assurance
 - (vii) Deferred annuity
 - (viii) Annuity in payment
 - (ix) Other annuity (to be specified)
 - (x) Miscellaneous annuity
 - (xi) Permanent health insurance
 - (xii) Capital redemption assurance
 - (xiii) Annuity certain
 - (xiv) Group pension
 - (xv) Group life
 - (xvi) Group permanent health
 - (xvii) Other group (to be specified)
8. A further sub-division into each separate category of contract is required as follows:
 - (a) Sections IFR 75.70 and IFR 80.30 - each category of contract which is valued on a different valuation basis;
 - (b) Section IFR 80.40 - each category of contract which provides different guarantees or options, and each category of unit link. For the purpose of determining the category of the unit link, all authorised unit trusts may be considered to be one category and all internal linked funds may be considered to be one category.
 - (c) Section IFR 80.50 - each category of contract which provides different guarantees or options and each category of index. Where the link is to a proportion of an index each different proportion shall be treated as a different category.



	Instructions for Insurance Firm Return
Section II	Detailed Instructions

Instructions for completion of Sections IFR 75.70, IFR 80.30, IFR 80.40 and IFR 80.50 (continued)

9. Any contract which consists of a combination of different types of insurance, as described in instruction 7 above, shall be treated as a number of separate contracts each dealing with one of the different types of insurance so combined and the amount by which the total number of contracts shown in column 4 of any valuation summary exceeds the actual number of contracts to which that valuation summary relates shall be stated in a supplementary note.
10. For linked contracts with both property linked and index linked benefits, each benefit shall be shown on section IFR 80.40 or IFR 80.50 as appropriate, and a note shall be attached describing the manner in which details relating to the number of contracts and the amounts of benefits, premiums and other liabilities have been treated. Where the number of contracts is overstated in aggregate, the amount of the overstatement shall be stated in a supplementary note.



	Instructions for Insurance Firm Return
Section II	Detailed Instructions

**Instructions for completion of Section IFR 80.10
Summary balance sheet for internal linked funds**

1. The basis on which the assets have been valued is to be stated in a supplementary note.
2. The aggregate value of rights (gross of variation margin) and the aggregate amount of liabilities (gross of variation margin) under derivative contracts (or in respect of contracts or assets which have the effect of a derivative contract) shall each be stated in a supplementary note. The corresponding figures net of variation margin shall also be stated. For this purpose, rights and liabilities shall not be set off against one another unless
 - (i) Such rights and liabilities may be set off against each other in accordance with generally accepted accounting practice; and
 - (ii) Such set off results (in whole or in part) from the closing out of obligations under a contract.
3. Where there is a liability to repay variation margin and there are no arrangements for netting of amounts outstanding or the arrangements would not permit the accounting of such amounts on a net basis in accordance with generally accepted accounting practice, it shall be so stated in a supplementary note.
4. Column 5 is only relevant where significant investments are held in jurisdictions outside Bahrain and where investment gains are subject to taxation.
5. The total of the net asset value in column 8 less the total of column 3 shall equal line 59 of Section IFR 80.20.



	Instructions for Insurance Firm Return
Section II	Detailed Instructions

Instructions for completion of Section IFR 80.20

Long-term business: Aggregate revenue account for internal unit linked funds

1. Double counting of items arising from cross investment between internal linked funds is to be eliminated.
2. Lines 23 and 24 are only relevant where the insurer either carries on business in another jurisdiction or is liable for tax on investment gains in respect of investments held in another jurisdiction.
3. Any item of income which cannot properly be allocated to lines 11, 12 or 13 shall be entered in line 14, and similarly, any item of expenditure which cannot properly be allocated to lines 21, 22, 23, 24 or 25 shall be entered in line 26. Particulars of such items shall be specified in a supplementary note.
4. The gross value of units created shall be shown in line 11. The gross value of units cancelled shall be shown in line 21.



	Instructions for Insurance Firm Return
Section II	Detailed Instructions

Instructions for completion of Section IFR 80.60

Long-term business: Analysis of units in internal linked funds and direct holdings of assets matching liabilities in respect of linked business

1. Separate valuation summaries shall be completed in respect of each separate fund or part of a fund for which a surplus is determined. The name of the fund or part of a fund shall be shown against the heading 'Category of surplus'.
2. Separate sections should be prepared in respect of internal linked funds and directly held assets.
3. A separate line shall be used for each asset to which benefits are linked and each different type of unit of each internal linked fund. Columns 5, 6, 7, 8, 9 and 10 shall be sub-totaled for each fund link and totaled for all links.
4. The aggregate of the total figures shown for column 8 (excluding any amount shown in column 8 pursuant to instruction 8 below) and 9 each section prepared in respect of a separate fund or part of a fund shall equal the appropriate figure shown as the total of column 12 of Section IFR 80.40.
5. For links to directly held assets, column 6 shall not be used.
6. For internal linked funds, the total of column 5 shall equal the total of column 8 of the summarised Section IFR 80.10, and the total of column 6 shall equal the total of column 3 of the summarised Section IFR 80.10.
7. Where the liability shown in column 11 of Section IFR 80.40 for a specific fund link is wholly reinsured, so that the entries in columns 8 and 9 of this section would otherwise be identical, the entries in respect of that fund link shall be aggregated and shown on a separate line with the name of fund link to be shown in column 1 as 'wholly reinsured'.
8. Any amounts included in this analysis being unit liabilities in respect of property linked benefits deposited with the insurer under a deposit back arrangement, shall (for each internal linked fund or directly held asset), be shown in column 8 on a separate line with the name of the unit type to be shown in column 2 as 'amounts deposited back'.



	Instructions for Insurance Firm Return
Section II	Detailed Instructions

**Instructions for completion of Section IFR 90.10
Analysis of major reinsurers**

1. The jurisdiction of incorporation for the assuming insurer should be reported under column 3. If the reinsurance is arranged through a branch of the assuming insurer, the country of origin of the head office and not the branch should be reported.
2. The date the contract originally became effective should be reported unless there have been substantial revisions to the contract. In the latter case, the date of the latest revision of the contract should be reported. An annual renewal of a contract does not constitute a revision. In such cases, the original date or the date of the latest major revision should be noted.



	Instructions for Insurance Firm Return
Section II	Detailed Instructions

Instructions for completion of Section IFR 90.20

Analysis of types of reinsurance: Premiums and claims – reinsurance ceded

1. The purpose of this exhibit is to compare claims incurred for each type of reinsurance ceded arrangement to premiums earned in respect of each arrangement. In this way, the CBB can assess the approximate profitability of business ceded to reinsurers by type of reinsurance and major line of business.
2. Although this section is best completed line by line for each of the regular classes of insurance, any reasonable groupings by line of business will be acceptable.
3. Each column is intended to capture premiums earned and claims incurred data concerning a distinct type of reinsurance arrangement entered into by the insurer. For example, in column 02, all the premiums earned for quota share treaties should be included even if there is more than one quota share treaty. The other columns should be completed in the same manner, i.e. all premiums earned for surplus treaties are included together in column 03, etc.
4. The amount reported on line 89, column 06, 'total premiums earned' must be equal to the total premiums ceded to reinsurers plus or minus the change in reinsurance ceded unearned premiums for the year.



	Instructions for Insurance Firm Return
Section II	Detailed Instructions

Instructions for completion of Section IFR 100.10 and IFR 100.20

Statistical Information: Balance sheet: Assets and Liabilities

1. This sections should be completed by all insurance firms operating in Bahrain.
2. All data must be recorded on **unconsolidated** basis.
3. This section deals with statistical date gathered by the Financial Stability Directorate of the CBB.
4. IFR 100.10 and 100.20 is a balance sheet, which covers principal types of assets and liabilities, and reflects transaction with Bahrain (residents) and Non-Bahrain (non-residents).
5. Data in both Bahraini Dinars (BD) and other currencies (OC) should be reported. All figures are to be reported in BD thousands, to one decimal place. Entries that require conversions should be translated at exchange rates prevailing on the 'as at ...' date to which this section applies.
6. All amounts on the balance sheet are to be reported on a gross basis. That is, assets and liabilities of similar types, or assets and liabilities positions with individual customers or related customers, are to be reported as gross amounts outstanding. They should not be netted against each other.
7. Assets and liabilities should be shown at current market values, to the extent possible. In the event these differ significantly from balance sheet values, differences may be carried to the capital and reserve accounts.
8. Interest accrued on assets and liabilities should, to the extent possible, be attributed directly to (reinvested in) the underlying accounts, rather than compiled as 'other' or 'miscellaneous' positions. Similarly, to the extent possible, balance sheet assets of doubtful quality should be recorded net of specific provisions against those assets.



	Instructions for Insurance Firm Return
Section II	Detailed Instructions

**Instructions for completion of Section IFR 100.10 and IFR 100.20
(continued)**

Statistical Information: Balance sheet: Assets and Liabilities

9. **Residence of Customers/Counter-parties.** Customers and counter-parties in this section are to be classified as 'Residents' or 'Non-residents'. Except for embassies and international organisations, residents are entities that are physically located in Bahrain, whether or not associated with an institution that is located outside Bahrain, and irrespective of nationality of the underlying ownership. Conversely, non-residents are entities located outside Bahrain, whether or not owned-wholly or in part-by entities inside Bahrain.
10. With regard to individuals, persons who are long-term residents, or have their 'economic center of interest' in Bahrain are to be classified as residents, irrespective of nationality. For these purposes 'long-term' generally means working or staying more than one year in Bahrain. Individuals who are short-term residents may be treated as non-residents. Under these criteria, for instance, the vast majority of expatriate workers in Bahrain should be classified as residents for any policy or other transactions covered in these returns
11. **Spreadsheets provided.** Reporters are herewith provided an Excel 5 spreadsheet template containing Sections 100.10 and 100.20 that may be used. Compilers will note that space in this file is accessible for data entry, but that structural features of the file are protected against changes. This is to ensure that submissions received from all reporters preserve common features, to assist in computerized data-entry and consolidation by CBB staff. Insurance compilers are therefore requested not to change structural features of the prototype file. On most forms in the template file, 'check sums' also are provided beneath and/or to the right of the data space, to assist compilers in checking consistency of the company's submission. These consistency checks also are protected against change. For convenience, data space in the returns has been 'formatted' for \$/BD thousands to one decimal place. It is suggested these formats be preserved.



	Instructions for Insurance Firm Return
Section II	Detailed Instructions

**Instructions for completion of Section IFR 100.10 and IFR 100.20
(continued)**

Statistical Information: Balance sheet: Assets and Liabilities

12. Reporting Deadlines.

Completed forms are to be submitted as part of the filing of the IFR. i.e. 3 months following the financial year end.

13. Inquiries

Inquiries about these statistical reports, or notification about any problems with the spreadsheet files should be directed to:

Mrs. Nehal Hamza, Superintendent of Financial Statistics, Financial Stability Directorate, CBB, Tel: 17547918 or e-mail: nehal@cbb.gov.bh.

14. Specific instructions for IFR 100.10 Assets

1) Cash on Hand. Includes currency and coin in the physical possession of the reporter. Bahraini Dinars are claims on residents; holdings of foreign currency notes and coins constitute claims on non-residents.

(2) Claims on banks-Total. Include any claims that arise from any transactions with the banking sector except those which are related to insurance receivables from banking sector. This sector as noted in the liabilities section of this instruction manual comprises the retail and wholesale banks.

(3) Insurance receivables-Total. Are assets of the insurance company that have been earned from other parties. Clarification for these sectors is noted in the liabilities section (2) Outstanding claims of these instructions.

(4) Reinsurance receivable-Total. Any receivables from other financial institution (Insurance companies) that are to be settled during the period.

(5) Securities other than shares-Total. Holdings of debt and equity instruments, whether for trading or for long-term investment purposes. To the extent possible, these should be reported at market values. As can be noted from the assets that these securities are broken down by indicated issuers (borrowers) whether government or non-government.



	Instructions for Insurance Firm Return
Section II	Detailed Instructions

**Instructions for completion of Section IFR 100.10 and IFR 100.20
(continued)**

Statistical Information: Balance sheet : Assets and Liabilities

Please note that short-term securities comprise those asset securities, which have a one-year or less maturity period. On the other hand, long-term securities comprise those assets securities that have a maturity period more than a year.

(6) Outstanding claims recoverable from reinsurance. Outstanding or unpaid claims at the end of the period from the reinsurance.

(7) Shares and other equity. Equity securities (shares) of enterprises should be entered here, at market values, except for ownership claims on subsidiaries.

(8) Due from affiliates. See instructions for Liabilities, line (5). Capital claims on subsidiaries, if any, should be included here, along with loans or other claims.

(9) Fixed Assets. Include net values of fixed assets, per balance sheet. Naturally, fixed assets of the insurance company will be recorded in the residents' section only, therefore, no entry is to be made in the non-resident.

(10) Other Assets. Other assets not included elsewhere. Accrued interest receivable should be attributed to the relevant accounts, rather than compiled here.

15. Specific instructions for IFR 100.20 Liabilities

(1) Obligations to banks-Total. Include obligations to banking enterprises – whether or not wholly or partly owned by the Government – but not to other kinds of financial institutions.

(a) Retail Banks. Include all obligations to unaffiliated retail banks.

(b) Wholesale Banks. Include liabilities to wholesale or merchant banks, if the creditor can be identified as a wholesale banking institution.



	Instructions for Insurance Firm Return
Section II	Detailed Instructions

**Instructions for completion of Section IFR 100.10 and IFR 100.20
(continued)**

Statistical Information: Balance sheet : Assets and Liabilities

(2) Outstanding claims-Total. In this section, Insurance companies should record all outstanding claims that are raised by the beneficiary parties. In this case beneficiary parties are segmented into main groups:

(a) Central Government(s), With regard to the Government of Bahrain, this is interpreted to mean Ministries and Directorates, and other offices that are part of the Central Government, such as the Central Informatics Organization.

Liabilities to foreign governments, or to local embassies and civilian or military missions of foreign governments, should be classified as obligations to non-residents.

(b) Banking Sector, any amount in terms of payable claims to the banking sector. In case of Bahrain this sector represents retail banks, wholesale banks and restricted retail banks (specialised banks such as Bahrain Development Bank and the Housing Bank).

(c) Non- Bank Financial Corporations, entities included in this sector are resident financial institutions other than banks. Included also in this category pension funds that are established for purposes of providing retirement benefits for specific groups of employees. These pension funds are separately established and have their own assets and liabilities, which have no association with the government. Financial auxiliaries sub-sector includes financial corporation that engage in activities closely related to financial intermediation but do not act as intermediaries. The most common designations for financial corporation classified as financial auxiliaries are as follows:

- Public exchange and securities market
- Brokers and agents (insurance)
- Foreign exchange companies
- Financial guarantee corporation



	Instructions for Insurance Firm Return
Section II	Detailed Instructions

**Instructions for completion of Section IFR 100.10 and IFR 100.20
(continued)**

Statistical Information: Balance sheet : Assets and Liabilities

Other financial intermediaries, the sub-sector of other financial intermediaries covers a divers group of units constituting all financial corporations other than the banking sector, pension funds, and financial auxiliaries. Examples of designations given to units that are classified as other financial intermediaries are as follows:

- Finance companies
- Financial leasing companies
- Investment pools
- Securities underwriters and dealers
- Vehicle companies
- Financial derivatives intermediaries
- Specialized financial intermediaries

(d) Public Non-Financial Corporations, Include outstanding liabilities to commercial enterprises that are 50 percent or more owned by Governments. Example inside Bahrain would include ALBA, BAPCO, and BANAGAS.

(e) Other Non-Financial Corporations, comprise foreign controlled and national private non-financial corporations, in other words it shows total outstanding liabilities to non-financial commercial enterprises that are less than 50 percent owned by Government.

(f) Other sectors refers to households and non-profit making organizations.

For simplicity reasons, the above segments should be regarded as the policyholders rather then individual policyholders. For example, a company with 200 insured employees should be regarded as a single policyholder instead of 200 individual policies.



	Instructions for Insurance Firm Return
Section II	Detailed Instructions

**Instructions for completion of Section IFR 100.10 and IFR 100.20
(continued)**

Statistical Information: Balance sheet : Assets and Liabilities

(3) Unearned Premiums and Commissions-Total. Any unearned premiums and commissions at the end period of the reporting month.

(4) Reinsurance-Total. The claims payable to ceding insurer, or the claims that arise from reinsuring among insurance companies themselves.

(5) Head Office and due to affiliates. According to the residence of these entities, excluding capital accounts. Affiliates, generally, will be entities, in which the reporter has a 50 percent or greater interest. Subsidiaries of the reporter outside Bahrain are non-residents.

(6) Equity (Capital and Reserves, ETC.) Total paid-in share capital, statutory and general reserves, and unallocated general provisions that are on the reporter's balance sheet. As noted above, differences between balance sheet and market values of assets (e.g., premiums on securities, exchange-rate effects, etc.) should be carried through to these capital accounts.

The residence attribution of Capital and Reserves must be consistent with the location of the head office (if the reporter is a branch) or of the shareholders (if the reporter is locally-incorporated). Thus, if the reporter is a branch of a foreign entity, capital must be attributed to 'Non-Residents'. In the case of locally incorporated banks, when share holdings are divided between entities inside and outside Bahrain, Capital and Reserves should be pro-rated similarly. It is the legal residence of the parent(s), not the underlying ownership of the parent(s) that should be considered in making these entities.

(7) Other Liabilities. Any liabilities not included in the enumerated items above. Accrued interest payable should be attributed to the relevant accounts, rather than compiled here.



	Instructions for Insurance Firm Return
Section II	Detailed Instructions

Instructions for completion of Section IFR 100.30

Statistical Information: Premiums and Claims by Class of Business

1. This sections should be completed by all insurance firms operating in Bahrain
2. All data must be recorded on **unconsolidated** basis.
3. This section deals with statistical data gathered by the Financial Stability Directorate of the CBB.
4. This section focuses on data related to premiums and claims by class of business and residential attributes.
5. Automatically generated ratios have been integrated in IFR 100.30. These ratios are for the analytical usage of the CBB and have been calculated on a consistent basis for CBB purposes and may not reflect ratios currently used by insurance firms. Therefore formulas integrated should not be adjusted.
6. For IFR (C), additional information related to Group Life Business should also be provided by insurance firms.



	Instructions for Insurance Firm Return
Section II	Detailed Instructions

**Instructions for completion of Section IFR 100.50
Statistical Information: Coordinated Portfolio Investment Survey**

1. This section should be completed by all Bahraini insurance firms operating in Bahrain.

Purpose of Collection

The survey collects information on investment by residents of Bahrain in equity and short- and long-term debt securities issued by unrelated non-residents as at year end. The data from the survey will be used in the compilation of the balance of payments and international investment position statistics of Bahrain. These statistics are published by the Central Bank of Bahrain. The survey is being conducted in coordination with other countries to facilitate international data comparability.

Confidentiality

The completed forms will remain confidential to the Central Bank of Bahrain and the results will only be published in aggregated form.

What to Report

The survey should be completed in accordance with the reporting instructions provided. If there are any questions regarding this part of the IFR, please contact Mr. Mohammed Abdulkarim, Head of the Statistics at the Central Bank of Bahrain Tel.:+973 17547951.

General Reporting Notes

This survey collects information on investment by domestic residents in equity and short and long-term debt securities issued by unrelated non-residents.



	Instructions for Insurance Firm Return
Section II	Detailed Instructions

Instructions for completion of Section IFR 100.50 (continued)
Statistical Information: Coordinated Portfolio Investment Survey

1. Who must report

Bahraini insurance firms operating in Bahrain are required to complete this form. Bahraini insurance firms who, as of close of business at year end, own equity and short- and long-term debt securities issued by unrelated non-residents.

2. Residency

A resident is any individual, enterprise, or other organisation ordinarily domiciled in Bahrain. Branches and subsidiaries of non-residents enterprises domiciled in Bahrain are also regarded as residents of Bahrain. **Ordinarily domiciled** is defined as the center of economic interest of the entity, for instance, for an enterprise, where it engages in production. A **non-resident** of Bahrain is any individual, enterprise, or other organisation ordinarily domiciled in a country other than Bahrain. Non-resident branches and subsidiaries of Bahraini enterprises are regarded as non-residents.

For residence of **individuals**, include all Bahrainis as residents, as well as all those foreign nationals working in Bahrain.

In the report forms, securities are to be **attributed to the country of residence of the non-resident issuer of the securities**. Country attribution should be based on where the entity is ordinarily domiciled. Corporations having no 'physical presence' are regarded as residents of the country where they are legally registered. If there is doubt as to the issuers' country of domicile, then, as a general rule, the country of residence of any enterprise can be taken as where it is legally incorporated, or in the absence of legal incorporation, where it is legally domiciled. Securities issued by international organisations (10) are not to be allocated to the country in which the 10 is located but rather to the separate 10 category specified at the end of the forms.

Attribution of country of residence of issuer should not be determined on the basis of the currency of issue.

If a security is guaranteed, do not attribute the country of issue to the country of residence of the issuer (unless they are the same).



	Instructions for Insurance Firm Return
Section II	Detailed Instructions

**Instructions for completion of Section IFR 100.50
Statistical Information: Coordinated Portfolio Investment Survey**

3. Definition of equity and long- and short-term debt securities

A **security** is defined as an instrument that is traded or tradable. See examples below for equities, long-term debt securities and short-term debt. This survey only covers investment by residents in equity and short- and long-term debt securities issued by unrelated non-resident entities.

Long-term securities are those with a term to maturity of more than one year, short-term securities are those with an **original** term to maturity of one year or less.

Financial derivatives are **not** to be reported as they are not considered to be securities: they are considered to be separate instruments. Record the value of the underlying security separately from any derivative that may be held in relation to it. However, if a security has an **embedded derivative** do not attempt to separate the security from the embedded security.

4. Valuation

Market value should be used to report all holdings of securities, i.e. the 'Dirty Price' should be used. Do **not** report the face value of the security as the market value.

5. Exclusion of securities issued by related enterprises

Securities (whether equities or debt) issued by a non-resident enterprise that is related to the resident owner of those securities **should be excluded** in this report. Related non-resident enterprises are enterprises in which an enterprise **group** has an equity interest of 10 percent or more or where a non-resident has more than 10% or more holdings in your group. Ownership is measured in terms of ordinary shares or voting stock of incorporated enterprises or equivalent beneficial interest in unincorporated enterprises. Where such a relationship exists, exclude all securities (debt and equities).



	Instructions for Insurance Firm Return
Section II	Detailed Instructions

Instructions for completion of Section IFR 100.50 (continued)
Statistical Information: Coordinated Portfolio Investment Survey

The only exception is if the non-resident entity who issued the security and the domestic resident owner of the security are affiliated financial intermediaries, for instance, banks. In these circumstances, debt securities that do **not** represent a permanent interest should be included in this report (i.e., securities with an original term to maturity of five years or longer should be **excluded** when issued and held between affiliated financial institutions).

6. Treatment of securities involved in repurchase and securities lending arrangements

A repurchase agreement¹ (repo) is an arrangement involving the sale of securities at a specified price with a commitment² to repurchase the same or similar securities at a fixed price on a specified future date. A reverse repo is the same transaction seen from the other side, that is, an agreement whereby a security is purchased at a specified price with a commitment to resell the same or similar securities at a fixed price on a specified future date. **Securities (or stock or bond) lending** is an arrangement whereby the ownership of a security is transferred in return for collateral, usually another security, under the condition that the security or similar securities will revert to its original owner at a specified future date.

- Securities acquired under reverse repurchase agreements or securities borrowing arrangements are to be excluded from the report form;
- Securities sold under repurchase agreements or 'lent' under a securities lending arrangements are to be included in the report form;
- Securities acquired under reverse repurchase or securities borrowing arrangements and subsequently sold to a third party should be reported as a negative holding, namely, a short position; and
- All valuations of securities under repurchase or securities lending arrangements should be at market value as at the close of business at year end (31 December XXXX).

¹ Also included are sale/buy backs, carries, bond or stock lending with cash collateral and similar transactions which involve the sale of a security with a commitment to repurchase it at a fixed price and on a specified date or on demand.

² If there is no commitment to repurchase the securities, the transaction should be regarded as a straight sale of the security and should not be classified as a repo.



	Instructions for Insurance Firm Return
Section II	Detailed Instructions

**Instructions for completion of Section IFR 100.50 (continued)
Statistical Information: Coordinated Portfolio Investment Survey**

7. Treatment of depositary receipts

Depositary receipts, which denote ownership of equity or debt securities issued by non-residents should be attributed to the country of residence of the issuer of the security underlying the depositary receipt. Financial intermediaries should not report holdings of any securities against which depositary receipts have been issued and sold; but if a depositary receipt has been issued before the financial institution arranging the issue has acquired the underlying securities, then that financial institution should report a negative holding in the underlying security.

8. Treatment of stripped securities

Stripped securities (strips) are securities that have been transformed from a principal amount with periodic interest coupons into a series of zero coupon securities, with the range of maturities matching the coupon payment dates and the redemption date of the principal amount. If strips remain the direct obligation of the original issuer, then the residency of the issuer of the strips remains the same as for the original security. Dealers who request that a settlement or clearing house create strips from an existing security issued by a non-resident should not report ownership of the underlying security once the strips have been created. On the other hand, if strips have been created and issued by an entity in its own name, then the residency of the issuer of the strips is that of the entity that issued the strips. In turn, such an issuer of strips should report its ownership of the underlying securities if they were issued by a non-resident. Strips with an original maturity of less than one year are classified as money market instrument and thus, if identifiable, should be reported as short-term debt securities.

9. Asset-backed securities

In reporting the market value of holdings of asset-backed securities, the respondent must be aware of the possibility of early partial redemption of principal. The market value of the principal amount outstanding at close of business at year end should be reported; if principal has been repaid, this market value will not be the same as the original face value revalued at end-period market prices.



	Instructions for Insurance Firm Return
Section II	Detailed Instructions

**Instructions for completion of Section IFR 100.50 (continued)
Statistical Information: Coordinated Portfolio Investment Survey**

10. Country of issue

Please report your entity's holdings of equities, short- and long-term debt securities issued by unrelated non-residents according to the list set out in 'Country Codes'. Also please report holdings of issued of international organisations (such as the World Bank or the United Nations) on the separate line at the end do not report them as issues of the countries in which they are physically located as they are not liabilities of those countries. If there are any questions regarding this part of the IFR, please contact Mr. Mohammed Abdulkarim, Head of the Statistics at the Central Bank of Bahrain Tel.:+973 17547951.



	Instructions for Insurance Firm Return
Section III	Appendices

**Appendix (a)
General Expenses Classification**

1. The following definitions and examples of expense items refer to the expenses to be reported in Section IFR 70.50 of the IFR.

Line 01 Salaries and employee benefits

- Salaries and wages of employees
- Overtime payments to employees
- Payments to employees that are in the nature of profit sharing, whether for a particular branch's profits or overall group profits
- Employer contributions to employee medical and/or group life insurance plan
- Expenses of gatherings, outings and entertainment for employees other than for business travel
- Education and Training costs
- Bonuses and awards to employees for educational courses
- Other expenses in the nature of employees benefits

Line 02 Directors' Remuneration

- Fees and allowances to directors for attending at meetings

Line 04 Agency (Excluding Commission)

- Payments for agents' licenses and signs
- Expense of training agents
- Cost of promotional material, souvenirs, etc., in agent's name only
- Expenses of seminars, conventions and meetings for agents
- Allowances, reimbursements and payments for expenses to agents, brokers and producers other than company personnel and not computed as a percentage of premiums

Line 10 Management Fees

- Services provided by outside related or non-related management corporations or agencies



	Instructions for Insurance Firm Return
Section III	Appendices

**Appendix (a) (continued)
General Expenses Classification**

Line 12 Professional Fees

- External auditors' fees and expenses for special audits and for regular review of insurance firm's financial returns
- Legal fees and expenses (excluding matters relating directly to specific claims)
- Fees of collection agencies for collecting delinquent accounts
- Expenses of an "ad hoc" committee
- Other fees for work done of a professional nature such as that done by management consultants or consulting actuaries

Line 20 Occupancy (including Furniture and Equipment, Insurance, Occupancy, Postage/Courier, Printing and Stationery, Telephone and Other Communication Costs)

Furniture and Equipment

- Depreciation
- Rental
- Payments under rental purchase agreement
- Service contract charges covering maintenance
- Cost of repairs, maintenance and overhaul

Insurance

- Fidelity and surety bond premiums covering employees
- Insurance premiums on owned or rented premises and contents
- Premiums for employees life insurance where company is beneficiary
- Premiums on any other insurance (except automobile) maintained to cover company losses of whatever nature



	Instructions for Insurance Firm Return
Section III	Appendices

**Appendix (a) (continued)
General Expenses Classification**

Occupancy

- Rent of home office, branch offices and service offices
- Rent of safekeeping, storage and warehouse space
- Other rent for space not mentioned above (exclude all rental of equipment, furniture, fixtures and automobiles)
- Charges for cleaning of premises by outsiders, under service contracts or otherwise
- Cost of hardware supplies, such as electric lamp replacements for building maintenance
- Payment for light, power, water and gas in leased or owned premises
- Cost of repairs, renovations and alterations in owned or rented premises (excluding salaries and wages of personnel)
- Expenses related to the transfer of an office from one location to another including packing and transportation
- Depreciation on owned premises
- Depreciation on leasehold improvements to rented premises
- All other expenses of an occupancy nature

Postage/Courier

- Cartage charges, freight bills
- Air express bills
- Courier delivery charges
- Purchase of postage stamps
- Post office box rentals

Printing and Stationery

- Cost of office supplies
- Cost of printing supplies and stationery for the operation off the printing department
- Cost of forms printed externally

Telephone and Other Communication Costs

- Charges for rental of telephone equipment
- Charges for telephone installation costs
- Long distance telephone charges
- Internet charges
- Other telephone and communication related expenses



	Instructions for Insurance Firm Return
Section III	Appendices

**Appendix (a) (continued)
General Expenses Classification**

Line 22 Information Technology

- Depreciation of IT equipment
- Rentals of IT equipment
- Payments for IT equipment under a rental purchase agreement
- Service contract charges covering maintenance of IT equipment by manufacturers, office equipment supplies and others
- Repairs and maintenance and overhaul costs of IT equipment not covered under service contracts
- IT systems and software
- Charges for access to and use of off-premises computers by outsiders
- All other IT related expenses

Line 24 Inspections and investigations

- Charges for character and credit reports, including reports on employees
- Cost of financial reports from credit associations
- Medical fees related to underwriting
- Costs of maps, plans, surveys for underwriting purposes
- Inspections and engineering costs by outside bodies billed specifically
- Costs of certificates of compliance for inspections

Line 28 Head Office Overhead

- Overhead charges levied by head office of parent corporation

Line 30 Allowance for doubtful accounts

- Write-off of uncollectible receivables in their full amount without reduction for collection expenses
- Increase/decrease in allowance for doubtful accounts



	Instructions for Insurance Firm Return
Section III	Appendices

**Appendix (a) (continued)
General Expenses Classification**

Line 38 Other Expenses

Advertising

- Directory listing charges
- Cost of souvenirs, gifts and other promotional material (except in agents' names)
- Expense of other forms of advertising regardless of media used and specifically mentioning the insurance firm

Automobile and Travel

- Depreciation of vehicles purchased for company use
- Rental of automobiles for individual trips
- Insurance premiums on owned or rented automobiles
- Petrol
- Automobile registration
- Regular and special maintenance bills for such items as oil changes, lubrications, new tires, etc., on all owned or rented vehicles
- Garage repair bills
- Employees and directors' expenses for traveling, including expenditures for hotels, meals and other out of pocket disbursements made while working away from home location
- Cost of transportation, hotel meals and entertainment of guests and clients
- Cost of seminars, conventions and meetings exclusive of those for agents
- All other expenses related to automobile and travel

Donations

- Charitable donations

Employee Acquisitions

- Help wanted advertising
- Fees of employment agencies or referral bonus to employees
- Medical fees and tests relating to employment
- All other outside expenses relating to hiring including travel costs of prospective employees



	Instructions for Insurance Firm Return
Section III	Appendices

**Appendix (a) (continued)
General Expenses Classification**

Miscellaneous

- Bank charges and exchange
- Expenses reasonable related to the transfer of one employee from one location to another including such charges as packing households and personal effects, transportation of employee and family, hotel bills and meals of employees and family, personal rent, etc.
- Underwriting pools
- Charges for a complete range of insurance functions where expenditures are not primarily related to costs of IT and statistical work
- Other expenses of a minor and sundry nature not specifically covered elsewhere