



المدير التنفيذي لرقابة المؤسسات المالية
Executive Director of Financial Institutions Supervision

مملكة البحرين
Kingdom of Bahrain

مؤسسة نقد البحرين
BAHRAIN MONETARY AGENCY

EDFIS/C/04/2006
4th April 2006

The Compliance Officer
All Insurance Licensees
Manama
Kingdom of Bahrain

Dear Sir,

BMA Rulebook:
Volume 3 (Insurance) – April 2006 Quarterly Update

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

Recipients who wish to update their hard copy folders should access the BMA website and print off the relevant pages for insertion into their folder. This cover letter highlights the main changes introduced this quarter. The table attached to this letter lists which pages to print off.

Module Contents Pages

As usual, the contents pages for each Module contained in Part A of Volume 3 have been updated. They now show their current issue date at the bottom right hand corner of the page: i.e. April 2006.

These contents pages also show the current issue date for every Section of a Module. Where a Section has been modified as part of this update, then its current issue date will also have been changed to April 2006. These contents pages therefore act as a summary checklist for Rulebook users.

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

Module UG (User's Guide)

To facilitate the updating of the Rulebook, some modifications have been made to the conventions used when changing Rulebook text. These modifications are reflected in a revised User's Guide.

In summary, these changes minimise the impact on the numbering of surrounding text, where new text is inserted (or old text deleted). This should reduce the number of pages affected whenever a change is made. The new conventions are explained in Section UG-3.1.²

As part of these changes, Rulebook pages will, going forward, only show their issue date, and not a version number as well. Only pages actually modified within a Section are given a new issue date; other pages within a Section retain their old issue date until they too are modified. The Module table of contents therefore shows where some or all of a Section has been revised and given a new issue date; the Module History Section within each Module then lists which specific pages were amended.

Other changes

The remaining changes this quarter are few and minor in nature, aimed at providing clarification on existing rules, in response to user queries. These are listed in the attached table.

BMA Reporting

As noted in previous correspondence, the consultation on both the Insurance Firm Return (Form IFR) and Group Insurance Firm Return (Form GIFR) has been extended to 30 May 2006. This affects insurance firms only.

Updated versions (marked April 2006) of the draft Forms IFR and GIFR have been added to the consultation documents on the BMA website.³

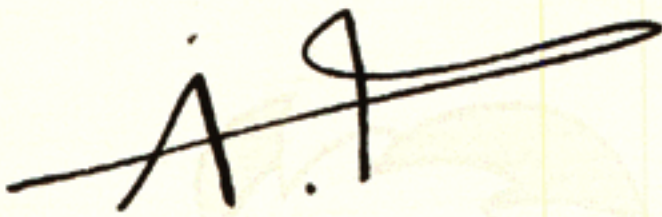
² For example, where a new Paragraph is inserted, it retains the numbering of the previous text, but with the addition of an "A"; a second inserted Paragraph that follows immediately afterwards would be numbered with a "B", and so on. Thus, if a new Paragraph needs to be inserted after UG-3.1.6, it would be numbered UG-3.1.6A; a second new Paragraph would be numbered UG-3.1.6B, and so on. This avoids having to renumber existing text that follows the insertion.

³ See www.bma.gov.bh: Home > Regulation & Supervision > Policy Development > Consultations.

Further information

Should you have any queries regarding these updates, you may contact the BMA Rulebook team at (rulebook@bma.gov.bh), or to the Director of Insurance Supervision on 17547302.

Yours faithfully,



A.Rahman Al Baker
Executive Director – Financial Institutions Supervision

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BMA Rulebook (Volume Three) – April 2006 Quarterly Update

PART A FOLDER		
Module Code	Module Title	Summary of Changes and Printing Instructions
All Modules	N/A	Print off the contents page for each Module.
UG	User's Guide	The User's Guide has been rewritten to facilitate future updates of the Rulebook. Print off complete Module UG.
AU	Authorisation	AU-2.1.6: deleted Guidance Paragraph. Print off updated Section AU-2.1: Page 1 of 3.
GR	General Requirements	GR-7.1.2: Clarified that the requirement to maintain a cash deposit does not apply to insurance firms that are in run-off and whose license is restricted from entering into new contracts of insurance. Print off updated Section GR-7.1: Page 1 of 1. GR-10.1.7: Clarified the meaning of the automatic extended reporting period. Print off updated Section GR-10.1: Page 1 of 2.
CA	Capital Adequacy	CA-2.1.14: Clarified the calculation of the average gross claims incurred. Print off updated Section CA-2.1: Page 5 of 5. CA-4.2.25: Corrected that receivables from contracts of insurance are also included under general asset valuation regulations. Print off updated Section CA-4.2: Page 5 of 8. CA-6.1.6: Clarified the definitions of 'assets' and 'liabilities' for purposes of currency matching and localisation requirements. Print off updated Section CA-6.1: Page 1 of 2.
FC	Financial Crime	FC-3.1.7 and FC-3.1.7.A: Clarified and added guidance Paragraph dealing with residency requirements of MLRO. Print off updated Section FC-3.1, all pages as Paragraph FC-3.1.8 has now moved to page 2 of 2.

**BMA Rulebook (Volume Three) – April 2006 Quarterly Update
(continued)**

PART A FOLDER		
Module Code	Module Title	Summary of Changes and Printing Instructions
BR	BMA reporting	<p>BR-1.1.36: Added the requirement for filing a copy of the external auditor's management letter. Print off updated Section BR-1.1 Page 6 of 6.</p> <p>BR-1.2.27: Added the requirement for filing a copy of the external auditor's management letter. Print off updated Section BR-1.2: Page 4 of 4.</p> <p>BR-2.3.22 and 2.3.23: Corrected cross reference to Module CA and clarified prior approval requirements in the case of insurance contracts with related parties. Print off updated Section BR-2.3: Page 5 of 6.</p> <p>BR-2.3.29 (d): Corrected cross-reference to Module AU. Print off updated Section BR-2.3: Page 6 of 6</p>
PD	Public Disclosure	<p>PD-1.1.6: Clarified local disclosure requirements. Print off updated Section PD 1.1: Page 1 of 5.</p>