

Palestinian National Authority
President of the Council of Ministers
Method of calculating the Technical and Accounting Reserves
No. (07) For the year 2007
(Council Decision no. (131) for the year 2007)

Council of Ministers:

After perusal of the Insurance Law No. (20) For the year 2005, in particular Article (5 /6 ف) thereof, and on the total nomination of the Capital Market Authority, based on the decision of the **Council of Ministers** in its meeting held in Ramallah in its meeting No. (28) on 12/11/2007, we have issued the following statute:

Article (1):

For the purposes of this statute; the technical reserves include the following:

1. Reserve of risk in force (unearned premiums): it is the amount that the Company must monitor of the total offered premiums, and it belongs to the next subsequent fiscal periods as a result of valid insurance policies, and it will be calculated as follows:
 - a. It will calculate the unearned premiums for general insurance activities(except life insurance) on the basis of the remaining days number in the insurance policy after the date of the financial statements
 - b. It will calculate the unearned premiums for Life Insurance activities based on the Company's experience and estimates, plus the adoption of the actuarial expert
 - c. For the purposes of calculating the unearned premiums, it will subtract the share of Reinsurance, and it requires the compliance with the terms and conditions contained in the reinsurance criteria instructions issued under the rules of the Insurance Law No. (20) for the year 2005
 - d. The number of year days will consider as (365) days for the purposes of this calculation
2. Under the Settlement Allegations Reserve: it is the reserve amount which the Company must monitor and maintain to cover the total value of the anticipated costs resulting from events occurring before the end of the fiscal year and was reported to the Company during that year, and it will be under settlement provided subtracting from it the amounts which had been paid. This reserve is calculated as follows:
 - a. The allegations under the settlement will be calculated based on the reports of experts, lawyers and the Company's experience and estimates by determining the value of total costs expected for each allegation on its own
 - b. The Company has the right to keep the allegations reserve under settlement after deducting the reinsurance share and that requires compliance with the provisions and conditions contained in the regulation of re-insurance arrangements made under the rules of the law
 - c. The company may not reduce the reserve value of allegations under the settlement as a result of calculating its current value

3. Unreported allegations Reserve: it is the amount that the Company must monitor and maintain to cover the total value of the anticipated costs that may arise as a result of events happened before the end of the year - a period that has not been reported to the Company during the year - period. This kind of reserves is calculated based on the Company's experience and estimates
4. Accounting Reserve: a reserve which the Company must monitor and keep to cover future financial obligations arising from life insurance policies. It is calculated as follows:
 - a. Accounting Reserve is calculated in accordance with the known actuarial concepts and principles
 - b. The Company has to provide the Authority with annual certificate - attached to the final financial statements of the Company - from the actuary expert whose appointment is approved by the Authority, the certificate should include the adequacy and fairness of the accounting reserve for the life insurance policies
5. Catastrophic Risks Reserve: a reserve which the Company should monitor and keep to cover losses that may result from serious accidents caused by unusual hazards or statistically undetermined risks such as natural disasters. It is calculated based on the Company's experience and estimates

Article (2)

Each Company licensed to work in Palestine has to maintain the following technical reserves:

1. Valid Risks Reserve
2. Under Settlement Allegations Reserve
3. Not Reported Allegations Reserve
4. Accounting Reserves for Life Insurance

Article (3)

Each Company licensed to work in Palestine has to maintain the following technical reserves:

1. Catastrophic Risks reserve
2. Any other technical reserves, other than those mentioned

Article (4)

In addition to what is stated in paragraph (4 - b) of Article (1) of this regulation; the Company has to provide the Authority with annual certificate - attached to the final financial statements for the Company - from the auditor of all technical reserves maintained by it including the adequacy of these reserves.

Article (5)

The Company is committed to adjust their cases\statuses in accordance with the rules of this statute during a period not exceeding the end of the next fiscal year up to the date of issuing this statute.

Article (6)

This statute will be applied on the financial statements issued by the Company and provided to the Authority for the closed fiscal year on December 31, 2006.

Article (7)

All competent authorities must apply these regulation's **rules**, and shall be effective from the date of their issuance and published in the Official Gazette.

Issued in the city of Ramallah on: 12/11/2007
Corresponding to the second Zu Al-Qe'da in 1428

Salam Fayyad
Prime Minister