

Instructions No. (2) of 2002
Basis of Calculating the Technical Provisions Instructions *
Issued by the Board of Directors of the Insurance Commission
pursuant to paragraph (B) of Article (23)
of the Insurance Regulatory Act No. (33) of 1999

Article (1):

These Instructions shall be known as the (Basis of Calculating the Technical Provisions Instructions of 2002) and shall come into force as of the date of its publication in the Official Gazette.

Article (2):

A- The words and phrases, wherever mentioned in these Instructions shall have the meanings ascribed thereto under Article (2) of the Insurance Regulatory Act No. (33) of 1999, unless otherwise indicated by context.

B- For purposes of these Instructions the Technical Provisions shall include the following:

Unearned Premiums Provision : The Provision, which the Company should allocate from the gross written premiums that concerns the following financial period as a result of the Insurance Policies in force.

Unexpired Risks Provision : The Provision, which the Company should allocate and maintain in addition to the Unearned Premiums Provision to meet the financial liabilities that may arise after the end of the financial period as a result of the Insurance Policies in force.

Reported Claims Provision : The Provision, which the Company should allocate and maintain to meet the total estimated ultimate costs arising from events occurred before the end of the financial period and was reported to the Company within that period and still outstanding provided that the value of costs paid should be deducted.

Incurred But Not Reported Provision : The Provision, which the Company should allocate and maintain to meet the total estimated ultimate costs that may result from events occurred before the end of the financial period and the Company was not notified with during that period.

Outstanding Claims Provision : Both of the Reported Claims Provision and the Incurred But Not Reported Provision.

Mathematical Provision : The Provision, which the Company

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should allocate and maintain to meet the future financial liabilities resulting from life assurance Policies.

Catastrophic Risks Provision : The Provision, which the Company should allocate and maintain to meet the losses that may result from gross accidents arising from uncommon risks or risks the repetition of which can not be statistically determined such as the natural catastrophes.

Article (3):

For purposes of implementing the provisions of paragraph (B) of Article (35) of the Act, the Company shall maintain the estimated Technical Provisions at the end of each financial year.

Article (4):

Each Company licensed to transact general insurance business shall allocate the following Technical Provisions for each insurance license it obtained; such Provisions shall be maintained to cover all the financial obligations of the Company:-

- A- Unearned Premiums Provision.
- B- Unexpired Risks Provision.
- C- Reported Claims Provision.
- D- Incurred But Not Reported Provision.
- E- Catastrophic Risks Provision.

Article (5):

Each Company licensed to transact life assurance business shall allocate the following Technical Provisions for each insurance license it obtained; such Provisions shall be maintained to cover all the financial obligations of the Company:-

- A- Mathematical Provision.
- B- Unearned Premiums Provision.
- C- Reported Claims Provision.

Article (6):

Subject to the provisions of Articles (4) and (5) of these Instructions, each Company licensed to transact both general insurance business and life assurance business, shall separate the Technical Provisions it allocates and maintains for each of them.

Article (7):

Subject to the provisions of Article (12) of these Instructions, the Provisions shall be calculated accordingly:-

- A-1- The Unearned Premiums Provision for general insurance business, shall be calculated on the basis of the number of days remaining for the expiration of the Insurance Policy, and for that purpose the number of days of the year shall be (365) days excluding marine and transport insurance license, in such case, the Unearned Premiums Provision shall be calculated on the basis of written premiums for the valid policies at the date of preparing the financial statements submitted pursuant to the provisions of the Act, Regulations and Instructions issued by virtue thereof.

- 2- The Unearned Premiums Provision for life assurance business shall be calculated in accordance with the experience of the Company and the estimations made by it.
- B- The Reported Claims Provision shall be calculated by determining the value of the total expected expenses for each claim separately.
- C- The Unexpired Risks Provision, the Incurred But Not Reported Provision and the Catastrophic Risks Provision shall be calculated in accordance with the experience of the Company and the estimations made by it.
- D- The Mathematical Provision shall be calculated in accordance with the actuarial methods.

Article (8):

For purposes of the provisions of Articles (9) and (10) of these Instructions, the provisions and conditions stipulated in the Reinsurance Instructions issued by virtue of the provisions of the Act shall be observed.

Article (9):

The Company may maintain the Outstanding Claims Provision and the Unearned Premiums Provision after deducting the share of the reinsurer pursuant to what has been ceded from the insurance risk.

Article (10):

- A-1- Notwithstanding what is stated in Article (9) of these Instructions, the Company shall maintain Outstanding Claims Provision of not less than (10%) of the total of the Outstanding Claims Provision for each obtained license, if more than (90%) of the gross written premiums for such license has been reinsured.
- 2- Notwithstanding what is stated in Item (1) of paragraph (A) of this Article, the Company shall maintain Outstanding Claims Provision of not less than (5%) from the total of the Outstanding Claims Provision for the insurance licenses Against Fire and Other Property Damages, if more than (95%) of the gross written premiums has been reinsured.
- B- The Company may reinsure each risk separately without observing the percentages stipulated in paragraph (A) of this Article.

Article (11):

The Company shall not be allowed to reduce the value of the Outstanding Claims Provisions resulting from the calculation of the present value.

Article (12):

- A- The Company shall provide the Commission annually with a certificate, attached with the closing financial statements of the Company, from the Actuary of all the Technical Provisions it maintains which includes the adequacy of these Provisions.
- B- The Company shall, in addition to what is stipulated in paragraph (A) of this Article, provide the Commission with a certificate from the Actuary attached with the semiannual financial statements for the financial year following the year these Instructions came into force.

- C- The Director General may request the Actuary for a clarification, to be submitted to the Director General directly within the period determined, of any of the information or data included in the certificate issued by him.

Article (13):

The Company shall adjust its status in accordance with the provisions of these Instructions within a period not exceeding the end of the financial year following the year these Instructions came into force. The Chairman may, upon the recommendation of the Director General, extend this period for a period not exceeding one year if necessity dictates.

Article (14):

The Director General shall issue the Decisions necessary for implementing the provisions of these Instructions.

Board of Directors of the Insurance Commission