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**Overview – Palestine
Jurisdiction Update Palestine**

Insurance Overview

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The insurance sector in Palestine is undergoing significant market transformation and regulation. Generally, the market has been competitive in terms of certain products, but underdeveloped in terms of overall services and the range of products it offers. Domestic and foreign insurance companies operate in the market. The foreign branches represent Arab regional companies as well as international ones. For the last 12 years, domestic entities have been restructuring and reorganizing to become more competitive with the services and products offered by the branches of international companies operating in the market. The regulator is the Capital Market Authority ("CMA") who, in 2005 started the implementation of the newly enacted Insurance Law and is keen on seeing the market become more well-regulated. As for foreign branches, the CMA wants to ensure that they are solvent and have the capital in-country to protect the interests of policyholders.

Palestinian companies do not provide reinsurance services; all domestic entities are reinsured by international reinsurance providers. Domestic insurance companies cooperate with international insurance companies to reinsure large-risk projects and establishments, whereby both parties would share claim costs according to a prearranged agreement.

Generally, the market is concentrated with three companies: two domestic ones which are listed on the securities exchange and one foreign branch which offers life insurance on an exclusive basis.

The Regulator: Capital Market Authority

The CMA is the insurance regulator, and fosters the best interest of the consumer. It sees its mandate as focusing on the safety and soundness of the insurance industry, and balancing that with the interest of the consumer, especially with respect to competitive pricing and sound practices.

The Insurance Law and its Regulations aim to promote the CMA as a risk-based regulator. As such, the CMA ensures that the insurance sector operates under effective operational standards, good governance, and due diligence practices. The CMA seeks to work collaboratively with the insurance companies, and encourages self-reporting of breaches of the Law. The Law is relatively new and imposes requirements that entail considerable adjustment, the CMA, accordingly, works with each company to address compliance issues and gives grace periods.

Licensing of Insurance Companies

The CMA licenses domestic insurance companies and foreign branches. In that regard, it sets the requirements for registration including minimum capital requirements for



domestic ones. Early 2008, the CMA issued a set of new regulations aiming to minimize and penalize uncompetitive practices including attempts at price fixing especially concerning mandatory vehicle insurance. The regulations also address, among other things, the requirements for financial solvency, prudential requirements and industry standards. They permit the CMA to impose additional requirements. The starting capital for life insurance companies and for general insurance providers is US\$5 million. A company that provides both life insurance and general insurance requires starting capital of US\$8 million.

Foreign companies licensed as a branch

Foreign companies, who wish to operate in the Palestinian market, have the option to register a branch instead of registering and incorporating a local entity. In considering the application for a branch, the CMA assesses regulatory standards in the company's home jurisdiction; takes into consideration the economic and political stability of the home jurisdiction; and examines the investment plans for the local market. Branch operations are required to deposit funds in local banks for their local operations pursuant to the relevant CMA regulations. Branches provide the CMA with financial, actuarial and other reports.

Insurance Agents and Brokers

Insurance companies may sell insurance products either directly or through agents or independent insurance brokers. Agents and brokers are licensed by the CMA and regulated by it.

Insurance Business and Types

Currently, there are eleven insurance companies operating in Palestine, eight domestic and three branches of foreign companies. One of the foreign companies offers life insurance on an exclusive basis. At present, the companies offer a range of insurance products, coverage and packages for commercial establishments and individuals.

The insurance business includes activities related to insurance contracts including the solicitation, acceptance, transfer, assessment or estimation of or related claims and providing any expertise related thereto. The insurance business is divided into two types of insurance: life insurance and general insurance.

The general insurance or non-life insurance includes, but is not limited to: health insurance; savings insurance; fire insurance and related dangers; cargo and freight insurance; accident insurance; workman's compensation; breaking and entering/burglary



insurance; motor-vehicle insurance including third party liability; equipment insurance; professional responsibility insurance; and the other types of insurance regulated in accordance to this law.

Due to demand, domestic companies offer terrorism-related insurance coverage. The premiums are very high because the risk is high. Palestinian companies are among the few in the region that offer this kind of product.

The cost of insurance differs from one company to another according to the type of insurance and the packages presented by each company. Vehicle insurance, though, has fixed premium amounts determined by the union of insurance companies, and the companies can offer different payment options.

The Insurance Law

The Insurance Law was enacted in 2005 replacing older and fragmented legislation. This law is modern and aims to upgrade the insurance industry and create a productive insurance sector. The law covers the following issues: responsibilities, duties, and functions of the CMA; types of insurance; life insurance; liability insurance; motor vehicle insurance; reinsurance companies and services; company registration and capital requirements; foreign insurance companies; licensing and suspension of license; record keeping by insurance companies; mergers; agents and brokers; investigators of claims and damage assessors; actuarial experts; the Palestinian Federation of Insurance Companies; the National Motor Vehicle Accident Fund; and penalties.

The Palestinian Federation of Insurance Companies

The law provides for the establishment of the Federation of Insurance Companies. Membership in the Federation is mandatory where all companies must join. The Federation sets standards for professional conduct and ethics for its members. It also seeks to support settlement of joint compensation, where two or more insurance companies are responsible, and establishes a mechanism for settlement of joint accounts.

National Motor Vehicle Accident Fund

The Fund is created under the Law for the purpose of requiring insurance companies to pay a mandatory fee, deducted from the mandatory third party motor vehicle insurance to be used in paying for motor vehicle accidents where certain conditions must first be met. Some of these conditions include hit and run accident; instances where insurance policies do not cover the accident because the driver breached the terms of the insurance policy.



Islamic Finance-based Insurance

Islamic finance-based insurance is relatively new to Palestine. The first Islamic finance-based company was licensed mid 2008. The company offers all the type of insurance offered by the other companies in Palestine, with the exception of life insurance. This type of insurance is not allowed under Islamic practices. Islamic Finance-based insurance is premised on the idea of mutual and co-operative principles. Co-operative insurance entails all members to contribute to a common pool to help those in need. All losses and liabilities are divided and spread as well to the community pooling system.