

**Statute of the
National Institute of Compulsory Insurance
Chapter I
Common Provisions**

Article I:

1. Pursuant to Articles VI and VIII of the Decree No. 9585 dated 30/01/2003 which determines the details of the application of the Legislative Decree No. 105/1977 dated 30/06/1977 concerning the Compulsory Insurance of civil liability for bodily injuries caused by road vehicles towards others, this statute determines the provisions that govern the National Institute for Compulsory Insurance, especially from the following aspects:
 - Convening of its Board of Directors.
 - Conditions and procedures of the election and disqualification of its Board of Directors members, as well as the conditions and procedures of the appointment and disqualification of the Director-General, and identifying the powers of each of the Chairman and General Manager.
 - Convening of its General Assembly meetings.

2. It is understood by:
 - The words “General Authority,” the group of Insurance Companies adhering by force of law to the National Institute for Compulsory Insurance under Article VIII of the Legislative Decree No. 105, dated 30/06/1977.
 - The word “Institute,” wherever it appears in this statute, the National Institute for Compulsory Insurance established in accordance with the provisions of Article VIII of the Legislative Decree referred to and the provisions of its implementation decree.
 - The words “Board of Directors,” the Board of Directors of the Institute.
 - The word “Chairman,” the Chairman of the Board of the Institute.
 - The word “Minister,” the minister of Economy and Trade.

3. The Institute headquarters is located in Beirut and it can establish branches in all Lebanese regions by a decision of its Board.

Chapter II

Board of Directors

Article II: With the exception of the first Board which six of its members were elected by the General Authority in accordance with the provisions of Article VII of the Decree No. 9585 dated 30/01/2003, at the end of the Board mandate, the six members shall be elected each time pursuant to the following procedures:

1. The General Authority shall elect, during the Annual Ordinary General Assembly, six members of the Board among companies adhering by force of law to the Institute for a period of three years, subject to renewal.

It is understood by a year, the period extending from the convening date of the Annual Ordinary General Assembly until the convening date of the Annual Ordinary General Assembly that immediately follows.

The General Authority has the right to disqualify the elected members at any time before the expiration of their term of office.

2. During the period extending between the two Annual Ordinary General Assemblies held by General Authority, if the number of the members representing the private sector decreased to less than four, the remaining members of the Board shall exceptionally invite the General Authority to hold an Ordinary General Assembly within two months at most to fill vacant positions.
3. Anyone who desires to nominate himself for the membership of the Board has to submit his candidacy in writing to the Institute before ten days from the date of the deadline for holding the Ordinary General Assembly.

The nominations shall be registered on their submission date in a specific register prepared for this purpose.

4. Any member who has previously been disqualified, has abstained from implementing any obligation toward the Institute despite being warned to implement it within ten days or was involved in a legal dispute with the Institute shall not be entitled to run for membership in the Board as long as the disqualification was not cancelled, the abstention was not over or he did not implement the obligation.
5. Each company must be represented toward the Institute and all its agencies by its Chairman or its General Manager or Managing Director.
6. The process of electing members of the Board shall be confined to companies adhering by force of law to the Institute exclusively.
7. The Board shall, immediately after the adjournment of the General Authority session aiming at electing the member representing the private sector, elect the Chairman and the Vice Chairman, each for a period of three years ending on the expiration date of the membership of the company which is represented in the Board and this period shall be subject to renewal again.

It is also required to send a written invitation to the presumptive member in the Board, ten days before the date of the Board convening to elect a Chairman and

a Vice Chairman, in order to attend the election session and participate in the vote and the election.

It is also required to send a written invitation to State Prosecutor ten days before the same date in order to attend the session to elect a Chairman and a Vice Chairman and participate in it without having the right to vote.

8. The mission of both the Chairman and Vice Chairman is personal which requires the election of a Chairman and Vice Chairman among the representatives of the member companies of the Board.

The election is held pursuant to the procedures and quorum specified in this statute for the convening of Board meetings.

9. The membership in the Board shall be terminated for one of the following reasons:
 - Disqualification by the decision of the General Authority
 - Resignation
 - Withdrawal of the license granted to the member company by the Minister of Economy and Trade to conduct car and vehicles insurance operations
 - Bankruptcy
 - Emergence of a legal dispute between the Institute and the member company
 - Failure to attend three consecutive periodic and regular meetings of the Board without a legitimate excuse.

The absence is considered justified by force of law if it happens during or because of:

1. Carrying out a task assigned to the member representative by a decision of the Board or the Chairman, each within his powers and for what concerns the Board functions.
 2. Carrying out a task of a general nature assigned to the member representative by an official authority or official management.
10. The presidency and the Vice Presidency of the Board shall be terminated with the termination of the membership of the company represented by the Chairman or Vice Chairman and shall be also terminated in the event of a personal factor such as death, resignation, disability or evidence of committing a misdemeanor such as fraud, abuse of trust, forgery, rape, robbery, and other heinous crimes or evidence of committing a crime of any kind.

Article III: During the first phase established under the Decree No. 9585 dated 30/01/2003, the Board shall manage the Institute, achieve its object and, in particular, the following matters:

1. Develop the Institute draft regulations and amendments, particularly the Statute and the financial system and present them to the General Authority for approval; these regulations do not become effective but after the approval of the Minister.
2. Develop and modify the model of compulsory insurance contract, which must be adopted by all security bodies. This model does not become effective or amended but after the approval of the Minister, given after consulting the National Institute for Compulsory Insurance.
3. Identify and modify the tariff of compulsory insurance premiums for each category of road vehicles. The tariff and its amendments do not become

effective but after the approval of the Minister, given after consulting the National Institute for Compulsory Insurance.

4. Submit a suggestion to the Minister, which involves determining the content, form and color of the card and the special stamp provided for in Article II of the Decree No. 9585 dated 30/01/2003 and intended to confirm the insurance contract and announce its conclusion.
5. Write every year a statement showing the institution rights and obligations and put it at the disposition of the Commissioner of Control.
6. Develop and organize the budget for the coming year and present it to the General Authority during the last quarter of the current year.
7. Organize the inventory and annual budget and put them at the disposition of the Commissioner of Control fifty days at least before the date of convocation of the Annual Ordinary General Assembly of the General Authority.
8. Organize an annual report including all the Institute business and operations during the fiscal year.
9. Publish the annual budget, the names of the members of the Board and the Commissioner of Control duly in the Official Gazette and two local newspapers published in the Institute Center, one of them economic.
10. Determine the amounts that the Board decides to deduct for depreciation and make suggestions thereon to the General Authority held in an ordinary session.
11. Invite the General Authority to hold an Annual Ordinary General Assembly or any Extraordinary General Assembly to consider any urgent issue and set its agenda and the topics it will consider during the session.
12. Invite the General Authority to convene a Constituent General Assembly to announce the completion of the establishment of the Institute and the adoption of the Statute and financial system by the initiation of the institution in the implementation of the tasks entrusted to it under the Decree No. 9585 dated 30/01/2003.
13. Invite the General Authority to hold an Extraordinary General Assembly to consider and decide on any amendments and / or additions to the statute and / or the financial system and / or any other systems subject to ratification by the General Authority.
14. Implement the decisions of the General Authority considering that the basic rule is that the Board must be subject to the will of the General Authority as determined through all Ordinary General Assemblies and Extraordinary General Assemblies held by this Authority.
15. Appoint directors, heads of departments and authorized signatories when it deems necessary and determine their salaries, compensations and supplements, and decide to dismiss them.
16. Form, when it sees fit, temporary or permanent advisory committees and delegate one or more of the Board members of a specific task when it sees fit.

17. Appoint representatives, agents, experts, and specialists based on the Chairman's proposal and determine the terms of the contract with them when necessary.
18. Conduct all contracts related to the object of the Institute, whatever its object and status are in the appropriate conditions, when the value of the contract exceeds fifty million Lebanese pounds or its equivalent in any other currency.
19. Obtain loans and credits in the manner, benefits and conditions it deems appropriate and when the value of the loan exceeds fifty million Lebanese pounds or its equivalent in any other currency.
20. Conduct barter, bargaining, conciliation, and arbitration in respect of all the interests of the Institute, provided that the value of the contract, the transaction or the operation do not exceed fifty million Lebanese pounds.
21. Grant the Chairman, for temporary periods, all or some of the powers stipulated in paragraphs 16 to 19 of the first clause of the present article and any other powers that were not stipulated in the Legislative Decree No. 105/1977 dated 30/06/1977, and Decree No. 9585 dated 30/01/2003 and the present Statute, provided that they are not included in the powers limited to the Board and no one else, and may not be delegated for anyone.

The powers of the Board set forth above in Article III are mentioned for example, without limitation, given that the Board has the power to execute all other tasks that are not explicitly mentioned in this Statute except what is excluded by law or decree or under this Statute or originally given to the Chairman or the Director-General under this Statute or the financial system.

Article IV:

In case of the issuance of a decree by the Council of Ministers based on the proposal of the Ministers of Interior and Economy and Trade after seeking the opinion of the National Insurance Board, setting the starting date of the Institute execution of the tasks set forth in paragraphs 3, 4, 5 and 6 of Article IX of the Legislative Decree No. 105 dated 30/06/1977 and / or assigning it to execute any other tasks, the Board shall:

- First:** Appoint the Director-General
- Second:** Develop addition and / or amendment projects to the Institute systems, particularly the Statute and the financial system, so that these systems become compliant with the tasks assigned to the Institute under paragraphs 3, 4, 5 and 6 of the mentioned Article IX and under any paragraph updated and also compliant with the provisions of the Legislative Decree No. 105 dated 30/06/2003, as well as the provisions of the Decree No. 9585 dated 30/01/2003 and the provisions of the law regulating the insurance companies and its amendments, as far as they do not conflict with the provisions of the Legislative Decree No. 105/1977.

Third: The Board submits the projects, forming the object of the former second clause of the present article, to the General Authority for approval at an Extraordinary General Assembly convened for this purpose and then submits them to the minister by his representative, the State Prosecutor for approving them.

- Article V:**
1. The Board shall convene upon the invitation of its Chairman or three of its members.
 2. The Chairman shall set the agenda, and it shall be then sent along with the invitation to all the members and the State Prosecutor, seven days at least before the meeting date. They can also be informed verbally about the invitation and the agenda, and set an immediate, urgent date for the meeting in order to take immediate decisions on topics included in the powers of the Board, on condition to mention in the minutes of the meeting that the invitation and agenda were verbally reported due to hastiness.
 3. No meetings shall be legal unless in the presence of at least four members of the Board members.
- Neither member of the Board may delegate any other member to represent him at the Board meetings.
4. The Board decisions shall be taken by the absolute majority of its members; in the event of an equality of votes, the voice of the Chairman shall be considered as casting vote.
 5. The objecting member shall be considered responsible for the decision taken just like any other member, except if his objection and its causes were noted in the minutes of the meeting.

- Article VI:**
1. The secretary shall write a minutes for each meeting, indicating the time, the location, the closing time, the names of attendees, a summary of the deliberations, the decisions taken and the reasons for the objection in the case of decision-making by majority. The original version of the minutes shall be signed by the Board members present and kept by attaching its pages to a special register.
 2. The original versions of the Board immediate and signed decisions shall be kept attached to a special register.
 3. Pages of the two registers mentioned in paragraphs (1) and (2) shall bear serial numbers and the President shall mark all of them before use.
 4. The State Prosecutor, in his capacity as the representative of the Minister, shall obtain a copy of each minutes.

- Article VII:**
1. The Board members shall carry out all the work required by the Institute workflow in a proper and ordinary manner. They shall also comply in the performance of their duties with the provisions of the laws, decrees and

regulations in force, especially those governing the Institute structure, workflow, and goals.

2. The members of the Board shall not be entitled to make interest for themselves or their representatives whether directly or indirectly in any project or agreement concluded with the Institute, unless they obtain prior authorization from the General Authority, held in Ordinary Assembly.

The license must be renewed every year if concerning contracts with consecutive obligations of medium or long term.

Article VIII: The Board members shall receive compensation determined by the General Authority in the Annual Ordinary General Assembly or held on an exceptional basis, in accordance with the provisions and rules that govern the determination of compensation for each member of the Board of Directors of a Joint Stock Company (Incorporated company).

Chapter III

Chairman of the Board - General Manager - Signature on behalf of the Institute - Secretariat

Article IX:

1. The Chairman shall represent the Institute before third parties, before any judicial authority, whether civilian, administrative, or criminal, before the state and all its ministries, public administrations and before any committee or natural or legal persons from the private or the public sector.
2. He shall implement the decisions of the Board and conduct the Institute business in accordance with these decisions.
3. He shall exercise all the powers delegated by the Board.
4. He shall head the Board meetings and manage them, call the Board for holding periodical meetings whenever the need arises, and set the agenda for each meeting.
5. In his capacity as Director General over the first phase, entered into force under the Decree No. 9585 dated 30/01/2003, he shall manage the business of the Institute under his personal responsibility.
6. In his capacity as Director General, the Chairman has the power, in the first phase, to designate, disqualify, and promote employees and workers other than managers and heads of departments.
7. He shall decide on each transaction, contract, process, settlement, conciliation, arbitration or borrow, the value of each not exceeding fifty million Lebanese pounds or its equivalent in any other currency.

The Board may raise this limit by a decision issued by a unanimous vote of its members and shall register it duly where required.

8. In his capacity as Director General, the Chairman has the right to open accounts in banks, move them, close them, determine their terms and conditions, and identify the bank credits terms.

9. In his capacity as Director General, the Chairman powers include all necessitated by the daily management.

Article X: 1. All transactions and contracts relating to the Institute and decided by the Board during the first phase determined in the Decree No. 9585 dated 30/01/2003, shall be binding on the Institute if signed by the Chairman or his delegate, in case of his absence, if the position becomes vacant or if they were signed by the Managing Director.

As for the transactions relating to the conduct of normal business, calls, and accounts, they shall be signed during the first phase by the Chairman or the heads of departments associated with the Institute, under the conditions specified by the Chairman.

2. The Board shall have the right at any time and where it deems appropriate to require that the Chairman or the Managing Director do not exercise any powers delegated to them by the Board unless in union with another person appointed by the Board for this purpose.

In such cases, the Board decision must be registered according to the law and regulation.

Article XI: The Secretary of the Board shall assume the following tasks:

1. Receive the documents prepared in order to be presented to the Board.
2. Prepare and send the invitations to the meetings of the Board and the General Authority.
3. Write the minutes of the Board and the General Authority meetings.
4. Keep records of minutes of meetings and decisions of the Board as well as minutes of meetings and decisions of the General Assemblies of all kinds held by the Institute General Authority, and give certified true copies of these minutes signed by the President and the Secretary to the State Prosecutor.
5. Keep records of calls and incoming and outgoing correspondence belonging to each of the Board and the President.
6. Ensure editing and copying processes for both the Board and the President.
7. Implement all other tasks entrusted to the Secretariat under the Board regulations or by the Commissioning of the President.

Article XII: The Secretariat shall be directly linked to the president.

Chapter IV

Minister Tutelage

State Prosecutor - Control Commissioner

Article XIII: The State Prosecutor shall assume the powers determined in Article XII of the Legislative Decree No. 105 dated 30/06/2003 and in the fourth clause of Article VI of Decree No. 9585 dated 30/01/2003.

These powers are the following:

1. He shall represent the minister, ensure the general application of laws and regulations relating to the Institute, and attend its meetings.
2. He shall have the right to object to the Board's decisions. His objection shall stop the enforcement of the objected decision. The State Prosecutor shall then raise the matter within two days of the date of the objection to the Minister who has fifteen days to consult with the Insurance National Council about the objected topic in order to decide on it afterwards. The decision shall be considered acceptable if the mentioned deadlines expire before submitting the rejected decision to the Board.
3. The State Prosecutor shall present the decisions issued by the competent organs of the National Institute of Compulsory Insurance to the Minister for approval; these decision are subject to this approval pursuant to Article X of the Decree No. 9585 dated 30/01/2003.

Each of these decisions shall be considered tacitly approved by the minister if the minister did not issue any direct decision thereon within a period of fifteen days of the decision filing in the minister's office.

4. The State Prosecutor shall be invited to attend the General Assemblies held by the General Authority.

Control Commissioners

Article XIV: Given the fact that the Institute is, according to its purpose and nature, an Insurance Corporation, it is governed, in addition to its establishment law and its application decrees, to the provisions of Trade Act and the law regulating the insurance entities and their amendments, as long as the provisions of these laws do not contradict the law of its establishment. As for its Control Commissioner or Commissioners, it shall apply the provisions of the following Articles XV, XVI, XVII, and XVIII in terms of their appointment and determining their powers, duties, and responsibilities.

Article XV: Under Article XVII of the Law No. 94 dated 30/06/2003, linked to Article 40 of the law regulating the insurance entities promulgated by the Decree No. 9812 dated 04/05/1968, the appointment of the Institute Control Commissioner shall take into account the following two rules:

First: It shall not appoint as a Control Commissioner any person who was already sentenced to a felony, falsification, use of forged papers, theft,

abuse of trust, fraud, intimidation, to an offence sentenced to penalties attributable to fraud, issuance of bad checks in bad faith, hiding things obtained by these crimes, involvement in these crimes or the initiation of committing one, sentenced to six months and more in prison regardless of the reasons or sentenced to bankruptcy without being reinstated.

Second: The State Prosecutor has to join the union of public accountants, fulfill the legal requirements, and be competent enough to be accepted as a sworn expert in the courts.

Article XVI: Pursuant to Article 18 of Law No. 94 dated 18/06/1999, amending the law regulating the insurance entities, the Institute shall adopt, in the appointment of control commissioners, the following rules:

1. The Institute is exempted by the government from appointing an additional control commissioner.
2. The General Authority appoints one or more control commissioners fulfilling the legal requirements for a period of one year, subject to renewal and expires at the convening of the General Authority in the form of an Annual Ordinary General Assembly to consider in the accounts of the previous year.
The mandate of the Commissioner, appointed to replace someone else, is determined by the remaining period of his predecessor mandate.
3. The Institute has to inform the Ministry of Economy and Trade about the resignation of the Control Commissioner or his work interruption for one month at most from the date of resignation or work interruption.

Article XVII: **First:** Pursuant to the Article 19 of the amended Law No. 94 dated 30/06/1999, every control commissioner must comply, in the performance of his duties, with the following rules:

1. Control the work of the Institute to verify the conformity of its conditions with the applicable laws and regulations, and validate its submission of basic work programs, corrective measures and financial programs when appropriate.
2. Inform the Control Committee about irregularities and variants that the Institute may have committed, under penalty of perjury.
3. Write a detailed annual report on the control operations and their results and send a copy to the Institute and the Ministry of Economy and Trade in no later than five months from the date of the financial year end.
4. Send, in addition to the reports written under the provisions of the Trade Act, to the General Authority of the Institute and the Ministry of Economy and Trade, a special report on the contracts concluded directly or indirectly by the Institute for the members of its board of directors, its representative, one of its agents, or one of those in charge of its management.
5. Invite the General Authority to hold a General Assembly every time the Board fails to invite it, in the cases provided for in the law or in this Statute

or if so requested by a team of the General Authority members representing the fifth of the number of the Authority members.

Second: Pursuant to the provisions of the Trade Act, the Control Commissioner shall be responsible in his personal capacity; in case of the appointment of two or more commissioners, each one of them must be interdependent even to third parties for each control mistake.

Article XVIII: In order to be able to perform his duties, the Control Commissioner shall have the right to have access to all records, data, deeds, documents, and accounting records. The members of the Board have to give him all the information required, and put at his disposition the list of inventory, budget and profit and loss account at least thirty days before holding the General Authority for its Annual Ordinary General Assembly, so the Control Commissioner would be able to write its annual report within a period of five months following the end of the fiscal year.

Chapter V

General Assemblies

Types of General Assemblies

Article XIX: 1. General Assemblies held by the Institute General Authority are of three types:

- Assembly to complete the constitution
- Ordinary assemblies
- Extraordinary assemblies

2. The General Assemblies held legally represent all companies adhering to the Institute and the decisions issued by these assemblies are binding on all the companies even on the absent or the offending companies.

The jurisdiction of the Constituent Assembly

Article XX: The Constituent Assembly shall be held at the invitation of the first Board, whereupon it shall execute the following:

1. Adopt the Statute and the financial system prepared by the Board.
2. Consider and decide on the budget for the remainder of 2003.
3. Determine the compensation attributable to members of the Board.
4. Appoint a control commissioner for a period that expires at the convocation of the first Annual Ordinary General Assembly that will consider the budget and accounts of 2003.
5. Consider a specimen of the compulsory insurance contract that must be adopted by each authority to ensure the adoption and approval of the specimen.

6. Consider the proposal to the Board about determining the tariff of compulsory insurance premiums for each category of road vehicles and decide on it.
7. Identify the contributions of insurance bodies adhering to the Institute during the first phase.

The jurisdiction of the Ordinary General Assembly

Article XXI: 1) The Ordinary Assembly shall consider all matters that go beyond the limits and jurisdiction of the Board and give the latter the necessary authorizations to execute the duties that were not authorized to it, and determine in general the conditions of the authorization given to the Board.

It shall decide how to employ the Institute funds and reserve funds and dispose of the Institute funds and rights, approve the budget of the next fiscal year and the annual budget for administrative and public expense, decide to purchase and sale of immovable property and determine the reserve funds necessary to protect the Institute against risks and guarantee its obligations.

It shall elect the members of each board subsequent to the first one, dismiss all members of the board, and give them the license pursuant to the provisions of Articles 158 of the Trade Act.

The Ordinary General Assembly shall consider the public and private reports of the Board, the reports of the Control Commissioner about the Institute status, accounts and budget, discuss and approve the accounts or reject them, scrutinize the work of the administration, give discharge the Board members from liability if nothing prevents it, decide on depreciations, appoint dividends that must be distributed, appoint control commissioners, determine the compensation of the Board members and control commissioners, decide to grant loans and issue bonds of commitment, determine the contributions of insurance bodies and generally consider what related to the interests of the Institute with the exception of the Institute Statute amendment matters

2) The Ordinary General Assembly memoranda concerning the budget and accounts approval must be preceded by the report of the Control Commissioner within the legal limit under penalty of nullity.

3) The Ordinary General Assemblies must be held once at least a year after the closure of the fiscal year and before the end of June of the following year. They can be held several times a year when appropriate; the adjective ordinary only intends to determine the jurisdiction of the Assembly and the appropriate quorum for its meetings validity.

The jurisdiction of the Extraordinary General Assembly

Article XXII: The Extraordinary General Assembly shall consider each amendment intending to modify the Institute Statute and financial system.

General Assembly Invitation

Article XXIII:

1. The General Assembly, whether constituent, ordinary, extraordinary or exceptional shall be held at the invitation of the Board. The Control Commissioners shall replace the members of the Board of Directors in the cases provided for in the law in this Statute.

2. The invitation shall be mandatory on the Board and the Control Commissioner if so requested by a team of member companies in the General Authority, representing a fifth of the members of this Authority at least. In this case, the agenda of the session shall include the topics that the team asked to consider. The invitation must be sent within two months of the date of the request submission.

3. The invitation shall include the meeting day, time, and location in the headquarters of the Institute.

The invitation for the Ordinary or Extraordinary General Assembly must take place within fifteen days before the meeting date and announced in the Official Gazette and two local newspapers, one of them economic. The deadline can be reduced to time limit to eight days for the assemblies invited for the second and third time and the invitation must include in a clear and concise way the purpose of the meeting.

The invitation may be sent through a notary public or by registered letter to each of the member companies of the Institute General Authority, provided that the members receive the invitation fifteen days at least before the meeting. The Constituent, Ordinary, or Extraordinary Assembly may convene without publishing the invitation or sending it through a notary public or by registered letter if all member companies in the Institute have been represented at a meeting of any of these assemblies.

4. As for the Constituent Assembly, the invitation must be published or sent by registered letter eight days before the date of the session, for the need to expedite the decision making process concerning the topics to be considered.

Quorum of the Constituent Assembly

Article XXIV:

The meeting of the Constituent Assembly shall not be considered legal unless the number of the represented members represents two-thirds of the whole number of members of the General Authority at least. If this quorum is not present, the invitation must be repeated by its publication twice in the Official Gazette and in two daily newspapers, one of them economic, a week apart. The invitation must include the agenda of the earlier Assembly and the results of its discussions. Moreover, the meeting of the Constituent Assembly shall be considered legal if the number of shareholders participating to this Constituent Assembly

represents half of the total number of the General Authority members. If this quorum is not present, the invitation must be repeated to convene a third Assembly, in which a third of the total number, at least must be represented.

The decisions of the Constituent Assembly must be taken by a majority of two thirds of the members present.

Quorum of the Ordinary General Assembly

Article XXV:

The number of member companies that constitute the Ordinary General Assembly must represent half of the Institute members at least. If this quorum is not present, the invitation must be repeated to hold a second assembly, where the meeting shall be considered legal, regardless of the number of companies present or represented, on condition to take the Ordinary General Assembly decisions by absolute majority of the votes of present or represented companies.

Quorum of the Extraordinary General Assembly

Article XXVI:

The Extraordinary General Assembly must consist of members representing two-thirds of the number of member companies in the Institute in the first meeting, its half in the second and its one-third in the third meeting. The decisions shall be taken, in any case, by a two-thirds majority of votes present or represented.

General Assemblies Formation

Article XXVII:

1. Every insurance company engaged in cars and vehicles insurance operations shall have the right to participate in the various General Assemblies. Each one of them shall be entitled to participate in the voting process and shall have one vote each.
2. The company that did not pay contributions shall not have the right to exercise the rights mentioned in this article.
3. No member of the General Authority shall have the right to appoint more than one member to attend a General Assembly convened by the General Authority instead of him.

General Assembly Sessions

Article XXVIII:

1. The General Assembly shall convene at the Institute headquarters, headed by the Chairman of the Board; in case he was unable to attend, it shall be headed by the Vice Chairman if present, otherwise by a member appointed by the Institute for this purpose. The Assembly Office shall be constituted of the Chairman, the auditors and the Secretary.

The Secretary of the Board shall be the Secretary of the General Assembly.

At the convocation of each Assembly, an attendance sheet must be completed, mentioning the names of the attendees and the representatives and shall be saved in the Institute headquarters.

Assemblies Agenda

Article XXIX: The Board or the person calling for the convocation of the General Assembly (Control Commissioner) shall prepare the Assembly agenda.

The Assembly may not discuss except the matters included in the agenda. It is required that the agenda includes each proposal issued by member companies, representing one-fifth of the number of the Institute members, at least if submitted in writing fifteen days before the meeting.

The Vote

Article XXX:

1. Electing, dismissing or placing the onus on any of the Board members shall happen by secret ballot. As for other subjects, the vote shall be carried out by show of hands or other public way determined by the General Assembly and if one of the shareholders requests a secret ballot, this ballot shall become compulsory in all matters affecting the personal character or interest of any member.
2. Is not permissible for any member of the General Authority to vote when it comes to deciding on a private benefit intended to be given to him or considering in the existing dispute between him and the Institute.
3. If the present members consider their knowledge in matters raised to be discussed is insufficient, the meeting shall be postponed for eight days, provided that half of the present members of the Assembly ask for this postponement.

Minutes of the Assembly Sessions

Article XXXI: The members of the Assembly Bureau must write the minutes of the session, mentioning the discussions conclusion and the full text of the decisions taken. The Chairman and members of the Bureau must sign this minutes.

The Chairman or two members of the Board shall approve the conclusions of the minutes prepared to be submitted to public or private authorities.

Chapter VI

Fiscal year - Inventory - Accounts - Profits

Article XXXII:

1. The fiscal year begins each year on January 1 and ends on December 31. However, the fiscal year begins on the date of convocation of the General Authority for the Constituent Assembly and ends on December 31, 2003.
2. The provisions and rules related to computational data, budget, inventory, and various financial aspects shall be determined in a financial system whose draft shall be prepared by the Board that must present it to the General Authority for approval at an Extraordinary General Assembly. Then it shall present it to the minister for approval in accordance with the rules adopted in presenting the Statute for the minister approval.

Chapter VII

Disputes

Article XXXIII :

Any dispute arising between the Institute and the companies adhering to it by force of law and relating to the Institute activities shall be within the jurisdiction of the Court of the Institute Center.

In the event of any dispute, the parties must elect domicile, for this purpose, within the scope of the Court of the Institute Center, otherwise summons, all services of process, definitive ruling, and all other services of summons shall be considered legal if conducted in the record office of this Court Center.

The right to sue the Board or any its members is primarily the General Authority's right, which shall consider the question of the establishment of the lawsuit.

It is incumbent upon the company that looks for establishing such a lawsuit to inform the Chairman of the Board by registered letter that must be sent forty days at least prior to the General Assembly convocation.

If the General Assembly decides not to sue any party, no one shall have the right to file a claim in its own name. However, if the General Assembly decides to file the claim, it shall appoint an agent to assume the prosecution on behalf of all companies acceding to the Institute.

Chapter I

General Provisions

Article One: 1. The financial system shall be applied over the first phase of the work of the National Institute for Compulsory Insurance established under Article 8 of the Legislative Decree No. 105/77, and this stage is defined under Article IV of the Decree No. 9585 dated 30/01/2003.

2. Amendments and / or additions shall be introduced to this system in the event of the issuance of a decree by the Council of Ministers upon the proposal of the Ministers of Interior and Economy and Trade, requiring the National Institute for Compulsory Insurance to execute its remaining tasks, which means the tasks set forth in paragraphs 3, 4, 5 and 6 of Article IX of the Legislative Decree No. 105/1977.

Article Two: It is understood by:

- The word “Institute,” wherever it appears in this statute, the National Institute for Compulsory Insurance.
- The words “General Authority,” all Insurance Companies adhering by force of law to the National Institute for Compulsory Insurance.
- The word “General Assembly,” every meeting held by the General Authority.
- The word “Board,” the Board of Directors of the National Institute for Compulsory Insurance.
- The word “Chairman,” the Chairman of this Board.
- The words “Director General,” the Director General of the Institute.

Chapter II

The Budget and its content

Article Three: The Board shall develop the draft budget and submit it to the General Assembly convened by the General Authority during the month of October of each year. This budget will be earmarked for the next fiscal year, which begins in early January and ends at the end of December.

Article Four: The budget is divided into two sections:

1. Revenues section
2. Expenses section

First Section - Revenues

Article Five: The revenues of the Institute consist of:

1. Contributions of insurance bodies, determined by the General Authority of the Institute.

2. Fines imposed pursuant to the provisions of the Legislative Decree No. 105 dated 30/06/1977.
3. Various aid and donations, which the Board decides whether to accept them or not.
4. Various revenues.

Article Six:

The revenues shall be divided into chapters, devoted each to a particular category of revenues, and the chapter shall be divided, where appropriate, into sections or parts, each of which is devoted to a particular revenue.

Second Section - Expenses

Article Seven:

The expenses credits are divided into chapters and sections, each devoted to of a certain type of expenses. It is not observable in the expenses budget any special chapter for previous years expenses; these expenses are transferred from their relevant sections in the current year's budget.

Article Eight:

Additional and exceptional credits shall be opened and transferred in the current year's budget from one chapter to another by a decision of the Board.

These credits are covered by transferring excessive credits to other chapters and using reserve money or new resources.

Article Nine:

The credits shall be transferred from one section to another by a decision of the Chairman of the Board.

Article Ten:

The budget shall not be subject to the annual basis, but the credits that have not been used shall be transferred at the end of the fiscal year to the next year automatically.

Chapter III

Implementation of the Budget

First Section – Revenues

Article Eleven:

The revenues shall be collected by authorized people under the Statute, to be delivered to the expense expeditor.

Article Twelve:

The amounts collected shall be classified in the revenues section of the budget with reference to the sections to which they belong.

Article Thirteen:

The financial documents shall be kept for a period of ten years

Article Fourteen:

The Institute movable and immovable properties shall be sold in accordance with the foundations established by the Board. The approval

of the General Authority must be taken regarding the sale of immovable property.

Second Section – Expenses

Article Fifteen: The stages of the expense implementation consist of the expense contract, liquidation, exchange, and payment.

1. Expense Contract

Article Sixteen: The expense contract is carrying out activities that would result in the Institute indebtedness.

Article Seventeen: The expense contractor shall be:

- a. The Chairman in his capacity as Director-General in the first phase, if the expense value does not exceed fifty million Lebanese pounds, except for employees' wages and salaries and expenses of transportation and representation.
- b. The Board, if the expense value exceeds fifty million Lebanese pounds and remains within the limits prescribed by the Statute, except for employees' salaries and wages, their transportation expenses, and their movement and representation compensations.

Article Eighteen: The Director General Chairman shall be the contractor of expenses that represents the employees' salaries and wages of different kinds, regardless of their value, as well as the expenses of transportation, movement and representation whose value do not exceed fifty million Lebanese pounds.

Article Nineteen: The expenses whose value exceeds fifty million Lebanese pounds shall be held through invitation for public tenders, solicitations, consensual or confidence agreement, as determined by the Board in this regard, and for each case separately.

As for the expenses, whose value does not exceed fifty million Lebanese pounds, they shall be held through the statement, invoice or under a consensual agreement.

Article Twenty: The expenses shall not be held unless provided with a credit in the budget and this credit may not be used for any different purpose.

Article Twenty-One: Each transaction resulting in an expense contract must be coupled, before being signed, with the approval of the expense contract controller. However, in emergency cases which must be considered by the valid reference of expense contract, it is possible to hold the expense within the scope of credits dedicated to it, before getting the approval of expense contract controller, on condition to send him the transaction later for settling it with compelling reasons.

Article Twenty-Two: The accountant shall reserve credits for expense contract requests and organize these reservations:

- For the entire year, if they are related to the salaries and the like of the employees expenses.
- For three or six months, if they are related to other permanent expenses; he shall then arrange a reservation request for a separate expense contract whenever necessary.

Article Twenty-Three: The control of the expense contract shall be carried out by a particular employee appointed by the Board for this purpose, by a decision of the Director-General, on condition of not being assigned in the same time to carry out any tasks related to expenses contract, liquidation, or payment.

This work can be assigned to an arithmetician hired by the Director General for this purpose.

Article Twenty-Four: The operation shall be presented to the expenses contract controller by the Director-General or his representative.

Article Twenty-Five: The controller shall approve the expense contract and the operation after verifying the following:

- The availability of credit in the Board's budget.
- The validity of the expense placement and its applicability to the budget classification.
- The applicability of the operation to the Board systems in force.

Article Twenty-Six: The expenses contract controller must return the operation submitted to him for approval, within three days at the most; if this deadline expires without deciding on it, he shall return it to its source and may be implemented on the own responsibility.

Article Twenty-Seven: The approval of the expenses contract controller on the request for holding the expense contract shall be considered as an approval on the operation regarding the expenses that are held by a statement or invoice, provided for in this Statute, or considered as a general approval on the expenses that have been provided with a stand-by credit.

Article Twenty-Eight: If the expenses contract controller refuses to give his approval, he must explain the reasons for the rejection. If the Director-General considers that the approval rejection is misplaced, he shall raise the matter to the Board of Directors for deciding on it.

Article Twenty-Nine: The expenses contract controller shall submit to the Director General in the first week of each month a report containing:

- A statement of the Institute's budget credits
- A statement of expenses held till the end of the last month
- A statement of the credits remaining without a contract until the end of the last month.

The Director-General shall monthly submit reports to the Board on a regular basis.

1) Expenses Liquidation

Article Thirty: The expense liquidation shall prove the Institute indebtedness, determine the amount and maturity of the debt, and deny its lapse over time or for any other reason.

Article Thirty-One: The expense shall be liquidated on the bond detailing it, and shall be supported in general, by each bond that would prove the debt, and which shall be attached to the liquidation transaction.

Article Thirty-Two: The Board accountant shall be responsible of the liquidation, which shall be carried out automatically or at the request of the creditor.

2) Expense Exchange and Payment

Article Thirty-Three: Expenses liquidation means the issuance of an exchange order that allow the payment of its value. It shall be arranged by the accountant.

Article Thirty-Four: The exchange order shall not be issued before verifying:

- The validation of the expense contract and its placement
- The validation of the liquidation transaction
- The validation of accounts

Article Thirty-Five: The exchange order shall be arranged for each right holder apart, when the expense is liquidated from one article.

Article Thirty-Six: The exchange order shall be arranged in the name of the creditor, even when appointing his agent or representative, and on behalf of the heirs in the event of his death.

It shall be arranged in the name of the private treasurer if the creditor is a public department, a municipality, or a public institution.

Article Thirty-Seven: The exchange order can be arranged in the name of:

- The intendant, appointed by the accountant with respect to the employees' salaries, wages, and expenses.
- The employee who paid the amount, with respect to transportation charges and some incidental expenses.
- The administrator of the advance, with respect to the expenses paid from its source.

Article Thirty-Eight: The accountant and treasurer shall be informed about the reservation decisions and the deeds of cessions relating to the Board debts; any notification sent to anybody else shall be

considered negligible. The accountant and the treasurer must immediately inform the Director-General about the notification.

The treasurer must, after consulting the Director-General, and within five days from the date of notification, respond to the party that made the reservation and the accountant shall note the reservation or cession on the exchange order before issuing it.

Article Thirty-Nine: The expense exchange or payment order shall be issued by the Director-General within his powers, as well as the accountant or the head of the accounting department, if any, jointly by signing the exchange order.

3) **Expense Payment by Financial Credits**

Article Forty: Some expenses can be performed without exchange order issued in advance, on condition to issue the order later for settlement.

These expenses shall include ordinary incidental expenses, urgent expenses and other expenses whose nature or the circumstances do not allow their direct payment in the normal way.

Article forty-One: The aforementioned expenses shall be performed by financial credits given by:

- 1) A decision of the Director-General if their value does not exceed fifty million Lebanese pounds, on condition to attach this decision to the accountant signature.
- 2) A decision of the Board if their value exceeds fifty million Lebanese pounds.

Article Forty-Two: The decision granting the advance shall precise:

- The amount of the advance
- The disbursement course
- The credit that the expense will be spent from
- The party receiving the advance
- The name of the advance administrator and the type of warranty that might be provided when appropriate.
- The deadline for repayment.

Article Forty-Three: The advance shall be paid by a payment order signed by the Director General and the accountant jointly.

Article Forty-Four: The advance shall not be used for another purpose than the one given for.

Article Forty-Five: The advance administrator shall be responsible for receiving the advance and providing payments and all documents in support of the expense and shall submit them to the valid reference issuing the exchange order.

The advance shall be repaid within the specified deadline, whether by returning its value to Board fund, through documents in support of the expense, or by a combination of both ways.

Article Forty-Six: The advance administrator shall be responsible by his own money for its value. He shall prove its possession at each request, whether in cash or through documents in support of the spent amount. The Board shall have the right to deduct, directly from his salary or the bail, the amounts whose use will not be proved, or those not paid on the specified dates.

Article Forty-Seven: The ordinary liquidation and payment operations shall be conducted based on the documents in support offered by the advance administrator.

Chapter IV

The Institute Accounting

Article Forty-eight: The Computational Business Administration shall be assumed by the accountant who has to keep the regulations and records and submit to the Director-General at the end of every three months, a report containing an arithmetic table for receipts, payments and financial situation, with the submission of his comments, if any.

Article Forty-nine: The accountant shall present the Institute records at any request by the Director-General or the public authorities.

Article Fifty: The accounts shall be kept according to the double-entry method, and in addition to the method imposed by the commercial accounting, records for operations relating to the implementation of the budget shall be kept depending on their classifications, in order to show the credits status.

Article Fifty-One: The accounts of the Institute shall be closed at the end of each fiscal year. The accountant shall write during the first two months of the next fiscal year a report to be submitted to the Director General Chairman, including the accountant report about closing the final account of last year budget with the overall balance of accounts, the profit and loss account and the balance sheet that shows the accounting financial situation.

Article Fifty-Two: The Director General Chairman shall present the accountant's report to the Board in addition to the financial statements, budget, profit and loss account, the inventory, and the overall balance of accounts within a period of fifteen days from the date of receipt of these documents. The Board shall study these documents and then put them at the disposition of the Control Commissioner in preparation for their presentation to the Annual Ordinary General Assembly convened by the General Authority of the Institute.

Article Fifty-Three: The registers have to be written with ink and saved according to the dates of the transactions, with no indentation, writing in the margins, erasure, insertion, nor crossing out.

Article Fifty-Four: The computational business must be controlled and checked by any accounting institution in Lebanon recognized by the state.

Chapter V

Various Provisions

Article Fifty-Five: The treasurer may not keep in his possession more than ten million Lebanese pounds of the Institute funds.

Funds exceeding this amount, regardless of their source, must be deposited on behalf of the Institute in the bank or the banks determined by the Board.

Article Fifty-Six: Any commercial obligation endorsement or determination and every acquittance must happen according to the provisions of Article 14 of the Statute of the Institute. Funds and bonds deposited at the bank in the Institute account shall be withdrew under withdrawals, checks, or receipts, according to the provisions of Article 14 abovementioned.

Article Fifty-Seven: This Statute shall enter into force immediately after being ratified by the General Authority and approved by the Minister of Economy and Trade.