



## RESEARCH ARTICLE

## Transparency of the Insurance Companies in Palestine: An Analysis in Light of EU Standards

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## ABSTRACT

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This study examines the transparency of insurance companies' operations in Palestine in light of EU standards. It aims to support decision-makers in achieving declared strategies to enhance transparency in the Palestinian insurance sector by identifying gaps in company practices and proposing actionable recommendations for improvement. The research utilized a comparative analysis of the EU Solvency II insurance directive. Given the limited literature on this topic in Palestine, qualitative interviews were conducted with 13 insurance companies and the Capital Market Authority experts using the Delphi methodology, offering valuable insights into current practices and areas for enhancement. The findings of this research demonstrate that insurance companies in Palestine generally meet transparency requirements in their operations to a satisfactory extent compared to EU standards. However, an exception lies in the lack of coordination with the Palestinian Consumer Protection Council and consumer protection associations while preparing standard insurance contracts. Insurance companies should revise this approach and collaborate with these bodies to ensure fair representation of consumer interests in these standard contracts. Also, insurance companies are required to prepare standard insurance contracts in English in addition to Arabic,

### INTRODUCTION

Transparency in the insurance industry is essential for safeguarding the market and the interests of investors and policyholders. It fosters trust, facilitates informed decision-making, and increases accountability. Promoting transparent practices can prevent market manipulation, mitigate risks, and hold insurance companies accountable. Ultimately, this contributes to market stability and growth, benefiting the economy and individuals who depend on insurance for their financial security (Kováts, 2013; Marano, 2021a, p. 82; Marano & Siri, 2021, p. 160; Noussia, 2021; Poposki, 2018). The European Union enacted the Solvency II Directive, effective January 1, 2016, to enhance transparency in the insurance sector. The Directive outlines regulatory requirements for insurance firms and groups, addressing financial resources, governance, accountability, risk assessment and management, supervision, reporting, and public disclosure (Castellani et al., 2021; Khosroshahi et al., 2014; Munroe et al., 2015; Rae et al., 2018).

The Solvency II Directive is grounded on three key pillars (Bouvery, 2021, p. 159; Marano, 2021a, p. 309; Marano & Siri, 2021; Noussia, 2021; Ragin et al., 2021; Swedloff, 2020). The first mandates businesses to create an administrative, management, or supervisory body (supervisory authorities) (Di Lorenzo & Magenta, 2017; Gatzert & Kolb, 2014; Rödel et al., 2021). The second pillar addresses quantitative criteria; insurance companies must comply with the Solvency Capital Requirements (SCR) and Minimum Capital Requirements (MCR) to demonstrate the adequacy of their assets and

technical provisions (insurance undertakings) (Marano, 2021b; Marano & Siri, 2017). It establishes reporting, disclosure, and market discipline based on reporting to the National Supervisory Authority and public disclosure (Peleckiene et al., 2017). The third pillar addresses transparency in the distribution of insurance products (insurance intermediaries).

Palestine's legislative and regulatory frameworks have addressed the second pillar (transparency of insurance companies' operation). Art. 69 of Insurance Law No. 20 of 2005 mandates insurance companies to maintain a solvency margin relative to their entire business per instructions issued by the authority. Also, the Capital Market Authority (CMA) issued Instruction No. 1 of 2006 to define the solvency margin value, procedures, conditions, and required forms for issuing insurance certificates, subsequently amended by Instruction No. 6 of 2020. Regarding the required capital for insurance companies, the Council of Ministers Resolution No. 130 of 2007 on granting licenses to insurance companies specified the minimum capital required for companies intending to engage in insurance or reinsurance business (Art. 2).

The CMA's strategic plan for 2021-2025 focuses on improving transparency within the insurance sector while ensuring that insurance companies in Palestine adhere to international best practices. Regularly assessing the operations of insurance companies in Palestine is essential to ensure compliance with these standards. However, no research has been conducted in Palestine to determine how well insurance companies' practices meet transparency standards derived from international and EU best practices. This study explores the degree of compliance among Palestinian insurance firms with the transparency principles specified in European law. It identifies significant gaps between these practices and European benchmarks and provides recommendations for enhancement. By analyzing European law, the study offers actionable suggestions to improve transparency in Palestinian insurance companies.

## 2 LITERATURE REVIEW

Transparency plays a vital role in the insurance sector, promoting fairness, trust, and accountability among all stakeholders. When transparency is lacking, progress stalls, market confidence wanes, product availability shrinks, and systemic risks rise. While good faith has traditionally underscored the relationship between insurers and policyholders, it is now being supplanted by the broader principle of transparency (Noussia, 2021, p. 92; Swedloff, 2020). The competent authorities are expected to balance the need for transparency with cost-effective business practices to maximize insurance benefits (Poposki, 2018). For this reason, The EU has introduced measures to enhance transparency and protect policyholders in the insurance sector. The Solvency II Directive (2009/138/EC), effective from January 6, 2010, and applicable from January 1, 2016 (Bouvery, 2021, p. 96; Peleckiene et al., 2017), enforces strict requirements on capital adequacy, risk assessment, and public disclosure. It establishes a standardized, risk-based framework for overseeing insurance companies in the EU (Poposki, 2018), ensuring sufficient capital, strong risk management, and adequate policyholder protection (Peleckiene et al., 2017). The Directive also fosters competition and cross-border insurance services within the EU (Kováts, 2013; Marano, 2021a, p. 309).

In Palestine, the insurance sector is essential to the national economy, significantly aiding local economic growth and enhancing economic and social stability. Insurance serves a social purpose through its relationship with policyholders by offering safety and reflecting principles of cooperation and solidarity. From an economic standpoint, it acts as a credit tool and effectively builds the capital required for economic advancement, thus being a vital production component. This contributes to the stimulation and strengthening of the national economy. Recently, the insurance sector in Palestine has seen significant growth, characterized by a major expansion of the insurance portfolio and enhancements in the variety, nature, and quality of services insurance companies offer to the public.

The 2023 Annual Report issued by the CMA reveals that the Palestinian insurance market saw total compensation disbursed to insurance beneficiaries reach \$257.7 million in 2023, reflecting a growth rate of 1%. Also, insurance companies reported net profits of \$7.15 million, a significant drop from

\$21.7 million in 2022, indicating a 67% reduction in profitability. This decline is linked to the transition to the International Financial Reporting Standard No. 17 (IFRS-17) in their 2023 financial statements, a downturn in the market value of financial investments, as well as the impacts of the conflict in the Gaza Strip and ongoing Israeli aggression against the Palestinian people. The insurance penetration rate, defined as the total premiums of the insurance portfolio relative to the gross domestic product (GDP) at current prices, stood at approximately 2.27% by the end of 2023, up from around 2.07% at the end of 2022. However, insurance density, which measures the per capita share of the total insurance portfolio, fell to about \$71.22 at the close of 2023, down from \$73.08 in 2022.

The primary objective of insurance and reinsurance regulation and supervision within the EU is to ensure the sufficient protection of policyholders. Therefore, Insurers' transparency, as defined by Solvency II, is achieved by fulfilling two distinct responsibilities: reporting and disclosing (Marano, 2021a, p. 313; Noussia, 2021, p. 98). These duties are differentiated by their intended recipients. Insurance and reinsurance undertakings are required to report to the Supervisory Authority, while their obligation to disclose is owed to the public, including the professional community and policyholders (Donegan, 2014). The involvement of a legal auditor assumes a crucial role in meeting this requirement.

## 2.1 Duties to Report to the Supervisory Authority

Under Solvency II, insurance undertakings must provide national supervisory authorities with the necessary information to facilitate the supervisory review process. This flow of information empowers supervisors to evaluate the system of governance implemented by the supervised undertakings and the nature of their operations (Dell'atti et al., 2018, p. 134; Marano, 2021a, p. 313). In France, insurers and reinsurers must submit four documents to the Supervisory Authority on a quarterly or annual basis to enable the authority to carry out its regulatory oversight responsibilities effectively. These documents include the Solvency and Financial Condition Report, the Regular Supervisory Report, annual and quarterly quantitative statements, and the Report on Own-Risk and Solvency Assessment (Bouvery, 2021, p. 98). Despite Palestinian law mandating insurance companies to disclose financial information, the Palestinian judiciary is concerned about the accuracy of disclosure reports issued by insurance companies, as CMA does not thoroughly review them. Therefore, these reports cannot be considered reliable evidence for claiming any financial debts the insurance company owes. "The reports submitted by the director general of the insurance company regarding the disclosure of the company's unaudited financial statements by the competent authorities are valid.", ruled the Ramallah Appeals Court in civil case No. 1062 of 2016.

The German legislator's approach is noteworthy in this context. According to section 43 of the Insurance Supervision Act, the information provided must meet specific criteria: it should be complete, up-to-date, accurate, and submitted on time, in a form that is easy to understand (Ostrowska, 2018). An assessment must be made to evaluate the requirement for insurance companies to provide such information, considering the nature, volume, and intricacy of the insurer's specific business activities and the risks they assume. This assessment will determine which information needs to be submitted (Bork & Wandt, 2021, p. 132). Supervisory authorities may request the regular provision of additional information, commonly referred to as national templates, which are tailored to the specific characteristics of the local market (Bowley, 2021; Marano, 2021a, p. 315). The Italian Institute for the Supervision of Insurance (IVASS) can limit or exempt certain insurance undertakings from detailed reporting requirements if they represent less than 20% of the domestic life and non-life markets. Exemptions may be granted if the submission of such information is burdensome considering the nature of the risks involved, if it is not necessary for adequate supervision if it does not jeopardize financial stability, and if the undertaking can provide the information on a case-by-case basis (Dell'atti et al., 2018; Marano & Siri, 2021, p. 146).

The Palestinian legislation has made it mandatory for all insurance companies to operate as public Joint Stock Companies per German law. They must list on the Palestine Stock Exchange (Art. 46 of the Insurance Law) and regularly disclose all information about their activities, as stipulated in Article 103 of the securities law. Interviewees reported that these companies must prepare quarterly

reports, which will be reviewed and audited by the CMA. It's important to note that, unlike Italian legislation, Palestinian law does not provide any exemptions for insurance companies from this publication requirement. Also, an essential objective of submitting these reports is to facilitate the review conducted by supervisory authorities on standard contracts offered by insurance companies to consumers, ensuring their fairness. Under the Unfair Contract Terms Directive 93/13/EEC, European Union law mandates Member States to enforce rules that compel insurers and other users of standard terms to draft consumer documents transparently and understandably. This obligation extends to supervisory requirements (Noussia, 2021, p. 82). Accordingly, as per the Italian Insurance Code (Articles 3 and 5), the Institute for the Supervision of Insurance (IVASS) has the authority to regularly request data, information, and documents from supervised entities, including insurance companies and intermediaries, on contracts and intermediaries, following IVASS regulations<sup>1</sup> (Marano & Siri, 2021, p. 162).

In Palestine, the Insurance Law requires insurance companies to draft insurance contracts in Arabic. However, the law also allows the contract to be organized in another language understood by the parties involved. However, the Palestinian judiciary considers this requirement as regulatory rather than mandatory. Therefore, violating this provision does not make the contracts invalid. According to the Ramallah Court of Appeal ruling in civil case No. 39 of 2017, insurance companies are not obligated to prepare insurance contracts in Arabic. Contracts prepared in English are also considered valid. Articles 12 and 14 of the Insurance Law state that unfair terms in insurance contracts are null and void (Fayyad, 2012, 2014). Insurance companies must inform the CMA about any changes made to the contract. This is especially true for changes in contractual conditions (per Article 49 of the insurance law). Insurance companies must publish these approved amendments in the Official Gazette at their own expense.

In this regard, the CMA has issued several secondary legislations, in addition to the Insurance Law No. 20 of 2005, to promote transparency between insurance providers and policyholders. One of these regulations is Instruction No. 4 of 2007 on the Rules of Professional Conduct for insurance companies. Insurers must follow transparency principles during the insurance application process before concluding contracts. This means that insurance applications should be clear, understandable, and straightforward, ensuring that individuals understand the information about the type, branches, and location of insurance. The Palestinian Court of Cassation confirmed this in civil case No. 689 of 2018.

Transparency principles also apply to insurance policies. Insurers must use clear and simple language to present policy terms, conditions, and exclusions. They must provide policyholders with a copy of the policy and its appendices. In addition, transparency rules govern dealings between insurance providers and policyholders in settling claims. Insurers must inform policyholders of the progress of the claim settlement, including the steps taken and developments. After completing the claim study, insurers must communicate their decision to accept or reject the claim, providing written explanations for any claim rejections.

## 2.2 The Reporting Obligation of the Statutory Auditor

Insurance companies must appoint at least one statutory auditor and two auditors when they publish consolidated accounts (EIOPA, 2019; Ragin et al., 2021; Van Hulle, 2019). In France, insurance companies are required to notify the Supervisory Authority within 15 days of the nomination or renewal of a statutory auditor (Instruction No. 2018-I-03, Art. 2). The Supervisory Authority reserves the right to appoint an additional statutory auditor (L.612-43 and R.612-59 CMF). Additionally, the Supervisory Authority must be provided with relevant information concerning statutory auditors, either directly from the appointing company or from the statutory auditor themselves (Bouvery, 2021, p. 100).

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<sup>1</sup> ISVAP Regulation n. 22 of 4 April 2008 and IVASS Regulation n. 21 of 10 May 2016.

Art. 76 of the Insurance Law authorizes the auditor to examine insurance companies' accounts in Palestine. The company's general assembly elects the auditor and can appoint additional auditors if necessary. Each auditor must review the accounts of only one insurance company. Moreover, they cannot simultaneously hold a position as an employee, director, or board member within the company. Insurance companies must also provide the auditor access to all relevant documents and data necessary for their task.

The statutory auditor is responsible for assessing the insurer's adherence to prescribed disclosure obligations and requirements. Additionally, the auditor is required to inform the supervisory authority about any disruptions in the continuous operation of the insurance or reinsurance company, non-compliance with Minimum Capital Requirements (MCR) and Solvency Capital Requirements (SCR), as well as any violations of legal regulations or administrative provisions that pertain to the conditions for authorization and the conduct of insurance activities (Bork & Wandt, 2021, p. 133; Ostrowska, 2018). In Italy, the insurance undertaking must provide the statutory auditor with all relevant information necessary for the external audit. The statutory auditor responsible for the external audit must report to the control body and IVASS any technical or operational difficulties encountered during the audit process and any noteworthy aspects concerning the internal control and risk management systems (Dell'atti et al., 2018; Marano & Siri, 2021, p. 136).

Insurance companies operating in Palestine must submit an annual report to the relevant authority. An auditor must prepare the report and serve to confirm the legality of the company's budget, profit and loss statement, income and expenses, existing pledges, as well as the accuracy of reserves and funds held in Palestine. This report ensures that the company's financial documents accurately reflect its true financial status, as shown in its records and other data provided to the auditor, per Article 77 of the Insurance Law.

Confidentiality obligations generally bind statutory auditors; however, this duty is waived when communicating with the Supervisory Authority. As a result, the Supervisory Authority has the right to request any information regarding the activities and financial position of the (re)insurer whose accounts are being audited by the statutory auditor (Bouvery, 2021, p. 100). External experts who, in good faith, disclose information to the supervisory authorities regarding any facts or decisions do not violate any contractual or legal restrictions on information disclosure. Such disclosure does not hold these individuals liable for any consequences (Marano & Siri, 2021, p. 136).

The Palestinian legislature has followed a similar approach. Article 9 of the insurance law specifies that the CMA can request important information from the company's auditor to monitor and audit the company's operations. The auditor must promptly provide a report within three days if they find potential adverse effects on the company's ability to meet its obligations to policyholders. This also applies if they uncover significant deficiencies in the financial or control systems or the company's accounting records.

### **2.3 Duty to Disclose to the Public**

Solvency II Directive enhances market transparency by requiring all insurance undertakings to publish an annual report on their solvency and financial condition (Art. 53) (Noussia, 2021, p. 38). According to Art. 300 para. 1 of the Solvency II Delegated Regulation, the insurance undertaking must publish the report within 14 weeks after the end of its financial year (Bork & Wandt, 2021, p. 136). The Solvency II framework emphasizes the importance of comprehensible, reliable, and relevant information (Art. 35 para. 4), which should be accessible, complete, comparable, and consistent over time. This includes disclosure of activities to the public, such as the Solvency and Financial Condition Report (SFCR), which aims to enhance market transparency for policyholders and industry professionals (Bouvery, 2021, p. 103). Van Hulle described this obligation: "The idea is simple: insurers have to stand naked in front of the supervisors. In front of the public they can wear swimming trunks and we decide how big they ought to be." (Bork & Wandt, 2021, p. 136).

While the principle's significance in the legislation under examination is undeniable, variations exist in the mechanisms regulating it. In France, the SFCR should be annually communicated to the Supervisory Authority (L.355-1, the Insurance Code) and make these reports available to the public (L.355-5, the Insurance Code). The SFCR must contain specific elements, including a description of the insurer's activities and results, details of the governance system, an assessment of each risk category, the structure of equity capital, and the amounts of Solvency Capital Requirement (SCR) and Minimum Capital Requirements (MCR) (R.355-7) (Bouvery, 2021, p. 104). Also, insurance undertakings operating in France may obtain exceptions from publishing certain elements of the SFCR. The Supervisory Authority may grant relief from publication in two situations. First, disclosing the information would give a significant undue advantage to other undertakings over the company (R.355-9, a, the Insurance Code). Second, (re)insurers can be exempted from publishing specific information if it is subject to secrecy or confidentiality. However, it should be noted that confidentiality cannot be used to avoid disclosing the content of the SFCR. Any request for non-disclosure must be submitted to the Supervisory Authority at least five months before the anticipated publication date (R.355-9, para 4, the Insurance Code). About German law, insurance companies are required to include a statement in their SFCR, explaining the reasons if the supervisory authority permits non-disclosure of information (sec. 41 subsec. 1 sentence 2, Insurance Supervision Act, Art. 53 para. 2 Solvency II) (Bork & Wandt, 2021, p. 137). Similarly, in Italy, Article 47 of the Italian Insurance Code requires the insurance undertakings to make a statement in their report on solvency and financial condition regarding any exemption from the disclosure obligation and provide reasons for such exemption (Dell'atti et al., 2018; Marano & Siri, 2021, p. 171).

Insurance companies operating in Palestine are required by law to disclose information across several legislative frameworks. The Company Law mandates that public Joint Stock Companies disclose their financial position, profit, loss, equity changes, and cash flow, accompanied by clarifications for the previous fiscal year and duly audited by the appointed auditor (Article 216 of the Companies Law). These statements must be published on the company's website. Insurance companies listed on the Palestine Exchange must follow Securities legislation that outlines periodic disclosure rules (annual, semi-annual, quarterly) and immediate disclosure of material matters related to the company's activities (Article No. 35 of Securities Law No. 12 of 2004). The Insurance Law requires insurance companies to submit a detailed annual report to the CMA, disclosing all financial information (Articles 69-75 of the Insurance Law). Also, the CMA issued Instruction No. 6 of 2020 to determine the solvency margin value, procedures, conditions, and required forms for issuing the solvency certificate and its amendments. This instruction covers appendices on the solvency margin, available capital, required capital against asset risk, and capital needed against subscription obligations. According to Article 5 of this Law, the solvency margin must stay within 130% of the ratio of available capital to required capital for the insurance company. A solvency certificate is issued for each company individually upon approval.

Analyzing transparency standards in the EU and Palestine underscores the necessity of grasping their practical implications in conjunction with theoretical frameworks. Collecting perspectives from essential stakeholders within the insurance sector illuminates the difficulties encountered in enforcing transparency regulations and synchronizing them with EU standards. This methodology aids policymakers in refining regulatory frameworks and promoting the national insurance strategy, fostering a more transparent and accountable industry.

### **3 METHOD**

This study aims to improve the transparency of insurance companies in Palestine by pinpointing crucial areas where adherence to European law can enhance transparency. To explore best practices in transparency, a comparative analysis was conducted on the European Union's insurance directives, guidelines, and supervisory systems. Between April and August 2023, a comprehensive review of existing insurance regulation and transparency literature was conducted, focusing specifically on Palestine and the European Union. This analysis yielded insights into current practices and emphasized strategies for aligning insurance companies' operations with international transparency standards.

### 3.1 Qualitative Survey

Due to a scarcity of specialized research in Palestine, a qualitative questionnaire that included open discussions with representatives from all operating insurance companies was developed. Semi-structured interviews were selected as the most effective method to understand the viewpoints of industry professionals thoroughly. An interview guide was created after an in-depth review of the relevant literature, supplemented with broader questions to encourage open dialogue. These questions were refined based on input from scholars and experts. Feedback from industry professionals was thoughtfully integrated into the final guide during September and October 2023.

The authors coordinated with the CMA to schedule meetings with representatives from the CMA and every insurance company in Palestine. The CMA appointed three staff members to conduct the interviews and facilitated the process by sharing contact information for representatives from all seven insurance companies. The interviews were conducted online via Zoom in January 2024. They began with the CMA representatives, followed by those from the insurance firms. Verbal consent was collected at the start of each interview.

**Table 1: Disaggregation of Profile of Interviewees**

Code	Gender	Occupation	Edu.	Pro. Exp (Y)
CMA 1	Male	Director General of the Gen. Directorate of Insurance	Master	25
CMA 2	Male	Director of the Licensing Department	BA	27
CMA 3	Female	Insurance Policy Officer	Master	6
Com. 1	Male	Director of the Legal Department	PhD	1
Com. 2	Male	General Agent	BA	8
Com. 3	Male	General Manager	Master	16
Com. 4	Male	Legal Advisor	BA	22
Com. 5	Male	General Manager	Master	31
Com. 6	Female	Legal Advisor	Master	27
Com. 7	Male	General Manager	BA	20

Participants were asked to discuss the following questions, along with several follow-up questions based on their answers:

1. Are all insurance contracts reviewed by the CMA before they are used or during amendments? Furthermore, have any insurance documents received approval in a language other than Arabic?
2. Do the insurance companies contact the Consumer Rights Association when preparing contracts?
3. Are insurance companies required to disclose periodic financial statements, including quarterly reports on financial risks and solvency? Does this requirement apply to all companies without exception?
4. Does the CMA require an independent legal auditor, and has it ever appointed one for the company?
5. Has the auditor's report been presented to the company's director or delivered confidentially to the authority?
6. Are all insurance companies obliged to publish an annual solvency report? Are there specific information forms in the report prepared with a unified format?

7. Is the CMA allowed to grant exemptions from publication, and if so, is this discretionary or applied uniformly?

### 3.2 Delphi Methodology Analyses

The Delphi methodology was employed to enhance understanding of the research questions, achieving consensus through qualitative surveys. In the initial phase (December 2023), experts were contacted via email to secure their participation consent. All interviews took place on Zoom in January 2024. Their feedback was gathered through email, with invitations for specific recommendations. During the second phase (February 2024), the authors analyzed and categorized the feedback, pinpointing the experts' areas of agreement. Subsequently, the first draft of the research was created and distributed to the experts for review, accompanied by a request for additional comments. All experts replied to the researchers' inquiries. In the third phase, the feedback was evaluated, and the second draft was adjusted accordingly. This revised version was sent to the experts for final approval in April 2024, where they confirmed their feedback and suggestions.

Since the study introduces a clear and uniform perspective on the existing practices among insurance companies, drawing from their representatives' feedback, the results' reliability and validity were enhanced by analyzing responses according to the consensus and common trends identified among all participants. Due to the research's focus, the decision was made to concentrate on common responses that illustrate standard industry practices and regulatory compliance while downplaying conflicting opinions that do not substantially affect the overall findings. This strategy aims to deliver a precise and targeted analysis that aligns with the study's objective of comprehending established norms and regulations without addressing each case divergence. This approach seeks to ensure clarity and coherence in presenting findings while minimizing complexity that could stem from emphasizing minor differences. Nonetheless, any notable variations in opinion were recognized in the analysis to offer a comprehensive view.

## 4 RESULTS

The interview findings revealed that participants agreed significantly about the research questions, particularly regarding insurance companies' adherence to the CMA instructions. According to the order of the interview questions listed above, the responses were as follows:

The CMA has approved a standardized insurance policy, managed by the Federation of Companies, known as the "Instructions on the Unified Insurance Policy." This policy is mandatory for all companies and can only be approved by the CMA. Other agreements, such as comprehensive insurance, can be modified upon approval and publication. All contracts are provided in Arabic and English, with translations available upon request. The CMA ensures that all contracts comply with regulations through thorough assessments. Conversely, consumer rights associations were not involved in discussions regarding insurance policies, as neither the authorities nor the associations made efforts to engage. The CMA plays a proactive role in protecting consumer interests, intervening when necessary, such as denying requests from companies to increase prices during high-cost periods. However, the associations did not participate in any discussions with the CMA, insurance companies, or federations, and attorneys or companies did not approach to involve them.

Also the field research showed that insurance companies must disclose periodic financial statements, including quarterly reports, without exception. These reports are regularly published, and certain companies make them available on their websites. If delays occur, companies can seek an extension from the relevant authority, especially in circumstances like war, the COVID-19 pandemic, or changes in accounting standards. However, unwarranted delays or violations may result in penalties. Furthermore, the Capital Market Authority (CMA) also stipulates the need for an independent legal auditor. While auditors must be certified, the authority does not specify which auditor should be selected. The CMA can intervene in liquidation cases, although no examples of such interventions were provided. Some representatives mentioned that this issue falls outside their expertise, while



others noted that companies typically choose certified auditors.

Interviews indicated that the auditor's report is not confidential and is typically shared with the company's director or examined by management. It is a part of the audit process, where the auditor collaborates with the company and receives essential information. Before finalizing the report, it is reviewed with the company to address any comments or clarifications. While some representatives noted that this may not be their area of expertise, most confirmed that the report is shown to the manager. Additionally, insurance companies must publish an annual solvency report per the authority's guidelines. This report includes specific details, such as solvency margin data, and follows a standardized format. The CMA periodically revises the report's requirements. Furthermore, all companies must publish the auditor's report as mandated by law, with no exemptions allowed. The CMA enforces this requirement and companies that fail to comply face penalties.

## 5 DISCUSSION

The main objective of regulating and supervising insurance and reinsurance is to provide sufficient protection for policyholders. To maintain transparency, as stated by Solvency II, insurers must meet two specific responsibilities: reporting and disclosure (Di Lorenzo & Magenta, 2017; Gatzert & Kolb, 2014; Marano, 2021a, 2021b; Marano & Siri, 2017; Noussia, 2021). (Marano, 2021a, p. 313; Noussia, 2021, p. 98). These responsibilities vary based on their intended audiences. Insurance and reinsurance companies need to report to the Supervisory Authority. In contrast, the disclosure obligation targets the public, including policyholders and the professional community, in addition to a legal auditor for meeting these responsibilities (Castellani et al., 2021; Donegan, 2014; Munroe et al., 2015; Rae et al., 2018; Rödel et al., 2021).

The regulatory frameworks in the EU and Palestine demonstrate a mutual dedication to transparency and safeguarding policyholder interests; however, their differing implementations reveal distinct approaches. The EU's Solvency II Directive focuses on a customized, risk-based strategy, providing flexibility for smaller insurers by offering exemptions, as illustrated by Italy's IVASS regulations (Marano & Siri, 2021, p. 146). In contrast, Palestine enforces uniform compliance without exceptions, compelling all insurance companies to publicly disclose their activities and gain CMA approval for any contractual changes, regardless of market share or size. (Article 103 of the Securities Law). Both jurisdictions highlight the importance of supervisory authorities in promoting fairness and transparency. For example, the EU mandates regular reporting and oversees standard terms stipulated in the Unfair Contract Terms Directive 93/13/EEC (Noussia, 2021, p. 82). Palestine's CMA is a central authority for mandatory and non-mandatory contracts. Nevertheless, differences arise concerning language stipulations. Palestinian law requires Arabic but permits English contracts. In contrast, the EU Directive mandates that Member States produce insurance documents in at least two languages: one must be the country's official language, while the other should be a widely spoken language, commonly English.

Palestinian legislation prioritizes clarity and consumer protection to uphold the integrity of insurance operations companies. Guided by Instruction No. 4 of 2007, Palestinian legislation similarly mandates insurers use accessible language in policies and manage claims transparently, with written explanations for denials. This approach aligns with the relevant policies of the EEU; the EU demands transparency through the Unfair Contract Terms Directive 93/13/EEC, requiring clear policies (Noussia, 2021, p. 82). Italy's IVASS regulations further empower authorities to request documentation and ensure adherence to transparency standards (Marano & Siri, 2021, p. 162). Despite shared objectives, differences persist. Consumer rights associations play a minimal role in Palestine, leaving the Capital Market Authority as the sole consumer representative. By contrast, the EU benefits from broader participation and more assertive consumer advocacy within its supervisory structure. Enhancing consumer associations' roles in Palestine could align its practices more closely with the EU's framework, improving representation and transparency.

Analyzing insurance disclosure frameworks in the EU and Palestine reveals similarities and differences. Palestinian insurers submit quarterly reports examined by the Capital Market Authority

(CMA). However, the CMA's limited oversight raises concerns about report accuracy, unlike the EU's rigorous evaluations (Bouvery, 2021, p. 98). Similarly, in the EU, Solvency II mandates comprehensive reports, including the Solvency and Financial Condition Report, assessing insurers' governance and financial health (Dell'atti et al., 2018, p. 134; Marano, 2021a, p. 313). On the other hand, the EU allows exemptions for smaller insurers, while Palestine applies uniform disclosure obligations to all insurers (Dell'atti et al., 2018). Research in Palestine is committed to transparency but offers less flexibility than the EU (Bowley, 2021; Marano, 2021a). These differences highlight the need for reforms in Palestine to improve flexibility and reliability in financial disclosures.

Appointing at least one statutory auditor is essential for maintaining transparency in insurance companies' operations, while consolidated accounts necessitate further auditors (Ragin et al., 2021). Auditors verify adherence to financial regulations, sharing their results with the supervisory authority (Bork & Wandt, 2021; Bouvery, 2021). Supervisory authorities should have the right to intervene and appoint additional auditors to ensure the compliance of insurance companies with disclosure requirements. The situation in Palestine differs slightly, but not significantly; Palestinian law, particularly Article 76 of the Insurance Law, stipulates auditor appointments but allows for a more flexible selection process. Auditors, who must be licensed professionals, are appointed by the general assembly, and the CMA is responsible only for ensuring their certification without further involvement (CMA). Field research indicates that while the CMA supervises to ensure auditors meet certification standards, it does not actively control auditor appointments, suggesting a less rigorous approach than the EU's more proactive regulatory system.

Transparency requires auditors to be allowed to lift confidentiality when interacting with supervisory bodies, granting them the authority to seek information regarding financial operations (Bouvery, 2021; Marano & Siri, 2021). Nonetheless, the EU framework highlights liability protection for external experts who share information with authorities. (Marano & Siri, 2021), Palestinian law also protects against liability for good faith disclosures. Research conducted in Palestine shows a collaborative relationship between auditors and company management, where reports are openly shared and discussed to improve transparency and accuracy. This indicates a mutual dedication to transparency, albeit with differing degrees of formal oversight.

Disclosures about solvency and financial conditions are essential for providing transparency to insurance operations companies. EU insurance firms must release an annual solvency report within 14 weeks after the financial year closes, ensuring the information is clear, pertinent, and readily accessible (Bork & Wandt, 2021; Noussia, 2021). These reports should be shared with the supervisory authority and accessible to the public (Bouvery, 2021). The legislation and reality in Palestine have been satisfactorily aligned with these trends. Evidence showed that the CMA has successfully enforced compliance with reporting requirements and regularly updated solvency margin regulations, reflecting the EU's emphasis on strong oversight and transparency. These achievements highlight a shared commitment to market transparency despite differences in regulatory approaches and specific provisions.

Insurance reporting was also highlighted in the EU and Palestine, though some exceptions differ. In the EU, insurance firms in France, Germany, and Italy can seek exemptions from disclosing certain SFCR elements under specific conditions, like confidentiality or competitive disadvantage (Bork & Wandt, 2021). They must justify these exemptions (Dell'atti et al., 2018; Marano & Siri, 2021, p. 171). In comparison, field research in Palestine indicates that the Capital Market Authority (CMA) upholds a stringent policy, permitting no exemptions for auditor report publications. This ensures uniform and transparent compliance throughout all companies, boosting sector accountability.

In the end, it is crucial to recognize that transparency in the insurance sector hinges on three main components: the openness of supervisory authorities, insurance companies, and insurance distributors. This study concentrates solely on the transparency of insurance companies, deliberately omitting the roles of supervisory authorities and insurance distributors. Future research could encompass these other elements to enhance the overall insight into transparency within the sector.

## CONCLUSION

This study examined the transparency of the Palestinian insurance sector according to European Union (EU) guidelines, concentrating on the operations of insurance companies within Palestine. It pinpointed areas lacking transparency and offered suggestions for enhancing regulatory practices in Palestine to meet European standards. The results underscored the need to evaluate the functioning of insurance firms in Palestine to guarantee transparency and ensure alignment with their strategic plans per modern EU standards. The study uncovered a significant alignment between the transparency regulations for insurance companies in Palestine and the EU standards. This highlights notable strides in enhancing transparency practices within the sector. Additionally, the research showed that Palestinian insurance firms are dedicated to supplying regulatory authorities with essential information, which aids supervisors in reviewing governance systems and operations, aligning with EU standards.

Palestinian law requires insurance companies to appoint at least one statutory auditor and two independent auditors when consolidated accounts are necessary. Additionally, the law mandates transparency, obligating all insurance companies to release an annual report detailing their solvency and financial status within 14 weeks after the financial year concludes. It strictly enforces this requirement without allowing any exceptions. Given trends within the EU, it is advisable to review the exceptions that apply to the publication of certain aspects of insurance law, particularly when revealing such information might unduly favor other companies. However, some information might be exempt from disclosure if confidentiality obligations apply.

The research indicated a notable distinction between the two systems, with insurance companies in Palestine failing to meet the requirement of drafting standard insurance contracts in both Arabic and English. Additionally, consumer protection associations, including the Palestinian Consumer Protection Council, are not included in the contract preparation process, despite these contracts needing approval from the CMA prior to market use. Consequently, these contracts may lack adequate transparency and struggle to clearly uphold consumer rights. Therefore, it is crucial for relevant authorities in Palestine to enforce the preparation of standard insurance contracts in both Arabic and English and to involve consumer protection associations and the Palestinian Consumer Protection Council in this process to effectively protect consumer rights.

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