

Expert Report

Prepared for the purposes of arbitration proceedings

The ESKADENIA Software Credit Insurance System and Related Modules

Developed for the Islamic Corporation for the Insurance of Investment and Export Credit
(ICIEC) Project

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Table of Contents

1	Preface.....	3
2	Scope of Work.....	5
3	Methodology	6
4	Findings and Opinion.....	11
5	Testimony.....	11

1 Preface

A Business Requirements Document (BRD) and Gap Analysis was signed and approved by the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) on 25 February 2020, and countersigned by ESKADENIA Software (Eskadenia) on 3 and 4 March 2020 by two signatories. Under that document, it was agreed that Eskadenia would develop a Credit Insurance information technology (IT) system, together with all related modules, to serve ICIEC's requirements in underwriting credit insurance across its export, investment, and reinsurance business.

As I was briefed, Eskadenia commenced development immediately and coordinated the outcomes with ICIEC at all levels throughout. During that period, any required amendments or defects in the system were addressed as soon as reasonably practicable and subsequently reviewed by ICIEC, which either verified them as approved or identified them as requiring further amendment or pending further action on its part. This is a normal development process, as certain items require further enhancement, deletion, or addition, provided they remain within the original scope of work.

On several subsequent dates, ICIEC issued four Change Requests (CRs), each containing several changes or amendments and together comprising 462 points for consideration:

1. CR 01_2020: 32 points
2. CR 01_2021: 240 points
3. CR 01_2022: 159 points
4. CR 01_2024: 31 points

Eskadenia proceeded to implement the requested changes and discussed each step with ICIEC so that the outcomes could be reviewed and each amended point approved or verified.

According to Eskadenia, all required changes across all four CRs were completed. ICIEC does not accept that position in respect of certain points, on the basis that they are either incomplete or not in accordance with its requirements. Eskadenia disagrees and maintains that all requested changes were addressed and are ready for implementation.

Eskadenia further contends that many of the requested changes are, in substance, entirely new requirements falling outside the original scope of the signed agreement, namely the Business Requirements Document (BRD) and Gap Analysis executed by both parties.

Many of these new requirements necessitated amendments, from the ground up, to work that had already been completed and verified as accepted by ICIEC. Some affected previously amended and agreed changes, which consequently had to be carried out again.

Accordingly, although Eskadenia worked on all four CRs and then discussed, tested, and verified them with ICIEC, as recorded in Eskadenia's detailed log file, certain of the developed points were challenged by ICIEC as incomplete or as requiring further modification. Eskadenia, for its part, maintains that all requested changes were addressed and completed in a workable and functional condition.

At a later stage, ICIEC did not accept Eskadenia's recommendation to proceed to the go-live stage, at which the system could be tested in a live environment for its full functionality, with any further amendments or enhancements arising carried out provided they fall within the original scope. Any new additions could likewise be developed should the needs arise, subject to the terms of the original agreement. Any defects in the system, which are normal in the course of building any new system, would be corrected as and when they appear.

ICIEC did not agree with this position and maintained that all requested changes must be completed and verified before proceeding to the proposed go-live stage.

As a consequence of the above, and of other factors, a dispute arose between the parties which proceeded to arbitration.

Basic Background Information

The insurance system as a whole comprises the following eleven modules:

1. Finance
2. Customer Relationship Management (CRM)
3. Document Management System (DMS)
4. Workflow
5. Approvals and Notifications
6. Customer Portal
7. Agents Portal
8. Bancassurance
9. Audit Trail
10. Logging
11. **Credit Insurance**, which is the module relevant to this Consultation Agreement.

ICIEC, as a direct credit insurer and reinsurer of inward business, writes two main credit insurance products:

1. **Commercial insurance policies**, which include:
 - Commercial Short-Term Policy (CSTP)
 - Documentary Credit Insurance Policy (DCIP)
 - Specific Transaction Policy (STP)
 - Bank Master Policy (BMP)
 - Global Alliance Policy (GAP)
 - CREDENDO Credit (DCR)
 - Inward Quota Share (IQTP)
 - Inward Excess of Loss (IXOL)
 - Supplemental Medium-Term Policy (SMTP)
 - Inward Facultative Reinsurance Policy (IFRP)
2. **Sovereign policies**, which include:
 - Foreign Investment Insurance Policy Equity (FIPE)
 - Foreign Investment Insurance Policy Finance (FIPF)
 - Foreign Investment Loan Guarantee Policy (FIPL)
 - Inward Facultative Reinsurance Policy (IFRP)

2 Scope of Work

The Consultant's Agreement states the following in its preamble:

"The Consultant accepts to work on a Consultation Assignment for ESKADENIA Software. The Assignment is to offer professional insurance expertise on the ESKADENIA Credit Insurance System and related modules, and give his independent opinion on whether the system meets the requirements of the ICIEC Project..."

In addition, the Consultant's scope of work under this agreement is limited to the following, quoted verbatim:

1. Collect the necessary information required for the ICIEC Project Scope and technical details,
2. Review the ESKADENIA Credit Insurance System as delivered to ICIEC,
3. Give his scientific and independent opinion on whether the delivered system meets the scope,
4. Give his honest opinion on whether the system meets the quality expected of Insurance companies,
5. Prepare a written Report and a Power Point Presentation on the task above,
6. Attend if needed before the Arbitration Tribunal as an Expert witness either online or physically in the KSA,
7. Perform an expert inspection of the product in front of the Tribunal if requested, and live deliberations if needed, and be available for further clarifications and cross-examinations,
8. Be available for related online virtual meetings with the Arbitrator if requested,
9. Cooperate with the ESKADENIA Lawyer on legal technicalities, including times of appearance and requests for expert guidance and inspection.

Commenting or giving my opinion on the dispute itself, on its nature, or on its financial impact or otherwise, does not fall within the scope of my Consultation Agreement with Eskadenia.

My scope of work is therefore limited to my technical opinion and assessment of the Credit Insurance System developed by Eskadenia for the specific use of ICIEC's credit insurance business, its workability and functionality, and whether it is fit for the purpose for which it was intended as a credit insurance system and in accordance with the original requirements of ICIEC as agreed between both parties. That assessment includes reviewing the Change Requests raised by ICIEC and determining whether those amendments constitute new additions to the original scope of the agreement or amendments and improvements to existing functions.

3 Methodology

To enable me to discharge that task with full professional integrity, I followed the steps set out below to reach an honest and proficient opinion.

- I met with the top management and the IT team leaders for this project over two sessions. During those sessions, I was briefed on the background of the dispute, and my scope of work was discussed. An initial review of the credit insurance system in question was also introduced to me.
- To enable me to understand the system more closely, I held several sessions over the course of three weeks with the technical IT team leader and the project manager involved with this project. In relation to the reinsurance system, I met and discussed the requirements with the person directly responsible for developing that module.
- I requested, received, and thoroughly reviewed the full documentation required for my assessment. That documentation included, but was not limited to, the following:
 - The original scope of the agreement between the parties to this dispute.
 - The Business Requirements Document (BRD) and Gap Analysis.
 - The business processes.
 - The Change Requests (CRs) log file.
- I subsequently met the IT leaders on this project for several further discussion sessions, which enabled me to examine in depth the system's main operational capabilities as well as the related modules.
- Once I was satisfied that I held all the information needed, the second step was the main system testing, which included:
 - Testing the core credit insurance module and its workability.
 - Testing the reinsurance system, covering both treaty and facultative business.
 - Testing the claims module.
 - Testing the risk management module.
- The testing above was carried out using real life examples, whereby:
 - A new credit insurance policy has been entered into the system.
 - A renewal of the insurance policy was processed.
 - Endorsements were processed.
 - Claims entries were made.
 - The reinsurance arrangements for a credit insurance policy were tested, including treaty and facultative examples.
- The other principal step was to verify and confirm whether the Change Requests were carried out and completed in accordance with ICIEC's requirements; whether those CRs formed part of the scope of the original agreement or were entirely new; and whether the requested amendments affected other parts of the modules that had already been completed and previously verified, which would in practice require the affected development to be carried out again.

Policies System Functionality Testing

As it would be impractical to test every policy type across both the commercial and sovereign portfolios, I focused my testing on selected types. From the commercial policies, I selected the most frequently underwritten policy, namely the Commercial Short-Term Policy (CSTP), and then selected a second policy at random, namely the Documentary Credit Insurance Policy (DCIP). From the sovereign policies, I selected one policy type at random, namely the Foreign Investment Insurance Policy Finance (FIPF).

To enable me to meet the requirements of my Consultation Agreement, and in the presence of the IT and project management team at Eskadenia, I worked through each step in the system to verify its ability to produce accurate policy outcomes, together with the other related procedures at each stage. The testing covered:

- I. Underwriting process module.
- II. Claims process module.
- III. Risk management module.
- IV. Reinsurance procedures system.

I. Underwriting Process Testing

Over several sessions, testing was conducted on the three selected policies, being two commercial policies and one sovereign policy.

I worked through all of the main screens and stages relevant to the underwriting process, following each of the principal steps an underwriter would take using this system, and repeated the process for each of the selected policies.

The selected policies are set out below.

Commercial Short-Term Policy (CSTP)

- Stage 1: Non-binding indication, including:
 - i. Additional details entry screen.
 - ii. Transaction details screen.
 - iii. Eligibility criteria screen.
 - iv. Insurance terms entry screen.
 - v. Special conditions screen.
 - vi. Pricing screen.
 - vii. Premium screen.
 - viii. Declarations.
- Stage 2: Application stage.
- Stage 3: Endorsements.
- Stage 4: Credit limit application.

Documentary Credit Insurance Policy (DCIP)

The same testing of the same screen entries was repeated for this policy.

It is noted that this policy carries the same entries as CSTP, with minor differences, as the reference is to the bank rather than the buyer, and the risk therefore attaches to the bank and not to the buyer.

Sovereign Policy: Foreign Investment Insurance Policy Finance (FIPF)

Unlike the two policies above, sovereign policies are long-term policies with a duration of five to seven years.

The system was tested for this policy across all of its stages:

- Stage 1: Enquiry stage.
- Stage 2: Preliminary application.
- Stage 3: Main application.
- Stage 4: Policy.

It is noted that sovereign policies do not carry declarations, given their nature.

The entry of the policy, covering the main application, the main policy, and endorsements, follows the same process for the stages above as the commercial policies, with minor differences.

II. Claims Module Testing

I examined in detail the main screens of the claims module, namely:

- The Notification of Probable Loss (NPL).
- Claim process, which included:
 - i. Claim entry, covering the NPL and additional information.
 - ii. Loss payee.
 - iii. Claim checklist.
 - iv. Claim documents.
 - v. Claim payable, being the loss reserve.
 - vi. Claim payments.
 - vii. Payment scheduling.
- Claims recovery processes, which include:
 - i. Claim recoveries, being expected recovery.
 - ii. Claim recovery collection.
 - iii. Claim write-off.

III. Risk Management Module

This module is used principally for the entry of all risk particulars, which are drawn upon subsequently for pricing and other purposes.

IV. Reinsurance

This is a separate system that is fully integrated into the credit insurance system across both production and claims.

The reinsurance treaties relate principally to:

- Export business, being short-term policies.
- Domestic business, being short-term policies.
- Medium-term and longer-term business.

A full session was dedicated to this module. The session examined in detail the accuracy of the module, beginning with the treaty setup stage and covering risk distribution across production and claims, and the calculation of treaty commissions for all types in use, including sliding scale and hybrid commission under proportional treaties.

The need for, and use of, the discretionary limit, being special acceptances, was also tested from the reinsurance support screen.

Note: Although ICIEC has a non-proportional treaty, being excess of loss (XOL), developed and implemented, I was informed that it is not currently utilized. I was further informed by Eskadenia that only an inward XOL treaty was requested at the Gap Analysis stage.

V. Change Requests

There are four Change Requests, each containing several points for consideration. In total, 462 points distributed across the four CRs were requested by ICIEC in respect of the modules already delivered by Eskadenia.

These comprise amendments, changes, and additions. Eskadenia advises that the additions are, for the most part, entirely new and fall outside the original scope agreed between the parties. These points arose while the parties were in the process of developing, testing, and trialling the system.

According to Eskadenia, all points were completed and verified, as set out below.

Change Request	Verification %	Total Points	Verified
CR 01_2020	100%	32	32
CR 01_2021	100%	240	240
CR 01_2022	100%	159	159
CR 01_2024	100%	31	31
Total	100.0%	462	462

Source: ICIEC_CRs Verification_Remarks_Assessment_Part_01_20_Mar_2025.

ICIEC does not agree with that position and maintains that a total of 17 points remain either pending verification or under processing on its side. From ICIEC's perspective, the position is as follows.

Change Request	Verification %	Total Points	Verified
CR 01_2020	100%	32	32
CR 01_2021	95.4%	240	229
CR 01_2022	99.4%	159	158
CR 01_2024	83.9%	31	26
Total	96.3%	462	445

Source: ICIEC_CRs Verification_Remarks_Assessment_Part_01_20_Mar_2025.

Note In addition to the disputed points above, ICIEC subsequently rejected the system as a whole because, in their view, it does not work as requested.

According to Eskadenia, any new CR can, and did, affect directly or indirectly the points already resolved under previous CRs, and may even contradict what was agreed in the original scope requested. This gave rise to the need to amend the previous CRs in order to comply with the newly requested changes.

I selected several points at random from across the four CRs to check their validity. Examples include:

- Point 3.3 in CR 2024: a request for a new report.
- Point 3.17 in CR 2024: the addition of a new “return” button.
- Point 1.44 in CR 2021: this point is dependent on another CR, being CR 2024.
- Point 1.53 in CR 2021: newly requested additions falling outside the original scope.
- Point 1.156 in CR 2021: a new amendment to a point in CR 2021 previously executed.
- Point 1.1.2 in CR 2021: an amendment to a previous amendment already requested and completed, which ICIEC considers pending.
- Point 1.73 in CR 2021: 50 points requested, all of which were completed by Eskadenia except one.
- CR 2022 contains only one point, which relates to a point in CR 2024.

All of the points above were found to be new requests falling outside the original scope.

In relation to the reinsurance module:

- Point 3.6 in CR 2022: proportional distribution following approval.

Summary

- Of the total of 462 CR points, ICIEC has approved 445, but has requested further changes to 17 of the approved points.
- Additional changes were requested by ICIEC as a result of the completed data migration reconciliation sessions.
- Hundreds of points, being changes, were developed by Eskadenia and delivered to ICIEC at no additional cost.
- All Change Requests were delivered in accordance with the signed scope documents, and beyond them.
- The pressing issue at present is that a further list of additional requirements is sought by ICIEC and is treated by ICIEC as a prerequisite to going live.

4 Findings and Opinion

Following full scrutiny of the sample policies and the Change Requests, I am able to confirm that the Credit Insurance System, as designed and developed by Eskadenia for the specific purposes of ICIEC's credit insurance business, operated without fault and produced no distortions or erroneous results, performing as would be expected of the system.

Although I did not encounter any defects while testing the system, Eskadenia accepts that it would be normal for any new system, including this one, to present some issues during development and, at a later stage, in initial use. Eskadenia confirmed that any such issues will be dealt with as they arise and that, as would be expected of any software developer, the system will be delivered in accordance with the agreed scope.

The Credit Insurance System, including all related modules and the reinsurance system, functioned as would be expected of such a system.

The four Change Requests developed and completed by Eskadenia are likewise functioning and ready for use once, and if, the system goes live.

In my opinion, the system and its modules as a whole meet the requirements and conform to the scope of cover agreed in the original Business Requirements Document (BRD) and Gap Analysis signed and agreed by both parties. Many of the new requests, being those falling outside the original scope agreed between the parties, were treated as enhancements and have been developed and are ready for use.

Note: Implementation of several of the requested points has been deferred and remains pending the go-live stage.

5 Testimony

I hereby testify that the above report was prepared with full integrity and in a professional manner. It was carried out without any guidance, imposition, or pressure from the top management or employees of Eskadenia, or from any third party.



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