

**GENERAL INSTRUCTION MANUAL**

ISSUING ORG. ACCOUNTING POLICIES &amp; SYSTEMS DEPARTMENT

ISSUE DATE

09-27-06

REPLACES

12-27-03

SUBJECT SETTLEMENT OF THIRD PARTY LIABILITIES INCURRED WHILE  
USING COMPANY VEHICLES

APPROVAL

RAK

PAGE NO.

1 OF 7

**CONTENTS:** This instruction explains the payment and accounting procedures applicable to settle third party liabilities, including DIYAH (Blood Money), incurred while using Company vehicles. The corporate policy, as revised by this GI, calls for settling third party liabilities through Saudi Aramco Affairs' representatives, not through authorized drivers themselves.

The text of this Instruction includes:

1. Glossary
2. Introduction
3. Definitions
4. Settlement Guidelines
5. Settlement Documents and Procedures
6. Accounting for "Recovery" Amounts

## 1. **GLOSSARY:**

### 1.1 ABBREVIATIONS & ACRONYMS

|     |   |                                   |
|-----|---|-----------------------------------|
| CP  | - | Central Province                  |
| EP  | - | Eastern Province                  |
| GI  | - | General Instruction               |
| IRM | - | Industrial Relations Manual       |
| IPU | - | Invoice Processing Unit/PAD       |
| NA  | - | Northern Area                     |
| NCB | - | National Commercial Bank          |
| OAD | - | Operations Accounting Dept.       |
| PAD | - | Payables Accounting Division/OAD  |
| RMD | - | Risk Management Division/Treasury |
| SA  | - | Southern Area                     |
| SAA | - | Saudi Aramco Affairs              |
| SAG | - | Saudi Arab Government             |
| WP  | - | Western Province                  |

### 1.2 SAUDI ARAMCO FORMS REFERENCED

|         |   |                               |
|---------|---|-------------------------------|
| SA-60   | - | Payment Authorization         |
| SA-1193 | - | Motor Vehicle Accident Report |
| SA-2266 | - | Third Party Accident Report   |

### 1.3 REPORTS REFERENCED

|       |   |                          |
|-------|---|--------------------------|
| FBL1N | - | Vendor Line Item Display |
|-------|---|--------------------------|

**GENERAL INSTRUCTION MANUAL**

ISSUING ORG. ACCOUNTING POLICIES &amp; SYSTEMS DEPARTMENT

ISSUE DATE  
09-27-06REPLACES  
12-27-03SUBJECT SETTLEMENT OF THIRD PARTY LIABILITIES INCURRED WHILE  
USING COMPANY VEHICLESAPPROVAL  
RAKPAGE NO.  
2 OF 7**1.4 REFERENCE TO OTHER INSTRUCTIONS**

- GI 6.029 - Reporting & Recording Motor Vehicle Accidents
- GI 6.030 - Traffic & Vehicle Safety
- GI 155.002 - Investigating & Reporting Third Party Injuries
- GI 211.070-2 - Supporting Documents for Check/Cash Disbursements
- GI 202.300 - Accounting for Casualty Costs
- GI 1245.001 - Use and/or Assignment of Company Provided Ground Transportation Services

**1.5 REFERENCE TO OTHER MANUALS**

- Chapter 16 - Industrial Relations Manual

**2. INTRODUCTION:**

In order to comply with the Government obligatory rules related to insuring all vehicles' drivers against third-party liabilities (known as driver's license insurance), the Company had obtained the official approval of the Saudi Directorate General of Public Security / Traffic Control Police Department on its own Self-Insured/Bail Bond Certificate for Saudi Aramco owned or rented/leased vehicles. Therefore, and based on this official approval, this General Instruction details the requirements/procedures that should be followed for the settlement of any third party liability that might arise in case of any motor vehicle accident that involves Company vehicles.

**2.1 PURPOSE:** The purpose of this Instruction is mainly:

- 2.1.1 To describe the procedures relating to settlement of third-party liabilities incurred while using Company vehicles by authorized Company drivers, and
- 2.1.2 To describe procedures for handling of situations when the liability of the third party to the (Company) driver is more, resulting in a "receipt" in the hands of Company Representative.

**2.2 PRIVATE RIGHT SETTLEMENT**

This Instruction also details the procedure applicable to settlement of private rights for Company authorized drivers, for third-party liability incurred while using Company vehicles.

**2.3 COMPANY SETTLEMENT POLICY**

The detailed Company policy about liability incurred while using Company vehicles is

**GENERAL INSTRUCTION MANUAL**

ISSUING ORG. ACCOUNTING POLICIES &amp; SYSTEMS DEPARTMENT

ISSUE DATE  
09-27-06REPLACES  
12-27-03SUBJECT SETTLEMENT OF THIRD PARTY LIABILITIES INCURRED WHILE  
USING COMPANY VEHICLESAPPROVAL  
RAKPAGE NO.  
3 OF 7

contained in Chapter 16 L of the I.R. Manual.

**3. DEFINITIONS:****3.1 SAUDI ARAMCO SELF-INSURED/BAIL BOND CERTIFICATE**

A certificate document that has been approved by the Saudi Directorate General of Public Security / Traffic Control Police Department to serve as a self-insurance certificate. A copy of this certificate is positioned in every Saudi Aramco owned or rented/leased vehicle to be presented, upon request, to Traffic Police Officer(s) at the time of a motor vehicle accident. This Bail Bond Certificate also serves as a guarantee to release the authorized driver from detention resulting from an accident involving a Company vehicle.

**3.2 AUTHORIZED DRIVER**

For the purpose of this Instruction, authorized drivers include:

- 3.2.1 All Company employees who are authorized to use Company vehicles for Company business.
- 3.2.2 Company-wide contractor employees who are authorized by their respective proponent departments to use Company vehicles in conjunction with their work requirements.

**3.3 COMPANY VEHICLE**

For the purpose of this Instruction, Company vehicle include:

- 3.3.1 All vehicles owned by Saudi Aramco and registered in its name, and
- 3.3.2 All vehicles rented/leased by Saudi Aramco, or temporarily leased from private companies by employees authorized to do so for Company business purposes.
- 3.3.3 This instruction applies to vehicles operated with Saudi Arabia only. It should be noted that the procedures set out in this GI do not apply to short-term rentals (ie. Majestic, Hertz, etc.)

**4. SETTLEMENT GUIDELINES:****4.1 COMPANY INDEMNITY**

In accordance with the Traffic Police's final and undisputed accident report, the Company indemnifies injured third parties who suffered loss (bodily injury, death, property damage) as a

**GENERAL INSTRUCTION MANUAL**

ISSUING ORG. ACCOUNTING POLICIES &amp; SYSTEMS DEPARTMENT

ISSUE DATE  
09-27-06REPLACES  
12-27-03SUBJECT SETTLEMENT OF THIRD PARTY LIABILITIES INCURRED WHILE  
USING COMPANY VEHICLESAPPROVAL  
RAKPAGE NO.  
4 OF 7

result of an authorized driver using Company vehicles, except those specified in Section 4.2 below.

4.2 NON PAYABLE EXPENSES

The following expenses are non-payable by the Company:

4.2.1 Fines imposed for violation of Saudi Arab Government (SAG) traffic regulations.

4.2.2 Expenses associated with vehicle repairs made without complying with established Company procedures.

4.3 DEPARTMENT HEAD CORRECTIVE ACTION

While settlement of a third party's liability cannot be refused by the Company, appropriate disciplinary action against the authorized driver can be taken by the concerned Department Head if the circumstances giving rise to the liability were in violation of Company or department regulations while using the Company vehicle.

4.4 ACCOUNTING FOR REPAIR COSTS4.4.1 COMPANY OWNED VEHICLES

4.4.1.1 The cost of repairing damages to Company owned vehicles as a result of an accident is a corporate expense administered by the Risk Management Division (RMD) of Treasurer's Organization. (Refer to GI No. 202.300 "Accounting for Casualty Costs").

4.4.1.2 The costs for repairing Company owned vehicles are accumulated under separate Internal Orders opened by RMD in conformance with GI No. 202.300. These Internal Orders are settled into cost centers 440-910, Extraordinary Casualty/911, Ordinary Casualty as applicable.

4.4.1.3 Recoveries, if any, from third parties should be credited to the relevant Internal Order.

4.4.2 RENTAL/LEASED VEHICLES

4.4.2.1 If the 'company vehicle' is a rental/leased vehicle the contractor is responsible for the repairs under the terms of the rental/lease agreement.

4.4.2.2 Third party recoveries, if any, involving damages to rental vehicles should be handled and received by the contractor.

**GENERAL INSTRUCTION MANUAL**

ISSUING ORG. ACCOUNTING POLICIES &amp; SYSTEMS DEPARTMENT

ISSUE DATE  
09-27-06REPLACES  
12-27-03SUBJECT SETTLEMENT OF THIRD PARTY LIABILITIES INCURRED WHILE  
USING COMPANY VEHICLESAPPROVAL  
RAKPAGE NO.  
5 OF 7**4.5 CORPORATE POLICY ON ACCOUNTING FOR REIMBURSEMENT**

The amount paid for private rights settlements is an expense charged to the RMD/Treasury cost center 440-918, Liability Claims-3<sup>rd</sup> Party-Ordinary Loss or 440-917, Liability Claims-3<sup>rd</sup> Party-Extraordinary Loss as applicable. An example of the accounting entry to be booked under Cost Element 7406009 is shown in Section 5.3.

**5. SETTLEMENT DOCUMENTS AND PROCEDURES:****5.1 SETTLEMENT DOCUMENTS**

- 5.1.1 Memorandum from the related Saudi Aramco Affairs office confirming the liability and requesting RMD to settle the third party liability.
- 5.1.2 Form SA-1193 "Motor Vehicle Accident Report": Notwithstanding the guidelines stated in GI 6.029 "Reporting and Recording of Motor Vehicle Accidents" and its supplement GI 6.029-3, the driver's department, once informed and requested by SAA representative, should immediately complete Form SA-1193 after the accident and send a copy to RMD/Treasury.
- 5.1.3 Form SA-2266 "Third Party Accident Report": Notwithstanding GI 155.002 "Investigation and Reporting of Third Party Claims", once informed and requested by SAA representative, the driver's Department should complete and sign only section B of this form immediately after the accident and forward it to RMD/Treasury.
- 5.1.4 Legal documentation (police report, copy of repair permit, copy of the estimates, copy of the court order as applicable).
- 5.1.5 Industrial Security documentation, as applicable.
- 5.1.6 Original Receipt: This receipt should be signed by the third party and duly endorsed by the appropriate legal authority, i.e., either by the police or the court.
- 5.1.7 Form SA-60: Is used to effect the settlement and should be supported, as applicable, by the documentation listed in GI No. 211.070-2 "Supporting Documents for Check/Cash Disbursements."

**5.2 SETTLEMENT PROCEDURES**

If a Saudi Aramco authorized driver incurs a third party liability while using a Company owned or rented/leased vehicle, the following procedures should be followed by the driver, his Department, respective representative from Saudi Aramco Affairs Area Department (SAA) and

**GENERAL INSTRUCTION MANUAL**

ISSUING ORG. ACCOUNTING POLICIES &amp; SYSTEMS DEPARTMENT

ISSUE DATE  
09-27-06REPLACES  
12-27-03SUBJECT SETTLEMENT OF THIRD PARTY LIABILITIES INCURRED WHILE  
USING COMPANY VEHICLESAPPROVAL  
RAKPAGE NO.  
6 OF 7

## Risk Management Division (RMD):

- 5.2.1 The driver shall show SA Self-Insured/Bail Bond Certificate to the Traffic Police officer.
- 5.2.2 The driver shall immediately contact the nearest Saudi Aramco Industrial Security Control Center, which in turn, shall notify the respective SAA Area Department (the Department's Receptionist during working hours / or the Rep-on-call after working hours).
- 5.2.3 The driver must fully cooperate with the Police Officer investigating the accident, but should not voluntarily admit liability, sign any statements, offer or promise settlement of claim.
- 5.2.4 SAA representative shall handle all formalities and collect all external documents related to the accident such as Traffic Accident Report which must state the percentage of liability and the amount to be paid and attaching therewith copies of the repair estimates and spare parts quotes, and Repair Permit.
- 5.2.5 Upon collection of the above documentation mentioned in 5.2.4 above, SAA Area Department representative shall prepare a memorandum addressed to RMD and shall request the authorized driver to: (1) fill out Forms SA-1193 & SA-2266 and have it signed by his department manager, and (2) forward the whole document package to RMD for their action. However, in situations where the authorized driver is not in a close proximity to the Dhahran area and in order to expedite third party settlements, the authorized driver shall fax all related documents to RMD for processing and mail the originals afterwards.
- 5.2.6 RMD shall initiate and sign an SA-60 "Payment Authorization Form" for the claimed amount and charge cost element 7406009 "Casualty Gains/Losses" Cost Center 440-918 or 440-917 as applicable. RMD will copy the driver's department with all relevant documents.
- 5.2.7 RMD shall forward all related forms with all the necessary supporting documents to IPU/PAD to issue a check in the beneficiary's name. After the check is issued, it will be either mailed or call for pick up to the SAA area Department/representative closest to the beneficiary's address as indicated in the SA-60 form.
- 5.2.8 The SAA area representative shall either contact the beneficiary to come and pick up his check, or hand carry the check to deposit it at the Traffic Police Department to ensure closure of the case. He shall obtain an original claim settlement release and receipt of payment in either case, if not already obtained by then.

**GENERAL INSTRUCTION MANUAL**GENERAL INSTRUCTION NO  
**Approved**  
211.071

ISSUING ORG. ACCOUNTING POLICIES &amp; SYSTEMS DEPARTMENT

ISSUE DATE  
09-27-06REPLACES  
12-27-03SUBJECT SETTLEMENT OF THIRD PARTY LIABILITIES INCURRED WHILE  
USING COMPANY VEHICLESAPPROVAL  
RAKPAGE NO.  
7 OF 7

5.2.9 SAA representative shall forward a copy of the original release and receipt to the driver's Department and RMD for their records.

5.2.10 Based on the Traffic Accident Report, the driver's Department Head shall determine the necessary corrective action against the driver if any is needed.

5.2.11 All parties involved shall expedite handling all aspects of this process on a rush basis.

### 5.3 CHARGE ACCOUNT

The payment will be charged to RMD/Treasury cost center as follows:

DR Cost Element 7406009 "Casualty Gains/Losses" (RMD Cost Center 440-918/917)

CR Cash 0001001XXX

## 6. ACCOUNTING FOR "RECOVERY" AMOUNTS:

6.1 As mentioned in Section 4.5, the authorized driver's 'liability' to the third party, i.e., the gross amount (not the difference between authorized driver's liability and the third party liability) shall be a full charge to RMD's cost center.

6.2 The third party's liability to the authorized driver, i.e., the gross amount shall be:

- a) A credit to the Internal Order if the vehicle is a Company owned vehicle (Refer to Section 4.4.1.3).
- b) Received by the contractor against damages if the vehicle is a rental/leased vehicle (Refer to Section 4.4.2.2).

APPROVED: [Original sign by R.A. Krygsman]  
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