

Article One:

Insurance in the Kingdom of Saudi Arabia shall be provided by insurance companies registered in the Kingdom operating in accordance with the practice of cooperative insurance in line with the provisions of the Articles of Incorporation of the National Company for Cooperative Insurance issued by Royal Decree No (M/5) dated 17/4/1405 H, and not inconsistent with the provisions of Shari'ah.

Article Two:

Subject to the provisions of the Law of Cooperative Health Insurance issued by Royal Decree No. (M/10) dated 1/5/1420 H, the Saudi Arabian Monetary Agency shall, in connection with the application of this Law, have power to:

- Receive and review applications to form cooperative insurance and re-insurance companies to ensure that these applications satisfy the conditions and the rules applicable in this respect. Upon approval of these applications, it shall refer them to the Ministry of Commerce and Industry to take the necessary legal action.
- Supervise and technically control insurance and re-insurance activities in accordance with the principles specified in the implementing regulations of this Law and the means of control employed by the Agency, specially the following:
- Regulating and approving rules for the investment of premiums of insurance and re-insurance operations, and designing a formula to distribute the surplus of insurance and re-insurance operations among shareholders and the insured, provided that separate accounts are kept for shareholders, the insured and insurance operations.
- Determining the sums of money required to be deposited with one of the local banks in order to provide each of the different types of insurance.
- Approving standard forms of insurance and re-insurance policies, and determining the minimum amounts of third party insurance coverage, subject to the provisions of laws applicable in this regard.
- Setting rules and restrictions determining the method of investing the assets of insurance and re-insurance companies.
- Setting general rules determining the assets which each company shall keep inside and outside the Kingdom, the minimum and maximum for each type of insurance, and the conditions that shall be observed in each type, and the
- Setting rules and restrictions which protect the rights of the beneficiaries, and ensure the ability of the insurance companies to satisfy claims and obligations.

#### Article Three:

An Insurance or re-insurance company may not be formed in the Kingdom of Saudi Arabia except by a license issued pursuant to a Royal Decree upon a resolution by the Council of Ministers and a recommendation by the Minister of Commerce and Industry according to Article Two of this Law, and subject to the following:

- The company shall be a public joint-stock company.
- The company's principal object shall be to perform any insurance and re-insurance activity and shall not undertake other objects unless they are necessary or complementary [to its principal object]. Insurance companies may not directly own companies or brokerage establishments, and re-insurance companies may not own re-insurance brokerage companies or establishments. However, insurance companies – upon the approval of the Saudi Arabian Monetary Agency– may own companies or establishments that act as brokers in re-insurance activities.
- The paid-up capital of the insurance company shall not be less than one hundred million Saudi riyals and the paid-up capital of the re-insurance company or the insurance company carrying out re-insurance activities simultaneously shall not be less than two hundred million Saudi riyals. The capital may not be changed without the approval of the Saudi Arabian Monetary Agency, and pursuant to the Companies Law.

#### Article Four:

The implementing regulations shall specify the insurance operations governed by this Law, and each insurance company shall specify the types of insurance it shall provide.

#### Article Five:

An insurance or re-insurance company - upon commencing business - may not suspend its insurance activities without the prior approval of the Saudi Arabian Monetary Agency. This is to ensure that insurance companies take all necessary measures to safeguard the rights of the insured and the investors.

#### Article Six:

Selection of members of the board of directors of insurance and re-insurance companies shall be subject to the approval of the Saudi Arabian Monetary Agency in accordance with the criteria specified for in the implementing regulations.

Article Seven:

The chairman of the board of directors of insurance or re-insurance company, managing director, a member of the board of directors and general manager shall be liable, each within the limits of his authority, for the company's violation of any of the provisions of this Law or its implementing regulations.

Article Eight:

The Saudi Arabian Monetary Agency may inspect the records and accounts of any insurance or re-insurance company through the Agency's employees or auditors appointed by it, provided that the inspection be carried out at the site of the insurance or re-insurance company. In this case the employees of the company shall submit whatever is in their possession or under their authority or records, data, and documents requested from them, and disclose any information they have, relating to the company, to the employees of the Agency or whoever it may appoint as auditors.

Article Nine:

An insurance or re-insurance company may not open any branch or office inside or outside the Kingdom, agree to merge with, own any insurance or banking activity, have control thereof, or own shares of another insurance or re-insurance company without the written approval of the Saudi Arabian Monetary Agency.

Article Ten:

The general assembly of the insurance or re-insurance company shall annually appoint two auditing offices from among the certified accountants licensed to practice the profession in the Kingdom and shall determine their fees.

The auditors shall include in their annual report presented to the general assembly- in addition to the data provided for in the Companies Law- their opinion as to whether the financial statements of the company correctly reflect its true financial position on the date of the budget and the results of its activities during the fiscal year which expires on that date, and as to whether the

preparation, presentation and audit of these statements conform to the generally accepted accounting principles applied in the Kingdom.

Financial statements and the auditors' report shall be published within three months from the date of the end of the company's fiscal year.

Article Eleven:

The Saudi Arabian Monetary Agency may at any time request any insurance or re-insurance company to submit to it- at the time and in the form it determines- any information it deems necessary to fulfill the purposes of this Law. It shall also send to the Saudi Arabian Monetary Agency at its request the following:

- A statement of the returns and expenses of each insurance type.
- A detailed statement of the insurance activities carried out by the company during the stated period.
- Statistical statements and general information about the activities of the company.
- A statement of the investments of the company.
- Any other information requested by the Saudi Arabian Monetary Agency.

Article Twelve:

It is prohibited for any person who obtains any information, while carrying out any work related to the application of the provisions of this Law, to disclose or benefit from it in any way.

Article Thirteen:

All insurance and re-insurance companies shall submit to the Department of Zakat and Income Tax their zakat or tax returns, the audited financial statements and any other information or documents which the Department deems necessary for the purpose of determining the amount subject to zakat or taxation in accordance with the provisions of the Tax Law, the Zakat Collection Law and their implementing regulations and payment of the sums due, within the times specified by the Law.

Article Fourteen:

Insurance and re-insurance companies governed by this Law shall deposit in one of the local banks, a legally required deposit to the order of the Saudi Arabian Monetary Agency, and the implementing regulations shall determine the restrictions relating to this deposit.

Article Fifteen:

The insurance and re-insurance companies shall allocate a part of their annual profits, not less than 20%, as a legal reserve, until the total reserve amounts to 100% of the capital paid.

Article Sixteen:

All insurance and re-insurance companies shall setup the required reserves for their insurance types, and other reserves as provided for in the implementing regulations of this Law.

Article Seventeen:

All insurance and re-insurance companies governed by the provisions of this Law shall keep a separate account for each type of insurance as specified in the implementing regulations of this Law. They shall also keep records and books to record insurance policies issued by the company, names and addresses of the holders of such policies and the date of concluding each policy, its effectiveness, prices and conditions provided for in it. Any change or amendment occurring in such policies shall also be recorded in these records and books. The Saudi Arabian Monetary Agency may issue the decisions it deems necessary to compel insurance companies to record in the books and records any data it deems necessary to exercise its authority of control and supervision. The data contained in the records and books mentioned above may be entered in the computer in accordance with the rules and procedures provided for in the implementing regulations of the Law of Commercial Books .

Article Eighteen:

The Saudi Arabian Monetary Agency shall set the necessary conditions for issuing licenses to practice self-employment professions relating to the insurance activity, especially the following:

- Insurance brokers.
- Insurance Consultants.
- Inspection and loss assessment experts.
- Specialists in settlement of insurance claims.
- Actuaries.

Licenses for these professions shall be issued by the Ministry of Commerce and Industry, and the Saudi Arabian Monetary Agency shall control and supervise the activities of the professions referred to.

Article Nineteen:

If the Saudi Arabian Monetary Agency finds that any of the insurance or re-insurance companies has violated the provisions of this Law or its implementing regulations or followed a policy liable to adversely affect its ability to fulfill its obligations, the Agency may take one or more of the following measures:

- Appointing one consultant or more to provide consultation to the company in relation to the management of its activities.
- Suspending any member of the Board of Directors or any of its employees proven to be responsible for the violation.
- Preventing the company from accepting any new shareholders, investors or members in any of its insurance activities or restricting it in this respect.
- Compelling the company to take any other measures the Agency deems necessary.

If the Agency finds that the company persists to violate the provisions of this Law or its implementing regulations and does not respond to any of the measures taken by the Agency in accordance with this Article, and despite the infliction of the punishments provided for in this Law, the Agency may request the dissolution of the company.

Article Twenty:

One or more committees shall be formed based on a Resolution by the Council of Ministers, upon the recommendation of the Minister of Finance, composed of three specialized members, at least one of whom shall be a legal counselor, to be entrusted with the settlement of disputes occurring between insurance companies and their clients, or between these companies and others that may substitute for the insured, and shall decide on cases of violations of control and supervision instructions for the licensed insurance and re-insurance companies, and the violations of those practicing self-employment professions referred to in Article Eighteen of this Law. Prosecuting before the Committee – in connection with these violations – is represented by the employees appointed by a decision of the Minister of Finance.

Decisions of these Committees may be appealed before the Board of Grievances.

Article Twenty One:

Without prejudice to any harsher punishment provided for in any other law, anyone who violates any provision of this Law shall be punished with a fine not exceeding one million riyals and imprisonment for a period not exceeding four years, or by either.

Article Twenty Two:

Without prejudice to the powers of the committee provided for in Article Twenty of this Law, the Board of Grievances shall have jurisdiction in the following:

- Deciding all disputes between insurance companies and re-insurance companies, or between companies of either type.
- Deciding cases of violations of this Law and the implementation of the punishment provided for in Article Twenty One.
- Initial review of the case in any suit in which the Monetary Agency or the Committee formed in accordance with Article Twenty requests the infliction of the punishment of imprisonment.
- Prosecution before the Board of Grievances shall be carried out by the employees appointed pursuant to a decision issued by the Minister of Finance.

Article Twenty Three:

The implementing regulations of this Law shall be issued by a decision of the Minister of Finance, and shall be published within sixty days from the date of publication of this Law, and shall come into effect on the date of the enforcement of this Law.

Article Twenty Four:

Subject to what is stated in Article One of this Law whatever is not provided for therein shall be governed by the Companies Law, to the extent permitted by the nature of such type of companies.

Article Twenty Five:

This Law shall be published in the Official Gazette and shall come into effect after ninety days from the date of its publication.