



شعبة الترجمة الرسمية
Official Translation Department

Cooperative Insurance Companies Control Law

Royal Decree No. M/32
July 31, 2003

Translation of Saudi Laws



NOTE:

The translation of Saudi laws takes the following into consideration:

- Words used in the singular form include the plural and vice versa.
- Words used in the masculine form include the feminine.
- Words used in the present tense include the present as well as the future.
- The word “person” or “persons” and their related pronouns (he, his, him, they, their, them) refer to a natural and legal person.



Cooperative Insurance Companies Control Law

Article 1

Insurance in the Kingdom of Saudi Arabia shall be provided by insurance companies registered in the Kingdom which practice 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 17/4/1405H, and in a manner that shall not be inconsistent with the provisions of Sharia.

Article 2

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

1. receive and study applications to form cooperative insurance and reinsurance companies to ensure that these applications satisfy the conditions and 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; and
2. supervise and technically control insurance and reinsurance activities in accordance with the principles specified in the implementing regulations of this Law and the means of control employed by the Agency, especially the following:
 - a) Regulating and approving rules for the investment of premiums of insurance and reinsurance operations, and creating a formula to distribute the surplus of insurance and reinsurance operations among shareholders and policyholders, provided that separate accounts are kept for shareholders, policyholders, and insurance operations.
 - b) Determining the sums of money that should be deposited in one of the local banks in order to engage in each of the different classes of insurance.
 - c) Approving standard forms of insurance and reinsurance policies, and determining the minimum amounts of third party insurance coverage, subject to the provisions of applicable laws in this regard.
 - d) Setting rules to determine how the assets of insurance and reinsurance companies are to be invested.
 - e) Setting general rules determining the assets each company shall allocate inside and outside the Kingdom, the minimum and maximum for each class of insurance, the conditions that shall be observed in each class, and the minimum and maximum of underwriting premiums as they relate to the capital of the company and the reserves.
 - f) Setting rules which protect the rights of the beneficiaries, and ensure the ability of the insurance companies to satisfy claims and obligations.



Article 3

An insurance or reinsurance 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 2 of this Law, and subject to the following:

1. The company shall be a public joint-stock company.
2. The company's principal objective shall be to perform any insurance and reinsurance activity and shall not undertake other objectives unless they are necessary or complementary to its principal object. Insurance companies may not directly own companies or brokerage establishments, and reinsurance companies may not own reinsurance 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 reinsurance activities.
3. The paid-up capital of an insurance company shall not be less than 100,000,000 Saudi riyals and the paid-up capital of a reinsurance company or an insurance company carrying out reinsurance activities simultaneously shall not be less than 200,000,000 Saudi riyals. The capital may not be changed without the approval of the Saudi Arabian Monetary Agency, and pursuant to the Companies Law.

Article 4

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

Article 5

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

Article 6

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

Article 7

Chairmen of the boards of directors of insurance or reinsurance companies, their managing directors, board members, and general managers 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 8

The Saudi Arabian Monetary Agency shall have the right to inspect the records and accounts of any insurance or reinsurance company through the Agency's employees or auditors appointed by it, provided that the inspection is carried out at the site of the insurance or reinsurance company. In this case the employees of the company shall submit whatever is in their possession or under their authority, as well as any 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 9

An insurance or reinsurance 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 reinsurance company without the written approval of the Saudi Arabian Monetary Agency.

Article 10

1. The general assembly of the insurance or reinsurance 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.
2. 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 balance sheet 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.
3. A company's financial statements and auditors' report shall be published within three months from the date of the end of the company's fiscal year.

Article 11

The Saudi Arabian Monetary Agency may at any time request any insurance or reinsurance 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:

1. A statement of the revenues and expenses for each insurance class.
2. A detailed statement of the insurance activities carried out by the company during the stated period.
3. Statistical statements and general information about the company's activities.
4. A statement of the company's investments.



5. Any other information requested by the Saudi Arabian Monetary Agency.

Article 12

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 13

All insurance and reinsurance 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, Zakat Collection Law, and their implementing regulations, and payment of the sums due within the times specified by the Law.

Article 14

Insurance and reinsurance companies governed by this Law shall deposit in one of the local banks, a statutory deposit to the order of the Saudi Arabian Monetary Agency, and the implementing regulations shall determine the rules relating to this deposit.

Article 15

Insurance and reinsurance companies shall allocate a part of their annual profits, not less than 20%, as a statutory reserve, until the total reserve amounts to 100% of the paid-up capital.

Article 16

All insurance and reinsurance companies shall set up the required reserves for their insurance classes, and other reserves as provided for in the implementing regulations of this Law.

Article 17

All insurance and reinsurance companies governed by the provisions of this Law shall keep a separate account for each class 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, the names and addresses of the holders of such policies, the date of concluding each policy, their effectiveness and prices, and the conditions provided for therein. 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 18

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

1. Insurance brokers.
2. Insurance consultants.
3. Loss adjusters and loss assessors.
4. Specialists in settling insurance claims.
5. 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 19

If the Saudi Arabian Monetary Agency finds that any insurance or reinsurance company 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:

1. Appointing a consultant or more to provide consultation to the company in relation to the management of its activities.
2. Suspending any member of the board of directors or any of its employees who is proven to be responsible for the violation.
3. Preventing the company from accepting any new shareholders, investors, or members in any of its insurance activities, or restricting it in this respect.
4. 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 has not responded 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 20

1. One primary committee or more shall be formed pursuant to a Resolution by the Council of Ministers, comprising of not less than three specialized members, if possible, at least one of whom shall be a legal counselor. The term of membership shall be for three renewable years. Said committees shall have jurisdiction over the following:



- a) All disputes arising from insurance contracts, including disputes between insurance companies and their clients or the beneficiaries of insurance coverage, or between these companies and others in the event of subrogated rights.
 - b) Disputes between or among insurance companies and reinsurance companies, or between such companies and those engaged in insurance-related professions.
 - c) Violations of regulatory or supervisory directives relating to insurance or reinsurance companies, or any of the two activities.
 - d) Violations of the professionals referred to in Article 18 of this Law.
 - e) Violations arising from the application of this Law, and imposition of penalties as provided for in Article 21 of this Law.
2. If the violation involves a crime, the committee shall refer such violation to the competent investigating agency to interrogate the violator and file a lawsuit before the competent court to consider imposing the penalties stipulated in this Law or any other law, as the case may be. If the competent investigating agency finds that there is no ground for criminal action, it shall refer the case back to the committee to consider the violation and take necessary action in accordance with this Law.

Article 21

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 1,000,000 riyals and imprisonment for a period not exceeding four years, or by either punishment.

Article 22

1. An appellate committee shall be formed of not less than three full-time members, if possible, with experience in insurance and contracts under Sharia, to consider appeals against decisions issued by the committees referred to in Article 20 of this Law, and its decisions shall be final and non-appealable.
2. The chairman and members of the appellate committee shall be appointed pursuant to a royal order for a term of three renewable years.
3. The Council of Ministers shall issue work rules and procedures of the committees referred to in this Law, as well as their hearing procedures.
4. The Minister of Finance shall determine the remuneration of members of the committees referred to in this Law.

Article 23

The implementing regulations of this Law shall be issued by a decision of the Minister of Finance, and shall be published within 60 days from the date of



publication of this Law, and shall enter into force on the date of the enforcement of this Law.

Article 24

Subject to what is stated in Article 1 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 25

This Law shall be published in the Official Gazette and shall enter into force after 90 days from the date of its publication.