



الأمانة العامة للجان الفصل في المنازعات والمخالفات التأمينية

General Secretariat of the Committees for Resolution
of Insurance Disputes & Violations

of Insurance Disputes & Violations
General Secretariat of the Committees for Resolution

THE GUIDELINES



Introduction:

The need for different types and forms of insurance services is increasing in all societies, especially those seeking development. The degree of insurance awareness and education in society reflects its ability to comply with financial commitments and obligations. Thus, insurance services sector in Saudi Arabia has witnessed a remarkable boom in the regulatory and supervisory aspects and practice at both the individual and institutional levels.

Recognizing the role of the General Secretariat of Committees towards the society, this Manual was prepared as an addition to its efforts to raise insurance awareness among beneficiaries of insurance services by developing an educational framework for the insurance industry and different types of coverages. It includes information a subscriber should know to choose the coverage appropriate for their needs as well as the steps a subscriber or beneficiary must follow when the risks insured occur.

Section One of this Manual will explore insurance, its objectives, principles, types and definitions of insurance terms often mentioned in insurance contracts. Then, Section Two will present a brief guidance for insurance applicants when choosing an insurance policy.

Without prejudice to the objective of this Manual, which is only prepared for guidance purposes, it should be noted that this Manual does not grant any party any rights nor does it impose any obligations on anyone. The reference between parties to an insurance contract is what is agreed upon in an insurance policy and its annexes, and/or what is issued under laws, regulations and supervisory rules.



Section One

Insurance, Its Objectives, Principles, Types and Definitions of Insurance Terms

First: Definitions:

Insurance	A mechanism for shifting burdens of risks form the insured to the insurers by indemnifying the insured for losses or damages.
Insurance Policy	A contract under which the Insurer undertakes to indemnify the Insured or insurance beneficiary in case of incurring damage or loss covered by the insurance policy in exchange for premiums paid by the Insured.
Laws and Regulations of Insurance	Law on Supervision of Cooperative Insurance Companies issued by Royal Decree No. (M/32) dated 02/06/1424H, amended by Royal Decree No. (M/30) dated 27/05/1434H and its Implementing Regulations as well as regulations and instructions issued by SAMA.
Insurance Company	A public joint stock company that engages in insurance and/or reinsurance activities.
Insurer	An insurance company which directly accepts to insure an insured person.
Insured	A natural or legal person who signs an insurance policy with an insurer.
Beneficiary	A natural or legal person to whom a benefit from an insurance policy is devolved upon the occurrence of damage or loss.
Insurance-Related Service Providers	A natural person that is licensed to provide insurance and/or reinsurance services.



Insurance Agent	A legal person representing an insurance company, marketing and selling insurance policies and all works normally carried out for the company or on its behalf, for a charge.
Insurance Broker	A legal person that negotiates, for a charge, with an insurance company to obtain insurance for the insured.

Second: Objectives and Principles of Insurance:

Purpose of Insurance:

When performing their works and activities, individuals and institutions are prone to loss or damage which can negatively affect their business. Insurance aims at bringing a beneficiary back to their financial position prior to the damage, as provided for in Article (3/55) of the Implementing Regulations of the Law on Supervision of Cooperative Insurance Companies which stipulates that “**the purpose of insurance is bringing the insured back to their financial condition prior to the loss**”. This contributes to reducing the stress experienced by individuals and institutions due to potential risks and to making them feel safe enough to achieve stability.



Insurance Principles:

(1) Principle of Insurable Interest:

It involves a financial legal relationship between the insured and an insured object, such as a house, vehicle, factory, or warehouse. A legal relationship is the ownership of an insured object by the insured, whereas a financial relationship is the insured party's interest represented in protecting the insured object from any loss or damage that affects their financial position.

Insurable interest must be realized upon the conclusion of an insurance contract and during its validity as it is not enough to expect such interest regardless of the degree of expectation. In addition, an insurance contract may not be concluded based on an anticipated or expected interest.

(2) Principle of Utmost Good Faith:

This principle requires the parties of insurance (insurer and insured) to fully disclose and clarify all material facts and matters which the knowledge thereof affects the acceptance of the contract by either party:

(3) Principle of Proximate Cause:

It is the single or effective cause of the insurance loss set forth in details in the insurance policy:



(4) Principle of Indemnity:

It is the compensation for loss or damage by bringing the insured or beneficiary back to their financial condition prior to the loss. Insurance indemnity may be paid in two forms:

- a. by cash.
- b. by a way of repairs, replacement, or reconstruction for houses and the like.

The following are some conditions of the Principle of Indemnity in insurance policies:

- a. **Condition of Average.**
- b. **Percentage of Depreciation.**
- c. **Deductible.**



(5) Principle of Contribution:

In the case of multiple valid insurance policies covering the loss, an insurer may require other insurance companies to contribute to the indemnity of the insured, and the conditions related must be fulfilled.

(6) Principle of Subrogation:

The insurer's right to subrogate the insured (after being indemnified) so as to make cases against the person responsible for the loss; this requires the insured to facilitate for this right to be exercised.

Third: Insurance Types and Subcategories (according to Article 3 of the Implementing Regulations of the Cooperative Insurance Companies Control Law, issued pursuant to Ministerial Resolution No. (1/596) dated 01/03/1425):

First Type: General Insurance:

There are eight subcategories of general insurance:

Subcategory (1): Accident and Liability Insurance, which includes:

- a. Personal Accident Insurance.
- b. Workmen's Compensation Insurance.
- c. Employer's Liability Insurance.



- d. Third Party Liability Insurance.
- e. Public Liability Insurance.
- f. Products Liability Insurance.
- g. Medical Liability Insurance.
- h. Professional Indemnity Insurance.
- i. Theft Insurance.
- j. Fidelity Guarantee Insurance.
- k. Cash in Safe and Cash in Transit Insurance.
- l. Any other liability insurance.

Subcategory (2): Motor Insurance: It includes losses and liabilities related to motors except for transportation risks.

Subcategory (3): Property Insurance: It includes risks of fire, theft, explosions, natural phenomena, disturbances, and any other insurances related to this subcategory.

Subcategory (4): Marine Insurance: It includes cargo, hulls, liabilities, and any other insurances related to this subcategory.

Subcategory (5): Aviation Insurance: It includes aircraft hulls, passenger liability, third party liability, cargo, and any other insurances related to this subcategory.



Subcategory (6): Energy Insurance: It includes petroleum and petrochemical facilities, other energy facilities, and any other insurances related to this subcategory.

Subcategory (7): Engineering Insurance: It includes contractors' all risks, erection all risks, buildings, electrical and electronic appliances, machinery breakdown, and any other insurances related to this subcategory.

Subcategory (8): Other General Insurance Subcategories: These include other subcategories of general insurance not mentioned above.

Second Type: Health Insurance:

It includes medical costs, medication, all medical services and supplies, and medical programs management.

Third Type: Protection and Savings Insurance:

There are three subcategories under this type of insurance:

Subcategory (1): Protection Insurance: It includes insurance related to death and permanent or temporary, total or partial, disability for individuals and groups.



Subcategory (2): Protection and Savings Insurance: It includes insurance under which the insurer pays sums of money, including savings, on a future date in turn for subscriptions paid by the insured.

Subcategory (3): Other Subcategories of Protection and Savings Insurance.



Section Two

Understanding Insurance Policy

First: Pre-Contract Stage:

- **Choosing the Appropriate Insurance Coverage:**

A subscriber should search for the appropriate coverage for the risk they wish to insure against by understanding the coverages and obligations of the policy. In order to choose the appropriate coverage, the insured should evaluate their interest in taking out the policy. For example, if the insured needs a comprehensive coverage for their car, they should take out a comprehensive motor insurance policy, which is considered an insurance coverage for their vehicle and their responsibility against third parties instead of a civil liability insurance policy for losses a car may cause.

- **Reading and Understanding the Policy Terms and Conditions Before Purchase:**

Unlike compulsory policies, such as the Uniform Compulsory Motor Insurance, a subscriber should read the terms and exceptions set out in the proposed policy and not only depend on explanations given by the company's representative. They should read and understand any additional terms or annexes which may be attached to the policy, ask about any terms or concepts that may be mentioned in the policy.



- **Disclosing All Material Facts Related to the Insured Object:**

Before taking out the insurance policy and after reading the terms and conditions, it is important that a subscriber discloses all material facts related to the insured object, such as the actual value of a car, since this affects a number of factors, e.g. identifying the insurance rate, premium amount, and insurance policy validity period as well as expected risks and their insurance coverages, etc.

Second: Post-Contract Stage and During Validity of the Insurance Policy.

- **Complying with the Policy Terms and Conditions:**

After taking out the insurance policy, the insured should abide by the terms and obligations of the policy, including taking adequate precautions to maintain the objects covered by insurance, such as having in place fire extinguishers, effective internal control systems, surveillance cameras or a 24/7 security guard.

Third: Post-Loss or Risk Insured Stage:

An insured person should comply with the insurance policy terms.

An insured person should submit a claim to the insurance company, which then provides the claimant with an acknowledgement of receipt.



- **The Competent Judicial Authority Responsible for Resolving Insurance Disputes Arising between Parties to Insurance Contracts:**

A case should be filed to the Committees for Resolution of Insurance Disputes and Violations through the Secretariat General electronic services on its website in the case the claim is not settled when made to the Consumer Protection Department at SAMA (attoll-free number: 800-125-6666).

For more information on the Committees for Resolution of Insurance Disputes and Violations, their competencies and the General Secretariat mandates, check out the “Guidance Manual” on the General Secretariat’s website (www.idc.gov.sa)

You may also contact the General Secretariat of the Committees at:

Toll-free number: (800-124-0042).

Conclusion:

Raising awareness of insurance through all sources available can contribute to avoiding or reducing losses.