

## Definitions

### **Article One**

The following words and statements mentioned in this implementing regulations, wherever they occur unless otherwise provided in the text, shall have the meanings indicated below:

1. **Actuary:** Person who conduct various statistical and probability theories whereby services are priced; liabilities are assessed and provisions calculated.
2. **Agency:** The Saudi Arabian Monetary Agency.
3. **Beneficiary:** A natural person or juristic entity to whom the benefit(s) under the insurance policy is assigned as a result of a covered loss.
4. **Company:** A public joint stock company conducting insurance and/or reinsurance activities.
5. **Compliance Officer:** A natural person that is concerned with regulatory work to ensure compliance with all rules and regulations.
6. **Contribution (Premium):** Amount offered by the insured to the insurer in exchange for the insurer's acceptance to indemnify the insured for loss / damages resulting directly from a covered risk.
7. **Financial Derivatives:** A contract whose value is based on the performance of an underlying financial assets, indexes, or other investments.
8. **Excess of Loss Reinsurance:** A non- proportional type of reinsurance treaty whereby the insured is required to cede certain risks within specified amounts in excess of the loss amount, which the insurer has agreed to accept. The reinsurer undertakes to accept the insurance on the assigned risks.
9. **Facultative Reinsurance:** An optional case-by-case method of reinsurance. The reinsurer has the option to accept or neglect the offered risks.
10. **Governor:** The Governor of The Saudi Arabian Monetary Agency
11. **Implementing Regulations:** Implementing regulations provisions of the Law on Supervision of Co-operative Insurance Companies promulgated by Royal Decree No. (M/32) dated 2.6.1424 H, corresponding to 31.7.2003.
12. **Insurance:** Mechanism of contractually shifting burdens of pure risks by pooling them.
13. **Insurance Advisor:** A natural person or juristic entity who provides insurance consultative services
14. **Insurance Agency:** A juristic entity that for compensation represents the Company to solicit, procures and negotiates insurance contracts.
15. **Insurance Brokerage:** A juristic entity that for compensation represents insureds or prospective insureds to solicit, procure and negotiate insurance contracts.
16. **Insurance Claims Settlement Specialist (Third Party Administrator):** A juristic entity that investigates and assesses losses, and negotiates settlements on behalf of the insurance company.
17. **Insurance Policy:** Legal document/contract issued to the insured by the insurer setting out the terms of the contract to indemnify the insured for loss and damages covered by the policy against a premium paid by the insured.
18. **Insurance Services:** Professional activities related to the insurance and reinsurance sector.

19. **Insurance and Reinsurance Services Provider:** A natural person or juristic entity that is licensed to engage in the insurance and reinsurance services or activities, excluding underwriting, permitted in the Saudi Arabia.
20. **Insurance Supervisor:** A government agency or public institution responsible for the supervision and control of the insurance sector.
21. **Insured:** A natural person or juristic entity, which has entered into an insurance contract.
22. **Insurer:** An insurance company that accept insurance contracts directly from insured(s).
23. **Loss Assessor and loss Adjuster:** A juristic entity that examines and inspects the insurance risk before it is insured, inspects the damages after they occur to determine the reasons for the loss, assesses the value thereof, and assigns liabilities.
24. **Person:** A natural person or a juristic entity.
25. **Law:** Law on Supervision of Cooperative Insurance Companies.
26. **Person Providing Insurance and reinsurance Services:** A natural person that is licensed to engage in the insurance and reinsurance services or activities permitted in Saudi Arabia who is employed by an insurance services provider.
27. **Risk:** Situation involving the chance of loss or no loss, but no chance of gain.
28. **Quota-Share Reinsurance:** A proportional type of reinsurance treaty, whereby the insurer is required to cede certain risks within agreed percentages to the reinsurer and the reinsurer has agreed to accept the business.
29. **Reciprocal Exchange:** Unincorporated association with each insured insuring the other insureds within the association. Each participant in this pool is both an insurer and an insured. An attorney in-fact administers the exchange, to include paying losses, investing premium, recruiting new members, underwriting new and renewal business, receiving premium, and exchanging reinsurance contracts. Members share profits and losses in the same proportion
30. **Reinsurance:** Transfer of the insured's risk from the insurer to the reinsurer and to indemnify the insurer by the reinsurer for any payments made to the insured against damages or loss.
31. **Reinsurer:** an insurance or reinsurance company that accept insurance contracts from another insurer.
32. **Retention:** The amount of risk kept by an insurance company in its own books, in comparison with insurance risks ceded to a reinsurance company.
33. **Self-Insurance:** Retention of any risk by structured means, i.e. the company that is retaining the risk has set up a fund against a future event that is fortuitous and outside the control of the company.
34. **Solvency Margin:** Minimum standard of financial health for an insurance or reinsurance company, where assets exceed liabilities.
35. **Statutory Reserves:** Percentage of profit that a company must set aside as provided under Article (15) of the Law.
36. **Surplus Distribution:** Method by which profit of insurance and reinsurance companies is distributed among shareholders and policyholders.
37. **Technical Provisions (Reserves):** Insurance liabilities, i.e. the value set aside to cover expected losses arising on a book of insurance policies and its financial obligations.

38. **Treaty Reinsurance:** Occurs when the primary insurers cede insurance of certain risks within certain amounts & percentages to the reinsurer and the reinsurer has agreed to accept reinsurance of the assigned risks.
39. **Underwriting:** The process of evaluating and accepting of insurance risk.

## **Objectives of the Law and the Implementing Regulations**

### **Article Two**

Objectives of the Law and its Implementing Regulation:

1. Protection of policyholders and shareholders.
2. Encouraging fair and effective competition.
3. Enhancing the stability of the insurance market.
4. Enhancing the insurance sector in the Kingdom, and provide training and employment opportunities to Saudi nationals.

## **Classes of Insurance**

### **Article Three**

Insurance is divided into insurance and re-insurance business activities, and it covers the following insurance classes:

#### **First: General Insurance**

1. Accident and liability insurance including the following:
  - a) Personal Accident Insurance.
  - b) Work Related Insurance.
  - c) Employer's Liability Insurance.
  - d) Third Party Liability Insurance.
  - e) General Liability Insurance.
  - f) Product Liability Insurance.
  - g) Medical liability Insurance.
  - h) Professional Liability Insurance.
  - i) Theft and Burglary Insurance.
  - j) Fidelity Insurance.
  - k) Safe Burglary Insurance inside the premises and in transit.
  - l) Any other Liability Insurance
2. **Motor Insurance:** Provides coverage against losses and liability related to motor vehicles, excluding transport insurance.
3. **Property Insurance:** Provides coverage against fire, theft, explosions, natural phenomena, civil disturbances, and any other insurance included under this class of insurance.

4. **Marine Insurance:** Provides coverage for goods in transit and the vehicles of transportation on waterways, and any other insurance included under this class of insurance.
5. **Aviation Insurance:** Provides coverage for airline hulls and liability against passengers and third parties, freight transport by air, and any other insurance included under this class of insurance.
6. **Energy Insurance:** Provides coverage for oil, petrochemical, other energy installations, and any other insurance included under this class of insurance.
7. **Engineering Insurance:** Provides coverage for builder's risks, construction, mechanical, electrical, electronic, and machinery breakdown, and any other insurance included under this class of insurance.
8. **Other Classes:** includes all recognized classes of general insurance not mentioned above.

### **Second: Health Insurance**

Health insurance provides individual or group coverage for medical costs, medicines, medical and medications requirements as well as management of medical programmes.

### **Third: Protection and Savings Insurance.**

1. **Protection Insurance:** Provides individual or group coverage for death related consequences, and permanent and partial disability.
2. **Protection and Savings Insurance:** Provides individual or group coverage for death related consequences, and permanent and partial disability with a saving / retirement plan for an additional premium paid by the insured.
3. **Other Protection and Savings Insurance:** It includes other classes of insurance in the protection and savings insurance not mentioned above.

## **Licensing Requirements**

### **Article Four**

#### **First: Insurance and/or Reinsurance Companies:**

A license application including the following shall be submitted to the Agency:

1. Completed licensing application.
2. Memorandum of Association.
3. Articles of Association
4. Organizational structure
5. Feasibility study.
6. Five-years business plan that shall include as a minimum, the following:
  - a) Classes of insurance that will be undertaken by the Company.
  - b) Ability to cede or accept reinsurance treaties for the classes the company intend to reinsure.
  - c) Marketing plan.
  - d) Projected costs and financing to start the Company's operation.
  - e) Projected underwriting growth taking into consideration solvency margin requirements.

- f) Expected number of employees and a Saudization plan for training and employment.
  - g) Annual cost based on projected growth rate.
  - h) Projected financial statements related to the growth rate.
  - i) Technical Provisions statement for the proposed growth of the insurance operation certified by a qualified Actuary.
  - j) Branching distribution plan in the Kingdom.
7. Any agreements with outside parties.
  8. An Irrevocable bank guarantee issued by one of the local banks for the capital required, such guarantee must be renewed until the capital is paid up.

**Second: Insurance and Reinsurance Services Provider:**

A license application including the following shall be submitted to the Agency:

1. Completed licensing application.
2. Memorandum of association.
3. Articles of Association.
4. Organizational structure
5. Feasibility study.
6. Three-years business plan that shall include as a minimum, the following:
  - a) Classes of insurance that will be undertaken by the insurance and reinsurance services provider.
  - b) Projected costs and financing to start the operation.
  - c) Projected growth of the business.
  - d) Expected number of employees and a Saudization plan for training and employment.
  - e) Annual cost based on projected growth rate..
  - f) Projected financial statements related to the growth rate.
  - g) Branching distribution Plan in the Kingdom.
7. Any agreements with outside parties.
8. An Irrevocable bank guarantee issued by one of the local banks for the capital required, such guarantee must be renewed until the capital is paid up.

**Third: Individuals Providing Insurance and reinsurance Services:**

Any individual who wish to practice any of the insurance professions shall obtain a license from the Agency providing that the following requirements are fulfilled:

1. A university degree as a minimum, and five years relevant insurance experience, or an insurance professional designation accepted by the Agency.
2. Pass the examination approved by the Agency to engage in the designated insurance profession, or any other equivalent qualifications acceptable to the Agency.

### **Article Five**

The Agency may apply penalties provided under Article (19) of the insurance law and request application of the penalties stipulated in Article (21) of the insurance law in case of submitting incorrect or false information.

### **Article Six**

1. The Agency shall notify the applicant within 30 working days confirming that the application is complete. Whereby, the application is incomplete the Agency shall notify the applicant of any further requirements or missing documents.
2. All incomplete and/or missing documents shall be provided within 30 working days from the Agency's notification, otherwise the application shall be cancelled and the applicant must re-submit a new application for consideration.
3. The Agency shall notify the applicant within 90 working days from the receipt of a completed application of its approval, or its rejection by providing reasons.

### **Article Seven**

The applicant shall pay the Agency a non-refundable licensing application processing fee of ten thousand Saudi Riyals (SR 10,000). Upon approval of the application, the applicant shall pay the Agency the following licensing fee:

1. (SR 100,000) One hundred thousand Saudi Riyals for Insurance Company.
2. (SR 200,000) Two hundred thousand Saudi Riyals for Re-insurance Company.
3. (SR 300,000) Three hundred thousand Saudi Riyals for Insurance and Re-insurance Company.
4. (SR 25,000) Twenty five thousand Saudi Riyals for Insurance and reinsurance Services Providers, except the actuary and the insurance advisor.
5. (SR 5,000) Five thousand Saudi Riyals for Actuaries and Insurance Advisors.

### **Article Eight**

Insurance and reinsurance Services shall be provided by a Person licensed in the kingdom with a minimum capital requirement of:

1. (SR 3,000,000) Three million Saudi Riyals for Insurance Brokerage.
2. (SR 3,000,000) Three million Saudi Riyals for Insurance Claims Settlement Specialist (Third Party Administrator).
3. (SR 500,000) Five hundred thousand Saudi Riyals for Insurance Agency.
4. (SR 500,000) Five hundred thousand Saudi Riyals for Loss Assessor and Loss Adjuster.
5. (SR 150,000) One hundred and fifty thousand Saudi Riyals for Insurance Advisor.
6. (SR 150,000) One hundred and fifty thousand Saudi Riyals for Actuary.

### **Article Nine**

Insurance and Reinsurance Services Providers shall obtain an insurance policy to cover professional liability risks for negligence, wrongdoing and dereliction of duties with a minimum coverage limit of:

1. (SR 3,000,000) Three million Saudi Riyals for Insurance Brokerage.
2. (SR 6,000,000) Six million Saudi Riyals Reinsurance Brokerage.

3. (SR 1,000,000) One million Saudi Riyals for Insurance Agency.
4. (SR 3,000,000) Three million Saudi Riyals for Actuary or Loss Assessor and Loss Adjuster.
5. (SR 1,000,000) One million Saudi Riyals for Insurance Claims Settlement Specialists (Third Party Administrator).
6. (SR 500,000) Five hundred thousand Saudi Riyals Insurance Advisor.

**Article Ten**

The founders of the Company, and owners of insurance professions shall be of good conduct and reputation with no convictions by court action affecting their honor and integrity.

**Article Eleven**

The commercial registration shall be restricted to the licensed insurance activity. The Agency shall be supplied with a copy of such registration and any subsequent renewals thereof. Any other unlicensed activities shall not be practiced.

**Regulation of Insurance Operations**

**Article Twelve**

The Company and all Insurance and Reinsurance Services Providers shall conduct their business according to professional and ethical standards.

**Article Thirteen**

The Company and all Insurance and Reinsurance Services Providers shall comply with all Saudi accounting standards approved by the Agency. In the absence of such standards, the company shall apply international accounting standards.

**Article Fourteen**

The Company and all Insurance and Reinsurance Services Providers shall obtain prior written approval of the Agency before dealing with Lloyd's insurance brokers or foreign companies to cover risks that cannot be covered through a licensed Company in the Kingdom.

**Article Fifteen**

The Company and all Insurance and Reinsurance Services Providers, in accordance with all rules and regulations issued by the Agency to that effect, shall:

1. Adopt an internal policy and procedures to combat economic crimes including money laundering.
2. Apply "Know Your Customer" standards.

3. Notify the Financial Intelligence Unit (FIU) in writing of any suspected transactions, in accordance with the designated form designed by the Agency with a copy submitted to the Agency.

#### **Article Sixteen**

The Company and all Insurance and Reinsurance Services Providers shall provide complete and accurate information regarding their insurance products and services to the Agency. Written prior approval by the Agency is required for marketing all insurance products and services.

#### **Article Seventeen**

The Company shall comply with all conditions set by the Agency for specialized inter-companies insurance funds. No given Company may subscribe to such funds outside the Kingdom without obtaining the Agency's written approval.

#### **Article Eighteen**

The company shall provide the Agency with copies of reinsurance agreements on an annual basis. The Agency may comment on these agreements and request amendments if deemed necessary.

#### **Article Nineteen**

1. The Company shall not deal with any unlicensed Insurance and Reinsurance Services Providers, and Insurance and Reinsurance Services Providers shall not deal with any unlicensed Person Providing Insurance and reinsurance Services. A signed written agreement outlining the scope and relationship between the Company and Insurance and Reinsurance Services Providers is required.
2. Insurance and Reinsurance Services Providers and their employees shall not deal with an unlicensed Company, and they shall not prejudice other company's products when providing insurance services to the consumers.
3. The Company or an Insurance and Reinsurance Services Providers shall have a valid contract with any Person they are dealing with.

#### **Article Twenty**

**First:** The Company shall appoint an Actuary that holds the designation of a Fellow, or seek the services of an actuary or an actuarial firm after obtaining a written permission from the Agency. The Company's Actuary shall undertake the following duties:

1. Obtain all required information and particulars from the previous Actuary.
2. Examine the Company's financial position.
3. Evaluate the Company's ability to meet its future obligations.
4. Determine adequate risk retention level.
5. Price the Company's insurance product.
6. Determine and approve the Company's technical provisions.
7. Provide advice and recommendations related to the Company's investment policy.
8. Any other actuarial recommendations.



**Second:** The Actuary shall be professionally liable for his/her advice and technical services provided to the Company, and shall upon the Company's request, furnish the Company's management with the following particulars and documents:

1. Sound actuarial information and statements about the company's present and future financial position.
2. Annual report, within sixty days from the expiry date of the company's fiscal year reflecting the adequacy of the Company's technical provisions.
3. Annual report, within sixty days from the expiry date of the Company's fiscal year reflecting the pricing adequacy of the insurance products.
4. Company's investment returns analysis.
5. Insurance portfolio development analysis.
6. Cost Analysis
7. Report reflecting the adequacy of matching assets with liabilities.
8. Positive and adverse underwriting policy development status.

The Company shall ensure compliance with all required actuarial duties and reports. Otherwise, the Agency shall appoint an actuary at the company's expense to undertake these actuarial duties.

**Third:** An external auditor shall review actuarial reports that present immediate or future risks facing the Company, and the Agency shall be provided with copies of these reports in a timely manner.

The Company's Actuary shall, in the presence of immediate or future risks facing the Company, submit a report on an urgent basis directly to the company's Board of Directors. The Board of Directors shall examine the report and recommend corrective actions, and forward all related information to the Agency within fifteen days from receiving the report.

#### **Article Twenty-One**

The Company that underwrites Protection/Savings insurance business class along with other classes of insurance shall comply with the following requirements:

1. Appoint a qualified risk manager for its Protection/Savings insurance class that is independent from the other classes of insurance business
2. Appoint a qualified reinsurance manager for its Protection/Savings insurance class that is independent from the other classes of insurance business.
3. Separate all investments and provisions for its Protection/Savings insurance business from the other classes of insurance business.

#### **Article Twenty-Two**

A Person shall not engage in more than one insurance or reinsurance related service without the written permission of the Agency.

#### **Article Twenty-Three**

An Insurance and Reinsurance Services Provider shall have a permanent office where all insurance related registers and documents used in their operations are kept, the Agency must be notified within thirty (30) days of any

changes in the permanent office location. An exception is made for Actuaries and Advisors residing outside the Kingdom with written permission from the Agency.

#### **Article Twenty-Four**

Insurance Brokers and Agents shall provide sound advice to the insured and shall disclose all facts and risks associated with the insurance policy that will be issued by the Company.

#### **Article Twenty-Five**

Insurance Brokers and Agents shall provide the insured with adequate information regarding the insurance policy and that there must be no inducement or deception. The information provided must include the following as a minimum:

1. Limits of insurance coverages.
2. Policy exclusions.
3. Contribution or Premium amount (s).
4. Inception and expiration dates (policy period) of the policy.
5. Policy conditions.
6. Name of the Company issuing the insurance policy.

#### **Article Twenty-Six**

Insurance and/or Reinsurance Brokerages shall:

1. Disclose to the insured the commission and/or fees earned for the services provided.
2. offer to place reinsurance business with local reinsurance Companies' before placement with a foreign reinsurer.
3. Not allow an insurance broker to combine insurance and reinsurance business activities to avoid conflict of interest that is harmful to the policyholder. Commissions and fees of insurance and reinsurance business shall be separated.
4. Serve the insured's interests by striving to obtain the most appropriate available coverage and price.
5. Disclose to the insured in advance all benefits under the policy as compared to other similar policies in terms of coverages and prices.

## **Corporate Governance**

#### **Article Twenty-Seven**

Fit and proper standards issued by the Agency shall be applied to the Company's and Insurance and Reinsurance Services Provider's Chairman, Board Members, Directors, and Senior Managers. Designated forms issued for this purpose shall be completed and approved by the Agency.

### **Article Twenty-Eight**

1. The Company's and Insurance and Reinsurance Services Provider's Chairman, Board Members, and Senior Managers must be trustworthy and experienced in financial and insurance business to enable them to carry out their duties in the best possible way.
2. A Company's board members shall not be a member of the board of directors of any other insurance and or reinsurance Company.
3. The Agency may object to the appointment of any of the Board Members, appointed executive managers of the company and of the Insurance and Reinsurance Services Provider.

### **Article Twenty-Nine**

The Company shall not nominate a member to its board of directors or to a senior management position without the written approval of the Agency in the following circumstances:

1. A Person who had held similar position in a liquidated Company.
2. A Person who had been dismissed from a similar position in another Company.

## **REGULATORY AND SUPERVISORY PROCEDURES**

### **Article Thirty**

The Agency's examiners or any person assigned by it shall have the right to conduct office and field examinations of all accounts, records, documents, and transactions related to the insurance affairs of the Company and the Insurance and Reinsurance Services Provider, and their employees shall provide all information, particulars, and documents required by the examiners.

### **Article Thirty-One**

The Company and the Insurance and Reinsurance Services Provider shall cooperate fully with the Agency's examiners, and particularly in the following:

1. Enabling the Agency's inspectors to have access to the company's registers, accounts, and other documents in order to carry out their examination;
2. Providing the Agency's examiners with all available information and clarifications.
3. Revealing to the Agency's examiners any irregularities or violations in the Company's activities upon commencing their assignment;
4. The Company and the Insurance and Reinsurance Services Provider's employees are prohibited from concealing or attempting to conceal any information or irregularities, and not replying to any clarifications sought by the examiners.
5. Carrying out the recommendations and instructions issued to the Company and to the Insurance and Reinsurance Services Provider as a result of the examination.

### **Article Thirty-Two**

The Company and the Insurance and Reinsurance Services Provider shall comply with the working hours specified by the Agency at its head office and branches in the Kingdom.

### **Article Thirty-Three**

The Company shall comply with the minimum and maximum limits as determined by the Agency for each class of insurance as well as insurance contributions and premiums.

### **Article Thirty-Four**

1. The Company's Board of Directors shall form an audit committee consisting of at least three and no more than five members. from non-executive managers and mostly non-members of the Board of Directors.
2. The Company shall:
  - a) Establish an internal audit department, which shall report directly to the audit committee. The officer in charge of this department must be a holder of a professional certificate in this discipline.
  - b) Establish a regulatory compliance department and appoint a regulatory compliance officer. This office shall verify compliance with all rules, regulations and directives. This office shall be directly affiliated to the audit committee and may contact directly the Agency and provide it with information according to the procedures that it specifies, and report to the internal audit department any indemnity or claim payments which violate the standard technical claim payments.

### **Article Thirty-Five**

No Person shall:

1. Disclose any information obtained in the course of carrying out any work related to the implementation of any provisions of the Law and this Implementing Regulations except for official purposes.
2. Seek or obtain personal benefits by taking any action related to the implementation of the Law and this Implementing Regulations.

### **Article Thirty-six**

The Company and the Insurance Brokerage shall pay the costs of inspection and supervision by paying the Agency the following:

1. The Company shall pay five per thousand (0.5%) of total underwritten premiums in a financial year excluding local market share of the reinsurance business.
2. The Insurance/Reinsurance Brokerage shall pay an amount representing one percent (1%) from the total commissions and fees earned within an accounting year.

### **Article Thirty-Seven**

The Company and the Insurance and Reinsurance Services Provider shall set and implement written internal control procedures, the effectiveness of which

shall be valued by the internal and external auditors shall issue and implement written internal audit procedures.

#### **Article Thirty-Eight**

1. The Company shall notify the Agency of the percentage of ownership of any Person who owns five percent (5%) or more of the Company through a quarterly report.
2. Any Person owning five percent (5%) or more of the Company's shares shall notify the Agency in writing of their percentage ownership and any changes thereof within 5 working days of the date of occurrence of such event.

#### **Article Thirty-Nine**

1. The Agency's written approval is required for any mergers, acquisitions, transfer of ownership, and opening new branches by any Company or Insurance and Reinsurance Services Provider.
2. A written notice to the Agency is required for any mergers and acquisitions between Companies. The written notice to the Agency shall provide the following information:
  - a) Initial agreement
  - b) Financial statements.
  - c) Agreed value:
  - d) Mode of payment; and
  - e) Method of valuation.

The Agency may reject the application if it finds that the value or the valuation method is not appropriate or if it deems that, this action is likely to adversely affect policyholders, the insurance sector and the economy in the Kingdom.

#### **Article Forty**

The Company shall:

1. Retain at least thirty percent (30%) of its total insurance premium.
2. Reinsure thirty percent (30%) of its total premium in the Kingdom.
3. The Agency's written approval is required whereby if its difficult for the Company to comply with the above percentages or it wishes to retain a lesser percentage.

The Agency may obligate the Company to reinsure or not reinsure part of its direct insurance business transacted in the Kingdom with a domestically or foreign registered reinsurance company in accordance with the insurance market and each Company's financial position.

#### **Article Forty-One**

The Company shall, within one month from the end of each quarter, reconcile policy terms and total coverage issued to the insured with that available from the reinsurer and to take corrective action in case of any differences

#### **Article Forty-Two**

1. A Company wishing to engage in reinsurance treaties outside the Kingdom shall ensure that the following criteria are met:
  - a) The foreign reinsurer is licensed and authorized to transact the kinds of insurance proposed in the Kingdom in its country of domicile.

- b) The insurance supervisor of the foreign reinsurer must authorize the exchange of relevant information with the Agency.
  - c) The foreign reinsurer must maintain separate records and financial statements of all Saudi operation and be ready to provide the Agency with any related information upon request.
  - d) The Company shall provide the Agency with the reinsurer's financial statements related to the most recent financial year.
  - e) The Company must provide the Agency with the latest regulatory or supervisory report issued by the foreign reinsurer's supervisory authority.
2. The Company shall select a reinsurer, at a minimum, with an S&P Rating of BBB, or its equivalent rating from a recognized international rating organization. If the Company wishes to do business with a re-insurer that is not rated by any international organization or has a rating less than the minimum requirement mentioned above, the Company should obtain prior written approval of the Agency.

#### **Article Forty Three**

The Company shall set up a claims' department with procedures for accepting policyholder's claims, claims evaluation and processing. The Company shall maintain records pertaining to policyholder's claims and classify them into paid, unpaid, and rejected claims. Each record shall include the following:

1. Insurance application and proposal, if available;
2. Copy of the insurance policy;
3. Policyholder's claim's information;
4. Adjusters and assessor's report and any other documents pertaining to the claim and the direct reason leading to the covered loss;
5. Proportional indemnity share of any other insurance and reinsurance policies in effect.
6. Action taken by the Company and the status of the claim.
7. A power-of-attorney from the Insured to the Company to subrogate it in the following cases:
  - a) Third party Liability for the Loss.
  - b) Defending the insured in repudiate liability or in determining the indemnity amount.
8. Signed settlement agreement by a Person for a paid claim.

#### **Article Forty-Four**

The Company shall settle individual policyholder's claims in a period not to exceed fifteen (15) days from the date of receiving all requested and necessary documentation related to the claim, another fifteen (15) day period shall be extended with a notification to the regulatory compliance officer with reason(s) of such extension. The Company shall settle commercial entities' claims in a period not to exceed forty-five (45) days after receipt of all requested and necessary documentation including the report of the loss assessor who must be appointed by the company within one week from the

loss notification's date. If this period is exceeded, the regulatory compliance officer must be notified and provided with reason(s) for such delay.

#### **Article Forty-Five**

The Company and the Insurance and Reinsurance Services Provider shall respond to policyholder's complaints within fifteen days. All complaints shall be entered into a registry that is designated for this purpose. All complaints in the registry must contain all necessary and material information. A semi-annual report shall be prepared and forwarded to the Audit committee with all complaints referred or will be referred in the future for litigation purposes.

#### **Article Forty-Six**

The Company shall adhere to principles set forth in this article when pricing insurance policies:

1. Pricing shall be fair, reasonable and adequate;
2. Pricing shall be set in accordance with the Company's underwriting guidelines with adequacy and appropriateness to the risks undertaken by the Company, and in accordance with appropriate technical reserves.
3. Providing the Agency with justifications and basis used in setting prices. These prices shall not be relied upon other Company's pricing.

#### **Article Forty-Seven**

The Company shall evaluate the adequacy of its technical provisions on a quarterly basis. The minimum capital requirement shall be used to cover policyholders' claims in the case whereby the technical reserves are deficient to meet the Company's claims obligations. The Agency must be notified if such deficiencies exist.

#### **Article Forty-Eight**

The Company's gross written premium shall not exceed Ten (10) times the paid capital and reserves without the Agency's written approval.

#### **Article Forty-Nine**

No insurance policy shall be issued or renewed to any of the Company's members of the Board of Directors, Senior and Executive Managers, and their related parties except after the payment of the full premium. Claims submitted for payment on their behalf shall be treated in accordance with procedures and rules set forth by the Company without any exception or preference. The Compliance Officer shall be notified of any related claims payment.

#### **Article Fifty**

The Company and the Insurance and Reinsurance Services Provider shall, within forty-five (45) days from the end of each year, provide the Agency with the following particulars:

1. Report identifying the names of members of the Board of Directors, managing directors, general managers, senior managers in all branches and affiliates and foreign representative offices, including the names and current positions and dates of appointment and the number of years of service in the company.

2. Report identifying the percentages of Saudi and non-Saudi employees on the Company, Branch, and departments levels including the managerial positions held by Saudis.
3. Any other particulars requested by the Agency.

#### **Article Fifty-One**

The Company shall adhere to minimum coverage issued and/or approved by the Agency for all classes of insurance. The insurance policy must specify all related coverage benefits. The Company must provide the technical and pricing basis for its insurance products. In respect of protection and savings insurance, such technical basis and pricing must be prepared and/or approved by an Actuary.

#### **Article Fifty-two**

The Insurance Policy shall be written in a clear way that can be read by the public at large, and shall contain the following:

1. The policy schedule must specify the following as a minimum:
  - a) Policy number, which must also be provided in all related document to this policy.
  - b) Policyholder's name and mailing address.
  - c) Coverage period.
  - d) Coverage descriptions and limits.
  - e) Deductibles and Retentions.
  - f) Endorsements, Warranties, and Riders.
  - g) Conditions and Exclusion.
  - h) Insurance rates and premium amounts, basis of premium calculation and the amount of commission paid under the policy.
  - i) Identification of the property or activities to be insured.
2. The standard text of the policy shall contain the type of coverages, general terms, conditions, and exclusions.
3. Endorsements and riders shall indicate additional coverages, conditions, and exclusions not mentioned above and which are different from the main agreement.
4. The Company's signature and seal shall be on the policy and its attachments.

#### **Article Fifty-Three**

1. The Company shall, before issuing an insurance policy, give the policyholder access to the terms, conditions and exclusions of the policy.
2. Upon acceptance of the insurance application, the Company shall issue the client a binder/cover note as a temporary insurance document until the policy is issued. The Binder shall reflect all insurance coverages provided by the policy for a period not exceeding thirty (30) days from the commencement of coverage.



3. An insurance policy shall be amended by virtue of a written request submitted by the policyholder followed by an addendum issued by the Company.

#### **Article Fifty-Four**

1. The Company shall not cancel a valid insurance policy except for conditions stated in the policy cancellation clause. In case of a cancellation of the policy, the company shall refund the premium on a pro-rata basis. The company shall afford the policyholder a minimum period of thirty days (30) before the effective date of cancellation by the company.
2. The policyholder may cancel the insurance policy and recover part of the paid premium, on a short rate basis, provided there are no unpaid or outstanding claims.

#### **Article Fifty-Five**

The basis of the information provided in the policy shall be the application submitted by the policyholder. When completing the insurance application, the following must be taken into consideration:

1. Insurable interest.
2. Providing all material facts related to the insurance policy.
3. Indemnification of the policyholder based on the insurance policy shall be the purpose of the insurance and/or reinsurance policy.
4. Insurance provided must not violate any rules, regulations, and directives.

#### **Article Fifty-Six**

The Company shall provide credible reasons for denying, canceling, and non-renewing insurance policies without discrimination and unfair treatment between policyholders, and shall not rely on decisions of other companies for its actions.

#### **Article Fifty-Seven**

The Company shall notify the Agency of all insurance related benefits and incentives schemes provided to its employees.

### **STATUTORY DEPOSIT**

#### **Article Fifty-Eight**

The statutory deposit shall be ten percent (10%) of the paid up capital. The Agency, where the risk profile of the Company's business warrants it, shall increase this percentage to a maximum of fifteen percent (15%). The Company shall place the statutory deposit amount, within three (3) months period from the date of issuing the license, in a bank designated by the Agency. The Agency shall invest the statutory deposit and shall be entitled to its earnings.

## **INVESTMENT**

### **Article Fifty-Nine**

The Company shall:

1. Formulate a written investment policy, approved by the Board of Directors, which governs its investment operations and the methods of managing its investment portfolios.
2. The company shall invest 50% of its total invested assets in Saudi Riyals. The Agency's written approval is required if the Company wishes to reduce this percentage.

### **Article Sixty**

The Company shall have a written investment diversification policy taking into consideration all risks faced by the company and the environment that it operates under. The Company shall take the necessary measures to manage the following risks as a minimum:

1. Market risk.
2. Credit risk.
3. Interest rate risk.
4. Currency exchange risk.
5. Liquidity risk.
6. Operations risk.
7. Country risk.
8. Regulatory and legal risk.
9. Re-insurance risk.
10. Technology Risk.

### **Article Sixty-One**

1. The Company shall, when formulating its investment policy, take into consideration that the maturity of its invested assets is in concurrence with its liabilities according to the issued policies. The Company shall provide the Agency with an investment policy inclusive of assets distribution. If such investment policy was not approved by the Agency, the Company shall adhere to the investment standards in Table (1), provided that investments outside the Kingdom shall not exceed 20% of the total investment and in accordance with Article 59 (2).
2. The Company shall take in consideration the investment concentration risks. Concentration in an investment instrument shall not exceed 50% in one investment instrument mentioned in table (1).

### **Article Sixty-Two**

The Company shall not use financial instruments, such as derivatives and off-balance-sheet items, other than for efficient portfolio management and with the Agency's written approval. The Company is permitted to invest in such instruments when these conditions are met:

1. Such derivatives must be listed on a financial exchange, are capable of being readily closed out, are based on underlying admissible assets and have a prescribed pricing basis.

2. The company has set aside assets that can be used to settle any obligations under these derivatives and set adequate provisions for any adverse changes on the derivatives and their coverage.
3. The counter party must be reputable and in an acceptable financial condition.

## **Asset Valuation and Solvency Margin**

### **Article Sixty-Three**

Whereby a Company conducts general insurance business and protection and saving insurance business, the assets of each class of insurance must be considered separately.

### **Article Sixty-Four**

The Company shall not consider assets obtained from the issuance of bonds or from obtaining loans in its solvency margin calculations without the Agency's written approval.

### **Article Sixty-Five**

The Company's shall value its assets for the purpose of calculating the solvency margin according to Table (2) provided that the following are observed:

1. Market value shall not be exceeded in the valuation process and all assets linked to the Investment part of the Protection and Savings insurance policy shall be excluded.
2. Maximum limit of 20% of the total assets value in any one-asset category.

### **Article Sixty-Six**

1. The Company, in respect to its general and health insurance business, shall maintain a margin of solvency equivalent to the highest of the following three amounts:
  - a) Minimum Capital Requirement.
  - b) Premium Solvency Margin.
  - c) Claims Solvency Margin

As an exception to the preceding, Premium Solvency Margin, method shall be used to calculate the solvency margin for the first three years of the company's registration.

2. Solvency Margin calculations:

#### **First: Premium Solvency Margin:**

1. Dividing gross premiums written into the categories set out in Table (3).
2. Deducting the outwards reinsurance relating to the gross premiums determined in (1) above, provided that in all cases the net premiums written is not less than 50% of gross premiums written.

3. Multiplying the net premiums written for each category by relevant factors set out in Table 3 and aggregating the result for each category to come out with the appropriate solvency margin.

**Second: Claims Solvency Margin:**

1. Dividing average gross claims incurred over the three most recent financial claims into categories set out in Table 4 of this Article.
2. Deducting the outwards reinsurance relating to the gross claims determined in (1) above, provided that in all cases the net claims amount is not less than 50% of gross claims amount.
3. Multiplying the net claims by (2) above for each category by the relevant factors set out in Table 4 and aggregating the result for each category to come out with the appropriate solvency margin.

**Article Sixty Seven**

The solvency margin for the Protection and Saving Insurance business shall be determined by taking the aggregate of the results arrived through the calculation described below:

1. Four percent (4%) of the technical provisions for the protection and saving direct insurance.
2. Three per thousand (3/1000) of the Capital at Risk for individual policies after the deduction of reinsurance cessions, provided that the reinsurance amount do not exceed 50% of the total Capital at Risk.
3. One per thousand (1/1000) of the Capital at Risk For group policies after the deduction of reinsurance cessions, provided that the reinsurance amount do not exceed 50% of the total Capital at Risk.

**Article Sixty-Eight**

1. The Company shall complete all forms related to the actual and required solvency margin calculations.
2. The Company shall maintain a solvency margin according to the standards specified, and implement the following measures when its solvency margin falls below the required margin (s):
  - a. The Company shall restore, in a period not exceeding the next financial quarter, its solvency margin when it falls between the ranges of 75% to 100% of the required solvency margin.
  - b. The Company shall restore its solvency margin when it falls between 50% and 75% of the required margin. The company shall apply measures stated in paragraph (a) of this Article. If the required solvency margin is not restored to its appropriate level for two consecutive financial quarters, the company shall formulate and provide the Agency with a corrective action plan to be taken and the period necessary to restore its solvency.
  - c. The Company shall restore its solvency margin when it falls between 25% and 50% of the required margin. The Company shall apply measures stated in paragraph (b) of this Article. If the required solvency margin is not restored to its appropriate level for two consecutive quarters, the company will be

required by the Agency to take all or any of the following measures immediately:

1. Increase the Company's capital.
  2. Adjust insurance premiums
  3. Reduce costs;
  4. Stop underwriting business.
  5. Assets liquidation.
  6. Any other measures deemed appropriate by the Company and approved by the Agency
- d. The Agency shall appoint an advisor to provide consultation and advice to the company or issue a cease and desist order to the Company and recommend the withdrawal of its license if the solvency margin falls below 25% and/or the Company fails to act appropriately to rectify its financial situation.

## **TECHNICAL PROVISIONS**

### **Article Sixty-Nine**

1. Technical provisions must be calculated in accordance with acceptable accounting standards, and approved by an actuary reflecting the company's obligations, and shall include the following technical provisions as a minimum:
  - a) Unearned Premium Reserves
  - b) Unpaid Claim Reserves
  - c) Claims Expense Reserves.
  - d) Incurred but not reported Claims Reserves.
  - e) Unexpired Risk Reserves.
  - f) Catastrophe Risk Reserves.
  - g) General Expense Reserves.
  - h) Reserves related to protection and savings insurance, such as disability, old age, health, death, medical expenses...etc.
2. Reserves shall be calculated, as a minimum, in the following manner:
  - a) Unearned Premium Reserves shall represent the unearned portion of gross premiums at the time of valuation and shall be calculated according to the following:
    1. Last three months for marine transport.
    2. 365 days pro rata calculations for all other classes of insurance or 40% of gross premiums.
  - b) Unpaid and Expense Claims Reserves shall be determined as a total value of all outstanding claims and related expenses for each class of insurance business.
  - c) Incurred but not reported Claims Reserves shall be calculated from the total outstanding claims after deducting the reinsurance portion of claims proceeds and according to the following:

1. Fifteen percent (15%) of motor insurance, medical insurance, property insurance, engineering, energy and general accident insurance (excluding liability and personal injuries).
2. Twenty percent (20%) of liability and other insurance.
3. Twenty-five percent (25%) of reinsurance accepted from other insurance companies.

In case of non-compliance, the Agency shall be provided with actuarially justified methods to determine these reserves listed in this article.

- d) Doubtful debt reserves shall be calculated as follow:
  1. Ten percent (10%) of the total amounts due from reinsurers exceeding 180 days.
  2. Fifteen percent (15%) of the total amounts due from the insured exceeding 90 days.
  3. Twenty-five percent (25%) of the total amounts due from the insured exceeding 180 days.
  4. Seventy-five percent (75%) of the total amounts of uncollected receivables exceeding 360 days.
  5. One hundred percent (100%) of any disputed and uncollected receivables.

3. General reserves specified in view of the company's experience.

## **DISTRIBUTION OF SURPLUS**

### **Article Seventy**

1. The Company's financial statements, at a minimum, shall consist of; statements of financial position for insurance operations and shareholders accounts, profit and loss statements for insurance operations, shareholders' income statements, statement of shareholders' equity, statements of cash flows for insurance operations and shareholders' cash flow statement.
2. The following shall be regarded by the Company upon preparation of the statements of insurance operations:
  - a) Determine earned premiums, and income generated from re-insurance commissions, and other insurance operations revenues.
  - b) Determine the incurred indemnification.
  - c) At the end of each year, the total surplus representing the difference between (a) and (b), less any marketing, administrative expenses, the necessary technical provisions, and other general expenses related to the operation of insurance shall be specified.
  - d) Company's net surplus shall be determined by adding or subtracting the investment return of the policyholder's invested funds, and subtracting the general expenses related to the policyholder's portion of the investment activities.

- e) 10% of the net surplus shall be distributed to the policyholders directly, or in the form of reduction in premiums for the next year. The remaining 90% of the net surplus shall be transferred to the shareholders' income statement.
  - f) The shareholder's net income shall be transferred to the statement of shareholders' equity.
  - g) Twenty percent (20%) of the net shareholders' income shall be set aside as a statutory reserve until this reserve amounts to 100% of the paid capital, and
3. The Agency's written approval must be obtained for policyholders' net surplus distribution and timing.

## Registers

### **Article Seventy-One**

The Company shall maintain separate registers for each class of insurance as follows:

1. Policy Register: such register shall include the following particulars:
  - a) Policy number and issuance date.
  - b) Policy period (effective and expiration date)
  - c) Insured's name and address.
  - d) Property or activity to be insured.
  - e) Type of risk.
  - f) Insurance premium.
  - g) Paid premium.
  - h) Endorsements, riders, warranties, and amendments made to the policy.
  - i) Other particulars deemed necessary by the Company.
2. Claims Register: such register shall include the following particulars:
  - a) Claims number and date reported.
  - b) Policy number and period of insurance.
  - c) Insured's name.
  - d) Date and place of the loss and the type of claim.
  - e) Technical reserves estimated and any other changes.
  - f) Claims payments date and amount.
  - g) Closed claims and the reasons for such closure.
  - h) Unpaid (outstanding) claims.
  - i) Disputed claims and any action taken in respect thereof.
  - j) Subrogation recoveries, salvage return, or any other recoveries excluding reinsurance.
  - k) Other particulars deemed necessary by the Company.
3. Reinsurance Register: such register shall include the following particulars:
  - a) Reinsurance treaties and agreements given that; the period for each agreement and the changes made thereto shall be stated separately with the capacity and type of each agreement, the names and ceded percentage or amount for each reinsurer and the company's retention percentage or

amount for each class of insurance, and summary of all reinsurance agreements and other particulars deemed necessary by the company.

- b) Reinsurance ceding statements.
  - c) Claims register for reinsurance paid and outstanding claims.
4. The Company shall maintain an underwriting register for each class of insurance.
  5. Insurance Professions Register: It shall include names of any Person engaged in insurance activities that the company is dealing with, their commercial registration, period of contacts, and the nature of the agreement and any other particulars deemed necessary by the Company.

## **STATEMENTS AND REPORTS**

### **Article Seventy-Two**

The Company and the Insurance and Reinsurance Services Provider shall provide the Agency with all particulars and information in accordance with the Agency's published guidelines to effectively conduct its supervisory duty.

### **Article Seventy-Three**

1. The Company and the Insurance and Reinsurance Services Provider shall provide the Agency with financial statements audited by licensed certified public accountant in the Kingdom within 90 days from the end of the financial year of the company including as minimum income statement, financial position and cash flow statement.
2. The Company and the Insurance and Reinsurance Services Provider shall provide the Agency with the report of the certified public accountant and the financial statements within a maximum period of 60 days from the end of the financial year of the company for approval before publication.
3. The Company and the Insurance and Reinsurance Services Provider shall direct their auditors to submit to the Agency the management letter before publication of the financial statements.

### **Article Seventy-Four**

Insurance Brokerage and Insurance Agency shall provide The Agency with the following particulars and information:

1. Semi-annual statement of all underwriting transactions and premium generated through their insurance and reinsurance business.
2. Detailed semi-annual statement reflecting the Company's uncollected premium.
3. Semi-annual statement of earned commissions and fees.



## **Cease and Desist Orders**

### **Article Seventy-Five**

1. The Company and the Insurance and Reinsurance Services Provider shall submit in writing to the Agency its intentions to cease its insurance activities in any one class or classes of insurance in the Kingdom accompanied the following particulars:
  - a) Reasons for such cessation
  - b) Evidence that they have fully discharged their obligation toward their clients and policyholders, they have set aside adequate reserves to meet their obligations, and they have transferred all policies in force to another Company or Insurance and Reinsurance Services Provider.
  - c) The wording of the cessation notice before publishing in two of the local newspapers that shall state their intention to cease operations in one class or classes of insurance and that policyholder's and interested parties shall file their objections to the Agency within a period not exceeding three months from the publishing date of the notice.
2. The Agency's written approval shall be obtained before cessation of operations.

### **Article Seventy-Six**

1. The Agency shall request the license withdrawal of the Company or the Insurance and Reinsurance Services Provider in the following cases:
  - a) No business activities for a period of six months from the issuance date of the license.
  - b) None compliance with the Law and this Implementing Regulations.
  - c) Providing the Agency with false information in its licensing application
  - d) Conducting its business and affairs in a manner that threatens to make it insolvent or that it is hazardous to its policyholders, stockholders, or the public.
  - e) Insolvency, or its assets are not sufficient for carrying on its business.
  - f) The business is fraudulently conducted.
  - g) The paid up capital falls below the prescribed minimum limit or failure to fulfill the provisions of Article 68.
  - h) The business or volume of activities falls to a limit that the Agency finds unviable to operate under.
  - i) Refusal or delay of payments due to beneficiaries without just cause.
  - j) Refusal to be examined or to produce its accounts, records, or files for examination by the Agency.
  - k) Failure to pay a final judgment against it related to its insurance operation.
2. In case of license withdrawal, the Company's or the Insurance and Reinsurance Services Provider's responsibility towards its policyholders shall

- be transferred to another licensed entity chosen by the beneficiaries with the approval of the Agency.
3. The Agency shall supervise all settlements related to existing insurance policies where a Company's business activities and status fall under this Article.

## **Qualification and Training**

### **Article Seventy-Seven**

The Company and Insurance and Reinsurance Services Provider shall qualify their employees to undertake duties related to insurance work.

### **Article Seventy-Eight**

The Agency shall set the minimum educational requirements related to the licensing and examination of a Person Providing Insurance and Reinsurance Services.

## **General Provisions**

### **Article Seventy-Nine**

The percentage of Saudi Employees shall not be less than 30% at the end of the first year, and this percentage shall increase annually according to a Saudization plan submitted to the Agency.

### **Article Eighty**

The Company and Insurance and Reinsurance Services Provider's advertising materials shall not contain any false, deceptive or misleading representations, whether they are related to price or their financial and economical position. They shall not include statements in their advertisement material that would appear to defame and cause prejudice to the interests, products and services of others.

### **Article Eighty-One**

No Person shall introduce a pension plan, or a reciprocal exchange, or a Self-Insurance scheme without the prior written approval of the Agency.

### **Article Eighty-Two**

The Governor shall issue all insurance related regulatory and supervisory instructions and procedures.

### **Article Eighty-Three**

A technical Committee or Committees may be formed to improve the development of the insurance sector by a decision from the Governor.

**Article Eighty-Four**

This Implementing Regulations shall be effective from its publishing date in the official Gazette. The Agency shall review and recommend amendments thereof every three years or when such amendments are deemed necessary.

**Table (1)**

<b>Investment Type</b>	<b>Percentage for General Insurance</b>	<b>Percentage for Protection and Savings Insurance</b>
Saudi Authorized Banks	20% minimum	10% minimum
Saudi Government Bonds	20% minimum	10% minimum
Saudi Riyals Denominated Investment Funds	10% maximum	15% maximum
Foreign Currency Denominated Investment Funds	10% maximum	10% maximum
Foreign Government's Bonds (Zone A)	5% maximum	5% maximum
Bonds Issued By Domestic Companies	5% maximum	5% maximum
Bonds Issued By Foreign Companies	5% maximum	5% maximum
Equities	15% maximum	15% maximum
Real Estate in Saudi Arabia	0%	5% maximum
Loans Secured by Real estate Mortgages	0%	5% maximum
Loans Secured by Policies Issued by the Insurer	0%	5% maximum
Other Investments	15% maximum	15% maximum

**Table (2)**

<b>Type of Assets</b>	<b>Admissible%</b>
Land and properties as evaluated by a qualified real estate agency by the end of the financial year as it relate to protection and savings insurance only.	5%
Land and properties as evaluated by a qualified real estate agency by the end of the financial year as it relate to general insurance only.	0%
Securities issued by one of the shareholding companies listed on a Saudi Stock Exchange.	5%
Securities issued by one of the shareholding companies not listed on a Saudi Stock Exchange.	1%
Saudi Government Development Bonds. (SGDB)	100%
Government bonds issued by (A) rated countries.	100%
Bonds issued by one financial institution.	5%
Deposits with any one of the financial institutions licensed in the Kingdom.	10%
Loans secured by policies of insurance issued by the insurer.	5%
Rights under derivative contracts.	1%
Reinsurance balances	100%
All debts due or to become due from individual other than those relating to loans secured by mortgages.	5%
Cash in hand	1%
Accrued interest and rent.	2.5%
Cash in banks	100%
Other pre-payments and accrued income.	2.5%
Deferred acquisition costs	100%
Prepaid expenses	2.5%
Premiums due within 90 days for general insurance companies	100%
Premiums due for protection and savings insurance companies	100%
Tangible assets (i.e. office furniture, equipment, vehicles, computers, etc, excluding rare art work)	2.5%
Intangible assets (i.e. good will, incorporation expenses, registered mark, etc)	0
Personal loans or benefits for employees and managers	0
Treasury stock's	0

**Table (3)**

<b>Description</b>	<b>Factor</b>
Health insurance	16%
Motor insurance	20%
Fire insurance	16%
Transport Insurance (Liability)	30%
Other Insurance Liability (Liability)	30%
Engineering Insurance	30%
Marine Insurance (vessels, goods)	30%
Aviation Insurance	30%
Energy Insurance	30%
Other classes of insurance except protection and savings insurance	16%
Facultative and treaty re-insurance for all other classes of insurance	30%

**Table (4)**

<b>Classes of Insurance</b>	<b>Factor</b>
Health insurance	24%
Motor insurance	25%
Fire insurance	20%
Transport Insurance (Liability)	35%
Other Insurance Liability (Liability)	35%
Engineering Insurance	30%
Marine Insurance (vessels, goods)	30%
Aviation Insurance	30%
Energy Insurance	30%
Other classes of insurance except protection and savings insurance	20%
Facultative and treaty re-insurance for all other classes of insurance	50%