The Saudi Arabian Monetary Authority has issued the following Rules according to the Governor’s Decision number (18/440) dated 10/04/1440H based on the powers vested to him by the Cooperative Insurance Companies Control Law promulgated by Royal Decree No. (M/32) dated 02/06/1424H (corresponding to 31/07/2003), amended by Royal Decree No. (M/30) dated 27/05/1434H (corresponding to 08/04/2013), and its Implementing Regulation issued by the Decision of the Minister of Finance No. (1/596) dated 01/03/1425H (corresponding to 20/04/2004), and in line with the Royal Decree No. (3120/MB) dated 04/03/1426H, which approves opening foreign insurance companies’ branches in Saudi Arabia according to the provisions stated in the Cooperative Insurance Companies Control Law.
Article One
The Cooperative Insurance Companies Control Law and its Implementing Regulation, as well as SAMA’s Instructions shall govern whatever is not provided for therein.

Article Two
These Rules have been issued in both Arabic and English languages. In the event of a discrepancy between the two languages, the Arabic text shall prevail over the English text.

Article Three
Definitions: The following terms and phrases, wherever mentioned herein, shall have the same meaning assigned thereto, unless the context otherwise requires:

3.1 Law: Cooperative Insurance Companies Control Law promulgated by Royal Decree No. (M/32) dated 2/6/1424H (corresponding to 31/7/2003), amended by Royal Decree No. (M/30) dated 27/05/1434H (corresponding to 8/4/2013).
3.2 **Implementing Regulation:** the Implementing Regulation of Cooperative Insurance Companies Control Law issued by Decision of the Minister of Finance No. (1/596) dated 01/03/1425H (corresponding to 20/4/2004).

3.3 **SAMA:** the Saudi Arabian Monetary Authority.

3.4 **Rules:** the Rules for Licensing and Supervision of Branches of Foreign Insurance and/or Reinsurance Companies in Saudi Arabia.

3.5 **SAMA’s Instructions:** shall include any regulations, rules, instructions and circulars issued by SAMA.

3.6 **Applicant:** a foreign Insurance and/or Reinsurance company submitting a licensing application to open a Branch in Saudi Arabia according to these Rules.

3.7 **Company:** a foreign Insurance and/or Reinsurance Company that is licensed to open a Branch in Saudi Arabia.

3.8 **Branch:** the branch of the foreign Insurance and/or Reinsurance Company.
licensed to operate in Saudi Arabia.

3.9 **Company’s Contribution:**
the amount deposited by the Company in the Branch’s account in order to conduct its business in Saudi Arabia, as specified in Article (14) of these Rules.

3.10 **Deposit:** A percentage from Company’s Contribution that every foreign insurance and/or reinsurance Company must deposit in a licensed Saudi bank to the order of SAMA as specified in Article (14) of these Rules, to be licensed according to the Rules.

3.11 **Senior Managerial Roles:**
persons responsible for managing daily operations of the Branch, and proposing and executing strategic decisions, such as Chief Executive Officer (CEO) and his/her delegates and the Chief Financial Officer (CFO).

The rest of the terms and phrases used in these Rules shall have the same meaning as defined in the Implementing Regulation.
Article Four

SAMA shall assess whether the Applicant as a whole will satisfy the requirements for licensing, particularly the following:

4.1 SAMA shall assess all circumstances of the Applicant and not just those of the proposed Branch in Saudi Arabia.

4.2 In conducting its assessment, SAMA will take into account all relevant matters, including but not limited to the nature and extent of regulation and supervision to which the Applicant is subject in its home country, and the extent to which the home country supervisory authority is cooperative with SAMA in exchanging relevant information in connection with the Applicant.

4.3 SAMA will liaise with any home country supervisory authority and take into account any information received from such authority with respect to the Applicant, including the adequacy of its resources and its suitability for licensing, having regard to the need to ensure that the Applicant’s affairs are conducted in a sound and prudent manner.

4.4 SAMA will not license the Applicant to open a Branch...
practicing insurance and/or reinsurance business in Saudi Arabia without:

4.4.1 Confirmation from the home supervisory authority that the Applicant is currently licensed to carry out the same proposed line of insurance business in its home jurisdiction, and has been writing the same line of business for the past three years.

4.4.2 Confirmation from the home supervisory authority that the Applicant is solvent and meets all regulatory requirements in its home jurisdiction.

4.4.3 Undertaken from the Applicant that he meets the solvency requirements that would apply if the Applicant were based in Saudi Arabia.

4.4.4 Confirmation from the Applicant that the paid up capital of the Applicant is equal to, or more than, the amount required for a Saudi established insurance and/or reinsurance company.

4.4.5 Undertaken from the Applicant that the Branch will not engage in
any activities other than insurance and/or reinsurance activities for which it is licensed by SAMA, unless those activities are necessary or complementary for such activities.

4.4.6 Confirmation from the Applicant that SAMA may exchange and share relevant supervisory information with the Applicant’s home supervisory authority at the time of licensing and after licensing.

4.4.7 Undertaken from the Applicant that the Branch will operate in accordance with the Law and its Implementing Regulation as well as SAMA’s Instructions and other related laws.

**Article Five**

SAMA will not license a Branch of an Applicant to operate in Saudi Arabia unless:

5.1 The Branch maintains a legal and physical presence and full infrastructure in Saudi Arabia appropriate to the nature and scale of its activities in Saudi Arabia.

5.2 The Branch establishes appropriate management and accounting procedures in Saudi Arabia similar to what is required from local companies, and to the
extent applicable to the Branch nature, which will enable the preparation of its accounts concerning its business carried out in Saudi Arabia, in addition to keeping all necessary records for this business within Saudi Arabia.

5.3 The board of directors of the Company is ultimately responsible for the Branch business. However, the Company shall form a committee of at least three members, after they get SAMA’s prior non-objection on their appointments, in order to oversee the Branch business. This committee shall be treated the same as a board of directors in a local insurance and/or reinsurance company with regard to its responsibilities and obligations, and it shall annually hold a number of meetings in Saudi Arabia in a manner that is similar to that of local company’s board of directors.

5.4 A general manager of the Branch, who is resident in Saudi Arabia, is appointed and authorized to act on behalf of the Applicant and to accept any document on behalf of the Applicant.

5.5 All Senior Managerial Roles in the Branch are occupied
by designated individuals resident in Saudi Arabia and approved by SAMA.

**Article Six**

An Applicant must submit an application to SAMA containing the following:

6.1 With respect to the Applicant’s business as a whole:

6.1.1 Completed licensing application.
6.1.2 Memorandum of Association.
6.1.3 Articles of Association.
6.1.4 Organizational structure.
6.1.5 Commercial Registration

6.1.6 The Applicant’s board of directors’ decision for opening a Branch in Saudi Arabia.

6.2 With respect to the Branch’s operations:

6.2.1 Five-year business plan that includes the following, as a minimum:

6.2.1.1 Classes of insurance and/or reinsurance that will be undertaken by the Branch.

6.2.1.2 Projected costs and financing to start the Branch’s operations.

6.2.1.3 Projected underwriting growth taking into consideration solvency margin requirements.

6.1.1 تعبئة النموذج الخاص بطلب الترخيص.
6.1.2 عقد التأسيس.
6.1.3 النظام الأساسي.
6.1.4 الهيكل التنظيمي.
6.1.5 السجل التجاري

6.1.6 قرار الموافقة على فتح فرع بالمملكة العربية السعودية صادر من مجلس إدارة مقدم الطلب.

6.2.1 خطة العمل لخمس سنوات.

6.2.1.1 أنواع أنشطة التأمين و/أو إعادة التأمين التي يزعم الفرع ممارسة النشاط فيها.

6.2.1.2 التكاليف المتوقعة لبدء النشاط والمصادر المالية اللازمة للتمويل.

6.2.1.3 معدلات النمو المتوقعة للنشاط مع مراعاة مطالب هامش الملاءة.
6.2.1.4 Annual cost based on projected growth rate.

6.2.1.5 Projected financial statements related to the growth rate.

6.2.1.6 Projected loss ratios and technical provisions by classes of insurance certified by a qualified Actuary.

6.2.1.7 Solvency projection.

6.2.1.8 Expected number of employees.

6.2.1.9 Ability to cede or accept reinsurance treaties for the classes the Branch intends to reinsure.

6.2.1.10 Marketing plan.

6.2.1.11 Branch expansion plan in Saudi Arabia.

6.2.1.12 Any agreements with external parties for the business of the Branch.

6.2.2 An irrevocable bank guarantee issued by a licensed Saudi bank, that covers the Company’s Contribution referred to in Article (14) of these Rules for the order of SAMA, and which is automatically renewed until the Company’s Contribution is paid.
6.2.3 A projection of world-wide premium income both gross and net of reinsurance ceded in each of the first five financial years following licensing and broken down between Saudi Arabia and elsewhere.

6.2.4 A summary of the reinsurance arrangements for the business of the Applicant written outside Saudi Arabia, including the Applicant’s maximum retention per risk or event after all reinsurance ceded.

6.2.5 A statement showing the current margin of solvency of the Applicant, the required margin of solvency as per the regulations of the home supervisory authority, and the basis for the calculation of the required margin of solvency.

6.2.6 Financial statements of the Applicant for each of the last three financial years.

6.2.7 The rating of the Applicant’s for the previous three years, from any international rating agencies, for example but not limited to:

- Standard & Poor’s;
- A.M. Best;
- Moody’s;
Article Seven

The Applicant shall pay SAMA the license application processing and issuing fee as stated in the Implementing Regulation for insurance and/or reinsurance companies.

Article Eight

When studying an application to license a Branch of an Applicant, SAMA will pay close regard to the Applicant’s activities elsewhere and how these activities are regulated. SAMA may consider reports produced by the IMF/World Bank, such as their Financial Sector Assessment Program (FSAP) for any particular country. If the Applicant is not regulated in any other country (e.g. some countries do not regulate reinsurance firms) or is regulated in a jurisdiction not substantially compliant with IAIS Core Principles or FATF standards, then the application can only be considered after exhaustive enquiries into the Applicant’s shareholders, management structure and financial position.

Article Nine

Taking into consideration the premiums retention percentage stated in the Implementing Regulation and/or SAMA’s Instructions, the Branch shall ensure that its liabilities - excluding the reinsurance share - equals its assets in Saudi Arabia. There should be no transfer of money from the Branch to the
Company unless it is under a service provision arrangement between the Company and the Branch that has been approved by SAMA, or retained profits shown in the annual financial position of the Branch, submitted to SAMA according to Article (15) of these Rules and after getting SAMA’s approval, provided that the Branch is in compliance with the solvency margin requirements stated in the Implementing Regulation and SAMA’s Instructions.

Article Ten

The management of the invested assets of the Branch shall be carried out by its investment department, a licensed Saudi bank or Capital Market Authority authorised person. The Investment requirements provided in the Implementing Regulation and SAMA’s Instructions shall apply to the Branch.

Article Eleven

The SAMA fee of the total underwritten premiums for inspection and supervision stated in the Implementing Regulation shall be levied in respect of all business written by the Branch excluding local market share of the reinsurance business.

Article Twelve

Surplus distribution stated in the Implementing Regulation and/or SAMA’s Instructions shall apply to the Branch’s business.

Article Thirteen

The Branch shall calculate its solvency in accordance with the

ترتيبات لتقديم خدمات بين الشركة والفرع، موافق عليها من قبل المؤسسة، أو من بنود الأرباح المبقاة المبينة في بيان المركز المالي السنوي المدقق للفرع والمقدم إلى المؤسسة بموجب المادة (15) من هذه القواعد بعد الحصول على موافقة المؤسسة، على أن يكون الفرع متزاماً بممتلكات هامش الملاءة المحددة في اللائحة التنفيذية وتعليمات المؤسسة.

المادة العاشرة

تكون إدارة الأصول المستثمرة في الفرع عن طريق إدارة الاستثمار الموجودة في الفرع أو من خلال بنك سعودي مختص أو شخص مختص له من هيئة السوق المالية. وتُطبق المتطلبات الاستثمارية المنصوص عليها في اللائحة التنفيذية وتعليمات المؤسسة على الفرع.

المادة الحادية عشرة

تُفرض تكاليف الإشراف والتفتيش المنصوص عليها في اللائحة التنفيذية من مجموع الأقساط المكتسبة على جميع الأعمال التي يقوم بها الفرع، بعد استبعاد نصيب السوق المحلي من إعادة التأمين.

المادة الثانية عشرة

تطبق معادلة توزيع فائض عمليات التأمين وإعادة التأمين المنصوص عليها في اللائحة التنفيذية و/أو تعليمات المؤسسة على أعمال الفرع.

المادة الثالثة عشرة

على الفرع احتساب هامش الملاءة الخاص به وفقاً لمتطلبات احتساب هامش الملاءة
Any Company, prior to commencing the Branch operations in Saudi Arabia shall place the Company’s Contribution with the Branch, as a minimum of one hundred million Saudi Riyals for insurance and two hundred million Saudi Riyals for reinsurance. The statutory Deposit percentage shall be determined based on the Standard & Poor's classifications or their equivalent, for example but limited to, AM Best, Moody's or Fitch, as follows:

<table>
<thead>
<tr>
<th>Rating</th>
<th>Branch Deposit</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAA</td>
<td>%10</td>
</tr>
<tr>
<td>AA</td>
<td>%20</td>
</tr>
<tr>
<td>A</td>
<td>%30</td>
</tr>
<tr>
<td>Others</td>
<td>%40 as minimum</td>
</tr>
</tbody>
</table>

If a ratings downgrade occurs, the Company shall inform SAMA and deposit the balance of the Deposit corresponding to the lower credit rating within ninety (90) days of such downgrade. If the rating of the Company is upgraded, the Company may apply to SAMA to reduce the Deposit to an amount corresponding to such upgraded rating with the change taking effect one year from the rating upgrade. SAMA may in its sole discretion and at any time

المادة الرابعة

قبل مزاولة الفرع لأعماله في المملكة العربية السعودية تودع الشركة في حساب الفرع مبلغ مساهمة الشركة بعد أدنى مئة مليون ريال في حال ممارسة نشاط التأمين ومئتا مليون ريال في حال ممارسة نشاط إعادة التأمين، وتم تحديد نسبة الوديعة النظامية لكل شركة بناءً على تصنيفات وكالة ستاندرد آند بورز أو ما يعادلها، على سبيل المثال لا الحصر، إي إم بيست أو موديز أو فيتش، وذلك على النحو الآتي:

<table>
<thead>
<tr>
<th>التصنيف الائتماني</th>
<th>نسبة الوديعة</th>
<th>Bracket</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAA</td>
<td>%10</td>
<td>AAA</td>
</tr>
<tr>
<td>AA</td>
<td>%20</td>
<td>AA</td>
</tr>
<tr>
<td>A</td>
<td>%30</td>
<td>A</td>
</tr>
<tr>
<td>أخرى</td>
<td>%40 بعد أدنى</td>
<td></td>
</tr>
</tbody>
</table>

على الشركة إخطار المؤسسة عند خفض تصنيفها الائتماني وإيداع المبلغ الفارق للوديعة المقررة للتصنيف الائتماني الأدنى خلال تسعين (90) يومًا من تاريخ انخفاض التصنيف. أما في حال ارتفاع التصنيف الائتماني للشركة فإنه يحق للشركة التقدم بطلب إلى المؤسسة لخفض الوديعة لتصل إلى المبلغ المقرر لهذا التصنيف على أن يتم تفعيل التغيير بعد مضي سنة من تاريخ رفع التصنيف، ويحق للمؤسسة في أي وقت ووفق سلطتها.
Article Fifteen
SAMA requires the Branch to submit regular reporting forms in a similar format to those required for local insurance and/or reinsurance companies.

Article Sixteen
SAMA requires the Company to submit regular returns to demonstrate its solvency determined according to Saudi Arabian regulatory requirements. In addition, SAMA requires the Company to provide it with any decisions that affects the Branch business including, but not limited to, decisions related to the capital, solvency, and the board of directors. SAMA reserves the right to set out further requirements at its sole discretion.

Article Seventeen
The Branch’s gross written premiums shall not exceed (10) times the Company’s Contribution and its reserves, unless SAMA’s prior written approval is obtained.
Article Eighteen  
The Company shall evaluate and ensure the adequacy of the technical provisions of the Branch on a quarterly basis. The Company shall remain ultimately liable for settling all policyholder obligations and other liabilities of the Branch. If required, SAMA may also deploy the Branch’s Deposit stated in Article (14) of this Rules to settle the policyholders’ obligations.

المادة الثامنة عشرة  
يجب على الشركة تقييم وضمان مدى كفاية المخصصات الفنية للفرع بشكل ربع سنوي، وتُعد الشركة في كل الأحوال مسؤولة عن تغطية التزامات حملة الوثائق وأي التزامات أخرى على الفرع. كما للمؤسسة توظيف وديعة الفرع المشار إليها في المادة (14) من هذه القواعد لتسوية مطالبات حملة الوثائق.