

Saudi Arabian Monetary Agency

Head Office

General Department of Insurance Control

Circular

التاريخ: ١٤٣٦/٠١/٠٧ هـ
الموافق: ٢٠١٥/١٠/٢٠ م

الرقم: ت.ع.م/٧٣/٢٠١٥١٠
المرفقات: Excel Sheet

**CEO/ General Manager
Company**

Subject: Property Insurance 2015

SAMA issued the Circular: Underwriting Practices 2015 Update on 25/5/1435. It was stated in that Circular that SAMA would proceed to issue instructions for property / fire insurance in Saudi Arabia.

This Circular contains SAMA's instructions for the handling of all Fire, Property and all related Business Interruption policies issued in Saudi Arabia.

Detailed instructions are contained in the protected Excel spreadsheet entitled "SAMA instructions for Property Insurance v2 – October 2015 protected" that is included with this Circular.

Issuing these instructions is intended to be the first step SAMA will take in establishing a more orderly market in Saudi Arabia for Property Insurance.

It is important for the long-term development of the market that insurance companies act as risk takers, and not as intermediaries for the international reinsurance market.

SAMA regards it as essential that the industry puts in place better controls and reinsurance to protect itself against catastrophic risks.

In addition, SAMA is seeking to raise technical standards within the insurance industry, and has identified property underwriters and risk engineers as key areas that need to be developed.

No insurance company shall ever provide a quotation without having adequate underwriting information, including claims experience, on which to scientifically determine the premium rates appropriate for the policy terms & conditions offered. It should be noted that this applies to all insurance policies of all classes.

Saudi Arabian Monetary Agency

Head Office

General Department of Insurance Control

1. Contents of Detailed Instructions

The detailed instructions spreadsheet contain the following sheets:

- **Property Instructions** – This sets out the basic instructions applicable to all Fire and Property products.
- **Business Interruption** – This set out specific requirements for Business Interruption, or Loss of Profits insurance products.
- **Survey Reports** – This specifies points that must be included in Survey Reports and when they are required.
- **Deductibles** – This sets minimum deductibles to be applied to all Fire and Property products written in Saudi Arabia.
- **Warehouses** – This sheet contains additional requirements that must be applied in respect of Warehouse Insurance.
- **Glossary** – This contains definition of terms used in the detailed instructions.
- **Building Classes** – This contains a list of building types and classes and the Sums Insured at which surveys are required.

2. The Underwriting Manual

2.1 Submission to SAMA

The Company must submit an Underwriting Manual, rating structure and premium rates, to SAMA by 1 January 2016.

The rating structure and premium rates must be in Excel spreadsheet format.

2.2 Contents of the Underwriting Manual

Underwriting Manuals must contain sufficient information so that an external party can follow any quotation produced by an Insurance Company for a risk in that Class of Insurance.

Underwriting Manuals must:

- be comprehensive and cover all risks
- be clear and user-friendly
- fully describe the quotation process
- include the Underwriting Authority Statement, fully described
- be consistent with reinsurance arrangements

Saudi Arabian Monetary Agency

Head Office

General Department of Insurance Control

The Underwriting Manual shall be signed off by the Chief Underwriter or Chief Technical Officer for the Class of Insurance, as designated by the Company.

The Risk Manager shall also sign off the Underwriting Manual (including the Underwriting Authority Statement) from the process perspective.

It should be noted that the Company is fully responsible for the accuracy, clarity and comprehensiveness of the Underwriting Manual.

SAMA requires that companies commit to translating their Underwriting Manual and Underwriting Authority Statement into Arabic by 31 December 2018. The extended timetable granted for this is in order to ensure that the English documents are of a high standard before they are translated.

3. Compliance

A copy of this Circular must be passed to the Company's Board of Directors, Audit Committee, Internal Auditors, Risk Management officers, Compliance Officer, Appointed Actuary and External Auditors.

4. Regulatory Action for Non Compliance

It should be noted that if an insurance company, broker, insurance agent or loss adjustor is not in compliance with this Circular, SAMA will take regulatory/legal actions as stipulated in the Law on Supervision of Co-operative Insurance Companies and its Implementing Regulations.

Any reinsurance company not licensed by SAMA should note that non-compliance with these instructions will be taken into account when SAMA introduces explicit requirements for reinsurers to be authorised to operate in Saudi Arabia

Thus, SAMA instructs the Insurance Company to do the following:

1. Provide SAMA with their Underwriting Manual. This must be provided by 1 January 2016.
2. Immediately provide the Insurance Company's employees who are in charge of underwriting with a copy of this Circular.

Saudi Arabian Monetary Agency

Head Office

General Department of Insurance Control

3. The requirements set out in this Circular will be effective from 1 January 2016 unless other dates are explicitly stated in the detailed instructions.
4. Note that all these instructions apply to all renewals of property products where the cover incepts at any date from 1 January 2016 onwards (inclusive of 1 January 2016).
5. Provide confirmation from the Insurance Company's CEO/GM within seven days of the date of this Circular of adherence to the instructions stated in this Circular.
6. Copies of this Circular must be provided to the full Board of Directors of the Company. Minutes of the Board meeting on the adherence to the requirements set out in this Circular must be provided to SAMA within 90 days of the date of this Circular.

Yours sincerely,



Tareq AlSadhan
Deputy Governor for Supervision

To:

- Insurance Companies
- Insurance Brokers
- Insurance Agents
- Loss adjustors
- Actuaries