

INSURANCE INDUSTRY DEVELOPMENT IN THE KSA

by John Davies

The insurance industry in Saudi Arabia has developed rapidly over recent years although it may still be regarded as in its very early stages. In terms of product development, there has been a distinct lack of activity with the trend being towards transplanting products and practice from other markets.

The use of products developed in other markets has not been particularly negative as far as commercial general insurances have been concerned. However, in the area of personal insurances, there has been criticism that products developed elsewhere have failed to meet the particular needs of those resident in the Kingdom. As a result of this and other factors, a mass market for personal lines has failed to develop.

With the formation of NCCI (National Company for Cooperative Insurance), came a commitment to develop consumer awareness of insurance and to bring more customers into the marketplace. In addition, NCCI is structured in accordance with the Cooperative Insurance concept. To those of us from the UK, this is very similar to a Mutual Insurer or a Friendly Society with profits or surplus being distributed amongst subscribers (policyholders). This structure renders NCCI products acceptable to large numbers of Saudi residents who might otherwise resist the purchase of an insurance product.

NCCI have moved on from the purely educational role and are now beginning to develop uniquely Saudi products. The most interesting and innovative of these is the "Private Rukhsa Insurance". Rukhsa is Arabic for licence and the policy is designed to cover third party liabilities

arising out of the use of a motor vehicle by the holder of a Saudi Private Driving Licence. The bikers amongst you may recall the Norwich Union "Riders" policy. This was exactly the same concept in that the policy covered a biker whilst riding any machine. This is unlike traditional motor insurance where the cover follows the vehicle, not the driver (there are some exceptions to this).

Now, some of you will be thinking that this is not particularly exceptional and that you will be content to rely on insuring along traditional lines. Perhaps you only use one vehicle. With the Rukhsa Insurance, there is a further major feature which should encourage all readers to consider making a purchase. This is the Bail-Bond power of an NCCI motor insurance policy.

My understanding, though fortunately not personal experience, is that a motorist involved in an accident, whereby a third party is injured or suffers property damage, is liable to spend some time in the traffic police lock-up. The production of your Rukhsa policy to the authorities, will ensure your prompt release from police custody. You will require no other guarantor. No other insurer in the Kingdom is yet in a position to offer this benefit.

The cost of the private Rukhsa insurance is SR1 per day (SR365 per year). I would argue that even should you hold policies with other insurers which provide third party motor cover, it is worth purchasing Rukhsa. It should be noted that in such cases, the Rukhsa will only act as a Bail-Bond, with your alternative coverage actually paying claims. Be careful to obtain your Insurer's agreement, otherwise

you may be caught in the middle of a dispute between Insurers.

Whilst I consider the Rukhsa to be a good buy, to me its significance is as the forerunner to the other products to be developed, in order to convert the innermost potential of the local market into a reality.

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