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Regulation Brings Opportunities In Insurance And Reinsurance In Saudi Arabia, Says Report

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LONDON (Standard & Poor's) Oct. 14, 2008--In its latest report on the insurance market in the Kingdom of Saudi Arabia (see "Insurance And Reinsurance In The Kingdom of Saudi Arabia: Economic And Industry Risks Exist, But Market Prospects Remain Strong"), Standard & Poor's Ratings Services says that insurance and reinsurance in the Kingdom have entered a new era of strength and opportunity in 2008, despite some inevitable short-term uncertainties during the recent transitional period from an unregulated to a regulated marketplace.

"During the past three years, most of the 100 or so unregulated, offshore insurers that traditionally made up much of the Kingdom's insurance market have ceased trading in Saudi Arabia," said Standard & Poor's credit analyst David Anthony. "Those that wished to remain active in the Saudi market have had to comply with the new regulations by bringing their local operations onshore. The resulting, newly established Saudi companies had to be listed on the Riyadh Tadawul stock exchange and a majority of their equity had to be Saudi-owned. Insurers also had to adopt the authorities' newly defined regulations on minimum capitalization, corporate governance, market conduct, and the employment of Saudi citizens."

Mr. Anthony said: "An additional aspect of the new regulations has been to force insurers to structure their operations to implicitly comply with Sharia law. This means operating along cooperative insurance lines, with separate shareholder and policyholder accounts."

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