

SAUDI ARABIA

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Saudi Arabia Implements the Employment Interruption Insurance



By Peter Hodgins and Karim Fawaz

The Issuance of the Law

On July 1st, 2013, the Saudi Shura Council met and approved a draft Law in relation to Employment Interruption Insurance (the EILL). Despite the significant interest in the Saudi media at the time there was limited information available to the public in respect of the EILL. These details have now been published on February 14th, 2014 in the Official Gazette (Um Al-Qura), the Employment Interruption Insurance scheme (Saned) was officially established following King Abdullah's approval of the EILL. The EILL is to commence within 6 months from the date of the publication.

Contributions to Saned

In accordance with the EILL, Saned is a scheme of benefits for Saudi nationals that is designed to supplement the social benefits provided under the regulations issued by the General Organisation of Social Insurance (GOSI). In order for a Saudi national to benefit from Saned, it is necessary for them to opt into Saned and to make contributions to the scheme. Hence, at this stage, it is an optional scheme. If a Saudi national wishes to contribute to Saned, and provided all other conditions discussed below are satisfied, the Saudi national is required to make a contribution of 2 percent of their salary (the salary on which GOSI contributions are calculated). This contribution is equally split between the employer and the employee; thus, each party will pay 1 percent the employee's salary. This contribution is in addition to the other GOSI contributions.

Eligibility to benefits

Saned applies to all Saudi nationals who satisfy the required conditions and extends to individuals employed by the Government who are contributing to GOSI. The main conditions for an employee to be eligible to opt in to it are:

- the individual must have been registered in GOSI for at least 12 months;
- the individual must not leave his job at will;
- the individual must not have another source of income from any

- other personal work or activity; and
- the individual must be less than 59 years of age on the date that Saned was implemented.

Compensation paid under Saned

Eligible contributors to Saned are entitled to fair compensation in the event of employment interruption. The compensation payable is based on the average monthly salary of the individual for the last two years (for these purposes the reference to salary is that income which is subject to GOSI contributions). Where compensation payment is triggered the individual is entitled to benefits for the first three (3) months of a value equal to 60 percent of the average monthly salary subject to a maximum limit of nine thousand Saudi Riyals (SR 9,000). For the next nine (9) months, the benefits are reduced to 50 percent of the average monthly salary with a maximum limit of SR 7,500, provided always that the minimum payment is not less than the daily needs of the individual whilst they seek alternative employment (currently specified as being SR 2,000). The maximum period of compensation is 12 months, whether consecutive or interrupted, for each and every incident of eligibility.

Comments

Upon the official launch of Saned, Saudi insurers rushed to propose their participation in insuring this business as this is expected to be a burdensome project for GOSI to handle on its own. These discussions are serious and if insurers succeed, it will result in a new insurance product entering the Saudi market.

It is also remarkable that the protection under Saned is called 'insurance' (*ta'meen*) as a scheme under GOSI where 'Insurance' is in fact (*dhaman*). Insurance in Saudi Arabia is required by the laws and regulations issued by the Saudi Monetary Agency (SAMA) to be of a cooperative structure. In case insurers succeed to establish business with GOSI, a new product of Employment Interruption Cooperative Insurance is expected to emerge and will inevitably be subject to the prior approval of the SAMA the exclusive insurance regulator in Saudi Arabia.

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