Speaking to you is Mr. Fahad Al-Howaimel, Assistant Governor for Insurance Affairs in the General Organization for Social Insurance (GOSI), Riyadh, the Kingdom of Saudi Arabia.

Today, I will talk to you about the Social Insurance Law and the recent amendments which were introduced.

First: Social Insurance Protection in the Kingdom

Before I start talking about the Social Insurance Law, it might be appropriate to clarify some point regarding social protection schemes in the Kingdom. There are many pioneer schemes and programs of social protection in the Kingdom, which affirm the government's keen interest towards all sectors in the community to elevate members from poverty. In this regards, I am going to preview the most important programs available.

Social welfare:

In the Kingdom, the social welfare program provides financial assistance for the poor and the needy. This program is totally financed by Zakat Fund. The number of beneficiaries of this program has reached 1.5 million citizens.

Schemes from the Ministry of Social Affairs:

There are many social protection schemes in the Kingdom which the Ministry of Social Affairs supervises. These schemes are Charitable Housing, Charity Organizations, Orphans and Minors Care, Aged-people Care, Handicapped Care and the National Charity Fund.

Labour Law:

The worker's rights have been preserved by the Labour Law. In one of its provisions, the Law indicated that the worker, whatever his nationality is, has the right to receive an end-of-service reward which equals one half of his wage for every year he spends working within his first five years of service, and one full wage for every year in which he worked for more than five years. This reward is paid only by the employer himself. Also, the Law has forced employers to register their workers in health care and occupational hazards insurances which are not covered by GOSI.

Civil and Military Retirement Scheme:

Regarding retirement schemes, there are two schemes in the Kingdom. The first one is the Civil and Military Retirement Scheme, which covers over than 1.5 million employees. This scheme is aimed at the government civil and military workers to provide them with pensions when they reach age of retirement, pass away or become disabled. The total number of beneficiaries under this scheme had reached half a million persons.

Social Insurance Law:

The second retirement scheme is the Social Insurance Scheme, which provides Saudi Workers in the private sector with social insurance coverage when they reach retirement age, pass away or become disabled. This scheme also provides all workers, Saudi and non-Saudi, in the private sector with social insurance protection from occupational hazards. The number of contributors under this scheme has exceeded 3.7 million members, and beneficiaries became more than 200,000 individual.

Second: Social Insurance Scheme

Saudi Social Insurance Law basically consists of two branches of Social Insurance.

1. Occupational Hazards Branch

This branch guarantees that the worker shall be entitled to a suitable pension or lump sum amounts as a compensation in case of injuries resulted from work accidents or occupational diseases. In addition, this branch ensures that the worker shall be treated for injury and entitled to daily allowances during the period of suspension of employment because of the injury as a compensation for his ceased wage. This branch is applied to all workers (Saudi and non-Saudi).

2. Annuities Branch

This branch guarantees that the worker shall be entitled to a pension or lump sum amounts – according to his contribution period in this branch. However, this would be achieved only when the worker attains the age of sixty and not in employment or when afflicted with a non-occupational disability where he is unable to earn one third of his usual wage. In addition, this branch ensures that the worker's family members shall be entitled to such pension at his death. This branch is only applied to Saudi workers.

The Annuities Branch was effectively implemented on large establishments as of February 1973. Since then, the implementation of this branch gradually applied according to the capability growth of GOSI which is authorized to carry out the Social Insurance Law. On the other hand, the Occupational Hazards Branch was implemented in May 1982 for all workers (Saudi and non-Saudi) and gradually applied as the Annuities Branch. However, the two branches are currently applied to establishments employing one worker.

The number of private sector workers who receive benefits from the Law is growing which reflects their satisfaction with its objectives. Therefore, their concern of seeking to develop Law provisions in order to improve these benefits was growing. Also, this concern was expressed by other non-workers groups (such as persons engaged in liberal professions). However, GOSI departments were evaluating the results of applying the Law. At the same time, GOSI was following up the reforms and developments of benefits and provisions in Social Insurance Laws of other countries. Furthermore, there are two retirement Laws in the Kingdom of Saudi Arabia, one of them is related to the employees of government sector and the other is related to the employees of private sector. This in turn necessitates achieving mutual approach between the two laws on the level of contribution or benefits which will eventually lead to coordination between the two Laws for the sake of the workers.

According to the above, GOSI is totally convinced that it is necessary to develop Saudi Social Insurance Law in a way that fulfils the expectations of those dealing with this Law and ensures that GOSI would continue its commitment to provide the benefits for all of them. Therefore, after collecting and studying all proposals of amendment, GOSI listed the suitable proposals and submitted them to actuarial experts who estimated the costs of the new merits and their effects on GOSI financial position.

Due to the fact that there were so many amendments, it was suitable to issue a new Law for Social Insurance which replaces the existing Law. This is actually what was made. However, this new Law is designed to achieve the following main objectives:

1. Opening the way for new groups of citizens to have the use of social insurance benefits. These groups include Saudi citizens who are engaged in liberal professions, tradesmen and self-employed or in partnership with others, in economic activity in addition to Saudi nationals employed abroad.

2. Increasing the number of those entitled to monthly pensions, as it is the main object of Social Insurance. This would be achieved by allowing other members of the contributor's family to be entitled to his pension, reducing the contribution period qualifying for pension eligibility, and allowing aggregation of an additional period in order to enable the contributor to complete his qualifying period.

3. Improving annuities and benefits in general by increasing their amount and setting a minimum for them.

4. Achieving mutual approach as possible between the provisions, benefits and contribution amount in Social Insurance Law along with the same in Retirement Law for government employees. However, this would pave the way to achieve coordination between the two Laws for the sake of workers and employees who transfer from a sector covered under one Law into a sector covered under the other.

THE MOST IMPORTANT AMENDED PROVISIONS WHICH WERE INCLUDED IN THE NEW SOCIAL INSURANCE LAW IN THE KINGDOM OF SAUDI ARABIA

- In The Field of Registration:

1. Voluntary contribution in Annuities Branch shall be allowed to groups of Saudi citizens who are not hirers. These groups shall include those who are engaged in liberal professions, and self

employed, and tradesmen, and Saudi nationals employed abroad, and hirers who left work and stopped paying contributions. Also, a regular gradual table was set up to define the assumed income under which the contributors shall be paid for. In the previous Law, however, this was only applied to hirers in private sector.

2. The maximum limit of the worker's age shall be less than 60 in order to implement the Annuities Branch provisions on the worker for the first time. However, the Law shall be applied to the worker who has been covered under the Annuities Branch and has not received a pension regardless of his age in order to be entitled for a pension. If the worker already entitled a pension, his/her coverage under the Annuities Branch would be voluntary provided that the worker has not attained the age of 65 when he/she resumes the work. In the previous Law, however, this was only applied to the worker regardless of his/her age at the time of implementation.

- In The Field of Contributions:

1. The contribution rate in the Annuities Branch shall be raised to (18%) of the worker contributory wage. However, this rate is (5%) higher than that provided in the previous Law. This difference was made to finance the additional benefits and improvements of the previous benefits. It was taken into consideration that the contribution rate in the new Law shall be equivalent to the contribution rate in the Law related to the government employees (18% of the employee wage). However, the benefits which are paid to the workers in the two Laws have become almost the same.

2. The maximum contributory wage shall be SR. 45,000 (US$ 12,000) per month. However, there was no maximum contributory wage in the previous law.

3. The annual increases in contributory wage shall no more be paid from the date on which the worker reaches age fifty except to the extent of (10%).

4. The range of guarantees which oblige the employers to respond to implementing Social Insurance Law on their workers shall be

extended. The State Bodies were instructed to require the employer dealing with them to submit a certificate evidencing that his establishment has been registered under the Law and that he has discharged all his obligations towards the Law.

- In The Field of Benefits under The Occupational Hazards Branch

1. The amount of the daily allowance being paid to the injured worker as a compensation for his/her ceased wage due to his/her injury shall be raised to (100%) of the daily contributory wage, which amount shall be reduced to (75%) of the said wage while he/she is under treatment at GOSI expense at a treatment center. However, the previous law provided that the amount of the daily allowance shall be assessed at the rate of (75%) of the daily contributory wage, which amount shall be reduced to (50%) of the said wage while he/she is under treatment at a treatment center.

2. The amount of total occupational disability benefit and the death benefit by reason of an employment injury shall be raised to (100%) of the average contributory wage. However, they were (75%) of that average in the previous law.

3. The lump sum compensation amount of the permanent partial disability which does not qualify the worker for a benefit shall be raised to an amount equivalent to (60) times of the assumed monthly benefit according to the disability degree provided that the worker is not over (40). If the worker is over (40), the compensation shall be reduced according to the number of years over (40) and the compensation amount shall not be less than (36) times of the said benefit with a maximum amount of SR. 165,000 (US$ 44,000) However, the previous law provided that the lump sum compensation amount shall be equivalent to (36) times of the assumed monthly benefit according to the disability degree.

- In The Field of Benefits under The Annuities Branch

1. The number of contributors entitled for pensions under this Branch shall be raised by allowing female contributor and contributors

who work in arduous or unhealthy occupations to apply for early retirement at the age of (55) and paying a pension to the family of the contributor who is sentenced for a term of imprisonment even though he may be under 60 years of age provided that the period of contribution shall not be less than (120) contribution months. Moreover, the contributor, aged 60 and his/her contribution in this branch has discontinued without completing the period qualifying for retirement pension and his/her period of contribution is at least (60) months, may claim to aggregate a certain period in order to complete the qualifying period.

2. The contribution periods qualifying for pension eligibility shall be reduced due to the following:

    - Attaining the age of 60 (The period of contribution was reduced from (180) to (120) months).

    - Non-occupational disability (The period of contribution was reduced from (120) months to (12) consecutive months or (18) non-consecutive months provided that the disability shall have occurred while the contributor has been covered under the Law).

    - Death (The period of contribution was reduced from (120) months to (3) consecutive months or (6) non-consecutive months provided that the death shall have occurred while the contributor has been covered under the Law).

Common Provisions between the Occupational Hazards Branch and Annuities Branch

1. The minimum limit of the total occupational disability benefit and the contributor's pension under the Annuities Branch shall be SR. 1500 (US$ 400). This minimum, however, was raised to SR. 1725 (US$ 460) as of October 2005.

2. The number of family members entitled for death benefit resulting from work injury and entitled for the deceased's pension under the Annuities Branch shall be raised by adding new members to the family members who are basically entitled for the contributor's

benefit or pension. The new family members include grandfather, grandmother, granddaughter and grandsons of the contributor who his son died, and the disabled widower who his wife was covered under the law. Also, some restrictions on the beneficiaries' eligibility shall be reduced.

Third: Law for Portability of Benefit Rights between the Civil and Military Retirement Scheme and the Social Insurance Scheme:

In addition to the amendments mentioned earlier, the Law for Portability between the Civil and Military Scheme, from one side, and the Social Insurance Scheme, from the other has been put into effect. The implementation of this law actually started four years ago. The first indications to the success of this law and its achievements of the intended goals show the following:

- Contributors were allowed to receive a pension after aggregating periods of contributions.

- The value of pension after aggregating periods of contributions was increased.

- The workforce and experience were encouraged to be transfer between government and private sectors.

- Nationalizing employment positions was supported in the private sector and new job opportunities were created in the government sector.

Fourth: Unified Law of Insurance Protection Extension for Gulf Cooperation Council States Citizens Working outside their Countries in any of the Council State Members:

Since January 2006, the law for extending the insurance coverage for Saudi employees working within GCC states had been implemented. Any Saudi employee in the private sector working within a GCC state is subjected to the Saudi Social Insurance Scheme. The contributor is treated in the same manner as a Saudi contributor working in the

Kingdom of Saudi Arabia as to retirement, death or non-occupational disability benefits.

Fifth: GOSI on-line:

GOSI started transferring its works to the e-government system. A virtual office has been placed on the internet by which you can perform most business tasks without the need to visit GOSI offices and without needing to submit any forms or documents. This step has facilitated GOSI works and speedup processes and made contacting GOSI with its members (such as employers, beneficiaries or medical agencies) more easy. Of courses, this provided a positive effect on registering workers, subjecting them to the scheme's coverage and arranging for payment of contribution via various channels of payments without any delays.

Sixth: Future Challenges:

With the presence of early retirement benefits, maintaining a stable financial position for the fund represents a future challenge. These early retirement pensions exhaust a large part from the scheme's incomes. Additionally, the longevity of beneficiaries and the increase in mortality rates result in longer periods of payment. Thus, such challenges post a financial pressure on the fund, especially if the scheme is not fully funded and is only financed partially. This necessitates subjecting the situation to close monitoring and arrange for proper amendments before things get worse.