Requirements for Licensing and License Renewal of Insurance Business (Directive No. 107/2020)

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National Bank of Ethiopia

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LICENSING AND SUPERVISION OF INSURANCE BUSINESS

Requirements for Licensing and License Renewal of Insurance Business Directive No. 107/2020

Whereas, promoting strong and viable sector in Ethiopia is crucial for macroeconomic stability and growth;

Whereas, proper licensing and supervision of the insurance system is important to ensure the safety and soundness of the sector;

Whereas, establishing clear, objective and transparent requirements for licensing and renewal is essential to promote the sector;

Now, therefore, in accordance with, Articles 4(1), 4(4) and 58(2) Insurance Business Proclamation No. 746/2012; the National Bank of Ethiopia hereby issues these directives.

1. Short Title

These directives may be cited as **"Requirements for Licensing and License Renewal Insurance, Business Directives No. 107/2020"**

2. Definitions

For the purpose of these directives, unless the context requires otherwise:-

2.1 **"chief executive officer"** means a person, by whatever title that person may be referred to, who is primarily responsible for the day-to-day management of the affairs of an insurer;

2.2 **"director"** means any member of the board of directors of an insurer**,** by whatever title he/she may be referred to**;**

2.3 **"influential shareholder"** means a person who holds directly or indirectly two percent or more of the total subscribed capital of an insurer;

2.4 **"National Bank"** means the National Bank of Ethiopia;

2.5 **"organizers"** means persons who have initiated plans or facilitated the formation of the insurer and who shall be fully jointly and severally liable to third parties in respect of commitments entered into during the formation process of an insurer;

2.6 **"persons with significant influence"** means influential shareholders, directors, chief executive officer and senior executive officers;

2.7 **"project manager"** means a person who shall be in charge of the whole process of obtaining business license of an insurer;

2.8 "related party" means

On the one hand,

an organizer, a project manager, a shareholder, a director, chief executive officer or senior executive officer of that insurer and/or the spouse or relation in the first degree of consanguinity or affinity of such organizer, project manager, shareholder, director, chief executive officer or senior executive officer, and

On the other,

a partnership, a common enterprise, a private limited company, a share company, a joint venture, or any other business in which the shareholder, director, chief executive officer or senior executive officer of the insurer and/or the spouse or relation in the first degree of consanguinity or affinity of such organizer, project manager, shareholder, director, chief executive officer or senior executive officer has a business interest as owner, partner, shareholder, director chief executive officer or senior executive officer or in any other way or form;

2.9 "Senior executive officer" means any officer of an insurer, by whatever title he/she may be referred to, who is deputy to the chief executive officer or is directly reporting to the board of directors.

3. Scope of Application

The provisions of these directives shall be applicable on those who desire to obtain or renew insurance business license.

4. Organizers and Project Manager

4.1 Organizers shall appoint a project manager.

4.2 The project manager shall have:

4.2.1 first degree from recognized higher learning institution, and

4.2.2 business experience preferable in designing insurance project.

4.3 The project manager and the organizers shall be honest, reputable and diligent. In determining integrity of the organizers and project manager, all relevant factors shall be considered, including but not limited to:

4.3.1 Whether the person has a record or evidence of previous conduct and activities where he/she has been convicted for a criminal offense under any law designed to protect members of the public from dishonesty or fraud whether in Ethiopia or elsewhere;

4.3.2 Whether the person has a record of withholding information from public authorities, submission of incorrect financial or other statements, prior refusal of regulatory/supervisory approval and failure to comply with

requirements of regulatory/supervisory body, other corrective actions or interventions by public authorities; and

4.3.3 whether the person has a record of disciplinary measures or any dispute with previous employers or compliance with a code of conduct which has led to the imposition of a penalty under employment law and any other disciplinary measures imposed by trade or professional associations.

5. Licensing Requirements

Requirements to obtain insurance business license include the following:

5.1 Pre-application phase

5.1.1 Evidence of registration of trade name from Ministry of Trade and/or Regional Trade Bureau.

5.1.2 Signed minutes of first meeting of organizers along with attendance sheet.

5.1.3 Submission of prospectus, which is a printed statement that describes, forecasts the course or nature of the company along with expected risks, to be distributed to prospective investors.

5.1.4 Written application requesting to open blocked subscription account indicating the name of the bank/s/branch(es).

5.1.5 Duly completed application form and propriety test questionnaire, as specified under **Attachment I, II** and **III** of these Directives, for organizers and project manager.

5.1.6 Evidence of payment of investigation fee.

5.2 Application Phase

5.2.1 Duly completed application form as specified under **Attachment IV** of these Directives, shall be submitted, together with all enclosures as stated herein, to the Insurance Supervision Directorate.

5.1.1 Evidence of paid-up capital which includes certificate of deposits in a blocked account and evidence for valuation of contribution in kind (if any).

5.1.2 Signed minutes of subscribers meeting with attendance sheet.

5.1.3 List of names, nationality, address, number and value of subscribed and paid up shares of founders to be published in newspaper.

5.1.4 Articles and memorandum of associations written in Amharic.

5.1.5 Authenticated ownership certificate and/or lease agreement for building, land, vault, equipment, fixtures and professional services.

5.1.6 Evidence for insurance coverage for premises acquired or leased.

5.1.7 Description of actual purchases made or proposed purchase of goods and services or lease of real estate by the insurer from related parties, organizers and project manager who are not shareholders.

5.1.8 Duly completed general information and propriety test questionnaires for influential shareholders, directors, chief executive officer and senior executive officers as per **ANNEXES I** and **II** of these Directives.

5.1.9 Disclosure of names, nationality, address, numbers and values of subscribed capital of influential shareholders who have acquired 2% or more.

5.1.10 Business plan stating that at least the following:

a) executive summary,

b) introduction,

c) macroeconomic analysis,

d) financial sector analysis,

e) insurance sector analysis,

f) business environments,

g) organization charts of the institution with brief description of the functions of the main organizational units,

h) strategic and operational plans,

i) source of capital and finances,

j) products and services,

k) technological competency,

l) accounting policies,

m) assumptions for financial projections,

n) financial projections for the first three years including; revenue account, balance sheet, income statement, cash flow projections and sensitivity analysis, and

o) conclusion /recommendation.

5.1.11 Specimen insurance policies together with endorsement and proposal forms for each class of insurance business to be undertaken by the insurer.

5.1.12 Schedule of premium rates and commissions in respect of each class of insurance business that the applicant proposes to undertake.

5.1.13 Re-insurance policy and program.

5.1.14 Confirmation for reinsurance arrangement.

5.1.15 Evidence of payment of licensing fee.

6 Conditions for Commencement of Operation

To commence operation, a licensed insurer shall:

6.1 Put in place at a minimum comprehensive policies, procedure manuals, programs and guidelines for:

6.1.1 human resource management,

6.1.2 investment,

6.1.3 liquidity management,

6.1.4 internal audit/control,

6.1.5 management information system/MIS,

6.1.6 planning and budgeting,

6.1.7 finance,

6.1.8 risk management,

6.1.9 fixed assets,

6.1.10 corporate governance,

6.1.11 detection and prevention of criminal activities,

6.1.12 outsourcing,

6.1.13 marketing,

6.1.14 underwriting,

6.1.15 claims,

6.1.16 re-insurance and

6.1.17 procurement.

6.2 Hire, train and place adequate and appropriate staff.

6.3 Ensure that the operating area and the insurance hall include:

a) proper ventilation and circulation of fresh air,

b) suitable and clean sanitary service,

c) sufficient and suitable lighting,

d) displays of working hours,

e) fire extinguishers at appropriate places,

6.4 having insurance policy for the following at a minimum:

i. fire and other perils,

ii. burglary and theft,

iii. fidelity, and

iv. cash and valuables in premise and in transit.

7 Display of License

A licensed insurer shall at all time display in a conspicuous place its valid original business license in its head office and copy of the business license in its branches.

8 Renewal of License

8.1 An insurer shall renew its license every year.

8.2 An insurer applying for renewal of business license shall present the following:

8.2.1 application requesting renewal of business license and any changes in the particulars of the existing license;

8.2.2 evidence of deposit slip for payment of additional statutory deposit;

8.2.3 original business license; and

8.2.4 evidence of payment of renewal fee and/or penalty.

9 Fees

9.1 A Company applying to obtain new insurance business license shall pay:

9.1.1. investigation fee of Birr 3,000; and

9.1.2 licensing fee of Birr 3,000 for general or long term insurance, Birr 4,000 to undertake both.

9.2 An insurer applying for renewal of its business license shall pay renewal fee of Birr 3,000 for general or long term insurance or Birr 4,000 to undertake both.

10 Repeal

The provisions of articles 1-3 and 6 of the Licensing and Supervision of Insurance Business Directives No SIB/1/1994 are hereby repealed and replaced by these directives**.**

11 Effective date

These directives shall enter into force as of as of the 1st day of March 2013.

Atttachment I

Photograph of organizing committee's chairperson

Application Form for Organizers
General Information

No.	Full [1]name	Nationality	Address				
			City	Sub-city	Wereda	House No.	Tel.
1							
2							
3							
.							
.							

1. Proposed name of the insurance company ***(under formation)*** _____
2. Name of organizing committee's chairperson_____
   2.1 Address_____
3. I hereby confirm that the above particulars and the information provided in the attached enclosure are true and correct.

Date_____ Signature of organizing committee's chairperson_____

[1] Including grand father

Attachment II

Photo

Application Form for Project Manager
General Information

Full [2]name	Nationality	Address				
		City	Sub-city	Wereda	House No.	Tel.

1. Proposed name of the insurance company ***(under formation)*** _____
2. Present position of the project manager_____
3. I hereby confirm that the above particulars and the information provided in the attached enclosure are true and correct.

Date_____ **Signature _____**

[2] Including grand father

Attachment III: PROPRIETY TEST QUESTIONNAIRE (organizer or project manager -Underline)

Please give yes or no answers for the following questions and if your answer is "yes" please give particulars.

Full Name: _____

(organizer or project -Underline)

Name of insurance company: _____

		Yes	No
1.	Have you been charged or convicted of any criminal offence, particularly an offence relating to dishonesty or fraud, under any law whether in Ethiopia or elsewhere? If yes, give particulars_____ _____	☐	☐
2.	Have you ever been imposed with corrective actions or interventions by public authority due to withholding information or submission of incorrect financial or other statements? If yes, give particulars_____ _____	☐	☐
3.	Have you ever been refused approval by any regulatory/supervisory body or failed to comply with requirements of regulatory/supervisory body? If yes, give particulars_____ _____	☐	☐
4.	Have you ever been in dispute with previous employers concerning fulfillment of position or compliance with a code of conduct which has led to the imposition of a penalty under employment law or ever been dismissed or requested to resign from any office of employment or disciplinary measures imposed by trade or professional associations? If yes, give particulars_____ _____	☐	☐
5.	Have you been refused, whether in Ethiopia or elsewhere, the right to carry on any trade, business or profession for which a specific license, registration or other authority is required; If yes, give particulars_____ _____	☐	☐
6.	Have you ever been declared bankrupt whether in Ethiopia or elsewhere or have your assets have been sequestrated because of bankruptcy or foreclosed by a bank due to failure to repay a loan? If yes, give particulars_____ _____	☐	☐
7.	Have you ever been convicted of default on repayments of bank or other credits or tax payment ? If yes, give particulars_____ _____	☐	☐

8. Have you ever been carrying non-performing loans or account been closed and not reinstated by any bank in line with relevant directives of the National Bank? ☐ ☐

If yes, give particulars_____

_____

Declaration

I am aware that under sub-article 6(b) of Article 57 of Insurance Business Proclamation No.746/2012, it is an offense to provide false or misleading statement.

I certify that the information and/or statements given above are complete and accurate to the best of my knowledge, and that there are no other facts relevant to this application of which the National Bank should be aware. I also undertake to inform the National Bank of any changes material to the application.

Name _____

Signature_____

Date _____

Attachment IV

Photograph

APPLICATION FORM TO UNDERTAKE INSURANCE BUSINESS

1. Name of applicant and designation _____
   _____
2. Name of the insurance company (Under formation)_____
3. Name of the contact person_____
   Address: _____
4. Address of the insurance company ***(Under formation)***
   - Street(Location):_____
   - Building: _____
   - Postal address:_____
   - Telephone no.:_____
   - Fax:_____
   - E-mail_____

5. **List of shareholders who own 2% or more**

No.	Full name[3]	Nationality	City	Sub-city	Wereda	House No.	Tel.	Subscribed capital			Paid up Capital	
								Number of shares	Amount in Birr	% of subscribed shares	Number of shares	Amount in Birr
1												
2												
.												
.												
.												
Grand Total												

Note: List of subscribers to be annexed to the Memorandum and Articles of Association should follow the same format.

[3] Including grandfather

6. **Names and Address of Board Members**

No.	Full name[4]	Nationality	City	Sub-city	Wereda	House No.	Tel.	Subscribed capital		Paid up Capital	
								Number of shares	Amount in Birr	Number of shares	Amount in Birr
1											
2											
.											
.											
.											
Grand Total											

[4] Including grandfather

7. Products and services of the insurance company

7.1 Identify the classes of insurance to be undertaken.

Long term ☐ General ☐

7.2 If general insurance business is to be undertaken, identify the class or classes:

7.2.1 _____
7.2.2 _____
7.2.3 _____
7.2.4 _____
7.2.5 _____
7.2.6 _____
7.2.7 _____
7.2.8 _____
7.2.9 _____
7.2.10 _____

8. Paid-up capital contribution

8.1 In cash Birr_____

8.2 In kind (Specify the type of property and value in Birr and the manner of valuation (if any))_____

9. Initial capital of the insurance company***(Under formation)*** in Birr_____

9.1 Subscribed capital Birr_____. (_____ Birr)

9.2 Paid-up capital Birr_____. (_____ Birr)

10. Shares

10.1 Number of shares subscribed _____

10.2 Par value of the share in Birr_____

11. Provide the following with respect to:

11.1 In cash Birr _____

Item	Manner of acquisition[5]	Cost
a. Building		
b. Land		
c. Vault		
d. Equipment		
e. Fixture		
f. Professional Services		
Total		

11.2 Indicate if any of items herein above is acquired from related parties.

_____

_____

12. Types and extent of proposed insurance coverage_____

_____

13. Name and address of re-insurer(s) _____

14. Name and address of actuary _____

15. Please give statement that members of board of directors, chief executive officer, senior executive officers and influential shareholders are vetted to fulfill the requirements stated in Article 4(1g&h), Article 15(1) and Article 16 of Insurance Business Proclamation No. 746/2012 and Requirements for Persons with Significant Influence in an Insurance Company Directive No.SIB/32/2012 .

_____

_____

16. Any additional comments_____

_____

17. I hereby confirm that the foregoing statements, particulars, enclosures, and information are true and correct the best of my knowledge.

Date_____ Signature_____

_____

Name and official designation of the applicant

[5] Lease, purchase, rent . . .etc, and attach agreements as per the manner of acquisition

CONFIDENTIAL

ANNEX 1: GENERAL INFORMATION (Influential shareholder, director, chief executive officer or senior executive officer - Underline)

NB: In case the space provided is inadequate, use additional paper.

1. Name of the insurance company_____
2. Personal Information
   a) Full Name: _____
   b) Date of Birth: _____
   c) Place of Birth: _____
   d) Nationality: _____
   e) Identification Card Number and Date of Issue: _____
   f) Passport Number and Date of Issue: _____
   g) Tax Payer Identification Number: _____
   h) Address: City:_____ Sub-City:_____ Kebele: _____ House No: _____ Postal Address: _____ Telephone No: _____

   h) Educational Qualification:

   _____

   _____

   i) Summary of Work Experience:

No.	Organization	Position	Duration	Number of years

   j) Name(s) of your bankers for the last 5 years

   _____

   _____

3. Please list financial institutions in which you currently (as of completing this form) own shares in the following table.

Name of	Subscribed Shares owned	Remarks

the financial institution	**In number**	**Share in the financial institution's total subscribed capital (%)**	

4. Description of your past and current business activities in Ethiopia and abroad (if applicable)

a) Current shareholding or ownership in non-financial company

Company name	**Date of incorporation**	**Amount of shareholding**	**% Of shareholding (in total shares of the company)**	**Remark**

b) Past shareholding or ownership in a company (shares you owned in the past but had been relinquished) Including financial institutions

Company name	**Date of incorporation**	**Amount of shareholding**	**% of shareholding (in total shares of the company)**	**Reason for termination of shareholding**	**Remark**

c) Borrowings (directly or indirectly)

Name of borrower*	**Name of lending institution**	**Type of facility/loan**	**Amount borrowed**	**Date of Approval**	**Security offered (type)**	**Value of security**	**Current outstanding Balance**	**Status of the loan (pass, s. mention, doubtful …)**	**Remark**

*Including all companies 10% or more owned by the applicant, the applicant's spouse and children less than 18 years)

5. If legal person (for influential shareholders), please complete the following table for the recent three financial years (Please also attach audited financial statements)

Year	Assets	liabilities	Net worth	Remarks

6. If you are new shareholder to the insurance company or existing shareholder planning to increase your shareholding above what you currently own, please provide details of the actual source(s) of funds that you as a shareholder, would like to invest or use in the acquisition of the shares in the insurance company.

_____

_____

_____

ANNEX 2: PROPRIETY TEST QUESTIONNAIRE (Influential shareholder, director, chief executive officer or senior executive officer - Underline)

Please give yes or no answers for the following questions and if your answer is "yes" please give particulars.

Full Name: _____

(Influential shareholder, director, chief executive officer or senior executive officer - Underline)

Name of insurance company: _____

	Yes	No
1. Have you or the legal person in which you were a director, chief executive officer or senior executive officer or owner been charged or convicted of any criminal offence, particularly an offence relating to dishonesty or fraud, under any law whether in Ethiopia or elsewhere? If yes, give particulars_____ _____	☐	☐
2. Have you or the legal person in which you were a director, chief executive officer or senior executive officer or owner ever been imposed with corrective actions or interventions by public authority due to withholding information or submission of incorrect financial or other statements? If yes, give particulars_____ _____	☐	☐
3. Have you or the legal person in which you were a director, chief executive officer or senior executive officer or owner been refused approval by any regulatory/supervisory body or failed to comply with requirements of regulatory/supervisory body? If yes, give particulars_____ _____	☐	☐
4. Have you ever been in dispute with previous employers concerning fulfillment of position or compliance with a code of conduct which has led to the imposition of a penalty under employment law or ever been dismissed or requested to resign from any office of employment or disciplinary measures imposed by trade or professional associations? If yes, give particulars_____ _____	☐	☐
5. Have you been refused, whether in Ethiopia or elsewhere, the right to carry on any trade, business or profession for which a specific license, registration or other authority is required; If yes, give particulars_____ _____	☐	☐
6. Have you or the legal person in which you were a director, chief executive officer or senior executive officer or owner been declared bankrupt whether in Ethiopia or elsewhere or its assets have been sequestrated because of bankruptcy or foreclosed by a bank/MFI due to failure to repay a loan? If yes, give particulars_____ _____	☐	☐
7. Have you or the legal person in which you were a director, chief executive officer or senior executive officer or owner been convicted of default on repayments of bank or other	☐	☐

credits or tax payment ?

If yes, give particulars_____

_____

8. Have you or the legal person in which you were a director or chief executive officer or senior executive officer or owner been carrying non-performing loans or account been closed and not reinstated by any bank in line with relevant directives of the National Bank? ☐ ☐

If yes, give particulars_____

_____

9. Has your purchase of shares in a financial institution been funded or to be funded by another person or legal entity who is actually bankrupted or technically insolvent because of irresponsible or reckless management, fraud or illegal business practice? ☐ ☐

If yes, give particulars_____

_____

10. Has your minimum net worth at the time of acquisition of shares at least greater than the shares acquired or to be acquired from a financial institution? ☐ ☐

If yes, give particulars_____

_____

11. Are you currently member of board of directors in any of the financial institutions? ☐ ☐

If yes, give particulars_____

_____

Declaration

I am aware that under sub-article 6(b) of Article 57 of Insurance Business Proclamation No.746/2012, it is an offense to provide false or misleading statement.

I certify that the information and/or statements given above are complete and accurate to the best of my knowledge, and that there are no other facts relevant to this application of which the National Bank should be aware. I also undertake to inform the National Bank of any changes material to the application.

Name _____

Signature_____

Date _____