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NATIONAL BANK OF ETHIOPIA

LICENSING AND SUPERVISION OF INSURANCE/REINSURANCE BUSINESS

FINANCIAL REPORTING AND RELATED MATTERS DIRECTIVE NO. SIB//2025

Whereas, it is essential for the National Bank to receive relevant, reliable and timely financial and non-financial information to assess the financial soundness, managerial effectiveness and stability of each insurance company and the sector on an on-going basis;

Whereas, the Accounting and Auditing Board of Ethiopia, has adopted the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (IASB) for financial reporting by publicly accountable entities, including insurance companies;

Whereas, there is a need to ensure that the information submitted in the standardized return formats required to be filed by insurance companies aligns with the requirements of IFRS particularly IFRS 17 and other regulatory requirements;

Now, therefore, in accordance with Articles 5(4), 24(2), 26(3), 27(2), 31(1), 32(2), 33(1)(a), and Article 64(2) of Proclamation No.746/2012 as amended by Insurance Business (Amended) Proclamation No. 1163/2019, the National Bank of Ethiopia hereby issues this Directive.

1. Short Title

This Directive may be cited as **“Financial Reporting and Related Matters Directive No SIB//2025”**.

2. Amendment/Replacement

Directive No. SIB/38/2014 is hereby repealed and replaced by this directive.

3. Definitions

For the purpose of this Directive, unless the context provides otherwise:

- 3.1 **“appointed actuary”** means a person having actuarial knowledge as the National Bank on the application of a member of the insurance industry, approve;
- 3.2 **“annual return”** means a financial return covering a full financial year required to be submitted on an annual basis;
- 3.3 **“annual report”** means the audited primary financial statements covering a full financial year and other reports prepared annually for submission to shareholders or policyholders, a copy of which is required to be submitted to the National Bank;
- 3.4 **“actuarial report”** means statement of the financial condition of an entity provided and signed off by an appointed actuary and submitted to a regulator on an annual basis;
- 3.5 **“claims under litigation or dispute”** means a claim which has not been agreed between the insured and the insurance company which consequently referred to arbitration or court of law;
- 3.6 **“class of insurance”** means the type of insurance business in respect of which an insurance company is authorized to carry on;
- 3.7 **“family takaful”** means a class of insurance for the protection of the lives of individuals, groups of individuals and their families;
- 3.8 **“financial returns”** mean primary financial statements and other financial information in respect of insurance business, prepared in the formats forming part of this Directive;

- 3.9 **“general insurance business”** means all classes of insurance business whose period of cover does not exceed 12 months;
- 3.10 **“generally accepted actuarial practice”** shall be the professional actuarial standards accepted by the National Bank and as may be set out in this Directive;
- 3.11 **“general takaful”** means all classes of insurance business that are compliant with sharia principles and their period of cover does not exceed 12 months;
- 3.12 **“international financial reporting standards (IFRS)”** mean standards issued by the International Accounting Standards Board (IASB);
- 3.13 **“insurance company”** means a company licensed by the National Bank to undertake insurance business or an insurance company owned by the Government;
- 3.14 **“liability for incurred claims”**: mean the fulfillment cash flows for claims and expenses already incurred but not yet paid;
- 3.15 **“liability for remaining coverage”** means the fulfillment cash flows that relate to coverage that will be provided under a contract in future periods, plus the remaining service margin;
- 3.16 **“long term insurance business”** means insurance business of:
- a) life insurance,
 - b) annuity,
 - c) pension,
 - d) group life,
 - e) group credit,
 - f) investment (unit linked and non-linked investments),
 - g) permanent health insurance, and
 - h) any other class of insurance business as may be determined by Directive.

- 3.17 **“National Bank”** means the National Bank of Ethiopia;
- 3.18 **“non-financial returns”** mean returns for any information which is not financial in nature as set out in the formats forming part of this Directive;
- 3.19 **“insurance contract liability”** means provisions set aside by insurance companies to cover liabilities arising from remaining coverage, incurred claims and other insurance related exposures;
- 3.20 **“management expenses”** mean expenses incurred in the administration of an insurance company which are not commission payable and, in the case of general insurance business, are not included in claims paid, claims outstanding, expenses for settling claims and expenses for settling claims outstanding;
- 3.21 **“quarterly returns”** mean financial and non-financial returns required to be submitted after every three months;
- 3.22 **“risk adjustment for non-financial risk”** means the compensation an insurance company requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk as the re/insurance company fulfills insurance contracts and
- 3.23 **“takaful”** means cooperation between members of a community whereby each member undertakes to contribute a certain sum of money to a fund which will be used mutually to assist the members against a defined loss or damage.

4. Scope of Application

This Directive shall be applicable to all insurance companies and an Ethiopian reinsurance company.

5. General Requirements

5.1 Separation of Accounts and Funds

An insurance company shall keep separate accounts and funds in respect of long-term insurance business, general insurance business and Takaful and report on each as per the formats prescribed and forming part of this Directive.

5.2 Submission of Reports and Supplementary Schedules

- 5.2.1 An insurance company is required to complete the primary financial statements and accompanying exhibits on a non-consolidated basis.
- 5.2.2 The primary financial statements shall consist of statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows, the notes, and comparative information in respect of the preceding year.
- 5.2.3 An insurance company shall also be required to submit Audited Financial Statement, Actuarial Report and Statutory financial returns as prescribed by the National Bank.
- 5.2.4 Non-consolidated statements, additional supporting pages and exhibits should be reported on an IFRS basis, except for investments in subsidiaries, interests in joint ventures and variable interest entities, which should be reported on an equity basis.
- 5.2.5 Duly completed separate quarterly financial returns and non-financial information in respect of general insurance business, long term insurance business, takaful business, micro-insurance, risk sharing scheme and inward reinsurance, if any, in soft copy of plain text and pdf format and hard copy and shall be submitted within 30 days after the end of each quarter in the manner prescribed in the return formats attached herewith which shall form part hereof.

5.2.6 Annual reports shall be submitted within 90 days from the close of the financial year.

6. Specific Requirements

6.1 Accounting Standards to be Used

The primary financial statements in the financial returns and their supporting schedules and exhibits must be completed in accordance with IFRS.

6.2 Audit and Financial Reporting Standards

The National Bank requires all insurance companies to have their financial statements prepared on an annual basis in accordance with International Financial Reporting Standards (IFRS) and audited in accordance with the International Standards on Auditing (ISA).

6.3 Determination of the Value of Insurance Policy Liabilities

6.3.1 An insurance company shall determine the value of policy contract liabilities in accordance with Valuation of Technical Provisions Directive, IFRS and generally accepted actuarial principles.

6.3.2 An insurance company shall annually submit to the National Bank, reserves valuation report signed by the appointed actuary of the company. The report shall contain the following:

- a) A statement that the applied method is in compliance with the stipulations of this guideline.
- b) An actuarial opinion on the reserving.
- c) A detailed description of the reserves valuation;

6.3.3 Definite explanation of special terms and concepts in the report. An insurance company shall consider the advice of an actuary in determining the value of liabilities and other related disclosures to be included in any financial return and in its audited financial statements.

6.3.4 An insurance company writing non-life business shall submit to the National Bank, along with its annual return, a report from its

actuary on the value of policy liability liabilities and other related disclosures included in the financial return.

7. Actuarial Function

- 7.1 Each insurance company shall institute an actuarial function.
- 7.2 The actuarial function shall be required to have access to and periodically report to the Board on matters such as:
 - 7.2.1 any circumstance that may have a material effect on the insurer from an actuarial perspective;
 - 7.2.2 the adequacy of the technical provisions and other liabilities
 - 7.2.3 the prospective solvency position of the insurer; and
 - 7.2.4 any other matters as determined by the Board.
- 7.3 The actuarial function shall be required to evaluate and provide advice on the following:
 - 7.3.1 the insurer's actuarial and financial risks;
 - 7.3.2 the insurer's investment policies and the valuation of assets;
 - 7.3.3 the insurer's solvency position, including a calculation of minimum capital required for regulatory purposes and liability and loss provisions;
 - 7.3.4 the insurer's prospective solvency position;
 - 7.3.5 risk assessment and management policies and controls relevant to actuarial matters or the financial condition of the insurer; distribution of surplus;
 - 7.3.6 underwriting policies;
 - 7.3.7 reinsurance arrangements;

- 7.3.8 product development and design, including the terms and conditions of insurance contracts;
 - 7.3.9 scenario and sensitivity testing
 - 7.3.10 sufficiency and quality of data used in the calculation of technical provisions; and
 - 7.3.11 risk modeling and use of internal models, where applicable.
- 7.4 An insurer must ensure that the actuarial function has access to all relevant data, information, reports and staff of the insurer, and must take all reasonable steps to ensure access to all relevant service providers of the insurer, that its actuarial function reasonably believes are necessary to fulfill its responsibilities.

8. Work of the Appointed Actuary

- 8.1 An insurance company shall consider the advice of its Appointed Actuary in determining the value of its liabilities and other related disclosures to be included in any financial return and in its audited financial statements.
- 8.2 The Appointed Actuary shall follow the standards of accepted actuarial practice for work in Ethiopia with such changes as may be determined by the National Bank and comply with:
- 8.2.1 the requirements of the Proclamation and this Directive;
 - 8.2.2 the Code/Rules of Professional Conduct of the Appointed Actuary's governing body;
 - 8.2.3 generally accepted actuarial practice which shall include the standards, guidance and technical papers issued by the International Actuarial Association including but not limited to the standards included in International Standards of Actuarial Practice dealing with actuarial work in connection with IFRS 17, Insurance Contracts; and

- 8.2.4 additional requirements of the regulator by direction to the insurance company.
- 8.3 The Appointed Actuary's investigation carried out pursuant to Article 32 of the Proclamation shall include an assessment of the insurance company's technical provisions and reporting of all policy liabilities¹ as defined herein regardless of the accounting standard under the IFRS (typically IFRS 9, 15 or 17) or any other matter directed by the National Bank.

9 Appointed Actuary's Report and Report of an Actuary Advising on the Value of Insurance Policy Liabilities

- 9.1 The actuarial report must include the opinion of the Appointed Actuary or actuary (in the case of an insurance company writing general insurance only) concerning the appropriateness, in an IFRS context², of the value of the liabilities, included in the insurance company's financial statements, detailed commentary, data exhibits and any calculations supporting that opinion.

¹ Article 24 (3) provides that in the case of an insurance company licensed to carry on long-term insurance business, the liabilities shown in the annual return shall include as a provision the value of the actuarial and policy liabilities and other related matters as may be specified in the actuarial valuation. Article 24 (4) states that the long-term insurance technical provision may not be less than the total liabilities under the long-term insurance policies.

² Appropriateness in an IFRS context means that the valuation must comply with IFRS.

- 9.2 The Appointed Actuary or actuary, as the case may be, must provide his opinion on appropriateness of the value of all of the insurance company's policy liabilities included in the insurance company's financial statements and returns regardless of the main class of insurance business or accounting standard under IFRS (typically IFRS 9, IFRS 15 or IFRS 17).
- 9.3 An Appointed Actuary advising and reporting on the valuation of both long-term insurance and general insurance business shall produce separate reports for each main classes of insurance business.
- 9.4 The Actuarial Report must comprehensively document the work done by the Appointed Actuary or actuary, as the case may be, to calculate the policy liabilities.
- 9.5 The Actuarial Report shall include confirmation that the policy liabilities at an insurance company level reported in the Actuarial Report are reconciled to the numbers reported in the Annual Returns and provide reconciliations in tabular format.
- 9.6 The actuarial report shall be required to contain the following:
 - 9.6.1 The title, company, and valuation date,
 - 9.6.2 The executive summary,
 - 9.6.3 The scope of the report,
 - 9.6.4 The data requirements,
 - 9.6.5 The valuation methodology and assumptions including the risk margin and discount rate,
 - 9.6.6 The analysis of experience,
 - 9.6.7 The adequacy of reserves,
 - 9.6.8 The valuation results,
 - 9.6.9 The conclusions,

9.6.10 The sign off by the actuary or head of the actuarial control function, and

9.6.11 The sign off by the CEO.

10 Effective Date

This Directive shall enter in to force as of the date of 2025.

ANNEX AND ATTACHMENTS

APPENDIX I: GUIDING NOTES TO THE FINANCIAL RETURNS

1. Currency and Rounding

The values reported in the returns must be expressed in thousands of local currencies. All foreign currency transactions and conversions should be reported in accordance with IFRS. The rates used for foreign currency translations must be listed in the sheet/form entitled "EXPLANATORY NOTES". Amounts must be rounded to the nearest thousands, except for certain figures such as per-share data. Individual items must be adjusted so that the total is not affected by rounding to the nearest thousand.

2. General Requirements

- a) Pages containing no data must be included with the filed returns; failure to include will render the filing incomplete.
- b) Information or descriptions within the workbook must not be changed. For most schedules, adequate blank lines are provided for additional information if additional pages are required for detailed information; the information should be provided in an electronic format, such as embedded within the Excel file and printed and included in the hardcopy return.
- c) All subtotals and totals should included in each form, most have been included by formula. If filing supplementary listings (e.g. investments), the totals should be carried forward to the actual exhibits in the returns. In the case where totals do not agree as expected, insurance companies are required to explain in the sheet entitled "EXPLANATORY NOTES".

- d) All material changes since the last annual return, to accounting policies, significant judgments, nature and extent of risks and to other information disclosed in IFRS note disclosures of the last annual return should be set out in the sheet entitled “EXPLANATORY NOTES”. Insurance companies are reminded of paragraph B137 of IFRS 17 that “Notwithstanding the requirement in IAS 34 Interim Financial Reporting that the frequency of an entity’s reporting shall not affect the measurement of its annual results, an entity shall not change the treatment of accounting estimates made in previous interim financial statements when applying IFRS 17 in subsequent interim financial statements or in the annual reporting period.”
- e) Any events or transactions that are material to an understanding of the current interim period shall also be disclosed in the sheet entitled “EXPLANATORY NOTES”.
- f) Supporting information and working papers should be available at the reporting entity’s offices for review by the National Bank. This information includes details of both the consolidated and non-consolidated financial statements. Working papers to support the allocation of income, expenditure and other items by line of business/product category and territory must be maintained.

3. Prior Periods in the Quarterly Return

The quarterly return shall include quarterly financial statements as for the periods as follows:

- a. statement of financial position as of the end of the current interim period with a comparative statement for the comparable year-to-date period of the immediately preceding financial year.

- b. statements of profit or loss and other comprehensive income for the current interim period and cumulatively for the current financial year to date, with comparative statements of profit or loss and other comprehensive income for the comparable interim periods (current and year-to-date) of the immediately preceding financial year.
- c. statement of changes in equity cumulatively for the current financial year to date, with a comparative statement for the comparable year-to-date period of the immediately preceding financial year.
- d. statement of cash flows cumulatively for the current financial year to date, with a comparative statement for the comparable year-to-date period of the immediately preceding financial year.”

4. Validation Rules

The last column in the Validation form must record a NIL balance for all line items entered.

5. Materiality

Subject to the National Bank’s discretion, all financial returns must be prepared based on the concept of materiality based on generally accepted accounting principles. The regulator’s discretion is likely to apply and directions made in instances where the application of materiality criteria is not suitable for prudential reporting purposes.

6. Actuary/Appointed Actuary's Advice

Full actuarial and other valuation procedures may not be used for valuing policy liabilities for a quarterly return. In such cases, reasonable estimation should be applied for valuing policy liabilities and such estimation needs to be based on the detailed valuation procedures. Where such estimation processes have taken place, the approximating valuation methodology used must consider the advice of the appointed actuary.

7. Documents to be Submitted along with the Returns

- a) An insurance company shall ensure that the report includes a certificate, signed by the appointed actuary, on the valuation of its policy liabilities. If the appointed actuary can report without reservation, the certificate should conform to the format specified in APPENDIX 2. The National Bank will consider any opinion that varies from this wording to be a qualified opinion. The actuarial opinion presented to the shareholders and policyholders of the insurance company should be essentially the same as the opinion filed with the National Bank. Should this not be the case, the appointed actuary must disclose in writing in the appointed actuary's report to the National Bank any material differences between the opinions, as well as the rationale for such difference.
- b) Any qualification or limitation concerning any aspect of the valuation must be noted in the appointed actuary's report. Comprehensive explanations should be provided. APPENDIX 3 provides an example of a situation where a reservation in reporting is required.

c) The audit report to the shareholders along with the audited financial statements must be filed with the annual return. If there are material differences in items³, whether due to differences in classification or otherwise, between the audited financial statements and the financial statements included in the annual return, reconciliation, with explanations should be completed and filed with the annual return. The audit report to the National Bank on the annual return should include a comment indicating that the auditor has reviewed the reconciliation, that it appropriately reflects the reconciliation of items between the audited financial statements and the financial statements included in the annual return and that the auditor has accepted as appropriate, all reasons for the differences.

8. Filing Deadlines and Procedures

a) Filing Deadlines

- i. Quarterly returns are due 30 days after the end of the reporting period to which the information relates.
- ii. Annual returns are due three months after the end of the reporting period to which the information relates.

b) Printed Copies

The returns should be printed on Legal size (8.5" x 14") paper. The order of the Forms should not be changed and the line numbers should not be altered. Unsatisfactory copies will be returned for correction and resubmission.

³ For example, the audited financial statements may be completed on a consolidated basis while the financial statements included in the annual return may be on a solo basis. Another example might be in some jurisdictions, the consolidation for the annual return may be required to exclude certain subsidiaries.

c) **Submission of Returns**

- i. The returns must be submitted to the National Bank in both hardcopy and electronic form. The hardcopy returns must include a cover letter signed by the authorized person and must be addressed to the Insurance Supervision Directorate. The soft copies must be forwarded electronically to: ... The submission of Returns will not be considered to be 'complete' until all inaccuracies in the hardcopy or the electronic file are corrected.
- ii. If the filed information is inaccurate or incomplete, the return will not be considered filed.

d) **Other**

Supporting information and working papers should be available at the insurance company's offices for review by the National Bank. This information includes details of both the consolidated and non-consolidated financial statements. Insurance companies must maintain working papers to support the allocation of income, expenditure and other items by line of business as well as by fund.

APPENDIX 2

OPINION OF THE APPOINTED ACTUARY

I certify that:

- (a) I am a member in good standing with my governing actuarial body, [Name of Organization] and comply with its [Code/Rules of Professional Conduct];
- (b) I meet the qualification standards of [Name of Regulator] to value the policy liabilities of [name of insurance company]; and
- (c) The valuation of the policy liabilities of [name of insurance company], was conducted in accordance with [Insurance Act/Regulations], International Financial Reporting Standards, standards of accepted actuarial practice and any guidelines and directions issued by National Bank.

In my opinion the amount of the policy liabilities of [name of insurance company] reported in the annual return and those reported in the financial statements prepared in accordance with International Financial Reporting Standards for the year ended [Date] are appropriate for this purpose and the annual financial statements and annual returns fairly present the results of the valuation.

Name of Appointed Actuary

[Name, Title, Qualification]

Signature of Appointed Actuary

Date

APPENDIX 3

Example of circumstance requiring a qualified opinion⁴

"Liabilities different than those calculated by the actuary

If the financial statements of an insurance company report policy liabilities that are materially different from those calculated and reported by the actuary then the actuary would need to disclose the difference in the amounts and identify where to find an explanation for the difference. If possible, such explanation would include the important reasons for the difference.

The actuary could report as follows:

I have valued the policy liabilities of [the Company] for its [consolidated] financial statements prepared in accordance with International Financial Reporting Standards for the year ended [30 June XXXX]. My valuation conforms to accepted actuarial practice.

In my valuation, the amount of the policy liabilities is Birr[X]. The corresponding amount in the [consolidated] financial statements is Birr[Y]. The sources of this difference are described in [reference].

In my opinion, the amount of policy liabilities in the [consolidated] financial statements is not appropriate and as explained in [reference] the [consolidated] financial statements do not fairly present the results of my valuation.

⁴ Source Canadian Institute of Actuaries June 2023 Consolidated Standards of Practice 2230.25 and 2230.26