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**NATIONAL BANK OF ETHIOPIA**  
ADDIS ABABA

**Licensing and Supervision of  
Insurance Business**

**Minimum Paid up Capital for Insurers  
Directives Number SIB/34/2013**

**Whereas**, adequate minimum capital is the principal element to kick off business and ensure continued operation, sustainability and growth of the business, and serves as cushion in case adverse operational result occurs;

**Whereas**, increase in capital plays an essential role in enhancing the retention capacity of insurers;

**Whereas**, adequate minimum capital enhances the competitive edge;

**Now, therefore**, in accordance with articles 19(1) and 58(2) of Insurance Business Proclamation No. 746/2012, the National Bank of Ethiopia hereby issues these directives.

**1. Short title**

These directives may be cited as “**Minimum Paid up Capital for Insurers Directives No. SIB/34/2013**”.

**2. Definition**

In these directives, unless the context provides otherwise:

- 2.1. “**action plan**” means a plan that clearly sets out specific action and timetable as to how the minimum required capital be fulfilled;
- 2.2. “**National Bank**” means the National Bank of Ethiopia;
- 2.3. “**existing insurers**” means insurers licensed by the National Bank of Ethiopia before the effective date of these directives;
- 2.4. “**general insurance**” means all classes of insurance business other than long term insurance business;
- 2.5. “**long term insurance business**” means life insurance, annuity, pension, permanent health insurance and personal accident or sickness insurance underwritten by the insurer as incidental to any of the former classes of businesses;
- 2.6. “**insurer under formation**” means insurer under formation that fulfills all of the following on the effective date of these directives:
  - a) its capital has been fully subscribed;



- b) it has collected in cash from its founding shareholders a minimum capital of Birr 3million for general insurance or Birr 4million for long term insurance or Birr 7million for both general and long term insurance;
- c) it has conducted meetings of its founding shareholders, which elected board of directors and approved articles and memorandum of association; and
- d) it has submitted application for insurance business to the National Bank.

### 3. Scope of application

The provisions of these directives shall be applicable to:

- 3.1. existing insurers;
- 3.2. insurers under formation; and
- 3.3. new applicants for insurance business license.

### 4. Minimum paid up capital requirement

- 4.1. The minimum paid up capital required to obtain a general insurance license shall be Birr 60million, which ought to be fully paid up in cash and deposited in blocked bank account(s) in the name of the insurer to be established.
- 4.2. The minimum paid up capital required to obtain a long-term insurance license shall be Birr 15million, which ought to be fully paid up in cash and deposited in blocked bank account(s) in the name of the insurer to be established.
- 4.3. The minimum paid up capital required to obtain both general insurance license and long-term insurance license shall be Birr 75million, which ought to be fully paid up in cash and deposited in blocked bank account(s) in the name of the insurer to be established.
- 4.4. Existing insurers and insurers under formation whose paid up capital, on the effective date of these directives, is below Birr 60million for general insurance or Birr 15million for long term insurance or Birr 75million for both general and long-term insurance shall:
  - 4.4.1. raise their paid up capital to the stated level by the end of December 31, 2015; and
  - 4.4.2. submit an action plan, as to how the required paid up capital shall be fulfilled, to the National Bank within three months of the effective date of these directives.

### 5. Sanction

If an existing insurer fails to comply with the minimum paid up capital requirements stipulated under sub article 4.4 of these directives, the National Bank may:



- 5.1. prohibit such insurer from accepting new business until the deficiency in capital is corrected;
- 5.2. require such insurer to merge with another insurer;
- 5.3. close such insurer; or
- 5.4. take other measures it considers appropriate.

**6. Effective date**

These directives shall enter into force as of the 15<sup>th</sup> day of April 2013.

