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NATIONAL BANK OF ETHIOPIA
ADDIS ABABA

LICENSING AND SUPERVISION OF INSURANCE BUSINESS

Statutory Deposit Directive No. SIB/50/2020

Whereas, protecting policyholders interest is among the main regulatory and supervisory concerns and responsibilities of the National Bank of Ethiopia;

Whereas, establishing a fund necessary for the purposes stated and maintaining it with the National Bank of Ethiopia is necessary;

Now, therefore, the National Bank of Ethiopia has issued this directive pursuant to the authority vested in it by Article 20 of Insurance Business Proclamation No. 746/2012 and Article 64(2) of the Insurance Business Proclamation No. 746/2012 as amended by the Insurance Business (Amendment) Proclamation No.1163/2019.

1. Short Title

This directive may be cited as “Statutory Deposit Directive No. SIB/50/2020”.

2. Definitions

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

2.1 “main class of insurance business” means either general insurance business or long term insurance business as the case may be;

2.2 “National Bank” means the National Bank of Ethiopia; and

2.3 “statutory deposit” means deposit to be maintained, in cash or government securities by an insurance company with the National Bank.

3. Scope of Application

This directive shall apply to all insurance and reinsurance companies.

4. Requirement

An insurer or a reinsurer shall, in respect of each main class of insurance business it carries on, deposit and keep deposited with the National Bank an amount equal to 15% of its paid-up capital in cash or government securities.

5. Effective Date

This directive shall enter into force as of the 4th day of August 2020.


Yinager Dessie (PhD)
Governor





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LICENSING AND SUPERVISION OF INSURANCE BUSINESS

Prohibition of Issuance of Certain Types of Bonds by
Insurance Companies Directive No. SIB/51/2020
(1st Amendment)

Whereas, it becomes necessary to amend Directive No. SIB/24/2004, to allow the National Bank of Ethiopia to grant exemption, where appropriate, from the restriction imposed on issuance of unconditional bonds;

Now, therefore, in accordance with Article 64(2) of Insurance Business Proclamation No. 746/2012 as amended by the Insurance Business (Amendment) Proclamation No.1163/2019, the National Bank of Ethiopia has hereby amended Article 2 of Prohibition of Issuance of Certain Types of Bonds by Insurance Companies Directive No. SIB/24/2004 as follows:

1. Short Title

This directive may be cited as “Prohibition of Issuance of Certain Types of Bonds by Insurance Companies Directive No. SIB/51/2020 (1st Amendment)”.

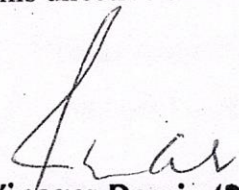
2. Amendment

Article 2 is amended as follows:

2.3 “Notwithstanding with the provision of sub-article 2.2 of Article 2, the National Bank may allow the issuance of unconditional bonds as it deemed necessary”.

3. Effective Date

This directive shall enter into force as of the 4th day of August 2020.


Yinager Dessie (PhD)
Governor





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LICENSING AND SUPERVISION OF INSURANCE BUSINESS

AMENDMENT TO INVESTMENT OF INSURANCE FUNDS
DIRECTIVE NO. SIB/52/2020

Whereas, insurance companies mobilize significant financial resources predominantly in the form of premiums on insurance policies;

Whereas, a significant portion of these financial resources is usually invested by insurance companies in income-earning assets in order to maximize profits;

Whereas, insurance companies should take in to account the financial risk, diversification, liquidity, and safety in making such investment decisions so as not to endanger their liquidity and solvency;

Now, therefore, in accordance with Article 25(1) of Insurance Business Proclamation No. 746/2012 and Article 64(2) of Insurance Business Proclamation No. 746/2012 as amended by the Insurance Business (Amendment) Proclamation No.1163/2019, the National Bank of Ethiopia hereby issues this directive.

1. Short Title

This directive may be cited as “**Amendment to Investment of Insurance Funds Directive No. SIB/52/2020**”.

2. Definitions

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

2.1. “**Total assets**” mean any property, security, item or interest of an insurance company recorded in its financial statements but excluding:

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Governor



- (a) premiums that became due from federal or regional government organs but remain unpaid for more than 90 days except in so far as provisions held against premiums in the manner as specified under article 6 of this directive or in as much as the premiums are secured under automatic non-forfeiture conditions against the surrender value of a life assurance policy;
 - (b) an asset that is mortgaged or charged for the benefit of a person other than the insurance company to the extent that it is so mortgaged;
 - (c) deferred and prepaid expenses;
 - (d) furniture, fixture, dead stock, stationeries... etc.;
 - (e) receivables, including due from reinsurance companies, past due one year;
 - (f) preliminary expenses in the formation of the company;
 - (g) unsecured or inadequately secured loans and sundry receivables;
 - (h) life policy loans in excess of the surrender value of the policy;
 - (i) computer software, goodwill and other intangible assets;
 - (j) any assets, with an unrealizable character; and
 - (k) any other assets the National Bank may consider unrealizable, inadequately secured;
- 2.2 **"general insurance business"** means all kinds of insurance business other than long-term insurance business;
- 2.3 **"long-term insurance business "** means insurance business of life insurance, annuity, pension, permanent health insurance, personal accident and/or sickness insurance underwritten by the insurance company as incidental to any of the businesses first named within this article and any other class of insurance business as may be determined by directive;
- 2.4 **"National Bank"** means the National Bank of Ethiopia;
- 2.5 **"person"** means natural or juridical person; and
- 2.6 **"Investment property (Real estate)"** means buildings constructed or acquired exclusively, or predominantly, for the purpose of generating income or for capital appreciation and land acquired exclusively or predominantly for construction or development of facilities for the purpose of directly generating income.

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Yinager Dessie (PhD)
 Governor



3. **Scope of Application**

The provisions of this directive shall be applicable to all insurance companies.

4. **Limits on Investment of General Insurance Business Funds**

The general insurance business funds of an insurance company shall be invested in the manner prescribed hereunder:

- (a) not less than 60% of total assets in Treasury Bills and bank deposits provided, however, that aggregate bank deposits (checking, savings and time deposits) held with any one bank shall not exceed 15% of total assets;
- (b) not more than 10% of the total assets in purchase or construction of buildings exclusively or predominantly used for rent, capital appreciation; and
- (c) not exceeding 20% of total assets in company shares.

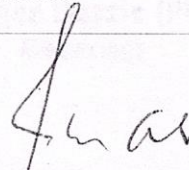
5. **Limits on Investment of Long-term Insurance Business Funds**

The long-term insurance business funds of an insurance company shall be invested in the manner prescribed hereunder:

- (a) not less than 50% of total assets in Treasury Bills/Bonds and bank deposits provided, however, that aggregate bank deposits (checking, savings and time deposits) held with any one bank shall not exceed 15% of total assets;
- (b) not more than 25% of the total assets in purchase or construction of buildings used for rent, capital appreciation, own use or both; and
- (c) not exceeding 15% of total assets, in company shares.

6. **Minimum Provisioning Requirements for Outstanding Trade Debtors' Balances**

An insurance company who shall deal insurance transaction with federal or regional government organs and the premiums that become due from these government organs but remaining unpaid for more than 90 days shall maintain the following minimum provisions for outstanding trade debtors' balances in respect of general insurance business:


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- a) 25% of the trade debtors' balances outstanding for 91-180 days from the effective date of the policy;
- b) 50% of the trade debtors' balances outstanding for 181-360 days from the effective date of the policy; and
- c) 100% of the trade debtors' balances outstanding for over 360 days from the effective date of the policy.

7. **Investment Records.**

An insurance company shall maintain a clear and distinct schedule of investment in respect of section 4 and 5 of this directive.

8. **Reporting Requirement**

In order to monitor compliance with the investment limits specified in this directive, insurance companies shall submit the schedules of investments on a quarterly basis to the Insurance Supervision Directorate of the National Bank prepared in the manner specified in the tables attached to this directive.

9. **Transitional Provision**

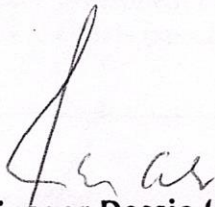
Insurance companies shall fully comply with the limits specified under article 4 and 5 of this directive within 12 months from the effective date of this directive.

10. **Repeal**

Investment of Insurance Funds Directive No. SIB/25/2004 is hereby repealed and replaced by this directive.

11. **Effective Date**

This directive shall enter into force as of the 4th day of August 2020.


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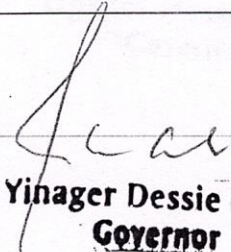
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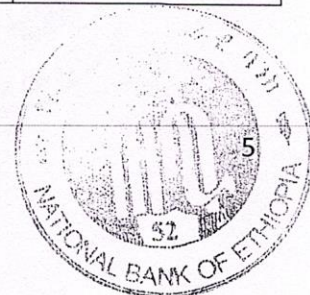
Investment- General Insurance Business Funds

Name of Insurance Company: _____

Date: _____

Total Assets and Types of Investment	Amount (million Birr)	Investments as Ratio of Total Assets (%)	Bank Deposits in a Single Bank as Ratio of Total Assets (%)
1. Total Assets		XXXXXXXXXX	XXXXXXXXXX
2. Investments:			
2.1 Government Securities and Bank Deposits			
2.1.1 Treasury Bills			
2.1.2 Bank Deposits (Total)			
2.1.2.1 Name of banks (specify)...			
2.2 Others			
2.2.1 Company Shares			
2.2.2 Investment Property (Real estate)			
2.2.3 Others (specify)			


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NATIONAL BANK OF ETHIOPIA

Investments - Long-Term Insurance Business Funds

Name of Insurance Company: _____

Date: _____

Total Assets and Types of Investment	Amount (million Birr)	Investments as Ratio of Total Assets (%)	Bank Deposits in a Single Bank as Ratio of Total Assets (%)
1. Total Assets		XXXXXXXXXXXXX	XXXXXXXXXXXXX
2. Investments:			
2.1 Government Securities and Bank Deposits			
2.1.1 Treasury Bills/Bonds			
2.1.2 Bank Deposits (total)			
2.1.2.1 Name of Banks(specify):			
2.2 Others			
2.2.1 Company Shares			
2.2.2 Investment Property (Real Estate)			
2.2.3 Others (specify)			


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