

የኢትዮጵያ ብሔራዊ ባንክ
NATIONAL BANK OF ETHIOPIA
ADDIS ABABA

**Licensing and Supervision of Insurance Business
Insurance and Reinsurance Business Fraud Monitoring
Directives No. SIB/39/2014**

Whereas, the form, causes and impact of fraud inflict actual and potential risk on insurers and reinsurers;

Whereas, detection and prevention of fraud contributes for the soundness of financial system in general and the insurance and reinsurance sector in particular;

Whereas, the National Bank of Ethiopia has found it necessary to require insurers and reinsurers to take the necessary measures to detect, prevent and take remedial actions on fraud;

Now, therefore, in accordance with 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 “Insurance and Reinsurance Business Fraud Monitoring Directives No. SIB/39/2014”.

2. Definitions

For the purpose of these directives, unless the context provides otherwise:

- 2.1 “cases closed” means settlement of fraud cases with police or court, recovering or writing off the amount of the fraud;
- 2.2 “detection of fraud” means discovering that actual or attempted fraud has been taken place;
- 2.3 “director” means any member of the board of directors of an insurer or a reinsurer by whatever title the person may be referred to;
- 2.4 “employee” means a chief executive officer, a senior executive officer, or any other employee who is appointed or hired by an insurer or reinsurer to carry out its day to day operational activities;
- 2.5 “fraud” means an act or omission by shareholders, directors, employees, customers, policyholders or insurance auxiliaries committed with the intention of gaining dishonest or unlawful advantage for the party committing fraud or for other parties;
- 2.6 “National Bank” means the National Bank of Ethiopia.



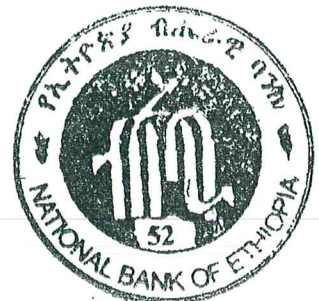
የኢትዮጵያ ብሔራዊ ባንክ
NATIONAL BANK OF ETHIOPIA
Directives No. SIB/39/2014

3. Scope of Application

The provisions of these directives shall be applicable to insurers and reinsurers.

4. Requirements

- 4.1 Insurers and reinsurers shall have a well-defined fraud monitoring and control policies, approved by the Board, and procedures for fraud detection, mitigation and reporting.
- 4.2 Policies and procedures indicated under sub-article 4.1 of this article shall be submitted to the National Bank and appropriately communicated to employees.
- 4.3 Insurers and reinsurers shall ensure that the organizational structures and systems are designed to facilitate communication on actual or attempted fraud to the board of directors, management members and other concerned staffs.
- 4.4 Insurers and reinsurers shall provide anti-fraud training to all employees and members of the board of directors whenever necessary.
- 4.5 Insurers and reinsurers shall maintain fraud register that shall at a minimum contain detailed records of the fraud including:
- a) Name and complete address of the suspected or allegedly proved fraudster;
 - b) description or type of fraud (embezzlement, cheating, forgery using fake instruments or others);
 - c) causes of the fraud;
 - d) status or profession of the allegedly proved or suspected fraudster (director, employee, customer, policyholder, insurance auxiliary or other party);
 - e) amount of actual or estimated fraud;
 - f) date of occurrence of fraud;
 - g) date of detection of fraud and reason for the delay (if any);
 - h) place and area of operation where the fraud has occurred;
 - i) technique and/or technology used to commit the fraud;
 - j) action taken or proposed to be taken to avoid such incidents;
 - k) amount recovered, if any;
 - l) in case of attempted fraud, state reason for the failure of the fraud action; and
 - m) any other relevant information.
- 4.6 Insurers and reinsurers shall report any attempted or actual fraud to the National Bank within 15 working days from the date of detection of the fraud in the form prescribed under Annex I.



የኢትዮጵያ ብሔራዊ ባንክ
NATIONAL BANK OF ETHIOPIA
Directives No. SIB/39/2014

- 4.7 Insurers and reinsurers shall submit quarterly progress report on fraud outstanding to the National Bank within 30 days from the end of the reporting quarter in the form prescribed under Annex II.
- 4.8 Where no new fraud occurred or progress has not been made on the outstanding fraud cases during the quarter, insurers and reinsurers shall submit to the National Bank a report by putting a word "Same" within 30 days from the end of the quarter.
- 4.9 The obligation of the insurer and reinsurer to report fraud to the National Bank under these directives shall not exempt them from the obligation to report the case to the pertinent authority under any other law.
- 4.10 Internal auditors shall assess the fraud cases at least once in every quarter and report the findings and status to the board of directors. J

5 Sharing Fraud Information

The National Bank, where necessary, shall share the fraud information, in its general form and context, guaranteeing the anonymity and confidentiality, to other insurers and reinsurers using appropriate means of communication.

6 Effective date

These directives shall enter into force as of the 1st day of January 2015.


TEKLEWOLD ATNAFU
GOVERNOR



Annex I

የኢትዮጵያ ብሔራዊ ባንክ
NATIONAL BANK OF ETHIOPIA
Directives No. SIB/39/2014

Actual or Attempted Fraud Incident Reporting Format

Name of Insurer/Reinsurer: _____
Date: _____

No.	Items	Description	Remark
1	Name and complete address of the suspected or allegedly proved fraudster		
2	Description or type of fraud (embezzlement, cheating, forgery using fake instruments or others)		
3	Causes of the fraud		
4	Status or profession of the allegedly proved or suspected fraudster (director, employee, customer, policyholder, insurance auxiliary or other party)		
5	Amount of actual or estimated fraud		
6	Date of occurrence of the fraud		
7	Date of detection of the fraud and reason for the delay to detect (if any)		
8	Place and area of operation where the fraud has occurred		
9	Technique and/or technology used to commit the fraud		
10	Action taken or proposed to be taken to avoid such incidents		
11	Amount recovered, if any		
12	In case of attempted fraud, state reason for the failure of the fraud action; and		
13	Any other relevant information		



Prepared by: _____
Signature: _____
Date: _____

Approved by: _____
Signature: _____
Date: _____

Annex II

Quarterly Summary Report on Fraud Outstanding

Name of Insurer/Reinsurer: _____

Date: _____

No	Category* /Type of Fraud (1)	Cases outstanding as at the end of the previous quarter		New cases reported during the current quarter		Cases closed during the current quarter		Cases outstanding at the end of the quarter		Total amount recovered (10)	Provision held for cases outstanding as at the end of the quarter ² (11)	Amount recovered during the current quarter (12)	Amount written off during the current quarter (13)
		No (2)	Amount (3)	No (4)	Amount (5)	No (6)	Amount (7)	No (8)=(2+4-6)	Amount (9)=(3+5-7)				

Prepared by: _____

Signature: _____

Date: _____

Approved by: _____

Signature: _____

Date: _____



¹ For consistent reporting, category includes cash, claims, check, others, while type of fraud includes embezzlement, cheating, forgery/using fake instruments, and others.

² The provision shall be calculated using the method specified under sub article 4.1 of Directive No. SIB/26/2004