

LICENSING AND SUPERVISION
OF INSURANCE BUSINESS

Requirements for Persons
with Significant Influence in an Insurance Company
Draft Directive No. SIB//2024

Whereas, ensuring sound practices, stability and long-term institutional success in financial system in general and the insurance sector in particular is crucial;

Whereas, public confidence in the financial system depends, among other things, on whether financial institutions including Insurance companies are owned and managed by persons who are fit and proper;

Whereas, it is necessary to enhance effectiveness of governance of insurance companies;

Whereas, there is a need to ensure that the National Bank of Ethiopia exercises its responsibilities to assess whether insurance companies are soundly and prudently managed and directed;

Now, therefore, in accordance with articles 4(1g&h), 15(4a) and 64(2) of Insurance Business Proclamation No. 746/2012, as amended by Insurance Business (Amendment) Proclamation No.1163/2019 , the National Bank of Ethiopia hereby issues these Directive.

1. Short Title

This Directive may be cited as "Requirements for Persons with Significant Influence in an Insurance Company Directives No. SIB//2024 ".

2. Definitions

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

2.1 "Bankrupt" means a person who has been declared bankrupt by the court of law;

- 2.2 "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 insurance company;
- 2.3 "Composite insurance company"** means an insurance company that is licensed to run both life and general insurance;
- 2.4 "Director"** means any member of the board of directors of an insurance company by whatever title he may be referred to;
- 2.5 "Financial institution"** means an insurance company, a bank, a microfinance institution, a capital goods finance company, a reinsurer, a micro insurance provider, postal savings, money transfer institution, digital financial service provider or such other institution as determined by the National Bank;
- 2.6 "Fit and proper criteria"** are criteria used to assess and determine whether persons with significant influence possess the integrity, financial soundness and competence and capacity to fulfill the responsibilities of their positions;
- 2.7 "Influential shareholder"** means a person who holds directly or indirectly two percent or more of the total subscribed capital of an insurance company;
- 2.8 "Operations"** means underwriting, claims and reinsurance;
- 2.9 "Managerial position"** means a position whose holder reports directly to a senior executive officer or to the board of directors;
- 2.10 "National Bank"** means the National Bank of Ethiopia;
- 2.11 "Person"** means any natural or juridical person;
- 2.12 "Persons with significant influence"** are influential shareholders, directors, chief executive officer and senior executive officers of an insurance company;
- 2.13 "Senior executive officer"** means any officer of an insurance company, 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;
- 2.14 "Technically insolvent person"** means a person whose liabilities are greater than assets or whose significant part of assets have been foreclosed by a financial institution or sequestered by court order;

3. Scope of Application

The provisions of this Directive shall be applicable to persons with significant influence in an insurance company.

4. General

- 4.1 Persons with significant influence shall meet all respective requirements and considerations set in this Directive.
- 4.2 Appointment of directors, chief executive officer and senior executive officers shall be subject to approval by the National Bank.
- 4.3 In appointing a chief executive officer and senior executive officers, the board of directors shall ensure that such persons fulfill the requirements set in this Directive.
- 4.4 Any shareholding that makes a person influential shareholder shall be approved by the National Bank.

5. Fit and Proper Criteria

5.1 Knowledge, Experience and Age

With respect to knowledge, experience and age of directors, a chief executive officer and senior executive officers shall fulfill at a minimum the following:

5.1.1 Board of Directors

- ii) i) a director shall hold a minimum of first degree or equivalent from recognized higher learning institution. Members of the board of directors shall have adequate experience in business management, preferably in insurance business, and/or should take adequate training in insurance business management after holding a seat on the board.
- iii) A director shall be at least 30 years old.

5.1.2 Chief Executive Officer

A chief executive officer shall:

- i) hold a minimum of first degree from recognized higher learning institution or advanced diploma in insurance from the Chartered Insurance Institute (CII). Having a diploma or LOMA in insurance renders an

added advantage for a person holding a first degree;

ii) have a minimum of 12 years' experience in insurance, of which, at least 5 years shall be, in a senior executive officer position where by in case of,

a) composite insurance company, must be in any one or more of general insurance operations and preferably additional experience in life insurance operations;

b) general insurance business, must be in any one or more of operations of general insurance operations ; and

c) life insurance business, must be in any one or more of life insurance operations.

5.1.3 Senior Executive Officers

A) Operations, shall:

i) hold a minimum of first degree from recognized higher learning institution or advanced diploma in insurance from the Chartered Insurance Institute (CII) and preferably have Life Office Management Association (LOMA);

ii) have a minimum of 10 years' experience in insurance, of which, at a minimum 4 years' experience in a managerial position, whereby in case of:

a) general insurance business, must be in any one or more of general insurance operations internal audit or risk management and compliance; and

b) life insurance business, must be in any one or more of life insurance operations.

B) Risk and Compliance and Internal Audit shall:

i) hold a minimum of first degree from recognized higher learning institution or advanced diploma in insurance from the Chartered Insurance Institute (CII) ; and

- ii) have a minimum of 8 years' experience in insurance, of which at a minimum 3 years shall be in a managerial position of operations, finance, internal audit, risk management and compliance,

C) Finance shall:

- i) hold a minimum, of first degree from recognized higher learning institution or advanced diploma in insurance from the Chartered Insurance Institute (CII) ; and
- ii) have a minimum of 10 years' experience in insurance , of which at a minimum 4 years shall be in managerial position of operations, finance, internal audit, risk management and compliance.

5.2 Integrity

Persons with significant influence shall be honest, reputable and diligent. In determining integrity of persons with significant influence, all relevant factors shall be considered, including but not limited to:

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

5.2.2 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 authority; and

5.2.3 In case of chief executive officer and senior executive officers, 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;

5.3 Financial Soundness

Persons with significant influence shall be financially sound. In determining financial soundness of persons with significant influence, all relevant factors shall be considered, including but not limited to:

5.3.1 Whether he/she or the legal person in which he/she is a director or chief executive officer or senior executive officer or owner has instituted bankruptcy proceedings or declared bankrupt, whether in Ethiopia or elsewhere, or his/her or the company's assets have been sequestered because of bankruptcy or been foreclosed by a bank because of failure to repay a loan;

5.3.2 Whether he/she or the legal person in which he/she is a director or chief executive officer or senior executive officer or owner has been convicted of default on repayments of bank or other credits or tax payment;

5.3.3 Whether he/she or the legal person in which he/she is a director or chief executive officer or senior executive officer or owner carries non-performing loans, as defined by directives of the National Bank, from any financial institution;

5.3.4 Whether the person's purchase of shares in a financial institution has been funded or to be funded by another person who is actually bankrupted or technically insolvent because of irresponsible or reckless management, fraud or illegal business practice;

5.3.5 Whether the person's minimum net worth at the time of acquisition of shares is at least greater than shares acquired or to be acquired from a financial institution; and

5.3.6 Whether a person's account has been closed and not reinstated by any bank, in line with relevant directives of the National Bank, because of drawing checks without sufficient funds.

6. Ongoing Fitness and Propriety Test, and Action by the National Bank

The National Bank may conduct fitness and propriety test on persons with significant influence of an insurance company on an ongoing basis. Where such a test indicates that a person with significant influence has failed to fulfill the fitness and propriety test as set out in this Directive, the National Bank may:

- 6.1 suspend voting rights of an influential shareholder;
- 6.2 suspend and/or remove a director, chief executive officer or senior executive officer of an insurance company.

7. Subsequent Notification Requirements

7.1 Persons with significant influence are required to immediately notify the National Bank any events that might change their assessment as fit and proper;

7.2 If board of directors, chief executive officer or senior executive officers of an insurance company, during the course of performing their duties, has reasonable doubt that a person with significant influence has failed to fulfill the criteria in this Directive, they shall immediately report the matter to the National Bank.

8. Documents to be submitted on Application

8.1 Written request shall be submitted to the National Bank along with the following documents in order to conduct fitness and propriety test:

8.1.1 For directors, chief executive officer and senior executive officers:

- i) an updated and signed curriculum vitae (including name, nationality, birth date, marital status, education, recent photograph, employment history, experience in business and financial affairs, involvement in civic, social and charitable activities including any leadership position held) accompanied with original and copies of documents signifying educational qualification and work experience;
- ii) copy of organizational structure approved by the board;
- iii) copy of signed appointment minutes of the board;

- iv) copies of identification card and /or passport;
- 8.1.2 For all persons with significant influence:
- i) completed and signed fitness and propriety test questionnaire which is part hereof;
 - ii) copy of tax identification number card; and
 - iii) any other document that the National Bank deems necessary;

8.2 Where the director is a judicial person, both the company and the person representing the company shall be fit and proper.

8.3 In case of a director representing an corporate body which is an influential shareholder, the following documents shall be submitted:

8.3.1 Copy of the company's memorandum and/or articles of association;

8.3.2 Copies of audited statements of the legal entity concerned, for three consecutive years (immediately preceding its application) or for each year it has been in operation, if less than three years; and

8.3.3 Any other documents the National Bank deems necessary.

9. Period of limitation of Acting Officers

10.2 A person shall not assume chief executive officer or senior executive officer position on acting basis for more than six months.

10.3 A chief executive officer's position shall not be held on acting basis for more than 9 months.

10 Exemptions

Provisions of article 5.1.1 of this Directive shall not apply to the incumbent board members until their present office term expires.

11. Transitional Provisions

11.1 Senior executive officer positions held in insurance companies and that fall within the categories stated under sub-article 5.1.3 of Article 5 and were not to date approved by the National Bank shall obtain approval within three months after the effective date of this Directive.

11.2 Approval requests submitted later than the time frame granted under sub-article 11.1 herein above shall not be accepted.

12. Repeal

Directive No SIB/32/2012 is hereby repealed and replaced by this Directive.

11 Effective Date

This Directive shall enter into force as of... day of ... 2024.

CONFIDENTIAL

NATIONAL BANK OF ETHIOPIA

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 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: _____ Woreda: _____ 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 the financial institution | Subscribed Shares owned | | Remarks |
|-----------------------------------|-------------------------|--------|---------|
| | number | Amount | |
| | | | |
| | | | |

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

a) Current shareholding or ownership in non-financial companies

| 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)

| 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 ^{*c} | Name of lending institution | Type of loan/ facility | 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 shares in a an insurance company.

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ANNEX 2: PROPRIETY TEST QUESTIONNAIRE

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 _____
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4. Have you ever been in dispute with previous employers or a record of any disciplinary measure Or failure to comply 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 have its assets been sequestered 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 directive 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 _____
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11. Are you currently member of board of directors or chief executive officer in any of the financial institutions?
If yes, give particulars _____
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Declaration

I am aware that under sub-article 6(b) of Article 63 of Insurance Business Proclamation No 746/2012 as amended by Insurance Business (Amendment) Proclamation No. 1163/2019, 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 _____