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NATIONAL BANK OF ETHIOPIA

## LICENSING AND SUPERVISION OF INSURANCE BUSINESS

### DIRECTIVE NO. SIB/62/2026

### LICENSING OF INSURANCE BROKER

**Whereas**, it became necessary to specify the manner of conducting of business for insurance brokers;

**Whereas**, it becomes necessary to ensure brokers play professional role in assisting clients with the procurement and administration of insurance;

**Now therefore**, in accordance with Article 39(2&3), 40, 41 and 64(2) of Insurance Business Proclamation No. 746/2012(as amended by) Proclamation No.1163/2019), the National Bank of Ethiopia has issued this Directive.

## **1. Short Title**

This Directive may be cited as “**Licensing of Insurance Broker Directive No. SIB/62/2026**”.

## **2. Definitions**

**2.1 “chief executive officer”** means a person, by whatever title that person may be referred to, who is chiefly responsible for the day-to-day management of the affairs of an insurance broker in the manner specified under sub-article 7 of this Directive.

**2.2 “insurance broker”** means a person licensed as an insurance broker (general or life insurance or both) by the National Bank who on behalf of the insuring public and in exchange for commission: a) deals directly in arranging insurance; b) acts or assists in any manner in connection with the negotiation, continuance or renewal of insurance cover; and c) provides consulting services with respect to insurance or insurance claims.

**2.3 “insurance company”** means a company licensed by the National Bank to undertake insurance business of an insurance company owned by the government;





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- 2.4 “ loss adjuster”** means a person who investigates an insurance claim to determine if the insurer should pay for damage or injuries, and if so, how much they should pay;
- 2.5 “managerial position”** means a minimum of position held by a person who is reporting to a “ senior executive officer” and who is responsible for overseeing underwriting and/ or claims operations at head quarter or head of marketing or manager of a main branch or equivalent;
- 2.6 National Bank”** shall mean the National Bank of Ethiopia.
- 2.7 “senior executive officer”** a person by whatever title he may be referred to is deputy to the Chief Executive Officer or directly accountable to the board of an insurance company;
- 2.8** Any expression in the masculine gender includes the feminine

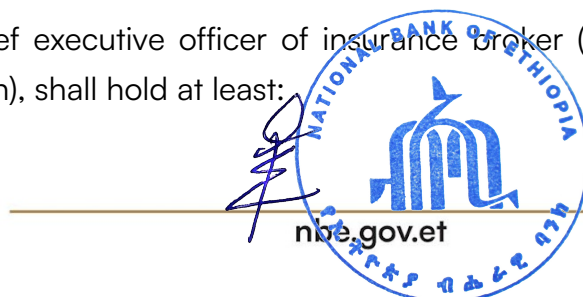
### **3. Form of Establishment**

An insurance broker (general insurance or life insurance or composite) shall be established as a sole proprietor or a limited liability partnership as defined and in line with relevant laws.

### **4. Requirements**

In order to be licensed as an insurance broker, the following conditions shall be met:

- 4.1** An applicant shall be an Ethiopian national or a limited liability partnership fully constituted by Ethiopian nationals.
- 4.2** An applicant or the owners, where the applicant is a limited liability partnership, have not been convicted by court of law, in any country, for an offence involving dishonesty.
- 4.3** An applicant or the owner of a limited liability partnership shall be a person with honesty, integrity, diligence and reputation to the satisfaction of the National Bank.
- 4.4** Chief executive officer of insurance broker (general or life insurance or both), shall hold at least:





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- a) an advanced diploma from the CII UK or other equivalent institution acceptable to the National Bank; or
- b) a minimum of first degree in any one of business related fields from an institute, college or university accredited by the relevant organ ; and
- c) a minimum of three years' reputable managerial experience in insurance business in the case of a person holding an advanced diploma in insurance; or
- d) a minimum of five years reputable managerial experience acquired through working at the head office of an insurance company/first grade districts of EIC/ with responsibility to oversee underwriting and/or claims in general or life insurance operations or both in the case of a person holding a minimum of first degree.

**4.5** A partner in a limited liability partnership should have a minimum of first degree in any field of study accredited by the relevant organ and 10 years' work experience in insurance of which 4 years should be in a managerial position.

**4.6** The requirements stated under sub-article 4.4 and 4.5 of this Article may not be applicable on chief executive officer and partner/s of any insurance broker licensed before the effective date of this Directive.

**4.7** Notwithstanding sub article 4.6 of this Article sub article 4.1 to 4.5 shall apply on all persons who applied for insurance brokers license but have not yet got approval on or before the effective date of the directive;

## **5. Information required from the applicant**

**5.1** Professional indemnity insurance policy.

**5.2** Four (4) photographs of the proposed chief executive officer.

**5.3** Curriculum vitae accompanied with original and copies of documents signifying educational qualification and work experience of the proposed chief executive officer and partners





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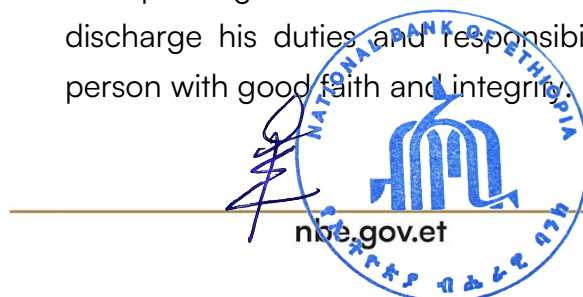
- 5.4 Duly completed application form as prescribed by the National Bank and enclosures specified therein.
- 5.5 Memorandum of association if the proposed insurance broker is in the form of limited liability partnership.
- 5.6 Full address of principal place of business.
- 5.7 Any other information as may be required by the National Bank from time to time.

## 6. Principal Place of Business

- 6.1 An insurance broker shall have a principal place of business where the normal day-to-day business shall be conducted, and shall furnish full information concerning its address, telephone number and other similar details to the National Bank.
- 6.2 An insurance broker shall provide the National Bank with prior notice of the opening of any branch office together with its full address. In the event of closing any branch office, the broker shall give the reason for the closure and the manner of dealing with any pending business of the branch office.
- 6.3 All branch operations shall be under the day to day purview of the Chief Executive Officer.

## 7. Duties & Responsibilities

- 7.1 An insurance broker shall have the following duties and responsibilities:
  - a) represent the client in the course of negotiating insurance cover and serve the client with reasonable professional skill in the course of dispensing advice on the insurance needs of the client.
  - b) discharge his duties and responsibilities as a diligent business person with good faith and integrity.





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- c) do everything possible to satisfy the insurance requirements of its clients before all other considerations.
- d) subject to an agreement with the insurance company, may collect premiums, issue cover notes, and settle claims up to a pre-agreed limit.
- e) ensure all work carried out in connection with the insurance broking business is under the control and day-to-day supervision of the chief executive officer of the firm;
- f) clearly explain the differences and relative costs of the principal types of insurance to the client and provide advice on the types of insurance cover that best suit the client's needs.
- g) offer a particular risk to at least three insurance companies and carry out a thorough analysis of each insurance company's proposal with particular emphasis on price, scope of cover and the reputation of the insurance company.
- h) notwithstanding what is stated under sub-article (g) hereinabove, a broker may place a particular risk with an insurance company of the insured's choice, where the prospective insured has already decided upon the insurance company with whom the particular risk is going to be placed, by securing a written statement from the prospective insured to this effect.
- i) place the clients' business with an insurance company/companies after providing the client with detailed information concerning the insurance company/companies, the type(s) of cover, the cost, inception and expiry date of policy and such other information relating to the risk covered after securing the full consent of the client.
- j) make the client aware of the legal consequences of failure of disclosure of material facts pertaining to the risk being proposed and ensure that the client exercised due care in the completion of proposal form, claim form, or any other material document. Where a client provides full information to a broker and that broker fails to disclose all material facts to an insurance company, thereby entitling the insurance company to repudiate the contract, the





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client shall have a right to seek redress from the broker for any damages suffered as a result of the broker's actions or omissions.

- k) conscientiously discharges his fiduciary responsibilities towards the client concerning any premium and/or any claim payment, received from or due to, the client.

**7.2** An insurance broker shall maintain, at its principal place of business, a record of the name of every client, policy number, premium paid, subject matter of insurance, the date of inception and date of renewal of the policy, sum insured, and, in respect of claims settled through or with the involvement of the broker, the amount and date of claim made, the date on which the claim was paid, the amount paid, and, in the case of a claim being repudiated, the date and reason for repudiation, and in the event of partial settlement, the reason thereof.

## **8. Prohibition**

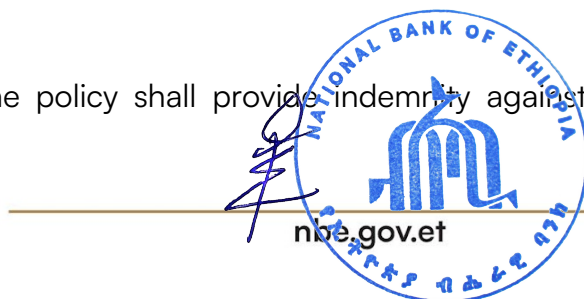
The spouse or any other person related to an individual sole proprietor insurance broker or a chief executive officer or a partner in limited liability partnership insurance broker or their spouse in first degree consanguineous relationship shall not have any equity interest in an insurance company, loss-adjusting firm, or a firm of actuary;

## **9. Professional Indemnity Insurance**

**9.1** An insurance broker shall maintain a valid professional indemnity insurance cover at all times.

**9.2** The professional indemnity insurance policy shall, at inception and at each renewal date, provide a minimum limit of indemnity for a sum equal to three times the annual general commission earned by the broker in the last accounting period ending prior to inception or renewal of the policy, or a sum of Birr1, 000,000 (Birr One million) whichever sum is greater.

**9.3** The policy shall provide indemnity against losses arising from claims



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made against the broker:

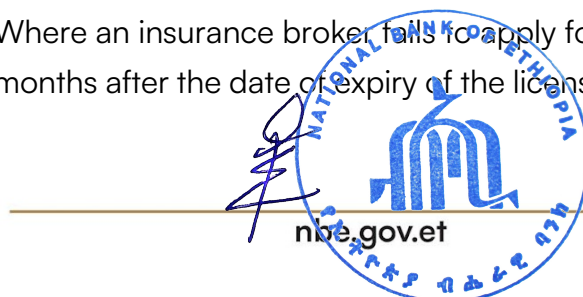
- a) for breach of duty in connection with the business by reason of any negligent act, error or omission.
- b) in respect of libel or slander (defamation), committed in the conduct of the business by the broker, any employee or former employee of the broker, and where the business is or was carried on in a limited liability partnership, any partner or former partner of the broker.
- c) by reason of any dishonest or fraudulent act or omission committed or made in the conduct of the business by any employee or former employee of the insurance broker.
- d) in respect of any loss of money or other property whatsoever for which the insurance broker is legally liable in consequence of any dishonest or fraudulent act or omission of any employee or former employee of the insurance broker.
- e) in respect of legal liability incurred by reason of loss of documents and costs and expenses incurred in replacing or restoring such documents.

#### 9.4 Maintaining a valid insurance policy

An insurance broker shall promptly file with the National Bank a copy of valid professional indemnity insurance policy which is prepared in accordance with the provisions herein above at inception or subsequent renewal.

## 10. Renewal

- 10.1 The license of an insurance broker shall be renewed annually.
- 10.2 The application for renewal shall be accompanied by evidence of payment of renewal fee and a valid professional indemnity policy, and shall be submitted within one month of the expiry date of the license.
- 10.3 Where an insurance broker fails to apply for renewal within 12 calendar months after the date of expiry of the license, its/his/her license shall be





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automatically cancelled. Such person shall only be eligible to be licensed as an insurance broker provided he/she fully meets the requirements of this Directive.

## 11. Penalties

An insurance broker that fails to comply with any of the National Bank's directives and/or any of the provisions of the Insurance Business Proclamation No. 746/2012 as amended by Insurance Business (Amendment) Proclamation No.1163/2019 shall be subject to a fine of Birr 10,000 (Birr ten thousand).

## 12. Suspension and Revocation of License

12.1 The National Bank shall suspend a broker's license if:

12.1.1 the firm does not have a CEO for any reason for a maximum period of four months; and

12.1.2 findings of an investigation by the National Bank requires to do so.

12.2 The National Bank shall revoke a broker's license, if the broker :

12.2.1 carried out business in a manner that seriously breaches the duties and responsibilities specified under Article 7 of this directive;

12.2.2 violates relevant Proclamations, regulations or any directives issued by the National Bank or the National Bank rationally believes that the broker's act is detrimental to the proper functioning of the insurance industry;

12.2.3 he/she/it has conducted its business in a manner contrary to good faith, integrity and detrimental to the interest of its clients;

12.2.4 he/she/it has carried out its business in a manner that seriously breach the duties specified under Article 7 of this Directive;

12.2.5 the National Bank believes that the brokers act is harmful to the proper functioning of the insurance industry; and

12.2.6 The National Bank shall automatically cancel the license of any





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insurance broker who fails to maintain a valid professional indemnity insurance policy at all times.

### 13. Transitional Provision

Insurance brokers licensed as business organizations before the effective date of this Directive shall reorganize themselves as limited liability partnership as stipulated in the Commercial Code within five years from the effective date of this Directive.

### 14. Repeal

**Directive No. SIB/31/2010** and **Directive No. SIB/009/1995** are hereby repealed and replaced by this Directive.

### 15. Effective Date

This Directive shall enter into force as of **26<sup>th</sup> day of March 2026**.

  
Eyob Tekalign (PHD)  
Governor

