

PROCLAMATION NO. /2026
THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
INSURANCE PROCLAMATION

WHEREAS, the insurance market plays an important role in economic development by providing policyholders with protection against financial loss, enabling them to innovate, invest and take risks and by providing financial stability.

WHEREAS, it is necessary to adopt a legal framework for the regulation and supervision of the insurance market for the protection and security of policyholders and the customers of insurance intermediaries, to strengthen confidence in the insurance market, to promote a fair, safe, efficient and stable insurance market and to contribute to the stability of the financial system;

WHEREAS, it is necessary to establish an authority to have responsibility for the regulation and supervision of the insurance market in line with international standards and best practice;

WHEREAS, it is necessary to ensure the credibility of the authority by providing for its governance, transparency and accountability;

WHEREAS, it is necessary to establish an effective resolution regime that provides the Authority, as the Resolution Authority, with a broad range of powers and tools to resolve insurers that are no longer viable and have no reasonable prospect of becoming so, in a manner that minimises the losses to policyholders;

WHEREAS, opening up the insurance sector for foreign investment, while establishing a regulatory framework that protects policyholders and enables cooperation with foreign supervisory authorities, will improve the competitiveness of the sector;

NOW, THEREFORE, in accordance with Article (1) of the Constitution of the Federal Democratic Republic of Ethiopia, it is hereby proclaimed as follows:

PART ONE

GENERAL PROVISIONS

1. Short Title

This Proclamation may be cited as “Insurance Proclamation No...../2026.”

2. Definitions

In this Proclamation, unless the context requires otherwise:

- 1/ **“Actuary”** means a person who provides advice on financial questions and contingencies involving insurance in general and life insurance and pension schemes in particular;
- 2/ **“Annuity Contract”** means an insurance contract that, in consideration for the payment of a premium, provides for guaranteed periodic payments to be made by the insurer that are dependent on the continuance of human life, but a contract that provides for variable periodic payments is not an annuity contract unless the basis for determining the periodic payments is fixed at the time that the contract is entered into;
- 3/ **“Authority”** means the Ethiopian Insurance Regulatory Authority;
- 4/ **“Bancassurance”** means an arrangement under which a financial institution distributes or sells insurance products to its customers on behalf of a licensed insurer, without assuming the insurance risk;
- 5/ **“Beneficial Owner”** means any natural person who ultimately owns or controls a customer, the person on whose behalf a transaction is being conducted, or the person who ultimately exercises effective control over a legal person or arrangement;
- 6/ **“Board”** means the Authority’s Board of Directors;
- 7/ **“Board Member”** means a member of the Authority’s Board of Directors;
- 8/ **“Bridge Insurer”** means a temporary institution established by the Ministry of Finance on interim basis, to acquire assets and assume liabilities of a failed insurer and continue critical and viable operation until the insurer is transferred to another insurer through purchase and assumption or until taken over by the liquidator;
- 9/ **“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 insurer;
- 10/ **“Commissioner”** means the chief executive officer of the Authority appointed as per Article 21(1) of this Proclamation;
- 11/ **“Complaint”** means an oral or written expression of dissatisfaction, whether justified or not, from or on behalf of a person about the provision of a service provided by an insurer or an insurance intermediary in the course of its licensed business;
- 12/ **“Composite Insurer”** means an insurer that carries on long term insurance business

and general insurance business;

13/ **“Control Function”** means a person, unit or department of an insurer that has responsibility for objectively assessing, assuring and reporting on the business and operations of the insurer and includes a risk management function, an internal audit function, an actuarial function and a compliance function;

14/ **“Corporate Insurance Intermediary”** means an insurance intermediary that is a juridical person;

15/ **“Customer”** means a present, past and prospective customer of an insurance intermediary;

16/ **“Direct Insurance Business”** means an insurance business undertaken by a licensed insurer but excludes reinsurance business;

17/ **“Direct Insurer”** means a licensed insurer that carries on direct insurance business;

18/ **“Direct Shareholding”** means shareholding in an insurer, by a person directly on his own name, or jointly with his spouse or with a person who has not attained the age of legal majority related to him by the first degree or through any other conditions as may be determined by Directive;

19/ **“Director”** means a person appointed to direct the affairs of a juridical person;

20/ **“Domestic Insurance Contract”** means an insurance contract, the principal objective of which is to insure a risk in relation to:

- 1) immovable property situated in Ethiopia;
- 2) moveable property which, at the time the insurance contract is effected is situated, held, based or registered in Ethiopia;
- 3) moveable property that is being imported into Ethiopia;

21/ **“Domestic Law Enforcement Authority”** means a law enforcement authority in Ethiopia;

22/ **“Domestic Supervisory Authority”** means an authority or body that has functions that relate to the regulation or supervision of financial services in Ethiopia;

- 23/ **“Employee”** means a chief executive officer, a senior executive officer or any other person who is appointed or hired by an insurer to carry out its day-to-day operational activities;
- 24/ **“External Actuary”** means an actuary appointed by an insurer who is not an employee of the insurer;
- 25/ **“Financial Institution”** means a bank, an insurer, a reinsurer, a micro finance institution, an inclusive insurer, a Takaful insurer, a ReTakaful reinsurer, payment instrument issuer, payment system operator, a capital goods finance company, a money transfer institution, representative office of a foreign bank, a postal money transfer institution or such other similar institution as determined and licensed, as the case may be, by the National Bank of Ethiopia or the Authority;
- 26/ **“Financial Year”** means the period running from July 1st to June 30th of the following year;
- 27/ **“Foreign Insurer”** means an entity incorporated and licensed by the relevant authority that carries on insurance business outside Ethiopia;
- 28/ **“Foreign National”** means a person who is not an Ethiopian national and includes foreign insurers and foreign reinsurers;
- 29/ **“Foreign National of Ethiopian Origin”** means a person with valid identification card obtained pursuant to Providing Foreign Nationals of Ethiopian Origin with Certain Rights to be Exercised in their Country of Origin Proclamation No.270/2002 attesting that he is Foreign National of Ethiopian origin;
- 30/ **“Foreign Owned Ethiopian Organization”** means an entity that is fully owned by Foreign Nationals or jointly owned with Ethiopians, and registered under the laws of, and having its head office in Ethiopia;
- 31/ **“Foreign Parent Insurer”** means a foreign insurer or insurance group that owns more than fifty percent of the foreign insurer subsidiary engaged in insurance business in Ethiopia;
- 32/ **“Foreign Reinsurer”** means an entity incorporated or constituted in a country outside Ethiopia wherein the major and primary business of which is entering into a reinsurance contract as a reinsurer;

33/ **“Foreign Supervisory Authority”** means an authority in a jurisdiction outside Ethiopia which performs:

- a) functions corresponding or similar to those performed by the Authority; or
- b) a function that relates to the regulation or supervision of financial services;

34/ **“General Insurance Business”** means all classes of insurance business other than long term insurance business;

35/ **“General Insurer”** means an insurer licensed to conduct general insurance business;

36/ **“Home Jurisdiction”**, in the case of a foreign insurer or a subsidiary of a foreign insurer, means the jurisdiction in which the foreign insurer is incorporated or otherwise established and in which it has its head office or principal place of management;

37/ **“Home Supervisory Authority”** means in the case of a subsidiary of a foreign insurer, means the supervisory authority in the home jurisdiction that is responsible for the supervision of the foreign insurer;

38/ **“Inclusive Insurance Agent”** means a specialized intermediary who facilitates the distribution and servicing of insurance products designed for unserved or underserved populations typically low-income individuals, those in the informal economy, or marginalized communities;

39/ **“Inclusive Insurance Business”** means an insurance business by an insurer that develops, distributes, and services insurance products specifically for populations that are currently unserved or underserved by the traditional insurance market;

40/ **“Inclusive Insurance Contract”** means an insurance contract which is targeted at a segment of the population that is usually underserved, and that complies with any additional criteria that may be specified by the Authority by Directive;

41/ **“Inclusive Insurer”** means an insurer holding an inclusive insurance license;

42/ **“Independent Director”** means a non-executive director of an insurer who:

- a) does not and within the previous three years has not been a director, senior manager or key person in a control function of the insurer;
- b) is not a shareholder of the insurer and does not have any other direct or indirect

interest in the insurer;

- c) does not receive any remuneration, commission or compensation from the insurer other than remuneration as a director;
- d) is not a spouse or relative by consanguinity or affinity to the first degree to a director, senior manager or key person in a control function of the insurer;
- e) does not have a material conflict of interest with the insurer and
- f) any additional conditions may be specified by a Directive to be issued by the Authority.

43/ **“Index-Based Insurance Contract”** means an insurance under which the liability of the insurer to make a payment to the policyholder, and the amount of that payment, is determined in accordance with one or more indexes;

44/ **“Indirect Shareholding”** means shareholding in an insurer through an entity owned by a direct shareholder with ten percent or more ownership in the entity or through his children who attained the age of legal majority or through any other conditions as may be determined by the Authority;

45/ **“Insurance Agent”** means a person who:

- a) appointed by, and acting as agent on behalf of, an insurer; and
- b) in return for commission or other compensation:
 - (1) solicits applications for insurance;
 - (2) negotiates insurance contracts, including the continuance or renewal of insurance contracts; or
 - (3) performs other functions of an agency nature relating to insurance business, but does not include an employee of the insurer;

46/ **“Insurance Broker”** means a person who:

- a) acts independently and not as an agent or employee of an insurer; and
- b) in return for commission or other compensation negotiates or arranges contracts of insurance, including the continuance or renewal of contracts of insurance for; or provides advice or consulting services concerning insurance to, policyholders or prospective policyholders concerning insurance or insurance claims;

47/ **“Insurance Business”** means business that consists of:

- a) issuing of insurance contracts;
- b) undertaking liability as an insurer under insurance contracts; and
- c) any activity that is ancillary to the activities specified in paragraphs (a) and (b).

48/ **“Insurance Contract”** means a contract under which one party, the insurer, in exchange for a premium, agrees with another party, the policyholder, to make a payment, or provide a benefit, to the policyholder or another person on the occurrence of a specified uncertain event, being an event with respect to which there is uncertainty as to whether or when the event will take place, which, if it occurs, will be adverse to the interests of the policyholder and includes:

- a) an investment-linked insurance contract, as defined by Directive;
- b) an annuity contract;
- c) an index-based insurance contract; and
- d) unless the context requires otherwise, a reinsurance contract.

49/ **“Insurance Contract Liabilities”** means the total current value of the obligations an insurer has towards its policyholders as of the reporting date arising from the insurance contracts;

50/ **“Insurance Intermediary”** means a person licensed by the Authority to undertake insurance intermediation;

51/ **“Insurance Intermediation”** means carrying on business as:

- a) an insurance broker;

- b) a reinsurance broker;
- c) an insurance agent, including an inclusive insurance agent;
- d) a loss adjuster
- e) a loss assessor;
- f) an insurance risk surveyor; and
- g) any other type of business that may be prescribed as insurance intermediation by Directive;

52/ **“Insurance Monies”** means monies representing:

- a) insurance premiums or other payments payable to an insurer under or with respect to an insurance contract;
- b) monies paid by an insurer for the purpose of:
 - 1) settling an insurance claim; or
 - 2) refunding an insurance premium or part of an insurance premium; and
- c) any other money payable to or by an insurer relating to an insurance contract;

53/ **“Insurance Risk Surveyor”** means a person who, acting independently, engages in the business of assessing and surveying risks, advising on premiums and other terms and conditions of contracts of general insurance business and on the mitigation and reduction of risks;

54/ **“Insurer”** means a private or state owned insurer or reinsurer or a foreign insurer subsidiary licensed by the Authority to undertake insurance or reinsurance business as the case may be;

55/ **“Key person in a control function”** means a person appointed by a licensee to undertake or have responsibility for, and oversight of, a control function;

56/ **“Licensee”** means a person who holds a license issued by the Authority under this Proclamation;

57/ **“Liquidation”** means the winding-up process that includes collecting, valuing, servicing, and converting the assets of a failed insurer or an insurer decided to be liquidated to cash to satisfy the claims of its creditors;

58/ **“Liquidator”** means a person appointed by the Authority to undertake the liquidation of a failed insurer;

59/ **“Long Term Insurance Business”** means an insurance business in the following classes:

- a) life insurance;
- b) annuities;
- c) permanent health insurance;
- d) investment-linked insurance;
- e) any other class of business specified as long term insurance business by Directive;

60/ **“Long Term Insurer”** means an insurer licensed to conduct long term insurance business;

61/ **“Loss Adjuster”** means a person who, acting independently, on behalf of an insurer undertakes any of the following activities:

- a) the investigation, appraisal and adjustment of insurance claims made against the insurer;
- b) the negotiation and settlement of insurance claims made against the insurer; but does not include:

- 1) an employee of an insurer while acting on behalf of the insurer; or
- 2) an insurance agent who is authorised to settle claims on behalf of the insurer for whom the insurance agent acts as agent;

62/ **“Loss Assessor”** means a person who, acting independently, investigates and assesses claims under contracts of general insurance, but does not include an employee of an insurer or an insurance agent while acting on behalf of the insurer or insurance agent;

- 63/ **“Macro Prudential Supervision”**, in relation to the Authority, means the identification and analysis of market and financial developments and other environmental factors that may impact insurers and the insurance sector and the use of this information to identify vulnerabilities and address, where necessary, the build-up and transmission of systemic risk at the individual insurer and at the sector- wide level;
- 64/ **“Main Class of Insurance Business”** means either long term insurance business or general insurance business as the case may be;
- 65/ **“Merged Entity”** means the single juridical person that is proposed to result from and continue after a proposed merger;
- 66/ **“Merger”** means a voluntary or statutory fusion of two or more insurers where one or more, insurers lose their existence and a new insurer is formed;
- 67/ **“Ministry”** means the Ministry of Finance or the Ministry for the time being responsible for matters relating to finance of the Government;
- 68/ **“National Bank”** means the National Bank of Ethiopia;
- 69/ **“Off-site Monitoring”** means the process by which the Authority, as far as is appropriate, monitors the financial condition, performance, processes and procedures of licensees on an ongoing basis, through an analysis of information and reports provided to the Authority by a licensee, communications with the licensee and market and other relevant information in the possession of the Authority;
- 70/ **“Official Administration”** means the state of an insurer being temporarily controlled by an official administrator as per the Authority’s decision;
- 71/ **“Official Administrator”** means a person appointed by the Authority to takeover and assume management and operate a problem insurer so as to conserve, manage, and protect its assets and prepare legitimate resolution plan for the insurer until the insurer is stabilized or the Authority decides to cease official administration;

72/ **“Parent Insurer”** means a domestic insurer that fully or partially owns more than fifty percent of the subsidiary operating in Ethiopia;

73/ **“Person”** means a natural or juridical person;

74/ **“Policyholder”** means:

- a) the person who entered or is contemplating to enter into the contract of insurance with the insurer; or
- b) if the rights of that person under the contract of insurance have been assigned or transferred, the person who has those rights;

75/ **“Portfolio Transfer”** means a legal and operational process by which an insurer (the transferor) moves a specific block of insurance policies and their associated liabilities to another insurer (the transferee);

76/ **“Prescribed Fit and Proper Criteria”** means the criteria prescribed by Directive that are used by an applicant for a license, licensees and the Authority to assess the competence, integrity, reputation and financial standing of a person;

77/ **“Qualification Competency”** means required education, experience, competence, fitness and propriety as determined by Directive;

78/ **“Recovery Plan”** means detailed and comprehensive document prepared by an insurer as per the Directive issued by the Authority and includes the identification and assessment of possible severe situations of stress and corresponding recovery measures and arrangements to be taken by an insurer so as to effectively address the stress and ensure financial and business viability;

79/ **“Regulatory Sandbox”** means a regulatory framework that allows for a live and time bound testing of innovative insurance services under the Authority’s control and oversight, prior to authorization or licensing by the Authority;

80/ **“Reinsurance Broker”** means a person who:

- a) acting independently and not as an agent or employee of a reinsurer; and
- b) in return for commission or other compensation:

- 1) negotiates or arranges contracts or treaties of reinsurance, including the continuance or renewal of contracts or treaties of reinsurance; or
- 2) provides advice or consulting services to insurers concerning reinsurance;

81/ **“Reinsurance Business”** means the business of:

- a) issuing reinsurance contracts;
- b) undertaking liability as a reinsurer under reinsurance contracts;
- c) any activity that is ancillary to the activities specified in paragraphs (a) and (b);

82/ **“Reinsurance Contract”** means an insurance contract under which one insurer (the reinsurer) indemnifies another insurer (the cedant) against losses on one or more contracts of insurance entered into by the cedant and, unless the context requires otherwise, includes a retrocession agreement;

83/ **“Reinsurer”** means a share company licensed by the Authority as a reinsurer under this Proclamation;

84/ **“Representative Office”** means an office of a foreign insurer or reinsurer located in Ethiopia and engaged in representational functions such as liaison, marketing, research and other similar activities as may be determined by the Authority through a Directive;

85/ **“Resolution Plan”** means a comprehensive document prepared by the Authority detailing the characteristics and critical functions of a likely to fail or failed insurer and puts forward preferred resolution strategy and tools to be employed with the view of protecting policyholders, minimizing the losses to the resultant liquidation estate, ensuring continuity of critical functions and avoid threat to the stability of the financial system;

86/ **“Senior Executive Officer”** means any officer of an insurer, by whatever title he may be referred to, who is deputy to the chief executive officer;

87/ **“Share company”** means a company formed and registered as a share company under the Commercial Code of Ethiopia;

88/ **“Significant Owner”** means a person who directly or indirectly owns four percent or more of the total subscribed capital of an insurer and/or who exercise control over an insurer through having:

- a) the power, directly or indirectly, to exercise, or control the exercise of, four percent or more of the voting rights in an insurer;
- b) the power to appoint or remove one or more board of directors of an insurer;
- c) the right to exercise a dominant influence and control over an insurer through a provision in the Memorandum of Association of the insurer, through a contractual provision or otherwise; or
- d) the power to exercise, or actually exercises, dominant influence or control over the insurer;

89/ **“Solvency”** means the ability of an insurer to meet its long-term financial obligations;

90/ **“Staff Transfer”** means the transfer of foreign national employees from a foreign insurer to its subsidiary in Ethiopia in accordance with the Directive issued by the Authority;

91/ **“Statutory Merger”** means a merger where two or more insurers are merged as per the Authority’s decision and direction; and in line with the provisions of this Proclamation and other relevant laws;

92/ **“Strategic Investor”** means a foreign insurer or an insurance group with inbuilt good reputation in its country of incorporation or owned by the government of the country where it was incorporated or International Development Finance Institution, private equity fund or other similar entities to be determined by the Authority and meet the minimum vetting criteria to be set by the Directive issued by the Authority;

93/ **“Subsidiary”** means as defined under the Commercial Code, and controlled by a foreign or local parent insurer, registered under the laws of, and having its head office in Ethiopia.

94/ **“Takaful”** means a cooperation between members of a community whereby each member undertakes to contribute a certain sum of money which will be used mutually to assist the members against a defined loss or damage;

95/ **“Unlicensed Business”** means any business or activity for which a license granted by the Authority under this Proclamation is required, that is conducted without:

- a) a license issued by the Authority under this Proclamation that authorises that type of licensable activity; or
- b) the benefit of an exemption provided for under this Proclamation or granted by the Authority in accordance with this Proclamation;

96/ **“Voluntary Liquidation”** refers to the process by which a solvent insurer, through a formal and orderly procedure, ceases its operations and distributes its assets to stakeholders;

97/ **“Voluntary Merger”** means where two or more insurers are merged as per a voluntary agreement, and in line with the provisions of this Proclamation and other relevant laws; and

98/ An expression in the masculine gender includes feminine.

PART TWO

ORGANIZATION, OBJECTIVES AND FUNCTIONS OF THE AUTHORITY

3. Establishment of the Authority

- 1/ There is established an Authority to be known as the Ethiopian Insurance Regulatory Authority as an autonomous institution with perpetual succession that is governed by this Proclamation.
- 2/ The Authority is accountable to the Ministry.
- 3/ The Authority is operationally independent in the exercise of its functions.
- 4/ The Authority has its own juridical personality and, in particular, has the power to:
 - a) own, acquire, possess, hold and manage property;

- b) dispose of, charge or otherwise deal with its property by sale or in any other manner;
- c) enter into contracts;
- d) sue and be sued;
- e) borrow money with or without security and obtain goods and services on credit; and
- f) exercise all the powers pertaining to a juridical person and do all things necessary for the proper performance of its functions, subject to this Proclamation.

4. Head Office

- 1/ The head office of the Authority shall be in Addis Ababa.
- 2/ The Authority may establish branch offices elsewhere in Ethiopia.

5. Objectives of the Authority

- 1/ The Authority shall perform its functions with the following objectives:
 - a) Protecting policyholders of insurers and customers of insurance intermediaries;
 - b) Promoting the maintenance of a fair, safe, efficient and stable insurance market;
 - c) Contributing to the stability of the financial system;
 - d) Promoting the development of a competitive and sustainable insurance market; and
 - e) Supporting and encouraging financial inclusion within the insurance market.
- 2/ In considering the degree of protection that is appropriate for policyholders and customers of insurance intermediaries, the Authority shall have regard to:
 - a) The differing degrees of experience and expertise that different policyholders

and customers may have in relation to the insurance market and particular insurance products;

b) The needs that policyholders and customers may have for advice and accurate information; and

c) The general principle that policyholders and customers should be responsible for their informed decisions.

3/ In seeking to support and encourage financial inclusion within the insurance market, the Authority shall consider the need to ensure that the regulation and supervision of products and services that support financial inclusion is proportionate.

6. Powers and Functions of the Authority

For the fulfilment of its objectives, the Authority shall have the powers and functions to;

1/ Regulate the insurance market through the issuance of Directives and the provision of Guidelines to licensees;

2/ Regulate, license and supervise licensees;

3/ Issue and revoke licenses under this Proclamation;

4/ Regulate corporate governance and board composition of licensees;

5/ Take enforcement action against persons carrying on unlicensed business;

6/ Supervise licensees prudentially and for conduct of business on an individual and, where appropriate, group-wide basis;

7/ Monitor compliance with this Proclamation and the Directives and investigate conduct that constitutes, or may constitute, a contravention of this Proclamation and the Directives;

8/ Enforce this Proclamation and the Directives;

9/ Monitor the operation of the insurance market and conduct inquiries and investigations relating to the insurance market or participants in the insurance market;

10/ Establish and implement policies, procedures and tools to enable the Authority to undertake macro prudential supervision;

- 11/ Keep the effectiveness of this Proclamation and other laws relevant to the insurance market under review and, where appropriate, make proposals to the Ministry for changes to the laws;
- 12/ Enforce compliance by licensees with their obligations under the anti-money laundering and terrorist financing legislation;
- 13/ establish and implement a regulatory sandbox framework that will enable testing and introduction of new and innovative financial services to the market;
- 14/ act as a resolution authority for an insurer;
- 15/ Promote awareness of and undertake public education concerning the insurance market;
- 16/ Enter into bilateral or multilateral international agreements for the purpose of executing its mandate and responsibilities when it deems necessary in consultation with the concerned Government organ;
- 17/ Act and represent Ethiopia in compliance with international agreements regarding insurance to which Ethiopia is a member;
- 18/ Regulate advertisements of licensees;
- 19/ Co-operate with, and provide assistance to:
 - a) Foreign supervisory authorities;
 - b) Domestic supervisory authorities; and
 - c) Domestic law enforcement authorities;
- 20/ Provide advice to Government on the insurance of Government and national property and assets and
- 21/ Execute such other powers and functions to execute its objectives as other insurance regulatory authorities customarily perform.

7. Supervisory Principles

In implementing its objectives and performing its functions, the Authority shall have regard to:

- 1/ The need to implement international standards and best practice in relation to the regulation and supervision of the insurance market;
- 2/ The need to perform its supervisory functions consistently and equitably;
- 3/ The desirability of:
 - a) Regulating and supervising licensees on a risk-sensitive basis; and
 - b) Requiring effective risk management by licensees, as appropriate;
- 4/ The need to avoid unnecessary compliance costs;
- 5/ The need to be transparent to licensees, the Government and the Ministry and the public concerning how the Authority exercises its functions.

8. Organizational Structure of the Authority

The Authority shall have:

- a) Board of Directors;
- b) a Commissioner and Deputy Commissioner; and
- c) the necessary staff.

9. Board of Directors of the Authority

- 1/ The Authority shall be governed by a Board of Directors, composed of (7) seven members:
 - a) The Governor of the National Bank, as ex-officio member;
 - b) A representative of the Ministry of Trade & Regional Integration;
 - c) The Commissioner of the Authority, as ex-officio member;
 - d) The Director-General of the Ethiopian Capital Markets Authority, as ex-officio member;

DRAFT

- e) Three natural persons appointed by the Prime Minister as independent board members.

2/ A person appointed as an independent board member shall be:

- a) An Ethiopian National; and
- b) A person who can demonstrate that the person:
 - (1) has a sound reputation;
 - (2) is honest and has integrity;
 - (3) has an academic qualification in insurance, finance, law, accounting, audit or another field relevant to the operations of the Authority;
 - (4) has a minimum of ten years of professional experience;
 - (5) has knowledge, skills and experience appropriate to assist the Authority to achieve its objectives and perform its functions; and
 - (6) is otherwise fit and proper to act as an independent board member.

3) The Board shall:

- a) include female members; and
- b) possess adequate collective expertise, skills and experience to enable the Board to perform its functions effectively.

4/ An Independent Board Member may not:

- a) Be a Senior Government Official or a Member of Parliament;
- b) Be an employee of the Authority;
- c) Have a significant equity interest in a licensee; or
- d) Be a director or employee of a licensee.

- 5/ The Prime Minister shall appoint one of the Board Members, other than the Commissioner of the Authority, as Chairperson.
- 6/ The Prime Minister shall fix the amount of remuneration and allowances payable to the Board Members at a minimum consistent with the comparable average rate in the insurance sector of Ethiopia for a Board.

10. Term of Office of Independent Board Members

- 1/ An independent board member holds office for a term of six years and, subject to Sub-Article (2) of this Article, is eligible for re-appointment.
- 2/ No person may serve more than two terms as an Independent Board Member.
- 3/ An Independent Board Member continues in office, despite the expiry of the Board Member's term of office, until:
 - a) The Board Member is reappointed;
 - b) The Board Member's successor is appointed;
 - c) The Board Member resigns; or
 - d) The Board Member's appointment is revoked.

11. Resignation and Removal of Independent Board Member

- 1) An Independent Board Member may resign from office by written notice addressed to the Prime Minister.
- 2) An Independent Board Member who resigns shall provide a copy of the resignation notice to the Chairperson or, if the resigning Board Member is the Chairperson, to each Board Member.
- 3) The Prime Minister may, by a letter addressed to an Independent Board Member, revoke the appointment of that Board Member if:
 - a) The Board Member is absent from three consecutive meetings of the Board without sufficient cause;

- b) The Board Member is convicted of an offence;
- c) The Board Member fails to disclose an interest under Article 15 of this Proclamation; or
- d) In the opinion of the Prime Minister, the Board Member:
 - (1) Is unable or unfit, whether by reason of illness or otherwise, to perform the duties of a Board Member;
 - (2) Is not fit and proper to act as an Independent Board Member of the Authority; or
 - (3) Has an interest that conflicts, or could conflict, with the performance of the Board Member's duties as an Independent Board Member, whether or not the interest has been disclosed by the Board Member under Article 15 of this Proclamation.

4/ If an Independent Board Member resigns, is removed from office or deceased , the Prime Minister shall appoint a person as Independent Board Member for the unexpired portion of the Member's term of office.

12. Responsibilities and Powers of the Board

1/ The responsibilities of the Board are:

- a) to establish and approve the strategy and significant policies of the Authority, including its investment strategy and investment policies, and oversee their implementation;
- b) to ensure that it has effective oversight of the management of the Authority;
- c) to ensure that the Authority establishes and maintains:
 - (1) an appropriate governance framework and organizational structure; and
 - (2) adequate procedures and controls, including an internal audit function and rules governing the disclosure of interests by employees, consultants, experts, advisors and agents of the Authority;

- d) to approve Directives to be issued by the Authority, and any changes to those Directives;
 - e) to approve the budget and financial statements of the Authority and its annual report;
 - f) to approve the Authority's organizational structure, decision-making processes, delegation of authority and human resources policy;
 - g) to appoint and remove the external auditor;
 - h) to approve the establishment and members of, and the terms of reference for, Board Committees;
 - i) to approve the appointment and removal of senior management and the key persons in control functions of the Authority;
 - j) to approve the remuneration and benefits of the employees of the Authority;
 - k) approve the Authority's procurement and property disposal framework;
 - l) approve Authority's Code of Conduct
- 2/ In exercising its responsibilities, the Board shall seek to ensure that:
- a) the Authority operates in a financially responsible manner and that the resources of the Authority are utilized economically and efficiently;
 - b) the internal financial and management controls of the Authority are adequate;
 - c) the Authority is operated in accordance with principles of good governance; and
 - d) the Authority effectively implements its objective and performs its functions, taking account of the Supervisory Principles specified in Article 7 of this Proclamation.
- 3/ The Authority has all powers necessary to fulfil its responsibilities.
- 4/ The Board may, if it deems necessary and appropriate, delegate its responsibilities and powers to one or more Board Members, the Commissioner or a committee of the Board, except for those related to:

- a) policy formulation;
 - b) oversight of the Authority;
 - c) strategic decision making;
 - d) approval of financial reports;
 - e) appointment and removal of the external auditor of the Authority;
 - f) approval of the appointment and removal of senior management and the key persons in control functions of the Authority.
- 5/ A person to whom any responsibility or power of the Board is delegated:
- a) shall fulfil the responsibility or exercise the power in accordance with the delegation;
 - b) may not sub-delegate the responsibility or power except with the prior written consent of the Board;
 - c) may be instructed by the Board to provide regular or on-off reports to the Board.
- 6/ No delegation under this Article:
- a) affects or prevents the fulfilment of any responsibility or the exercise of any power by the Board;
 - b) affects the responsibility of the Board for the actions of any delegate acting under the delegation;
 - c) be affected by any change in the Board.
- 7/ A delegation given by the Board may be revoked at any time.

13. Duties of a Board Member

- 1/ A Board Member has the following duties, when acting as a Board Member:
- a) To act with honesty and integrity;

- b) To act in good faith and in what the Board Member believes to be in the best interests of the Authority;
 - c) Not to pursue the Board Member's own interests at the expense of the interests of the Authority;
 - d) To exercise the powers of Board Member for a proper purpose and, in particular, not to act, or cause or agree to the Authority acting, in contravention of this Proclamation, any other law or the Board Procedures;
- 2/ A Board Member, when acting as a Board Member shall exercise the care, diligence and skill that a reasonable person would exercise in the same circumstances, taking into account:
- a) The nature of the Authority and its functions;
 - b) The nature of the action; and
 - c) The position of, and the nature of the responsibilities undertaken by, the Board Member.
- 3/ A Board Member who has information in his or her capacity as a Board Member that would not otherwise be available to the Board Member shall not disclose that information to any person, or make use of, or act on, that information, except:
- a) In the performance of the Authority's functions;
 - b) As required or permitted by this or any other Proclamation; or
 - c) As far as is necessary to comply with Article 15 of this Proclamation.
- 4/ A Board Member may disclose, make use of or act on information referred to in Sub-Article 3 of this Article if permitted to do so by the Board, provided that the disclosure, use or act concerned will not, or will be unlikely to, prejudice the Authority.

14. Reliance on Information, Records and Advice

- 1/ Subject to Sub-Article 2 of this Article, a Board Member, when acting as Board Member, may rely on reports, statements, financial data, and other information

prepared or supplied, and on professional or expert advice given, by any of the following persons:

- a) An employee of the Authority whom the Board Member believes on reasonable grounds to be reliable and competent in relation to the matters concerned;
- b) A professional adviser or expert in relation to matters that the Board Member believes on reasonable grounds to be within the person's professional or expert competence; or
- c) Any other Board Member or a Board Committee on which the Board Member did not serve in relation to matters within the other Board Member's or the Board Committee's designated authority.

2/ This Article does not apply to a Board Member unless the Board Member:

- a) acts in good faith;
- b) makes proper inquiry if the need for inquiry is indicated by the circumstances; and
- c) has no reason to believe that relying on the information, record or advice is not warranted.

15. Obligation to Disclose Interest

1) A Board Member shall make a disclosure of interest in accordance with Sub-Article 2 of this Article as soon as practicable after becoming aware that he or she:

- a) Has an interest that conflicts, or could conflict, with:
 - (1) The performance by the Authority of its functions or the exercise of its powers; or
 - (2) The performance of the member's duties as a Board Member; or
- b) Has an interest in an arrangement, agreement or contract made or entered into, or proposed to be made or entered into, by the Authority.

2/ A disclosure of interest under Sub-Article 1 of this Article shall be made:

- a) By ensuring that the interest is entered in a register of Board Members' interests to be kept by the Authority; and
 - b) Disclosing the interest:
 - (1) If made at a meeting of the Board, to the Chairperson or other Board Member presiding at the meeting; or
 - (2) If made other than at a meeting of the Board, in the case of an interest of the Chairperson, to each Board Member or in the case of an interest of any other Board Member, to the Chairperson.
- 3/ The details to be disclosed under Sub-Article 2 of this Article are:
- a) The nature of the interest and the monetary value of the interest, if the monetary value can be quantified; or
 - b) The nature and extent of the interest, if the monetary value cannot be quantified.
- 4/ A disclosure of interest shall be made, whether or not there is any matter under consideration that gives rise to an actual conflict.

16. Consequences of Having an Interest in a Matter

- 1/ A Board Member who has an interest in any matter required to be disclosed under Article 15 of this Proclamation:
- a) Shall not participate in the deliberations of the Board or any committee of the Board that relates to the matter or otherwise participate in any activity of the Authority that relates to the matter;
 - b) Shall not vote on the matter at any meeting of the Board or any committee of the Board or take any action in relation to a resolution under Article 20 of this Proclamation that relates to the matter;
 - c) Shall be disregarded for the purpose of forming a quorum for that part of a meeting of the Board or committee during which a discussion or resolution relating to the matter occurs or is made; and

- d) Shall not sign any document relating to the entry into a transaction relating to the matter; and or the initiation of the matter.
- 2/ The Chairperson shall draw any declaration of interest received under Article 15 of this Proclamation to the attention of the Board prior to its consideration of the matter in respect of which the declaration was made.
- 3/ If the Board considers that a matter that falls to be considered by the Board is a matter of general policy applicable to the insurance market, or to licensees of a particular type or category, the Board may determine that a Board Member who has declared an interest under Article 15 of this Proclamation may participate in the meeting and, if the Board so determines, may vote on the matter.
- 4/ A Board Member who discloses an interest shall withdraw from the meeting whilst the Board considers and determines whether to exercise its power under Sub-Article 3 of this Article.

17. Avoidance of Transactions in Breach of Obligations to Disclose interest

- 1/ A transaction entered into by the Authority in respect of which a Board Member is interested is voidable by the Authority unless the director's interest was disclosed in accordance with Article 15 of this Proclamation.
- 2/ Despite Sub-Article 1 of this Article, a transaction:
- (1) May be avoided only with six months of the Board becoming aware of the failure by the Board Member to disclose his or her interest; and
 - (2) Cannot be avoided if the Authority received fair value with respect to the transaction.
- 3/ A determination as to whether the Authority receives fair value for a transaction shall be made on the basis of the information known to the Authority and the interested Board Member at the time that the transaction was entered into.
- 4/ The avoidance of a transaction under this Article does not affect the title or interest of a person in or to property which that person has acquired if the property was acquired:

- a) From a person other than the Authority;
- b) For valuable consideration; and
- c) Without knowledge of the circumstances of the transaction under which the person referred to in paragraph (a) acquired the property from the Authority.

18. Establishment of Committees

- 1) The Board shall establish an audit committee and may establish any other Board committees that it considers appropriate to assist the Board in the discharge of its functions.
- 2/ The chief executive officer shall not be appointed as a member of the audit committee, which shall be comprised of independent Board Members only.
- 3/ The Board shall determine the functions of each committee it establishes.
- 4/ The disclosure of interest provisions in Articles 15 to 17 of this Proclamation apply to Members of Board committees.

19. Meetings of the Board

- 1/ The Board shall meet at least once every three months.
- 2/ The Chairperson shall, on the written request of not less than one-third of the Board members, convene a special meeting of the Board.
- 3/ Meetings of the Board shall be held at the times and places determined by the Chairperson.
- 4/ The quorum at a meeting of the Board is four Board members, which shall include at least one Independent Board Member.
- 5/ If present at a meeting of the Board, the Chairperson shall preside and, in the absence of the Chairperson his delegate shall preside,
- 6/ A matter before the Board shall be decided by a simple majority of the votes of the members present and voting and in the event of an equality of votes, the person presiding at the meeting shall have a casting vote.

- 7/ The Board may co-opt a person to attend a Board meeting, but that person shall not vote on any matter for decision at the meeting.
- 8/ The Authority shall cause to be kept:
 - a) Written minutes of the proceedings at its meetings; and
 - b) A written record of all Board resolutions.
- 9/ The proceedings of the Board shall not be invalidated by reason of a vacancy among the members or a defect in the appointment or qualification of a member.
- 10/ Subject to this Proclamation, the Board shall adopt its own rules and procedures for meetings and operation.
- 11/ The Board shall have its own secretary, who shall not be a Board Member.

20. Board Resolution Without Meeting

- 1/ The Board may pass a resolution without holding a meeting in accordance with the procedures specified in the Board's Charter.
- 2/ A resolution passed under this Article takes effect as if it was a resolution of the Board passed at a meeting.

21. Appointment of Commissioner b and Deputy Commissioners

- 1/ The Authority shall have a Commissioner and one or more Deputy Commissioners appointed by the Prime Minister for a term of 6 years each and may be eligible for reappointment for one more term in office.
- 2/ The person appointed as Commissioner or as a Deputy Commissioner shall:
 - a) be an Ethiopian national;
 - b) have the competence, experience, reputation and integrity, and otherwise be fit and proper, for appointment as Commissioner or Deputy Commissioner;

c) have:

- (1) an academic qualification in insurance, finance, economics, accounting, law or another field or fields relevant to the Authority or professional qualification and;
- (2) appropriate experience in or of insurance market; and
- (3) at least ten years of managerial experience.

3/ The Commissioner and each Deputy Commissioner shall

not be a director, chief executive officer, senior manager, employee or partner of, or hold any direct or indirect interest in, any licensee or any parent or subsidiary of a licensee.

4/ The Board shall fix the remuneration of the Commissioner and Deputy Commissioner s at a minimum consistent with the comparable average rate in the insurance sector of Ethiopia.

5/ The remuneration fixed for the Commissioner and Deputy Commissioner s in accordance with Sub-Article 4 of this Article shall not be reduced during their term of appointment.

6/ If the office of the Commissioner is vacant or if, for any reason, the Commissioner is incapacitated, the Deputy Commissioner shall act as Commissioner r:

- a) in the case of a vacancy, until a Commissioner has been appointed in accordance with this Article; or
- b) if the Commissioner is incapacitated, for the period of his incapacitation

22. Resignation or Removal of Commissioner or Deputy Commissioner

- 1/ The Commissioner or a Deputy Commissioner shall cease to hold office if the Commissioner or Deputy Commissioner delivers a written notice of resignation to the Prime Minister and the Prime Minister accepts the resignation request.
- 2/ The Commissioner or a Deputy Commissioner shall provide a copy of the resignation notice to the Chairperson of the Board.
- 3/ The resignation of the Commissioner or Deputy Commissioner takes effect from the date, not exceeding 3 months from the date of receipt of the resignation notice, that the Prime Minister specifies on accepting the resignation notice.
- 4/ The Commissioner or a Deputy Commissioner may be removed from office by the Prime Minister if the Commissioner or Deputy Commissioner:
 - a) no longer fulfils the requirements specified in Sub-Article 2 of Article 21 of this Proclamation;
 - b) is unable to perform the duties of the Commissioner or Deputy Commissioner due to a physical or mental disability;
 - c) becomes bankrupt;
 - d) is convicted of a criminal offence involving dishonesty or of any criminal offence for which a sentence of imprisonment of 3 months or more has been imposed;
 - e) has committed serious misconduct in relation to the duties of the Commissioner or Deputy Commissioner;
 - f) has any interest which conflicts or may conflict with the performance by the Authority of its functions or the exercise of its powers or the performance of the duties of the Commissioner or Deputy Commissioner.

- 5/ The Commissioner or Deputy Commissioner shall not within one year of ceasing to be employed as Commissioner or Deputy Commissioner of the Authority, be employed by, act as a director or officer of or provide services as an independent consultant to a licensee.
- 6/ Unless the Commissioner or Deputy Commissioner is removed from office on the grounds of a criminal conviction or serious misconduct, a former Commissioner or Deputy Commissioner shall be entitled to receive remuneration determined by Directive issued by the Board.

23. Duties and powers of the Commissioner

- 1/ Subject to the general directions of the Board and this Proclamation, and other relevant laws, the Commissioner is responsible for the day-to-day management, administration and operation of the Authority.
- 2/ Without limiting Sub-Article 1 of this Article, the Commissioner is responsible for:
 - a) the implementation of the policies of the Authority and reporting on them to the Board;
 - b) the proper management of the funds and property of the Authority;
 - c) the organisation and control of the staff of the Authority;
 - d) providing advice to the Board, as required, on all matters within the Authority's responsibility; and
 - e) performing any other duty necessary for the implementation of this Proclamation as may be properly assigned to the Commissioner by the Board.
- 3/ The Commissioner, in consultation with the Deputy Commissioner s, shall prepare the plans and annual budget of the Authority and, on approval by the Board, implement the plans and budget;
- 4/ The Commissioner shall be the principal representative of the Authority and, in that capacity, shall:

- a) represent the Authority in its relations with the Government, International Bodies, Organisations and Institutions relevant to the Authority's functions and other persons;
- b) be responsible for approving decisions to be made by the Authority under this Proclamation pertaining to:
 - (1) the granting, suspension and revocation of licenses
 - (2) portfolio transfers, and mergers
 - (3) the appointment, suspension and removal of a director, chief executive officer, senior executive officer, key persons in control function, external auditor of an insurer;
 - (4) putting an insurer under official administration, appointment and dismissal of an official administrator and approval of an official administrator's proposed action.
- c) represent the Authority in its all relations with other persons, the Government, the international organizations and other relevant international institutions;

5/ The Commissioner has all powers necessary to fulfil the duties and responsibilities of Commissioner.

6/ The Commissioner may establish one or more committees, including a licensing committee, to assist in the discharge of the office of Commissioner.

7/ The Commissioner may delegate the responsibilities and duties of the office to:

- a) a committee established under Sub-Article 6 of this Article;
- b) the Deputy Commissioner or any other employee of the Authority, but retains ultimate responsibility for the performance of the delegated functions.

8/ A person to whom any responsibility or power of the Board is delegated:

- a) shall fulfil the responsibility or exercise the power in accordance with the delegation;
- b) may not sub-delegate the responsibility or power except with the prior written consent of the Commissioner;
- c) may be instructed by the Commissioner to provide regular or ad hoc reports concerning the delegated responsibility or power to the Board.

9/ A delegation given by the Commissioner may be revoked at any time. 10/

Submits periodic reports to the Board.

24. Powers and Duties of the Deputy Commissioner s

- 1/ The Deputy Commissioner s shall perform the functions specifically assigned to them by the Commissioner.
- 2/ A Deputy Commissioner, who is specifically delegated, shall, in the absence of the Commissioner, act on the Commissioner's behalf.

25. Funds of the Authority

- 1/ The funds of the Authority include:
 - a) Annual levies payable by insurers and annual license fees payable by licensees;
 - b) Service fees and other charges payable by licensees or applicants for licenses;
 - c) Initial budget to be allocated to the Authority by the Government;
 - d) Loans, advances and overdrafts;
 - e) Grants, contributions and gifts from donor funding agencies and other sources;
 - f) Monies accruing to the Authority by way of revenue, including from investments made by the Authority;
 - g) Monies derived from the disposal of, or dealing with, property held by the Authority;

- h) Any other monies that may accrue to the Authority in the discharge of its functions; and
 - i) Any other income or funds approved by the Board.
- 2/ The levies and fees charged by the Authority under Sub-Articles 1(a) and 1(b) of this Article shall be set in a Directive with the objective of enabling the Authority to meet the estimated expenditure of the Authority, as specified in Sub-Article 1 of Article 26 of this Proclamation.
- 3/ The levies, fees and charges set for a financial year shall:
- a) take account of the administrative penalties received by the Authority in the previous financial year, together with the revenue that it anticipates receiving under Sub- Article 1(d) to (i) of this Article in the financial year;
 - b) be distributed across different types and categories of licensees with the objective of broadly aligning the costs of regulating and supervising licensees within each category of licensee with the total fees charged to licensees within that category, subject to a minimum annual levy; and
 - c) be set by the Authority on an annual basis.
- 4/ Funds not immediately required by the Authority may be invested in such a manner as the Authority may determine.
- 5/ In the instance where the Authority's funds under Sub-Article (1) of this Article falls short of covering its budget, the shortfall shall be covered by budget allocated by the Government.

26. Work Plan and Budget

- 1/ At least two months before the commencement of each financial year, the Board shall approve in respect of the financial year:
- a) A work plan containing a general description of the work and activities that the Authority plans to undertake in the financial year and
 - b) A budget setting out estimates of the expected revenue and expenditure of the

Authority for that financial year and its expected income;

- 2/ If the Board does not approve a budget before the commencement of the financial year, the Authority shall, on an interim basis, have the same budget as the previous financial year.

DRAFT

- 3/ If the budget is approved by the Board after the commencement of the financial year, the approved budget will apply to the Authority from the start of the year.

27. Appointment of External Auditor

- 1/ The Board of Directors shall, at least three months before the start of each financial year, following consultation with the Auditor General, appoint an external auditor for the purposes of auditing its financial statements for the following financial year.
- 2/ The person appointed shall be:
 - a) The Auditor General; or
 - b) An independent person qualified to act as an auditor in Ethiopia with sufficient experience to audit the Authority's financial statements.
- 3/ A person shall not be appointed as external auditor of the Authority unless the person has consented in writing to act as the Authority's external auditor.

28. Financial Statements and Audit

- 1/ The Authority shall:
 - a) Keep records of its income and other receipts and expenditure;
 - b) Ensure that:
 - (1) All monies received are properly brought to account;
 - (2) All payments are correctly made and properly authorised; and
 - (3) Adequate control is maintained over its property and over the incurring of liabilities by the Authority.
- 2/ The records kept under this Article shall be sufficient:
 - a) To show and explain the Authority's transactions;
 - b) To enable the Authority's financial position to be determined with reasonable accuracy at any time;

- c) To enable the Authority to prepare quarterly financial statements; and
 - d) To enable its financial statements to be audited by its external auditor.
- 3/ The Authority shall prepare financial statements that comply with the accounting standards set by the Accounting and Auditing Board of Ethiopia in sufficient time to enable them:
- a) To be reviewed and approved by the Board; and
 - b) Submitted to its external auditor within two months of the end of the financial year.
- 4/ The financial statements of the Authority shall be audited by the Authority's external auditor within four months after the end of each financial year, or any longer period not exceeding six months as may be permitted by the Minister.
5. The external auditor shall, as soon as practicable after the completion of the audit, forward a copy of the audited financial statements of the Authority for the preceding financial year to the Minister.

29. Annual Report and Other Reports

- 1/ The Authority shall:
- a) As soon as practicable after the end of each financial year but, no later than six months after the end of the financial year, submit an annual report to the Ministry of Finance covering the activities and the operations of the Authority for the year to which the report relates; and
 - b) Not later than one month after submission to the Ministry, publish the annual report, including the audited financial statements and the related external auditor's certificate, on its website.
- 2/ If the Ministry extends the period for the completion of the audit under Sub-Article 4 of Article 28 of this Proclamation the period for submission of the annual report is extended by the same period.

- 3/ The annual report shall include the audited financial statements and the report of the Authority's external auditor.
- 4/ The Authority shall submit to the Minister any other reports that the Ministry may, by written notice, require.

30. Protection of Personalty Liability

- 1/ The Authority, a Board member, the Commissioner Deputy Commissioner or any other employees of the Authority and a person authorized by the Authority to perform any function or duty, or exercise any power, on behalf of the Authority, whether as agent or otherwise shall not be subject to any liability to any person in respect of anything done or omitted to be done in the performance, discharge or exercise, or purported performance, discharge or exercise, of any function, duty, responsibility or power under this Proclamation, the Directives or any other Proclamation or Law, unless it is proved that the act or omission was in bad faith.
- 2/ Sub-Article 1 of this Article continues to apply to persons specified therein after the person has ceased to hold office as a Board Member, member of a Board committee, to be Commissioner, Deputy Commisssioner or otherwise employed by the Authority or when acting under the authority of the Authority.
- 3/ The Authority shall indemnify a person to whom Sub-Article (1) or (2) of this Article applies for the costs of any proceedings taken against the person with respect to an act or omission referred to in Sub-Article (1) of this Article.
- 4/ No civil, criminal or disciplinary proceedings may be taken against a person by reason solely of the fact that the person has provided information or produced documents to the Authority pursuant to a notice issued by the Authority under this Proclamation.

31. Duty to Cooperate

- 1/ The Authority shall take such steps as it considers appropriate to co-operate with:
 - a) Foreign supervisory authorities;

- b) Domestic supervisory authorities; and
 - c) Domestic law enforcement authorities.
- 2/ Co-operation may include the sharing of documents and information which the Authority is not prevented by this or any other Proclamation or Law from disclosing and requesting documents and information from foreign supervisory authorities.
- 3/ The Authority may enter into supervisory co-operation agreements and memorandum of understanding with foreign supervisory authorities, which may include providing assistance to, and receiving assistance from, foreign supervisory authorities for the purposes of:
- a) discharging its supervisory, investigation or enforcement functions; and
 - b) assisting foreign supervisory authorities with their consolidated supervision of persons engaged in financial services business in or outside Ethiopia.
- 4/ The absence of an agreement or memorandum of understanding with a foreign supervisory authority does not prevent the Authority from providing assistance under Article (33).

32. Provision of Assistance to Other Authorities

- 1/ Except as provided in Sub-Article 2 of this Article, the Authority may, on the written request of a foreign or domestic supervisory authority or a domestic law enforcement authority:
- a) exercise the powers to undertake an on-site inspection;
 - b) exercise the powers to obtain information or documents conferred on it by Article 105.
 - c) require a person to be interviewed under Article 111 of this Proclamation;
 - d) appoint one or more investigators under Article 112 of this Proclamation to investigate any matter.
- 2/ The Authority shall not exercise a power conferred on it by Sub-Article 1 of this Article on the request of a supervisory or law enforcement authority unless it is of the opinion that the information or documentation to which the request relates is

reasonably required by the supervisory or law enforcement authority for the purposes of its functions.

- 3/ The Authority may disclose information, or provide documentation, to a supervisory or law enforcement authority: whether the information or documentation was obtained through the exercise of a power specified in Sub-Article 1 of this Article or is otherwise in the possession of the Authority; and of the Authority's own volition, without having received a written request from the supervisory or law enforcement authority.

33. Matters to be Considered by Authority when Providing Assistance

- 1/ In deciding whether to provide assistance to a domestic or foreign supervisory authority or a domestic law enforcement authority under Article 32 of this Proclamation, the Authority may take into account:
 - a) in the case of a request from a foreign supervisory authority, whether reciprocal assistance would be given to the Authority in the country or territory of the foreign supervisory authority;
 - b) the nature and seriousness of the matter to which the request for assistance relates and whether the assistance can be obtained by other means;
 - c) the relevance of the information or documentation to the enquiries to which the request relates;
 - d) whether it is otherwise appropriate in the interests of customers or prospective customers of a licensee and the public interest to provide the assistance sought; and
 - e) any other matters as it considers relevant.
- 2/ For the purposes of Sub-Article 1(a) of this Article, the Authority may require the foreign supervisory authority making the request to give a written undertaking, in such form as the Authority may require, to provide reciprocal assistance to the Authority.
- 3/ The Authority may decide that it will not, on the request of a foreign supervisory authority, exercise its powers under this Article unless:

- a) it has received satisfactory assurances from the foreign supervisory authority that any information and documentation provided to it will not be used in any criminal proceedings against the person furnishing it, other than proceedings for an offence relating to the provision of the information by the person concerned, including for an offence of perjury or any equivalent offence;
- b) the foreign supervisory authority undertakes to make such contribution towards the cost of providing the assistance as the Authority considers appropriate; and
- c) it is satisfied that the foreign supervisory authority is subject to adequate legal restrictions on further disclosure of the information and documents and that it will not, without the written permission of the Authority:
 - (1) disclose information or documents provided to it to any person other than an officer or employee of the authority engaged in the exercise of any of its supervisory functions, or
 - (2) take any action on information or documents provided to it.

PART THREE

LICENSING OF INSURANCE BUSINESS

34. Requirements for an Insurance Business License and Authorization

- 1/ No person shall engage in insurance business in Ethiopia without obtaining insurance business license or authorization from the Authority.
- 2/ An insurer shall not conduct, or purport to conduct, insurance business outside Ethiopia without obtaining the appropriate authorisation from the Authority
- 3/ No person shall use the word “insurance” or “insurer” or its derivatives as part of the name of any financial business unless it has obtained a license from the Authority.
- 4/ Without the prior written approval of the Authority, no insurer shall:
 - a) transact insurance business at any place other than that is authorized by the Authority, or close or relocate an existing place of business;
 - b) introduce new insurance products and services;

- c) effect major changes its line of business
 - d) amend its memorandum of association; or
 - e) alter the name under which it is licensed to carry on insurance business.
- 5/ Where the Authority has a reason to believe that a person, in contravention of Sub-Article (1) of this Article, is advertising for or transacting insurance business, it may, in order to ascertain the situation, require that all books, minutes, accounts, cash, securities, records, vouchers and other documents which are in the possession or custody of such person be submitted to it and examine or cause the same to be examined.
- 6/ Where any person undertakes insurance business without license and has received premiums or become obliged to perform under a contract of insurance, the Authority shall apply to the Federal High Court for ordering the immediate and efficient return of such premiums or the performance by such person, of his contractual obligations.
- 7/ Except for a foreign insurer subsidiary or a Government insurer that may be established in other forms, the form of organization of any insurer shall be Share Company.
- 8/ Article 34(1) of this Article does not apply to:
- 1) a foreign reinsurer that enters into:
 - (a) a reinsurance contract with an insurer; or
 - (b) a retrocession agreement with a licensed reinsurer; or
 - 2) a foreign insurer that carries on insurance business in accordance with an authorisation granted by the Authority under sub-article 8(3) of Article 34 of this Proclamation.
 - 3) The Authority may:
 - a) on the application of an insurer or a licensed insurance broker, authorize a foreign insurer to enter into or issue insurance contracts of a type or description specified in the authorization where entering into those insurance contracts would, without the authorization, contravene Sub-Article 1 of Article 34 of this Proclamation;
 - b) provide, by Directive, for the circumstances in which a foreign insurer may be authorised to enter into or issue insurance contracts under paragraph (a)

and the requirements and limitations with respect to such an authorisation.

35. Categories of License

- 1/ A license shall be issued in one of the following categories:
 - a) general insurance business license; or
 - b) long term insurance business license or
 - c) reinsurance business license.
- 2/ An insurance business license may be issued as an inclusive insurance business license which authorises the holder to carrying on inclusive insurance business only.
- 3/ An insurance business license may be issued as a Takaful insurance business license which authorises the holder to carrying on Takaful insurance business only.
- 4/ An insurance business license authorizes the holder to carry on direct insurance business only and a reinsurance business license authorises the holder to carry on reinsurance business only.
- 5/ Notwithstanding with the provisions of Sub-Article (4) of this Article, a direct insurer may enter into facultative reinsurance contracts with another direct insurer in accordance with the requirements and limitations as determined by Directive, but is otherwise not authorised to, and shall not, enter into contracts of reinsurance, as a reinsurer.

36. Prohibition Against Licensing Composite Insurers

- 1/ Except as provided in Sub-Article (2) of this Article, the Authority shall not grant an insurance business license that authorises the holder to carry on both general and long term insurance business.
- 2/ The Authority may, by Directive, authorise the sale by:
 - a) general insurers of specified types or descriptions of inclusive insurance contracts that constitute long term inclusive insurance business; and
 - b) long term insurers of specified types or descriptions of inclusive insurance contracts that constitute general inclusive insurance business.

37. Preconditions for Licensing

- 1/ A duly completed application form and other accompanying documents as specified by the Authority Directive, shall be submitted.
- 2/ An investigation fee, as determined by the Authority, shall be paid at the time of submitting the application.
- 3/ The Authority may:
 - a) require the founders or promoters to provide it with such documents and information, in addition to those specified in this Article, as it reasonably requires to determine the application;
 - b) specify the form in which documents and information required under paragraph (a) are to be provided; and
 - c) require any documents and information provided to be verified in the manner specified by the Authority.
- 4/ If, before the determination by the Authority of an application:
 - a) there is a material change in any information or documentation provided by or on behalf of the founders to the Authority in connection with the application; or
 - b) the founders or promoters, or any of them, discover that any information or documentation provided is incomplete, inaccurate or misleading, the founders or promoters shall immediately give the Authority written particulars of the change or of the incomplete, inaccurate or misleading information or documentation.
- 5/ Upon filing an application with the Authority under this Article, the promoters or founders or a foreign insurer shall, at least once a week for a period of two consecutive weeks, publish in a widely circulating newspaper and in electronic form, a notice of intention to engage in insurance business that also contains a list of shareholders with significant ownership in a form prescribed by the Authority.
- 6/ All issued shares shall be subscribed and at a minimum, one fourth of the subscribed shares shall be fully paid in cash; and in case of foreign insurer subsidiary, the capital should be fully paid in cash.

- 7/ An insurer incorporated in Ethiopia shall get its memorandum of association, unilateral declaration, minutes of subscribers meeting or general meetings of shareholders, as appropriate, approved by the Authority before registration with the appropriate Government organ.
- 8/ The minimum paid-up capital prescribed by the Authority shall be paid in cash and deposited in a blocked bank account opened in the name of the insurer under formation;
- 9/ The directors, the chief executive officer, senior executive officers or key persons in control functions of the insurer shall meet the fit and proper criteria prescribed by the Authority Directive.
- 10/ Shareholders of an insurer with significant ownership shall meet the fit and proper criteria prescribed by the Authority Directive.
- 11/ Without prejudice to the requirements specified under Sub-Article (1) of this Article. the Authority may, by Directive, prescribe other/additional conditions of licensing.
- 12/ Any person who objects to the involvement of any shareholders, with significant ownership in the proposed insurer may submit, to the Authority, no later than fifteen days starting from the date of the last publication under Sub-Article 5 of this Article, a written objection in writing, with supporting evidence to the Authority. The Authority shall initiate an inquiry into the objection. The results of such an enquiry shall be published and be considered in deciding whether or not to issue the license.

38. Consideration of Application for Insurance Business License

The Authority may grant an insurance business license to a prospective insurer if the Authority is satisfied that:

- a) the prospective insurer intends, if granted a license, to carry on insurance business or reinsurance business in the classes for which it will be authorized;
- b) the Applicant is compliant with the relevant requirements of the Commercial Code;
- c) the Applicant has the ability to carry on its proposed insurance business in a prudent manner, in accordance with sound insurance principles and

in accordance with this Proclamation, the Regulations and the Directives;

d) if the applicant is a member of a group:

- (1) the Authority will be able to obtain adequate information concerning the other members of the group;
- (2) the structure of the group of which the applicant is a member will not prevent or hinder the effective supervision by the Authority of the applicant, should a license be granted; and
- (3) if appropriate, the group of which the applicant is a member is, or will be, subject to adequate group-wide supervision.

39. Conditions Attaching to License

- 1/ The Authority may issue a license subject to any conditions that the Authority considers necessary or appropriate.
- 2/ If a license is issued subject to one or more conditions, the Authority shall issue a written notice specifying the condition or conditions and the conditions shall be stated on the license.
- 3/ The Authority may, upon giving reasonable written notice to an insurer, at any time:
 - a) vary or revoke any condition; or
 - b) impose new conditions on the license.
- 4/ An insurer may apply to the Authority in writing for a condition to be revoked or varied and, if the Authority is satisfied that the condition is no longer necessary or should be varied, it may revoke or vary the condition.

40. Issuance of License

- 1/ An insurance business license shall state the main class of insurance in respect of which the holder of the license is authorised to carry on.
- 2/ The license shall be issued upon payment of the licensing fee determined by the Authority.
- 3/ The Authority shall decide on an insurance business license application within 90

days from the date of the receipt of all information to be submitted in accordance with Article 38 of this Proclamation.

- 4/ A license granted by the Authority pursuant to this Proclamation shall constitute final license to carry on an insurance business.
- 5/ The Authority, may at any time amend the license of an insurer, by imposing any conditions or limitations thereto.
- 6/ If the Authority refuses to grant a license to an applicant, or imposes conditions on the grant of a license, the decision notice shall contain, or be accompanied by, a statement of the Authority's reasons for the refusal or for the imposition of conditions.
- 7/ An insurer shall prominently display a copy of its license in its head office and in each of its branches and contact offices.

41. Commencement of Business

- 1/ An insurer shall give the Authority notice of its intention to commence business and shall not commence business until authorised to do so by the Authority.
- 2/ An insurer to which a license is granted shall:
 - a/ fulfil, before commencing operation, sound information management and internal control systems, including those related to the detection and prevention of criminal activities, risk management policies and procedures, and human resource organization and such other essential obligations to carry out insurance business as determined by the Directive to be issued by the Authority;
 - b/ Put in place, before commencement of operation, sound information management and internal control systems, appropriate reinsurance, risk management policies and procedures and staffing requirements and such other requirements essential for running insurance business as prescribed in Directive issued by the Authority;
 - c/ complies with the capital and solvency requirements specified in this Proclamation and by Directive .
- 3/ An insurer shall commence the insurance authorised by its license within twelve months of the date of issue of its license.

42. Renewal of License

- 1/ An insurance business license shall be subject to annual renewal.
- 2/ The conditions for renewal of an insurance business license shall be specified by Directive .

43. Branch Office

- 1/ An insurer shall not open or close or relocate a branch office without obtaining the prior written approval of the Authority.
- 2/ The minimum conditions and requirements for the opening, closing and relocation of branch offices shall be determined by Directive to be issued by the Authority .

PART FOUR

PARTICIPATION OF FOREIGN NATIONALS IN THE INSURANCE BUSINESS

44. Insurance Business by Foreign Nationals

- 1/ A foreign insurer may, subject to this Part, be permitted to:
 - a) establish a partially or fully owned subsidiary in Ethiopia; or
 - b) acquire shares and other interests in an insurer or
 - c) establish a representative office.
- 2/ A foreign national, other than a foreign insurer and foreign-owned Ethiopian organizations, may be permitted to acquire shares in an insurer.
- 3/ Notwithstanding the provisions of Sub-articles 1 and 2 of this Article, direct shareholding by a strategic investor in existing or a new domestic insurer shall be limited to forty percent of total subscribed share of an insurer: and such holding by a non- strategic foreign national (natural person) and foreign juridical person shall be limited to seven percent and ten percent of subscribed shares;
- 4) The aggregate shareholding of foreign nationals, and foreign-owned Ethiopian

- Organizations shall not exceed 49 percent of the total subscribed shares of an insurer.
- 5/ A foreign insurer shall not be permitted to establish a subsidiary in Ethiopia or acquire shares or other interests in an insurer unless:
- a) it satisfies the Authority that it is well established, of good repute, and financially sound, and otherwise meets the foreign ownership criteria specified by Directive; and
 - b) the Authority is satisfied that:
 - (1) the foreign insurer is authorized in its home jurisdiction to carry on insurance business;
 - (2) the foreign insurer is subject to adequate regulation and supervision in its home jurisdiction and satisfies all regulatory and supervisory requirements in its home jurisdiction; and
 - (3) the home supervisor of the foreign insurer is aware of, and does not object to, the proposed participation of the foreign insurer in the insurance market.
- 6/ A foreign insurer subsidiary, irrespective of the form of company, shall have board of directors composed of foreign parent insurer, other shareholders (if any) and local resident non shareholder Ethiopians and details of their composition and fit and proper criteria shall be determined by the Authority through Directive.

45. Restrictions and Requirements Concerning Investment in an Insurer

- 1/ Foreign nationals and foreign-owned Ethiopian organizations fully owned by foreign nationals shall invest in an insurer only through foreign direct investment in foreign currency.
- 2/ Notwithstanding Sub-Article 1 of this Article, foreign-owned Ethiopian organizations partially owned by foreign nationals may invest according to the aggregate percentage shareholding by foreign nationals, through foreign direct investment in foreign currency.
- 3/ Notwithstanding Sub-Articles 1 and 2 of this Article, dividend earnings at the end of each financial year may be reinvested in Ethiopian Birr by foreign nationals and

Foreign-owned Ethiopian organizations provided foreign ownership is within the aggregate and individual shareholding limits.

- 4/ Dividends earned from investment by foreign nationals in an insurer and salaries of foreign national employees and proceeds from sales of shares or the liquidation of an insurer, may be repatriated in accordance with the provisions of a Directive issued by the Authority and other relevant laws.
- 5/ Notwithstanding the provisions of Sub-Article 4 of this Article, foreign-owned Ethiopian organizations fully or partially owned by foreign nationals may repatriate any proceeds in accordance with the percentage shareholding initially paid in foreign currency.
- 6/ The Authority may, by Directive, determine additional minimum conditions and requirements on:
 - a) the licensing or license renewal of a foreign insurer subsidiary;
 - b) the investment by foreign nationals or foreign-owned Ethiopian organizations in an insurer;
 - c) limits on the number of foreign insurer subsidiaries;
 - d) the minimum initial capital required to establish a foreign insurer subsidiary;
 - e) the governance requirements applicable to a foreign insurer subsidiary, including requirements relating to the directors, other shareholders and owners and details of their composition;
 - f) any additional fit and proper criteria applicable to a foreign insurer subsidiary, its significant owners and directors, including requirements for Ethiopian directors, senior management, key persons in control functions and other employees.
- 7/ Subject to any Directive issued by the Authority under Sub-Article 6 of this Article, this Proclamation and the Directives apply to:

- a) an application for an insurance business license or a reinsurance business license for a proposed foreign insurer subsidiary; and
- b) a foreign insurer subsidiary.

46. Establishment of Representative Office by Foreign Reinsurer

- (1) The Authority may, on the application of a foreign reinsurer, grant a license for the establishment by the foreign reinsurer of a representative office in Ethiopia.
- (2) The Authority shall, by Directive, specify activities that may be undertaken through the representative office of a foreign reinsurer.

PART FIVE

SHARES AND SHAREHOLDERS MEETINGS

47. Shares and Register of Shares

- 1/ The shares of an insurer shall be of one class and shall be registered as ordinary shares of the same par value.
- 2/ Notwithstanding the provisions stipulated in other laws regarding the dematerialization and recording of securities in an electronic format, an insurer shall keep a register of shares, which shall show the names, addresses and gender of shareholders, the number and amount of subscribed and paid up shares and voting rights, together with such other information as may be specified by Directive. The Authority, by Directive, may specify the form in which the register of shares is to be kept and other requirements relating to the register of shares.
- 3/ Notwithstanding with the provisions stipulated in other laws regarding the exchange of securities electronically, any transfer of shares not recorded in the register of shares shall be null and void.
- 4/ The register maintained under Sub-article (2) of this Article shall be open for public inspection without charge at the head office of an insurer during its normal working hours.

- 5/ Any person may obtain a copy of or an extract from the register shares upon payment of a reasonable fee determined by the insurer.

48. Limitations on the Acquisition of Shares

- 1/ Unless expressly provided in this proclamation and with the exception of the Federal Democratic Republic of Ethiopia:
 - a) a natural person shall not directly hold more than 7 (seven) percent of an insurer's total subscribed shares; and
 - b) a juridical person shall not directly hold more than 10 (ten) percent of an insurer's total subscribed shares.
- 2/ The maximum limit on the aggregate direct and indirect shareholding of a person in an insurer shall be determined by Directive.
- 3/ A shareholder with significant ownership in an insurer shall not acquire shares in another insurer.
- 4/ The Authority may, by Directive, specify restrictions on the acquisition of shares in an insurer using loans or other forms of credit obtained from another financial institution.

49. Shareholders' General Meeting

- 1/ The Authority may assign observers to attend any general shareholders' meeting or board meetings of an insurer.
- 2/ If it considers it appropriate to do so in the interests of policyholders, creditors or shareholders of an insurer or the stability and soundness of the insurance market, the Authority may call a general shareholders' meeting of an insurer to discuss and resolve any issues related to the insurer.
- 3/ If the Authority causes a general shareholders' meeting to be called under Sub- Article (2) of this Article:

- a) the Authority shall prepare the agenda for the meeting;
- b) the Authority's officer or any other person assigned by it shall preside over the meeting;
- c) relevant provisions of the Commercial Code with respect to the quorum for and resolutions at shareholders' meetings shall apply; and
- d) the expenses incurred in relation to the meeting shall be borne by the concerned insurer.

50. Limitations on Voting Rights

The Authority may, as appropriate, limit:

- a) the number of votes by proxy at any meeting of the shareholders of an insurer; and
- b) the participation through proxy of the employees and board of an insurer in any meeting of shareholders.

PART SIX

**CONTROL AND MERGER OF INSURERS AND PORTFOLIO
TRANSFERS**

51. Approval Required for Acquisition of Control or Significant Increase in Control

- 1/ A person shall not become a significant owner of an insurer except with the prior written approval of the Authority.
- 2/ A person who is a significant owner of an insurer shall not, except with the prior written approval of the Authority cease to be a significant owner of the insurer; or increase the person's level of control over the insurer above a change of control threshold specified by Directive .

- 3/ If the level of control of a person who is a significant owner of an insurer increases so as to cross a prescribed notification threshold, but not a change of control threshold, the insurer shall provide written notification of the change in control to the Authority.
- 4/ An insurer shall not cause, permit or acquiesce in any dealing with its shares that would result in a person contravening Sub-Article (1) or (2) of this Article.
- 5/ An application to the Authority for approval under Sub-Article (1) or (2) of this Article shall be made by the insurer concerned on behalf of the person who intends to become or to cease to be a significant owner of the insurer; or to increase his level of control over the insurer above a change of control threshold.
- 6/ Additional requirements for the approval of acquisition of control or significant change in control shall be determined by Directive.

52. Insurer Become Aware of Matters Affecting Suitability of Significant Owner or Prospective Significant Owner

If, whether before or after the Authority has approved a person as a significant owner of an insurer or has approved an increase in the person's level of control, the insurer becomes aware of any information that is reasonably material to the Authority's fit and proper assessment of the person, it shall notify the Authority of the information as soon as reasonably practicable.

53. Power to Require Disposal of Interest or Prohibit Exercise of Rights

- 1/ The Authority may issue an order to a person who is a significant owner of an insurer to dispose the person's shareholding or other interest in the insurer, in whole or in part, within the time period specified in the order; or to prohibit the person from exercising voting rights or any other rights, including the right to appoint or remove directors, exercise influence or control or receive dividends or other distributions if:
 - (a) the person became a significant owner of the insurer, or increased the person's level of control above a change of control threshold, without obtaining the Authority's prior written approval;
 - (b) the Authority believes that the person does not satisfy the prescribed fit and proper criteria; or

(c) the Authority believes that, because of the person's significant ownership, the ownership structure of the insurer is not appropriate, is prejudicial to the policyholders of the insurer or poses a systemic risk.

2/ If the Authority issues an order under Sub-Article 1 of this Article, it may direct that during the period before the person's interest is disposed of, the person is prohibited from exercising voting rights or any other rights attached to the interest, including the right to appoint or remove directors, exercise influence or control or receive dividends or other distributions.

54. Portfolio Transfers and Merger

1/ An insurer shall not, without the prior written approval of the Authority, effect a portfolio transfer or participate in a merger.

2/ Statutory merger may be set up by the Authority to rescue problem insurers and/or to create a more viable and stronger insurer.

3/ An insurer may apply to the Authority for its approval to effect a portfolio transfer or participate in a merger by submitting to the Authority:

a) an application in the form approved by the Authority containing the information and accompanied by any documentation specified by Directive .

b) a portfolio transfer or merger plan that sets out full details of the portfolio or merger, including:

(1) the legal entities that it is proposed will be parties to the portfolio transfer or merger;

(2) the terms of the agreement under which the proposed transfer or merger is to be carried out;

(3) how the interests of policyholders will be protected.

4/ Upon filing an application with the Authority for approval to effect a portfolio transfer or participate in a merger under Sub-Article (3) of this Article, the insurer shall:

- a) advertise the portfolio transfer or merger at least once a week for a period of two consecutive weeks in a widely circulating newspaper or in such other manner as may be required by the Authority; and
 - b) give written notice of the proposed portfolio transfer or merger to all policyholders.
- 5/ An insurer:
- a) effects a portfolio transfer if it:
 - (1) transfers or assigns its insurance or reinsurance business, or any part of its insurance or reinsurance business, to another insurer or foreign insurer or reinsurer; or
 - (2) accepts a transfer or assignment of the insurance or reinsurance business of another insurer or foreign insurer or reinsurer, or any part of that business;
 - (3) merges its insurance or reinsurance business, or any part of its insurance or reinsurance business, with the insurance or reinsurance business of another insurer or foreign insurer or reinsurer;
 - b) participates in a merger if it merges with another insurer or foreign insurer or reinsurer or other juridical person to form a continuing juridical person, which may be the insurer or a new juridical person.
- 6/ Sub-Article 5(a) does not apply to a transfer by a insurer of its risk or part of its risk under a reinsurance contract or treaty in the ordinary course of its business, including through retrocession or changes in its share of the reinsurance risk under reinsurance contracts or treaties.
- 7/ Pertinent Government organs shall cooperate with the Authority and concerned insurers for the successful execution of any merger or acquisition.
- 8/ Without prejudice to the provisions of this Article, the minimum conditions and requirements and procedures for insurers merger and acquisition shall be determined by the Directive issued by the Authority and/or operational framework.

55. Actuarial and Other Reports on Portfolio Transfer or Merger

- 1/ Before determining an application under Article 54 of this Proclamation, the Authority may:
 - a) undertake an investigation, or cause an investigation to be undertaken, into the proposed portfolio transfer or merger;
 - b) obtain a report from an independent actuary or other suitably qualified person on the proposed portfolio transfer or merger.
- 2/ The insurer applying for approval under Article 54 of this Proclamation and every other party to the portfolio transfer or merger shall provide to the Authority and any actuary or other person appointed to prepare a report, the information required by to assist in the investigation of in the preparation of the report.
- 3/ The costs of an investigation undertaken or an actuarial or other report prepared shall be paid by the insurer submitting the application for approval.

56. Determination of Application for Merger by the Authority

- 1/ In deciding whether to approve an application for a portfolio transfer or merger, the Authority shall take the following into account:
 - a) whether the insurer, the transferee or the merged entity will, after the proposed portfolio transfer or merger, be in compliance with the requirements of this Proclamation and the Directives on capital, solvency and financial condition;
 - b) whether the interests of policyholders of the insurer and the policyholders of any transferee or of any insurer that is a party to the merger, will be adequately protected and, in particular, whether the value of their policies will be maintained;
 - c) any other matters that the Authority considers relevant.
- 2/ An approval may be subject to such conditions as the Authority considers appropriate.

- 3/ If the Authority refuses to approve a portfolio transfer or merger, its notice of refusal shall contain, or be accompanied by, a statement of the Authority's reasons for the refusal.

57. Effect of Approval of Portfolio Transfer or Merger

- 1/ A portfolio transfer or merger approved by the Authority:
 - a) is binding on the parties to it; and
 - b) has effect, despite anything to the contrary in the Memorandum of Association of the insurer or the constituting documents of any entity that is a party to the transfer or merger.
- 2/ If the Authority approves a scheme of transfer and, for the purposes of the transfer, the transferee accepts an assignment of liabilities from the transferor:
 - a) contracts of insurance in respect of which liability is accepted by the transferee (the transferring contracts) are to be treated for all purposes as if each contract had been transferred by novation from the transferor to the transferee;
 - b) a policyholder under a transferring contract is taken to have the same rights against the transferee as the policyholder would have against the transferee had the person's contract of insurance been transferred by novation to the transferee;
 - c) the rights of the transferee against policyholders under transferring contracts are the same as they would be had the transferring contracts been transferred by novation to the transferee from the transferor.
- 3) An agreement between the transferee and the transferor may, with the approval of the Authority, allocate liabilities in respect of the transferring contracts, and that agreement is binding on the transferee, the transferor and the policyholders under those contracts.

PART SEVEN

DIRECTORS AND EMPLOYEES OF AN INSURER

1/

58. Approval Required for Appointment of Directors, Chief Executive Officer, Senior Executive Officers and Key Persons in Control Functions

- 1/ An insurer shall not appoint a director, chief executive officer, senior executive officer or key persons in control functions except with the prior written approval of the Authority.
- 2/ Board of Directors of an insurer shall include independent directors.
- 3/ The Authority shall not grant approval under Sub-Article (1) of this Article unless it is satisfied that:
 - a) The person concerned satisfies the prescribed fit and proper criteria set by Directive; and
 - b) following the appointment, the management structure of the insurer is appropriate having regard to the nature, scale and complexity of its insurance or reinsurance business.
- 4/ An insurer shall provide written notice to the Authority within fourteen days after a director, senior executive officer or key persons in control functions is:
 - a) appointed; or
 - b) ceases to:
 - (1) hold office with the insurer; or
 - (2) be employed by the insurer.
- 5/ The written notice provided under Sub-Article (4(b)) of this Article shall include a statement of the reasons for the director, executive officer or key persons in control functions ceasing to hold office with or be employed by the insurer.

- 6/ If, whether before or after the Authority has approved the appointment of a director, executive officer or key persons in control functions of an insurer, the insurer becomes aware of any information that is reasonably material to the Authority's fit

DRAFT

and proper assessment of the person, it shall notify the Authority of the information as soon as reasonably practicable.

59. Directors

- 1/ The directors of an insurer shall, on appointment and on an ongoing basis:
 - a) individually:
 - (1) be competent, possess integrity and otherwise satisfy the prescribed fit and proper requirements;
 - (2) be capable of exercising independent judgment; and
 - (3) have sufficient time and commitment to undertake their duties diligently; and
 - b) collectively, as a board, have sufficient knowledge, skills, experience and understanding of the business of the insurer, and the risks to which it is exposed, to enable the board to fulfil its responsibilities.
- 2/ An insurer shall ensure that:
 - a) the board includes at least the minimum number of independent directors specified by Directive; and
 - b) its directors are adequately resourced and that they have sufficient powers to:
 - (1) obtain the information that they require to undertake their functions in a timely manner; and
 - (2) access senior management, key persons in control functions and other relevant persons.
- 3/ An insurer shall ensure that the duties set out in Sub-Article (4) of this Article are:
 - a) specified in the terms of appointment of each director; or
 - b) otherwise agreed to in writing by each director.
- 4/ The Authority may, by Directive, specify requirements on:

- a) the appointment and minimum number of directors, the composition of the board;
- b) the responsibilities of individual directors and the board;
- c) term limits for directors and the re-election of directors;
- d) the maximum remuneration for directors;
- e) the training requirements for directors; and
- f) the duties and responsibilities of a boards of directors and manner of good corporate governance of an insurer.

5/ The Authority may prescribe by Directive the maximum number of employees of an insurer who may seat on the board of directors of the same insurer which employed them.

6/ The term of office of outgoing directors of an insurer may not terminate until written approval for the incoming directors is granted by the Authority.

60. Control Functions and Key Persons in Control Functions

1/ An insurer shall establish and maintain the following control functions:

- a) a risk management function;
- b) a compliance function;
- c) an actuarial function;
- d) an internal audit function; and
- e) any other functions:

(1) that may be specified by Directive; and

(2) that the insurer considers appropriate for the nature, scale and complexity of its insurance or reinsurance business.

2/ An insurer shall ensure that:

- a) each control function is provided with the authority, independence and resources required to enable it to operate effectively; and
 - b) an employee is appointed:
 - (1) to undertake the responsibilities of each control function; or
 - (2) if the responsibilities of the control function are to be undertaken by more than one employee or outsourced, to have overall responsibility for and oversight of the control function.
- 3/ An insurer shall not outsource a control functions unless the outsourcing is permitted, in whole or in part, by Directive to be issued by the Authority .
- 4/ The Authority may, by Directive, provide for the responsibilities of the control functions, the responsibilities of key persons in a control function and the performance of the control functions.
- 5/ The Authority may, by Directive, provide for the circumstances in which an insurer may combine one or more control functions, provided that the internal audit function shall not be combined with any other control function.

61. Cessation of Insurance Management Functions

Any person who is a director or chief executive officer or senior executive officer or key persons in control functions or otherwise participates, directly or indirectly, in the management of an insurer shall cease to exercise such function if:

- 1/ he or the business organization in which he is a director or executive officer, has instituted bankruptcy proceedings or declared bankrupt, or his or the company's assets have been sequestrated because of bankruptcy or been foreclosed by a bank because of failure to repay a loan granted by a bank;
- 2/ he has been convicted of default on repayments of bank or other credits or tax payment; or
- 3/ he fails to fulfill any of the competence requirements set by the Authority.

62. Prohibitions

- 1/ No person who has been convicted of breach of trust or a fraud, whether in Ethiopia or

elsewhere may be a director or an employee of an insurer.

- 2/ Without prior approval of the Authority, no person who had been a director, chief executive officer or senior executive officer or key persons in control functions or otherwise directly or indirectly participated in the management of any insurer that wound up due to management failure or bankruptcy or any other related causes, whether in Ethiopia or abroad, may act as a director, chief executive officer or senior executive officer or key persons in control functions otherwise directly or indirectly participate in the management of an insurer.
- 3/ A director of a financial institution may not, at the same time, serve as a director of an insurer. Moreover, a business entity in which such director or chief executive officer has ten percent or more equity interest may not serve as a director of the insurer.
- 4/ An employee of an insurer may not be a chairperson of the board of directors of that insurer or a director of any other insurer.

63. Power to Require Suspension or Removal of, or Remedial Action Against, Directors, Chief Executive Officer, Senior Executive Officers and Key Persons in Control Functions

- 1/ The Authority may by a written notice, for sufficient cause, suspend or remove a director, a chief executive officer, a senior executive officer or key persons in control functions of an insurer.
- 2/ For the purpose of Sub-Article (1) of this Article, “sufficient cause” shall include the following:
 - a) failure to comply with the provisions of Article 61 or Article 62 of this Proclamation;
 - b) any action detrimental, in the opinion of the Authority, to the stability or soundness of the insurance market, the economy, the general public or the insurer carried out by a director, a chief executive officer, senior executive officer or key persons in control functions of an insurer.

- 3/ If the Authority has reasonable grounds for believing that a director, chief executive officer, senior executive officer or key persons in a control functions of an insurer does not meet the prescribed fit and proper criteria, it may by written notice require the insurer concerned to:
- a) suspend or remove that person from office and, if it considers it appropriate, to replace the person with another person approved by the Authority;
 - b) ensure that the person ceases to undertake certain specified functions in relation to the insurer; or
 - c) take any remedial action in relation to that person as the Authority specifies.
- 4/ A notice issued under Sub-Article (1) of this Article:
- a) shall state whether the specified requirements have immediate effect or the time period within which they shall be complied with;
 - b) may include directions consequential upon, or ancillary to, the requirements specified in the notice; and
 - c) may direct that, in the case of a person who it has required the insurer to remove from office, the person may not be reappointed, or accept reappointment, to the same position, or to any specified position, with the insurer:
 - (1) at any time;
 - (2) for the period specified by the Authority; or
 - (3) until any conditions specified by the Authority have been met.
- 5) This Article has effect despite any agreement, contract of employment, enactment or law or any provision in the Memorandum of Association of the insurer.
- 6) A person to whom a notice issued under Sub-Article 1 of this Article applies shall not accept an appointment contrary to the notice.

PART EIGHT

CAPITAL AND SOLVENCY REQUIREMENTS FOR INSURERS

64. Maintenance of Financially Sound Condition

1/ An insurer shall:

a) maintain its business in a financially sound condition by:

- (1) maintaining assets;
- (2) providing for its liabilities; and
- (3) conducting its licensed business;

so as to be in a position, at all times, to meet its liabilities as they fall due; and

- b) maintain its capital resources at a level adequate to support its licensed business, taking into account the nature, scale and complexity of that business and its risk profile; and
- c) conduct its insurance business in accordance with sound insurance principles.

2/ This Article does not limit the specific capital and solvency requirements specified in this Proclamation and the Directives.

65. Minimum Paid Up Share Capital

1/ An insurer shall ensure that its paid-up share capital equals or exceeds:

- a) the minimum amount prescribed by Directive; or
- b) if the Authority issues an order under Sub-Article 2 of this Article, the amount specified in the order.

2/ If the Authority considers it appropriate, having regard to the nature, scale and complexity of the insurance business carried on by an insurer and the risk profile of the insurer, the Authority may issue an order to the insurer requiring the insurer to

increase its paid-up share capital to an amount higher than the minimum prescribed by Directive.

3/ Unless the circumstances justify immediate compliance with an order issued under Sub-Article 2 of this Article, an order shall specify a reasonable period for compliance.

4/ An insurer shall not, without the prior written approval of the Authority:

a) pass a resolution to reduce its paid-up share capital; or

b) cause or permit its paid-up share capital to be reduced.

5/ A resolution passed in contravention of Sub-Article 4(a) of this Article is void and of no effect.

6/ For the purposes of this Article and the Directives, share capital is not considered to be paid up unless it is fully paid up in cash.

66. Maintenance of Legal Reserve

1/ Notwithstanding the provisions of the Commercial Code, an insurer shall, at the end of each financial year, transfer to its legal reserve account at least ten percent of its net profit.

2/ Notwithstanding Sub-Article 1 of this Article, when the legal reserve equals the minimum paid up capital requirement applicable to the insurer, the amount to be retained by the insurer as legal reserve from the net profit each financial year shall be determined by Directive .

3/ The Authority may, by Directive, specify the circumstances under which the legal reserve account may be reduced.

67. Minimum Paid-Up Capital, Risk-Based Capital and Insurance Contract Liabilities

1/ The Authority shall, by Directive, specify:

a) the minimum paid-up capital to be maintained by insurers;

- b) the capital resources, capital adequacy and other capital and solvency requirements applicable to insurers; and
 - c) requirements with respect to the valuation of assets and liabilities, including liabilities with respect to its insurance contracts.
- 2/ The Authority shall, as far as practicable, ensure that the Directives require insurers to maintain capital resources that are commensurate with the risks to which they are exposed, including:
- a) insurance risk;
 - b) market risk;
 - c) credit risk;
 - d) operational risk; and
 - e) any other risks that the Authority considers that insurers, or specified types or descriptions of insurers, are exposed.
- 3/ Assets that shall be disregarded in whole or in part for the purposes of meeting the capital requirements may be specified by Directive.
- 4/ The Authority may, by Directive, specify:
- a) the capital components that constitute capital resources and restrictions and limits on the capital components that may be relied upon to meet the capital requirements specified in the Directive;
 - b) requirements in relation to insurers that are part of a group, with the objective of ensuring that:
 - (1) group risks and impact are taken into account; and
 - (2) there is adequate prudential regulation of insurance groups;
 - c) requirements and restrictions relating to investments; and
 - d) solvency control levels.

- 5/ Methods for determining or calculating capital adequacy requirements that include by reference to a formula, framework, or amount, or a combination of methods, or adopt a standardized approach with or without permitting the use of full or partial internal models, or adopt a combined approach.
- 6/ The Authority may, by Directive, make different provision concerning the matters specified in this Article in relation to different categories or descriptions of insurers, circumstances or cases.

68. Statutory Deposit

- 1/ An insurer shall maintain a statutory deposit with the National Bank in cash or government securities, as determined by Directive to be issued by the Authority.
- 2/ The statutory deposit shall be considered to be part of the assets of the insurer and shall be held by the National Bank to the credit of the insurer.
- 3/ If the total value of deposited assets is at any time less than the minimum amount prescribed by Directive, the insurer shall deposit sufficient additional funds with the National Bank to cover the deficit.

69. Restrictions on Use of Statutory Deposit

- 1/ The statutory deposit held on account of an insurer shall be dealt with solely as follows:
 - a) to make a payment or transfer to the insurer in accordance with Article 71 of this Proclamation; or
 - b) to make a payment or transfer to an Official Administrator or liquidator appointed with respect to the insurer.
- 2/ The deposited assets attributable to an insurer shall not be:
 - a) used to make a payment to, or with respect to, any other insurer; or

- b) withdrawn or used as a pledge or security for a loan without the prior written approval of the Authority given in accordance with Article 71 of this Proclamation.
- 3/ If an Official Administrator or liquidator is appointed with respect to an insurer, the deposited assets shall be held to the order of:
- a) the Official Administrator for the purposes of the Official Administration; or
 - b) the liquidator for the purposes of the liquidation.
- 4/ Any monies or assets held to the order of the Official Administrator or the liquidator shall only be used:
- a) for the purpose of satisfying the liabilities of the insurer to its policyholders; and
 - b) if there is any surplus after the liabilities of the insurer's policyholders have been satisfied, for the other purposes of the Official Administration or liquidation.

70. Release of Deposit

- 1/ If the Authority is satisfied that the total value of the deposited assets attributable to an insurer exceeds the minimum amount, on the application of the insurer, the Authority may authorise the National Bank to pay or transfer to the insurer of deposited assets equal in value to the surplus.
- 2/ If an insurer ceases to carry on insurance business without entering into Official Administration or liquidation, the insurer may apply to the Authority for the release of any deposited assets.
- 3/ The Authority shall not authorise the National Bank to release any deposited assets on the application of an insurer unless the insurer has ceased to carry on insurance business, and:
- a) satisfied all its liabilities to policyholders and other creditors; or
 - b) made arrangements satisfactory to the Authority for the satisfaction of all its liabilities to policyholders.

71. Payment of Interest or Other Income to Insurer

- 1/ An insurer is entitled to be paid any interest earned on, or income received from, deposited assets, provided that the value of the deposit assets attributable to the insurer will, after payment of the interest or income, equal or exceed the minimum amount of the statutory deposit.
- 2/ The Authority may, by Directive, specify the procedure for making payment of interest or other income to an insurer, including the timing of the payment and the retention of interest or other income, or part of it, where required to preserve the minimum amount of the statutory deposit.
- 3/ Notwithstanding Sub article 1 of this article, a statutory deposit maintained in cash in line with this Proclamation shall not earn interest.

72. Reinsurance Arrangements

- 1/ An insurer shall establish and maintain a written reinsurance strategy appropriate for the nature, scale, complexity and diversity of its business, its risk profile, its risk appetite and its tolerance to risk.
- 2/ The board of an insurer shall set or approve a reinsurance programme for each financial year, consistent with the reinsurance strategy.
- 3/ The Authority may, by Directive, specify:
 - a) requirements concerning the reinsurance strategy, reinsurance procedures and reinsurance programs to be established and maintained by insurers;
 - b) retrocession arrangements to be established and maintained by licensed reinsurers;
 - c) requirements for mandatory cessions to specified licensed reinsurers and foreign reinsurers;
 - d) the criteria for a qualifying foreign reinsurer;
 - e) restrictions on the reinsurance of risks with foreign reinsurers;

- f) the documents and notifications concerning reinsurance to be filed with and given to the Authority;
- g) the use of alternative risk transfer arrangements by insurers; and
- h) any other matters concerning the reinsurance arrangements of an insurer that the Authority considers appropriate.

73. Restrictions on the Placement of Reinsurance by Direct Insurers

- 1/ Subject to Sub-Article 2 of this Article, a direct insurer shall not, without the prior written authorization of the Authority, enter into a reinsurance contract, as cedant, other than:
 - a) with a licensed local reinsurer;
 - b) with a qualifying foreign reinsurer; or
 - c) in accordance with arrangements specified by Directive, if any, which may include reinsurance arrangements with underwriters that are members of a recognized association of underwriters.
- 2/ The Authority may, on the application of a direct insurer, authorise the insurer to enter into a reinsurance contract, as cedant, with a foreign reinsurer that is not a qualifying foreign reinsurer.

PART NINE

**FINANCIAL RECORDS AND STATEMENTS AND APPOINTMENT OF
EXTERNAL AUDITOR AND EXTERNAL ACTUARY**

74. Financial Records

- 1/ An insurer shall keep at its head office in Ethiopia, records that are sufficient:
 - a) to show and explain its transactions;
 - b) to enable its financial position to be determined with reasonable accuracy, at any time;

- c) to enable it to prepare and submit financial statements and other returns; make the returns that it is required to prepare and submit;
 - d) to enable it to demonstrate compliance with this Proclamation, the Regulations and the Directives; and
 - e) to enable its financial statements to be audited, as required under this Proclamation and other relevant laws.
- 2/ The Authority may, by Directive, specify:
- a) the form and manner in which the records specified in Sub-Articles 1 and 2 of this Article are to be kept; and
 - b) other records required to be kept by an insurer and the form, place and manner in which the records are to be kept.

75. Financial Statements

- 1/ The financial statements of an insurer shall comprise:
- a) a statement of the financial position,
 - b) a statement of the financial performance,
 - c) a statement of cash flows,
 - d) a statement of changes in equity flows,
 - e) where required for regulatory purposes, any other statements or schedules to the financial statements that may be specified by Directive
- together with any notes or other documents giving information related to the above financial statements-
- 2/ An insurer shall prepare its financial statements in accordance with the standards specified by the relevant Ethiopian regulatory body.
- 3/ An insurer shall prepare additional financial statements and schedules required by the Authority for regulatory purposes, in accordance with the standards specified by Directive.

76. Preparation and Filing of Financial Statements

- 1/ An insurer shall prepare financial statements for each financial year.
- 2/ An insurer shall file its financial statements within the period specified by Directive, accompanied by:
 - a) a directors' certificate in the approved form;
 - b) the external auditor's report;
 - c) an actuarial report, in the form and containing the information specified by Directive;
 - d) a financial condition report prepared in accordance with Article 88 of this Proclamation, unless exempted by directive;
 - e) any report on the affairs of the insurer made to its members in respect of the financial year;
 - f) any other documents specified by Directive.

77. Periodic Financial Statements and Return

An insurer shall, in respect of, and within the periods specified by the Authority by Directive, file with the Authority:

- a) periodic financial statements that may be unaudited;
- b) a periodic return in the form and containing the information specified by directive; and
- c) any other information and documentation that is specified in the Directive.

78. Inaccurate or Incomplete Financial Statements

- 1/ Subject to Sub-Article 3 of the Article, if the Authority considers that any document filed by an insurer under Article 76 or Article 77 of this Proclamation is inaccurate or incomplete or is not prepared in accordance with this Proclamation or Directive issued by the Authority, it shall:
 - a) by written notice require the insurer to amend the document or to file a

replacement document; and

- b) apply the appropriate sanctions against the insurer.
- 2/ If an insurer fails to comply with a notice under Sub-Article 1 of this Article, the Authority may reject the document.
- 3/ Notwithstanding Sub-Article 1 of this Article, in the case of the audited financial statements or any document certified by the insurer's external actuary, the Authority shall refer the document back to the insurer's external auditor or external actuary for an explanation.

79. Group Financial Statements

- 1/ If an insurer is a member of a group of companies, the Authority may require the insurer to file group financial statements.
- 2/ The Authority may require that the group financial statements are audited by the external auditor of the insurer or by another external auditor approved by the Authority in writing.
- 3/ The Authority may, by Directive, provide for the form and content of group financial statements to be filed under this Article and may specify requirements in relation to group financial statements.

80. Appointment of External Auditor

- 1/ An insurer shall appoint external auditors; and the appointment of such auditors shall be approved by the Authority.
- 2/ A person shall not be appointed as an external auditor of an insurer:
 - a) if the person:
 - (1) is or has, within the previous 3 years, been a director or employee of the insurer;
 - (2) is or has, within the previous 3 years, been a shareholder of the insurer or has, or has had, any other direct or indirect interest in the insurer;

- (3) is a spouse or relative by consanguinity or affinity to the first degree to a person falling within the categories specified under paragraphs (a)(1) or (a)(2) of this sub-Article;
 - (4) has a material conflict of interest with the insurer; and
 - (5) is a firm of auditors of which any partner or a staff member falls within the categories specified in paragraphs (a) of this Sub-Article; and
 - b) unless the person:
 - (1) meets the qualifications specified by Directive to act as the external auditor of an insurer;
 - (2) otherwise meets the prescribed fit and proper criteria; and
 - (3) has consented in writing to act as external auditor.
- 3/ If, for whatever reason, a person ceases to be the external auditor of an insurer, the insurer is deemed not to have contravened Sub-Article 1 of this Article if it appoints another external auditor in accordance with this Article within two months of the date that the person who was previously appointed external auditor ceases to hold that appointment.
- 4/ If an insurer fails to appoint an external auditor, the Authority may appoint a qualified person to act as the external auditor of the insurer at the cost of the insurer.
- 5/ An external auditor appointed under Sub-Article 4 of this Article:
 - a) is considered, for the purposes of this Proclamation, to have been appointed by the insurer;
 - b) holds office until the appointment by the insurer of a new external auditor at the next annual meeting; and
 - c) the insurer shall be responsible for the external auditor's costs and remuneration.

5/ Manner of appointment of an external auditor, tenure of external auditor, depth and coverage of audit work, knowledge and expertise of audit professionals, rotation

requirements, time limit for submission and presentation of audit reports to the Authority and to an insurer's annual general shareholders meeting and other related requirements shall be determined by a Directive .

81. Notice to Authority

- 1/ An insurer shall provide written notice to the Authority within the time specified by Directive after an appointed auditor is:
 - a) appointed; or
 - b) ceases to hold office with or act for the insurer.
- 2/ The written notice provided under Sub-Article 1 of this Article shall include a statement of the reasons for the external auditor ceasing to hold office or act for the insurer.
- 3/ If a person ceases to be the external auditor of an insurer, the insurer shall, within the time limit specified by Directive, appoint another person to be its external auditor.

82. Revocation of Approval of External Auditor

- 1/ The Authority may, by written notice to the insurer, revoke the approval of the appointment of the external auditor of an insurer if the Authority is satisfied that the external auditor:
 - a) has failed to fulfil the obligations of an external auditor under this Proclamation, the Regulations or specified by Directive;
 - b) does not meet the criteria for appointment specified in Sub-Article 2 of Article 80(2) of this Proclamation; or
 - c) is otherwise not a fit and proper person to act as the external auditor of the insurer, including by reason that the person has an interest or holds a position, whether in or outside the insurer, that may conflict with the person's functions and duties as external auditor.
- 2/ A notice revoking the appointment of an external auditor under Sub-Article 1 of this Article shall be given to the external auditor by the insurer.
- 3/ If the Authority revokes the approval of a person as external auditor of an insurer, the

insurer shall appoint a new external auditor in accordance with Article 80 of this Proclamation.

83. Auditor's Right to Information and Documents

- 1/ An insurer shall make the arrangements necessary to enable its external auditor to audit its financial statements in accordance with this Proclamation and any relevant Directives issued by the Authority and international auditing standards, including by:
 - a) giving the external auditor a right of access at all reasonable times to its financial records and to all other documents and records and its assets and securities; and
 - b) providing the external auditor with the information and explanations that the external auditor reasonably requires for the purposes of the audit.
- 2/ The external auditor may require any of the following to provide the information and explanations that the external auditor reasonably requires to undertake the audit:
 - a) a director or employee of the insurer; or
 - b) any person who, at a time to which the information or explanations relate, was a director or employee of the insurer.

84. Audit and Audit Report

- 1/ An external auditor shall carry out a sufficient investigation to form an opinion on the financial statements and prepare an audit report that complies with the requirements specified by Directive.
- 2/ The auditor of an insurer shall submit to the Authority a complete audit report, including audit findings and recommendations, within the time limit set by the Authority.
- 3/ The Authority, if not satisfied with the external audit report, may, in collaboration with pertinent regulatory organ, initiate and order a second audit or require the prompt appointment of a new auditor who shall make an independent audit report. The remuneration of the newly appointed external auditor shall be paid by the insurer as directed by the Authority.
- 4/ The Authority may at any time, by written notice, direct an insurer to supply the

Authority with a report, prepared by its external auditor or any other person nominated by the Authority, on the matters that the Authority may determine, which may include an opinion on the adequacy of the accounting systems and controls, asset quality and the adequacy of the insurer's technical provisions.

5/ A report prepared under Sub-Article 4 of this Article shall be at the cost of the insurer.

85. Reporting Obligations of External Auditors

1/ The external auditor of an insurer shall report immediately to the Authority any information relating to the affairs of the insurer that the external auditor has obtained in the course of acting as its external auditor that, in the opinion of the external auditor, suggests that:

- a) the business of the insurer is not, or is likely to cease to be, in a financially sound condition;
- b) the insurer is, or is likely to become, in material non-compliance with any provision of the Insurance (Risk Based Capital) Directive or the Valuation of Insurance Liabilities Directive;
- c) the insurer has significant weaknesses in its internal controls which render it vulnerable to risks or exposures that have the potential to jeopardise its financial viability;
- d) that a criminal offence has been or is being committed by the insurer or in connection with its business;
- e) that a serious breach of this Proclamation, the Regulations or the Directive has occurred in respect of the insurer or its business; or
- f) any other material irregularities have occurred.

2/ If the appointment of an external auditor of an insurer is terminated, or the external auditor resigns, the external auditor whose appointment has been terminated, or who has resigned, shall:

- a) immediately inform the Authority of the termination of the appointment, or the resignation, and disclose to the Authority the circumstances that gave rise to the termination or resignation; and

- b) if, but for the termination of the appointment, or the resignation, the external auditor would have reported information to the Authority under Sub-Article 1 of this Article, shall report the information concerned to the Authority, as if the appointment had not been terminated or the external auditor had not resigned.
- 3/ The Authority may require an external auditor or former external auditor of an insurer to discuss any audit that the external auditor has conducted or commenced or provide additional information regarding the audit to the Authority.

86. Appointment of External Actuary

- 1/ Subject to Sub-Article 2 of this Article, an insurer shall appoint an external actuary; and the appointment of such auditors shall be approved by the Authority.
- 2/ An insurer shall not appoint a person as its external actuary unless:
- a) the person meets the criteria for an actuary specified by Directive;
 - b) the person has consented in writing to be appointed as the insurer's external actuary;
 - c) the insurer has complied with Sub-Article 3 of this Article; and
 - d) the Authority has given its prior written approval to the person's appointment as the external actuary of the insurer.
- 3/ An insurer shall not appoint a person as its external actuary unless the board has taken reasonable steps to determine whether the person to be appointed has any interest or holds any position, whether in or outside the insurer, that may conflict with the person's functions and duties as its external actuary.
- 4/ An insurer shall:
- a) require the external actuary to advise it of any conflicts that may arise during the person's appointment; and
 - b) following the appointment of a person as its external actuary, seek periodic confirmation from the person as to whether any conflicts of interest have arisen since the person's appointment.
- 5/ An insurer shall, within fourteen days of the appointment of its external actuary, file a notice of appointment with the Authority.

- 6/ If for any reason a person ceases to be the external actuary of an insurer, the insurer is deemed not to have contravened Sub-Article 1 of this Article if it appoints another person to be its external actuary within two months of the date that the person who was previously appointed ceased to hold that appointment.
- 7/ If the Authority revokes its approval of the appointment of an insurer's external actuary or the insurer fails to appoint an external actuary, the Authority may appoint an actuary to act as the external actuary of the insurer at the cost of the insurer.
- 8/ An external actuary appointed under Sub-Article 7 of this Article:
 - a) is considered, for the purposes of this Proclamation, to have been appointed by the insurer;
 - b) holds office until the appointment by the insurer of a new external actuary; and
 - c) the insurer shall be responsible for the external actuary's costs and remuneration.

87. Approval of External Actuary

The Authority shall not grant approval for the appointment of a person as the external actuary of an insurer unless it is satisfied that:

- a) that the person fulfils the criteria specified in Sub-Article 2 of Article 86 of this Proclamation and has sufficient experience and is competent to act as the external actuary of the insurer; and
- b) the board of the insurer has taken reasonable steps to determine whether the person to be appointed as external actuary has any interest or holds any position, whether in or outside the insurer, that may conflict with the person's functions and duties as external actuary.

88. Actuarial Investigation and Financial Condition Report

- 1/ Unless exempted by Directive, an insurer shall:
 - a) ensure that its external actuary undertakes an actuarial review of its insurance business, including technical provisions; and
 - b) take all reasonable steps to ensure that the external actuary prepares a written financial condition report and a report on technical provisions complying with

the Directive within sufficient time for the insurer to file the financial condition report with the Authority in accordance with Sub-Article 1(c) of Article 76 of this Proclamation.

- 2/ An insurer shall ensure that its external actuary has access to those of its documents and records that the external actuary requires to carry out an actuarial investigation and to prepare the financial condition report.
- 3/ The external actuary is entitled to require from a director or an employee of the insurer all information and explanations that the external actuary considers necessary for undertaking the actuarial investigation, preparing the financial condition report, and performing the duties of external actuary.
- 4/ The Authority may at any time, by written notice, direct an insurer to supply the Authority with a report, prepared by its external actuary, on the matters that the Authority may determine.
- 5/ A report prepared under Sub-Article 4 of this Article shall be at the cost of the insurer.

89. Applicable Provisions

Without prejudice to the provisions pertaining to external actuary, Articles 82(notice to authority) and 86(Reporting obligations of External Auditor) of this Proclamation relating to external auditors shall apply mutatis mutandis to an external actuary.

PART TEN

INSURANCE INTERMEDIARIES

90. Requirement for Insurance Intermediary License

- 1/ No person shall engage in insurance intermediation in Ethiopia without obtaining an insurance intermediary license from the Authority.
- 2/ Sub-Article 1 of this Article does not apply to a foreign reinsurance broker who acts for an insurer or a licensed insurance broker.
- 3/ Notwithstanding with Sub articles 1 and 2 of this Article, the Authority may authorize insurers to license insurance agents and inclusive insurance agents as specified by a

Directive.

- 4/ It shall be unlawful for an insurer to appoint as an insurance intermediary or pay him commission if such person is not licensed or his license is renewed or has been cancelled.
- 5/ A person shall not, without obtaining the appropriate license under this Proclamation or the approval of the Authority:
 - a) use any name, style, designation, description, title, trademark or service mark that represents or implies that the person is an insurance intermediary, whether licensed or not; or
 - b) use any other word or phrase specified by Directive as a word or phrase that suggests insurance intermediation business, whether in the name under which the person is registered or in the description or title under which the person carries on business in Ethiopia.

91. Categories of Insurance Intermediary License

- 1/ An insurance intermediary license shall be in one of the following categories: insurance broker, reinsurance broker, insurance agent, bancassurance, inclusive insurance agent, loss adjuster, loss assessor, and, insurance risk surveyor.
- 2/ The Authority may, by Directive, prescribe other categories of insurance intermediary license.
- 3/ The Authority may, by Directive, specify for each category of insurance intermediary, the forms of business organizations person that may apply for, and be granted, a license in that category.

92. Application and Licensing for an Insurance Intermediary License

- 1/ Application may be made to the Authority for an insurance intermediary license in one of the categories specified in Sub-Article 1 of Article 91 of this Proclamation.
- 2/ The Authority shall, by Directive, specify with respect to each category of insurance intermediary, the manner and conditions of licensing, including requirements for licensing such as the minimum qualifications and experience required, and other requirements.

93. Renewal of License

- 1/ The license of an insurance intermediary shall be renewable annually.
- 2/ The criteria and process for renewal shall be prescribed by Directive.

94. Suspension and Revocation of License

- 1/ The Authority may revoke an insurance intermediary license on any of the grounds specified by Directive.
- 2/ Before revoking the license of an insurance intermediary for any reason other than at its request, the Authority shall give the insurance intermediary written notice of its intention to revoke the license, stating:
 - a) the grounds upon which it intends to revoke the license; and
 - b) that unless the insurance intermediary objects in writing to the revocation, the license will be revoked on a date not less than fourteen days after the date of the notice.
- 3/ The Authority shall consider any objections it receives under Sub-Article 2 of this Article before deciding whether or not to revoke the license.
- 4/ The Authority shall provide to the insurance intermediary, written reasons for the revocation of a license under this Article.

95. Restrictions to Avoid Conflicts of Interest

- 1/ A significant owner, director, or employee of an insurer shall not:
 - a) hold a license as an insurance intermediary;
 - b) be a significant owner, director or employee of an insurance intermediary.
- 2/ An insurer shall not hold an interest of any kind in an insurance intermediary.
- 3/ A person holding a license as an insurance intermediary in any category shall not hold an insurance intermediary license in any other category.
- 4/ A significant owner, director or employee of a licensed insurance broker or a licensed

reinsurance broker shall not:

- a) be a significant owner or have any interest in, or be a director or employee of:
 - (1) an insurer; or
 - (2) a person holding an insurance intermediary license in any other category
- b) hold an insurance intermediary license in any category.

5/ A licensed insurance agent or a licensed inclusive insurance agent shall not:

- a) hold a license as an insurance broker or a reinsurance broker; and
- b) if a natural person, shall not be a significant owner, director or employee of a licensed insurance broker or a licensed reinsurance broker.

96. Power to Require Disposal of Interest or Prohibit Exercise of Rights

- 1/ The Authority may issue an order to a person who is a significant owner of a corporate insurance intermediary:
 - a) requiring the person to dispose of the person's shareholding or other interest in the corporate insurance intermediary, in whole or in part, within the time period specified in the order; or
 - b) prohibiting the person from exercising voting rights or any other rights, including the right to exercise influence or control over the corporate insurance intermediary or receiving dividends or other distributions.

if:

- (1) the person became a significant owner of the corporate insurance intermediary without obtaining the Authority's prior written approval, where required to obtain approval by Directive; or
- (2) the Authority believes that the person does not satisfy the prescribed fit and proper criteria.

2/ If the Authority issues an order under Sub-Article 1(a) of this Article to a person, it may direct that during the period before the person's interest is disposed of, the

person is prohibited from exercising voting rights or any other rights attached to the interest, including the right to exercise influence or control or receive dividends or other distributions.

97. Power to Require Removal of Chief Executive Officer

1/ If the Authority has reasonable grounds for believing that a chief executive officer of a corporate insurance intermediary does not meet the prescribed fit and proper criteria, it may remove that person from his position and ensure that the person ceases to undertake certain specified functions in relation to the corporate insurance intermediary; or take such remedial action in relation to that person.

2/ A notice issued under Sub-Article

- a) shall state whether the specified requirements have immediate effect or the time period within which they shall be complied with;
- b) may include directions consequential upon, or ancillary to, the requirements specified in the notice; and
- c) may direct that, in the case of a person who it has required the corporate insurance intermediary to remove from office, the person may not be reappointed, or accept reappointment, to the same position, or to any specified position, with the corporate insurance intermediary:
 - (1) at any time;
 - (2) for the period specified by the Authority; or
 - (3) until any conditions specified by the Authority have been met.

3) This Article has effect despite any agreement, contract of employment, enactment, law, or any provision in the Memorandum of Association of the corporate insurance intermediary.

98. Licensed Insurance Agents to Act only for Named Insurers

The Authority may, by Directive, specify restrictions on the number and types of direct insurers for which a licensed insurance agent, including an inclusive insurance

agent, may act.

99. Insurance Intermediary Not to Act in Relation to Unlicensed Insurance Business

A licensed insurance broker or a reinsurance broker shall not negotiate or arrange any contract of insurance for which the insurer or a foreign insurer or foreign reinsurer is not authorized.

100. Restrictions on Business with Unlicensed Insurance Intermediaries

- 1/ A direct insurer shall not appoint a person as its insurance agent unless the person is licensed as an insurance agent.
- 2/ Sub-Article 1 of this Article does not apply in respect of the appointment by an insurer of a person as its insurance agent if:
 - a) the person appointed is resident outside Ethiopia; and
 - b) the person is appointed to act as the insurer's agent solely outside Ethiopia.
- 3/ An insurer shall not conduct business with or pay commission or other remuneration to an insurance intermediary unless the person holds a license in the appropriate category as an insurance intermediary.
- 4/ Sub-Article 3 of this Article does not apply if:
 - a) the person concerned carries on business outside Ethiopia; and
 - b) does not require to be licensed as an insurance intermediary under this Proclamation.
- 5/ A direct insurer shall not place any domestic insurance business with, or through, a person that is not a licensed insurance intermediary.

101. Insurance Agent Acts Only for Insurer

- 1/ An insurance agent who completes an insurance proposal or other similar document on behalf of an insured or prospective insured is considered to be the agent of the insurer and not the agent of the person on whose behalf the agent completes the proposal or other document.

- 2/ Knowledge acquired by an insurance agent in the course of completing an insurance proposal or similar or equivalent document under Sub-Article 1 of this Article, is considered to be knowledge acquired by the insurer.
- 3/ Any provision in an insurance contract that seeks to avoid or contradicts with Sub-Article 1 or 2 of this Article is void and of no effect.

102. Liability of Insurer for Conduct of Agents

- 1/ Notwithstanding the Civil Code of Ethiopia, if a person is appointed as the agent of a single insurer, the insurer is responsible, as between the insurer and the insured or prospective insured, for the conduct of the agent in relation to any matter relating to the insurance business of the insurer, whether or not the agent acted within the scope of the authority granted by the insurer.
- 2/ If a person is appointed as the agent of different insurers for different classes of business or insurance products, and the person engages in conduct in relation to any matter relating to a particular class of insurance business or insurance product, the insurer that appointed the person as agent for that class of insurance business or insurance product is responsible for the conduct of the agent, as between the insurer and the insured or prospective insured, whether or not the agent has acted within the scope of the authority granted by the insurer.
- 3/ This Article applies to any conduct of an agent of an insurer:
 - a) on which a person in the circumstances of the insured or prospective insured could reasonably be expected to rely; and
 - b) on which the insured or prospective insured in fact relied in good faith.
- 4/ Where an insurer is responsible for the conduct of an agent under Sub-Article 1 or 2 of this Article, the insurer's liability to an insured or prospective insured is in respect of any loss or damage suffered by the insured or prospective insured as a result of the conduct of the agent.
- 5/ This Article does not limit or affect any liability of an insurance agent of an insurer to an insured or prospective insured.

103. Handling of Insurance Monies by Insurance Agents

- 1/ An insurance agent shall not receive or handle any insurance monies, whether from a policyholder, prospective policyholder, insurer or otherwise.
- 2/ Notwithstanding Sub-Article 1 of this Article, a corporate insurance agent that is licensed as an inclusive insurance agent may receive and handle insurance monies as prescribed in the Directive.

PART ELEVEN

INSPECTIONS, ACCESS TO INFORMATION AND ENQUIRIES

104. Notice to Provide Information or Produce Documents

- 1/ For the purpose of inspection, the Authority may, by written notice given to a licensee, require the licensee to provide or produce to the Authority, within the period stated in the notice, information and documents specified in the notice.
- 2/ Sub-Article 1 of this Article applies only to information or documents reasonably required by the Authority for the performance of its functions under this Proclamation or the Regulations.
- 3/ The Authority may require the information provided or the documents produced to be authenticated as specified by the Authority.
- 4/ The Authority may take copies or extracts of any document produced under this Article.
- 5/ The Authority may also exercise its powers under Sub-Articles 1 to 4 of this Article, with respect to information or documents that the Authority could require a licensee to provide or produce, against:
 - a) a company in the same group as the licensee;
 - b) a person who, whether acting alone or with an associate:
 - (1) holds, whether directly or indirectly, 10% or more of the subscribed shares in the insurer or a parent of the insurer;
 - (2) has the power, directly or indirectly, to exercise, or control the exercise of, 10% or more of the voting rights in the

insurer or a parent of the insurer;

c) a person to whom the licensee has outsourced any functions or activities, whether in or outside Ethiopia;

d) a person who is, or has been, a director or employee of:

(1) the licensee;

(2) a parent of the licensee;

(3) a person specified in paragraph (c);

6/ The Authority may only exercise its powers against a person specified in Sub-Article 5 of this Article if it reasonably believes that the information or documents are in the possession of that person.

7/ In this Article and in Articles 108 and 109 of this Proclamation, the term “licensee” includes a person who has at any time been, but has ceased to be, a licensee.

105. Filing of Returns and Reports

1/ A licensee shall file with the Authority the reports and returns specified by Directive, or as may otherwise be required by the Authority.

2/ If the Authority considers that any report or return filed by a licensee is inaccurate or incomplete or is not prepared in accordance with this Proclamation or the Directives or is not in the form specified by the Authority, the Authority may, by written notice, require the licensee to amend the report or return or to file a replacement.

106. Notification of Matters having Material Supervisory Impact

1/ A licensee shall disclose to the Authority in writing any matter that might reasonably be expected to have a material impact on the Authority’s supervision of the licensee.

2/ Without limiting Sub-Article 1 of this Article, the following shall be considered to be matters that are expected to have a material impact on the Authority’s supervision of a licensee:

a) any matter that could impact on the ability of the licensee to continue to carry on business;

- b) any matter that could result in significant financial consequences to the licensee; and
 - c) any incidence of fraud or other criminal activity that is connected with, or may affect, the business of the licensee, if the fraud or criminal activity is material to the safety, soundness or reputation of the licensee.
- 3/ In determining whether notification should be made under this Article, a licensee shall consider:
- a) any activities that are not subject to supervision by the Authority; and
 - b) the business and activities of any other group members.
- 4/ Notification under this paragraph shall be made immediately after a licensee:
- a) becomes aware of the matter concerned; or
 - b) has reasonable grounds for believing that the matter concerned has occurred or that it may occur in the foreseeable future.

107. Reports, Returns, and Notifications to be Accurate and Complete

- 1/ A licensee shall ensure that all information and documents provided to the Authority are accurate and complete.
- 2/ If a licensee becomes aware that any information or documentation that it has, at any time, provided to the Authority is not accurate or complete, the licensee shall:
- a) notify the Authority immediately on becoming aware that the information or documentation provided is inaccurate or incomplete; and
 - b) within seven days, or such shorter period as the Authority may require, provide the Authority with the information or documentation required to ensure that the information and documents provided to the Authority are accurate and complete.

108. Inspections

- 1/ In addition to off-site inspection, the Authority may, periodically or at any time, without prior notice, make, or cause to be made, an on-site inspection of an insurer.
- 2/ The Authority may, at any time, for the purpose of performing its functions under

this Proclamation or the Regulations:

- a) visit and examine the premises and the business and affairs, including the procedures and controls, of a licensee, whether in or outside Ethiopia;
 - b) examine the property belonging to or in the possession or control of a licensee;
 - c) examine and make copies of documents belonging to or in the possession or control of a licensee that relate to the carrying on of the licensed business.
- 3/ The Authority may also exercise its powers under Sub-Article 2 of this Article against a subsidiary or parent of the licensee; and a person to whom the licensee has outsourced any functions or activities, whether in or outside Ethiopia.
- 4/ An inspection may be undertaken by employees of the Authority or by other persons authorized by the Authority for the purpose, or by both employees and other authorized persons.
- 5/ An inspection undertaken in relation to a person to whom any functions or activities of a licensee have been outsourced shall be limited to those aspects of the premises, business, assets or documents that are relevant to the functions of the Authority in relation to the licensee.
- 6/ Notwithstanding Sub-Article 7 of this Article, the Authority shall give reasonable notice to a person of its intention to exercise its powers under Sub-Article 2 of this Article.
- 7/ Where the Authority considers that the circumstances so justify, the Authority may exercise its powers under Sub-Article 2 of this Article without giving notice of its intention to do so.
- 8/ The Authority shall provide a licensee with a written report summarizing the outcomes of each inspection visit that it undertakes.
- 9/ A licensee shall not disclose the report on outcomes, or its contents, to any person who does not require access to the report for the purposes of advising on or implementing the Authority's findings.

109. Duties of Licensees and Others with Respect to On-site Inspections

A licensee, a subsidiary or parent of a licensee and a person to whom the licensee has outsourced any functions or activities shall permit any employee of the Authority, or person appointed by the Authority, undertaking an on-site inspection to have access to:

- a) its premises, its business and any assets in its possession or control that the Authority requires to examine;
- b) all documents, including financial records, that the Authority requires, including electronic records.

110. Examination of Directors, Chief Executive Officer, Senior Managers and Other Persons

1/ If the Authority believes that a person specified in Sub-Article 2 of this Article can provide information that the Authority reasonably requires for the purposes of performing its functions under this Proclamation or the Regulations, the Authority may, by written notice, require the person to attend for interview by one or more of the Authority's employees, on a date and at a time and place specified in the notice, to answer questions relevant to the information that the Authority requires.

2/ A notice under Sub-Article 1 of this Article:

a) may be given to:

- (1) a director, senior manager or key person in a control function of a licensee;
- (2) a director or senior employee of an outsourcing service provider appointed by the licensee; and

b) shall state:

- (1) the general nature of the matters on which the person is to be questioned;
- (2) the date and time when, and the place where, the person is required to attend for interview; and
- (3) the entitlement of the person to be represented by a legal representative in accordance with Sub-Article 1 of Article 111 of this Proclamation.

- 3/ Any change in the matters required to be stated in the notice under Sub-Article 2(b)(1) of this Article shall be confirmed by the Authority to the person in writing before the date on which the person is to be interviewed.

111. Conduct of Interview by Authority

- 1/ A person may be represented at an interview conducted by the Authority by a legal representative who may:
 - a) seek clarification or further information from the interviewee on any matters on which the interviewer has asked the interviewee questions; and
 - b) make representations to the interviewer.
- 2/ The interviewer may permit any of the following to be present at the interview:
 - a) an officer or employee of the Authority and any other person who, in the opinion of the interviewer, is necessary for the interview; and
 - b) any person whom the interviewee requests to be present.
- 3/ The interviewer shall:
 - a) ensure that a written record is made of the interview; and
 - b) no more than fourteen days after the conclusion of the interview, provide a written copy of the written record to the interviewee, subject to any conditions (including a condition as to non-disclosure of the record or information relating to the record) that the interviewer imposes.

PART TWELVE

INVESTIGATION OF LICENSEE BY AN INDEPENDENT PERSON

112. Appointment of Investigator

- 1/ The Authority may, by written notice, appoint one or more competent and independent persons as an investigator to conduct an investigation on its behalf of an insurer if:
 - a) the Authority considers that:

- (1) the insurer has breached, is breaching or is likely to breach a solvency control level;
 - (2) the business of the insurer has not been, or is not being, conducted in a prudent manner or in accordance with sound insurance principles;
 - (3) the insurer is carrying on, or is likely to carry on, its licensed business in a manner detrimental to the interests of its policyholders or prospective policyholders, or the public interest;
 - (4) the governance structure of the insurer is no longer appropriate having regard to the nature, scale and complexity of its business and the risks to which it exposed;
- b) whether as a result of an inspection visit or otherwise, the Authority has identified a matter that, in its opinion, represents a supervisory risk, as defined by a Directive issued by the Authority; or
- c) the Authority has reasonable grounds to believe that:
- (1) the insurer has failed, is failing, or is likely to fail to comply with any requirement of this Proclamation, the Regulations or the Directives, any direction of the Authority or any condition of its license;
 - (2) it is in the public interest to appoint an investigator or that it is in the interests of the policyholders, beneficiaries or creditors or prospective policyholders, beneficiaries or creditors of the insurer to appoint an investigator.

2/ The Authority may, by written notice, appoint one or more competent and independent persons as investigators to conduct an investigation on its behalf of an insurance intermediary if:

- a) the Authority has reasonable grounds to believe that one or more of the following applies in relation to the insurance intermediary:
- (1) the insurance intermediary has failed, is failing, or is likely to fail to

comply with any requirement of this Proclamation, the Regulations or the Directives, any direction of the Authority or any condition of its license;

(2) the insurance intermediary is carrying on, or is likely to carry on, its licensed business in a manner detrimental to the interests of its customers, or the public interest;

(3) the insurance intermediary has failed, is failing, or is likely to fail to comply with any requirement of this Proclamation, the Regulations or the Directives, any direction of the Authority or any condition of its license;

(4) it is in the public interest to appoint an investigator, or that it is in the interests of the customers or creditors or prospective customers or creditors of the insurance intermediary to appoint an investigator; or

b) whether as a result of an inspection visit or otherwise, has identified a matter that, in its opinion, represents a supervisory risk, as specified by Directive.

3/ Sub-Article 1(a) of this Article applies to a company that has at any time been an insurer but that ceased to hold a license, and Sub-Article 1(b) of this Article applies to a person that has at any time been an insurance intermediary, but that ceased to hold a license.

4/ The Authority may, by written notice, appoint one or more competent and independent persons as investigators to conduct an investigation on its behalf of any person that the Authority believes is carrying on, or has carried on, unlicensed insurance or reinsurance business or unlicensed insurance intermediation business.

5/ Within seven days of:

a) appointing an investigator, the Authority shall give the person under investigation a written notice:

(1) setting out details of the person who has been appointed as investigator; and

(2) stating the grounds on which the investigator has been appointed and the matters to be investigated; and

- b) directing a material change to the scope or conduct of the investigation, the Authority shall give the person under investigation a written notice setting out details of the change.
- 6/ Notwithstanding Sub-Article 4 of this Article, where the Authority has reasonable grounds to believe that giving notice to the person under investigation is likely to impede the investigation, the Authority may:
- a) refuse to give the person under investigation such notice; or
 - b) omit from the notice, any of the matters required to be stated in the notice.
- 7/ The appointment of an investigator shall take effect from the time the person appointed submits to the Authority a written notice of acceptance of the appointment.
- 8/ The Authority shall, in the notice of appointment of an investigator, specify the terms and conditions that apply to the appointment, including the remuneration payable to the investigator.

113. Matters that may be Investigated

- 1/ The matters investigated by an investigator may include one or more of the following in respect of the person being investigated:
- a) the nature, conduct, or financial condition of the person's business;
 - b) a particular aspect of the person's business;
 - c) the ownership or control of the person being investigated;
 - d) in the case of an insurer, whether there are grounds for the taking of any of the actions specified in Sub-Article 1(a) of this Article against the insurer;
 - e) in the case of an insurance intermediary, whether there are grounds for the taking of any of the actions specified in Sub-Article 1(b) of this Article against the insurance intermediary;
 - f) whether the person is carrying on, or has carried on, unlicensed business.
- 2/ The Authority may give directions to an investigator appointed under this Article concerning any one or more of the following:

- a) the scope of the investigation;
 - b) the period for the conduct of the investigation;
 - c) the conduct of the investigation; and
 - d) the manner in which the investigator shall report to the Authority.
- 3/ If an investigator is appointed with respect to a person who has at any time been a licensee but that ceased to hold a license, the investigation shall extend only to:
- a) in the case of an investigation in relation to the matters set out in Sub-Article 1(a) and 1(b) of this Article, the company's business carried on at any time when the company was an insurer; and
 - b) in the case of an investigation in relation to the matters set out in Sub-Article 1(c) of this Article, to the ownership or control of the person at any time when the person was an insurer.
- 4/ An investigator shall submit a report of the investigation to the Authority.
- 5/ The Authority may direct that a licensee pays the costs or a contribution to the costs of an investigation conducted under this Article.

114. Powers of Investigator

- 1/ Subject to any direction under Article 113 of this Proclamation the investigator has:
- a) the power to require the person under investigation or any person connected with the person under investigation to attend before the investigator at such time and place as the investigator may determine to answer questions; and
 - b) the powers of the Authority to require the provision of information or documents under Article 104.

115. Termination of Appointment of Investigator

- 1/ The Authority may, by written notice, terminate the appointment of an investigator.
- 2/ The written notice shall state the reasons for the termination of the appointment.

116. Remuneration of Investigator

- 1/ The remuneration payable to an investigator shall be fixed by reference to:
 - a) the time properly spent by the investigator and an employee of the investigator in carrying out the duties of the investigator; and
 - b) the expenses reasonably incurred by the investigator in carrying out the duties of the investigator, taking into account the matters specified in Sub-Article 2 of this Article.

- 2/ The Authority shall, in determining the remuneration of an investigator, take into account:
 - a) the need for the remuneration to be fair and reasonable;
 - b) the time properly spent by the investigator and the employee of the investigator in carrying out the duties of the investigator;
 - c) the complexity of the investigation and whether the investigator has been required to take any responsibility of an exceptional kind or degree;
 - d) the effectiveness with which the investigator is carrying out, or has carried out, the investigation;
 - e) the rates charged by a qualified and experienced professional or practitioner in Ethiopia undertaking similar work; and
 - f) whether expenses incurred by the investigator are properly incurred in carrying out the duties of investigator or whether expenses should properly be regarded as forming part of the general business expenses or overhead of the investigator.

- 3/ The basis for the payment of remuneration to the investigator shall be fixed before the commencement of the investigation.

- 4/ Where the Authority appoints an employee of the Authority as an investigator:
 - a) all expenses reasonably incurred by the employee in carrying out the duties of investigator shall be paid by the Authority; and

- b) the employee shall receive an allowance covering:
 - (1) any additional time committed to the investigation that exceeds the usual working hours of the employee; and
 - (2) any additional responsibility associated with work as an investigator.

117. Submission of Report by Investigator

- 1/ An investigator shall, where directed by the Authority, submit one or more written reports to the Authority during the course of an investigation being conducted by the investigator.
- 2/ A report of an investigation submitted by the investigator to the Authority at the completion of the investigation shall include recommendations of the investigator concerning any actions that the Authority may take against the person investigated, including the issuance of directions to the person.

PART THIRTEEN

REMEDATION AND ENFORCEMENT

118. Corrective Measures, Insurers

- 1/ Where an inspection or investigation made on an insurer under Part Eleven and Twelve of this proclamation results in a finding that the insurer has failed to comply with the relevant laws and Directives, the terms and conditions of license or breached, is breaching or is likely to breach a solvency control level, or has engaged in unsafe or unsound practices or activity that could pose risk to the insurer or to the insurance market or engaged in practices detrimental to the interests of policyholders, or prospective policyholders, or the public or has serious weaknesses in its corporate governance, the Authority may:
 - a) impose one or more prohibitions, restrictions, limitations or conditions on the insurer, or its business, including, but not limited to, that:
 - (1) it shall not enter into any new contracts of insurance or vary any existing contracts;

- (2) it shall cease to engage in any type of insurance business;
- (3) it shall carry or cease to carry on its business, or any part of its business, prohibit the insurer from opening new branches
- (4) it shall refrain from making, or realising, investments of a specified type or description;
- (5) it shall not transfer its assets, or specified assets, to any other person;
- (6) it shall be subject to fines as determined by Directive to be issued by the Authority;
- (7) it shall notify the Authority, or obtain specific approval from the Authority, before it undertakes certain specified actions or types or descriptions of actions;
- (8) assign one or more of its officers to watch the proceedings at any general meeting of the shareholders, board of directors or board committee or any other body constituted by the board of the insurer, and require the insurer to give an opportunity to the officers to be heard at such meetings;
- (9) order the dismissal or suspension of one or more directors, the chief executive officer or senior executive officers or key persons in control functions of the insurer, or impose fines on such persons in accordance with the relevant Directives;
- (10) prohibit persons suspended or dismissed by the Authority from assuming a director, chief executive officer, senior executive officer, key person in control function position, or any other position as appropriate of the same insurer or any other insurer up to a period where the suspension or dismissal remains active;
- (11) restrict, suspend or prohibit payment of dividends by the insurer;
- (12) order the insurer to suspend, for a specified time, any or all of its insurance businesses;

- (13) put the insurer under official administration or liquidation;
- (14) take precautionary corrective measures based on early warning indicators; or
- (15) take any other similar actions necessary to address the identified deficiency effectively.

b) require the insurer:

- (1) to prepare a remediation plan;
- (2) to call a board of directors' meeting or a general meeting of its shareholders or for the purpose of considering any matter arising out of the inspection or any other related issues or require officers of the insurer to discuss any such matter with officers of the Authority before the inspection process is concluded;
- (3) to increase its capital resources;
- (4) to enter into one or more reinsurance contracts, as cedant or take other specified mitigating measures;
- (5) to arrange the transfer of obligations under any contracts to another insurer that is willing to accept them;
- (6) to provide specified reports or returns to the Authority;
- (7) to appoint an expert under Article 112 of this Proclamation;
- (8) to ensure that a director, chief executive officer, a senior executive officer, or key persons in control functions cease to undertake certain specified functions in relation to the insurer; or
- (9) to appoint additional directors, chief executive officer, a senior executive officer, or key persons in control functions cease approved by the Authority; or

c) require the insurer to take such other action as the Authority considers may be necessary to:

- (1) safeguard its financial condition;
- (2) protect its property or property in its custody, possession or control;
- (3) protect its policyholders; or
- (4) address a supervisory risk identified by the Authority.

2/ The Authority shall impose corrective measures with the objective of ensuring that intervention is proportionate to the risks that the financial soundness of the insurer poses to policyholders and market stability.

3/ The Authority may issue Directive and/or framework on early intervention and prompt corrective action.

119. Remediation Plan

1/ The remediation plan shall:

- a) be in writing;
- b) set out the actions that the insurer will take to effectively address the matters that caused the Authority to give the direction and, in particular, to ensure that, as the case may be:
 - (1) the insurer meets the prescribed capital adequacy requirements;
 - (2) the business of the insurer is conducted in a prudent manner and in accordance with sound insurance principles; and
 - (3) the insurer comes back into compliance, or remains compliant with, any direction, condition, or other requirement imposed by the Authority under this Proclamation, the Regulations or a directive;

- c) set out an appropriate timetable for taking the actions specified in paragraph (b), which shall ensure that those actions are taken and completed as soon as practicable;

DRAFT

- d) specify the steps that the insurer will take to ensure that the plan remains current, which shall include procedures for regular review of the plan to systematically identify deficiencies in the effectiveness of the plan;
 - e) be appropriate to the operations of the insurer, having regard to the nature, scale and complexity of its business and the risks to which it exposed;
 - f) otherwise be prepared within the time and in the manner specified by the Authority in the direction; and
 - g) be approved by the board of the insurer within the time specified by the Authority in the direction.
- 2/ The Authority may require that the remediation plan include the appointment by the insurer, at its cost, of an expert with appropriate qualifications and experience to provide advice and assistance to the insurer on:
- a) the preparation of the remediation plan;
 - b) the business of the insurer;
 - c) actions required to enable the insurer to implement its remediation plan.

120. Approval of Remediation Plan

- 1/ An insurer to which a direction has been given under Article 119 of this Proclamation shall, within the time specified by the Authority, provide a copy of the remediation plan to the Authority.
- 2/ The Authority shall, after receiving the remediation plan, inform the insurer whether the Authority is satisfied that the plan meets the requirements in Sub-Article 1 or 2 of Article 119 of this Proclamation and approves the plan.
- 3/ If the Authority does not approve the plan:
- a) the Authority may require the insurer to amend the remediation plan and to resubmit the plan to the Authority for approval within such reasonable time that the Authority may specify; and

- b) the insurer shall comply with those requirements.

121. Compliance with a Remediation plan

An insurer shall, after the remediation plan has been approved by the Authority, take all practicable steps to comply with the plan.

122. Amendments to Remediation Plan

- 1/ An insurer may amend its remediation plan only with the written approval of the Authority.
- 2/ If, at any time, the Authority is no longer satisfied that the remediation plan meets the requirements in Sub-Article 1 or 2 of Article 1119 of this Proclamation:
 - a) the Authority may, by written notice given to the insurer, require it to amend the plan in the manner specified by the Authority and to resubmit the plan to the Authority for approval within any reasonable time that the Authority may specify; and
 - b) the insurer shall comply with those requirements.

123. Corrective measures- Insurance intermediary

- 1/ The Authority may require an insurance intermediary to take corrective measures if the Authority:
 - a) has reasonable grounds to believe that the insurance intermediary:
 - (1) is not in compliance with any of its regulatory obligations; or
 - (2) is carrying on, or is likely to carry on, its licensed business in a manner detrimental to the interests of its customers, or the public interest; or
 - b) has identified a matter that, in its opinion, represents a supervisory risk, as specified by Directive.
- 2/ If Sub-Article 1 of this Article applies, the Authority may require the insurance intermediary to take such action that the Authority considers may be necessary to:

- a) protect the interests of its customers or prospective customers or, in the case of an insurance agent, the insurer on whose behalf the agent acts; or
- b) address a supervisory risk identified by the Authority; which may include:
 - (1) imposing one or more prohibitions, restrictions, limitations or conditions on the insurance intermediary or its business; or
 - (2) requiring the insurance intermediary to remove the chief executive officer and, if it considers it appropriate, to replace the person with another person approved by the Authority.

124. Order, Person Carrying on Unlicensed Business

The Authority may issue a written order to a person that is carrying on, or has carried on, unlicensed business requiring the person:

- a) to cease carrying on the unlicensed business concerned;
- b) to take such action as the Authority considers may be necessary to protect:
 - (1) the property of, or in the custody, possession or control of, the person; or
 - (2) the interests of persons with whom the person has carried on unlicensed business with.

125. General Provisions Concerning Corrective Measures

- 1/ A requirement to take corrective measures or an order given under this part shall be in writing and shall state the grounds on which it is given.
- 2/ The Authority may:
 - a) amend or modify a notice to take corrective measures or an order under Article 124 of this Proclamation;
 - b) replace a notice to take corrective action or order with another notice or order; or

c) revoke a notice to take corrective action or order.

DRAFT

126. Appointment of Expert

- 1/ The Authority may, by notice in writing require a licensee or a subsidiary or holding company of a licensee to appoint a person with relevant qualifications or experience skills (“the appointed expert”), at its own cost:
 - a) in the case of a licensee, to advise the licensee on the proper conduct of its business; and
 - b) in the case of a licensee or a subsidiary or holding company of a licensee, to carry out an investigation and provide the Authority with a report on, or on any aspect of, the person’s business and affairs or its financial condition.
- 2/ The Authority may require the report provided under Sub-Article 1(b) of this Article to be in such form as may be specified in the notice.
- 3/ The person appointed as an appointed expert under Sub-Article 1 of this Article shall be a person:
 - a) nominated or approved by the Authority; and
 - b) appearing to the Authority to have the qualification and experience necessary to make a report on the matter concerned.
- 4/ A licensee or subsidiary or holding company of a licensee that appoints an appointed expert under this Article and any person who is providing, or who at any time has provided, services to the licensee or subsidiary or holding company of the licensee in relation to a matter on which a report is required, shall give the appointed expert all such assistance as the appointed expert may reasonably require.

PART FOURTEEN

RESOLUTION AND LICENSE REVOCATION

127. Recovery Plan

- 1/ An insurer shall draw up a recovery plan which shows the measures to be taken to

restore its financial position in the event of severe situations of stress.

DRAFT

- 2/ An insurer shall update its recovery plan at least annually or following a change to the legal or business structure or its financial situation which could have a material effect.
- 3/ Notwithstanding the provisions of Sub-Article (2) of this Article, the Authority may require insurers to update their recovery plan in a shorter period of time.
- 4/ The Authority shall review and approve recovery plan of an insurer within six months of submission of each plan and assess the extent to which it satisfies the requirements of a recovery plan, including whether implementation of arrangements indicated in the plan are reasonably likely to maintain or return viability and financial position of the insurer or the insurance group.
- 5/ The content and other related requirements of a recovery plan shall be determined by Directive.

128. Resolution Plan

- 1/ The Authority, being a resolution authority, shall, in consultation with relevant authorities, draw up a resolution plan for systemically important insurers as determined by the Authority and for other insurers under severe distress as may be necessary.
- 2/ The Authority shall review and update a resolution plan at least on an annual basis as may be necessary.
- 3/ In drawing up the resolution plan, the Authority shall identify any material impediments to the resolvability and, where necessary, outline relevant proportionate actions on how these impediments could be addressed.
- 4/ The content and other related requirements of a resolution plan shall be determined by Directive.

129. Appointment of Official Administrator

- 1/ The Authority may appoint an Official Administrator of an insurer if:
 - a) it is satisfied on reasonable grounds that:

- 1) the insurer has breached, is breaching or is likely to breach a solvency control level;
- 2) the Authority has a reasonable cause to believe that the insurer or its directors, management, or shareholders with significant ownership have engaged in or are engaging in illegal activities in a manner likely to jeopardize the interest of policyholders;
- 3) it is determined that the insurer has contravened a provision of this Proclamation or engaged in any unsafe or unsound practice, in a manner that weakens the condition of the insurer, or seriously jeopardized the interest of policyholders or dissipated assets of the insurer;
- 4) the insurer fails to become adequately capitalized when required to do so or fails to submit a capital restoration plan acceptable to the Authority within the time prescribed by the Authority or fails to implement the accepted capital restoration plan;
- 5) the insurer fails to submit for examination the books, accounts, records or any other documents of the insurer for the Authority inspectors or fails to cooperate with the Authority to perform its supervisory responsibilities;
- 6) the insurer or directors or management or employees of that insurer or its shareholders with significant ownership, fail to comply with instructions of the Authority or persistently violate relevant laws, including this Proclamation;
- 7) the business of the insurer has not been, or is not being, conducted in a prudent manner or in accordance with sound insurance principles;
- 8) the insurer is carrying on, or is likely to carry on, its licensed business in a manner detrimental to the interests of its policyholders or prospective policyholders, or the public interest;

- 9) the insurer has failed, is failing, or is likely to fail to comply with any requirement of this Proclamation, the Regulations or the Directives, any direction of the Authority or any condition of its license; and
- b) it is necessary or desirable for the purpose of:
 - 1) preventing or limiting the risk that the insurer will fail, the risk of the further financial deterioration of the insurer,
 - 2) protecting the policyholders, enabling the insurer to be rescued as a going concern; or
 - 3) dealt with in a more orderly and expeditious way than if the insurer was put into liquidation, without first being in Official Administration.
- 2/ The appointment of an Official Administrator shall:
 - a) be in writing;
 - b) specify the date on which, and the time at which, the appointment takes effect; and
 - c) specify the date by which the Official Administrator shall provide it with the report required by Article 138 of this Proclamation.
 - 3/ The Authority shall:
 - a) as soon as practicable, give notice to the insurer of the appointment of an Official Administrator and the grounds for the appointment; and
 - b) notice, including the reasons for the appointment of an Official Administrator in a newspaper of wide circulation and on its website.
 - 4/ During the period in which an insurer is under Official Administration, the Official Administrator has control of, and shall manage, the business, assets, and affairs of the insurer or that part of the business, assets, and affairs of the insurer in respect of which the Official Administrator is appointed.

130. Qualifications of Official Administrator

- 1/ An Official Administrator shall, in the opinion of the Authority, be a person of the highest professional qualifications and personal integrity.
- 2/ Where the Official Administrator is a juridical person:
 - a) the principal officer in charge of the Official Administration shall meet the qualification requirements stipulated under Sub-Article 1 of this Article; and
 - b) the juridical person shall provide an adequate performance guarantee from an insurer or a bank.
- 3/ Without prejudice to the provisions of Sub-Article 1 and 2 of this Article, any person to be appointed as Official Administrator shall meet such other additional requirements as may be specified by Directive to be issued by the Authority.

131. Term Office for Official Administrator

An insurer may remain under official administration for a period of six months effective from the date specified in the notice as stipulated under Sub Article 3(b) of Article 129 hereinabove in the first instance; and the Authority may extend the period for two consecutive periods of three months each, if believed necessary to rehabilitate the insurer.

132. Review Against Appointment of an Official Administrator

- 1/ Shareholders of an insurer holding in the aggregate at least twenty-five percent of the voting shares of the insurer may submit a review to the Federal High Court against the appointment of the Official Administrator within thirty days after the date on which the appointment of the Official Administrator is announced pursuant to Sub- Article 3 of Article 129 of this Proclamation.
- 2/ Where a review is lodged in accordance with Sub-Article 1 of this Article:
 - a) the Official Administrator shall continue in office until the Court delivers a final ruling on the review;

- b) the Court shall hold a hearing on the matter within ten days of the filing of the review and shall decide the review within twenty days from the end of the investigation.
- 3/ The sole issue to be adjudicated by the Court shall be whether the Authority acted in an arbitrary and capricious manner in appointing the Official Administrator, in light of the criteria set forth in Article 129 of this Proclamation.
- 4/ If the court determines that the Authority, in appointing the Official Administrator:
- a) did act in an arbitrary and capricious manner, the decision of the Court shall be limited to an administrative penalty or compensation for the damage and shall not reverse the appointment of the Official Administrator and decisions taken thereof;
 - b) did not act in an arbitrary or capricious manner, the appeal shall be denied, and the Official Administration shall continue in accordance with the provisions of this Proclamation.

133. Oversight Over Official Administrator

- 1) The official administrator shall be accountable only to the Authority and shall at any time act in accordance with the approved action plan, instructions and guidance from the Authority and relevant laws.
- 2) The Authority may remove the official administrator before the expiry of the official administration period and appoint a replacement due to failure to perform in a manner satisfactory to the Authority, misconduct, conflict of interest, or failure to act in compliance with the relevant laws.
- 3) An official administrator shall disclose and report any interests that potentially result in a conflict of interest to the Authority.
- 4) Any transaction involving the insurer in official administration in which the official administrator has a material interest or relationship in the matter shall be engaged in only with the prior written approval of the Authority.

- 5) If the official administrator fails to seek approval under Sub-Article (4) of this Article, the transaction may be set aside, and the Authority may remove official administrator and claim compensation from the official administrator for any losses caused to the insurer or to the Authority.
- 6) The official administrator shall not acquire significant shares or accept appointment as a director, key management personnel, or to any other office or position in the bank, which was the subject of the administration for a minimum period of two years after the end of official administration.

134. Moratorium

1/ While an insurer is under Official Administration:

- a) no steps may be taken to enforce any security over the assets of the insurer;
- b) no steps may be taken to repossess assets that are being used or occupied by or are in the possession of the insurer;
- c) no proceedings, execution or other legal process may be commenced or continued or distress levied against the insurer, its assets or any assets that are being used or occupied by or are in the possession of the insurer;
- d) no share may be transferred, and no alteration may be made in the status of the shareholders of the insurer, whether by an amendment of the Memorandum of Association or in any shareholders' agreement or otherwise;
- e) no dividends shall be paid, or other distributions made, to shareholders;
- f) no remuneration shall be paid to directors.

2/ Sub-Article 1 of this Article does not:

- a) affect the existence of any security over the property of an insurer under Official Administration or its priority over other debts;
- b) prevent a person commencing or continuing an action or proceedings for the purpose of determining whether a right or liability exists; or

- c) prevent a person commencing or continuing an action or proceedings, or executing or enforcing a judgment, with respect to any contract entered into, or obligation incurred, by the insurer after the commencement of its Official Administration.
- 3/ For the purpose of Sub-Article 1 of this Article, any period of limitation, either statutory or contractual, on the expiry of which a claim against the insurer under Official Administration would expire shall extend for the period of the Official Administration.
- 4/ A right or obligation of a third party under any contract to which an insurer under Official Administration is a party shall not be terminated, accelerated, or modified solely because of the appointment of the Official Administrator or any action taken by the Official Administrator.

135. Duties and Powers of Official Administrator

- 1) An official administrator appointed pursuant to Article 129 of this Proclamation shall be vested with the full and exclusive powers and duties of shareholders general meeting, board of directors, and management and assume control of the insurer under official administration; and no action may be taken by other bodies on behalf of the insurer without the prior approval of the official administrator.
- 2/ Notwithstanding the provision of Sub-article 1 of this article, the Official Administrator's powers shall include the power to:
- a) manage the business, assets and affairs of the insurer, or that part of the business, assets and affairs of the insurer in respect of which the Official Administrator has been appointed;
 - b) take into custody and control the assets of the insurer or, where the Official Administrator has been appointed in respect of only part of the business, those assets necessary to enable the Official Administrator to perform the function; and
 - c) such additional duties as may be specified in the notice of appointment or that may be notified by the Authority to the Official Administrator in writing after appointment.

- 3/ A person who, immediately before the commencement of the Official Administration of the insurer, has management powers with respect to the insurer, or that part of the business in respect of which the Official Administration order is made, is divested of those management powers.
- 4/ The Official Administrator shall:
 - a) consult with the Authority, to the extent required by the Authority; and
 - b) comply with the written directions of the Authority concerning the Official Administrator's duties and powers or in relation to any matter arising in the course of the Official Administration.
- 5/ The Official Administrator shall give the Authority:
 - a) any information that it may from time to time require; and
 - b) notice of any application made to the Court.
- 6/ Unless and to the extent that the Authority otherwise directs, the Official Administrator of an insurer has, and may exercise:
 - a) all powers, rights, and privileges that the insurer has under any contract or otherwise;
 - b) all the powers of the shareholders in general meeting and of the board of directors of the insurer; and
 - c) any of the following powers:
 - (1) the power to bring or defend any legal proceedings in the name and on behalf of the insurer;
 - (2) the power to appoint a legal practitioner to assist the Official Administrator in the performance of his or her functions;
 - (3) the power to appoint an actuary or other professional advisor to assist the Official Administrator in the performance of the Official Administrator's functions;

- (4) the power to sell or otherwise dispose of any of the property of the insurer;
- (5) the power to terminate any contracts of employment;
- (6) the power to do all acts and execute in the name and on behalf of the insurer deeds, receipts and other documents;
- (7) the power to claim in any insolvency proceedings of any debtor of the insurer;
- (8) the power to draw, accept, make and endorse any bill of exchange or promissory note or any similar instrument in the name and on behalf of the insurer;
- (9) the power to obtain credit, whether on the security of the insurer or otherwise;
- (10) the power to do anything necessary for obtaining payment of any money due from a deceased debtor, or his or her estate, that cannot conveniently be done in the name of the insurer;
- (11) the power to appoint an agent to do anything that it is not practicable for the Official Administrator to do personally or that it is unreasonable to expect the Official Administrator to do personally; and
- (12) the power with the prior written consent of the Authority to carry on the business of the insurer and, where the business is carried on, all powers, rights, and authorities necessary to carry on that business; and
- (13) the power with the prior written consent of the Authority, to pay any creditor or class of creditors of the insurer in whole or in part and to make any compromise or arrangements with any creditor or any person claiming to be a creditor.

7/ The Official Administrator shall not issue or enter into any insurance contracts, as insurer, except with the consent of the Authority.

- 8/ The Official Administrator shall, in exercising the powers conferred by this Article, have regard to the purposes specified in Sub-Article 1(b) of Article 129 of this Proclamation.

136. Rehabilitation Options for Official Administrator

- 1/ In order to conduct a recapitalization of the insurer, the Official Administrator, with the approval of the Authority, may reduce the value of outstanding shares despite any prohibition in any existing laws. To facilitate this, the Official Administrator shall determine the extent of losses, and prepare the financial statements of the insurer covering the losses from the profits of the insurer and reserves and, if these are insufficient, the capital of the insurer.
- 2/ On the basis of a report and plan of action prepared to resolve the insurer and subject to the prior written approval of the Authority, the Official Administrator may increase the capital of the insurer under Official Administration through issuance of new shares to existing shareholders, despite the provisions of the Commercial Code in this regard.
- 3/ Notwithstanding the provisions of Sub-Article (1) of this Article, the Official Administrator, with the approval of the Authority, may increase the capital of the insurer through the issuance of shares to new shareholders if:
- a) existing shareholders are unable to partially or fully subscribe the additional shares needed to restore the capital of the insurer as provided under Sub-Article 1 of this Article;
 - b) the Authority determines that existing shareholders are no longer suitable to maintain a significant capital position in the insurer or to be significant owners of the insurer.
 - c) the Authority determines that there has been a failure to comply with a remedial measure under prompt corrective action requiring an increase in the capital of the insurer.
- 4/ To conduct a recapitalization of the insurer and reflect the losses, the Official Administrator may reduce the value of outstanding shares despite any prohibition in any existing laws.

- 5/ With the prior written approval of the Authority, the Official Administrator may carry out a merger or acquisition of an insurer or a transfer, in whole or in part, of the assets and liabilities of the insurer.
- 6/ For the purpose of implementing the provision of Sub-Article 5 of this Article, transfer of the assets and liabilities of the insurer may include a transfer to a bridge insurer. The procedures for establishing and operating a bridge insurer or any other approved third-party purchaser insurer may be determined by Directive.
- 7/ The Official Administrator, with the prior written approval of the Authority, may carry out consensual debt restructuring through arrangements with the creditors of the insurer, including a reduction, modification, rescheduling, and renovation of the claims of the creditors.
- 8/ Notwithstanding the provisions of Sub-Article 7 of this Article, the Official Administrator, with the prior written approval of the Authority, may carry out a mandatory restructuring of liabilities of the insurer in accordance with the provisions provided in the relevant laws without the approval of the creditors or shareholders concerned.
- 9/ In approving a mandatory debt restructuring, the Authority may determine that the restructuring, either alone or combined with recapitalization, will restore the insurer. To this end, the Authority shall consider the extent to which the restructuring would:
 - a) maximize the value of the insurer;
 - b) minimize losses to policyholders and other creditors of the insurer;
 - c) preserve the going-concern value of the insurer; and
 - d) avoid or mitigate any severe disruption in the stability of the financial system.
- 10/ The restructuring of liabilities shall follow the order of priorities applicable in liquidation process as stipulated under Article 155 of this Proclamation.
- 11/ The mandatory restructuring of an insurer shall not apply to secured debt. In addition, the Authority may exempt classes of senior unsecured debt from restructuring if it

determines that the classes to be systemic or of strategic importance and hence necessitate differential treatment from other senior unsecured debt.

- 12/ As part of the rehabilitation effort and subject to approval of the Authority, the Official Administrator, despite any existing laws, may remove one or all of the directors and senior management and replace with others who fulfill the minimum requirement of the Authority and secure approval accordingly.
- 13/ If the Official Administrator has sufficient reason to believe that shareholders with significant ownership, directors, management, attorneys, accountants, or other professionals of the insurer have engaged in illegal activities or fraudulent activities, it shall immediately notify the Authority and other law enforcement authorities and shall initiate civil action to claim damages and restitution.
- 14/ The Official Administrator shall not carry out, and the Authority shall not authorise the carrying out, of any rehabilitation option specified in this Article unless it believes that no policyholder or other creditor will be worse off than the policyholder or creditor would be under a liquidation of the insurer.

137. Remuneration of Official Administrator

- 1/ The costs, charges, and expenses properly incurred by the Official Administrator, including remuneration agreed with the Authority, is payable out of the property of insurer in respect of which the Official Administrator is appointed in priority to all other claims and the Official Administrator has a charge over the property of the insurer for his or her remuneration, costs, and expenses.
- 2/ The charge specified in **Sub-Article 1 of this Article** continues to subsist after the termination of the Official Administration.
- 3/ The Authority, if deemed appropriate and necessary, may provide funding to cover the operating costs of the Official Administration, which shall be reimbursed by the insurer.

138. Report of Official Administrator

- 1/ The Official Administrator shall, on or before the date specified by the Authority on making the appointment, or such different date as the Authority may subsequently

direct in writing, provide the Authority with a report recommending which of the following courses is, in the opinion of the Official Administrator, most advantageous to the general interests of the policyholders of the insurer:

- a) the transfer of the business, or part of the business, of the insurer to some other insurer;
 - b) the carrying on by the insurer of its business;
 - c) the liquidation of the insurer; or
 - d) such other course of action as the Official Administrator considers appropriate.
- (2) The report:
- a) may recommend different courses of action in respect of different parts of the business of the insurer; and
 - b) shall set out the reasons for any recommendations made in the report.

139. Indemnity of Official Administrator

An Official Administrator is not subject to any liability to any person in respect of anything done, or omitted to be done, in good faith in the exercise of powers, functions, performance or discharge of duties conferred or imposed on the Official Administrator by this Proclamation, or by the Authority.

140. Removal of Official Administrator and Filling Vacancy

The Authority may:

- a) remove the Official Administrator; and
- b) appoint another suitably qualified and experienced person as Official Administrator in place of the Official Administrator or to fill a vacancy.

141. Termination of Official Administration

- 1/ The Authority may, by written notice, terminate the Official Administration of an insurer if satisfied that:

- a) at the expiry of the first instance period or any extension thereof; or
- b) the purpose of the Official Administration has been fulfilled; or
- c) it is undesirable that the Official Administration should continue; or
- d) official administrator fails to perform its function to the satisfaction of the Authority; or
- e) the Authority decided that the license of an insurer under official administration be revoked or liquidation of the insurer needs to commence.

2/ The Authority may decide to terminate the official administration based on the recommendation of the official administrator, accompanied with detailed report supporting the recommendation.

3/ Expiration administration of the period of official or completion of official administration or dismissal of an official administrator of an insurer under official administration shall be immediately published by the Authority in newspapers of wide circulation.

4 / Notwithstanding the provisions of Sub-Article (1) and (2) of this Article, where termination of an official administration does not involve a closure of the insurer, the official administrator shall stay in office and carry on his duties up until new directors whose appointments have been approved by the Authority are instituted.

5 The official administrator shall, within sixty days of the termination of the official administration and/or termination of the appointment, prepare and submit a final and comprehensive report to the Authority. Moreover, he shall hand over the properties, offices, assets, books, and records of the bank to the newly constituted board of directors of the Insurer or a liquidator as appointed in line with Article 154 of this Proclamation.

6 The Authority shall immediately revoke the license of an insurer decided to be liquidated at any point in time and cease operation of the insurer.

7 An insurer decided to be liquidated on the basis of Sub-Article (6) of this Article shall get the phrase “under liquidation” added to its name and retain its legal personality until the liquidation is concluded in accordance with Article 166 of this Proclamation.

- 8/ If the official administration is terminated before expiry of the office period in line with Sub-Article (2) of this Article, remuneration of the official administrator shall be proportional to the period it served.
- 9/ A notice terminating the Official Administration of an insurer shall specify the date and time at which the termination takes effect.
- 10/ With effect from the time and date specified in the written notice of termination, the appointment of any person appointed as an Official Administrator of an insurer also terminates.
- 11/ The Authority shall:
- a) as soon as practicable, given notice to the insurer of the termination of the Official Administration; and
 - b) advertise the termination in the manner prescribed by Directive .

142. Revocation of License

- 1/ Subject to Sub-Article 2 of this Article, the Authority may revoke an insurer's license if one or more of the following apply:
- a) It is confirmed that the licensing of the insurer was made on the basis of false or wrong information;
 - b) the insurer becomes insolvent or is likely to become insolvent over the next sixty days;
 - c) the insurer carries on business in a manner contrary to or detrimental to the interest of the policyholder or the public;
 - d) the insurer has been convicted by a domestic court or any other court of competent jurisdiction of a crime related to money laundering or terrorist financing or is an affiliate or subsidiary of a parent or holding company which has been so convicted;

- e) the insurer is merged with, or acquired by, or transferred its business to another bank or started voluntary liquidation without the prior written authorization of the Authority;
- f) the Authority approves the voluntary liquidation request of the insurer; or
- g) the insurer has ceased to exist as a legally independent entity;
- h) the insurer has been wound-up and dissolved;
- i) the insurer persistently contravenes this Proclamation, Directives or other relevant laws.
- j) on the application of the insurer, or of its own volition if:
 - (1) the insurer does not commence the licensed business within a period of twelve months from the date of the license;
 - (2) the insurer ceases to carry on the licensed business in or from Ethiopia.

2/ The Authority shall not revoke an insurance business license or a reinsurance business license on any of the grounds specified in Sub-Article 1(j) of this Article unless it is satisfied that the insurer has no liabilities under any insurance contracts in respect of its insurance business, whether because

- a) the insurer did not enter into any insurance contracts, or incur any liabilities under any insurance contracts;
- b) its liabilities under insurance contracts have been fully run-off; or
- c) it has assigned its liabilities to another insurer.

3/ Notwithstanding the provisions of Sub-Article (1) of this Article, the Authority, in cases of emergency and consideration of public interest, may revoke the license of an insurer without notice.

4/ The decision to revoke the license of an insurer shall be published by the Authority in a newspaper of wide circulation at the place where the head office of the insurer is situated and through its website.

- 5/ The revocation of license of the insurer shall become effective on the date of its publication or on any other date as the Authority may specify.
- 6/ An insurer shall be prohibited from engaging in any insurance business starting from the effective date of the revocation of its insurance license.
- 7/ Any person aggrieved by the decision of the Authority to revoke the license may submit appeal to the Federal High Court within thirty days from the effective date of the revocation.
- 8/ Notwithstanding the provisions of Sub-Article (5) of this Article, no action or proceeding may be instituted in any court for the purpose of staying the decisions by the Authority in the exercise, performance and discharge the powers, duties and functions under this Proclamation, provided however, that if any specific protection of rights is rendered impossible taken as a consequence of this measure, the affected party shall have the right to financial compensation payable by the Authority.
- 9/ Where a license is revoked under this section, the Authority shall initiate the liquidation process.
- 10/ Notwithstanding the provisions of Sub-Article (6) of this Article, no action or proceeding may be instituted in any court for reversing the decision taken by the Authority to revoke the license.

143. Procedure for Revoking License

- 1/ Before revoking an insurance business license of its own volition under **Sub-Article 1(j) of Article 142** of this Proclamation, the Authority shall give the insurer written notice of its intention to revoke the license, stating:
 - a) the grounds upon which it intends to revoke the license; and
 - b) that unless the insurer objects in writing to the revocation, the license will be revoked on a date not less than 14 days after the date of the notice.
- 2/ The Authority shall consider any objections it receives before deciding whether or not to revoke the license.

PART FIFTEEN

LIQUIDATION OF INSURERS

144. Appointment of Liquidator

- 1/ The Authority may appoint a liquidator to take control and liquidate an insurer if it is satisfied on reasonable grounds that:
 - a) the insurer has breached, is breaching or is likely to breach a solvency control level that indicates that the insurer is insolvent or likely to become insolvent;
 - b) the business of the insurer has not been, or is not being, conducted in a prudent manner or in accordance with sound insurance principles so as to jeopardize its prospects of satisfying its liabilities;
 - c) the insurer is carrying on, or is likely to carry on, its licensed business in a manner materially detrimental to the interests of its policyholders or prospective policyholders, or the public interest;
 - d) an Official Administrator has recommended to the Authority that a liquidator be appointed.
- 2/ The Authority shall publicize the appointment of a liquidator, the reason for the appointment, the name of the liquidator, the effective date and any other relevant information, through a newspaper of wide circulation and on its website.
- 3/ A liquidator appointed under this Article shall be accountable to the Authority.
- 4/ The Authority may act as liquidator if it deems necessary.

145. Review against Appointment of Liquidator

- 1/ The shareholders of an insurer holding in the aggregate at least 25% of the voting shares of the insurer may request a review to the Federal High Court against the appointment of a liquidator within thirty days after the date on which the liquidation is announced in a newspaper pursuant to Sub-Article 2 of Article 144 of this Proclamation.
- 2/ If a request for review is lodged in accordance with Sub-Article 1 of this Article:

- a) The liquidation shall continue until the Court delivers a final ruling on the review;
 - b) The Court shall hold a hearing on the matter within ten days of the filing of the review and shall decide the review within twenty days of the end of the investigation.
- 3/ The sole issue to be adjudicated by the Court shall be whether the Authority acted in an unrealistic and inappropriate manner in establishing the liquidation, in the light of the criteria specified in Article 144 of this Proclamation.
- 4/ If the Court determines that the Authority in appointing the liquidator:
- a) Acted in an unrealistic and inappropriate manner, it shall order the termination of the appointment of the liquidator; or
 - b) Did not act in an unrealistic and inappropriate manner, the review shall be denied, and the liquidation shall continue in accordance with the provisions of this Proclamation.

146. Qualifications of Liquidator

- 1/ A liquidator shall, in the opinion of the Authority, be of the highest professional qualifications and personal integrity.
- 2/ Where the liquidator is a juridical person:
 - a) The principal officer in charge of the liquidation must meet the qualification requirements stipulated under Sub-Article 1 of this Article; and
 - b) The juridical person shall provide an adequate performance guarantee from a reputable insurer or a bank.
- 3/ Without prejudice to the provisions of Sub-Articles 1 and 2 of this Article, any person to be appointed as liquidator shall meet such other additional requirements as may be specified by a Directive to be issued by the Authority.

147. Remuneration of Liquidator

- 1/ The amount of remuneration paid to the liquidator shall be determined by the Authority.
- 2/ The remuneration of a liquidator shall be paid either from the fund available with the insurer under the liquidation or from the proceeds of the liquidation pursuant to the provisions of this Proclamation.

148. Duration of Liquidation

- 1/ The duration of the liquidation of any insurer shall be determined by the Authority.
- 2/ Notwithstanding the provisions of Sub-Article 1 of this Article, the Authority may, at any time, dismiss the liquidator of an insurer on the ground of failure to perform his functions in a manner satisfactory to the Authority.
- 3/ Expiration of the period of liquidation or dismissal of the liquidator of an insurer shall immediately be published by the Authority in newspapers of wide circulation.

149. Effect of Appointment of Liquidator

Upon the publication of the appointment of a liquidator by the Authority in a newspaper of wide circulation and on its website under Sub-Article 2 of Article 144 of this Proclamation.

- 1/ No action may be taken on behalf of the insurer without the prior approval of the liquidator.
- 2/ The powers of the shareholders, directors, and the executive management of the insurer shall be suspended and vested in the liquidator;
- 3/ All rights and powers of the insurer and the powers that any creditor has over the insurer or its assets shall automatically be vested in the liquidator;
- 4/ The liquidator shall take control over the assets and records of the insurer;
- 5/ No new attachment or lien shall be affected over any of the assets of the insurer during the liquidation;

- 6/ Any period of limitation, either statutory, contractual, or otherwise, on the expiration of which a claim or right of the insurer would expire or be extinguished, shall be extended by six months from the date of expiration;
- 7/ The calculation of interest and penalties against the obligations of the insurer shall be suspended and no other charge or liability shall accrue on the obligations of the insurer;
- 8/ Any legal proceedings against the insurer shall be stayed and the exercise of any rights over the assets of the insurer shall be suspended;
- 9/ The right of a third party shall not be exerted over assets of the insurer during the liquidation of the insurer and the creditor shall not attach, sell, or take possession of any assets of the insurer as a means of enforcing a claim or initiating or continuing any legal proceedings to recover the debt or to perfect a security interest over the assets of the insurer;
- 10/ The following payments or transfers of assets of the insurer shall be void if they are detrimental to policyholders' interests or if it is believed by the Authority or the liquidator that they have the effect of bestowing a preference of the recipient over other creditors or the policyholders of the insurer:
 - a. Any transactions made before a period of three months from the effective date of liquidation;
 - b. Transactions with any shareholder, director, employee, or affiliate of the insurer made within one year before the effective date of liquidation;
 - c. Gratuitous transfers to third parties made within one year before the effective date of the liquidation;
 - d. A transaction made based on a forged or fraudulent document at any time;
 - e. Any act done with the intention to withhold assets from the creditors of the insurer or otherwise impair their rights, within one year before the effective date of the liquidation;
 - f. Transfers of property of the insurer to, or for the benefit of a creditor on account of a debt incurred within one year before the effective date of

liquidation, which

DRAFT

has the effect of increasing the amount that the creditor would receive in the liquidation of the insurer; or

- g. Any attachment or security interest other than an attachment or security interests that existed 6 months before the effective date of the liquidation.

11/ The provisions of Sub-Article 10 of this Article may not apply to the:

- a) Payment of claims in an amount per policyholders not exceeding the limit to be set in a directive to be issued by the Authority for this purpose;
- b) Transfer of an asset of the insurer made in any consideration the value of which is equal to the fair market value of the asset;
- c) Payment of ordinary remuneration and benefits, excluding bonuses and special payments, to the directors and employees of the insurer;
- d) Payment or transfer that was made as part of a contemporaneous exchange for reasonably equivalent value; or
- e) Payment or transfer made by an official administrator in the ordinary course of business and in line with this Proclamation.

150. Repudiation of Contracts

- 1/ The liquidator may, within 30 days of the date of appointment, repudiate any non-performed or partially performed contract if it is believed that the fulfilment of the contract is burdensome for the insurer in consideration of protecting the interests of policyholders.
- 2/ Any liability arising from their repudiation as provided under Sub-Article 1 of this Article shall be determined as of the date of repudiation and shall be limited to actual direct damages incurred and shall exclude any damage for lost profits.
- 3/ In the case of the repudiation of a contract for the lease of immovable and movable property, the liquidator shall give at least thirty days' notice.

151. Powers and Duties of the Liquidator

- 1/ A liquidator appointed under Article 144 of this Proclamation shall be vested with the full and exclusive powers and duties of management and control of the insurer under liquidation.
- 2/ The Authority may, upon appointing a liquidator, specify certain actions for which the liquidator should obtain prior approval from the Authority.
- 3/ The liquidator shall secure the property, offices, books and records, and assets of the insurer on the liquidation so as to prevent dissipation by theft or other improper action.
- 4/ The liquidator in exercising the rights and powers vested in itself, shall:
 - h. maximise the proceeds from the sale of assets; and
 - i. take any action necessary for the efficient liquidation of the insurer.
- 5/ The liquidator shall notify the Authority and other domestic law enforcement authorities immediately and institute a civil action to claim damages and restitution, if it has sufficient reason to believe that the shareholders, directors, senior managers, legal professionals, accountants or other professionals have engaged in or are engaging in unlawful or fraudulent activity in relation to the business of the insurer.
- 6/ The liquidator shall, within two months of taking possession of an insurer, take an inventory of the assets and property of the insurer and transmit a copy of the inventory report to the Authority; and the Authority shall publish the inventory report in two daily newspapers of national circulation, formal electronic media and on its website.
- 7/ The liquidator shall submit monthly progress reports to the Authority in the form prescribed by the Authority and provide any information upon the request of the Authority.
- 8/ The liquidator may set off amount of any claims owed to any policyholder against any outstanding payments owed by that policyholder under an insurance contract.

- 9/ Within thirty days from the date of appointment, the liquidator may make payments to policyholders or to other creditors of such amounts that in the opinion of the liquidator may appropriately be used for meeting the objectives of the liquidation.
- 10/ Any period of limitation, either statutory, contractual, or otherwise, on the expiration of which a claim or right of the insurer would expire or be extinguished, shall extend by six months from the date of the expiration.
- 11/ The calculation of any interest and penalties against the obligations of the insurer shall be suspended and no other charge or liability shall accrue on the obligations of the insurer.
- 12/ Any legal proceedings against the insurer shall be stayed and the exercise of any rights against the assets of the insurer shall be suspended; and
- 13/ The rights of a third party shall not be exerted over assets of the insurer during the liquidation of the insurer and a creditor shall not attach, sell or take possession of any assets of the insurer as a means of enforcing a claim or initiating or continuing any legal proceedings to recover the debt or perfect the security interest in the assets of the insurer.

152. Preliminary Procedures for Liquidation of an Insurer

- 1/ The liquidator shall have unrestricted access to and control over the premises, books of account, other records and other assets of the insurer.
- 2/ Upon the request of the liquidator, a domestic law enforcement authority shall:
 - j. assist the liquidator to gain access to the premises of the insurer; or
 - k. assist the liquidator to gain control over the records of the insurer.
- 3/ The liquidator shall secure the property, premises, books, records, and assets of the insurer to prevent dissipation by theft or other improper action.
- 4/ The liquidator shall, in exercising its power under Sub-Article 3 of this Article, take the following actions:

- a) change the locks and limit access to the new keys on external and internal entrances to the insurer's premises which contain financial assets or information or equipment which could enable a person to gain unlawful access;
 - b) change or establish access codes to the insurer's information technology systems and grant access only to a limited number of computers and persons;
 - c) issue new identification passes with photo identification for entry by authorized persons to the premises of the insurer and control the access of other persons to the premises of the insurer;
 - d) cancel authorizations permitting persons to discharge the financial responsibilities of the insurer and issue new authorizations, as appropriate and notify to concerned third parties;
 - e) suspend the payment of capital distributions in general and payment to key management personnel and significant owners, except for any compensation that may be paid to directors or key management personnel; and
 - f) any action necessary for the efficient exercise of the powers of the liquidator.
- 5/ A person who willfully interferes with the access of a liquidator to or the control of a liquidator over the offices, assets, books of account and other records of an insurer for which that person has been appointed, commits an offence and shall be subject to a penalty as provided under Sub-Article 7 of Article 180 of this Proclamation.
- 6/ The liquidator shall prepare an inventory of assets of the insurer that are to be transferred to another insurer or liquidated in accordance with Sub-Article 6 of Article 151 of this Proclamation and make a copy of the inventory available for examination by the public.
- 7/ The liquidator shall provide to every person a statement of claim shown on the insurer's records in favor of that person, together with a notice that any objection to the insurer's records in that respect may be filed with the liquidator within a specified reasonable period of time.

153. Decision on Claims

- 1/ Within two months after the last day for filing objections specified in the notice referred to in Sub-Article 7 of Article 152 of this Proclamation, the liquidator shall:
 - a. reject any claim if he doubts the validity of the claim;
 - b. determine the amount owed to each policyholder with a claim and other creditors and the priority classification of the claim in line with the provisions of Articles 154 and Article 155 of this Proclamation; and
 - c. prepare a schedule of allowable claims.
- 2/ The liquidator shall publish once a week for three consecutive weeks, in one or more newspapers of wide circulation in every locality where the insurer has a branch office and on the insurer's website, a notice of the date and place where the schedule referred to in Sub-Article 1(c) of this Article shall be available for examination, and the time limit by which any objections to it may be filed.
- 3/ The time limit to be specified in the notice referred to in Sub-Article 2 of this Article for finding objections may not be less than twenty days from the date of the last publication of the notice.
- 4/ The liquidator shall make all reasonable efforts to notify directly each person whose claim has not been allowed in full, in order to provide to such person the information referred to in Sub-Article 2 of this Article.
- 5/ The procedure for determining the validity and priority of a claim, liquidation of the assets of an insurer, returning the property of a customer of an insurer, eligible financial contracts and related issues may be determined by Directive.

154. Finalization of Schedule of Allowable Claims and Distribution

- 1/ Any policyholders all creditor or shareholder of the insurer may file an objection to the content of the schedule of allowable claims before the final date for objections

announced pursuant to Sub-Article 2 of Article 153 of this Proclamation.

- 2/ Any objection filed in accordance with Sub-Article 1 of this Article shall be decided upon by the liquidator within one month of its filing.
- 3/ The liquidator shall finalize the schedule based on the accepted objections, and a copy of the finalized schedule shall be submitted for the approval of the Authority.
- 4/ As soon as the schedule is finalized as provided under Sub-Article 3 of this Article, the liquidator shall make a final distribution in accordance with the provisions of Article 155 of this Proclamation.

155. Priorities in Payment of Claims

- 1/ In any liquidation of the assets of an insurer, secured claims, if any, shall be paid in accordance with their terms to the extent of the realization if proceeds are lower than the claim. Other claims shall have priority against the general assets of the insurer in the following order:
 - a. remuneration of the liquidator and necessary and reasonable expenses incurred by the liquidator in implementing the provisions of this Proclamation; provided, however, that in a case where the Authority is the liquidator, it shall only be reimbursed the costs it incurred to carry out the business of the liquidation;
 - b. creditors who extended new credit to the insurer after the appointment of the official administrator or liquidator;
 - c. outstanding salaries and other benefits of non-managerial staff of the insurer for the three-month period preceding the effective date of liquidation; Provided, however, that such payments may not include:
 - i. bonuses or payments exceeding the expected and normal amount; or
 - ii. payments which have been added in anticipation that the insurer would be put under liquidation;
 - d. admitted liabilities under the insurer's insurance contracts;

taxes owed to the federal and regional governments;

e. other claims against the insurer;

f. interest on claims listed under this Sub-Article at a rate to be fixed by the liquidator.

- 2/ If the amount available for payment of claims is adequate to pay all claims listed in Sub-Article 1 of this Article, any remaining valid claims, which were not filed within the prescribed time pursuant to Sub-Article 7 of Article 152 of this Proclamation, shall be paid.
- 3/ If the amount available for payment of any class of claims listed in Sub-Article 1 of this Article is insufficient to provide payment in full, the amount available shall be distributed on a pro rata basis among the claimants within that class.
- 4/ Any assets remaining after all claims have been paid shall be distributed among the shareholders in proportion to their ownership share in the insurer.

156. Conclusion of Liquidation

- 1/ Once all the assets of the insurer have been disposed of in accordance with the provisions of this Proclamation, the liquidator shall prepare a report on the transactions and liquidations carried out under the liquidation and submit it to the Authority for approval. The Authority shall, upon its approval, make the report available for public review.
- 2/ Where the report referred to in Sub-Article 1 of this Article is made available for public review, the liquidation shall be considered concluded; and the liquidator shall apply for dissolution of the insurer under liquidation from the commercial registry.
- 3/ Unless an action has been filed in accordance with Article 157 of this Proclamation, the liquidator and the Authority shall be relieved of any liability in connection with the liquidation after thirty days from the date on which the account referred to in Sub-Article 1 of this Article has been made available for public review.
- 4/ Any funds, in respect to which claims were made and allowed but not collected, shall be deposited in the bank account opened by the Authority for such purpose;

provided, however, that the Authority shall be relieved of any responsibility to the claimants after five years from the end of the liquidation.

- 5/ A liquidator may abandon the sale of an asset of an insurer or donate the asset to a charitable institution that promotes public health or education, where:
 - a. the asset is of an immaterial value;
 - b. the liquidator is unable to sell the asset; or
 - c. the cost of sale of the asset would exceed the amount expected to be received.

- 6/ A creditor of an insurer shall not have a claim against an asset identified under Sub-Article 5 of this Article.

157. Review of Actions of Liquidator

- 1/ A request for review of the actions of a liquidator may be brought before the Federal High Court within thirty days from the date on which such action has been taken.
- 2/ A review under Sub-Article 1 of this Article may only be brought by:
 - a) persons representing at least twenty-five per cent of the admitted claims for liabilities under insurance contracts;
 - b) creditors comprising at least fifty per cent in value all the aggregate claims of creditors excluding the admitted claims for liabilities under insurance contracts;
 - c) shareholders representing at least twenty-five per cent in value of the aggregate subscribed capital of the insurer.
- 3/ The sole issue to be adjudicated by the court in any such review shall be whether the liquidator acted in an unrealistic and inappropriate manner in discharging his functions according to the provisions of this Proclamation.
- 4/ The court may require the liquidator to pay compensation if it determines that he has acted in an unrealistic and inappropriate manner, provided, however, that the action being challenged may not be reversed.

- 5/ If the court determines the liquidator has not acted in an unrealistic and inappropriate manner, it shall order the persons who have brought the action to pay the costs incurred by the liquidator in defending the action.

158. Voluntary Liquidation

- 1/ An insurer shall not enter into voluntary liquidation without a resolution of the general meeting of its shareholders as per relevant laws and with the prior written approval of the Authority.
- 2/ The voluntary liquidation of an insurer shall only be approved by the Authority in special cases as determined by Directive.
- 3/ For the purposes of this Article, an insurer, subject to the approval of the Authority, may act as liquidator or may appoint any other person fulfilling the requirements to be determined by Directive to be issued by the Authority.
- 4/ An insurer requesting voluntary liquidation shall have sufficient assets to satisfy all liabilities under its insurance contracts and to pay all other creditors in full at the time of initiating the voluntary liquidation.
- 5/ An insurer planning to undergo voluntary liquidation shall develop and submit a detailed liquidation plan to the Authority, and the plan shall, at a minimum, contain procedures for identifying, valuing and disposing of the insurer's assets, a timeline for settling all liabilities, including insurance claims and creditors' claims; employees' compensation and others to be determined by the Authority.
- 6/ When the Authority approves the voluntary liquidation of an insurer;
 - a) the Authority shall immediately revoke its insurance business license, but the insurer shall continue as a legal entity by adding the phrase "Under Liquidation" to its name until the liquidation process is completed; and
 - b) the insurer shall cease its operations and exercise its powers only to activities necessary for its orderly liquidation.
- 7/ An insurer, within one week from the receipt of approval from the Authority, shall publish a notice of voluntary liquidation in a newspaper of wide circulation in

Ethiopia and communicate the same to the public via other reasonable means as may be necessary to notify every policyholder and creditor.

- 8/ An approval issued by the Authority for the voluntary liquidation of an insurer shall not stop affecting of the regular payments of admitted insurance claims and other creditors in full.
- 9/ An insurer shall settle all lawful claims promptly within a maximum period to be set by Directive and in line with Article 155 of this Proclamation.
- 10/ An insurer shall prepare and submit periodic progress and final liquidation report and shall secure the written approval of the Authority at the conclusion of the voluntary liquidation process.
- 11/ The Authority, before approving the liquidation report, shall conduct a detailed examination of the liquidation process of the insurer and ensure that it is done in line with this Proclamation and directives .
- 12/ An insurer shall sign an undertaking that it has settled all lawful claims promptly in accordance with Article 155 of this Proclamation.
- 13/ Any monies payable to a policyholders or other creditor that have not been claimed shall be deposited in a bank account opened by the Authority for this purpose within two months from the date of approval of the liquidation report.
- 14/ Any funds or property not claimed within seven years from the date of transfer to the Authority shall be assumed to be abandoned.
- 15/ The Authority may determine additional conditions and requirements for voluntary liquidation of an insurer by directive.

159. Applicability of Other Laws

The provisions of the Commercial Code and other relevant laws shall be applicable with respect to Official Administration and liquidation of insurers insofar as they are not inconsistent with the provisions of this Part.

PART SIXTEEN

TAKAFUL

160. Licensing of Takaful Operators and Authorization of Takaful Window Operators and Foreign Takaful Operators

- 1/ Except as permitted by Sub-Article 4 of this Article, a person shall not:
 - a. carry on Takaful business or Re-takaful business; or
 - b. occupy any premises in Ethiopia with a view to carrying on Takaful business or Re-takaful business in Ethiopia;without obtaining the appropriate license from the Authority.
- 2/ An insurer shall not operate a takaful window without obtaining the appropriate authorization from the Authority.
- 3/ A juridical person that is incorporated, formed or established in Ethiopia shall not conduct, or purport to conduct, Takaful business or Re-takaful business outside Ethiopia without obtaining the appropriate license from the Authority.
- 4/ Sub-Article 1 of this Article does not apply to:
 - a) a foreign Re-takaful operator that carries on Re-takaful business with a Takaful operator, a re-takaful operator or an operator of a takaful window; or
 - b) a foreign takaful operator that carries on takaful business in Ethiopia in accordance with an authorization granted by the Authority.
- 5/ The Authority may, by Directive, determine requirements for licensing authorization of Takaful operation, Takaful Window operation, and foreign Takaful Operator, including Re-takaful;
- 6/ Without prejudice to the requirements specified under the provisions of this Proclamation, the Authority shall issue Directive to prescribe additional conditions and requirements for the licensing and supervision of a Takaful insurance and for supervising a Takaful insurer and an insurer providing Takaful window operation in

respect of the peculiar nature and modality of Takaful operation from that of conventional insurance services.

7/ Notwithstanding to Sub-Article (1) of this Article, the Authority shall issue Directive for but not limited to:

- a) regulating the overall sharia governance framework of Takaful insurance business;
- b) requirements for licensing authorization of Takaful operation, Takaful Window operation, and foreign Takaful Operator, including Re-takaful,
- c) requirements for the legal ringfencing of a takaful window;
- d) the segregation, accounting and operation of the Shareholders', Tabarru' and Investment Funds; and
- e) capital and solvency requirements applicable to a takaful operator and, with respect to the business carried on through a takaful window, by a takaful window operator.

161. The Distribution of Surplus

1/ A takaful operator (and the operator of a takaful window) shall, for each financial year, assess the surplus, if any, arising in each takaful fund in accordance with a Directive issued by the Authority.

2/ Subject to Sub-Article 4 of this Article and endorsement by the Shariah Committee, the directors may approve the distribution of any surplus among takaful participants in a manner specified in the takaful policy documents.

3/ A takaful operator and the operator of a takaful window may share in any surplus only to the extent permitted under the chosen Shariah model.

4/ A surplus may not be distributed if doing so would breach the capital, solvency and other prudential requirements applicable to the takaful operator or the takaful window operator.

162. Deficiency in the Tabarru' Fund

1/ If the value of the assets attributable to a Tabarru' Fund are insufficient to meet the capital adequacy and solvency requirements specified in the Directive issued by the

Authority, the Authority may require the takaful operator or the operator of a takaful window to extend a Quard, in such amount and subject to such terms and conditions as may be determined by the Authority, to the Tabarru' Fund from the Shareholders' Fund or to provide such other financial assistance to the Tabarru' Fund as the Authority may require.

2/ A Quard extended to the Tabarru' Fund in accordance with Sub-Article 1 of this Article may be recovered from future surpluses of the Tabarru' Fund.

163. Nomination

1/ The certificate for a family takaful contract shall include a nomination clause that sets out the conditions for distributing Takaful benefits.

2/ Except where the nominee is the sole beneficiary, the nominee shall distribute the benefits in accordance with the laws applicable to the distribution of the estate of deceased persons governing the deceased participant.

PART SEVENTEEN

MISCELLANEOUS PROVISIONS

164. Conduct of Business

1/ An insurer shall:

- a. conduct its business with integrity and with due skill, care and diligence;
- b. observe good conduct of business standards and practices and be transparent in its business arrangements;
- c. treat its customers and prospective customers fairly and have due regard for the interests and needs of its customers;
- d. manage conflicts of interest fairly, whether the conflicts arise between itself and its customers or prospective customers or between different customers or prospective customers;
- e. pay due regard to the information needs of its customers and prospective customers;

- f. take reasonable steps to ensure that information is communicated to its customers and prospective customers in a way that is clear and fair and that is not inaccurate or misleading; and
 - g. ensure that customer information is adequately protected and used appropriately.
- 2/ In relation to a particular customer or prospective customer:
- a) the obligations under Sub-Article 1(c) to 1(g) of this Article apply from before a contract of insurance is entered into until, where a prospective customer becomes a customer, all obligations under the contract have been satisfied;
 - b) the obligation under Sub-Article 1(g) of this Article applies in respect of customer information relating to former customers or former prospective customers until the insurer no longer holds or controls the information.
- 3/ A direct insurer shall not seek to exclude or restrict or rely on any exclusion or restriction of any duty or liability it may have to a customer or prospective customer arising out of a legal or regulatory obligation.
- 4/ The Authority shall, by Directive, specify the conduct of business requirements applicable to insurers.

165. Complaint and Dispute Resolution

The Council of Ministers may issue a Regulation pertaining to the scope, governance and manner of complaint handling and dispute resolution mechanisms.

166. Implementation of Regulatory Sandbox

- 1/ With the objective of fostering financial innovation and promoting financial inclusion, the Authority may establish and implement a regulatory sandbox framework that will enable the testing and introduction of new and innovative insurance services and products to the market.
- 2/ The Authority may issue a Directive to determine eligibility criteria, application process, and other additional conditions for participation in the regulatory sandbox.

167. Disclosure of Information

- 1/ Every insurer shall, within a time limit to be determined by Directive, send to the

Authority:

- c. duly signed financial statements and reports in the prescribed format;
- d. a certified copy of every report on its affairs which is submitted to the shareholders of the insurer and
- e. a certified copy of the minutes of the proceedings of every general meeting as entered in the minutes.

2/ Every insurer shall:

- a) exhibit at every place of its business, including its branches, in a conspicuous place throughout the year, a copy of the last audited statement of financial position and statement of comprehensive income in respect of all of its operations; and
- b) cause such statement of financial position and statement of comprehensive income, together with the notes thereto, to be published in a newspaper of wide circulation and in its website.

3/ The exhibition and publishing of financial statements pursuant to Sub-Article (2) of this Article shall occur within two weeks after the annual ordinary general shareholders' meeting.

4/ The Authority may collect any appropriate information from insurers; provided, however, that such information may not be disclosed to any person unless the disclosure is:

- a) made for the purpose of implementing the provisions of this Proclamation;
- b) required to ensure the financial soundness of insurers;
- c) made to recipients who are legally authorized to obtain such information;
- d) made to the body to which the Authority is accountable;
- e) ordered by a court;
- f) required for the purpose of meeting obligations which Ethiopia entered into under international agreements.

4/ The board of directors of an insurer shall, jointly or severally, immediately report in writing to the Authority where the following happened or likely to happen that the insurer:

- a) cannot meet its obligations to its policyholders or other creditors;
- b) is possibly unable to make payments on time to policyholders or other creditors;
or
- c) is in a state of condition detrimental to its smooth business operation and soundness.

168. Confidential Information

1/ In this Proclamation, “confidential information” is information which:

- (1) relates to the business or affairs of a licensee or any other person;
- (2) is acquired by any of the following persons for the purposes of, or in the performance of, the person’s functions under this Proclamation:

- 1) the Authority;
- 2) a Board Member of the Authority or a member of a committee of the Authority’s Board;
- 3) an employee of the Authority;
- 4) Person appointed as an investigator under Article 112 of this Proclamation;
- 5) a person appointed as an expert under Article 126 of this Proclamation;
- 6) any person acting as agent of, or under the authority of, the Authority; and
- 7) an employee of a person specified in subparagraphs (4) to (6).

2/ Information is not confidential information:

- a) if the information is or has been available to the public from any other source;
- b) if the information is disclosed in a summary form or in statistics expressed in a manner that does not enable the identity of particular persons to whom the information relates to be determined.

3/ Except as set out in Sub-Article 4 of this Article and Article 169 of this Proclamation, confidential information shall not be disclosed by any of the following:

- a) the Authority;
- b) a Board Member of the Authority or a member of a committee of the Authority's Board;
- c) an employee of the Authority;
- d) a person appointed as an investigator under Article 112 of this Proclamation;
- e) a person appointed as an expert under Article 126 of this Proclamation;
- f) any person acting as agent of, or under the authority of, the Authority;
- g) an employee of a person specified in paragraphs (d), (e) and (f) of this Sub-Article;
- h) any person who has directly or indirectly received the confidential information from a person specified in paragraphs (a) to (g) of this Sub-Article.

4/ Sub-Article 3 of this Article does not apply where a person discloses the confidential information with the consent of:

- a) the person who provided the information; and
- b) the person to whom it relates, if that is a different person.

169. Permitted Disclosures

Sub Article 1 of this Proclamation does not apply to a disclosure:

(1) by any person where the disclosure is:

- a) required or permitted by, and made in accordance with an order made by a Court in Ethiopia;
- b) required or permitted by this or any other Proclamation or Law;
- c) made to a law enforcement agency in Ethiopia;
- d) made to the Financial Intelligence Service.

- (2) by a person specified in Sub-Article 1(b) of Article 1 of this Proclamation, where the disclosure is made to any person for the purpose of performing or exercising any function, duty, responsibility or power under this Proclamation whether the function, duty, responsibility or power is of the person disclosing the information or of the Authority or the Authority's Board;
- 3/ by the Authority:
 - a) to a supervisory or law enforcement authority in accordance with Article 32 of this Proclamation;
 - b) to help protect the public, or any section of it, from becoming a victim of financial crime;
- 4/ by a person, other than the Authority, where the disclosure
 - i. is made with the written consent of the Authority; and
 - ii. could lawfully have been made by the Authority.

170. Prohibition Against Entering into Domestic Insurance Contract with Foreign Insurer

- 1/ Except with the prior written authorisation of the Authority, no person shall enter into a domestic insurance contract (as policyholder) with a person who is not licensed by the Authority as an insurer under this Proclamation, regardless of where the insurance contract is written or signed.
- 2/ The conditions for granting exemptions under Sub-Article 1 shall be prescribed by the Authority by Directive.

171. Privileged Information

- 1/ A person shall not be required to disclose information or produce, or permit the inspection of, a document under this Proclamation if the person would be entitled to refuse to disclose the information or to produce, or permit the inspection of, the document on the grounds of legal professional privilege in legal proceedings.
- 2/ For the purposes of this Article, information or a document comes to a legal representative in privileged circumstances if it is communicated or given to the legal

representative:

- a) by, or by a representative of, a client of the legal representative in connection with the giving by the adviser of legal advice to the client;
 - b) by, or by the representative of, a person seeking legal advice from the legal representative; or
 - c) by any person:
 - 1) in contemplation of, or in connection with, legal proceedings, and
 - 2) for the purposes of those proceedings.
- 3/ Information or a document shall not be treated as coming to a legal representative in privileged circumstances if it is communicated or given with a view to furthering any criminal purpose.
- 4/ Despite Sub-Article 1 of this Article, a legal representative may be required to provide the name and address of a client.

172. Protection for Disclosure

A person who discloses information or produces documents as permitted or required by this Proclamation is deemed not to be in contravention of any law, agreement or professional code of conduct to which that person is subject and no civil, criminal or disciplinary proceedings shall be taken against the person in respect of the disclosure.

173. Enforceability of Agreements Made by Persons Carrying on Unlicensed Business

- 1/ An agreement that is made by a person in the course of carrying on unlicensed business is unenforceable against the counterparty to the agreement.
- 2/ The counterparty to an agreement referred to in Sub-Article 1 of this Article is entitled to recover:
 - a) any money or other property the counterparty has paid or transferred under the agreement; and

- b) compensation for any loss sustained by the counterparty as a result of having parted with it.
- (3) This section applies to an agreement:
- a) made after this Proclamation comes into force,
 - b) the making or performance of which constitutes, or is part of, the unlicensed business being carried on.

174. Unenforceable Agreements

- 1/ Where an agreement is unenforceable by reason of Article 173 of this Proclamation, the amount of compensation recoverable is:
- a. the amount agreed by the parties; or
 - b. if the parties cannot agree the amount of the compensation, the amount decided by the Court on the application of either party.
- 2/ Notwithstanding Article 173 of this Proclamation, the Court may allow:
- a) the agreement to be enforced; or
 - b) money and property paid or transferred under the agreement to be retained;
- by the person carrying on unlicensed business.
- 3/ In considering whether to allow the agreement to be enforced or the money or property paid or transferred under the agreement to be retained, the Court shall have regard to whether the person carrying on unlicensed business reasonably believed that he or she was not carrying on unlicensed business by making the agreement.
- 4/ If the person against whom the agreement is unenforceable
- a) elects not to perform the agreement; or
 - b) as a result of this Article, recovers money paid or other property transferred under the agreement;

the person must repay any money and return any other property received under the agreement.

- 5/ If property transferred under the agreement has passed to a third party, a reference in Article 173 of this Proclamation or this Article to that property shall be taken as a reference to its value at the time of its transfer under the agreement.

175. Exemption from Taxes and Court Fees

Without prejudice to any exemptions from payment provided under other laws, the Authority shall be exempted from:

- 1/ The payment of income tax, urban land rent and urban house tax or any other property tax; and
- 2/ The payment of court fees required by relevant law.

176. Policyholder Protection Fund

The Council of Ministers may issue Regulations to establish, manage, provide for the funding of and provide for distributions from a Policyholder Protection Fund.

177. Insurance Training Institute

The Council of Ministers may issue Regulations to establish, manage and provide for the funding of an Insurance Training Institute.

178. Staff Regulations

The employees and management staff of the Authority shall be administered by a Directive to be issued by the Board of the Authority.

179. Administrative Penalties

- 1/ Notwithstanding the criminal conviction of a person under Article 181 of this Proclamation, and without prejudice to the exercise of the Authority's powers as provided under the relevant laws, the Authority may, by Directive, impose administrative penalties on a licensee, its directors, chief executive officers, senior executive officers and key persons in control functions for contraventions of this Proclamation, the Regulations and the Directives.
- 2/ The Directive issued by the Authority under Sub-Article 1 of this Article shall provide for a range of penalties and shall enable the Authority, when fixing the appropriate

penalty, to take into account a range of factors designed to ensure that the administrative penalty imposed is dissuasive and proportionate, including:

- a. the nature and gravity of the contravention;
- b. the number of occasions on which the licensee has previously committed contraventions and the gravity of the contraventions;
- c. whether the contravention was deliberate or reckless or caused by the negligence of the licensee;
- d. whether any loss or damage has been sustained by third parties as a result of the contravention;
- e. whether there has been any gain to the licensee as a result of the contravention;
- f. the ability of the licensee to pay the penalty.

180. Offences and Penalties

Unless a higher penalty is applied under the Criminal Code of Ethiopia pursuant to this Article:

- 1) Any person who contravenes the provisions of Sub-Article (1) of Article 34 or Sub-Article 1 of Article 90 of this Proclamation shall be punished with a fine of Birr 20,000 in respect of each day on which the contravention continues and with a rigorous imprisonment from 10 to 15 years.
- 2) Any person who, having been called upon by the Authority under Sub-Article (5) of Article 34 of this Proclamation, fails or refuses to submit the documents described therein shall be punished with a fine from Birr 50,000 to Birr 100,000 and with a rigorous imprisonment from 7 to 10 years.
- 3) Where the offence under Sub-Article (1) or (2) of this Article is committed by a legal entity, the penalty of imprisonment shall be imposed on the relevant official/s of the insurer or entity.
- 4) Any person who contravenes the provisions of Sub-Article (1) or (2) of Article 61 or 62 of this Proclamation shall be punished with a fine from Birr 50,000 to Birr 100,000 and with a rigorous imprisonment from 10 to 15 years.
- 5) Any director of an insurer who contravenes the provisions of Sub-Article (4) of Article 167 of this Proclamation shall be punished with a fine from Birr 50,000 to Birr 100,000 and

with a rigorous imprisonment from 7 to 10 years.

- 6) Any director or employee of an insurer or insurance intermediary who:
 - a) obstructs the proper performance by an auditor of his duties in accordance with the provisions of this Proclamation or examination of a insurer by an examiner duly authorized by the Authority; or
 - b) with intent to deceive, makes any false or misleading statement or entry or omits any statement or entry that should be made in any book, account, report or statement of an insurer or intermediary; or
 - c) knows or ought to know the insolvency of the insurer and receives or authorizes or permits the acceptance of a deposit; shall be punished with a fine from Birr 50,000 to Birr 100,000 and with a rigorous imprisonment from 10 to 15 years.
- 7) Any person who contravenes or obstructs the provisions of this Proclamation or Regulations or Directives issued to implement this Proclamation shall be punished with a fine up to Birr 50,000 and with an imprisonment of up to 3 years.

181. Power to Issue Regulations and Directives

- 1/ The Council of Ministers may issue Regulations necessary for the effective implementation of this Proclamation.
- 2/ The Authority shall issue Directives that:
 - a) shall specify or provide for all matters that are required by this Proclamation or the Regulations to be provided for in the Directives; and
 - b) may specify or provide for any other matters that the Authority considers necessary or appropriate for the effective implementation of this Proclamation and the Regulations.

182. Fees

- 1/ The Authority may specify fees, levies and charges payable by licensees and applicants for a license, including investigation fees by Directive.
- 2/ The Authority may specify that any fees payable by an applicant for a license or by a licensee for an authorisation or consent under this Proclamation, the Regulations or

the Directives are non-refundable in whole or in part.

183. Transitional Provisions

1. Notwithstanding the provisions of this Proclamation, Foreign Nationals of Ethiopian Origin who have acquired shares in an insurer in accordance with the Insurance Business Proclamation No 746/2012 as amended by Insurance Business (as amended) Proclamation No 1163/2019 shall be entitled to be treated as a domestic investor, in accordance with relevant laws.
2. A bank or a micro-finance institution engaged in the provision of micro-insurance business, in accordance with the Micro Financing Business Proclamation No. 626/2009 (as amended), shall be required to apply for and obtain relicensing from the Authority, subject to conditions set forth by a Directive to be issued by the Authority.

184. Saving Provision

Existing Directives issued by the National Bank of Ethiopia under the Insurance Business Proclamation No. 746/2012 as amended by Insurance Business (Amendment) Proclamation No. 1163/2019 and other relevant laws will remain in effect, provided they do not contradict with the provisions of this Proclamation. These Directives will continue to apply until necessary amendments or repealing directives are issued by the Authority in accordance with this Proclamation.

185. Repealed and Inapplicable Laws

- 1) The Insurance Business Proclamation. 746/2012 and Insurance Business (Amendment) Proclamation No. 1163/2019 are hereby repealed.
- 2) No law, Regulation, Directive or practice may, in so far as it is inconsistent with the provisions of this Proclamation, be applicable with respect to matters provided for by this Proclamation.
- 3) Without prejudice to the provisions of Sub Article (2) of this Article, nothing in this Proclamation shall be construed to relieve an insurer from compliance with the provisions of the Commercial Code, the Public Enterprises Proclamation or other

relevant laws, as appropriate.

186. Transfer of Rights and Obligations

The rights and obligations of the National Bank of Ethiopia, with respect to regulation and supervision of insurance business, are hereby transferred to the Ethiopian Insurance Regulatory Authority.

187. Effective Date

This Proclamation shall enter into force up on the date of publication in the Federal Negarit Gazeta.

Done at Addis Ababa, on thisDay of....., 2026

TAYE ATSKE SELASSIE
PRESIDENT OF THE FEDERAL
DEMOCRATIC REPUBLIC OF ETHIOPIA