

**የኢትዮጵያ ብሔራዊ ባንክ**  
**NATIONAL BANK OF ETHIOPIA**  
**Directives No. 109/2020**

**Licensing and Supervision of Insurance Business**  
**Manner of Reporting Quarterly and Annual Returns**  
**Directives No. 109/2020**

**Whereas**, it is essential to clearly define the classes of insurance for which insurers should request approval to deal in;

**Whereas**, it is essential for the National Bank of Ethiopia to receive information, financial and non-financial, to conduct effective off-site surveillance that enable it to assess the financial soundness, managerial effectiveness and stability of each insurer and the sector on on-going basis;

**Whereas**, there is a need to standardize the return formats for gathering complete and comprehensive information from insurers;

**Now, therefore**, in accordance with Articles 5(4), 24(2), 26(3), 27(2), 31(1), 32(2) 33(1)(a), and Article 58(2) of Proclamation No. 746/2012, the National Bank of Ethiopia hereby issues these directives.

**1. Short Title**

These directives may be cited as “**Manner of Reporting Quarterly and Annual Returns Directives No. 109/2020**”.

**2. Definitions**

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

- 2.1.** “**actuary**” means a person who provides advice on financial questions and contingencies involving insurance in general and life insurance and pension schemes in particular;
- 2.2.** “**actuarial valuation**” means an investigation carried out on the long-term insurance business, by a qualified actuary, annually during the first five years after commencement of operation and at least once in two years thereafter;
- 2.3.** “**actuarial provision**” means a life insurance liability equal to the net present value of the future expected cash flows of a contingent event;
- 2.4.** “**cession**” means the portion of insurance premium transferred to a reinsurer by the direct insurer;
- 2.5.** “**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;

**የኢትዮጵያ ባንክ ግብርና**  
**NATIONAL BANK OF ETHIOPIA**  
**Directives No. 109/2020**

- 2.6. “**claim under litigation or dispute**” means a claim which has not been agreed between the insured and the insurer which consequently referred to arbitration or court of law;
- 2.7. “**direct costing method**” means a method applied to allocate costs directly associated with revenue generation;
- 2.8. “**financial returns**” means statement of revenue account, comprehensive income, financial position, changes in equity, cash flow and other accompanying notes and accounts as set out in the formats forming part of these directives;
- 2.9. “**financial year**” means the financial year of an insurer running from July first to June thirty of the following year;
- 2.10. “**general insurance business**” means all classes of insurance business other than long term insurance business;
- 2.11. “**incurred but not reported (IBNR) claims**” means claims that have already occurred but were not reported to the insurer as of the end of every quarter and financial year;
- 2.12. “**insurance auxiliary**” means an insurance agent, an insurance broker, loss assessor or insurance surveyor;
- 2.13. “**insurer**” means a person that issues or agrees to issue an insurance policy or undertakes, or agrees to undertake the obligations of an insurance policy;
- 2.14. “**inward reinsurance**” means exposure accepted by a domestic insurer from the foreign insurers or reinsurers;
- 2.15. “**long term insurance business**” means insurance business of:
- a) life insurance;
  - b) annuity;
  - c) pension;
  - d) permanent health insurance;
  - e) personal accident or sickness insurance underwritten by the insurer as incidental to any of the businesses referred to in paragraph (a) to (d) of this Sub-Article; or
  - f) any other class of insurance business as may be approved by the National Bank;

**የኢትዮጵያ ባንክ ግብርና**  
**NATIONAL BANK OF ETHIOPIA**  
**Directives No. 109/2020**

- 2.16. “**long term policies**” means general insurance policies written to cover a period greater than a year;
- 2.17. “**management expenses**” means all costs and expenses directly or otherwise to be charged to underwriting and claims operations;
- 2.18. “**National Bank**” means the National Bank of Ethiopia;
- 2.19. “**net premium**” means the difference between the gross written premium and premium ceded to reinsurers;
- 2.20. “**non-financial returns**” means returns for any information which is not financial in nature as set out in the formats forming part of these directives;
- 2.21. “**other technical or actuarial provisions**” means provisions maintained with respect to premium and claims to support future potential liabilities and/or augment deficiencies in the minimum provisions determined by the method specifically stipulated for;
- 2.22. “**outstanding claims**” means claims that have been reported to the insurer but not yet settled;
- 2.23. “**risk sharing scheme**” means an offer by an insurer for placement of exposure(s), that exceeded the automatic treaty capacity or not covered under the reinsurance treaty, to insurer(s) and reinsurers operating in Ethiopia with the view to fully exhaust the national risk acceptance capacity efficiently prior to ceding it facultatively to international reinsurers;
- 2.24. “**senior executive officer**” means any officer of an insurer by whatever title he/she may be referred to, who is deputy to the chief executive officer, or who is directly accountable to the board of directors;
- 2.25. “**short term policies**” means general insurance policies written to cover a period less than a year;
- 2.26. “**unearned premium provision**” means part of the premium that has not yet been earned as the corresponding insurance period has not yet come to an end.

**3. Scope of Application**

These directives apply to all insurers.

**የኢትዮጵያ ባንክ ግብርና**  
**NATIONAL BANK OF ETHIOPIA**  
**Directives No. 109/2020**

**4. General Requirements**

**4.1. Separation of Accounts and Funds**

An insurer shall keep separate accounts and funds in respect of long term insurance business and general insurance business and report on each as per the formats prescribed and forming part of these directives.

**4.2. Submission of Reports and Maintenance of Schedules**

An insurer shall submit to the National Bank,

4.2.1. duly completed and separate quarterly financial returns and non-financial information in respect of general insurance business, long-term insurance business, risk sharing scheme and inward reinsurance, if any, in soft copy of plain text and pdf format and hard copy within 30 days after the end of each quarter in the manner prescribed in the return formats attached herewith which shall form part hereof; and

4.2.2. annual audited financial statements together with revenue accounts and other supporting schedules and actuarial valuation reports within 90 days from the close of the financial year.

**4.3.** For items marked “specify” in the return formats attached herewith these directives, an insurer shall disclose the details as foot notes;

**4.4.** For the purpose of calculating unearned premium provision(UPP), an insurer shall maintain separate schedule for all long-term policies that at a minimum contains policy number, cover start and end date, premium and sum insured;

**4.5.** For all facultative reinsurance placements an insurer shall at a minimum compile and maintain a schedule containing reinsurers involved, sum insured, premium ceded, period of cover and reinsurance commission;

**4.6.** Insurers shall prepare annual and quarterly financial and non-financial returns in accordance with the formats prescribed in these directives;

**4.7.** All annexes and attachments shall form part of these directives;

**5. Formats for Publication of Financial Statements**

An insurer shall strictly follow the formats prescribed in these directives when publishing annual audited financial statements in a widely circulating newspaper.

**6. Technical Provisions**

For the purpose of reporting quarterly and annual returns:

**የኢትዮጵያ ባንክ ግብርና**  
**NATIONAL BANK OF ETHIOPIA**  
**Directives No. 109/2020**

- 6.1. gross premiums shall be shown net of discounts and refunds.
- 6.2. **Technical Provisions – General Insurance Business**
- 6.2.1. **Unearned Premium Provision (UPP) on**
- a) **gross premium of all**
    - i. annual policies and short term policies shall be calculated using 1/24<sup>th</sup> method;
    - ii. long term polices shall be calculated using 1/24<sup>th</sup> method on the prorate premium,
  - b) **cession**
    - i. shall be calculated as per the agreement set out in the reinsurance treaty. If the reinsurance treaty does not provide for such specification, the insurer shall use the method stipulated under Sub-Article 6.2.1(a) of these directives, and
    - ii. for all non-proportional treaties (excess of loss and stop loss) shall not be applicable unless special agreement has been concluded with the reinsurer.
  - c) **net premium**  
shall be the difference between Sub-Articles 6.2.1(a) and 6.2.1(b) of this Article.
- 6.2.2. **Outstanding Claims**
- a) Upon receiving notification of a claim incident, the value of the claim shall be assessed and the provision shall be adequately maintained to cover all costs related to the incident. The assessment summary sheet, duly signed, shall be kept in the claim file for review and follow-up;
  - b) Outstanding claims shall be reassessed, case by case, at least once in every quarter and be reported to the National Bank as specified in the return formats. Subsequent to the reassessment, changes in the value of the provision shall be documented in the respective claim files together with the reasons for the change;
  - c) Provision for outstanding claims altogether reported at the beginning of the financial year shall be compared against the total of the actual payments against these claims and all

**የኢትዮጵያ ባንክ ልማት ቢሮ**  
**NATIONAL BANK OF ETHIOPIA**  
**Directives No. 109/2020**

claims that are still outstanding at the end of the year. If the latter exceed the former by more than 5% (error margin), outstanding claim or capital or retained earning at the date of the report shall be adjusted by taking the total variance;

- d) Provision for claim under litigation or dispute, at the date of report, shall be maintained at 100%, which in any case shall not exceed the sum insured or limit of liability, and shall be reported together with outstanding claims. Besides, insurers shall maintain a separate schedule for such claims.

**6.2.3. Incurred But Not Reported (IBNR) Claims**

Provision for incurred but not reported (IBNR) claims shall be the higher of 10% (ten percent) of net earned premium or the result obtained under the claims triangulation returns specified under GIDB-C form.

**6.2.4. Other Technical Provision on**

**a) premium**

- i. other than that considered in accordance with Sub-Article 6.2.1 (a), (b) and (c) may be set aside by supporting it through adequate justification and explanation,
- ii. shall not be mixed up with unearned premium provision (UPP) and be reported separately and independently as required in the return formats forming part of these directives, and
- iii. shall be compiled in a separate schedule and delivered to the National Bank upon request.

**b) claims**

- i. other than that determined in accordance with Sub-Articles 6.2.2 and 6.2.3 of these Directives may be set aside against adequate and justifiable explanation;
- ii. shall not be mixed up with outstanding claims and be reported separately and independently as specified in the return formats forming part of these directives; and
- iii. shall be compiled in a separate schedule and delivered to the National Bank upon request;

**የኢትዮጵያ ባንክ ግብርና**  
**NATIONAL BANK OF ETHIOPIA**  
**Directives No. 109/2020**

**6.3. Technical Provision - Long Term Insurance Business**

**6.3.1. Actuarial Provision**

Actuarial provision shall be determined either by the actuary or by applying the method formulated by the actuary in accordance with the formats stipulated in these directives.

**6.3.2. Outstanding Claims**

Outstanding claims shall be determined as stipulated under Sub-Article 6.2.2 of these directives as far as applicable and to the full sum assured in case of death or maturity claims.

**6.3.3. Provision for Incurred But Not Reported (IBNR) Claims**

Provision for incurred but not reported (IBNR) claims shall be determined in accordance with the method specified under Sub-Article 6.2.3 of these directives.

**6.3.4. Other Actuarial Provision**

Actuarial provisions other than that set aside in accordance with Sub-Article 6.3.1 of this article may be provided by supporting it through adequate justification and explanation.

**7. Management Expenses**

Management expenses for both general and long term insurance

- 7.1.** shall be reported under a separate heading as stipulated in the return formats;
- 7.2.** shall be calculated using direct costing method. The indirect costs associated to it be allocated using a method adopted and consistently applied by the insurer; and
- 7.3.** allocation schedule shall be maintained by the insurer and be delivered to the National Bank upon request.

**8. Commission**

Commission incurred (paid and outstanding) to insurance auxiliary and commission earned (received and outstanding) from reinsurers shall be separately reported under the appropriate headings, as specified in the return formats, and shall not be deducted from premium amounts.

**9. Reporting Period**

For the purpose of reporting returns, first, second, third and fourth quarter ends on September 30, December 31, March 31, and June 30 of the financial year respectively.

**የኢትዮጵያ ባንክ**  
**NATIONAL BANK OF ETHIOPIA**  
**Directives No. 109/2020**

**10. Repeal**

**10.1.** Manner of Reporting Financial Information Directives No. SIB/17/1998 is hereby repealed and replaced by these Directives.

**10.2.** Article 2.2(d) of NBE Directive No. SIB/26/2004 is hereby repealed.

**11. Effective Date**

These directives shall enter into force as of 1<sup>st</sup> day of July 2015.