

Directive No. SIB/28/2004

LICENSING AND SUPERVISION OF INSURANCE BUSINESS EMERGENCY TRAVEL HEALTH INSURANCE

Whereas, the Schengen States of Europe have decided that foreigners planning to travel to these states shall produce an Emergency Travel Health Insurance Policy as part of the requirements to obtain entry visa of these states;

Whereas, the Bank is cognizant of the fact that free movement of Ethiopian nationals to Schengen States should not be hindered by the decision of the States;

Now, therefore, the Bank has issued these directives pursuant to the authority vested in it by Article 41 of the Monetary and Banking Proclamation No. 83/1994 and Article 8 of the Licensing and Supervision of Insurance Business Proclamation No. 86/1994.

1. Definition

1.1 Emergency Travel Health Insurance: for the purpose of these directives shall mean a policy which is not a general health insurance, and which covers medical treatment for acute emergencies while the person is in Schengen States, return transport of the patient and transfer of body in case of death while being in Schengen States on short term travel.

Commission: for the purpose of these directives is a receipt of money by a local insurer, which is licensed under the Licensing and Supervision of Insurance Business Proclamation No. 86/1994, for services it renders as a commission agent by selling Emergency Travel Health Insurance Policy of a Schengen State Insurer.

Schengen States: The Schengen States include Austria, Belgium, France, Germany, Greece, Italy, Island, Denmark, Finland, Norway, Sweden, Luxemburg, Nederland, Portugal, Spain and other states of Europe whose membership to the Schengen States in the future shall be proven by the participating insurers;

Bank: Shall mean the National Bank of Ethiopia.

Special Permission

An insurance company that is licensed in accordance with the Ethiopian law is here by permitted to develop and issue its own Emergency Travel Health Insurance Policy or to act as an agent of an insurer licensed by or registered in a Schengen State to sell, the latter insurer's Emergency Travel Health Insurance Policy, on commission basis, to Ethiopian nationals who travel to these States for short stay.

The Ethiopian insurance company entering into an agency agreement with the said Schengen State insurer shall maintain appropriate documentation with respect to the licensing or registration of the insurer in a Schengen State and the terms and conditions of the agency agreement and make such documents available for inspection to the Bank.

The Ethiopian Insurance Company involved in developing and issuing its own Emergency Travel Health Insurance Policy shall submit to NBE its policy forms, premium rates and Reinsurance Treaties (if any) for same.

3. Prohibition

No other person, organization, including all insurance intermediaries shall be permitted to act as an agent of the registered insurance company of a Schengen State to sell Emergency Travel Health Insurance Policy to Ethiopian nationals on commission basis or otherwise.

4. Effective Date

These directives shall come into force as of the 6th day of December 2004.

LICENSING AND SUPERVISION OF INSURANCE BUSINESS
LICENSING OF INSURANCE BROKER
DIRECTIVE NO. SIB/28/2004

ISSUING AUTHORITY

These directives are issued by the National Bank of Ethiopia pursuant to the authority vested in it by Article 41 of the Monetary and Banking Proclamation No. 83/1994 and by Article 25 and 42(J) of the Licensing and Supervision of Insurance Business Proclamation No. 86/1994.

DEFINITION.

Trader shall take the meaning given to it under Article 5(19) of the Commercial Code of Ethiopia.

Business organization shall have the meaning specified to it under Article 210 of the Commercial Code of Ethiopia.

Commercial Business Organizations shall have the meanings and interpretations provided to them under Article 213(1&2) of the Commercial Code of Ethiopia.

Commercial Broker shall have the meaning specified under Article 56(1&2) of the Commercial Code of Ethiopia.

Insurance Broker shall take the meaning given to it under Article 2(11) of Proclamation No. 86/1994.

"The Bank" Shall mean the National Bank of Ethiopia.

"Managerial Position" for the purpose of these directives shall mean the position of an insurance company branch manager or above that involves directly transacting insurance business in all or several classes.

Organizational Units of an insurance company that directly transact insurance business for the purpose of these directives shall mean the operational units of an insurance company that mainly consist of an underwriting and claims departments or divisions as the case may be.

FORM OF ESTABLISHMENT.

An Insurance Broker can be established in any form subject to compliance with any provisions of the Commercial Code of Ethiopia, Licensing and supervision of Insurance Business Proclamation No. 86/1994 and this Directive.

GENERAL REQUIREMENTS.

In order to be licensed as a broker, the applicant shall meet the following conditions:
The applicant should be an Ethiopian national or a business organization fully owned by Ethiopian nationals.

The chief executive officer of the firm shall: -

have at least a diploma in insurance or business related field from an institute, a college or university acceptable to the Bank;

have a minimum of eight years work experience in the organizational units of an insurance company that directly transact insurance business in all or several classes, of which four years should be in managerial position;

An applicant for an insurance broker license shall not have any equity interest in any insurance company or loss-adjusting firm.

CAPITAL.

An applicant for a broking firm under the form of Private Limited Company (PLC) or Share Company (S.C) shall comply with the capital requirements of the Commercial Code of Ethiopia.

PROFESSIONAL INDEMNITY.

Individual Brokers and Broking firms to be established under a form of business organization whose liability is set to be unlimited by the Commercial Code shall maintain a Professional Indemnity Insurance Policy of birr100, 000 (one hundred thousand);

A Broking firm to be established under a form of business organization whose liability is set to be limited by the Commercial Code shall maintain a Professional Indemnity Insurance Policy of birr500, 000 (five hundred thousand);

The benefits of the professional Indemnity Insurance Policy stated under sub-articles 6.1 and 6.2 can only be claimed by policy holders or prospective policy holders who sustained damage due to the professional negligence of a broker subject to court award and after utilization of all other resources of the broker.

FEES.

An applicant for a broker license shall pay initial license and subsequent annual renewal fee of birr500. (birr five hundred).

PENALTY.

An insurance broker that fails to comply with any of the Bank's directives, any of the provisions of the Licensing and Supervision of Insurance Business Proclamation No. 86/1994 and/or the Commercial Code of Ethiopia shall be subject to: -

a fine of Birr1,000 (birr one thousand) with written warning for the first time and;

cancellation of the license upon failure to pay the fine stated under sub-article 8.1.1 herein above within the specified time and upon violation of any of the directive of the Bank and provisions of the Proclamation and the Commercial Code for the second time.

INFORMATION REQUIRED FROM THE APPLICANT.

Evidence of paid up capital;

Professional indemnity Insurance Policy;

Names and occupation (including dates of previous employment) of founders;

Four (4) photographs of the proposed manager.
Curriculum vitae of the proposed manager.

Duly completed application form as prescribed by the Bank and submission of enclosures specified therein.

Memorandum and Articles of Association of the organization if the proposed insurance broker is in the form of business organization.

REPEAL

Directive No.SIB/21/2001 is hereby repealed and replaced by this directive.

EFFECTIVE DATE

This directive shall enter into force as of _____ day of 2004.