

Directive No. SIB/17/1998

LICENSING AND SUPERVISION OF
INSURANCE BUSINESS
Manner of Reporting Financial Information

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 42(j) of the Licensing and supervision of Insurance Business Proclamation No. 86/1994.

SUBMISSION OF REPORTS

Each insurer shall submit to the Supervision Department of the National Bank of Ethiopia separate quarterly reports for general and long-term insurance business within twenty days after the end of each quarter in the manner shown in the return formats attached herewith which shall form a part hereof.

DEFINITIONS

General Insurance Business

For the purpose of reporting financial information:

Aviation Insurance Business shall mean the business of effecting and carrying out contracts of insurance:

upon the aircraft or upon the machinery, tackle or furniture or equipment of aircraft; against damage arising out of or in connection with the use of aircraft or against risks incidental to construction, repair or landing of aircraft, including airport owners' liability and third party risks;

against loss of life by accident or injury by accident to aircrew members whilst performing or deemed to be performing their duties in accordance with their employment but excluding contracts of insurance in respect of risks of aviation excess of loss or crew loss of license.

Engineering Insurance Business shall mean the business of effecting and carrying out contracts of insurance of various perils arising out of plant and machinery, such as explosion or collapse of boilers, breakdown of electrical or mechanical plant and lifts and cranes Machinery Break Down (MBD), and resultant damage to the insured's surrounding property and liability to third parties arising therefrom; it shall also include contracts of insurance in respect of Contractors' All Risks (CAR), Erection All Risks (EAR) and Machinery Break Down (MBD) and damage to property on site however caused and third party liability arising therefrom.

Fire Insurance Business shall mean the business of effecting and carrying out of contracts of insurance other than those incidental to some other class of insurance business, against loss of or damage to property due to fire, explosion, storm, flood, and other occurrences customarily included among the risks insured against in fire insurance policies; it shall also include burglary, glass, all risks, householder's insurance.

Liability Insurance Business shall mean the business of effecting and carrying out contracts of insurance against risks of persons insured incurring liabilities to third parties, not being risks arising out of, or in connection with the use of motor vehicles or out of, or in connection with the use of, vessels or aircraft or risks incidental to the construction, repair or docking of vessels or aircraft.

Marine Insurance Business shall mean the business of effecting and carrying out contracts of insurance:-

upon vessels or upon the machinery, tackle, furniture or equipment of vessels;
upon goods, merchandise or property of any description on board of vessels;
upon the freight of, or any other interest in or relating to, vessels;
against liability arising out of, or in connection with, the use of vessels;
against risks incidental to the construction, repair or docking of vessels, including third-party risks;
against transit risks (whether the transit is by sea, inland, water, land or air, or partly one and partly another), including risks incidental to the transit insured from the commencement of the transit to the ultimate destination covered by the insurance; or against any other risks which are customarily undertaken in conjunction with, or as incidental to, the undertaking of such business as falls within this definition.

Motor Insurance Business shall mean the business of effecting and carrying out contracts of insurance against loss of, or damage to, or arising out of or in connection with the use of, motor vehicles, inclusive of third-party risks but exclusive of transit risks.

Accident and Health Insurance Business shall mean the business of effecting and carrying out contracts of insurance against risks of the persons insured sustaining injury as the result of an accident or an accident of a specified class or dying as the result of an accident or of an accident of a specified class or becoming incapacitated in consequence of diseases or of disease of a specified class, not being contracts of long-term insurance business.

Pecuniary Insurance Business shall mean the business of effecting and carrying out contracts of insurance against loss of or damage to property due to theft or any other cause not covered under any other class and shall include the insurance of cash in transit, fidelity guarantee, all risks, bonds and credit.

Workmen's Compensation Insurance Business shall mean the business of effecting and carrying out contracts of insurance against the liability of the employer to the employees in respect of any injury or disease arising out of and in the course of their employment.

Other Insurance Business shall mean the business of effecting and carrying out contracts of insurance which are not principally or wholly of any type or types included in the preceding classes of business but shall include insurance of livestock and crop insurance.

Long-term Insurance Business

For the purpose of reporting financial information:

Industrial Life Assurance Business shall mean the business of effecting assurances on human life, premiums in respect of which are payable, at intervals, to collectors sent by the insurer to each holder of a policy or to his residence or place of work.

Ordinary Life Assurance Business shall mean life assurance business, being business of, or in relation to, the issuing of or the undertaking of liability under ordinary life policies. Ordinary life policy means a policy of life assurance other than a policy of industrial life assurance.

Superannuation Business shall mean life assurance business, being business of, or in relation to, the issuing of or the undertaking of liability under superannuation, group life and permanent health insurance policies:

that is vested in the trustees of a fund established or maintained by a person, being a fund the terms and conditions applicable to which provide for:
the payment of contributions to the fund by that person; and
Payments being made from the fund, on account of injury, sickness, retirement or death of the employees of that person or a company in which that person has a controlling interest; or

that was:
effected for the purposes of a superannuation or retirement scheme; or
accepted by the person maintaining such a scheme for the purpose of the scheme.

SPECIFIC PRESCRIPTIONS

For the purpose of reporting financial information:

The inception date, i.e. the date on which liability of an insurer begins under a contract of insurance, shall be the date for recognition of premiums. Where an insurance contract provides permanent open cover, each anniversary date of the contract shall be deemed the inception date.

Premiums shall be shown net of discounts, refunds and rebates.

Amounts of commission which may include brokerage fee or other remuneration paid to intermediaries shall be separately shown under appropriate headings and shall not be deducted from premium amounts.

Claims amounts shall include claims expenses and provisions for outstanding claims shall include provisions for Incurred But Not Reported (IBNR) claims.

Premiums, claims, surrenders, annuities and commissions shall be shown net of reinsurance transactions related thereto.

Reserves for Unearned Premiums in respect of each class of general insurance business shall be computed on the basis of the one-twenty fourth method.

Reserves for Incurred But Not Reported (IBNR) claims in respect of each class of general insurance business shall be 10% (ten percent) of net earned premium. where an asset which is encumbered is included in the balance sheet, particulars of such an asset, the nature of the encumbrance and the amount secured by the encumbrance shall be attached to the balance sheet.

Particulars of all contingent liabilities other than liabilities under contracts of insurance shall be attached.

5. REPORTING PERIOD

For the purpose of reporting financial information,
First Quarter shall mean the period running from July 1 to September 30,
Second Quarter shall mean the period running from October 1 to December
31, Third Quarter shall mean the period running from January 1 to March 31,
Fourth quarter shall mean the period running from April 1 to June 30 of each
financial year.

EFFECTIVE DATE

These Directives shall be effective as of the 11th day of May 1998.