INSURANCE INDUSTRY IN ETHIOPIA

Development of Insurance Industry in Ethiopia:

Modern forms of insurance service, which were introduced in Ethiopia by Europeans, trace their origin as far back as 1905 when the Bank of Abysinia began to transact fire and marine insurance as an agent of a foreign insurance company. According to a survey made in 1954, there were 9 insurance companies that were providing insurance service in the country. Except Imperial Insurance company that was established in 1951, the rest of the insurance companies were branches or agents of foreign companies. The number of insurance companies increased significantly and reached 33 in 1960. At that time insurance business like any business undertaking was classified as trade and was administered by the provisions of the commercial code. This was the only legislation in force in respect of insurance except the maritime code of Ethiopia that was issued to govern the operations of maritime business and the related marine insurance. The minimum paid-up capital required to establish an insurance company was as little as 12,500 Ethiopian dollars as stipulated in the commercial code. There was no restriction on foreign insurers.

The first remarkable event that the Ethiopian insurance market witnessed was the promulgation of proclamation No. 281/1970. This proclamation was issued to provide for the control & regulation of insurance business in Ethiopia. It is peculiar in that it created an Insurance Council and an Insurance Controller's Office.

The controller of insurance licensed 15 domestic insurance companies, 36 agents, 7 brokers, 3 actuaries & 11 assessors in accordance with the provisions of the proclamation immediately in the year after the issuance of the law.

The law required an insurer to be a domestic company whose share capital (fully subscribed) to be not less than Ethiopian dollars 400,000 for a general insurance business and Ethiopian dollars 600,000 in the case of long-term insurance business and Ethiopian dollars 1,000,000 to do both long-term & general insurance business. Non-Ethiopian nationals were not barred from participating in insurance business. However, the proclamation defined 'domestic company' as a share company having its head office in Ethiopia and in the case of a company transacting a general insurance business at least 51% and in the case of a company transacting life insurance business, at least 30% of the paid-up capital must be held by Ethiopian nationals or national companies.

Four years after the enactment of the proclamation, the military government that came to power in 1974 put an end to all private enterprenurship. Then all insurance companies operating were nationalized and from January 1, 1975 onwards the government took over the ownership and control of these companies & merged them into a single unit called Ethiopian Insurance Corporation. In the years following nationalization, Ethiopian Insurance Corporation be came the sole operator.

Following the change in the political environment in 1991, the proclamation for the licensing and supervision of insurance business heralded the beginning of a new era. Immediately after the enactment of the proclamation private insurance companies began to flourish. Presently there are 9 private insurance companies in operation. National Bank of Ethiopia has authorized 11 insurance broking firms, 510 insurance agents and 7 loss assessors until July 2000.

Nationalization and the emergence of EIC:

The military government (in 1974) nationalized all the then existing 13 insurance companies in Ethiopia. The boards of all the nationalized companies were dissolved. A new provisional Insurance Board was set up. The nationalized companies were operating independently but were required to report to the provisional Insurance Board. This continued till the formation of Ethiopian Insurance Corporation – which took place in 1975.

Ethiopian Insurance Corporation (EIC) was established in 1976 by proclamation No.68/1975. The Corporation came into existence by taking over all the assets and liabilities of the thirteen nationalized private insurance companies, with Birr 11 million (USD 1.29 million) paid up capital aiming the following objectives:

- Engage in all classes of insurance business in Ethiopia ;
- Ensure the insurance services reach the broad mass of the people;
- Subject to the provision of Article 18 of the Housing and Saving Bank establishment proclamation No. 60/1975, promote efficient utilization of both material and financial resources.

EIC was operating the business for about nineteen years under protected monopolistic system as state owned-sole insurer. After the demise of the Marxist regime in mid-1991 a fundamental change has taken place and there was a shift in political, economic and social orientation from totalitarianism to that of liberalism. Therefore, EIC was re-established as public enterprise under proclamation number 201/94 with Birr 61 million (USD 7.13 million) paid up capital.

Upon re-establishment of the Corporation in 1994 as state owned enterprise, the law covers the following new objectives to the Corporation:

- Engage in the business of rendering insurance services; and
- Engage in any other related activities conducive to the attainment of its purposes.

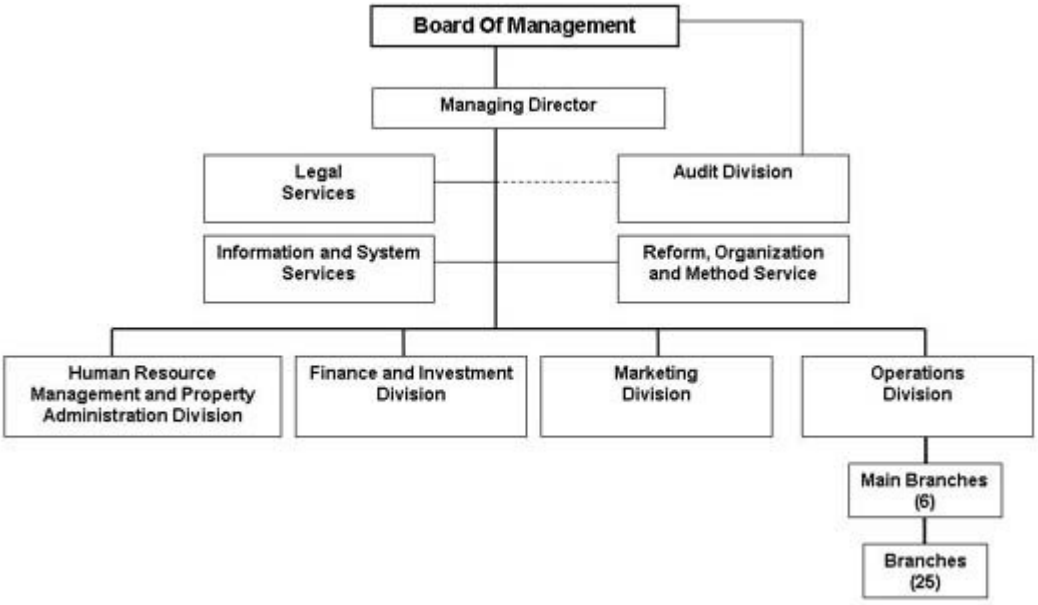
Vision & Mission of EIC:

The vision of the Ethiopian Insurance Corporation is to be a world class insurer.

The mission of the Ethiopian Insurance Corporation is to provide its customers an efficient & reliable insurance service which covers life, property and liability risks. EIC provides its service by giving a paramount importance to its customer’s safety and satisfaction; by making use of the right mix of expertise, the most up to date ICT and cost effective strategies.

Management of EIC:

EIC is administered by the Board of Management, which reports to Public Financial Enterprises Agency which is accountable to the Prime Minister's Office. The top management team comprises the Managing Director, four Deputy Managing Directors, one Division and three service Managers. The operations function is supported by a technical service manager and a net work of six main branches, twenty five local branches and five contact offices.



Organization Structure of the ETHIOPIAN INSURANCE CORPORATION **www.eic.com**

Present Scenario of the Industry:

Currently, in addition to EIC, nine other insurance companies are in operation in Ethiopia, their names being (in alphabetical order):

- Africa Insurance Company S.C. (established in 1994)
- Awash Insurance Company S.C. (established in 1994)
- Global Insurance Company S.C. (established in 1997)
- Lion Insurance Company S.C. (established in 2007)
- Nice Insurance Company of Ethiopia S.C. (established in 1994)
- NIB Insurance Company (established in 2002)
- Nile Insurance Company S.C. (established in 1995)
- Nyala Insurance Company (established in 1995)
- United Insurance S.C. (established in 1997)

  - AS PROVIDED IN THE WEBSITE OF National Bank of Ethiopia, the insurance-licensing authority.