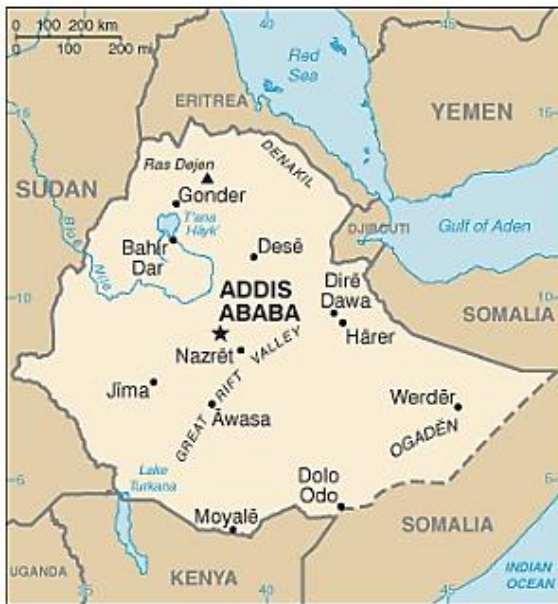


ETHIOPIA

INSURANCE MARKET OVERVIEW

by Hussein Elsayed



Official Name: Federal Democratic Republic of Ethiopia

Location: Ethiopia is a country located in the Horn of Africa. It shares borders with Eritrea to the north and northeast, Djibouti and Somalia to the east, Sudan and South Sudan to the west, and Kenya to the south.

Surface Area: Total area 1,104,300 km².

Time Zone: EAT (UTC+3).

Income Category: lowest level of income

Religion: Christianity 62.8% | Islam (33.9%) | traditional faiths (2.6%).

Language: Oromo 33.8%, Amharic 29.3%, Somali 6.2%, Tigrigna (Tigrinya) 5.9%, Sidamo 4%, and English is major foreign language taught in schools.

Government: Ethiopia is a multi-party federal democracy with legislative authority resting with the government headed by an executive prime minister and the elected House of Representatives (547 members) and the House of Federation (110 members). The Prime Minister is chosen by the party in power following multi-party democratic national and federal state elections which are held every 5 years. Parties can be registered at either the national or the federal state level. The President is elected by the members of the House of People's Representatives.

Climate: tropical monsoon with wide topographic-induced variation.

Natural Hazards: geologically active Great Rift Valley susceptible to earthquakes, volcanic eruptions; frequent droughts.

River flood: High | Urban flood: High | Extreme heat: High |
Wildfire: High | Landslide: High | Volcano: High | Earthquake:
Medium | Water scarcity: Medium | Tsunami: No Data |

(1) ETHIOPIA: Socio-Economic Information

Region	Eastern Africa	UN membership date	13 November 1945			
Population (000, 2023)	123 380 ^{a,b}	Surface area (km ²)	1 104 300 ^c			
Pop. density (per km ² , 2023)	123.4 ^{a,b}	Sex ratio (m per 100 f)	100.9 ^{a,b}			
Capital city	Addis Ababa	National currency	Ethiopian Birr (ETB)			
Capital city pop. (000, 2023)	4 592.0 ^d	Exchange rate (per US\$)	53.3 ^b			
Economic indicators	2010	2015	2023			
GDP: Gross domestic product (million current US\$)	26 311	63 079	99 269 ^c			
GDP growth rate (annual %, const. 2015 prices)	12.6	10.4	5.6 ^c			
GDP per capita (current US\$)	294.8	615.6	825.3 ^c			
Economy: Agriculture (% of Gross Value Added)	45.3	38.8	39.2 ^c			
Economy: Industry (% of Gross Value Added)	10.4	17.5	22.8 ^c			
Economy: Services and other activity (% of GVA)	44.3	43.7	38.1 ^c			
Employment in agriculture (% of employed) ^e	73.6	68.3	63.7 ^c			
Employment in industry (% of employed) ^e	7.9	8.9	10.1 ^c			
Employment in services & other sectors (% employed) ^e	18.4	22.8	26.2 ^c			
Unemployment rate (% of labour force) ^e	2.3	2.6	4.0			
Labour force participation rate (female/male pop. %) ^e	74.3 / 88.8	74.4 / 87.6	75.1 / 86.1			
CPI: Consumer Price Index (2010=100) ^f	100	205	652 ^b			
Agricultural production index (2014-2016=100)	82	101	116 ^c			
International trade: exports (million current US\$)	2 330	2 024	7 128 ^{a,b}			
International trade: imports (million current US\$)	8 602	17 686	101 088 ^{a,b}			
International trade: balance (million current US\$)	- 6 272	- 15 662	- 93 960 ^{a,b}			
Balance of payments, current account (million US\$)	- 635	- 7 567	- 4 507 ^c			
Major trading partners			2022			
Export partners (% of exports) ^e	Somalia	11.8	United States	10.8	Germany	8.0
Import partners (% of imports) ^e	China	26.4	India	15.7	United States	7.6
Social indicators	2010	2015	2023			
Population growth rate (average annual %)	2.8	2.7	2.5 ^{a,b}			
Urban population (% of total population)	17.3	19.4	21.2 ^d			
Urban population growth rate (average annual %) ^g	4.6	4.9	...			
Fertility rate, total (live births per woman)	5.2	4.5	4.1 ^{a,b}			
Life expectancy at birth (females/males, years)	61.8 / 57.7	66.3 / 61.1	68.9 / 62.6 ^{a,b}			
Population age distribution (0-14/60+ years old, %)	45.1 / 4.4	42.5 / 4.6	39.6 / 4.9 ^{a,b}			
International migrant stock (000/% of total pop.) ^h	568.7 / 0.6	1 161.6 / 1.2	1 085.5 / 0.9 ⁱ			
Refugees and others of concern to the UNHCR (000)	155.4 ^j	705.7	5 370.5 ^b			
Infant mortality rate (per 1 000 live births)	54.4	43.2	31.9 ^{a,b}			
Health: Current expenditure (% of GDP) ^k	5.5	3.8	3.5 ⁱ			
Health: Physicians (per 1 000 pop.)	-0.0 ^l	...	0.1 ⁱ			
Education: Government expenditure (% of GDP)	4.5	4.7	3.7 ^b			
Education: Primary gross enrol. ratio (f/m per 100 pop.)	88.0 / 95.2	96.1 / 105.8	101.1 / 110.8 ^c			
Education: Low. sec. gross enrol. ratio (f/m per 100 pop.)	39.5 / 46.2	42.0 / 43.9	40.9 / 45.8 ^m			
Education: Upr. sec. gross enrol. ratio (f/m per 100 pop.)	13.4 / 19.1	17.4 / 17.7	10.5 / 11.7 ⁿ			
Intentional homicide rate (per 100 000 pop.)	...	8.6 ^o	...			
Seats held by women in the National Parliament (%)	21.9	27.8	41.3 ^p			
Environment and infrastructure indicators	2010	2015	2023			
Individuals using the Internet (per 100 inhabitants)	0.8 ^q	13.9	16.7 ^{q,c}			
Research & Development expenditure (% of GDP)	0.2 ^r	0.6 ^s	0.3 ^{r,m}			
Threatened species (number)	120	145	237 ^b			
Forested area (% of land area)	15.8	15.4	15.1 ⁱ			
CO ₂ emission estimates (million tons/tons per capita) ^{t,u}	16.4 / 0.1	22.2 / 0.1	27.9 / 0.1 ⁱ			
Energy production, primary (Petajoules) ^t	1 212	1 327	1 441 ⁱ			
Energy supply per capita (Gigajoules) ^t	14	14	14 ⁱ			
Tourist/visitor arrivals at national borders (000) ^{v,w}	468	864	518 ^c			
Important sites for terrestrial biodiversity protected (%)	13.1	15.0	16.4 ^b			
Pop. using safely managed drinking water (urban/rural, %)	36.9 / 1.6	37.6 / 3.1	38.6 / 5.8 ^b			
Pop. using safely managed sanitation (urban/rural %)	14.3 / 2.5	15.7 / 3.4	17.4 / 4.2 ^b			
Net Official Development Assist. received (% of GNI)	11.58	5.04	3.68 ^c			

a Projected estimate (medium fertility variant). **b** 2022. **c** 2021. **d** 2019. **e** Estimate. **f** Calculated by the UN Statistics Division from national indices. **g** Data refers to a 5-year period preceding the reference year. **h** Including refugees. **i** 2020. **j** Data as at the end of December. **k** Data refer to fiscal years beginning 8 July. **l** 2009. **m** 2017. **n** 2018. **o** 2012. **p** Data are as at 1 January of reporting year. **q** Population aged 10 years and over. **r** Break in the time series. **s** 2013. **t** Excluding Eritrea. **u** Data refer to fiscal years beginning 1 July. **v** Arrivals through all ports of entry. **w** Including nationals residing abroad.

(III) ETHIOPIA: Insurance Market

KEY HIGHLIGHTS

- *The Ethiopian insurance industry is regulated by The National Bank of Ethiopia (NBE).*
- *Motor third-party liability insurance and professional indemnity insurance for insurance intermediaries are compulsory classes of insurance.*
- *Composite insurance is permitted in Ethiopia.*
- *The government does not permit FDI in the insurance industry.*
- *Non-admitted insurance is prohibited in Ethiopia. However, unauthorized reinsurance companies can reinsure risks located in Ethiopia on a cross-border basis.*

(A) Historical Landmarks and Regulatory Environment

- 19th c The earliest insurance transactions were reported.
- 1905 The Bank of Abyssinia started underwriting fire and marine business on an agency basis.
- 1923 The Swiss insurer Baloise set up a branch office in Addis Ababa and was soon followed by other foreign companies working on an agency basis.
- 1939 During the Italian occupation (1936 to 1941), Italian companies operated but, when Ethiopia was liberated, other European insurance companies restarted activities.
- 1951 The first national company, the Imperial, was set up. The company started selling policies in 1952.
- 1950s / 1960s More local companies were established, reaching a total of 13.
- 1975 All insurers were nationalized by the communist government and the Ethiopian Insurance Corporation (EIC) was formed.
- 1994 The market reopened, but for local insurers only.
- The supervision of banks and insurers became governed by the *Monetary and Banking Proclamation No 83/1994*.
- 2012 Under the terms of the *Vehicle Insurance Against Third Party Risks Proclamation No 559/2008* gazetted on 9 January 2009 and enforceable from 1 January 2012, it became compulsory for all vehicle owners to effect suitable motor insurance.
- The most recent legal basis for the insurance industry in Ethiopia became *Proclamation No 746/2012, A Proclamation to Provide for Insurance Business*, of 22 August 2012.
- 2013 The *Minimum Paid up Capital for Insurers Directives No SIB/34/2013* issued by the National Bank of Ethiopia came into force on 15 April 2013 establishing a considerably higher level of capital as a minimum requirement.
- 2014 The *Reinsurance Company Establishment Directive No SRB/1/2014* paved the way for the first local reinsurer with a 31 December 2015 deadline for capital to be in place for the first application with trading due to commence in 2016.
- 2015 New microinsurance legislation was introduced under the *Licensing, License Renewal and Product Approval for Microinsurance Providers Directive No SMIB/1/2015*.
- 2016 Ethiopian Reinsurance SC was established and began trading on 1 July 2016. New legislation was introduced for insurers to implement policies and procedures for reinsurance under *Manner and Criteria of Transacting Reinsurance Directives No SIB/44/2016* including compulsory cessions.
- 2017 On 1 January new legislation took effect to address insurance company solvency under *Licensing and Supervision of Insurance Business Margin of Solvency Directives No. SIB/45/2016*.
- *In 2018, the Insurance Fund announced plans to develop a database collecting all motor accident related information. The system (Motor Third Party Liability System) will include a vehicle database and interlink all official parties involved in motor liability issues, from insurers to medical institutions and government entities as well as allowing for settlement of medical expenses.*
- *In July 2019, the Ethiopian Council of Ministers passed two draft Bills, among other things, envisage allowing foreign nationals of Ethiopian origin to engage in the financial sector.*
- *In 2021, Parhelion, a UK-based specialist energy and climate risk finance company, and FSD Africa, the UK Government's flagship financial sector programme in Africa, have announced plans to launch a first-of-its-kind underwriting facility, backed by East African insurers, to de-risk early-stage development of geothermal*

energy projects with the capacity to significantly expand electricity access and energy sector resilience in Kenya and Ethiopia.

- Also in 2021, Reinsurers advise insurance firms in Ethiopia to suspend accepting new applications from customers seeking to buy political violence and terrorism cover.
- In 2022, The National Bank of Ethiopia (NBE) has raised the minimum capital for insurance companies by 567%. This new requirement came into effect on 15 September 2022. This change is the first of its kind since 2013. On the other hand, the National Bank of Ethiopia (NBE), is considering opening up the insurance and microfinance sectors.
- Also, in 2022, African Reinsurance Corporation has announced that it would lift partially its unilateral ban on the issuance of new political violence treaty (PVT) insurance cover for capital assets in regions in Ethiopia under a state of emergency.
- In 2023, The National Bank of Ethiopia (NBR) has set up a deposit insurance fund to serve as a financial safety net for depositors of commercial banks and microfinance institutions. The Ethiopian Deposit Insurance Fund has been established as per Council of Ministers Regulation No. 482/2021.
- Also, in 2023, Amhara Bank, incorporated in June 2022, and other promoters are working to establish an insurance company in Ethiopia with a paid-up capital of ETB2bn (\$37.7m), the largest amount of initial capital for a new insurer in the country.
- It was reported in 2018 that the insurance industry had been targeted by the Ethiopian Revenue & Customs Authority (ERCA) for payment of up to ETB 1bn (USD 36.41mn) on expired customs guarantee bonds. The bonds had been issued to the construction industry to cover machinery on major projects.
- In 2024, The National Bank of Ethiopia (NBE), has announced that an independent insurance regulatory agency will be established by June 2025 in what will be a game-changing development.
- Also, in 2024, The UNDP has established an Insurance Risk Financing Facility (IRFF) to help communities and businesses in Ethiopia manage shocks.

▪ Insurance Regulator

The National Bank of Ethiopia (NBE) <https://nbe.gov.et/>

Ethiopia's insurance sector remains strictly regulated, with direct bans and product controls by the National Bank of Ethiopia (NBE).

Notably, foreign participation in the sector is largely prohibited with an outright ban on FDIs, which limits available capital and reduces competition. Non-admitted insurance is also strictly prohibited with some exceptions made for reinsurers. In 2019, the Insurance Business Proclamation was amended to allow Ethiopian-born foreign nationals to operate in the sector, while also introducing rules for Islamic insurance (takaful).

The NBE, and other government entities, retain considerable latitude to enforce regulations and set the parameters of business operations. That said, regulation of the insurance sector is relatively less intrusive than that of the commercial banking sector.



▪ Insurance Professional Bodies:

- Association of Ethiopian Insurers (AEI) was reinstated in 2002
- The Association of Ethiopian Insurance Brokers was established in 2003.
- Society of Insurance Professionals (licensed in April 2003).

▪ Key Insurance Legislations & Regulations:

The following regulatory provisions govern the insurance sector in Ethiopia:

- **Proclamation No. 746/2012:** Disseminated on August 22 2012, the directive covers the guidelines for the establishment of insurance businesses in the country. The law reiterates the prohibition on foreign ownership and grants the NBE the right to approve any substantial



transfer of shares, as well as a say in shareholder meetings. It also limits individuals to a maximum 5% of total shares and, as is the case with commercial banks, gives the NBE the authority to dismiss senior leadership as it sees fit.

- **The Minimum Paid up Capital for Insurers Directives No SIB/34/2013** issued by the National Bank of Ethiopia establishing a considerably higher level of capital as a minimum requirement, and its amendments by **Directives No SIB/57/2022**.
- SIB/39/2014 – **Insurance and Reinsurance Business Fraud Monitoring**.
- **Proclamation No. 1163/2019 (Amendments)**: Amendments to the cornerstone 2012 legislation, which introduced rules for licencing *takaful* companies, supervision for reinsurance and opened up ownership to Ethiopian-born foreign nationals.
- SRB/2/2022 - **Prudential Requirements for Reinsurance Companies**
- SIB/60/2023 – **Motor Insurance Minimum Premium Rate**

■ **Form, Company Registration and Licences:**

The NBE is responsible for the licensing and supervision of insurance businesses.

All insurance companies are required to be licensed. Foreign applicants, however, or applications from organisations with even partial foreign ownership would not be granted a licence. Since February 2015, it has been possible for a microfinance institution to provide insurance subject to specific conditions.

Insurance company licensing requirements are in terms of the Requirements for Licensing and Licence Renewal of Insurance Business Directive No SIB/33/2013.

The requirements include:

- *completed application form*
- *Ministry of Trade and/or Regional Trade Bureau registration*
- *company prospectus*
- *evidence of paid-up capital*
- *articles and memorandum of association*
- *proof of ownership or lease agreement in respect of company premises*
- *full disclosure of influential shareholders (holdings of 2% or more) and office holders*
- *in-depth business plan*
- *specimen wordings, endorsements and proposal forms*
- *schedule of premium and commission rates*
- *reinsurance programme.*

■ **Types of Licences:**

- *Composite insurance companies are permitted but separate licences are required for general and long-term business.*
- *"Long-term" is defined as life insurance, annuity, pension, permanent health insurance and personal accident or sickness insurance written as a rider to other defined long-term business. All other business is regarded as "general".*
- *By definition, health insurance other than permanent health, is classed as general or non-life business. In practice, however, the life departments of local companies often deal with health insurance as a life class.*
- *Microinsurance may be provided by either a life or general insurer under their existing licence. Under recent legislation a specialist microinsurer may apply for a suitable licence. Microinsurance may be provided by a microfinance provider which, though not possessing an insurance licence, must hold a valid microfinance licence amongst other operating criteria.*

■ **Capital Requirements:**

The National Bank of Ethiopia (NBE) has raised the minimum capital for insurance companies by 567%. This new requirement came into effect on 15 September 2022 (Directives No SIB/57/2022). This change is the first of its kind since 2013 (Directives No SIB/34/2013).

Local insurers are now required to have the following minimum capital:



- 400 million ETB (7.5 million USD) instead of 60 million ETB (1.1 million USD) for non-life companies
- 100 million ETB (1.9 million USD) instead of 15 million ETB (283 450 USD) for life companies

▪ Compulsory Insurances

List of Compulsory Insurances

- Motor insurance in respect of death or injury to third parties and also damage to third party property. Compulsory third party motor covers are subject to a rating tariff. The tariff is established by the Ministry of Transport Insurance Fund Board.
- Marine cargo imports.
- Professional indemnity insurance for insurance brokers, insurance agents, insurance surveyors and loss adjusters.
- Aviation third party liability: In terms of Article 63 of Civil Aviation Proclamation No 616/2008, effective as at February 2009, air carriers are required to have in place an insurance policy that meets the minimum requirements of both local laws and international agreements.
- Insurance, not defined - assumed to be liability, in respect of insurance company premises.
- Personal accident insurance for domestic workers seeking to obtain visas to work in Arab countries.



▪ Pools:

The pools operating in the Ethiopian market are as below.

- The Vehicle Insurance Against Third Party Risks Proclamation No 559/2008 gazetted on 9 January 2009 and enforceable from 1 January 2012 provides for the creation of an insurance fund designed to pay for emergency medical treatment in respect of any person injured by a motor accident. The fund also provides compensation to third party victims of motor accidents where the damage is inflicted by an uninsured or unidentified vehicle. The fund, known as the Insurance Fund, is run by the Ethiopian Insurance Corporation (EIC) on behalf of the Ministry of Transport. It is paid for by a 10% levy applied to third party motor premiums and paid by insurers directly to the fund. In 2013, changes made by the council of ministers led to the establishment of the Insurance Fund Administration Agency (IFAA).

Foreign Ownership:

As specified under Articles 2.8 and 10 of Proclamation No 746/2012, A Proclamation to Provide for Insurance Business, no foreign ownership of insurance companies, even minority holdings, is permitted in Ethiopia.

The foreign ownership rules apply to insurance, reinsurance and microinsurance providers alike.

▪ Position of Non-Admitted Insurers:

Non-admitted insurance is prohibited in Ethiopia. However, unauthorized reinsurance companies can reinsure risks located in Ethiopia on a cross-border basis.

▪ Statutory Tariffs

Compulsory third party motor covers are subject to a rating tariff. The tariff is established by the Ministry of Transport Insurance Fund Board.

▪ Reinsurance Business:

Reinsurance business is subjects to the following regulations:

- SRB/1/2014 – Reinsurance Company Establishment
- SRB/2/2022 - Prudential Requirements for Reinsurance Companies
- SRB/3/2022 – Fees on A Reinsurance Company





(B) Insurance Market Statistics & Performance



Structure of the Ethiopian Insurance Sector:

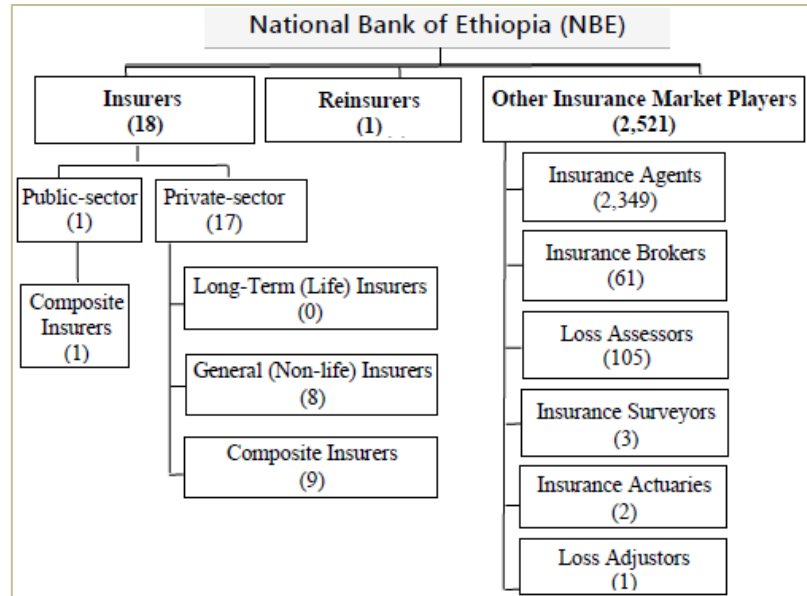
Ethiopia's insurance sector consists of general insurance and long-term insurance, and insurance companies need to have separate licenses for each.

At end-June 2023, the insurance industry in Ethiopia consisted of 18 Insurers; 1 state-owned and 17 private insurers – 12 operate in both general and long-term insurance and the remaining 6 in general insurance only.

At present, there are no insurance companies dedicated exclusively to providing long-term coverage.

In addition, 1 locally incorporated Reinsurance Company (Ethio-Re), around 2,716 insurance agents, 62 insurance brokers, 114 loss assessors and 3 surveyors are operating in the sector.

Africa Re and PTA Reinsurance Company (ZEP-RE), which have considerable presence in the sector, have contact offices in Ethiopia. These two reinsurance companies transact their reinsurance business in local currency.



List of insurance companies 2022 (in alphabetic order)

S/N	Name	Establishment Year
1	Abay Insurance Company	2010
2	Africa Insurance Company S.C	1995
3	Awash insurance company S.C	1994
4	Berhan Insurance Company S.C	2011
5	Buna insurance company	2013
6	Ethiopian Insurance Corporation	1995
7	Ethiopia life and general insurance company	2008
8	Global Insurance Company S.C	1997
9	Lion Insurance Company S.C	2007
10	Lucy insurance company	2012
11	National insurance company	1994
12	NIB insurance company	2002
13	Nile insurance company	1995
14	Nyala Insurance company S.C	1995
15	Oromia insurance company	2009
16	Tsehay insurance company	2012
17	The United Insurance S.C	1997
18	Zemen insurance company	2020

The largest single company by far is the state-owned Ethiopian Insurance Corporation (EIC). The EIC was established in 1976 and enjoyed a market monopoly on all forms of insurance until 1994, when the market was opened up to private investors. As of the end of June 2022, NBE data show that EIC had 91 branches across the country and total capital stood at ETB2,924mn - almost double the size of the second largest insurer Awash Insurance Company (ETB1,551mn). EIC offers a wide range of products in both the life and non-life segments, and continues to grow strongly, benefiting from its scale and dominant position.

Branch Network & Capital of Insurance Companies as at June 30, 2022

(Branch in Number, and Capital in Millions of Birr)

No.	Insurance Companies	Branch						Capital		
		2020/21			2021/22			2020/21	2021/22	% Change
		A.A	Regions	Total	A.A	Regions	Total	A	B	C=B/A
1	Ethiopian Insurance Corporation	25	65	90	25	66	91	2,924.0	3,376.0	15.5
2	Awash Insurance Company	29	23	52	30	26	56	1,551.0	1,898.0	22.4
3	Africa Insurance Company	18	14	32	18	14	32	367.0	410.0	11.7
4	National Insurance Corporation of Ethiopia	22	17	39	22	17	39	206.0	296.0	43.7
5	United Insurance Company	28	12	40	30	13	43	723.0	797.0	10.2
6	Global Insurance Company	12	8	20	12	8	20	230.0	280.0	21.7
7	Nile Insurance Company	29	22	51	33	24	57	678.0	940.0	38.6
8	Nyala Insurance Company	17	18	35	18	18	36	1,049.0	1,260.0	20.1
9	Nib Insurance company	28	14	42	30	15	45	718.0	844.0	17.5
10	Lion Insurance Company	16	20	36	19	22	41	380.0	346.0	-8.9
11	Ethio-Life & General Insurance S.C	18	6	24	20	6	26	187.0	228.0	21.9
12	Oromia Insurance Company	22	21	43	25	25	50	690.0	972.0	40.9
13	Abay Insurance S.C	15	14	29	16	15	31	382.0	516.0	35.1
14	Berhan Insurance S.C	13	8	21	15	8	23	215.0	266.0	23.7
15	Tsehay Insurance S.C	19	9	28	22	10	32	310.0	378.0	21.9
16	Luey Insurance	16	6	22	18	6	24	112.0	162.0	44.6
17	Bunna Insurance S.C.	16	12	28	17	12	29	214.0	255.0	19.2
18	Zemen Insurance S.C.	2	1	3	12	3	15	130	154.0	18.5
	Total	345	290	635	382	308	690	11,066	13,378	20.9

Source: Insurance Companies

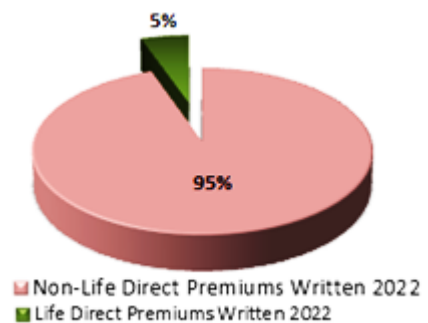
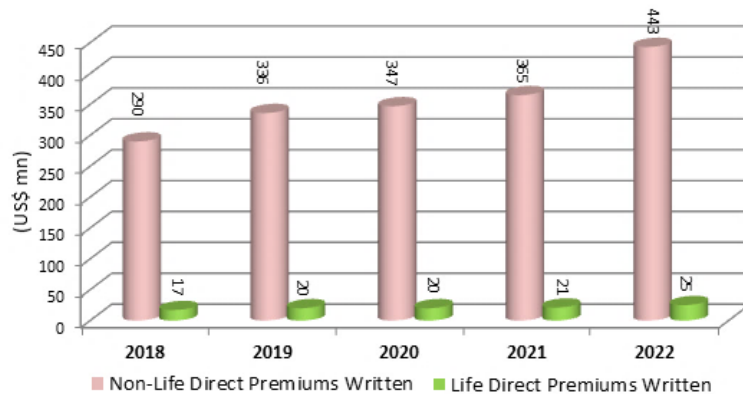
Note: A.A=Addis Ababa

Source: NBE 2021-22-Annual-report

Life and Non-Life main indicators 2018-2022

Direct Premiums Written 2018-2022	Total Direct Premiums Written		2018	2019	2020	2021	2022
	Direct Premiums Written (US\$ mn)		306	356	368	387	469
	Total Insurance Growth (%) inflation-adjusted		4.9%	6.1%	3%	3.8%	7.5%
	Penetration (%)		0.4%	0.4%	0.4%	0.4%	0.4%
	Density (US\$)		3	3	3	3	4
	Life Direct Premiums Written		2018	2019	2020	2021	2022
	Direct Premiums Written (US\$ mn)		17	20	20	21	25
	Life Insurance Growth (%) inflation-adjusted		3.1%	8.7%	3%	3.7%	4.7%
	Penetration (%)		-	-	-	-	-
	Density (US\$)		-	-	-	-	-
Non-Life Direct Premiums Written (*)		2018	2019	2020	2021	2022	
Direct Premiums Written (US\$ mn)		290	336	347	365	443	
Non-Life Insurance Growth (%) inflation-adjusted		5%	5.9%	3%	3.9%	7.7%	
Penetration (%)		0.4%	0.4%	0.4%	0.4%	0.4%	
Density (US\$)		3	3	3	3	4	

(*) Including PA & H Business



Source: Swiss Re Sigma Explorer (<http://www.sigma-explorer.com>) accessed on April 10, 2024

▪ **Ethiopian Insurance Industry's Performance as of June 30, 2023**

Item	In '000 Birr			
	Non-Life	2022/23		2021/22
		Life	Total	Total
Gross Premium	21,459,674	1,462,714	22,922,388	16,665,406
Net Premium	14,587,698	1,198,414	15,786,112	10,310,303
Ret Ratio (%)	68	82	69	62
Net Earned Premium	11,692,646	1,136,898	12,829,544	9,212,955
Net Claims Incurred	6,823,961	717,393	7,541,354	5,127,770
Loss Ratio (%)	58	63	59	56
Total Asset	46,021,291	3,707,011	49,728,302	40,857,679
Total Capital	14,729,144	1,624,984	16,354,128	13,380,124
Profit after Tax	3,239,654	392,963	3,632,617	2,824,014

Source: [EthiopianRe Annual Report JUNE-2023](#) - December 2023

At end-June 2023, total assets, liabilities, and capital of the insurance sector stood at Birr 49.7 billion, Birr 33.4 billion and Birr 16.3 billion, respectively (Table 11). While general insurance accounted for 90% or more of each, life insurance remained a nascent business. The insurance industry accounted for slightly less than 2% of the total assets of the financial sector, but saw an increase of 21.8% from the previous year.

The growth in assets is largely attributed to the increase in current assets of bank deposits, which constituted 39.0% of total assets and increased by 34.7% from the previous year. The 21.8% growth of total assets was financed by an increase in liabilities (by Birr 6.0 billion; 67.4% of the total asset increase) and equity (by Birr 2.9 billion, 32.6% of the total increase).

Financial Performance of the Insurance Sector (billion Birr)						
Item	June 2019	June 2020	June 2021	June 2022	June 2023	Change 2022-2023 (%)
Assets						
Total Assets	20.8	29	39.1	40.8	49.7	21.8%
Total Investment	13.2	15	19	22	28.9	31.4%
Investment In Equity	2.6	2.8	3.6	4.9	5.9	20.4%
Bank Deposit	9.5	10.3	13.3	14.4	19.4	34.7%
Current Assets	13.3	20.3	29.1	28.3	35.1	24.0%
Liabilities and Capital						
Total Liabilities	12.7	19.4	28	27.4	33.4	21.9%
Total Equity	8.2	9.5	11.1	13.4	16.3	21.6%
Current Liability	12.2	18.9	27.3	26.7	32.5	21.7%
Outstanding Claims	3.6	7.6	13.5	10.4	11.6	11.5%
Net profit/loss Before tax	1.9	2.3	2.7	3.3	4.1	24.2%

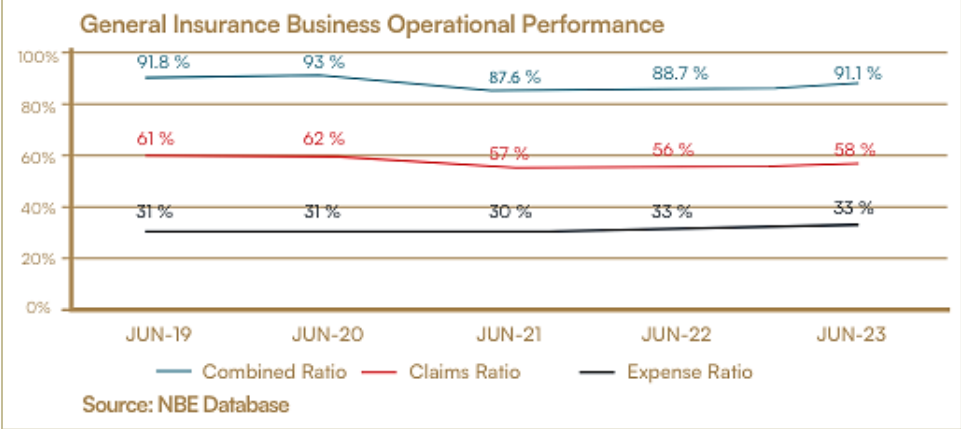
Source: NBE Database

The profitability of the sector is sound. It generated a net income before tax of Birr 3.7 billion and Birr 0.4 billion from the general and long-term insurance business, respectively, corresponding to a return on equity of 25.0% for both classes of business. However, inflation led to losses on insurers' fixed income holdings of bank deposits, their largest asset class. 5-year average return on investment of the sector was 10.0%.

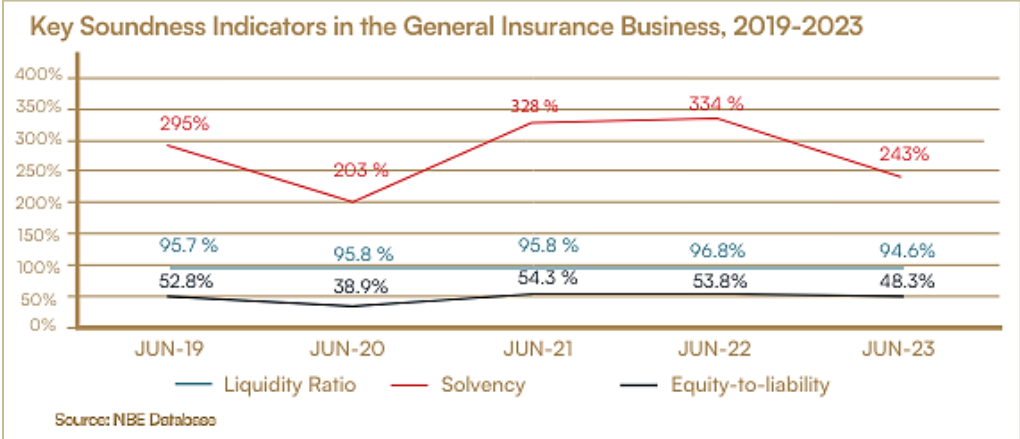
The insurance sector's premium grew by 37.5% to Birr 22.9 billion at end-June 2023, roughly in line with the level of inflation (or reflecting about zero real growth). Compared to 7.8% growth of life insurance, the general insurance business increased at a faster rate by 40.1% to reach Birr 21.5 billion.

Profitability of the sector as measured by a combined ratio – the aggregation of the loss ratio (net incurred claims relative to net earned premium) and the expense ratio (underwriting expenses relative to net earned premium) – remained below 100% in 2019–2023, indicating that the sector is making profits from insurance operations.

During this period, the historic loss-making motor class of the business exhibited improvements in claims ratio due to measures taken, which included increasing premium rates and a more cautious management of risks covered in this class of business.



Net claims to the industry grew by 46 % from the previous year at end-June 2023, higher than inflation. Equity as a percentage of liability stood at 48.3%, which is well above the 20% minimum prudential requirement. Solvency ratio – statutory capital to required capital – which is expected not to fall below 100%, stood at 243.0%. The sector is liquid with a liquidity ratio of 94.6%.



Source: [Financial Stability Report](#) - by National Bank of Ethiopia, April 2024

Ethio-Re: 2018-2023 financial performance

Ethiopian Reinsurance (Ethio-Re) has published its key business indicators for the last five years, from 30 June 2018 to 30 June 2023. The company's turnover has progressed by 204% in five years, going from 661.492 million ETB (23.7 million USD) in 2018 to 2.01 billion ETB (36.4 million USD) five years later. Over the period running from June 2022 to June 2023, the turnover has grown by 48.1%.

The combined ratio has deteriorated by 9.16% from 95.1% at the end of June 2022 to 103.82% at the end of June 2023.

The company's pre-tax result for the six months ending 30 June 2023 amounted to 219.014 million ETB (4 million USD), against 78.631 million ETB (2.8 million USD) for the same period in 2018.

Source: [EthiopianRe Annual Report JUNE-2023](#) - December 2023

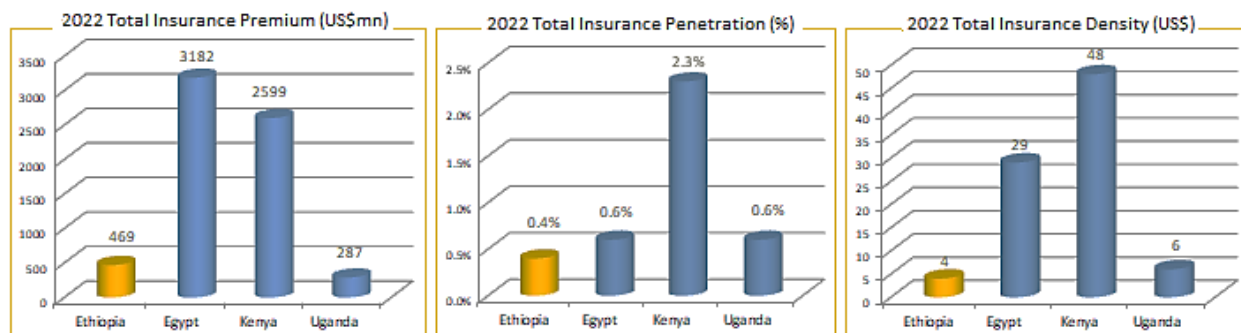
➤ Ethiopian Insurance Market: Regional Comparison

SUB-SAHARAN AFRICA INSURANCE RISK/REWARD INDEX

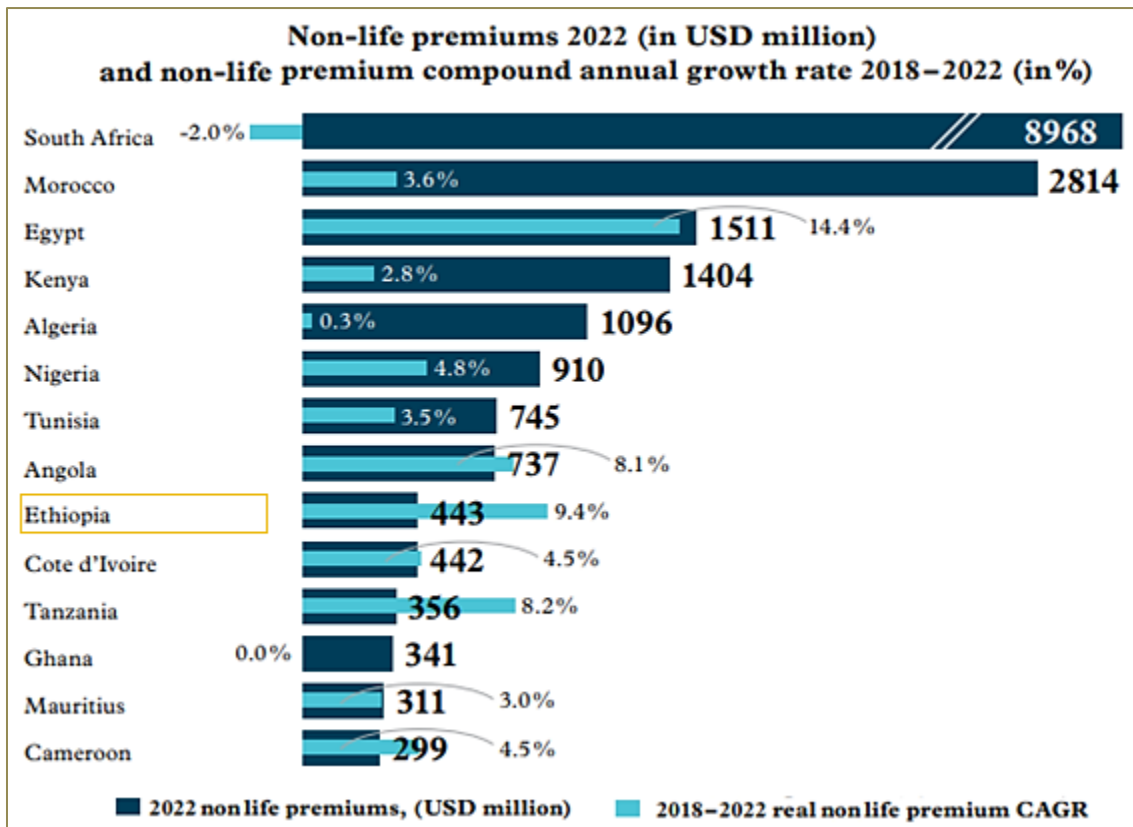
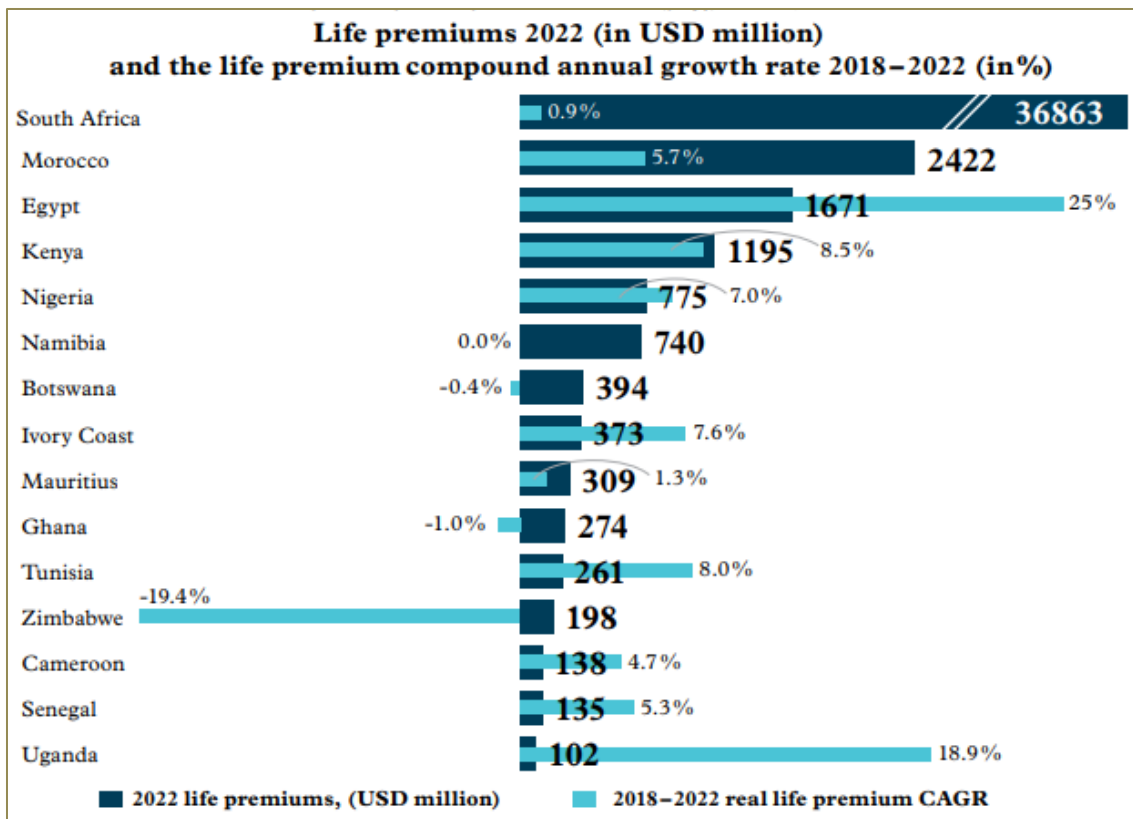
	Industry Rewards	Industry Rewards Non-Life	Industry Rewards Life	Country Rewards	Country Rewards	Industry Risk	Country Risks	Risks	Insurance Risk/Reward Score	Rank
South Africa	70,00	67,50	72,50	56,75	64,70	65,00	65,90	65,54	64,95	1
Mauritius	30,00	30,00	30,00	61,36	42,54	60,00	69,48	65,69	49,49	2
Botswana	23,75	20,00	27,50	53,43	35,62	60,00	67,63	64,58	44,31	3
Namibia	28,75	20,00	37,50	42,41	34,21	40,00	53,75	48,25	38,43	4
Ghana	20,00	22,50	17,50	40,07	28,03	50,00	57,84	54,71	36,03	5
Kenya	26,25	30,00	22,50	33,87	29,30	45,00	40,92	42,55	33,28	6
Nigeria	15,00	12,50	17,50	41,66	25,66	25,00	47,09	38,25	29,44	7
Uganda	16,25	17,50	15,00	33,42	23,12	40,00	41,29	40,77	28,41	8
Senegal	18,75	20,00	17,50	30,80	23,57	30,00	44,96	38,97	28,19	9
Zambia	13,75	17,50	10,00	40,66	24,51	15,00	44,30	32,58	26,93	10
Zimbabwe	28,75	32,50	25,00	29,27	28,96	20,00	23,13	21,88	26,83	11
Tanzania	12,50	15,00	10,00	29,47	19,29	40,00	47,01	44,21	26,76	12
Cote d'Ivoire	17,50	20,00	15,00	31,82	23,23	40,00	30,89	34,54	26,62	13
Gabon	8,75	12,50	5,00	37,16	20,12	30,00	48,93	41,36	26,49	14
Malawi	10,00	10,00	10,00	33,40	19,36	40,00	43,09	41,85	26,11	15
Angola	13,75	20,00	7,50	32,05	21,07	40,00	36,26	37,76	26,08	16
Burkina Faso	11,25	15,00	7,50	26,49	17,35	30,00	44,25	38,55	23,71	17
Cameroon	13,75	17,50	10,00	24,94	18,23	30,00	38,08	34,85	23,21	18
Benin	7,50	7,50	7,50	25,34	14,64	30,00	42,61	37,57	21,52	19
Mali	7,50	10,00	5,00	27,97	15,69	20,00	42,76	33,65	21,08	20
Togo	10,00	10,00	10,00	26,66	16,66	20,00	35,20	29,12	20,40	21
Rwanda	5,00	7,50	2,50	34,79	16,92	10,00	39,59	27,75	20,17	22
Congo-Brazzaville	7,50	10,00	5,00	21,14	12,96	20,00	39,64	31,78	18,60	23
Madagascar	3,75	5,00	2,50	27,30	13,09	10,00	39,97	27,98	17,92	24
Guinea	2,50	2,50	2,50	23,22	10,79	20,00	35,08	29,05	16,27	25
Ethiopia	2,50	2,50	2,50	29,66	13,36	10,00	31,46	22,88	16,22	26
Niger	3,75	5,00	2,50	25,99	12,65	15,00	30,12	24,07	16,07	27
Burundi	5,00	5,00	2,50	24,61	12,84	20,00	27,72	24,63	16,02	28
Chad	3,75	5,00	2,50	24,07	11,88	20,00	24,25	22,55	15,08	29
Central African Republic	3,75	5,00	2,50	24,38	12,00	20,00	22,34	21,40	14,82	30
DRC	3,75	5,00	2,50	17,34	9,19	10,00	31,48	22,89	13,30	31
Regional Average	14,35	15,48	13,15	32,63	21,66	29,84	41,52	36,85	26,22	

Note: Scores out of 100; higher score = lower risk. Source: Fitch Solutions

Source: Ethiopia Insurance Report Q2_2023 - by Fitch Solutions, February 2023



Source: SwissRe Sigma Explorer (<http://www.sigma-explorer.com>)



Source: Faber Consulting AG, based on data from Swiss Re Institute, sigma explorer



Strengths	<ul style="list-style-type: none"> ▪ Ethiopia is one of the larger markets in Africa by overall GDP. ▪ Its economy is relatively diversified and continues to grow robustly. ▪ Several domestic insurers have a solid presence in the market, particularly for basic motor insurance lines. ▪ The infrastructure pipeline is robust and is slated for healthy growth.
Weaknesses	<ul style="list-style-type: none"> ▪ The market remains closed to international providers, with few options for overseas investors. ▪ Uptake of formal banking services is limited, hindering demand for various non-life and life products. ▪ Home and vehicle ownership are low, even by Sub-Saharan Africa standards, limiting the use of household insurance products. ▪ The market is dominated by small domestic firms with limited capital. ▪ Ethnic and sectarian violence remains potent in the country.
Opportunities	<ul style="list-style-type: none"> ▪ There is potential for microinsurance products to gain prominence in a low-income market. ▪ Takaful insurance could also prove a growth area. ▪ There is growth in the use of mobile banking technology, which is being used by insurers. ▪ The opening up of the market to overseas firms, while unlikely, would be a potential game changer. ▪ A robust infrastructure pipeline will support overall growth and underpin premium expansion.
Threats	<ul style="list-style-type: none"> ▪ State control of the banking sector is extensive and barriers to foreign investment remain. ▪ Ethiopia's dependence on Mainland Chinese foreign investment exposes the country to risks generated by China's economic slowdown. ▪ Ethiopia's security forces violently suppressed dissent in late 2020, and further discontent could transpire in the future. ▪ Currency volatility will remain a constant challenge to the economic environment.

➤ Ethiopia: Insurance Market Forecast:



Gross Insurance Premiums Written (ETHIOPIA 2021-2026)

Indicator	2021e	2022e	2023f	2024f	2025f	2026f
Total gross premiums written, ETBbn	4.26	4.83	5.46	6.10	6.74	7.39
Total gross premiums written, ETB, % y-o-y	12.9	13.2	13.2	11.7	10.4	9.7
Gross life premiums written, ETBbn	0.34	0.38	0.41	0.45	0.48	0.52
Gross life premiums written, ETB, % y-o-y	9.1	9.5	9.3	8.4	7.7	7.9
Gross non-life premiums written, ETBbn	3.92	4.45	5.05	5.66	6.26	6.87
Gross non-life premiums written, ETB, % y-o-y	13.2	13.6	13.5	12.0	10.6	9.9

e/f = Fitch Solutions estimate/forecast. Source: CSA, Fitch Solutions

Gross Insurance Premiums Written (ETHIOPIA 2027-2032)

Indicator	2027f	2028f	2029f	2030f	2031f	2032f
Total gross premiums written, ETBbn	8.09	8.79	9.50	10.25	11.03	11.80
Total gross premiums written, ETB, % y-o-y	9.4	8.7	8.0	7.9	7.6	6.9
Gross life premiums written, ETBbn	0.56	0.61	0.65	0.71	0.77	0.83
Gross life premiums written, ETB, % y-o-y	8.2	8.0	7.7	8.4	8.7	8.0
Gross non-life premiums written, ETBbn	7.53	8.19	8.85	9.54	10.27	10.97
Gross non-life premiums written, ETB, % y-o-y	9.5	8.8	8.0	7.9	7.6	6.9

f = Fitch Solutions forecast. Source: CSA, Fitch Solutions

NON-LIFE INSURANCE PREMIUMS BY PRODUCT LINE (ETHIOPIA 2020-2027)

Indicator	2020e	2021e	2022e	2023f	2024f	2025f	2026f	2027f
Motor vehicle insurance, ETBmn	1,431.0	1,656.0	1,917.5	2,221.9	2,526.3	2,830.7	3,135.1	3,439.5
Motor vehicle insurance, ETB, % y-o-y	15.7	15.7	15.8	15.9	13.7	12.0	10.8	9.7
Motor vehicle insurance, % of non-life insurance	41.4	42.3	43.1	44.0	44.7	45.2	45.6	45.7
Property insurance, ETBmn	212.4	233.4	256.7	282.8	309.0	335.4	361.9	393.0
Property insurance, ETB, % y-o-y	3.7	9.9	10.0	10.2	9.3	8.5	7.9	8.6
Property insurance, % of non-life insurance	6.1	6.0	5.8	5.6	5.5	5.4	5.3	5.2
Transport insurance, ETBmn	822.4	922.3	1,038.3	1,173.4	1,308.5	1,443.6	1,578.7	1,713.8
Transport insurance, ETB, % y-o-y	11.7	12.1	12.6	13.0	11.5	10.3	9.4	8.6
Transport insurance, % of non-life insurance	23.8	23.5	23.3	23.2	23.1	23.1	23.0	22.8
Other insurance, ETBmn	994.8	1,107.2	1,237.9	1,372.8	1,514.1	1,646.7	1,799.2	1,982.8
Other insurance, ETB, % y-o-y	10.2	11.3	11.8	10.9	10.3	8.8	9.3	10.2
Other insurance, % of non-life insurance	28.7	28.3	27.8	27.2	26.8	26.3	26.2	26.3

e/f = Fitch Solutions estimate/forecast. Source: CSA, Fitch Solutions

Source: Ethiopia Insurance Report Q2_2023 - by Fitch Solutions, February 2023

REFERENCES
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RESOURCES

