

# LICENSING AND SUPERVISION OF INSURANCE BUSINESS

## **Motor Insurance Own Damage Minimum Premium Rate Directives Number SIB/---/2023**

**Whereas**, insurance premium should be commensurate with a risk proposed for insurance;

**Whereas**, it is important to ensure that premium rates are adequate, fair and sufficient;

**Whereas**, it becomes necessary to culminate the unwarranted premium undercutting, ensure the stability of the insurance industry and protect the interest of policyholders;

**Now, therefore**, in accordance with articles 58 of Insurance Business Proclamation No. 746/2012, as amended by Insurance Business (Amendment) Proclamation No.1163/2019, the National Bank of Ethiopia has hereby issued this Directive.

### **1. Short Title**

This Directive may be cited as “**Motor Insurance Own Damage Minimum Premium Rate, Directive No. SIB/---/2023**”.

### **2. Definitions**

In this Directive, unless the context provides otherwise:

- 2.1. “**insurance company**” means a company licensed by the National Bank to undertake insurance business or an insurance company owned by the Government;
- 2.2. “**motor insurance**” means an insurance policy that covers vehicles against loss or damage.

- 2.3. “**minimum premium**” means the rate of premium net of all discounts and rebates that would be applied on the sum insured;
- 2.4. “**National Bank**” means the National Bank of Ethiopia; and
- 2.5. “**premium**”, means the amount of money an insurer charges to provide the coverage described in an insurance policy.

### **3. Scope of Application**

This Directive shall apply to all insurance companies.

### **4. Specific Requirements**

- 4.1. The minimum motor insurance rates applicable to all categories of motor vehicles shall be as per the following table of Rates:

<b>No.</b>	<b>Category</b>	<b>Proposed Minimum Rate in %</b>
4.1.1	<b>Motor private</b>	
4.1.1.1	Private vehicles	1.02
4.1.1.2	Motor cycles	1.14
4.1.2	<b>Motor commercial</b>	
4.1.2.1	Goods carrying	
4.1.2.1.1	Own goods	
4.1.2.1.2	Pick-ups	1.10
4.1.2.1.3	Truck & truck trailers and water Tanker	1.12
4.1.2.1.4	Tipper	1.25
4.1.2.1.5	Tankers	1.39
4.1.2.2	General cartage	
4.1.2.2.1	Pick-ups	1.36

4.1.2.2.2	Truck & truck trailers and water Tanker	1.29
4.1.2.2.3	Tipper	1.44
4.1.2.2.4	Tankers	1.60
4.1.2.3	Passengers	
4.1.2.3.1	Own service	1.30
4.1.2.3.2	Public service (fair paying)	
4.1.2.3.2.1	Seat up to 16	2.86
4.1.2.3.2.2	Seat between 17-30	1.80
4.1.2.3.2.3	Seat above 30	1.74
4.1.2.3.2.4	Taxi	1.77
4.1.2.4	Car hire	1.58
4.1.2.5	Three wheelers and tri cycles	1.70
4.1.2.6	Agricultural vehicles	0.58

4.2. Charging premiums below the minimum premium rates is not allowed and shall constitute a breach of the Directive.

4.3. Any alteration or change made to motor insurance premium rates after the actuarial study is null and void and every insurer shall submit to the National Bank its own/unique/ motor insurance premium rate as specified under Article 47 (1&2) of Insurance Business Proclamation No. 746/2012, as amended by Insurance Business (Amendment) Proclamation No.1163/2019.

## **5. General Requirements**

5.1. All premiums under this Directive are flat rates and apply to the respective categories of vehicles;

5.2. The minimum premiums are to be applied to renewals as well as to new businesses and are to be deemed in force and binding until their repeal or alteration has been officially announced.

## **6. Effective Date**

This Directive shall enter into force as of the --- day of --- 2023.