



April 2, 2026

Directive No. SIB/63/2026 on Persons with Significant Influence in Insurance Companies

Introduction

The National Bank of Ethiopia has issued Directive No. SIB/63/2026 (the “Directive”), dated 26 March 2026, under its mandate in the Insurance Business Proclamation No. 746/2012 (as amended). The Directive establishes a revised regulatory framework governing persons with significant influence in insurance companies and replaces Directive No. SIB/32/2012 in its entirety. It sets out clearer, stricter, and more enforceable standards on qualification, governance, and accountability.

Executive Summary

Directive No. SIB/63/2026 introduces a more disciplined and clearly defined regulatory framework for individuals in positions of significant influence within insurance companies. It raises qualification and experience thresholds, formalizes governance expectations, and introduces structural changes to leadership roles. The overall direction is geared towards greater accountability, stronger leadership standards, and a move toward a more predictable and enforceable regulatory environment.

1. Overview of the Reform

The Directive marks a decisive shift from flexible, principle-based regulation toward a structured, competency-driven regime. It introduces defined thresholds for education, experience, and leadership, signaling a stronger emphasis on measurable fitness and propriety.

1.1. Board of Directors

The Directive raises the baseline for board membership by requiring all directors to hold higher education qualifications and at least five years of relevant professional experience. It removes prior ambiguity around “adequate experience” and replaces it with clear, enforceable standards.

Governance expectations are further strengthened through mandatory board diversity. Insurance companies must now ensure gender representation, with at least two female directors and no single-gender boards permitted.

In addition, the Directive formally introduces independent directors as a distinct category. These individuals must hold a master’s degree, have at least ten years of experience in finance or academia, and may include foreign nationals; expanding both expertise and independence at board level.

1.2. Chief Executive Officer (CEO)

The requirements for CEOs have been tightened both quantitatively and qualitatively. The minimum experience threshold has increased to twelve (12) years, including at least five years in senior executive roles, reinforcing the importance of proven leadership.

While a first degree remains the baseline qualification, the Directive now recognizes advanced insurance diplomas (such as CII or equivalent) as alternative pathways. Professional certifications are also repositioned as meaningful value-enhancers rather than option credentials.

Importantly, the Directive clarifies the scope of required technical expertise by explicitly recognizing underwriting, claims, and reinsurance as core areas of competence for CEOs of composite insurers.

1.3. Senior Executive Officers (SEOs)

A notable structural reform is the classification of SEOs based on reporting lines. Senior executives reporting directly to the CEO are subject to higher thresholds, including ten years of insurance experience with managerial exposure and relevant functional expertise. Those

reporting to the board must demonstrate eight years of experience, including managerial roles in key control and operational functions.

The Directive also streamlines regulatory approval requirements by exempting certain support functions, such as HR, IT, and finance from prior approval.

2. Conclusion

Directive No. SIB/63/2026 significantly elevates regulatory expectations for influential individuals in Ethiopia's insurance sector. By introducing clear qualification standards, strengthening governance structures, and embedding diversity requirements, it reinforces the National Bank of Ethiopia's commitment to robust oversight, institutional integrity, and sustained public confidence in the insurance industry.

About Million Alemu and Partners LLP

Million Alemu and Partners LLP is a full-service law firm based in Addis Ababa, Ethiopia, providing comprehensive legal advisory and representation services to local and international clients. The firm is recognized for its commitment to excellence, practical legal solutions, and a client-centered approach across diverse practice areas.

With a team of experienced legal professionals, the firm advises on corporate and commercial law, dispute resolution, regulatory compliance, and other key areas critical to doing business in Ethiopia.

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