

Directive No. SIB/9/1995

INSURANCE BROKERS CODE OF CONDUCT

Short Title

This Directive may be cited as The Insurance Brokers Code of conduct Directive No. SIB/011/1995

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.

Definition

'Insurance Broker' shall mean a person duly licensed as Insurance Broker in accordance with directive No. SIB/3/1994;

'Insurer' means a person or body of persons carrying on Insurance business;

'Advertisements' or 'Advertising' means canvassing, the offer of services or other methods whereby business is sought by Insurance Brokers.

This Code of Conduct shall serve as a guide to Insurance Brokers and other persons concerned with their conduct but the mention or lack of mention in it of a particular act or omission shall not be taken as conclusive of any question of professional conduct.

The objective of this Directive is to assist in establishing a recognized standard of professional conduct required of all Insurance Brokers who should, in the interests of the public and in the performance of their duties, bear in mind both this objective and the underlying spirit of this Code.

Matters which might relate to acts or omissions amounting to negligence will be dealt with, if necessary, by the Courts but the Bank acknowledges that gross negligence or repeated cases of negligence may amount to unprofessional conduct.

The following are, in the opinion of the Bank, the acts and omissions which, if done or made by Licensed Insurance Brokers constitute unprofessional conduct: namely any acts or omissions that breach the fundamental principles governing the professional conduct of Insurance Brokers set out in paragraph 3 below.

The principles mentioned in paragraph 2 above are as follows:

Insurance Brokers shall at all times conduct their business with utmost good faith and integrity;

Insurance Brokers shall do everything possible to satisfy the insurance requirements of their clients and shall place the interests of those clients before all other

considerations. Subject to these requirements and interests, Insurance Brokers shall have proper regard for others;

Statements made by or on behalf of Insurance Brokers when advertising shall not be misleading or extravagant.

The following are some specific examples of the application of these principles:

In the conduct of their business Insurance Brokers shall provide advice objectively and independently.

Insurance Brokers shall only use or permit the use of the description 'Insurance Broker' in connection with a business provided that business is carried on in accordance with the requirements of Proclamation No. 86/1994 Art.2(11).

Insurance Brokers shall ensure that all work carried out in connection with their insurance broking business shall be under the control and day-to-day supervision of a Managing partner and he shall do everything possible to ensure that employees are made aware of this Code.

Insurance Brokers shall on request from the client explain the differences in and the relative costs of, the principal types of insurance which in the opinion of the Insurance broker might suit a client's needs.

Insurance Brokers shall ensure the use of sufficient number of insurers to satisfy the insurance requirements of their clients. Sufficient number of insurers shall mean more than for 50% of the license insurer.

Insurance Brokers shall, upon request, disclose to any client who is, or is contemplating becoming, the holder of a policy of insurance the amount of commission paid or to be paid by the insurer under any relevant policy of insurance.

Insurance Brokers shall not withhold from the policy holder any written evidence or documentation relating to the contract of insurance without adequate and justifiable reasons being disclosed in writing and without delay to the policy holder. If an Insurance Broker withholds a document from a policy holder by way of a lien for monies due from that policy holder he shall provide the reason in the manner required above.

Insurance Brokers shall inform a client of the name of all insurers with whom a contract of insurance is placed. This information shall be given at the inception of the contract and any charges thereafter shall be advised at the earliest opportunity to the client.

Before any work involving a charge is undertaken or an agreement to carry out business is concluded, Insurance Brokers shall disclose and identify any amount they propose to charge to the client or policy holder which will be in addition to the premium payable to the insurer.

Insurance Brokers shall disclose to a client any payment which they receive as a result of securing on behalf of that client any service additional to the arrangement of a contract of insurance.

Insurance Brokers shall have proper regard for the wishes of a policy holder or client who seeks to terminate any agreement with them to carry out business.

Any information acquired by an Insurance Broker from his client shall not be used or disclosed except in the normal course of negotiating, maintaining, or renewing a contract of insurance for that client or unless the consent of the client has been obtained or the information is required by a court of competent jurisdiction.

In the completion of the proposal form, claim form, or any other material document, Insurance Brokers shall make it clear that all the answers or statements are the client's own responsibility. The client should always be asked to check the details and told that the inclusion of incorrect information may result in a claim being repudiated.

Advertisements made by or on behalf of Insurance Brokers shall be restricted to contractual benefits only.

When advertising their services directly or indirectly either in person or in writing Insurance Brokers shall disclose their identity, occupation and purpose before seeking information or before giving advice.

Insurance Brokers shall display in any office where they are carrying on business and to which the public have access a notice to the effect that a copy of the Code of Conduct is available upon request and that if a member of the public wishes to make a complaint or requires the assistance of the Bank in resolving a dispute he may write to:

National Bank of Ethiopia
P.O.Box 5550
Fax No. 51-45-88
Telex No. 21020
Addis Ababa

These Directives shall come into force as of 17th day of November 1995.

November 16, 1995