



NATIONAL INSURANCE COMMISSION

**GUIDELINES FOR LICENSING AND REGULATION OF INSURANCE HOLDING COMPANIES IN
NIGERIA**

AUGUST, 2022

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1. PREAMBLE

1.1 Insurance Institutions wishing to operate under a HoldCo arrangement require regulatory guidance in their dealings with the HoldCo. This is in addition to other challenges that may arise with respect to strategic objectives, implementation and monitoring of strategies, dissemination of corporate culture, management of corporate risks, corporate reporting, and mitigations of potential conflicts of interests among other matters within the HoldCo arrangement.

1.2 In consideration of the limitations that are imposed by our extant laws, the Commission will be adopting a hybrid form of HoldCo arrangement. Thus, this guidelines is meant to provide guidance on the requirements that the ~~that the~~ hybrid HoldCo will be licensed and managed.

1.3 The contemplated HoldCo will be quasi non-operating firm. All the subsidiaries shall be constituted of only insurance related businesses/regulated financial institutions.

1.4 The participation of Insurance Institutions in a HoldCo arrangement that poses identified regulatory challenges, necessitates the urgent need to evolve appropriate regulatory framework to ensure adequate protection of policyholders, good corporate governance and prevention of contagion risks within the Nigerian insurance industry. The regulatory framework will also set minimum standards of corporate governance in order to align varying interests and create an adequate setting for the sustainable development.

1.5 The National Insurance Commission (herein referred to as "the Commission") in the exercise of the powers conferred on it by the National Insurance Commission Act 1997 (NAICOM Act 1997) and the Insurance Act 2003 hereby issues this Guidelines to regulate the relationship between Insurance Institutions and a HoldCo.

2. DEFINITION AND STRUCTURE OF INSURANCE HOLDING COMPANY

2.1 Definitions

- a. CBN: means Central Bank of Nigeria
- b. Holding Company: - means a collection of parent and subsidiary companies that function as a single economic entity through a common source of control.
- c. Insurance Fund: - means funds representing the liabilities in respect of all contracts for a particular class of insurance business.
- d. Insurer: - means underwriter in conventional insurance company or specialized insurance providers such as reinsurance companies, Microinsurance, Takaful insurance companies, etc.
- e. NAICOM: means National Insurance Commission
- f. NDIC: means Nigeria Deposit Insurance Corporation
- g. NGX Group: means Nigerian Exchange Group Plc
- h. PenCom: means National Pension Commission
- i. Parent Company: - means a company that owns majority shares in another firm to control management and operation by influencing or electing its board of directors
- j. SEC: means Securities and Exchange Commission
- k. Subsidiary: - means a firm that is being controlled by a Holding Company/parent company

2.2 Authorisation

- 2.2.1 No Insurance Institution licensed pursuant to the Insurance Act 2003 shall enter a HoldCo arrangement without the prior approval of the Commission.

3. REQUIREMENTS FOR INTENTION TO JOIN/ESTABLISH A HOLDING COMPANY

- i. Letter of intent from the Insurance Institution.
- ii. A non-refundable processing fee of ₦10,000,000.00 (Ten Million Naira only) for Insurance and Reinsurance Companies and ₦2,000,000.00 (Two Million Naira only) for Insurance Brokers and other intermediaries.

- iii. Board resolution for the Insurance Institution to participate in/establish the HoldCo arrangement.
- iv. A letter of No Objection from SEC/regulator of any of the proposed subsidiaries of the HoldCo (where applicable).
- v. A statement as to the effective date of commencement of the HoldCo arrangement.
- vi. Objectives of the Holding Company detailing:
 - a. Source of funding of the HoldCo;
 - b. Benefits of the proposed HoldCo to the Insurance Institution(s);
 - c. Management structure of the HoldCo;
 - d. Reporting line of the subsidiaries;
 - e. Composition of the Board of the HoldCo and subsidiaries;
 - f. Regulation/supervision of the HoldCo; and
 - g. Other relevant information.
- vii. Justification for applying to be part of/establish the Holding Company;
- viii. Ownership structure in a tabular form indicating the name of proposed investor(s), profession/business and their percentage shareholdings in the HoldCo; and
- ix. Where the source of funding the equity contribution of the HoldCo is a loan, it shall be a long-term facility of, at least, a 10-year tenure, and shall not be obtained from the Nigerian Insurance Institutions.

4. CORPORATE GOVERNANCE CHARTER FOR INSURANCE HOLDING COMPANY

- 4.1** An Insurance Institution shall comply with the provisions of the Nigerian Code of Corporate Governance (NCCG), 2018 and NAICOM Corporate Governance Guidelines for Insurance and Reinsurance Companies in Nigeria, 2021 and any other guidelines issued by the Commission for institutions under its purview and demonstrate evidence of the existence of competent and independent board with capacity to provide oversight on internal controls and risk management practices.

- 4.2** The Insurance Institution is required to ensure that the HoldCo maintains a good Corporate Governance Charter that is appropriate to their structure, business and risks.
- 4.3** The Board of the Insurance Institution should ensure that the Holdco has a well-defined governance structure which provides for the effective separation between oversight and management functions.
- 4.4** Where Insurance Institution intends to participate in shared services within a HoldCo, prior approval must be sought and obtained.
- 4.5** The Board of Insurance Institution should set and oversee the implementation of transparent policies and processes which promote and facilitate employees to communicate concerns or information about illegal or unethical behaviour confidentially and without reprisal directly or indirectly to the Board (e.g. whistle blower policy).
- 4.6** A whistle blower shall have the right and be given the opportunity to present a complaint to the Commission where such complaint has not been adequately addressed by the Board of the Insurance Institution.
- 4.7** The Insurance Institution shall consider the following criteria in determining the suitability or otherwise in participating in a HoldCo arrangement:
- i. the overall business model and its rationale;
 - ii. material business lines and how they are likely to develop;
 - iii. non-insurance business activities the HoldCo is or likely to pursue;
 - iv. the geographic emphasis of the HoldCo and any likely changes;
 - v. anticipated changes in market share(s); and
 - vi. any other criteria that may be necessary for consideration.
- 4.8** The Holdco shall have a policy for occasional rotation of members and of the chairs of committees, or tenure limits to serve on a committee, as this can help to avoid undue concentration of power and promote fresh perspectives.
- 4.9** The chairman of the Board of Directors of the HoldCo shall be an independent Non Executive Director.

- 4.10** If the functions of any committees are combined, the Board of the Insurance Institution should ensure such a combination does not compromise the integrity and/or effectiveness of the functions combined. In all cases, the Board remains ultimately responsible for matters delegated to any such committees.
- 4.11** Where any control function is outsourced, the remuneration terms under the agreement with the service provider should be consistent with the objectives and approved parameters of the Insurance Institution's remuneration policy.
- 4.12** Where an insurer provides discretionary pay-outs on termination of employment ("severance payments", sometimes also referred to as "golden parachutes"), such payment should be subject to appropriate governance controls and limits. In any case, such pay-outs should be aligned with the insurer's overall financial condition and performance over an appropriate time horizon. Severance payments should be related to performance over time; should not reward failure and not payable in the case of failure or threatened failure of the insurer, particularly to an individual whose actions have contributed to the failure or potential failure of the insurer.

5. RISK MANAGEMENT

5.1 The Insurance Institution shall:

- 5.1.1** Constantly review their risk exposure with the Holding Company and other subsidiaries within the HoldCo; and
- 5.1.2** identify and make the necessary modifications and improvements in a timely manner.

5.2 The Insurance Institution shall assess whether a change occurring in the Holdco, one or more of its subsidiaries may affect its risk profile.

5.3 The Insurance Institution shall have strong risk management and compliance culture across its subsidiaries and associate companies in order to ensure compliance with local laws and regulations.

6. AUDIT

6.1 Internal Audit

6.1.1 The Internal Audit Function of an Insurance Institution shall not be shared with the HoldCo or any of its subsidiaries.

7. OWNERSHIP AND CONTROL

Changes in ownership and control of an Insurance Institution shall be in line with the provisions of the Revised Market Conduct Guidelines.

7.1 Intra-Group/Subsidiary Transactions

7.1.1 Shared Services

Shared services within the HoldCo arrangement shall be subject to the "No Objection" of the Commission.

7.1.2 Borrowings

No Holding Company shall obtain a loan based on the guarantee of its Insurance Institutions and its subsidiaries without prior approval of the Commission.

7.1.3 Credit

Credit by an Insurance Institution to its Holding Company would be regarded as a return of capital and deducted from the capital of the Insurance Company in computing the Insurance Company's capital adequacy ratio.

7.2 Change in Ownership Structure

The Insurance Institution shall obtain a "No Objection" from the Commission prior to:

- i. A change in the control of Holding company;
- ii. The transfer of shareholding of five per cent (5%) and above in the Holding Company, provided that where such transfer of shares is effected through the secondary market, the Insurance Institution shall notify the Commission not later than 7 days after the transfer;
- iii. Sale, disposal or transfer howsoever of the whole or any part of the business of the Holding Company;
- iv. An amalgamation, merger or takeover of the Holding Company with or by any other person; or

- v. Holding Company employs a management agent or is being managed by or transfers its business to any such agent.

7.3 Intra-Group/Subsidiary Transfer of Properties, Plants and Equipment

No Intra-Group transfer of properties, plants and equipment shall be carried out without a letter of "No Objection" from the Commission.

8. FINES AND PENALTIES

Any contravention of this Guidelines shall attract appropriate sanction from the Commission.