



NATIONAL INSURANCE COMMISSION,

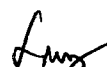
GUIDELINES FOR MICROINSURANCE OPERATION
IN NIGERIA

1st JANUARY, 2018

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1.0 Introduction

In exercise of the powers conferred by the National Insurance Commission Act 1997 and the Insurance Act 2003, the National Insurance Commission (hereinafter referred to as the Commission) hereby establishes uniform set of rules, regulations and standards for conduct of *Microinsurance* business in Nigeria.

No person shall commence or carry on any class of Microinsurance business without being registered or authorized by the Commission.

This Guidelines supersedes all other microinsurance guidelines and shall take effect from 1st January, 2018.

1.1 Objectives of the Guidelines:

The main objectives of this Guidelines are to:

- i. Provide minimum standards for the conduct of *Microinsurance* business in Nigeria.
- ii. Ensure consumer protection.
- iii. Establish general features of *Microinsurance*.
- iv. Establish duties and responsibilities of *Microinsurance operators* and insurance intermediaries.
- v. Establish conditions for entry and exit from the *Microinsurance* market.

1.2 Concept of Microinsurance:

- i. For the purpose of this Guidelines, Microinsurance is defined as “insurance developed for low income populations, low valued policies, micro and small scale enterprises provided by licensed institutions, run in accordance with generally accepted insurance principles, and funded by premiums”.
- ii. Microinsurance products are insurance products that are designed to be appropriate for the low income market, low valued policies, micro and small scale enterprises in relation to cost, terms, coverage, and delivery mechanism.
- iii. The limit on the sum insured for Microinsurance cover is as contained in appendix II.



iv. In addition, Microinsurance operation shall have the following features:

- a. **Simplicity** - The policies, conditions, procedures and marketing must be simple and the documentation must be presented in plain language.
- b. **Understandability** - The products/services risk, procedures and coverage must be unambiguous and easily understood.
- c. **Affordability and Accessibility** - Microinsurance products must be affordable and accessible to the target market in terms of purchase, premium payments and claims.
- d. **Valuable** - Microinsurance products or services shall be designed to meet the needs of clients, be beneficial, fair in price and coverage.
- e. **Efficiency** - The delivery/distribution channels must be efficient to both the insurer and the policyholders.

1.3 Scope of Microinsurance:

- i. The scope of Microinsurance risks is as contained in appendix II.
- ii. Where an operator is in doubt as to the scope of a particular risk, the operator is required to seek guidance from the Commission.
- iii. A Microinsurance operator who neglects or fails to seek the clarification referred to above and thus insures such risks not within the scope of Microinsurance, shall be deemed to have transacted business for which it is not licensed to transact and shall be penalized in accordance with the provisions of the extant laws.

2.0 Microinsurance Market Structure

2.1 Classification of Microinsurance Underwriters:

For the purpose of this guidelines, the Microinsurance *underwriters* are classified as:

- i. Unit Microinsurer
- ii. State Microinsurer
- iii. National Microinsurer

(Refer to appendix IV for definitions)

2.2 Microinsurance Distribution Channels:

This comprises distributors of Microinsurance products *and/or other service providers*.

All eligible distributors may be utilized to reach potential Microinsurance Consumers upon the grant of license by the Commission.

- a. **Brokers/Loss Adjuster:** All licensed Insurance Brokers/Loss-adjusters by the Commission are qualified to provide insurance broking/loss adjustment services for microinsurance operators.
- b. **Microinsurance Agents** shall be appointed by a Microinsurer and must provide evidence in the form of Letter of Appointment or Service Level Agreement. Microinsurance agents are further classified as Individual Agents and Corporate/Referral Agents.
- c. **Corporate and Referral Agents includes:**
 - i. Corporate Agents.
 - ii. Cooperative Societies.
 - iii. Mutual Benefits Associations.
 - iv. Microfinance Banks/Institutions.
 - v. Trade Organizations.
 - vi. Health Maintenance Organization.
 - vii. Faith Based Organizations.
 - viii. Postal Agents.
 - ix. Non-Governmental Organizations.
 - x. Esusu/Adashi Group.
 - xi. Age Grade Group.
 - xii. Telecommunications.
 - xiii. Mobile payment system.
 - xiv. Any other registered Associations.

2.3 Service Level Agreement:

A *Microinsurer* shall prior to appointing a Microinsurance Intermediary execute a Service Level Agreement which shall contain the following minimum standards and submit same to the Commission for approval:

- a. Rights and obligations of either party



- b. Premium Collection Notification Clause
- c. Premium Remittance Clause
- d. Claims Administration Clause
- e. Commission payment
- f. Records management
- g. Know Your Customer (KYC) clause
- h. Any other requirement as the Commission may from time to time prescribe.

3.0 Registration Requirements

- 3.1 Any person or persons who wish to operate as a *Microinsurer* must meet the registration requirements in appendix III.

Any applicant who wishes to operate as a *Microinsurer* must be a Limited Liability Company *duly registered by Corporate Affairs Commission, Nigeria*.

Refer to section 4 for the different categories, structure and capital requirements.

4.0 Prudential Standards

4.1 Minimum Capital Requirement:

Any *Microinsurer* intending to commence Microinsurance business shall have a minimum capital as stipulated in appendix IV or as may be issued by the Commission from time to time.

4.2 Statutory Deposit

A *Microinsurer* shall maintain with the Central Bank of Nigeria a statutory deposit of 10% of the Minimum Capital Requirement.

4.3 Liquidity Status

- i. A Unit *Microinsurer* shall, in respect of its Insurance business in Nigeria, maintain at all times a 50% Liquidity Margin being the excess of the value of its admissible current assets in Nigeria over its current liabilities in Nigeria.
- ii. A State *Microinsurer* shall, in respect of its Insurance business in Nigeria, maintain at all times a 35% Liquidity Margin being the excess of the value of its admissible current assets in Nigeria over its current liabilities in Nigeria.
- iii. A National *Microinsurer* shall, in respect of its Insurance business in Nigeria, maintain at all times a 25% Liquidity Margin being the excess of the value of its admissible current assets in Nigeria over its current liabilities in Nigeria.



4.4 Solvency Margin

A *Microinsurer* shall, in respect of its Non-life business, maintain at all times a margin of solvency being the excess of the value of its admissible assets over its admissible liabilities in Nigeria. The solvency margin shall not be less than 25% of the premium income or the minimum capital requirement whichever is higher.

4.5 General Reserve (Life Funds)

A *Microinsurer* shall, in respect of its life business in Nigeria, maintain a General Reserve Fund which shall be credited with an amount equal to the Net Liabilities on policies in force at the time of the actuarial valuation and additional 25% of Net Premium for every year between valuation dates.

4.6 Contingency Reserve

A *Microinsurer* shall maintain a Contingency Reserve Fund which shall be credited with an amount equal to: 2% of Gross Premium Written or 10% of the Net Profit (whichever is greater) and the amount shall accumulate until it reaches the amount of the minimum paid-up capital, with respect to its life *Microinsurance* business in Nigeria, or 3% of the Total Premium or 20% of Net Profits (whichever is greater) and the amount shall accumulate until it reaches the amount of the minimum paid-up capital or 50% of the Net Premium (whichever is greater), with respect to its Non-life *Microinsurance* business in Nigeria.

4.7 Investments

A Microinsurer shall at all times, in respect of the insurance business transacted by it in Nigeria, invest and hold invested in Nigeria assets equivalent to not less than the amount of policyholders' funds in such accounts for the insurer.

- i. The Policyholders' Funds shall not be invested in, except the followings:
 - a. Shares of Quoted Limited Liability Company
 - b. Shares in other securities of a co-operative society
 - c. Loans to building societies approved by the Commission
 - d. Loans on real property, machinery and plant in Nigeria
 - e. Loans on life policies within their surrender values
 - f. Cash deposits or Bills of Exchange accepted by licensed banks
 - g. Such other investments as may be prescribed by the Commission from time to time.
- ii. A *Microinsurer* transacting either General or Life business in Nigeria shall not invest or maintain:

- a. More than 5% of the Policyholders' Funds in Equipment Leasing
- b. More than 25% of the total current accounts balances and bank placements in any one bank.
- c. More than 10% Policyholders' Funds in real-properties.
- d. More than 10% Policyholders' Funds in Unquoted Equity.
- e. More than 50% Policyholders' Funds in Quoted equity.
- f. Policyholders' Funds in any Subsidiary.
- g. In its parent company.

4.8 Reinsurance

A *Microinsurer* shall maintain adequate and valid reinsurance arrangements. A copy of the reinsurance treaty arrangement shall be submitted to the Commission on or before **15th December of the preceding year (15 days before the effective renewal date for those whose treaty renewal dates do not fall on 1st of January).**

4.9 Actuarial Valuation

- i. A *Microinsurer* transacting ***any class of Microinsurance*** business shall in respect of its life business once in every period of 5 years cause an investigation to be made into its financial position by an Actuary appointed or secured by the *Microinsurer*. The investigation shall include:
 - a. A valuation of assets and liabilities of the *Microinsurer*.
 - b. Determination of any excess over those liabilities of the admissible assets representing the funds maintained by the *Microinsurer*.
- ii. For the purpose of this investigation, the value of any asset and the amount of liability shall be determined in accordance with applicable valuation regulations.

4.10 Pricing

- i. Microinsurance product pricing model shall be signed off ***by a representative*** of an actuary firm based on verifiable risk consideration.
- ii. ***A Microinsurer shall obtain the Commission's approval for any proposed changes on existing products prior to effecting same.***
- iii. Where Group underwriting is applied, no price discrimination will be allowed between individuals within a group other than on the basis of age at entry or level of cover.
- iv. Where the age profile of the group changes, the *Microinsurer* may re-price ***at renewal*** for the group as a whole, but not for individual aging member.
- v. For bundled products, the *Microinsurer* shall separately disclose the premium associated with each discrete element of cover to the policyholder.



4.11 Premium Payment

- i. The receipt of insurance premium shall be a condition precedent to a valid *Microinsurance* contract.
- ii. An insurance premium collected by a microinsurance intermediary (including brokers and agents) in respect of a *Microinsurance* business transacted through the intermediary shall be deemed to be premium paid to the *Microinsurer* involved in the transaction.

4.12 Rate of Commission

- i. Life insurance business: 5% (single premium policies) and sum of 15% (Non-single premium policies) throughout the premium payment period.
- ii. Non-life insurance business: 15% of the premium.
- iii. The Commission may in line with extant laws prescribe the rate of commission from time to time.

4.13 Risk Management

All *Microinsurers* shall comply with the "Guidelines for Developing a Risk Management Framework for Insurers and Reinsurers in Nigeria" issued by the Commission. However, the principle of proportionality shall apply where necessary, but for the purpose of section 2.7(b) of the Risk Management Framework, the equivalent of a **Manager** shall suffice.

5.0 Corporate Governance

- i. Microinsurance operations shall be subject to the provisions of the Code of Good Corporate Governance issued by the Commission. However, the principle of proportionality shall apply where necessary and shall be so issued by the Commission from time to time as stipulated in appendix V.
- ii. Directors, Heads of Department and Branch Heads must be fit and proper persons.

6.0 Market Conduct

The Microinsurance products should be presented to consumers using simplified marketing and technical procedures which may be different from the conventional Insurance. Thus, the terms, coverage, delivery mechanism and services must be unambiguous and should be clearly understood.



6.1 Products: All Microinsurance products, brochure/flyers, terms and conditions as well as claims forms shall be submitted by the microinsurer for the Commission's approval before introduction/selling to the target market/public.

6.2 Claims Administration

- i. The terms and conditions of a Microinsurance contract shall contain a claims settlement clause.
- ii. The clause shall provide the maximum period within which claims must be settled or declined after notification.
- iii. The claim must be settled within a maximum of 48 hours after the microinsurer had received all the requisite documentation and issuance of executed discharge voucher.
- iv. Claims payments may be made through the intermediary where premiums are received through them. Where claims are settled through an intermediary, it shall be the responsibility of the Microinsurer to put in place a mechanism for ensuring that the claims are promptly remitted to the beneficiary.
- v. Evidence of premium payment may be considered as evidence of Microinsurance contract.

6.3 Conflict Resolution

- i. Microinsurer shall have an internal conflict resolution mechanism in place for addressing disputes and complaint.
- ii. All unresolved cases of disagreement involving the stakeholders in respect of a Microinsurance policy should be referred to the Commission's Complaints Bureau Unit.

6.4 Complaint Management

- i. It shall be the responsibility of the Microinsurer to put in place policies and procedures for quick resolution of clients' complaints.
- ii. The *Microinsurer* shall submit a quarterly report to the Commission in respect of its handling of complaints/grievances against the *Microinsurer*, broker(s), service provider(s) and agent(s). Where there are no complaints, a nil return shall be submitted to the Commission.

6.5 Consumer Protection

- i. Microinsurers shall design client educational materials to support agents/intermediaries.
- ii. Microinsurers shall have mechanism in place to remind clients of premium due dates to prevent lapse of policy.



- iii. Microinsurers shall have mechanism in place to compensate a client when the rule fail to deliver fair outcome (exgratia compensation).
- iv. Microinsurance products shall have minimum of 15 days freelook.
- v. All proposal forms shall contain a declaration that the terms and conditions of the contract have been explained and understood by the proposer after which he/she shall append his/her signature.

6.6 Know your Customer Requirement

A *Microinsurer* shall conduct minimum KYC on the insured in order to minimize the risk of fraud. For group insurance, there shall be a schedule containing details of the policyholders and their next of kin. For this purpose, the National Identity Card, Driver's License, *voter's* card or any other recognized means of identification would be sufficient.

7.0 Supervisory Requirements

A *Microinsurer* shall keep and maintain the following records:

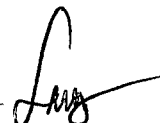
7.1 Product Performance

All *Microinsurers* shall submit quarterly returns which shall contain the following information:

- i. Number of policies underwritten
- ii. Name(s) of policyholders
- iii. Total premium generated
- iv. Commission due, paid and outstanding
- v. Claims due, paid, outstanding and duration
- vi. Claims declined and reasons for non-settlement
- vii. Expense ratio
- viii. Claims ratio
- ix. Brokers/Agents (if any)
- x. new intermediaries (if any)
- xi. Any other relevant information

7.2 Statutory Returns and Accounts

A *Microinsurer* shall, not later than 31st March of each year submit its Annual Returns and Accounts to the Commission.



7.3 Inspection

The Commission may cause an inspection of the office and records of any Microinsurer or intermediary at any time if it is deemed necessary by the Commission.

7.4 Capacity Building

- i. Every Microinsurer shall conduct a minimum of three (3) days training per annum for each new Microinsurance intermediaries and agents involved in Microinsurance sales and marketing. Evidence of such training and list of trainees for the previous year, shall be submitted to the Commission not later than 31st March of the subsequent year.
- ii. The Commission may from time to time prescribe minimum contents of the training.
- iii. Conventional agents and brokers can also transact Microinsurance without additional requirements however, the contract terms must be in line with Microinsurance terms including commission rates.

7.5 Advertisement:

- i. All *Microinsurers* shall submit to the Commission advertisement specimen for approval. If after 30 days of filing, the Commission does not object or require further clarification, the applicant may commence the advertisement.
- ii. Where the advertisement is to be carried out by a third party such as intermediaries, agents etc, it shall be the responsibility of the *Microinsurer* to file such with the Commission in line with this section.
- iii. The Commission may restrain the advertisement at any time if found to be inappropriate.

8.0 Exit/Suspension/Cancellation

8.1 Cancellation/Suspension:

1. A Microinsurance Company shall be suspended or its license cancelled by the Commission if, the Commission is satisfied that:
 - a. The class of business of the Microinsurer is not being conducted in accordance with sound Microinsurance principles.
 - b. The Microinsurer has failed to satisfy the margin of solvency requirement issued by the Commission.
 - c. The Microinsurer has ceased to carry on Microinsurance business of the class or category assigned to it for at least one year in Nigeria.
 - d. The Microinsurer has applied in writing for the cancellation of its registration as Microinsurer.



- e. A judgment obtained from a court of competent jurisdiction in Nigeria against the Microinsurer remains unsatisfied for 90 days and there is no appeal pending against the judgment.
 - f. The Microinsurer is carrying on simultaneously with the insurance business any other business which is detrimental to the insurance business of the Microinsurer.
 - g. Subject to the amalgamation and transfer requirements of this Guideline, the Microinsurer has transferred to or amalgamated with the business of any other Microinsurer or Insurance Company.
 - h. The Microinsurer has refused to submit to an examination of its books as provided for in the extant laws and regulation governing insurance operations in Nigeria.
 - i. The Microinsurer has failed to comply with the provisions of this Guidelines.
 - j. The Microinsurer has failed to maintain adequate reinsurance arrangements and treaties in respect of all the classes or category of insurance business the Microinsurer is authorized to transact.
 - k. Subject to paragraph (4) of this section, the Microinsurer lacks the necessary expertise by virtue of a substantial reduction in the number of its qualified employees.
 - l. The net asset of the Microinsurer is below the minimum paid-up capital or solvency capital provided in the Microinsurance Risks Management Guidelines and the capital injection has not been made within the time required by the Commission.
 - m. The Commission has received and verified not less than 5 complaints of failure to pay genuine claims promptly after these cases have been discussed with the Company.
 - n. The Microinsurer has failed to set up the special reserves as provided by law.
 - o. The Microinsurer acts in any manner without the approval of the Commission in cases where the Microinsurer is required to obtained the Commission's consent;
 - p. The Microinsurer has been wound-up or otherwise dissolved or has gone into liquidation.
2. The Commission shall give notice in writing to the Microinsurer of its intention to cancel the registration of the Microinsurer in respect of a particular class (Life or General) or both classes of Microinsurance businesses as the case may be, in accordance with the provisions of extant laws on notice of rejection of registration application.
 3. Where no application is lodged, the Commission shall, with the approval of the Governing Board cancel the registration of the insurer and notice of such cancellation shall be published in the Gazette.

4. Where the lack of necessary expertise specified in paragraph (1)(k) of this section relates to a particular class of Microinsurance business the Commission may:
 - a. Suspend the Microinsurer from carrying on the class of Microinsurance business until the deficiency is corrected; or
 - b. Cancel that class of insurance business from the number of Microinsurance businesses the Microinsurer is authorized to transact.
5. Where a certificate of registration of a Microinsurer is cancelled, the Microinsurer shall forthwith discontinue acceptance of any new business or renewal of existing business:
 - a. The Commission shall, unless the Microinsurer is being wind up by the court, appoint a receiver to immediately take charge of its assets and to collect and gather all assets due to the Microinsurer, and administer same as expeditiously as possible for the benefit of the policyholders, clients and creditors.
 - b. In all cases, the Commission may act as a receiver from the date of cancellation or may appoint any person to act on its behalf.
6. A Microinsurer who intends to exit from the market shall be subject to the relevant provisions of this Guidelines and extant laws.
7. The license of a Microinsurer may be suspended or cancelled where it has contravened specific provisions of this Guideline and the extant law and regulations.
8. The Commission or the appointed receiver shall apply to the court to windup the business of the Microinsurer.

8.2 Winding Up:

1. A petition for the winding-up of a Microinsurance Company may be presented to the Court either:
 - a. Subject to the approval of the Commission by not less than 50 policyholders, each of whom holds a policy that has been in force for not less than 3 years, on the grounds specified in sections 408 and 409 of the Companies and Allied Matters Act 1990; or
 - b. by the Commission on any of the following grounds:
 - i. that the registration of the Microinsurer has been cancelled in accordance with the provisions of law.
 - ii. that the Microinsurance Company cannot be revived despite the intervention of the Commission.
2. The provisions of the Companies and Allied Matters Act 1990 shall have effect, subject to the Insurance Act 2003, as if the petition was presented under that Act.

3. The Commission or appointed receiver shall, unless the Court otherwise orders, carry on the life microinsurance business of the microinsurer with a view to its being transferred as a going concern to another microinsurer(s), whether an existing microinsurer or a microinsurer registered for that purpose.
4. In all cases the Commission shall monitor the winding up processes.
5. Notwithstanding the provisions of the Companies and Allied Matters Act 1990 or any other enactment, the following priority list shall be followed in settling debts owed by the company:
 - i. Liquidation fees;
 - ii. Secured creditors;
 - iii. Policyholders;
 - iv. Other creditors;
 - v. Staff; and
 - vi. Shareholders and directors.

8.3 Mergers and Acquisitions

Subject to the provisions of extant laws no Microinsurer shall merge with, transfer to or acquire from any other Microinsurer any microinsurance business or part thereof, without:

- a. complying with statutory provisions of the extant laws and approval of the Commission; or
- b. the sanction of the court.

9.0 Fines and Penalties

- 9.1 Any contravention of this Guidelines shall attract appropriate sanction in line with the provisions of the extant laws.

10.0 Transition

- 10.1 Existing Conventional microinsurers shall wind down their window operations for non-life classes within 18 months from the effective date of this Guidelines and in not later than 24 months transfer the life classes to a dedicated microinsurance company.
- 10.2 No policy shall be renewed nor new one issued with an expiry date beyond the date stated in Paragraph 10.1 above.

APPENDIX 1

Glossary of Terms

1. **Microinsurance Intermediary:** Means agent that provide specific intermediary services and earn commission. Sometimes such agent can facilitate in administration of data processing, claims management or any other function required to deliver insurance. These organizations do not underwrite risks.
2. **Service Level Agreement:** This is a document containing the terms and conditions of a contract between a Microinsurer and a Broker/Microinsurance intermediary.
3. **Conventional Brokers/Agents:** These are the traditional brokers/agents registered under the Insurance Act 2003.
4. **Specialized Microinsurers:** These are Companies licensed to underwrite only Microinsurance businesses.
5. **Commission;** means the National Insurance Commission.
6. **Premium:** monetary Payments made by insured in consideration of insurance service to be rendered by the Microinsurer (contributions, fees or charges collected/deducted from gross sum prior to the occurrence of the risk event).
7. **Liquid Assets:** Is cash on hand or an asset that can be readily converted to cash with minimal impact to the price received in the open market.
8. **Community:** Is a small or large social unit (a group of people) who have something in common such as norms, religion, values or ideology.

APPENDIX II

Scope of Microinsurance

- a. The sum insured under a Microinsurance policy(ies) shall not be more than ₦2,000,000 per person per insurer. The Commission may review this provision subject to the nature of the low income earners.
- b. Microinsurance policies shall exclude special risks insurance, motor insurance (except tricycles and motorcycles), professional indemnity and other pecuniary risks with sum insured higher than ₦2,000,000. All third party liability risks and all other classes of risks with sum insured above ₦2,000,000 are also excluded.
- c. All compulsory insurances on third party liability risks excluded from microinsurance in "b" above shall be underwritten by a Conventional Insurer.



APPENDIX III

Registration Requirements

1. Profile of proposed directors of specialized Microinsurance Company.
2. Sworn declaration of non-disqualification of the proposed directors in line with section 12(1) of the insurance act 2003.
3. Curriculum vitae of CEO of the proposed Microinsurance Company.
4. Proposed name of the Company.
5. Draft Memart of the proposed Microinsurance Company.
6. Evidence of financial soundness of the major Shareholders.
7. Evidence of confirmation (clean bill of health) from the primary Regulator and approval to the Promoter/Joint Venture Partners by the Regulators (where necessary)
8. Holding Company structure and funding - if Company is a part of a Holding Company.
9. Class of business to be transacted.
10. Submission of completed registration application form along with the following:
 - a. Evidence of payment of non-refundable application fee.
 - b. Certificate of incorporation of a Limited Liability Company.
 - c. Memorandum and Article of Association of the Company.
 - d. Particulars of directors (form CAC 07).
 - e. Particulars of shareholders (CAC 02).
 - f. Registered address (form CAC 06).
 - g. 5-year business plan and feasibility study on the microinsurance business which shall contain the following as a minimum:
 - i. Background of the Company.
 - ii. Organizational Structure of the Company.
 - iii. Vision, Mission and Object Statement.
 - iv. Market research report indicating targeted low income groups, expected volume of business and where necessary, the proposed channel of distributions to sell the Company's products.
 - v. A description of the proposed geographical area(s) of operation.



- h. I.T. tools and its relevance to the business.
 - i. Underwriting and marketing procedures and processes.
 - j. Investment, accounting, M.I.S reporting etc.
 - k. Product development manual
 - l. Complaint and grievance management systems and procedures
11. A letter of authority will be issued by the commission to the company to effect payment of statutory deposit into the CBN.
12. Submission of additional documents:
- a. Evidence of compliance with minimum paid-up share capital requirements:
 - i. Life Microinsurance Business ₦:
 - ii. General Microinsurance Business ₦:
 - b. Evidence of payment of minimum deposit with the CBN (i.e. 50% of paid up share capital). Upon registration as a Microinsurer, 80% of the statutory deposit shall be returned not later than 60 days after registration.
 - c. List and CV of the chairman, CEO, Members of Board of Directors and Management Staff, Heads of Departments and Branch Offices (where applicable).
 - d. Corporate governance and internal control structure of the Microinsurer.
 - e. Copy of the CEO's appointment letter and his acceptance letter.
 - f. Evidence of resignation or formal disengagement of the proposed CEO from his previous employment and acceptance of his resignation by previous employer.
 - g. A declaration by the CEO/Director that the business shall be transacted in accordance with sound microinsurance principles.
 - h. A sworn affidavit by each Director, Manager and Secretary that he/she is not disqualified under the provisions of section 12(1) of the insurance act 2003 from being a Director, CEO, Manager or Secretary (details to be stated in the affidavit) together with a recent passport photograph of the Directors, CEO, Managers and Secretary.
 - i. Evidence of proposed Memorandum of Understanding for product bundling (if any).
 - j. Completed Personal History Statement (PHS) form containing names, addresses and employment history including directorship of other companies of the chief executive and all other directors of the company for the past ten years.
 - k. For Life Microinsurance Company the following are required:



- i. Signed statement of actuary on group premium rates
- ii. Non-forfeiture values
- iii. Benefits
- iv. Terms and conditions of proposed products
- v. Table of premium rates and their basis
- vi. Method of distributing profits between policyholders and shareholders.
- l. Submission of proposed products along with the following:
 - i. Specimen copies of proposal forms.
 - ii. Policy documents.
 - iii. Cover notes.
 - iv. Certificates.
 - v. Claims forms.
 - vi. Nature and basis of premium rating and procedures.
 - vii. Commission rates on each product.
- m. Evidence of requisite reinsurance treaties/arrangement:
 - i. Operational manuals on underwriting, reinsurance and claims.
 - ii. Sample of service level agreement.



APPENDIX IV

Categories of Microinsurance Licence

The following are the categories of Microinsurance underwriters:

1) Unit Microinsurer

The Company's Minimum Capital Base is ₦40 million (General: ₦25 million & Life: ₦15 million). It is to operate only in any one (1) location within a local community and the Company shall prove to the Commission through their business plan that they are going to access the low income earners spread across the location within a reasonable time frame.

The Commission shall grant a state microinsurer licence to a unit microinsurer upon application following 36 months of successful business operation and approval by the Commission.

2) State Microinsurer

The Company's Minimum Capital Base is ₦100 million (General: ₦60 million & Life: ₦40 million). It is to operate only in any one (1) State of the federation (for this purpose Abuja is regarded as a State) with at least 3 branches or office locations, each in a different Local Government Area. The Company shall prove to the Commission through their business plan that they are going to access the low income earners spread across the state within a reasonable time frame.

The Commission shall grant a national microinsurer licence to a state microinsurer upon application following 60 months of successful business operation and approval by the Commission.

3) National Microinsurer

The Company Minimum Capital Base is ₦600 million (General: ₦400 million & Life: ₦200 million). Its operation is nationwide with presence in at least 6 states within 3 geopolitical zones of the federation. The Company shall prove to the Commission through their business plan that they are going to access the low income earners spread across the country within a reasonable time frame.

Registered Insurance Companies shall be granted national microinsurer licence upon application.

APPENDIX V

Corporate Governance

The following aspects of Good Corporate Governance shall apply to the respective categories of microinsurers:

1. Unit Micro-insurers:

- a. The Chief Executive Officer shall have a minimum of 5 years **relevant** post qualification working experience for Associates of the Chartered Insurance Institute of Nigeria or its equivalent. For non-associate members of the Chartered Insurance Institute of Nigeria, a minimum of 7 years working experience in the Technical Department of an insurance institution may suffice.
- b. The Head of Technical Department shall have a minimum of 5 years **relevant** post qualification working experience for Associates of the Chartered Insurance Institute of Nigeria or its equivalent. For non-associate members of the Chartered Insurance Institute of Nigeria, a minimum of 7 years working experience in the Technical Department of an insurance institution may suffice.

2. State Microinsurers:

- a. The Chief Executive Officer shall have a minimum of 5 years **relevant** post qualification working experience for Associates of the Chartered Insurance Institute of Nigeria or its equivalent. For Non-Associate members of the Chartered Insurance Institute of Nigeria, a minimum of 8 years working experience in the Technical Department of an insurance institution may suffice.
- b. The Head of Technical Department shall have a minimum of 5 years **relevant** post qualification working experience for Associates of the Chartered Insurance Institute of Nigeria or its equivalent. For Non-Associate members of the Chartered Insurance Institute of Nigeria, a minimum of 7 years working experience in the Technical Department of an insurance institution may suffice.

3. National Microinsurer

- a. The Chief Executive Officer shall have a minimum of 7 years **relevant** post qualification working experience for Associates of the Chartered Insurance Institute of Nigeria or its equivalent. For non-associate members of the Chartered Insurance Institute of Nigeria, a minimum of 10 years working experience in the Technical Department of an insurance institution may suffice.

- b. The Head of Technical Department shall have a minimum of 5 years **relevant** post qualification working experience for Associates of the Chartered Insurance Institute of Nigeria or its equivalent. For non-associate members of the Chartered Insurance Institute of Nigeria, a minimum of 7 years working experience in the Technical Department of an insurance institution may suffice.

4. Transparency

- i. All Microinsurance must undergo an annual audit and submit to the Commission the audited annual returns not later than 31st March of each year.
- ii. All Microinsurer must have a board of directors of at least:
 - a. For Unit Micro-insurer - three members as minimum, of which at least one should be non-executive and independent director.
 - b. For State, three members as minimum, of which at least one should be non-executive, and independent director.
 - c. For National Micro-insurer, four members as minimum, of which at least two should shall be non-executive, inclusive of independent director.

All Directors, Executives/CEO, Managers and Relationship Officers of any Microinsurer should be fit and proper persons and shall be subjected to the approval of the Commission.



APPENDIX VI

PRODUCT APPROVAL

1. **Verification of target market:** The market shall be verified in cognizance of the following minimum characteristics:
 - i. The target group served (i.e. the low income earners or those underserved by traditional insurance products).
 - ii. Caps on the amount of coverage and premiums.
 - iii. Distribution channel.
 - a. **Product coverage:** All Microinsurance products must be designed to meet the risk protection needs of the low income individuals and groups covering appropriate risks from the client perspective
 - b. **Compliance with *SUAVE* test:** Microinsurance products must meet the following criteria:
 - i. **Simple:** The policies, conditions, procedures and marketing must be simple
 - ii. **Understood:** The product and its related processes must be simple enough that people can easily understand
 - iii. **Accessibility:** verify accessibility to the market in terms of purchase, premium payment and claims
 - iv. **Valuable:** products or services shall be designed to meet the needs of clients, be beneficial, fair in price and coverage
 - v. **Efficiency:** The channels of distribution must be efficient to both the insurer and the policyholders.
2. **Partnership arrangement:** A Service Level Agreement must be executed detailing the roles and responsibilities of all parties to the contract. The agreement shall contain the following minimum standards:
 - a. Rights and obligations of either party.
 - b. Premium collection notification clause.
 - c. Premium remittance clause.
 - d. Claims administration clause.
 - e. Commission payment clause.
 - f. Records management clause.
 - g. Know Your Customer (KYC) clause.
 - h. Any other requirement as the Commission may from time to time prescribe.
3. **Maximum sum assured:** shall not be more than ₦2,000,000.00 per person per insurer.
4. **Premium payment method:** must meet the following minimum criteria:-
 - i. make it possible for clients to pay periodically
 - ii. affordable access

5. **Claims administration:** Must be as efficiently and inexpensively as possible, requires limited documentation, offers quick payments of primary benefits. Timeline within which claims shall be settled or declined after notification must be specifically stated.

6. **Exclusions:** The policy shall contain few or no exclusions.

7. **Policy administration and tangibility:**

- i. Documents must be clear and unambiguous.
- ii. Must have mechanism to collect feedback from clients.
- iii. Must have clear first contact information.
- iv. Must be offered by competent persons.
- v. Must have simple enrollment processes.
- vi. Policy excess not applicable.

8. **Distribution Channels:**

- a. Cooperative societies.
- b. MFIs, MFBs.
- c. Non-Governmental Organisations.
- d. Postal Agents.
- e. Mobile Payment System.
- f. Telecommunications.
- g. Brokers, Agents.
- h. Trade organizations.
- i. Health Service Providers Esusu/Adashi group.
- j. Age grade.
- k. Faith Based Organizations.
- l. Self-employed market women.
- m. Any other channel of distribution.

9. **Third Party Liability exclusion:**

All Microinsurance policies shall exclude third party liabilities with sum insured above ₦2,000,000.



FORM 1

APPLICATION FOR REGISTRATION AS A MICROINSURANCE OPERATOR

(a).....
NAME OF APPLICANT

To: The National Insurance Commission

1. This application for the registration of the above mentioned applicant as a
Microinsurance Operator under the *Microinsurance Guidelines 2018*.

(b).....
Directors of the applicant by whom this application is signed.2. The applicant is a Company
incorporated and registered under the Companies and Allied Matters Degree 1990 and its
registration number

(c).....
3. The name of the applicant is stated above and its registered office within the meaning of
section 630 (2) of the Companies and Allied Matters Degree 1990 is

(d).....

4. The particulars of the share capital of the applicant are as follows:

Authorized:

(e) ₦.....

Issued:

(f) ₦.....

Paid:

(g) ₦.....

(5) The class or categories of *Microinsurance* business in respect of which this application is
made are as follows:

(h)

(6) It is proposed that the principal office of the applicant shall be situate

.....

(7) The Chief Executive shall be



FORM 2A

CERTIFICATE OF REGISTRATION AS A MICROINSURANCE OPERATOR

(a).....

Registration No (b).....

It is hereby certified that

(a).....


has this (c).....day of 20... been registered to commence / carry-on as a Unit *Microinsurance* Operator under the *Microinsurance* Guidelines to transact Life/ General *Microinsurance* Business:

(d).....
.....
.....
.....

Dated this Day of 20...

Signature (e)

Commissioner for Insurance



FORM 2B

CERTIFICATE OF REGISTRATION AS A MICROINSURANCE OPERATOR

(a).....

Registration No (b).....

It is hereby certified that

(a).....

has this (c).....day of 20... been registered to commence / carry-on as a State *Microinsurance* Operator under the *Microinsurance* Guidelines 2013 to transact Life/ General *Microinsurance* Business:

(d).....

.....

.....

.....

Dated this Day of 20...

Signature (e)

Commissioner for Insurance



FORM 2C

CERTIFICATE OF REGISTRATION AS A *MICROINSURANCE OPERATOR*

(a).....

Registration No (b).....

It is hereby certified that

(a).....

has this (c).....day of 20... been registered to commence / carry-on as a National *Microinsurance* Operator under the *Microinsurance* Guidelines 2013 to transact Life/ General *Microinsurance* Business:

(d).....

.....

.....

.....

Dated this Day of 20...

Signature (e)

Commissioner for Insurance

