

**BANCASSURANCE REFERRAL
OPERATIONAL GUIDELINES**



**NATIONAL INSURANCE
COMMISSION**

EFFECTIVE APRIL 1, 2017

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1.0 DEFINITION

In these Guidelines, unless the context otherwise requires:

Applicant	means individual or institution with a valid insurance licence applying to the Commission to carry out Bancassurance Referral distribution Model
Approval	means NAICOM grant of no objection or approval for the Insurer to enter into referral relationship with named bank(s). "No objection" and "Approval" are thus use interchangeably in this Guidelines.
Associated Company	means a Subsidiary or Sister Company of applicant i.e Companies with common shareholders, Parent Company or Other Company in the same group
Bancassurance	means the collaboration between a Bank and an Insurance company to market Insurance products to the customers of the bank
Bancassurance Manager	This is the head of the Bancassurance Department in the insurance company.
Bancassurance Product	means life or non-life insurance products stated in the MOU between the referral bank and insurer sold to or purchased by individuals, families and corporate entities for their own benefits.
Bancassurance Referral Bank	means a bank permitted by CBN to act as a referral Bancassurance business under this Guidelines
Bancassurance Referral Officer	This is the Bancassurance desk officer in the referral bank office.
CBN Act	means the Central Bank of Nigeria Act 2007
CIIN Act	means the Chartered Insurance Institute of Nigeria Act No 22 of 1993
Commission	means the National Insurance Commission of Nigeria
Conventional Products	mean the standard existing Insurance products of a particular insurer partner and/or the industry as at the date this circular come into effect or as may be approved from time to time
Desk Office Branch	Mean an earmarked part of the partner bank for attending to Bancassurance customers.
Desk Officer	means the insurer's schedule officer assigned to the partner bank to



	handle Bancassurance related functions/attend to Bancassurance customers
GPI	means Gross Premium Income
Industry	means the Insurance industry of Nigeria comprising the Underwriters, Intermediaries, Reinsurers, Loss Adjusters, and all other Operators captured by the NAICOM Act 1997 and the Insurance Act 2003
Insurance Act	means the Insurance Act of 2003
Insurance Product	means any Life or non-life insurance policy sold to or purchased by individuals, families and corporate entities for their own benefits
Insurer	means a licenced Insurance Underwriter that sells its products through the platform provided by a Bank
NAICOM Act	means the National Insurance Commission Act of 1997
NDIC	means the Nigerian Deposit Insurance Corporation
Operational / Premium Account	means the premium account of the insurer situated in the referral bank or other banks for recording bancassurance (referral) transactions
PENCOM Act	means the Pension Reform Act of 2014
Referral Agreement	means bancassurance agreement executed between the insurer and referral bank
Referral Bancassurance Model	means a Bancassurance Model as indicated under the CBN and NAICOM Bancassurance Guidelines respectively, whereby Insurance products are distributed through insurance experts who are generally employees or representatives of an insurance company. The Bank, which is partnering with the insurance company, shall through its employees identify prospects who are then contacted by an insurance expert. In this case, the Insurance Company leverages on the Customer database of the Bank for insurance needs assessment and provision of the required insurance products subject to Section 2 of this Guidelines
Referral Bank	means a Deposit Money Bank (DMB) and/or Microfinance Bank (MFB) approved to collaborate with an approved Insurer to sell the Insurer's Products, using the referral Bancassurance model.
Referral Products	means Insurance Products to be marketed and sold under the Referral arrangements between Insurer and Referral Bank

SME means Small or Medium-Sized Enterprise, being a business or company that has employees not exceeding 100 and share capital not exceeding N300 million in context to these Guidelines

Standstill Period means the period for which an insurance business with an existing intermediary shall be allowed to change the distribution channel to bancassurance model and such change shall be with a written authority of the insurer which shall be well documented by the insurer.

All words and expressions used herein but not defined herein, or in any of the regulations made by the Commission or other Acts herein referred shall have the meanings as defined in the Insurance Act 2003 or any regulations made thereof.

2.0 AUTHORISATION

The National Insurance Commission by the powers conferred on it by the provisions of section 49 (1)(b) of National Insurance Commission Act 1997 hereby issue the following Guidelines on licensing and operation of **Referral Distribution channel – Bancassurance** as an insurance intermediary.

3.0 REGISTRATION AND APPROVAL PROCEDURES

- 3.1 **Application for Issuance of “No Objection” by NAICOM to Insurance Companies shall be accompanied with the following:**
- 3.1.1 Letter of intention by Insurance Companies to partner with a named bank.
 - 3.1.2 Extract of Board resolution/approval for such partnership.
 - 3.1.3 Board Resolution as to establishment of Bancassurance Department by the insurer.
 - 3.1.4 Name, designation and qualification of Bancassurance Manager.
 - 3.1.5 Proposed desk office branches in the referral-bank, proposed Desk Officer to man the desk offices, their qualification and/or experiences (where applicable).
 - 3.1.6 Risk management framework put in place.
 - 3.1.7 List of products (conventional products of the Insurer to be sold under the Bancassurance Referral).
 - 3.1.8 List of names and qualification of proposed Principal Officers (Bancassurance Managers and Bancassurance Referral Officers).
- 3.2 The insurer application shall be accompanied with the referral agreement with the referral bank. The contents of this agreement shall be, at a minimum, include items stated under section 4.0 of this guidelines.
- 3.3 NAICOM shall approve the Referral Bancassurance Agreement between the Bank and Insurance Company, subject to obtaining references from the Central Bank of Nigeria.



4.0 CONTENTS OF REFERRAL AGREEMENTS

4.1 The agreement shall contain:

- 4.1.1 The Referral products to be offered.
- 4.1.2 Duties and responsibilities of each of the parties under the agreement during and upon formation of the contract.
- 4.1.3 List of products under the referral agreement.
- 4.1.4 The conditions for the termination of the agreement.
- 4.1.5 The duration of the contract and whether it is renewable.
- 4.1.6 Commission and fees to be charged.
- 4.1.7 Dispute resolution mechanism.
- 4.1.8 Measures to safeguard confidential information.
- 4.1.9 The initial branches of the bank to establish Desk office if any.
- 4.1.10 Customer safeguards/customer protection.
- 4.1.11 Statement on Referral excluded products.
- 4.1.12 Scope of operation of the partnership (Refer to Section 6 of this Guidelines)
- 4.1.13 Premium collection and/or remittance modalities.
- 4.1.14 Business and professional conducts.
- 4.1.15 Disclaimer Clause – that the products shall be underwritten by the insurance company with no recourse to the bank in terms of underwriting, management, claims or any legal proceedings between the Insurance company and the bank's customer.
- 4.1.16 Record keeping and confidentiality of information.
- 4.1.17 Prohibited business
- 4.1.18 Standstill period for changing the existing intermediary on the account/business
- 4.1.19 Any other relevant information.

5.0 CONSIDERATION OF APPLICATION

5.1 Basis of grant of an approval or no objection

The Commission shall, before granting an approval, be satisfied that:

- 5.1.1 The Insurer already has in his employment the minimum number of designated Principal Officers who have the necessary qualifications specified from time to time by the Commission and experience to conduct the business of Bancassurance.
- 5.1.2 The applicant fulfils the Filing and approval/no objection fees requirements as specified in this Guidelines.
- 5.1.3 The grant of approval to the applicant will not be detrimental to the interest of the policyholders.



6.0 MODE OF OPERATION AND CONDUCTS

6.1 Representation

- 6.1.1 Bancassurance referral service shall be by referring to the Insurer, bank customer that require insurance services and products
- 6.1.2 Establishing a Bancassurance referral operation might also be by way of locating a Bancassurance Desk in the banking hall of the Referral Bank.
- 6.1.3 The Insurer shall maintain a Bancassurance relation with not more than **two Referral Banks** at any one time and vice versa.

6.2 Restrictions and Conducts

The insurer approved to partner with a Referral Bank shall;

- 6.2.1 Not engage the referral bank in any form of marketing, sales or services other than referral only.
- 6.2.2 Make known to the customers so referred that the insurer will wholly be liable for underwriting of the risks, assessment, adjustment and payment of claims that may arise from the risk covered.
- 6.2.3 Not use any advertisement or promotion that would make people to mistakenly believe that the Referral Bank stands behind or guarantees any return on the Insurance Products.
- 6.2.4 Not pay compensation to any individual for the referral of a customer where such a person is not an approved referral bank.
- 6.2.5 Not fail to disclose in writing to the Customer that the Insurance policy to be sold is:
 - i. not a cash deposit
 - ii. not Insured by the NDIC and
 - iii. not guaranteed by the CBN.
- 6.2.6 Not enter into a Referral Arrangement with more than two Referral Bank.
- 6.2.7 Not fail to keep distinct and separate, the records relating to Bancassurance transactions and that, such records are to be made available to NAICOM as and when required.
- 6.2.8 Not made any payment to the referral bank by whatever name called (fees, charges, etc.) over and above the approved referral Commission.
- 6.2.9 Not pay fees or commission for the insurance of a policyholder that is not a referral client on the referral client list maintained in the insurer records.
- 6.2.10 Ensure that all prospective clients are allowed to decide out of their own volition, which insurance product they wish to buy and from which insurance company.
- 6.2.11 Not fail to open and maintain a dedicated premium/operational account for the purpose of capturing bancassurance (referral) transactions.
- 6.2.12 Maintain a standstill period of one year for an account/business that have an existing intermediary before a change to Bancassurance referral is uphold. Such change of intermediary shall only be accommodated with evidence of a written approval from the insured.



- 6.2.13 Not engage in any bancassurance referral relation with a bank from the same Hold-Co or group structure where brokers is also a member.
 - 6.2.14 Not allow any business that has been treated as a bancassurance referral model to be captured concurrently to have been through any other intermediaries (agent or broker) nor allow payment of another commission on same.
- 6.3** The Parties of Bancassurance referral arrangement shall satisfy other provisions of business practice and market conducts as provide by Guidelines issued by the Commission and/or CBN.

7.0 PREMIUM/TRANSACTION ACCOUNTS, FEES, COMMISSION AND PREMIUM

7.1 Fees Payable by Insurer to NAICOM

- 7.1.1 Application/filing fee by the Insurer ₦500,000.00
- 7.1.2 Licensing and registration fee by the Insurer ₦2,500,000.00
- 7.1.3 Renewal fees ₦1,000,000.00

7.2 Commission Payable on Bancassurance Referral/Partner

The Referral Commission to be paid by the Insurer to Referral Bank shall not exceed 40% of the Commission allowed in the Insurance Act, 2003 for Insurance Broker.

7.3 Premium / Operational Account

- 7.4.1 The Insurer partnering with a Bank shall open and maintain a dedicated premium account with the referral Bank and any other bank of its choice.
- 7.4.2 No expenditure or cost arising out of the Bancassurance relationship between the Insurer and the Referral Bank shall be charged to this account except the referral commission stipulated in Section 7.2 above.

7.4 Payment of Premium

- 7.4.1 Payment of premium under Bancassurance operation shall be guided by Section 50(1) of the Insurance Act 2003 which says "the receipt of an insurance premium shall be a condition precedent to a valid contract of insurance and there shall be no cover in respect of an insurance risk, unless the premium is paid in advance".
- 7.4.2 Where premium is paid by the debit of a policyholder's account by instruction of the policyholder to the bank, the bank should credit the account stated in the instruction.

8.0 VALIDITY OF LICENSE AND RENEWAL

- 8.1 An approval once issued to the insurer shall be valid for a period of two calendar years from the date of its issue, unless the same is suspended or cancelled pursuant to the extant law.
- 8.2 A renewal application and documentation shall be submitted at least 45 days prior to the date of expiration of license and any renewal application received there after shall attract a penalty of N250, 000.00. On expiration, the referral bank would be notified through the CBN and is expected not to transact further bancassurance business until the license is renewed or reissued.

- 8.3 A Thirty (30) days' grace from the expiry date may be allowed for renewal of the referral approval.
- 8.4 After the 30 days grace period, there shall be no renewal and a new referral relationship application may only be considered after a cooling period of 2 calendar years.
- 8.5 Application for renewal shall be in such forms as may be prescribed, from time to time, by the Commission
- 8.6 Submission of incomplete renewal documents shall be construed as non-submission.

9.0 BANCASSURANCE PRODUCTS

Bancassurance Products refer life or non-life insurance products stated in the agreement between the Referral bank and the Insurer sold to or purchased by individuals, families and corporate entities for their own benefits from a licensed Insurance Company.

9.1 Admitted Products

An Insurance Company shall be authorised to sell Life and/or Non-life insurance products. For avoidance of doubt, Non-life products without risk premium content (investment or annuity) or bonds and guarantees in whatever form shall be regarded as admitted products under the agreement.

9.2 Existing Insurance Products

All product to be covered by the Referral relation shall be listed in the Bancassurance Agreement. No product shall be added to those listed on the approved agreement without the prior approval of the Commission.

9.3 New/Repackaged Products

Insurance Company's products which have already been approved by the Commission but which have been repackaged to make them suitable for Bancassurance operation must be resubmitted to the Commission for approval by the insurance company

The provisions of Section 54(2) of the Insurance Act, 2003 must be clearly indicated in a conspicuous manner at the front cover of the proposal form. Each Product (repackaged or new) must be supported with a Prospectus and explanatory note. Such a product so developed shall be subject to approval of the Commission.

10.0 PRINCIPAL OFFICERS

10.1 Bancassurance Manager

The Bancassurance Manager shall be the Head of the Insurer's bancassurance operations in the Insurer's office and shall not be below the level of Senior Manager or its equivalent.

10.2 Functions of a Bancassurance Manager shall include the following:

- 10.2.1 Co-ordinate all the bancassurance activities in the insurer's office
- 10.2.2 Ensure effective supervision of all Bancassurance Referral officers
- 10.2.3 Liaise with the partner bank and other parties as well as the regulator in respect of its Bancassurance activities.



10.2.4 Ensure appropriate records are kept, and that the necessary returns are made as at when due

10.2.5 Ensure fair treatment of all bancassurance customers.

10.3 Bancassurance Referral Officer

10.3.1 Only approved Bancassurance Referral Officer shall be permitted to act as Bancassurance Desk officer in the Referral Bank's office and such officer(s) shall comprise of persons who have:

- i. Relevant technical Insurance skill
- ii. Marketing skills in Insurance
- iii. Met the requirements of the Commission.
- iv. Relevant insurance related qualification and/or training experience.
- v. Knowledge of relevant market conducts regulations and requirements.

10.3.2 The Bancassurance Referral Officer deployed by the Insurer shall be an employee on the pay roll of the Insurer.

10.3.3 The Insurer shall be responsible for all acts of commission and omission of the employee deployed on their behalf.

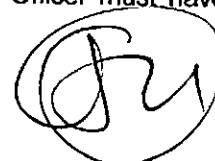
10.3.4 Functions of a Bancassurance Referral Officer (Insurance) shall include the following:

- i. Obtaining detailed information about the Customer and his business.
- ii. Familiarising himself with the client's business and underwriting information so that this can be used in the underwriting process.
- iii. Rendering advice to the customer on appropriate insurance cover and terms;
- iv. Maintaining detailed knowledge of available insurance Products from his company.
- v. Providing quotation on the Insurance Products for consideration of a client;
- vi. Providing requisite underwriting information to the Insurer in assessing the risk to decide pricing terms and conditions for cover,
- vii. Acting promptly on instructions from a customer and providing him written acknowledgements of the assumption of risk by the Insurer.
- viii. Complying with the Guideline on market conduct and business practice for Insurance Institutions in Nigeria.
- ix. Assisting customers in processing claims in line with the provisions of the "Claims Management Procedure of the Company represented
- x. Assisting in the negotiation of the claims, protecting salvage and subrogation rights of the Insurer.
- xi. Maintaining proper records of claims and businesses generated.

10.4 TRAINING REQUIREMENT OF BANCASSURANCE OFFICERS

The Bancassurance Managers and Bancassurance Referral Officers are required to have Bancassurance Training for a period of not less than 12 hours and 18 hours respectively. A Certificate issue by the Nigeria College of Insurance shall be sufficient evidence for this Purpose.

10.5 The Bancassurance Certificate stated in 10.4 above is in addition to the necessary relevant qualification and experience a Head of Technical Department of insurance companies need to possess for Bancassurance Manager while the Bancassurance Referral Officer must have at least first degree or its equivalent.



11.0 DISPUTE RESOLUTION AND COMPLAINTS REDRESS MECHANISM

11.1 Dispute Resolution Between the Bancassurance Referral Bank and the Insurer

11.1.1 Any disputes arising between a Referral Bank and the Insurer or any other person either in the course of his engagement in Bancassurance Referral activities or otherwise may be referred to the Commission by the person so affected; and on receipt of the complaint or representation, the Commission would examine the complaint and if found necessary proceed to conduct an enquiry or an inspection or an investigation with the involvement of CBN where necessary, in terms of these Guidelines.

11.1.2 In any dispute arising out of Insurance transactions, the jurisdiction of the Commission shall prevail and the laws applicable to the insurance contracts shall be enforced and information in this regard shall be communicated to the Central Bank of Nigeria.

11.2 Customer Complaints Redress Mechanism

The Insurer shall put in place an appropriate complaints redress mechanism to ensure that client's issues are appropriately attended. In particular the Insurer shall fully comply with the "Market Conduct Guidelines and business practice" issued by the Commission.

12.0 REPORTING REQUIREMENTS

12.1 Quarterly Reports

The insurer shall include in its quarterly returns to the Commission, the amount of business generated on Bancassurance.

12.2 The Insurer shall create, as a line item, the total premium generated from Bancassurance business and the associated commission paid.

13.0 PROHIBITION, REMEDIAL MEASURES & SANCTIONS

13.1 Prohibition

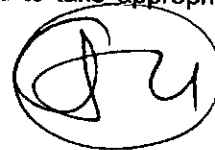
From the date of commencement of these Guidelines, no Insurer shall carry out Bancassurance business without obtaining 'Letter of No Objection' from the Commission. Violation of the provision of the Guidelines shall be treated in line with sec 36 (8) of the Insurance Act, 2003.

13.2 Remedial Measures

When the Commission determines that the insurers' non-compliance with the provisions of this Guidelines impacts the Company's ability to identify, assess, manage and mitigate its risks in a systematic manner, the Commission may issue such orders which it considers necessary to protect policyholders' interest in accordance with the relevant Insurance Law.

13.3 Sanctions

Where the Commission determines that an insurance has not met the requirements of this Guidelines, the Commission may impose any or all of the available administrative sanctions to correct the situation in accordance with the powers under the Insurance Act, 2003 and NAICOM Act, 1997 and where it involved the referral bank, CBN shall be informed to take appropriate action.



14.0 EFFECTIVE DATE

This Guideline shall be with effect from April 1, 2017

15.0 ENQUIRY

Enquiries on any aspect of this Guidelines shall be referred to:

Address: The Directorate of Authorisation and Policy
National Insurance Commission
Plot 1239, Ladoke Akintola Boulevard
Garki II, Abuja.

E-mail: contact@naicom.gov.ng

Website: www.naicom.gov.ng

