NATIONAL INSURANCE COMMISSION

INSURANCE REGULATORY SANDBOX OPERATIONAL GUIDELINES

MAY,2023

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PREAMBLE

1. These Guidelines are issued in exercise of the powers conferred on the National Insurance Commission (hereinafter referred to as the Commission) under the National Insurance Commission Act 1997 and the Insurance Act 2003.

2. These Guidelines shall be read in conjunction with the provisions of the Insurance Act as well as other regulations, notices and circulars that the Commission may issue from time to time.

3. This Guidelines shall come into effect 1st May 2023

OBJECTIVE OF THE GUIDELINES

i. To provide insurance institutions, other firms and persons the opportunity to test business models, products and services that will enhance efficiency in meeting consumers' needs,
ii. To encourage innovation that will drive financial inclusion and positive competition,
iii. To promote and deliver economic benefits, by lowering the cost of business operations.

1.0. CONCEPT AND SCOPE OF INSURANCE REGULATORY SANDBOX

1.1. Regulatory sandbox refers to a consciously established relaxed regulatory environment for the testing of innovative products, services, business models, channels of distribution subject to regulatory discretions and set parameters that have potential of improving insurance inclusiveness and service efficiency in Nigeria.

1.2. The possible areas of innovation that will be allowed into the Regulatory Sandbox are as follows:

i. Insurance solicitation or distribution
ii. Insurance products

iii. Underwriting
iv. Policy and claims servicing
v. Any other activity within the insurance value chain

2.0. ELIGIBILITY CRITERIA AND CATEGORIES OF APPLICANTS

2.1. An applicant will be eligible to be considered for the sandbox after meeting these criteria:

i. Must demonstrate the potential to advance inclusive insurance - The proposed product, service or solution is genuinely innovative with clear potential to advance the objectives of Inclusive Insurance by improving accessibility, efficiency, security and/or quality in the provision of insurance services to consumers in Nigeria
ii. The Applicant shall be a registered business in Nigeria
iii. The applicant must have a Fit and Proper Management and Leadership
iv. Must demonstrate that it has conducted sufficient diligence to understand the potential risks and/or legal and regulatory requirements for deploying the proposed insurance product, service or solution

2.2. The Commission will accept applications from the following categories of applicants:

i. Insurers
ii. Insurance Brokers
iii. Loss Adjusters
iv. Any other applicant as the Commission deems fit

2.3. Fin/insur technology companies that wish to deploy their services in the sandbox will have to apply in partnership with or through any of the above-mentioned categories of applicants, such application shall be accompanied by a Service Level Agreement (which will be subject to Commission's approval).

2.4. Where the innovation involves introduction of an insurance product or underwriting process, the applicant shall partner with an insurer.

2.5. Fin/Insur technology firms shall be registered under the CAC Act.

3.0. SANDBOX APPROVAL PROCESS

3.1. Approval to participate in the sandbox shall be in three (3) stages:

A. **Application Stage**

i. Application to participate in the sandbox can be filed at any time either through the Commission's online sandbox portal or manually. The application shall be accompanied with a proposal and fee as may be prescribed by the Commission from time to time.

ii. An applicant shall ensure that the eligibility criteria have been met before submitting the completed online application form to the Commission.

iv. Upon receipt of the proposal and application, the Commission will review for completeness of documentation and inform the applicant of its suitability or not to participate in the sandbox within 30 days from the receipt of full/final information for the review of the application.

B. **Evaluation Stage**

The evaluation stage will involve confirmation of documents provided by the applicant as well as due diligence on persons and inspection where necessary. The period required for evaluation of the application shall be 45 days, however, a notification will be sent out to the company if it will exceed the specified period.

Due to the exploratory nature of the Sandbox approach, the applicant is allowed to make adjustments to the proposal for resubmission after discussing with the Commission.

C. **Approval Stage**

The successful applicant will be given approval to commence the test upon satisfactory evaluation of the application and their name published on the website of the commission and in a national daily newspaper printed in Nigeria before commencement of their activities.

4.0. EVALUATION CRITERIA

4.1. Evaluation of application will be on case by case basis. However, the minimum criteria for evaluation are as stated below:

i. Resource (Financial & Human): The applicant is required to clearly state the financial commitment/budget for this purpose which should be well detailed. Sufficient proof of human expertise to be involved in the period of the sandbox must be submitted.
ii. Business Feasibility Plan: A feasibility plan which at the least should contain how they intend to manage early/unexpected failure of the solution and continuity after the test period.
iii. Fully developed Product: The product, service or innovation have been fully developed or at the maturity stage ready to be offered to the consumers.
iv. Risk Management Framework: The risk management framework should identify the risks associated with the innovation and its operation as well as implementation. it should also contain the internal controls and processes put in the place to mitigate potential risks associated with the innovation and its operation.
v. Service Level Agreement (SLA): In the case of partnership, an SLA signed by the Legal Persons as well as any authorized person from each party to the agreement will be required. The SLA at minimum should clearly state the parties to the contract, their responsibilities, Management Profile of the fin/insur technology companies, share of

resources and profit, dispute resolution mechanism, detail of pricing of the product or innovation.

vi. IT Infrastructure: The minimum IT Infrastructure, policy and framework should be in place and shall be inspected by the Commission (See Appendix 2).

vii. Compliance with Anti-Money Laundry and Countering the Financing of Terrorism Act: The applicant is required to state how it has complied with the relevant sections (Customer Due Diligence) of the AML/CFT Act.

viii. Legal and Regulatory Issues: The applicant may state the regulatory provisions required to be relaxed by the Commission.

5.0. TESTING REQUIREMENT AND CUSTOMER SAFE GUARDS

5.1. Testing Requirement

i. The Testing Requirement shall include testing parameters, benchmarks and goals to determine success or failure of the test, which shall be agreed on a case by case basis by the participants and the Commission.

ii. The testing period shall not exceed 12 months after which an extension of 6 months (one-time extension only) may be allowed if it is shown by the participant that the extension is necessary to address salient issues and achieve success.

iii. A request for extension shall be submitted not less than 30 days to the end of the testing period with reasons supporting their request for extension and the period of extension required.

v. The granting of an extension shall be at the discretion of the Commission.

vi. A successful applicant shall not participate as a customer/client in its test

5.2. Customer Safeguards

Safeguards for the protection of consumers shall be established on a case by case basis by the applicant and the Commission. These safeguards shall include but not limited to the following:

i. Full disclosure of information and risk regarding the test.

ii. Prior consent of the customer to participate in the test.

iii. Limiting the number of consumers for the test or segment of consumers.

iv. Limiting the amount of transaction or the amount per transaction

v. Providing quick redress mechanism.

vi. Confidentiality of customer information

vii. Customers are at liberty to cancel the participation at any time in line with the cancellation condition, which the consumer shall be informed of prior to on boarding and stated under the terms and conditions of the policy.

5.3. The Commission will be granted direct access to the information garnered from the innovation testing as well as the IT infrastructure of the participants and will adhere to data protection laws at all times.

5.4. The Commission will monitor the activities of the operators to ensure compliance with set rules and regulations.

6.0. REPORTING REQUIREMENT

6.1. The participant shall submit a monthly report which is expected to contain at a minimum or state the following:

i. Key performance benchmark and actual outcome

ii. Key issues arising as observed from fraud or operational incident reports, consumer complaint and how it was resolved

iii. Risk assessment report

iv. Any other report as required by the Commission.

6.2. A final report shall be submitted to the Commission within 30 days of expiry of the sandbox test by the participant and should contain at a minimum the following:

i. Key outcome and performance indicators against agreed measures for the success or failure.
ii. Grievances and resolution
iii. Feedback from consumers
iv. Identified risk(s) and its management

7.0. EXITING THE SANDBOX

7.1. At the end of the testing period, applicants must adhere to the provisions of extant laws.

7.2. Where the objective of the test is met before the 12 months period, the participant will exit the sandbox.

7.3. The Commission will within 30days of receipt of the final report communicate whether or not the participant should deploy the solution to the public. Where the innovation involve other regulator(s), approval from the relevant regulator will be sought before the Commission's approval for the deployment of the innovation to the public.

8.0. REVOCATION OF APPROVAL AND WITHDRAWAL FROM THE SANDBOX BY THE PARTICIPANT

8.1. The approval granted to participate in the sandbox may be revoked by the Commission at any time before the end of the testing period if:

i. The participant has failed to comply with the conditions stipulated for operation within the Sandbox;
ii. The participant has acted in a manner that is detrimental to customers and the public;
iii. Critical/technical flaws are observed and have remained unresolved for 30 days.

iv. The participant has misled and/or concealed material facts from the Commission and/or customers;
v. The participant is undergoing or has been liquidated
vi. The participant has failed to sustain the safeguards for the users of the service.
vii. Any other reason that the Commission considers critical to the continued operation of the testing.

8.2. The Commission will give 30 days' notice of its intention to revoke the approval granted to the participant. The participant shall be given the opportunity to convince the Commission to act otherwise within the 30 days' notice.

8.3. The participant may wish to discontinue after 30 days notification of intent to the Commission. The notification shall state the reason(s) for the discontinuation.

9.0. ACCOUNTING REQUIREMENT

9.1. The participant is required to establish and maintain a separate clients' account for this purpose.

9.2. Expenses incurred at the application stage shall be stated as an item in the financial statement and shall not be borne by the consumers.

10.0. CONTACT PERSON FOR THE APPLICANT

10.1. Applicants are required to include contact details of the project lead and/or promoters of the company that the Commission can liaise with at any point in time.

Appendix 1

REGULATORY FLEXIBILITY FOR SANDBOX OPERATION

The essence of the Sandbox is to look at possible regulatory provisions that may be relaxed/waived and also those that will not be relaxed.

Below are possible regulatory provisions that will not be waived/relaxed as well as those that may be waived/relaxed:

Regulatory Provisions that will not be waived include:

1. Any regulatory requirement that deals with protection of policyholders
2. AML/CFT Requirement
3. Legal Due Diligence
4. Fit and proper due diligence

Appendix 2

MINIMUM INFORMATION TECHNOLOGY (I.T.) INFRASTRUCTURAL REQUIREMENTS FOR OPERATION OF REGULATORY SANDBOX (REFER TO NAICOM I.T. STANDARD FOR THE INSURANCE INDUSTRY)

Appendix 3

INFORMATION TO BE CONTAINED IN THE PROPOSAL

- Introduction of the applicant and nature of the application
- Brief information on the innovation being proposed
- Benefits of the innovation to the applicant and customer as well as insurance industry
- Scope of the innovation
- Potential to advance/increase Financial Inclusion
- Regulatory Provision(s) to be waived/relaxed
- Facts of success or otherwise where it has been deployed

Appendix 4

INFORMATION AND DOCUMENTATION REQUIREMENT

Application to participate in the Sandbox shall at minimum be accompanied by the following information and documents:

Basis Information

1.	Name of Applicant
2.	Nature of Application (Sole/Partnership)
3.	Name of Partners (where applicable)
4.	Curriculum Vitae of Contact Person

Documentation Requirement

1.	Board Approval, if applicable
2.	Memorandum and Article of Association of the partnering firm (where it is in partnership with a fin/insur tech firm)
3.	Certificate of Incorporation of the partnering firm by Corporate Affairs Commission (Nigeria)
4.	Forms CAC 1.1
5.	Profile and Curriculum Vitae of Board and Management Team of the partnering firm
6.	Proposal of Solution
7.	Innovation Development Manual (see appendix 5 for information to be contained therein)
8.	Risk Management Framework with respect to the Innovation/Solution
9.	Service Level Agreement (in the case of partnership)
10.	Information Technology Framework and Policy
11.	Statement and Evidence of Compliance with the provisions of AML/CFT Act/No Objection from NFIU

12.	No Objection/Approval Letter from relevant Regulatory Agency
13.	Consumer Grievance Management
14.	Sworn Affidavit that the Board Members and Management Team of the partnering firm have not been convicted or involved in any financial misappropriation or misconduct.
15.	Budget for the project and evidence of fund set aside for this purpose taking into consideration the maximum liabilities
16.	Undertaken that 1% Insurance Levy shall be paid to the Commission
17.	A minimum Professional Indemnity of N500m

Appendix 5

INFORMATION TO BE CONTAINED IN THE INNOVATION DEVELOPMENT MANUAL

1. Introduction
2. Objective
3. How it works
4. Process/stages of development
5. Estimated minimum and maximum customers
6. Expected Life Cycle
7. Any other necessary information