NATIONAL INSURANCE COMMISSION
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CIRCULAR NO: NAICOM/I&R/53/2024

DATE: **26th November, 2024**

TO: **All Managing Directors/Chief Executive Officers of Insurance Companies, Reinsurance Companies and Brokerage Firms**

SUBJECT: **CIRCULAR ON EXHAUSTION/UTILIZATION OF LOCAL CONTENT CAPACITY PRIOR TO ANY OFFSHORE/OVERSEAS INSURANCE/REINSURANCE PLACEMENT**

The Commission has observed attempts to undermine/subvert statutory local content utilization requirements whereby some insurance companies and brokers connive to deny participation or restrict the capacity of eligible insurance and reinsurance companies from exercising their option of first refusal of participation under the guise of the companies failing to meet Financial Strength Ratings requirements and other extraneous conditions.

2. In view of the regulatory concerns around this practice, the Commission hereby clarifies and draw attention to the requirements of the Law on overseas insurance/reinsurance placements of all Insurance risks as well as the consequences of violations.

3. Accordingly, insurance institutions are hereby required to note the provisions of extant laws and regulations to the effect that:

   a) By the provisions of extant insurance laws and regulations, all insurance or reinsurance businesses have been domesticated.

   b) It is unlawful to transact insurance or reinsurance business with a foreign insurer or reinsurer in respect of any life, asset, interest or other properties in Nigeria businesses classified as domestic insurance unless with a company licensed by the Commission.

   c) All overseas or foreign placements shall be by way of reinsurance only which shall be subject to the prior written approval of the Commission.

   d) The approval of the Commission shall only be granted after exhaustion or full utilization of in-country capacity (local capacity of the Nigerian insurance industry).

   e) The determination of the capacity, ratings and eligibility of insurance, reinsurance and brokerage companies under the Commission's regulatory purview is determined by the Commission in line with extant regulatory policies and guidelines.

4. Consequently, all insurance institutions are hereby required to note that:

   i) No proportion of any risk shall be ceded out of Nigeria until local capacity of Nigerian insurance and reinsurance companies are exhausted.

ii) The Financial Strength Ratings required for foreign reinsurers to participate in the Nigerian market does not apply to reinsurance companies licensed and regulated by the Commission.

iii) It is only the Commission that determines whether a regulated insurance or reinsurance company can participate in reinsurance business under the law.

5. Please note that any company found to have violated, is violating, or conniving with any entity with a view to circumventing these requirements pertaining to Local Content Laws and guidelines will be deemed to have flagrantly violated extant legislation as well as regulatory directives and shall be liable to appropriate penalty and other regulatory sanctions.

Please ensure strict compliance.

A.I. Adamu
Director (Innovation and Regulation)
For: Commissioner for Insurance