NATIONAL INSURANCE COMMISSION

GUIDELINES ON REINSURANCE FOR INSURERS AND REINSURERS IN NIGERIA

OCTOBER 2025

TABLE OF CONTENTS

1.0 INTRODUCTION

1.1 In exercise of the powers conferred on the Commission by extant insurance laws and regulations including section 204 and other relevant provisions of the Nigeria Insurance Industry Reform Act (NIIRA) 2025, the Commission hereby issues the following reinsurance requirements for compliance by all insurance and reinsurance companies in Nigeria.

1.2 Insurers and reinsurers are required to strictly comply with all the requirements in these guidelines.

1.3 Reference to an insurer in these guidelines also refers to a reinsurer.

2.0 GENERAL REQUIREMENTS

2.1 All insurance, reinsurance or retrocession business in Nigeria have been domesticated.

2.2 Foreign placements shall be conducted strictly as reinsurance/retrocession transactions by an insurer/reinsurer licensed by the Commission.

2.3 An insurer shall not place reinsurance for any life including health, asset, interest, or property located in Nigeria with a foreign reinsurer without obtaining prior written approval from the Commission.

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

2.5 Reinsurance arrangements shall be structured as treaty and/or facultative reinsurance and shall be documented in accordance with established insurance principles and practices.

2.6 An insurer shall not expose itself and/or its shareholders' fund by accepting any risk for which, in the event of a loss, it does not have the requisite financial capacity, liquidity and/or reinsurance support to settle the corresponding claims.

2.7 Reinsurance premium remittance to a foreign reinsurer by any insurer/reinsurer in contravention of these guidelines shall attract a penalty of not more than 5 times the reinsurance premium paid to the reinsurer.

2.8 **Reinsurance Engagement Protocol:** Where a risk is to be reinsured, the primary insurer (reinsured) shall retain exclusive authority and responsibility for initiating, negotiating, and concluding reinsurance arrangements. This includes direct engagement with reinsurers and/or licensed reinsurance brokers. For the avoidance of doubt, neither the insured nor its representatives shall interfere with or participate in any aspect of the reinsurance process, provided that the reinsured can demonstrate compliance with the reinsurance programme submitted and approved by the Commission, and that adequate reinsurance cover is in place in accordance with extant insurance laws and regulations.

3.0 REINSURANCE TREATIES/ARRANGEMENTS

3.1 All Reinsurance Treaties and Retrocession shall comply with the following minimum requirements:

3.2 Reinsurance/retrocession arrangements shall be in line with the annual reinsurance programme of the insurer as approved by the Board of Directors.

3.3 An insurer shall ensure that, where reinsurance support (treaty or facultative) is obtained, the requisite reinsurance premium is paid in accordance with the terms and conditions of the reinsurance contract/agreement.

3.4 An insurer shall, in respect of its facility declarations and other facultative placements, obtain necessary reinsurance confirmation/evidence of cover for its records prior to inception of the policy. Where this is not possible owing to the peculiar or exceptional nature of the placement, it shall be done within a reasonable time but not later than 30 days after inception.

3.5 An insurer shall ensure that its foreign reinsurers possess, at a minimum, a Financial Strength Rating (FSR) classified within the "excellent" category or a credit rating of "investment grade" issued by a globally recognized rating agency. Additionally, the foreign reinsurers shall demonstrate a strong and consistent reputation for timely and reliable claims settlement. The financial Strength Ratings required for foreign reinsurers to participate in the Nigeria market does not apply to reinsurance companies licensed and regulated by the Commission.

3.6 The determination of the capacity, ratings and eligibility of insurance and reinsurance companies under the Commission's regulatory purview is determined by the Commission in line with extant regulatory policies and guidelines. It is only the Commission that determines whether a regulated insurance or reinsurance company can participate in reinsurance business in Nigeria under the law.

3.7 **Provisional Approval Prior to Foreign Treaty Placement**: During treaty negotiations or renewals, available local reinsurance capacity shall be exhausted and provisional approval of the Commission obtained prior to any foreign treaty placement. The following document shall be submitted for provisional approval:

- i) Evidence of exhaustion of local reinsurance capacity
- ii) Proposed foreign treaty placement details, including terms and conditions
- iii) List of intended securities and with interim capacities and proportions
- iv) Copy of the certificate of incorporation and licence of the proposed foreign reinsurer(s)
- v) Latest financial strength rating (FSR) of the proposed foreign reinsurer(s)

3.8 **Submission of Annual Reinsurance/Retrocession Treaty for Final Approval:** All reinsurance/ retrocession treaties and life treaty cover-notes/addendum/endorsements shall be submitted to the Commission and prior written final approval obtained from the Commission before implementation or use.

3.9 The submission of reinsurance treaties and life treaty cover-notes/addendum/endorsements (except oil and gas reinsurance arrangement that are not treaties with automatic acceptance) for the upcoming year, shall be submitted to the Commission for the Commission's final approval on or before 1st of December of the preceding Year or 30 days before the effective renewal date for those whose treaty renewal dates do not fall on 1st of January. The submission shall also be accompanied by the following:

a. Signed slips of all reinsurance treaties.
b. Evidence of premium remittance for the previous four (4) Quarters, (i.e. 4th, 1st, 2nd and 3rd Quarters) for life and non-life;
c. Evidence of payment of Minimum and Deposit premium for the following year on the non-life business treaties; and
d. The Financial Strength Rating of each of the foreign reinsurers.
e. Confirmation of reinsurance capacity availability, detailing each reinsurer or security provider’s committed capacity to ensure the adequacy and reliability of the coverage provided.
f. Statement from all the reinsurance brokers/reinsurers confirming status of paid and unpaid reinsurance premium for the preceding year.
g. *Actuarial Certification/Report:* An actuarial certificate/report from a certified actuary (internal or external). The actuarial certificate/report shall, among others, provide the following information:
    i) summary of changes in the current and previous reinsurance arrangements
    ii) a five-year risk profile based on the size of the claims per class of business
    iii) changes in the reinsurance management strategy
    iv) reinsurance arrangement per class of business
    v) summary of the reinsurance structure
    vi) actuarial opinion on the following:
        a) appropriateness and adequacy of retentions and how such retentions were determined
        b) adequacy of reinsurance capacity bought by the company in terms of whether such capacity is optimal or inadequate, and adequacy of proportional and non-proportional treaty covers
        c) the validity and certainty of the reinsurance contracts

3.10 An insurer shall ensure that the treaty slips are fully signed by all the participating reinsurers

3.11 All the securities in the reinsurance agreement shall be maintained throughout the contract period.

4.0 OIL & GAS REINSURANCE ARRANGEMENTS

4.1 For oil and gas reinsurance arrangements, the following additional requirements shall also apply in addition to the requirements for submission and the accompanying documents stipulated for submission to the Commission in Paragraph 3.10 and 3.11 of these Guidelines:

4.2 An Insurer shall not place its Treaty and/or facultative reinsurance arrangements for oil and gas with a foreign reinsurer having a Financial Strength Rating (FSR) lower than “A-” (S&P) or “A” (A.M. Best). The Minimum Financial Strength Rating of a foreign reinsurer for oil & gas treaties shall be “A- (S&P) or A (A.M. Best). This requirement does not apply to a reinsurance company licensed and regulated by the Commission.

4.3 The oil and gas reinsurance arrangements shall be duly signed by the Reinsurers/Security Providers and accompanied by a formal Letter from the Reinsurers stating in numerical terms their maximum capacity for Operational Risks and Construction Risks.

4.4 Where an insurer purchases non-proportional excess of loss reinsurance, the reinsurance treaty/facility shall state the maximum capacity granted to the insurer in numeric terms. For proportional treaty/facility, the reinsurance treaty or facility shall state proportional line share and the maximum capacity granted in numeric terms. Where excess of loss reinsurance is purchased, the deductible shall not be more than 2.5% of Minimum Capital Requirement (MCR) for construction risk and 5% of MCR for operational risks. For a proportional treaty/facility, the insurer's retention shall nots be more than 2.5% of MCR for construction risk and 5% of MCR for operational risks.

4.5 Where an insurer decides to write oil and gas insurance for its net account only without reinsurance arrangements, the insurer shall not accept nor commit more than 5% of its MCR determined under prior year audited annual financial statements/ accounts approved by the Commission.

5.0 AVIATION REINSURANCE TREATY

5.1 In addition to the requirements for submission of treaty/retrocession and the accompanying documents stipulated for submission to the Commission in Paragraph 3.10 and 3.11 of these Guidelines, the submission in respect of aviation treaty shall be accompanied by a copy of the Board Resolution on its Approved Maximum Exposure/Risk Exposure Limit for Aviation Insurance.

5.2 The Board-Approved Maximum Exposure/Risk Exposure Limit for Aviation Insurance shall clearly indicate the Net Retention/Deductible of the Insurer which shall not be more than 5% of its MCR.

5.3 The Board-Approved Maximum Exposure Limit/Risk Exposure Limit shall be clearly expressed in specific numeric terms and shall not exceed the insurer’s gross underwriting capacity.

5.4 The Board-Approved Maximum Exposure Limit/Risk Exposure Limits shall be clearly categorized under the following:

a. Hull and Spares
b. Liability
c. War, Hijacking and Allied Perils
d. Excess War, Etc, and
e. Clearly indicate any excluded aviation insurance risk/policy and/or insured.

5.5 All aviation reinsurance treaties shall be based on automatic acceptance by the reinsurers. For the avoidance of doubt, a facultative reinsurance arrangement, facility or line slip subject to declaration or to be agreed shall not be categorized as aviation treaty neither shall it recognized, used nor accepted as treaty.

5.6 The Net Retention/Deductible of an Insurer under any aviation treaty/arrangement on per risk basis, shall not constitute more than 5% of its MCR.

5.7 An Insurer shall not place its Treaty and/or facultative reinsurance arrangements for aviation with a foreign reinsurer having a Financial Strength Rating (FSR) lower than “A-” (S&P) or “A” (A.M. Best). The Minimum Financial Strength Rating of a foreign reinsurer for aviation treaties shall be “A- (S&P) or A (A.M Best). This requirement does not apply to a reinsurance company licensed and regulated by the Commission.

5.8 An Insurer's maximum acceptance on any aviation related risk shall not exceed its Gross Capacity which shall be its Net Retention/Deductible and/or its Treaty limit/capacity as approved by the Board except where, prior to accepting, signing and/or stamping that particular Aviation Insurance policy/schedule of coinsurers, the Lead Insurer/Coinsurers had obtained Approval in Principle and/or where the Insurer/Coinsurer had obtained formal offer of local facultative support from other Local Insurers that is not participating in the risk.

5.9 Where an Insurer does not intend to transact aviation insurance risk for the following year, the insurer is required to formally notify the Commission on or before the 1st of December of every year or 30 days before the effective renewal date for those treaty renewal dates that do not fall on 1st of January.

6.0 FOREIGN FACULTATIVE REINSURANCE REQUIREMENTS

6.1 Every foreign facultative insurance/reinsurance placement of risks from Nigeria shall comply with Section 204 of the Nigerian Insurance Industry Reform Act 2025 which requires prior written approval of the Commission.

6.2 All intending applicants for Offshore Placement are required to comply with the requirements hereunder.

6.3 An Insurer that intends to arrange any facultative reinsurance of any risk abroad shall apply for Approval-in-Principle (AIP) and subsequently submit Post Placement Reports for issuance of Certificate for Offshore Reinsurance (COR) within the timeline required.

6.4 It shall be the duty of the Lead Insurer and Coinsurer to arrange appropriate reinsurance for a risk. The Insurer may handle the reinsurance arrangements by itself or appoint a Reinsurance Broker to place the risk on its behalf.

6.5 Where the Insurer intends to utilize the services of a Reinsurance Broker to place the reinsurance and/or apply for the Commission's Approval-in-Principle (AIP) to reinsure a proportion of any risk abroad, the Insurer may issue a Letter of Authority to the Broker, appointing the Broker as the Reinsurance Brokers for that particular risk.

6.6 Where a Letter of Authority has been issued to the Reinsurance Broker, it shall be the responsibility of the Broker to ensure compliance with local content requirements as may be required by the Commission. Where no such authority has been issued, the responsibility shall lie with the Lead Insurer.

6.7 In order to reduce undue exposure of Policyholders and Insurers/cedants to potential unprotected proportion of a risk as well as to provide time for review of request for Approval-In-Principle, all applications shall be submitted to the Commission at least ten (10) calendar days prior to the commencement period of insurance.

6.8 There shall be no Assignment of a Reinsurance Policy. The financial interest of a third party may, however, be noted in the reinsurance policy by way of either a "Loss Payee" or "Lien Clause" or through other related conventional reinsurance clauses.

6.9 There shall be no Direct Premium Payment Cut-Through Clause which allows direct payment of premium to the Reinsurer or its Agent by the Insured. This requirement shall not be applicable to leased or financed aircrafts.

6.10 All Primary Policies shall unambiguously state the Order Hereon to read 100% of 100%, while the Reinsurance Slip shall state the exact proportion intended to be ceded offshore.

6.11 All applications for Approval in Principle, Letter of Attestation and Certificate of Offshore Reinsurance shall be submitted in compliance with the template prescribed by the Commission. Non-utilization of the template for applications would render the application invalid and rejected by the Commission.

6.12 Incomplete submission shall be treated as non-submission and a fresh application shall be submitted. All prospective applicants are therefore required to ensure strict compliance with the procedure and documentary requirements for each category of application.

6.13 All applications adjudged to have material non-compliance with the requirements of the law would be disapproved. Applicants shall ensure strict compliance. The applicant would be duly notified and a fresh application shall be submitted.

6.14 Failure to provide further clarification or documents required by the Commission within the timeline specified in the letter will result in closure of the file. All such applicants shall have to file a new application with all documentary requirements.

6.15 Where Approval-in-Principle (AIP) has been granted by the Commission, the applicant (Insurer or Reinsurance Broker) shall, within Ninety (90) days from the date of issuance of the AIP or Thirty (30) days from the date of issuance of the Letter of Attestation, whichever is earlier, submit a Post Placement Report and apply for Certificate for Offshore Reinsurance. The Post-Placement Report shall contain the requisite information as may be required by the Commission and as indicated in the relevant paragraphs.

6.16 The effective period of all foreign facultative reinsurance placement shall be as indicated in the letter conveying Approval-In-Principles. The approved effective period on the AIP is strictly for the reinsurance proportion of the risk as all primary insurance placements are wholly placed locally for which the approval of the Commission is not required.

6.17 **Requirements for Approval-In-Principle to Reinsure Abroad:** All requests for Approval-in-Principle to place a specified proportion of a risk abroad shall be accompanied by the following:

a. Details of the Risk: Specimen/draft of the primary policy.

b. Copy of the specimen Local Brokers Slip (where necessary).

c. Copy of the specimen Foreign Reinsurance Slip.

d. Sum insured – which should, where necessary, include the Combined Single Limit or Loss Limit or Estimated Maximum Loss.

e. Detailed Premium Worksheet.

f. Proportion of the risk to be retained in Nigeria.

g. Proportion of the risk to be ceded abroad.

h. Schedule of proposed participating local underwriters and the allotted proportion.

i. Evidence of having offered all other Local Insurers and their responses (declinature) thereto.

j. Details of the local Broker involved (including contact e-mails, telephone and address of the CEO of the broking firm).

k. Details of the intended foreign reinsurer(s) and foreign reinsurance broker(s) stating:

    i. Name of the company(ies)

    ii. Addresses

    iii. Total Proportion of risk to be ceded offshore

    iv. Phone numbers/email addresses of contact persons

    v. Current financial strength rating of each of the intended foreign reinsurer(s)

    vi. Intended Foreign Reinsurers' Country of Registration/ License.

l. Written confirmation that the lead terms offered by the foreign reinsurer can be placed 30% with A rated reinsurance capacity at the terms provided by the lead reinsurer or demonstrate evidence of at least 30% support from commercial reinsurers.

m. Letter of Authority from the Lead/Ceding Insurer (where the application is filed by a Broker).

n. Statement of compliance with Maximum Exposure Limits (retention/deductible) with respect to percentage of Shareholders Fund (2.5% for construction and 5% for Operational risks in respect of Oil and Gas Risks).

o. An undertaking to remit the corresponding 1% Levy (on the Gross Premium) to the Commission in respect of each transaction.

p. Confirmation that the proposed policy is in conformity with the Nigerian Civil Aviation Authority Act's current minimum passenger liability limit in relation to Aviation risks.

q. Such other requirements as may be prescribed by the Commission from time to time.

6.18 **Requirements for Request for No Objection:** Subject to exhaustion of the capacity of the Nigerian insurance industry, a No Objection shall be requested in the following cases:

a. Where a risk is retained 100% locally without foreign facultative reinsurance support and the individual insurer is subsequently constrained to secure additional capacity from foreign facultative reinsurers due to rejection/declinature from facility providers and/or pre-agreed local facultative reinsurers.

b. Where AIP has been granted to the Lead Insurer/Reinsurance Broker and the participating coinsurer is constrained to secure additional capacity from foreign facultative reinsurers, sequel to its inability to manage its acceptance as a result of rejection/declinature from facility providers and/or pre-agreed local facultative reinsurers.

c. Where there is no available capacity in the local market for a particular risk and the Local Insurer is obliged to secure support for 100% of the risk offshore. The Insurer shall issue a Primary Policy in respect of the risk to the insured.

d. Requests for “No Objection” to place an accepted proportion of a risk offshore, shall be accompanied by:

   i. Evidence of declinature from the Reinsurance Facility Providers stating the reasons for the declinature or reasons for recourse to facultative reinsurers.

   ii. Evidence of declinature from other Local Insurers not currently participating in the risk.

e. All requests for No Objection to extend cover shall be accompanied by the following:

   i. Letter/Email instruction from the insured requesting for the extension of cover giving reasons for the extension.

   ii. Specimen Local Endorsement.

   iii. Specimen Foreign Endorsement.

   iv. Premium Calculation Worksheet.

   v. Such other requirements as may be prescribed by the Commission.

6.19 **Requirements for Letter of Attestation:** All requests for Letter of Attestation shall be accompanied by the following:

a. Debit note from the Foreign Broker/Reinsurer

b. Confirmation of Receipt of Premium from the Insured (such as copy of bank statements, telex, transaction receipt issued by the bank, screenshot of the bank statement or other evidence of credit into the account).

c. Signed Schedule/Slip of local underwriters.

d. For short term policies, a copy of the Renewal Endorsements shall also be submitted along with the request.

e. Quarterly Bordereau for proportional treaties.

f. Such other requirements as may be prescribed by the Commission.

6.20 **Requirements for Post Placement Report and Certificate for Offshore Reinsurance:** All requests for Certificate for Offshore Reinsurance shall be accompanied by the following:

a. Final Policy or Endorsement Issued by the Local Insurer to the insured which shall include the Signed Schedule of Local Underwriters (Where not earlier provided at the Letter of Attestation stage);

b. Schedule attaching to the Policy or Cover Note issued by the Reinsurers or the Foreign Brokers to the reinsured, which shall amongst others state the Reinsurers' Order Hereon and each Reinsurer’s signed proportion (shall be signed, stamped and dated by all the participating reinsurers). Where a lead Reinsurer is mandated to sign on behalf of the subscribing Reinsurers, a copy of the principal agreement where all reinsurers had agreed that the lead can bind cover on their behalf shall be submitted along with the schedule attaching to policy/cover note.

c. Evidence of full Premium Collection;

d. Evidence of Premium Remittance to Local Insurers;

e. Evidence of Premium Remittance to Foreign Reinsurers;

f. For (c) – (e) above evidences such as copy of bank statements, telex, transaction receipt issued by the bank, screenshot of the bank statement or other evidence of credit into the account, are acceptable;

g. Evidence of Payment of 1% ISS Levy; and

h. Any other relevant information

6.21 **Requirements for Reinsurance of Financed or Leased Aircrafts:** Where it is required by aircraft lessors or financiers, the Commission may permit insurance and reinsurance placements as follows:

a. The Nigerian insurance industry's retention on net account of 10% or less of the combined single limit of leased or financed aircrafts.

b. The Nigerian insurance industry's retention on gross capacity (including treaty reinsurance) of 30% or less of the combined single limit of leased and/or financed aircrafts.

c. The incorporation of a cut-through clause in the treaty reinsurance arrangements to allow the lessors and financiers to be indemnified in the event of the reinsured becoming insolvent or prevented from meeting its obligations or written notice given to the reinsurers of such insolvency or inability to meet obligations. This is to assure financiers and lessors that there are actual reinsurances (with cut-through clause).

d. The provision of a certificate or evidence of the insurance placement and treaty/other reinsurance placements to the lessors or financiers of leased or financed and/or aircraft or their representatives. Local insurers and reinsurers shall obtain letters from relevant treaty reinsurers confirming coverage details, where it is so required by Lessors and Financiers of a leased or financed aircraft.

7.0 VERIFICATION OF REINSURERS' CAPACITY OR SECURITY PROVIDERS' CAPACITY AND DUE DILIGENCE REQUIREMENTS

7.1 An insurer shall neither accept, execute, utilize nor submit to the Commission any reinsurance cover from a reinsurer or security provider whose aggregate commitments exceed its verifiable maximum underwriting capacity.

7.2 An insurer or its appointed reinsurance broker shall conduct a comprehensive due diligence to determine the total underwriting capacity of the proposed reinsurer(s) or security provider(s) and their cumulative exposure to other Nigerian insurers. The assessment/due diligence shall be completed prior to the execution of any reinsurance arrangement.

7.3 An insurer shall ensure that the reinsurer's available capacity is sufficient and the reinsurance cover is valid, enforceable, and compliant with extant insurance laws and regulations.

8.0 EFFECTIVE DATE AND SANCTIONS FOR VIOLATION

8.1 These guidelines shall be effective from 28th October 2025 and all insurance and reinsurance companies shall comply with these Guidelines.

8.2 An insurance institution that fails to comply strictly with any of these guidelines shall be liable to appropriate penalty. In determining the appropriate penalty, the Commission shall be guided by the principle of disgorgement in regulatory enforcement aimed at removal of financial benefits gained by an insurance institution through non-compliance or breach of regulatory obligations, the seriousness of the breach, aggravating and mitigating factors, and deterrence adjustment. This ensures that no entity profits from misconduct and supports the broader goals of discipline and deterrence.

9.0 ENQUIRY

9.1 Enquiries on any aspect of these Guidelines should be referred to the National Insurance Commission, Plot 1239, Ladoke Akintola Boulevard, Garki II, Abuja or email: info@naicom.gov.ng or visit the Commission's website: www.naicom.gov.ng