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OVERVIEW OF THE NATIONAL INSURANCE COMMISSION CORPORATE GOVERNANCE GUIDELINES FOR INSURANCE AND REINSURANCE COMPANIES IN NIGERIA 2021

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The National Insurance Commission, being the body saddled with the responsibility of regulating the insurance sector in Nigeria, issued the Corporate Governance Guidelines for Insurance and Reinsurance Companies in Nigeria 2021.

The Financial Reporting Council of Nigeria issued the Nigerian Code of Corporate Governance (NCCG) 2018 in line with its object to ensure good corporate governance practices in the public and private sectors of the Nigerian economy.[1] This raises questions as to the status of the Guidelines in relation to the NCCG 2018.

Paragraph 1.0 (iv), (v), and (vi) of the Guidelines resolve this issue by stating that the Guidelines are to assist in the implementation of the NCCG 2018 and shall be read and interpreted in conjunction with the NCCG 2018. Thus, Insurance and Reinsurance companies are expected to comply with both the NCCG 2018 and the new Guidelines. Non-compliance with the NCCG 2018 and the Guidelines attracts a penalty of a fine or imprisonment or both.[2]

How should the Board of Directors of insurance and reinsurance companies be structured?

Under the new Guidelines, the Board of Directors of insurance and reinsurance companies should be made of not less than seven (7) members. However, the number of members should

[1] Section 11(c) Financial Reporting Council of Nigeria Act, 2011
[2] Section 49(5) National Insurance Commission Act 1997

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not be more than fifteen (15). Not more than 40 percent of members on the Board shall be in the executive capacity.[3]

The Guidelines allow for Non-Executive and Independent Director positions. There should be at least one Independent Director on the Board while appointment of Non-Executive Directors should be conducted through a defined selection process by the Board. Non-Executive Directors are eligible to serve not more than three (3) terms of three (3) years each.[4]

Can a person be a Chairman and Managing Director in more than one insurance company at the same time?

The Guidelines do not permit a person to concurrently occupy the position of Chairman and Managing Director/Chief Executive Officer (CEO) in related insurance companies. This is in line with the principle of separation of these positions as provided by the NCCG 2018.[5]

Can members of the same family be appointed Chairman and Managing Director of an insurance company?

Members of the same family, whether nuclear or extended, cannot occupy the positions of Chairman and Managing Director/CEO of any insurance company. Thus, the Guidelines did not restrict this to the same insurance company.

How is conflict of interest to be managed under the new Guidelines?

To prevent incidences of conflict of interest, the new Guidelines specifically require directors and employees of insurance and reinsurance companies to disclose their interests in any of the following to the Board of Directors or to Shareholders:

- Reinsurance company;

[3] Paragraph 2.01 (iii) of the Guidelines
[4] Paragraph 2.01(viii) of the Guidelines
[5] Principle 2.7 NCCG 2018

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- Insurance company;
- Takaful insurance company;
- Micro insurance company;
- Insurance broking firm;
- Loss adjusting firm;
- Actuarial firm;
- Accounting/Taxation/Audit firms; and
- Legal and secretarial firms.

In addition to this, Paragraph 7.0(B) provides that payment of commissions and/or fees to any of the above listed in which any Director or an employee has interest whatsoever shall be fully documented and the interest therein fully disclosed to the Board or Shareholders.

Attendance of Board meetings

By virtue of Paragraph 2.1(i), each member of the Board shall attend not less than 75 percent of the Board meetings annually.

How would the Board of Directors approach the issue of delegation?

The NCCG 2018 addresses the issue of delegation by the Board of Directors by providing for certain recommended practices. The Board is able to delegate some of its functions, duties and responsibilities to committees. The composition of these committees is determined by the Board however it must ensure that the committees are constituted by people with relevant skills and competencies.

A combined reading of Principle 11.1.6 of the NCCG 2018 and Paragraph 2.2 of the new Guidelines provides that the Boards of insurance and reinsurance companies are to have committees responsible for the following:

1. Nomination and governance;
2. Remuneration;

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3. Audit and risk management;
4. Finance, Investment and General Purpose; and
5. Compliance.

Is the Board of Directors subject to scrutiny?

The Guidelines require an annual Board performance evaluation that shall be carried out by an independent consultant who is appointed at the Annual General Meeting (AGM). The Evaluation Report is to be forwarded to the National Insurance Commission before the end of the first quarter of the succeeding year.[6]

How are internal audits handled in Insurance/Reinsurance Companies?

Insurance/Reinsurance Companies are to have separate Internal Audit Units to be headed by a professionally qualified accountant who is not below the rank of an Assistant General Manager or its equivalent.[7]

Internal Audit functions are subject to external assessment and the report of this assessment shall be submitted to the National Insurance Commission not later than the second quarter of the succeeding year.

How often are internal audit reports filed?

Insurance and Reinsurance Companies are to file their internal audit reports with the National Insurance Commission every quarter.[8]

[6] Paragraph 4.0(ii) of the Guidelines
[7] Paragraph 5.0(iii) of the Guidelines
[8] Paragraph 5.0(ii) of the Guidelines

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How are external auditors to be appointed under the new Guidelines?

Paragraph 6.0(i) of the new Guidelines requires insurance and reinsurance companies to seek and obtain the approval of the National Insurance Commission prior to the appointment of external auditors. However, when read in conjunction with Principle 20.1 of the NCCG 2018, recommendation for the appointment of an external auditor should be made to the Board by the Committee responsible for audit.

Once appointed, an external auditor serves a tenure of four (4) years. An external auditor can be reappointed but shall not serve more than two (2) tenures.[9]

Are there any protections given to Whistleblowers?

The NCCG 2018 requires the presence of an effective whistleblowing framework for the reporting of any illegal or unethical behaviour.[10] Under the new Guidelines, protections for whistleblowers who have been subjected to any detriment come in the form of giving them the right to present a complaint to the National Insurance Commission.

[9] Paragraph 6.0(ii) of the Guidelines
[10] Principle 19, NCCG 2018

For questions and further information, contact:

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