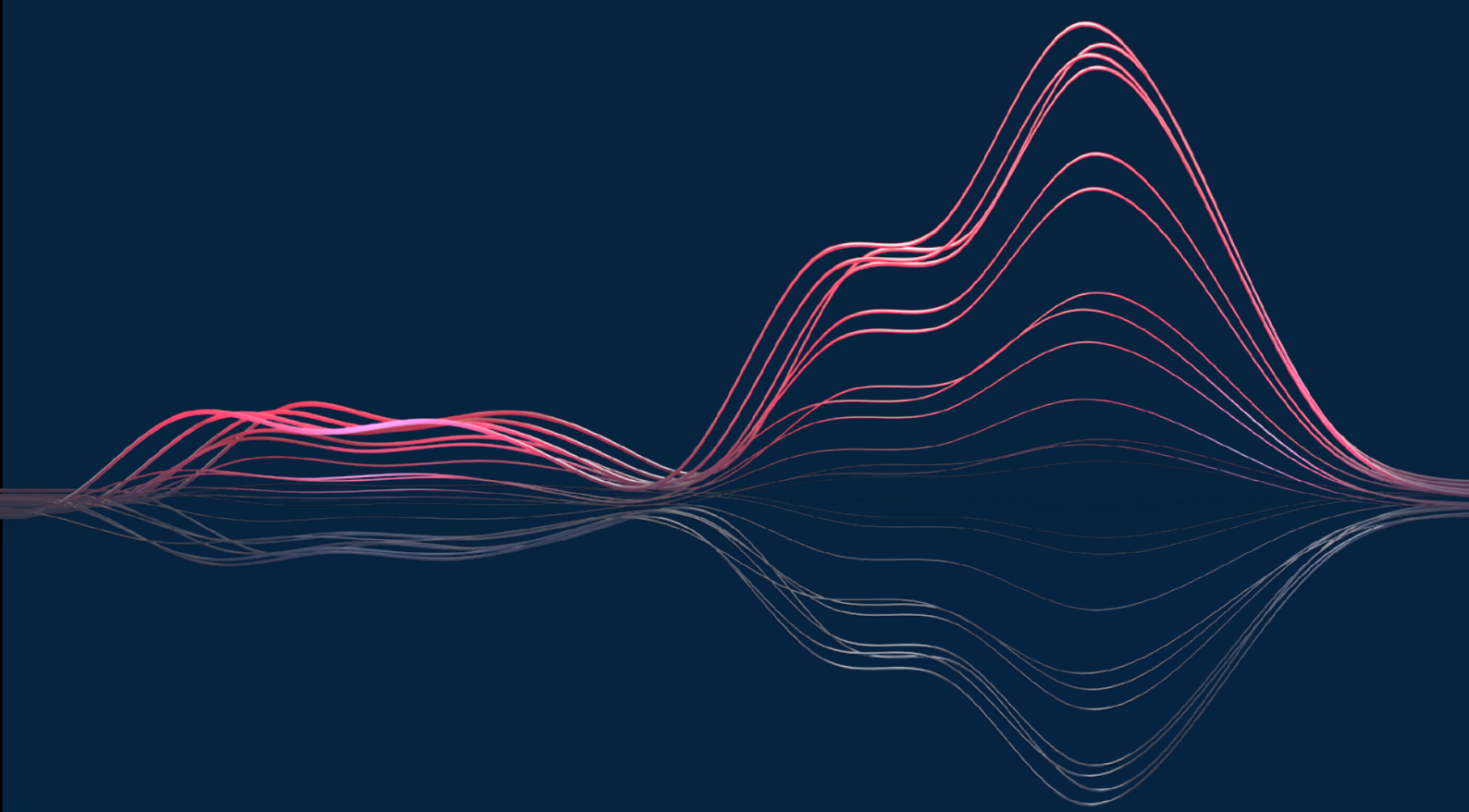


Highlights of the National Insurance Commission Corporate Governance Guidelines 2021



Introduction

Following the enactment of the Nigerian Code of Corporate Governance (NCCG) 2018 by the Financial Reporting Council of Nigeria (FRCN), the FRCN has engaged sector regulators to develop Sectoral Guidelines of Corporate Governance to provide detailed guidance on the implementation of the NCCG in those sectors, highlighting the specific compliance requirements for the industry.

The National Insurance Commission (NAICOM) has therefore issued The Corporate Governance Guidelines for Insurance and Reinsurance Companies in Nigeria (the Guidelines) on 17th March 2021. These guidelines repealed the NAICOM Code of Good Corporate Governance for the Insurance Industry 2009 (**the 2009 Code**) with an effective date of 1 June 2021.

Objective of the Guidelines

The principal objective of the Guidelines is to ensure effective supervision of the implementation of the NCCG in the insurance sector by emphasizing industry compliance standards and expanding on the specific corporate governance principles, the application of which are peculiar to the industry. The Guidelines are to be read and interpreted together with the provisions of the NCCG.

Highlights of the Guidelines

Structure and Composition of the Board

In addition to the provisions of the NCCG which states that the positions of the Chairman of the Board and Managing Director/Chief Executive Officer (MD/CEO) of a company should be separate such that no person can combine the two positions, the Guidelines states that no one person shall occupy the position of Chairman and MD/CEO in related insurance companies at the same time. Also, for purpose of succession, the Guidelines states that every insurance/reinsurance company shall have an Executive Director (Technical) who shall have minimum qualification and experience equivalent to that of CEO prescribed by the Guidelines.

Board Committees

Section 2.2 of the Guidelines makes it mandatory for all insurance/reinsurance companies to have separate committees responsible for Compliance; and Finance, Investment & General Purpose. This is in addition to the standing committees required under the NCCG which are the Nomination & Governance Committee, Remuneration Committee and the Audit & Risk Management Committee.

Personal History Statement

All nominated members of the Board are required to complete and file with NAICOM, a personal history statement form (PHS Form) at the point of application to NAICOM for the approval of the nominated directors. Under the repealed 2009 Code, the PHS Form was required to be filed with NAICOM not later than four (4) weeks after nomination of the prospective Board members.

Induction and Continuing Education for Board members

All insurance and re-insurance companies are mandated under the Guidelines to annually organize relevant Board training on: (i) insurance principles and practice; (ii) directors' responsibilities and liabilities; and (iii) insurance market updates. Attendance by the Board members at these board training sessions is mandatory.

Board Evaluation

It is mandatory for all insurance and reinsurance companies to conduct an annual Board performance evaluation. The evaluation is to be conducted by an independent consultant who would be appointed by the shareholders at the annual general meeting. The report of the evaluation is required to be forwarded to NAICOM before the end of the first quarter of the succeeding year.

External Auditors

Section 6.0 of the Guidelines provides that insurance/reinsurance companies are required to seek the approval of NAICOM prior to the appointment of External Auditors. In addition, the tenure of External Auditors has been extended to a maximum period of two (2) terms of four (4) years each as against a maximum period of five (5) years as provided in the repealed 2009 Code. The Guidelines also require the audit team to be rotated every two (2) years.

Disclosure of Interest

Under the NCCG, companies are required to disclose related party relationships and transactions including any material matter not specifically required by the NCCG. The Guidelines provide for further disclosures to be made by directors and employees of insurance/reinsurance companies in relation to:

- Insurance Broking Firms;
- Loss Adjusting Firms;
- Actuarial Firms;
- Insurance and Reinsurance companies;
- Accounting/Taxation/Audit firms;
- Legal Firms;
- Takaful Insurance Companies;
- Micro Insurance companies; and
- Secretarial Firms

Business Conduct & Ethics

The Guidelines mandate directors and management of insurance/reinsurance companies to ensure that high ethical standards in the conduct of the insurance business are maintained at all times and also to ensure:

- Prompt payment of valid claims and institute a best practice alternative dispute resolution mechanism.
- Payment of commissions and/or fees to insurance intermediaries in which the Chief Executive Officer, directors and employee have interest.
- Disclosure to the Board and Management on any matter in which the Chief Executive Officer, Director(s) or an Employee has any interest whatsoever.

Whistle Blowing

Under the NCCG, a whistleblower who has been subjected to any detriment may present a complaint to the Board or the Regulators. In line with the NCCG, the Guidelines provide that an aggrieved whistle blower who has been subjected to any detriment by an insurance or re-insurance company as a result of a disclosure now has the right of presenting a complaint directly to NAICOM.

External Assessment of Internal Audit Functions

In addition to provisions of the NCCG, the Guidelines now make it mandatory for the internal audit functions of insurance/reinsurance companies to be assessed externally. This assessment is for the effectiveness of the internal audit function which should be conducted by a qualified independent assessor. The assessment report is required to be submitted to NAICOM not later than the 2nd quarter of the succeeding year.

Enforcement and Sanctions

Failure to comply with the NCCG 2018 and the Guidelines is deemed a violation of section 49(1) b of the NAICOM Act. Such a person or insurance institution will be guilty of an offence and liable on conviction to a fine not less than NGN250,000 (Two Hundred and Fifty Thousand Naira) or more than NGN500,000 (Five Hundred Thousand Naira) or imprisonment for a term not exceeding three (3) years or to both such fine and imprisonment.



Notable Provisions of the Guidelines vis-à-vis the NCCG 2018

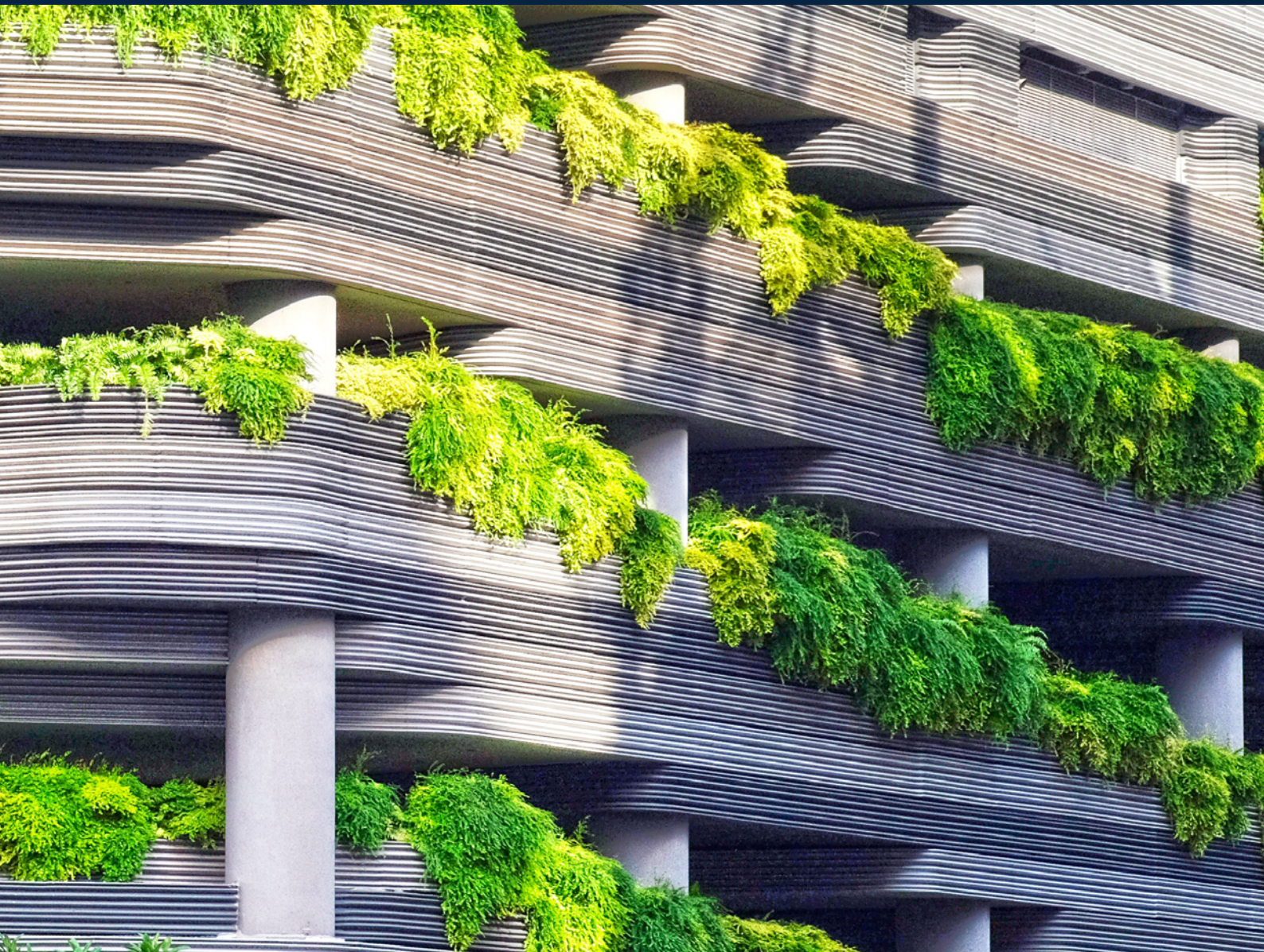
The Guidelines make provision for the compliance threshold required of an insurance institution. In the event of a seeming conflict, the provisions of the NCCG will always prevail.

Board Meetings

The NCCG requires that the Board of Directors of a Company should meet at least once in each quarter and that each member of the board of directors to attend all board meetings so convened. Alternatively, the Guidelines require each member of the board of directors to attend not less than 75% of board meetings annually.

Induction and Continuing Education for Board Members

The NCCG did not provide a timeframe for conducting induction and continuing education for board members. The Guidelines however makes it mandatory for an insurance company to hold training at least once annually for board members.



Conclusion

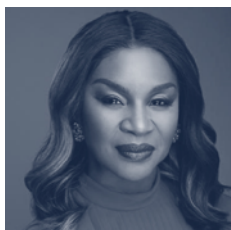
The issuance of the Guidelines is a progressive initiative from NAICOM as it reflects its commitment to ensure that good corporate governance is institutionalized in the insurance industry. Whilst aligning itself with the provisions of the NCCG 2018, it is clear that NAICOM has considered the peculiarities of the insurance industry and the need for effective checks and balances, transparency and accountability in the conduct of insurance business. This is evident from the provisions on further disclosures of interest, board committees, personal history statement, continuing education and training for board members and whistle blowing.

It is also important to note the provisions of the Guidelines on applicable sanctions for failure to comply with its provisions and the NCCG 2018. In view of the

implementation of the Guidelines which is to take effect from June 2021, insurance and reinsurance companies are advised to immediately commence a review of their corporate governance practices and align the same with the provisions of the Guidelines and NCCG 2018 where required, to ensure compliance.

The implementation of the Guidelines is sure to further foster order, transparency and good governance in the management of insurance and reinsurance companies, and will strengthen the growth and sustainability of the Nigerian Insurance Industry.

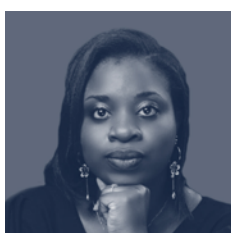
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