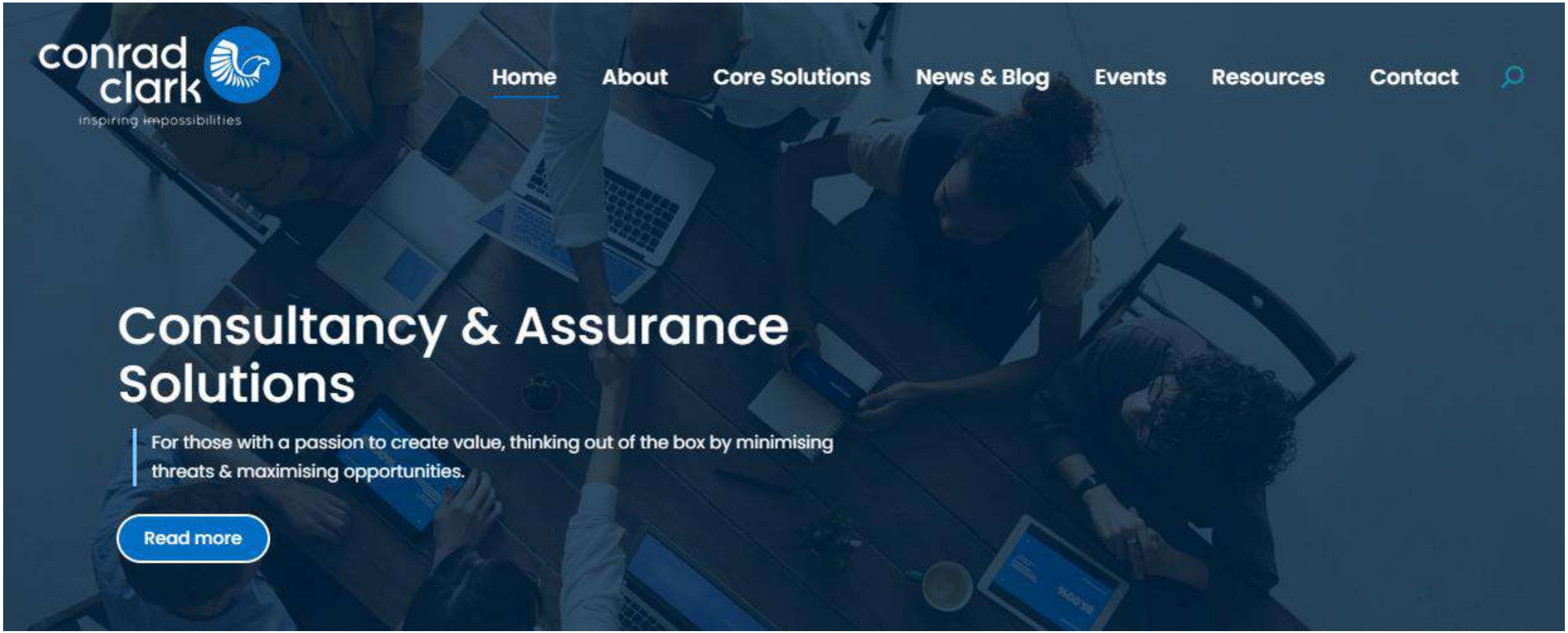

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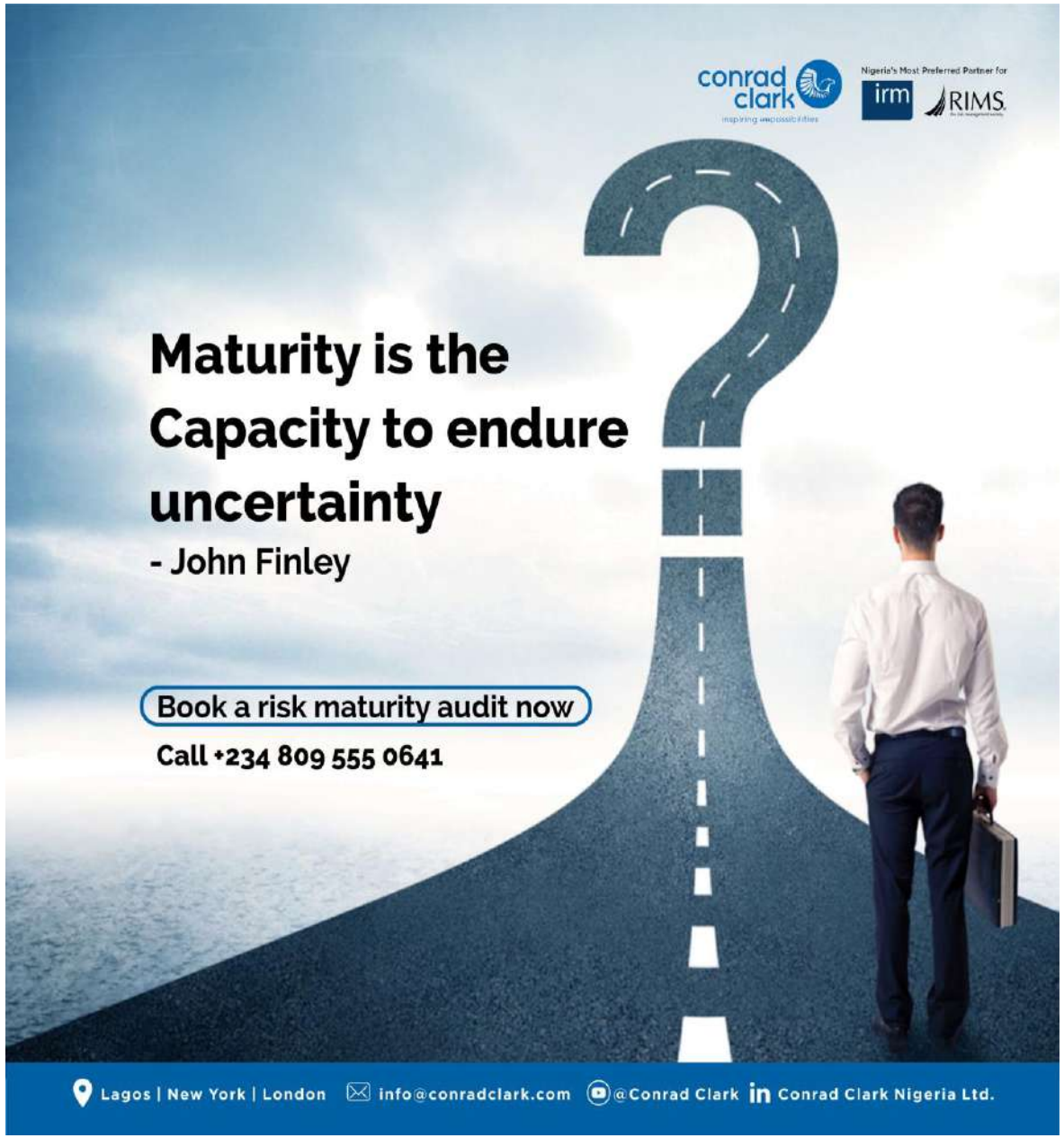

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PRUDENTIAL GUIDELINES FOR INSURANCE INSTITUTIONS IN NIGERIA

Part A: Insurers And Reinsurers

1. Protection of Policy holders Funds
2. Annual Returns and Accounts
3. Investments
4. Reinsurance
5. Aviation Insurance
6. **Risk Management Framework**
7. Annuity Business
8. Actuarial Function
9. Outsourcing

Part B: Insurance Intermediaries

10. Accounts And Returns

Part C; Insurance Intermediaries

11. Divestment
12. Share Services
13. Harmonization Crave-out And Regulatory Reporting Requirements

Effective from 1st October 2022

Why ERM First….?

Major threat to policy holders, industry reputation and operating licence

Why manage risk?

Success

Objective

Failure

"Effect of uncertainty on objectives"

BS ISO 31000:2018

Positive

Negative

RISK MANAGEMENT: APPENDIX 2

Risk Management Declaration

The Board must provide the Commission with a Risk Management Declaration stating that, to the best of its knowledge and belief, having made appropriate enquiries:

a) The company has systems in place for the purpose of ensuring compliance with this guideline;

b) The Board is satisfied with the efficacy of the processes and systems surrounding the production of financial information of the company;

c) The company has in place a Risk Management Strategy, developed in accordance with the requirements of this guideline, setting out its approach to risk management; and

d) The systems that are in place for managing and monitoring risks, and the risk management framework, are appropriate to the company, having regard to such factors as the size, business mix and complexity of the company's operations.

6. RISK MANAGEMENT FRAMEWORK FOR INSURERS AND REINSURERS IN NIGERIA

For the purposes of this guideline, risk is the possibility that an event will occur and adversely affect the achievement of a company's **objectives** thereby decreasing value for the company's stakeholders.

Risk is equally, the possibility that an event will occur and beneficial to the achievement of a company's **objectives** thereby **increasing value** for the company's stakeholders.

6.2 General Requirements. (Consistent)

6.2.1 - All insurers and reinsurers shall establish and maintain a Risk Management Framework containing at minimum

- Documented Risk Management Strategy
- Documented Risk Management Policies, Procedures and Controls.
- A written Business Plan that is approved by the Board
- Chief Risk Officer
- Enterprise Risk Management Committee .
- Up-to-date Risk Register
- A Review Proces
- A well-defined Risk Governance and Responsibilities
- A system for Independent Review

6.2.2 The Risk Management Framework must address all material risks. Which at a minimum should include; Market risk, credit risk, operational risk, liquidity risk, Reinsurance, underwriting, provisioning/reserving, claims management, group, reputational, legal/litigation, etc.

6.2.3 All insurers and reinsurers shall establish a process for identifying, assessing, controlling, mitigating and monitoring all material risks.

- Well-defined Risk appetite.
- Appropriate risk oversight, assigned responsibility
- Set standards for integrity, Ethical values and a Risk culture
- Commitment To KNOWLEDGE And Skill Of Risk Management Staff.

6.2.4 Role of Board of Directors

- Ensuring adequate RMF/ principles for risk management
- Defining company's risk appetite
- Reviewing and approving risk management policies/procedures
- Revaluating the RMF and appetite annually.
- Ensuring RMF is regularly audited by **competent** personnel.

6.2.5 The Senior Management shall have responsibility for implementing the framework for risk management approved by the Board.

6..2.6 All insurers and reinsurers shall establish a Risk Management Department/Unit, responsible for measuring, monitoring, and controlling risk. The department shall be headed by a competent Chief Risk Officer. The Chief Risk Officer is responsible for establishing Risk culture across the company as well as submitting periodic reports to senior management on operation of the RMF and Significant exposures.

6.2.7 All insurers and reinsurers shall, at a minimum, adopt the 'three lines of defence model of risk governance with clearly defined roles and responsibilities.

6.2.8 All insurers and reinsurers shall ensure that the RMF is

subject to effective and comprehensive review by operationally independent, appropriately trained and competent persons.

6.2.9 The Board of all insurers and reinsurers shall provide the Commission with Risk Management Declaration signed by at least two directors, must be submitted to the Commission yearly along with the annual returns and accounts

6.2.10 Annual return to be provided to the commission providing update of all the above requirements

6.3 Guidance Notes on the Guideline for Installing Risk Management Framework for Insurers and Reinsurers

6.3.1 Elements of a Risk Management Strategy

6.3.2 Risk Management Process

- ERM
- Risk Identification
- Risk Assessment and Control
- Risk Monitoring and Risk Reporting

6.3.3 Material Risks in Insurance. See 6.2.2

6.4 Own Risk and Solvency Assessment (ORSA)

6.4.1 An insurer shall perform its own risk and solvency assessment (ORSA), at a minimum, annually, to assess the adequacy of its risk management, and current projected future solvency position with a time horizon which is consistent with that used in its business planning when undertaking its ORSA

6.4.2 The Insurer shall document the rationale, calculations and action plans arising from this assessment

6.4.3 An Insurer shall ensure that its board and senior management take responsibility for the ORSA

6.4.4 An insurer shall on annual basis submit the results of its ORSA to the Commission not later than **60 days after the year end.**

6.5 Financial Condition Report

6.5.1 An insurer shall on annual basis appoint an independent Actuary who shall conduct and submit a Financial Condition Report with details of inter alia; measures governing the business operations, corporate governance, risk management, solvency and financial performance of an insurer

6.5.2 A copy of the Financial Condition Report shall be submitted to the Commission with the insurer's annual returns and shall be published on the insurer's website within **14 days of the date the report was filed with the Commission**

6.5.3 The Board of directors should assure themselves and demonstrate within this report that adequate capital support is in place to minimise the risk of possible financial failure of the insurer.

6.5.4 The Commission may at any time require an insurer to compile and submit, within a reasonable period of time, a Financial Condition Report. This request by the Commission may be made on an ad hoc basis (over and above the annual submission requirement) depending on the nature of the insurer's financial position

6.5.5 The Financial report shall, at minimum, contain

- Executive Summary
- Developments since previous financial year end.
- Business overview and information requirement
- Recent experience and financial performance
- Valuation of Assets and Liabilities
- Pricing and Premium Adequacy
- Asset Liability Management
- Capital Management and Capital Adequacy
- Reinsurance Management Strategy
- Risk Management
- Conclusions and Recommendations

6.5.6 These guidelines provide a minimum standard/scope to ensure that the coverage of the FCR is comprehensive enough to present both the short- and long-term view of the Company to the Board.

6.5.7 These guidelines should not restrict the scope of the external actuary's investigation. The external actuary is encouraged to widen the scope of the FCR to include other issues if in his professional opinion these issues are important and relevant to the insurer, and enhances the understanding of the insurer's financial and solvency position

Differences in Revised Standard (Not present Clause 6 of the 2015 prudential guidelines)

Own Risk and Solvency Assessment (ORSA) (6.4.0)

Financial Condition Report (6.5.0)

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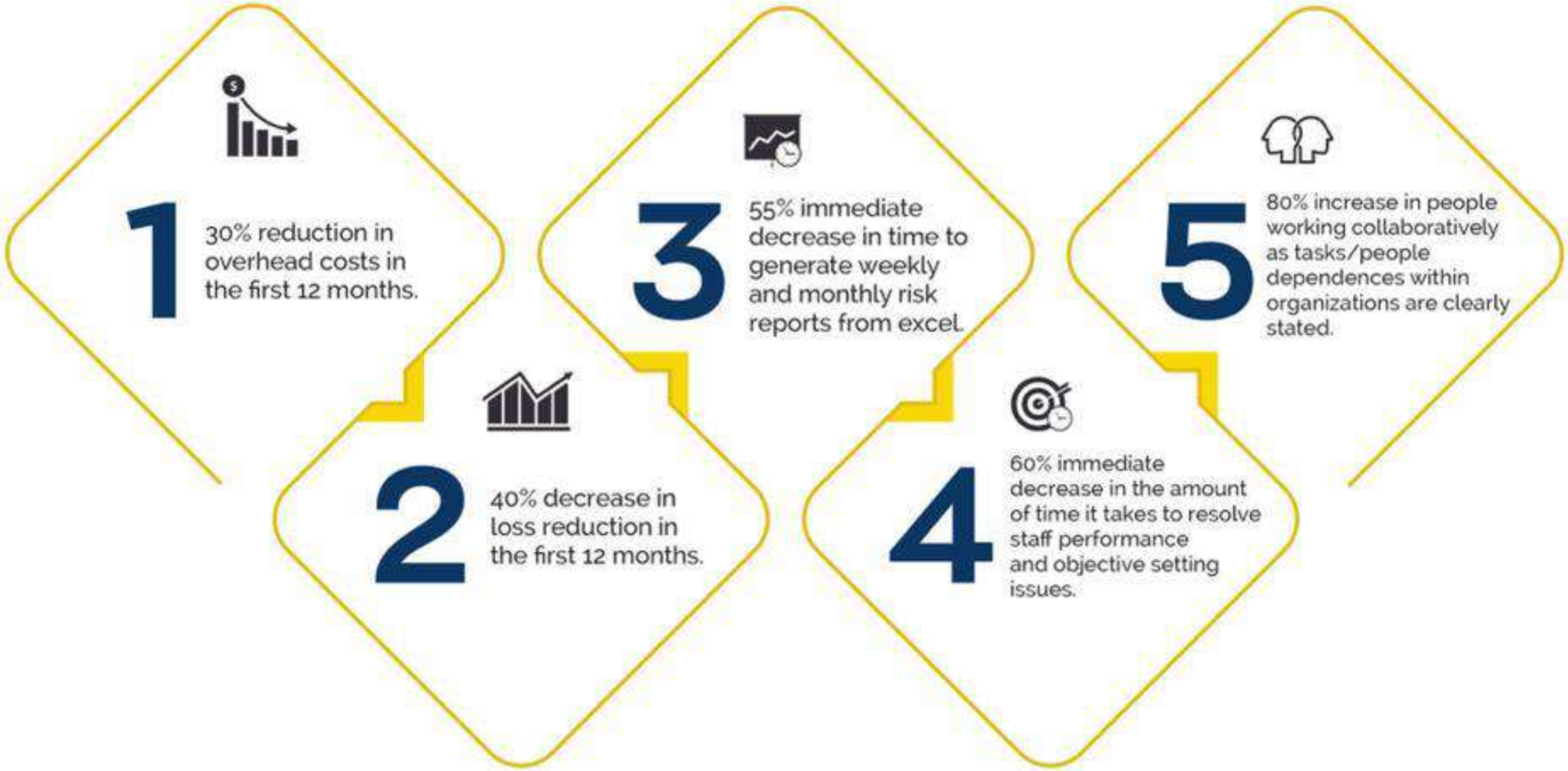

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