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LETTER TO ALL BANKS

GUIDELINES ON BANCASSURANCE PRODUCTS- REFERRAL MODEL

In the light of developments and the need to ensure synergy in the financial system, the Central Bank of Nigeria in exercise of its power under Section 33(1)(b) of the CBN Act 2007 and the provision of Part 2, Section 3, Item (l) of the CBN Scope, Conditions & Minimum Standards for Commercial Banks Regulations No. 01, 2010, considered it necessary to issue the attached guidelines on Bancassurance Products.

The guidelines, which set out the regulatory framework for the offering of Bancassurance products through the non-integrated referral model, takes immediate effect.

Please be guided accordingly.

Yours faithfully,

**TOKUNBO MARTINS (MRS)
DIRECTOR OF BANKING SUPERVISION**



GUIDELINES ON BANCASSURANCE PRODUCTS - REFERRAL MODEL

BANKING SUPERVISION DEPARTMENT
CENTRAL BANK OF NIGERIA
MARCH, 2015

GUIDELINES ON BANCASSURANCE PRODUCTS - REFERRAL MODEL

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1.0 Introduction

In 2010, the CBN Regulation on the Scope of Banking Activities and Ancillary Matters No. 3, 2010 was issued to repeal the Universal Banking Model, which hitherto permitted banks to engage in non-core banking financial activities either directly or indirectly through designated subsidiaries.

In the light of developments and the need to ensure synergy in the financial system, the Central Bank of Nigeria (CBN) in exercise of its power under Section 33(1)(b) of the CBN Act 2007 and the provision of Part 2, Section 3, Item (I) of the CBN Scope, Conditions & Minimum Standards for Commercial Banks Regulations No. 01, 2010 has considered it necessary to issue these guidelines on Bancassurance.

The guidelines set out the regulatory framework for the offering of bancassurance products through the non-integrated referral model. The choice of this model is premised on the fact that it does not preclude banks from focusing on their core banking businesses and does not undermine the essence of the CBN's New Banking Model.

2.0 Definitions

Bancassurance - An arrangement in which insurance companies leverage on the customer base of banks to sell insurance products to banks' customers.

Referral Model - In this model, a bank refers its customers to its partner insurance companies. In return, the bank receives a commission on each lead closed by the insurance company. The bank is not involved in marketing the products.

Bancassurance Agreement – A contract duly executed between a bank and an insurance company to engage in the referral model of bancassurance.

Bancassurance Products – Insurance products which fall under the General and Life insurance business that are sold to banks' customers by the insurance company under a bancassurance referral model agreement. The product is distinct from insurance covers that serve as mitigants for losses against credit and other risks.

Commission – Referral fee payable to the bank by the insurance company in line with the provisions of the Bancassurance Agreement.

3.0 Prohibited Business

1. Banks shall not engage in any other model of bancassurance other than that permitted under these guidelines and for which approval has been obtained from the CBN.
2. Banks shall not offer banking products that incorporate insurance features.
3. Banks shall not offer free premium payments as a feature of any of their products.
4. Banks shall not provide the bancassurance products in a manner that contravenes these guidelines or any other statutory provision or law that applies to insurance products and services.

4.0 Bancassurance Arrangement between Banks and Insurance Companies

1. The referral model of bancassurance arrangement between a bank and an insurance company shall not be valid without an executed Bancassurance Agreement.
2. Banks shall not undertake any insurance marketing, underwriting or claim settlement. This must be clearly stated in the Bancassurance Agreement.

3. Banks shall ensure that no risks are transferred to it and shall not assume any fiduciary responsibility or liability for any consequences, financial or otherwise, arising from the subscription to insurance policies by customers.
4. Banks shall conduct a thorough due diligence/periodic assessment for the selection of partner insurance companies, which would be restricted to two insurance companies.
5. Banks shall ensure that only bancassurance products approved by relevant regulatory authority are offered to their customers by the insurance companies.
6. Banks shall not enter into bancassurance agreement with insurance companies who do not hold a valid operational license from National Insurance Commission (NAICOM).

5.0 Approval

The offering of bancassurance products by a bank is subject to the CBN's approval. A bank that intends to offer bancassurance products is required to submit the following alongside its application:

1. Extract of Board resolution approving the bancassurance product (approved by NAICOM) and the insurance companies it proposed to partner with.
2. Draft Bancassurance Agreement between the bank and the insurance company, which should at the minimum set out:
 - a. The bancassurance products to be offered;

- b. The duties and responsibilities of each of the parties under the arrangement during and upon termination of the contract;
 - c. The conditions for the termination of the agreement;
 - d. Commissions and fees to be charged (as approved by NAICOM and CBN);
 - e. The duration of the contract and whether it is renewable;
 - f. Dispute resolution mechanism and measures to safeguard confidential information;
 - g. Disclaimer that the products shall be underwritten by the insurance company with no recourse to the bank in terms of claims or any legal proceedings between the insurance company and the bank's customer; and
 - h. Other relevant information.
3. The bank's assessment of risks and mitigants put in place.
 4. The product brochure, stating features and benefits of the product.
 5. The evidence of "no objection" obtained by the insurance companies from NAICOM.
 6. The Referral Agent approval obtained by the bank from NAICOM.

Upon approval, the bank shall forward the signed copy of the bancassurance agreement to the CBN. Banks shall notify the CBN on renewal of the bancassurance agreement.

Any amendment to the bancassurance agreement shall be subject to the approval of the CBN. Upon the termination of the contract, the bank shall notify the CBN stating the reason(s) for the termination.

6.0 Marketing of Bancassurance Products and Policy Documents

1. Banks shall only refer their customers to insurance companies. Thus, marketing of the insurance products shall be done by the staff of the insurance companies.
2. The referral document shall contain a disclaimer that the products shall be underwritten by the insurance company with no recourse to the bank in terms of claims or any legal proceedings between the insurance company and the bank's customer.
3. The insurance products to be sold shall be strictly the products of the insurance company.
4. The bank's name or logo shall not appear in any of the policy documents.
5. The Insurance marketers may be allowed to occupy a space in the banking hall.
6. Banks shall maintain adequate records of all transactions which will be reviewed during supervisory activities.

7.0 Premium Collection

1. The premium paid, may be collected by banks as collecting agents for the insurance companies and paid into the company's account with the bank.
2. Banks shall not share in the premium paid by the insured/policy holder to the insurance company.

8.0 Referral Commission

1. Insurance companies shall pay to the banks all agreed commission(s) on consummated transactions as approved by NAICOM.
2. The applicable commission(s) shall be clearly stated in the Bancassurance Agreement.

9.0 Claims Handling and Settlement

1. Banks shall not be responsible for claims handling and settlement as these are the responsibilities of the insurance companies.
2. The insurance companies shall be solely responsible for the collection of necessary documents and information related to claims.

10.0 Consumer Protection Safeguards

1. The referral shall be based on the need of the customers as assessed by the banks and would be advisory in nature. This shall be made known to the customer.
2. Banks are prohibited from influencing or compelling customers in any way to take up insurance products from insurance companies they have bancassurance referral agreement with.
3. Banks shall not charge their customers service fee, processing fee, administration charge or any other fee for the referral.
4. Banks shall ensure the confidentiality of consumer data and information.

5. Banks shall ensure that the insurance company has in place an appropriate complaints redress mechanism.

11.0 Annual disclosure

Banks shall disclose in the notes to the annual financial statements referral commission earned from bancassurance products.

12.0 Sanction for Non-Compliance

Banks should ensure compliance with these guidelines as any breach of the Guidelines shall attract sanctions in accordance with Section 64(1) of the BOFIA 2004. In addition, the bank may be prohibited from offering bancassurance products.

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