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# NAICOM'S Insurance Web Aggregators Operational Guidelines: An Examination

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## Introduction

Nigeria's insurance industry regulator, the National Insurance Commission ("**NAICOM**" or the "**Commission**") acting under the powers conferred on it by section 49 of the National Insurance Commission Act, 1997<sup>1</sup> issued the Insurance Web Aggregators Operational Guidelines (the "**Guidelines**"). The Guidelines came into effect on February 1, 2022. The Guidelines is a deliberate effort of the Commission to provide a regulatory framework for Insurance Web Aggregators ("**Web Aggregators**"), direct the conduct of the Web Aggregator business in the insurance industry, provide prospective insurance policy holders with a platform to select, compare and purchase insurance products and checkmate the activities of fraudulent persons engaged in the business of insurance web aggregation.

This Article examines the regulatory landscape prior to the issuance of the Guidelines and the mischief the Guidelines were introduced to remedy. It also examines the relevant provisions of the Guidelines, discusses the potential benefits of the Guidelines to the insurance industry and the possible bottlenecks to the efficient administration of the Guidelines in the insurance industry.

## The Landscape prior to the Guidelines

Prior to the issuance of the Guidelines by NAICOM, the business of insurance web aggregation was largely unregulated. Potential policy holders bore the brunt of dealing with unscrupulous, dishonest and fraudulent intermediaries in the industry. Mr. Mohamed Kari, former Commissioner for Insurance/CEO of NAICOM, summarized the situation thus: "we have received reports of some people that paid premium to some online platforms and such monies never go to the insurance company." This development, according to Mr. Kari "has caused low insurance penetration in the market"<sup>2</sup>. Persons presently carrying on Web Aggregator business are required to obtain a licence from the Commission sixty (60) days from the effective date of the Guidelines.

## The Objective of the Guidelines

The Guidelines are significant in four respects. It sets the framework for the relationship between (i) the Commission and the Web Aggregator, (ii) an Insurer and the Commission, (iii) the Web Aggregator and a potential policy holder and (iv) the insurer, the Web Aggregator as middleman, and a potential policy holder.

<sup>1</sup> Cap N53, LFN 2004.

<sup>2</sup> NAICOM sees growing consumer risks in Web Aggregator platforms, move to licence operators; available at: <https://businessday.ng/insurance/article/naicom-sees-growing-consumer-risks-web-aggregator-platforms-move-licence-operators/>. Accessed April 9, 2022.

According to the Guidelines, the Web Aggregator's role is to create and maintain a website or such other online platform which contains information about insurers and products offered by insurers and on which potential policy holders can select a product and compare prices of products offered by different insurers.

The Guidelines also creates a code of conduct to guide the operations of Web Aggregators. Prior to the Guidelines, any person who could procure and/or manage a website may with or without authorization, carry on business as a Web Aggregator. The Guidelines require Web Aggregators to be Licensed by the Commission after having met certain thresholds and requirements laid down in the Guidelines. The Guidelines also require an insurer and a Web Aggregator to enter into a binding Service Level Agreement (“**SLA**”) with an insurer, which SLA must be ratified by the Commission.

A Web Aggregator must be a company incorporated under the Companies and Allied Matters Act, 2020 (“**CAMA**”) with a minimum share capital of ₦5,000,000 (Five Million Naira only). The scope of the Guidelines would require compliance by a Web Aggregator with the requirements of the Insurance Act, 2003, the Nigerian Communications Commission Act, 2003 (“**NCC Act**”), the provisions of the National Information Technology Development Agency Act, 2007, (“**NITDA Act**”), the Nigerian Data Protection Regulation, 2019 (“**NDPR**”) and the Nigerian Data Protection Regulation Implementation Framework, and the CyberCrime (Prohibition, Prevention, etc) Act, 2015.

### **Web Aggregator Licensing under the Guidelines**

The Guidelines mandate a two-phase Approval process: (i) Application to the Commission for the issuance of ‘No Objection’ by the Commission to Insurers or Brokers; and (ii) Application for issuance of Licence by the Commission to a Web Aggregator.<sup>3</sup> For an Insurer to be eligible to carry on a Web based insurance business, the insurer must apply to the Commission to that effect. The application must be supported by; (a) Application letter with an SLA signed with a Web Aggregator which the Applicant intends to partner with; (b) A copy of the appointment letter issued by the Insurer to the Web Aggregator (the “**Appointment Letter**”); (c) Board approvals or resolutions in support of the partnership; and (d) a copy of the Risk Management framework on Web Aggregator operations.<sup>4</sup>

To obtain a Licence from the Commission to act as a Web Aggregator, an Applicant must first be registered with the Commission. The Guidelines provide for a three-stage registration process. First, a copy of a ‘No Objection’ must be obtained from the NCC, the Applicant having both complied with relevant documentation requirements and payment of the requisite application fee.

Second, the Applicant must comply with some operational requirements, which include providing (i) proof of website ownership and domain name registration; (ii) details of the Applicant's Information Technology (“**I.T**”) infrastructure; (iii) a business plan with five (5) years financial projection; and (iv) Professional Indemnity Cover with a minimum limit of

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<sup>3</sup> Paragraph 4.1 of the Guidelines.

<sup>4</sup> Paragraph 4.2 of the Guidelines.

liability of ₦20,000,000.00 (Twenty Million Naira) or 50% of its annual gross commission (whichever is higher).

Third, involves the physical verification by the Commission of the Web Aggregator's offices and I.T infrastructure, and payment of the Licence fee, culminating in the issuance of the Licence by the Commission. The Applicant Web Aggregator is required to pay a Licensing fee of ₦2,500,000.00 (Two Million, Five Hundred Thousand Naira) and a Licence renewal fee of ₦1,000,000.00 (One Million Naira Only).<sup>5</sup> An Insurance levy of 1% (one *per cent*) of the gross commission income or minimum of ₦200,000.00 (Two Hundred Thousand Naira), whichever is higher, is also payable by the Web Aggregator.<sup>6</sup> A Licence once issued shall be valid for a period of two (2) calendar years unless cancelled or suspended by the Commission. A renewal application shall be submitted at least forty-five (45) days prior to the expiration of the Licence. A Licence issued to the Web Aggregator that is not submitted for renewal after the expiration of thirty (30) days of grace, is deemed lapsed and re-registration may only be considered by the Commission after a period of three (3) years.<sup>7</sup>

### **Conduct of Business Rules**

The Guidelines require Web Aggregator is required to conduct its business with utmost good faith and integrity, act with care and diligence, ensure that the potential policy holder understands their relationship with the Web Aggregator, treat all information supplied to it in confidence and avoid conflict of interest situations. A Web Aggregator must also have a system in place for accepting, recording, and dealing with complaints and ensure that all complaints are suitably dealt with. The Web Aggregator shall ensure that the website contains no advertising contents.

In the event of any dispute arising between a Web Aggregator and the partner insurer, the arbitration provisions of the SLA must be exhausted prior to a referral of the dispute to the Commission. Further, any dispute arising out of insurance transactions may be referred to Commission.<sup>8</sup>

The Commission has the power to cancel a Web Aggregator's Licence or take any other action as it deems appropriate. The Commission may also impose administrative sanctions in accordance with its powers under the NAICOM Act and the Insurance Act.<sup>9</sup>

### **The Guidelines: Any Benefit?**

The benefits accruable to the Nigerian Insurance Industry from the guidelines are enormous. Three (3) are readily identifiable. Chief among them is the anticipated increase in online marketing and sale of insurance products. An efficient Web Aggregator industry could lead to an exponential increase in the purchase of insurance products by a population with both

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<sup>5</sup> Paragraph 9.2 of the Guidelines.

<sup>6</sup> Paragraph 9.3 of the Guidelines.

<sup>7</sup> Paragraph 10.0 of the Guidelines.

<sup>8</sup> Paragraph 12.1 of the Guidelines.

<sup>9</sup> Paragraph 14.2.1 of the Guidelines.

cultural and religious aversion to the insurance of assets and lives. Furthermore, the promulgation of the Guidelines will ensure the reduction of fraudulent and dishonest practices by online vendors of insurance services and products. Whether these malpractices will be completely eliminated will depend on how the Commission is able to enforce the Guidelines.

### **The Guidelines: Some Shortcomings**

First, the Guidelines are too detailed and complicated on requirements and criteria for eligibility to carry on business as a Web Aggregator. These features of the eligibility requirements may have a dissuasive effect on entities intent on carrying on the Web Aggregator business. The Commission should consider streamlining the requirements to ensure that the twin objectives of ensuring that only qualified businesses and persons engage in Web Aggregator activities, and the effective policing of the industry are achieved. Second, the life span of the Web Aggregator Licence would appear to be too short. The Licence is valid for only two (2) years, and is renewable for ₦1,000,000.00 (One Million Naira). The short life span of the Licence may in all likelihood be a disincentive for entities intent on carrying on the Web Aggregator business.

### **Conclusions**

The Insurance Web Aggregator Guidelines are a welcome development for the insurance industry. The Guidelines may in all likelihood ensure that insurance products and services are readily available online to the insuring public. The wide range of regulations in the Guidelines will hopefully ensure that malpractices in the online sale of insurance products and services are reduced to the barest minimum.

The Commission should, however, consider streamlining the eligibility criteria and requirements for the obtention of a Web Aggregator Licence to incentivize participation in the industry. Furthermore, the validity period for the Licence should be extended to give industry participants time to grow their businesses and reap the benefits of their investments.

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