

NATIONAL INSURANCE COMMISSION
GUIDELINES ON THE CONTENTS AND SUBMISSION OF BUSINESS PLANS
BY BROKERS AND LOSS ADJUSTERS TO THE NIC UNDER SECTION 114 OF
INSURANCE ACT, 2006, ACT 724

1.0 Introduction

Section 114 of Insurance Act, 2006 requires every insurance intermediary to submit its application for licence to the NIC accompanied with the prescribed documentation. These guidelines are to provide guidance on the contents of business plans required (as prescribed documentation) to be submitted with applications for intermediary's licence.

The guidelines shall be relevant for the following situations

1. Companies desirous of applying to the NIC for a new licence to carry on insurance broking/loss adjusting business.
2. Companies applying to the NIC for re-licensing under the Insurance Act, 2006, (Act 724).
3. Companies specifically directed by the NIC to submit a business plan.

2.0 Summary/General Contents of Business Plans

Any business plan required to be submitted to the NIC shall contain information on the following;

- (a). Describe the company's business strategy, including marketing, and risk management strategies
- (b). Include financial projections for at least three years.
- © State the assumptions which underlie the projections, the reasons for adopting those assumptions and the accounting policies on which the projections are based.
- (d) Provide detailed information on the company's board of directors organisational structure, management personnel and internal controls.
- (e) Provide information on all existing, proposed and intended third party agreements.
- (f) The business plan shall be signed by three directors of the company including the Chief Executive and the Board Chairman.

3.0 Business Strategy

The information required to be contained in this section of the business plan is as follows;

3.1 Background Information

The business plan should include the following;

- a. a description of the applicant

- b. if the applicant is a member of a group of companies, a description of the group and the company's place within it, including corporate structure chart ("family tree") with applicable shareholdings, showing the position of the company within the group
- c. the significant activities of the group
- d. A description in narrative and tabular format, of the past history of the book of business.

3.2 Target market and marketing strategy

A brief description of the company's proposed marketing strategy including the target market(s), and a description of the proposed sources of business.

4.0 **Financial Resources and Projections**

A brief description of the amount, forms and sources of capital that will be available for the business of the company.

Financial projections for each of the first three financial years following authorisation. The projection must clearly demonstrate that the capital available will be adequate for the company's operations. The projections must include the following;

4.1 A forecast Revenue Account by class of business. This should include as a minimum the following:

- (a) estimates relating to premiums or contributions both gross and net of commissions and broken down by class of business
- (b) estimates relating to commissions, fees and other income broken down by class of business
- (c) estimates of management expenses
- (d) profit projections showing expected dividend payouts

4.2 A forecast Balance Sheet.

4.3 A forecast cash flow including cost of future capital expenditure to be undertaken

5.0 **Board of Directors, Management, Personnel and Internal Controls**

5.1 Board of Directors

The following information about the proposed board of the company;

- (a) Composition of the board; names of members whether they are Executive or Independent
- (b) Qualifications and experience of the board members
- (c) Minimum number of times the board is required to meet during a year.
- (d) A list of reports required to be submitted by management to the board and the frequency with which such reports are to be submitted

Generally, the Commission will consider the collective suitability of the board. The Commission would usually expect its composition to be such that it is able to act independently of any controller or parent company. The Commission considers that non-executive directors, with appropriate experience, help to provide the necessary skill and balance on the board.

5.2 Corporate/Organisational Structure

A corporate structure chart and a description of the proposed apportionment of significant responsibilities between the applicant's management team. The structure chart should set out the management structure, responsibilities and reporting lines.

5.3 Personnel and Internal Controls

A summary of the arrangements by which systems and controls will be established and maintained in the organisation, including an explanation of how these will be overseen. The business plan should set out the capacity of the applicant's systems and controls to monitor and control all significant aspects of the applicant's operations, and should include (but not be restricted to):

(a) details of persons responsible for prospecting, underwriting, IT and financial reporting, including preparation of regulatory returns and compliance with relevant laws, regulations and guidelines.

(b) staffing levels in each area/department/unit;
The applicant needs to demonstrate that adequate staff with relevant experience are available at all levels.

6.0 **Outsourcing and third party agreements**

A description of any material outsourcing or subcontracting arrangements, in particular any outsourcing of Accounting and IT functions, including:

(a) background information concerning the third party to whom functions will be outsourced;

(b) details of functions which will be outsourced;

(c) details of those persons in the firm who will be responsible for overseeing such delegations, including details as to how the outsourcing will be monitored and controlled;

(d) copies of any agreements with persons who will manage any significant part of the business of the applicant; and

(e) copies of any agreements with insurance companies clearly explaining any commission arrangements.

In general the quality, skills and experience of the management required will depend on, among other things, the type and volume of business it expects to undertake.