1.0 Introduction
Section 43 of Insurance Act, 2006 requires every insurer to submit its business plan to the Commission for approval. These guidelines are to provide guidance on the contents of business plans of Life companies, Non-Life companies and Re-insurers.

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 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, underwriting, reinsurance, investment and risk management strategies.

(b). Include financial projections for at least three years with appropriate scenarios, including optimistic and pessimistic scenarios.

(c). 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 must be accompanied by a report of the company’s auditors on the adequacy of the company’s business plan and whether it has been properly prepared on the basis of the assumptions stated.

(g). In the case of Life companies, the business plan must be accompanied also by a report of the company’s actuary, appointed for the purpose of section 56 of the Act, on the adequacy of the company’s policy of reserving and investments.

(h). 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 company 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), a description of the proposed sources of business (e.g. insurance brokers, agents, direct selling, sub agents and branch offices) and approximate percentage of business expected from each source.

3.3 **Underwriting Strategy**
A description of the nature of the business of insurance to be carried on, the major risks which the company proposes to cover, the classes of business to be underwritten and the main risk assessment methods/procedures to be used.

3.4 **Reinsurance Strategy**
A full explanation of the proposed reinsurance strategy and the arrangements proposed to be put in place at authorisation. It may be appropriate for this to be represented graphically, especially for more complex programmes, and should include the following:

(a) details of the applicant’s maximum retention per risk or event after all reinsurance/retrocession ceded, by class of business

(b) details of the principal re-insurers/retrocessionaires, including name, address and country of incorporation;

(c) the description relating the reinsurance back to the original business being carried on by the applicant as described in the business plan;

(d) where a significant proportion of the programme is to be ceded to a single reinsurance company or group, additional information should be given as to why this is considered to be appropriate, including details of the security
provided and the financial adequacy; and

(e) any statistics or risk profiles showing the maximum catastrophe exposure for the applicant and the net retained exposure.

Copies or drafts of reinsurance treaty cover notes covering business to be written by the applicant should be attached.

3.5 Investment Strategy

(1) A description of the applicant’s proposed investment strategy, including details of the diversification, currency and types of investments which are expected to represent the insurance funds, the estimated proportion which will be represented by each type of investment and the arrangements for the maintenance of adequate liquidity.

(2) A rationale for the chosen investment methodology.

(3) The applicant should have an investment committee which should include at least one independent non-executive person with adequate qualifications/experience in investment management. The investment committee should formulate the company’s investment policy and issue guidelines to management.

The main objective of the investment committee is to secure the safety, yield and marketability of the company’s investments, which the committee should also ensure are diversified and adequately spread in accordance with the Regulations.

3.6 Risk Management Strategy

A summary of the applicant’s strategy for, identifying the risks that the applicant considers could affect the success of the business. The applicant is to state whether the risks are considered to be high, medium or low risk and say how the applicant will address them.

Risks may include, but not be restricted to, the following:

(a) environment (e.g., economic; competition);

(b) strategy (e.g. nature of the business; business ethics; changing group structure);

(c) market (e.g. asset risk; credit risk; litigation risk, interest rate risk);

(d) technological change (e.g. product design; client base; new distribution systems);

(e) fraud.
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) projections of expected premium income and reinsurance ceded and hence, net premium income analysed by class of business;

(b) Provision for unearned premium by class of business

(c) investment income (this must tie in with the investment strategy)

(d) estimates of claims analysed by class of business

(e) projections of management expenses

(e) Projections of commission income (this must tie in with the reinsurance strategy)

(f) projections of commission expense (this must tie in with the underwriting and marketing strategies)

(g) projections of net profits before and after tax

(g) projected Income Surplus accounts showing expected dividend payouts

4.2 *A forecast Balance Sheet*. The balance sheet should show, as a minimum, the following details:

(a) Non current assets appropriately analysed and classified

(b) Investment analysed by type (example listed securities, government bonds, fixed deposits etc)

(c) Outstanding premiums

(d) Amounts due from reinsurers

(e) Cash and bank balances

(f) Other assets appropriately described

(g) capital and reserves analysed into Stated Capital, Capital Surplus, Income Surplus and Contingency Reserves.
(h) Technical and mathematical provisions analysed by class of business and clearly identifying Outstanding Claims, IBNR, Unearned Premiums, and Life Mathematical Reserves (Life Fund). Supporting documentation explaining the adequacy of the provisions is to be provided;

(f) other liabilities.

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

4.4 A forecast statement of solvency, identifying clearly:
   (a) the computation of the required margin of solvency; and
   (b) the valuation of assets (valued in accordance with the Regulations) and the surplus of net admissible assets over the required margin of solvency.

4.5 In the case of Life companies, a statement showing the following;

   (a) for each of the next three financial years following authorisation, the number of policies expected to be issued analysed by product line.

   (b) the technical bases that the actuary who will be appointed for the purposes of section 56 of the Act proposes to employ for each class of business, including the bases needed for calculating premium rates and mathematical reserves;

   (c) the total sums assured per product line

   (d) the method of distributing profits between policyholders and shareholders.

In general, the Commission will need to be satisfied that the applicant has enough financial resources to support the business described in the application and to provide the required margin of solvency needed throughout the three years after authorisation is granted and thereafter.

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

(e) Sub-committees of the board, specifically, their composition and terms of reference. (At a minimum, the board is required to have two sub-committees namely Investments and Audit committees).

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 the controls over underwriting, reinsurance, claims, investments IT, Money Laundering and the Financing of Terrorism, including details of segregation of duties, acceptance controls and levels and monitoring of risk aggregation;

(b) details of persons responsible for underwriting, reinsurance, claims, investments, IT and financial reporting, including preparation of regulatory returns.

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

(d) details of proposed staff training; and

(e) details/capability of the computer information system.

(f) An outline of reports and management information that will be provided regularly to the person responsible for the
apportionment and oversight function and to the board and executive management.

(g) Details of any disaster recovery plans that it will be put in place to ensure business continuity.

6.0 Outsourcing and third party agreements

A description of any material outsourcing or subcontracting arrangements, in particular any outsourcing of underwriting, claims, investment management 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) drafts of any agreements with persons who will manage any significant part of the business of the applicant; and

(e) drafts of any agreements with brokers and agents, clearly explaining any commission arrangements.

(2) In general the quality, skills and experience of the management required in a new institution will depend on, among other things, the type and volume of business it expects to undertake.