



**CHARTERED INSURANCE INSTITUTE OF NIGERIA**

# Code <sup>of</sup> Ethics

*for the*

**NIGERIAN INSURANCE  
INDUSTRY**

## **CODE OF ETHICS AND PRACTICE FOR THE NIGERIAN INSURANCE INDUSTRY**

### **INTRODUCTION**

1. This Code applies to all Insurance Companies and Practitioners in Nigeria including all the members of the

Chartered Insurance Institute of Nigeria.

Nigerian Insurers Association

The Nigerian Corporation of Insurance Brokers and

The Institute of Loss Adjusters of Nigeria.

(hereinafter referred to as "Professional Bodies"). Every member of each of these bodies (hereinafter referred to as "member") shall adhere to this Code, use his/its best endeavours, to ensure its observance and comply with the disciplinary procedure and sanction contained in Part F.

2. This Code is drawn up by the Insurance Industry pursuant to its policy of self-regulation. The provisions of the Code may be reviewed and amended by the industry and in case of dispute as to the interpretation of any of the provisions thereof, such a dispute shall be referred to the Committee on Image whose interpretation shall be binding on the parties.

## **PART A:- GENERAL RULES**

- A1 The business of Insurance is founded on the principle of utmost good faith. This should be the dominant principle regulating the conduct of all insurance practitioners and companies in whatever aspect or class of Insurance they may be engaged. Insurance executives, managers, underwriters, inspectors and intermediaries must, at all times, put service above self and should always endeavour to employ the most effective and economical ways of doing their business and achieving the legitimate objectives of their companies or organisations.
- A2 Every insurance practitioner shall observe the general law of the land. In particular, he shall observe, promote and adhere to the customary practice relating to insurance and must ensure that his business is conducted on sound insurance principles.
- A3 Every member shall always be transparently honest in all his business and professional dealings and shall at all times, refrain from unethical, fraudulent and corrupt practices.
- A4 A member shall not improperly ask for or accept any financial gain, property or inducement or benefits or advantage of any kind for himself on account of anything done or to be done by him in the normal discharge of his duties.
- A5 A member shall not demand or accept any bonus or commission or part of the profits, fees or remuneration belonging to another professional or body for services rendered to his company, client or firm by that other professional or body.
- A6 A member, at all times, should avoid being placed in a position of conflicting interests.
- A7 A member must, at all times, preserve impartiality. Should therefore be in any particular case, circumstances which might in the view of a reasonable man be regarded as impairing or likely to impair his impartiality, this should be declared to his instructing client before he proceeds to act.

- A8 Members shall comply with the decisions of the Governing Council, Management or Technical Committees of the Associations of their professional bodies, and shall honour all the obligations contained in any agreement, pact or understanding entered into by them.
- A9 Members shall provide such statistical information as may be required by their professional bodies.
- A10 No one qualified in Insurance shall allow his name to be used to fulfil conditions for the registration of an insurance company, broking or loss adjusting firm unless he actually works or has an agreement to work for the company or firm.
- A11 Every member shall have a procedure whereby complaints by clients and members of the public are promptly dealt with.
- A12 Members shall maintain a loyal relationship with one another in the knowledge that it is only through co-ordinated action that an orderly insurance market can be achieved.
- A13 Members will co-operate with Public Authorities in the interest of an orderly market, and whilst always respecting and maintaining professional secrecy will report cases of unprofessional conduct to their Professional Bodies.

## **PART B: PRODUCTION OF INSURANCE BUSINESS**

- B 1 An insurance intermediary shall:
- (a) ensure, as far as possible, that the policy proposed is suitable to the needs and resources of the client;
  - (b) give advice only on those insurance matters in which he is knowledge-able, seek or recommend other specialist advice when necessary; and
  - (c) treat all information supplied by the client as completely

confidential to himself and to his company or companies to which the business is being offered .

- B2 An intermediary shall not make inaccurate or unfair criticisms of any insurer or make comparisons with other types of policy unless he makes clear the differing characteristics of each policy.
- B3 An intermediary shall:
- (a) make an in-depth analysis of his client's insurance needs and recommend advisable methods of loss prevention, especially when they may give rise to more favourable rating;
  - (b) explain all the essential provisions of the cover afforded by the policy, or policies, which he is recommending, so as to ensure, as far as possible, that the client understands what he is buying;
  - (c) draw attention to any restriction and exclusions applying to the policy.
  - (d) if necessary, obtain from the insurance company specialist advice in relation to items (a) to (c) above;
  - (e) refrain from offering coverage over and above that which the underwriter normally grants without the underwriters prior consent; and
  - (f) not impose any charge in addition to the premium required by the insurance company without disclosing the amount and purpose of such charge.
- B4 The intermediary shall, in obtaining the completion of the proposal form or any other materials:
- (a) avoid influencing the client and make it clear that all the answers or statements are the latter's own responsibility; and

- (b) ensure that the consequences of non-disclosure and inaccuracies are pointed out to the client by drawing his attention to the relevant statement(s) in the proposal form.

B5 The intermediary shall, if authorised to collect monies in accordance with the terms of his agency appointment.

- (a) keep a proper account of all financial transactions with a policyholder or prospective policyholder which involve the transfer of money held in trust in respect of insurance.
- (b) acknowledge receipt (which, unless the intermediary had been otherwise authorised by the insurance company, shall be on his own behalf) of all monies received in connection with an insurance policy and shall distinguish the premium from any other payment included in the money; and
- (c) remit any-such monies so collected in strict conformity with the terms of his agency appointment.

B6 An intermediary shall, when making payment to an insurance company, specify the name of the policyholder on behalf of whom he is paying as well as the particulars of the insurer's debit note, if any, relevant to the payment.

B7 The intermediary shall not withhold from the policyholder any written evidence or documentation relating to the contract of insurance.

B8 No one shall be employed as an insurance agent unless.

- (a) he possesses the West African School Certificate or its equivalent as well as the Certificate of Proficiency in Insurance, or
- (b) he has previously been employed for at least 10 years out of which not less than three should be in the Technical Department of a reputable insurance company, insurance broking or loss adjusting firm on a grade of not below "Senior Clerk"

- B9 Commissions shall not be paid to intermediaries in excess of the rate allowed by law.
- B10 Members shall refrain from undercutting one another with a view to securing business. They shall carry out their activities according to the principles of fair competition refraining from using judgements which may bring a colleague into disrepute. To secure business in competition with their colleagues, members must not cede, wholly or in part, their just remuneration or premium, nor provide any additional monetary benefit in cash or in kind.
- B11 Insurance Brokers shall do everything possible to satisfy the insurance requirements of their clients and shall place the interests of those clients before all other considerations.
- B12 Statements made by or on behalf of members when advertising shall not be misleading or extravagant or deceptive.
- B13 When a Broker established a relationship with a client, he shall take appropriate steps to see that the client understands the Broker's role.
- B14 In the conduct of their business, Insurance Brokers shall provide advice objectively and Independently.
- B15 As misunderstandings regarding the scope of authority and instructions are far less likely to arise where they are set down in writing, in the absence of accurate written instructions from a client as to coverage sought, a Broker should, where it is reasonably practicable, confirm instructions in writing promptly, including appropriate reference including appropriate reference to recommendations made by the Broker but declined by the client.
- B16 Any information acquired by an Insurance Broker from his client shall not be used or disclosed except in the normal course of negotiating, maintaining, or renewing a contract of insurance for that client or unless the consent of the client had been obtained or the information is required by a court of competent jurisdiction.

- B17 A Broker may wish to compile statistics or otherwise use information gained from the operation of the accounts of various clients, in order to broke a risk for a particular client to insurers. In each case, the broker shall consider what information he may properly use and great care must be taken that a client about whose account information is being used is not adversely affected by it. Although, calling upon his general knowledge and experience of other clients' affairs would normally be permissible, the disclosure by a broker of information revealing the identities of clients and specific details of their affairs without their informed consent is not permissible, unless such information is already available to the market generally.
- B18 A Broker shall take appropriate steps to maintain the security of confidential documents in his possession.
- B19 Insurance Brokers shall ensure the use of sufficient number of insurers to satisfy the insurance requirements of their clients.
- B20 Although the choice of insurers can only be a matter of judgement, Insurance Brokers shall use their skill objectively in the best interests of their clients.
- B21 It is the duty of the Broker and his client to disclose all material circumstances within their knowledge and to give a fair presentation of the risk to insurers.
- B22 A Broker should explain to a client the duty of utmost good faith and the obligation to disclose all circumstances material to the risk which he wishes to insure and the consequences of any failure to make such disclosure.
- B23 Slips and other placing document or information presented to in insurers should be clear and unambiguous and the Broker's relevant personnel should be competent to answer insurers reasonable questions about the risk. A Broker should be prompt to convey insurers' requests for further information to his client.
- B24 An Insurance Broker shall inform a client of the name of all insurers



with whom a contract of insurance is placed. This information shall be given at the inception of the contract and any changes here after shall be advised at the earliest opportunity to the client.

- B25 Cover notes and other written evidence of cover issued by a broker should be signed by authorised personnel. It is good practice for such documents to be signed by someone of seniority who was not involved in the placing. This latter practice will not normally need to be followed in respect of temporary motor insurance cover notes.
- B26 A Broker shall advise a client regarding the conditions attached to the acceptance of a risk or part thereof communicated to him by an insurer.
- B27 Insurance Brokers shall not withhold from the client any written evidence or documentation relating to the contract of insurance without adequate and justifiable reason being disclosed in writing and without delay to the client. If any insurance broker withholds such document from client by way of lieu for monies due from that policyholder, he shall provide the reason in the manner required above.
- B28 Insurance monies handled by a Broker should be separated from the funds belonging to the Broker. Such monies should be kept in distinct accounts and the operation of these accounts is the responsibility of the Broker and he receives and retains any interest or investment income earned on them. A Broker should apply due diligence to the collection and payment of all insurance monies.
- B29 A Broker shall have proper regard for the settlement due date agreed with the insurers for any contract of insurance.
- B30 A Broker shall pay over monies received and due to clients promptly. Where a risk is placed with a number of insurers, and claims monies are remitted to the broker at different times, the broker shall consider whether, having regard to the amount received and the time when the balance will be received, and any other relevant factors such as amounts owed by the client to the broker, he should pass on to the client such proceeds as he has received as soon as possible rather than await the balance and make payment in full.

- B31 Advertisements made by or on behalf of insurance intermediaries shall not be restricted to the policies of one insurer, except where the reasons for such restriction are fully explained in the advertisement, the insurer named therein, and the prior approval of that insurer obtained.
- B32 An intermediary shall disclose to an insurer the previous insurer(s), if any, of the object proposed for insurance, the claims if any, made on the previous policy(ies) and whether or not any premium is outstanding in favour of the previous insurer.
- B33 In reinsurance brokerage, an intermediary shall interpret and respect instructions of Cedants 'and Reinsurers with absolute impartiality, knowing that his function is to distribute risk as widely as possible loss to achieve the necessary spread.

### **PART C: UNDERWRITING PRACTICE**

- C1 A proposal form shall contain a prominent statement that a specimen copy of the policy form and other terms applicable to the risk are available on request.
- C2 Proposal Forms shall contain a prominent advice that the proposer should keep a record of all information including copies of letters supplied to the insurer for the purpose of entering into the contract.
- C3 The proposal form shall contain a prominent statement that copy of the completed form:
- (i) is provided for retention at the time of completion; or
  - (ii) will be supplied as part of the insurer's normal practice; or
  - (iii) will be supplied on request after its completion.
- C4 An insurer shall not raise an issue under the proposal form, unless the policyholder is provided with a copy of the completed form.
- C5 Insurers should avoid asking questions which would require knowledge beyond that which the prospective insured could reasonably be expected to possess.

- C6 Insurance policies and all agenda thereto shall be printed in easily readable characters.
- C7 An employees of an insurance company shall not be involved in the rating of a business introduced by him.
- C8 (1) An insurance company shall be obliged to pay to a legitimate claimant there on the proceeds of a claim if the payment of the agreed claim amount is delayed for reason not caused by the claimant provided such delay is more than 30 days after the receipt by the insurer of the signed discharge voucher. The interest payable shall be at a rate receivable by the insurer on its current account.
- (2) A company transacting life assurance business shall be obliged to give written information to the assured as to whether or not there are rights to surrender values in the contract.

#### **PART D: CLAIMS**

- D1 In case of a claim, a broker has a duty to advise the insured or beneficiary on the completion of the claim form and warn him of the consequences of false statements or the omission of circumstances which bear on the amount of loss and settlement.
- D2 If the policyholder advises the intermediary of an incident which might give rise to a claim, the intermediary shall inform the might give rise to a claim, the intermediary shall inform the insurer without delay, and in any event, within three working days, and thereafter give prompt advice to the policyholder of the company's requirements concerning the claim, including the provision, as soon as possible, of information required to establish the nature and extent of the loss. Information received from the policyholder shall be passed to the company without delay.
- D3 An insurer shall not unreasonably reject a claim.

- D4 Standard documents required by an insurer to authenticate a claim shall be listed and given to insureds at the inception of policies.
- D5 No employee of an insurance company shall be involved in the processing or adjusting of a claim arising from a business introduced by him.
- D6 If a Broker has reason to believe that the notification of the facts of a claim by a client is not true, fair and complete, he should request him to make the necessary true, fair and complete disclosure. In the absence of such agreement, the broker should consider whether he should decline to continue acting for the client and what obligations he has to insurers or any regulatory authority.
- D7 A broker should take appropriate steps in connection with claims notified by clients to see that all information properly required by insurers is promptly provided to them.
- D8 A broker should give prompt advice to his client of insurer's requirements concerning notified claims.
- D9 On receipt of insurers' decision on the settlement or otherwise of a claim, a broker should promptly inform the client.
- D10 In circumstances where the interests of two or more clients of a broker might conflict (e.g. where one is the first party and another the third party in an accident), the broker shall take appropriate steps so that the interests of each can be fairly represented.
- D11 A Loss Adjuster must not seek to obtain any advantage in the conduct of his business other than his professional remuneration.
- D12 A Loss Adjuster shall not accept nor give secret commission in connection with his profession as an adjuster.
- D13 A Loss Adjuster shall not accept any part of the profits of the professional work of a Solicitor or any commission or bonus thereon,

nor shall he be actively engaged in any firm of Insurance broking, Insurance Agency or Underwriting.

- D14 A Loss Adjuster shall not directly or indirectly accept from an Auctioneer, Broker or Agent, any part of proportion of any remuneration commission or bonus on the charges payable to such Auctioneer, Broker or Agent.
- D15 A Loss Adjuster shall not participate in any benefit from the sale of salvage, the loss on which he will adjustor has adjusted.
- D16 A Loss Adjuster who has been instructed one Insurer and ascertains that any other Insurers also cover other interests in the same loss, shall not make contact with the other Insurers with a view to seeking their instructions to act in connection with the loss.
- D17 The following are acts discreditable to a Loss Adjuster:
- (a) Testifying to a statement which is known to be false or Misleading;
  - (b) Omission to reveal salient facts in his reports that have an important bearing upon a claim;
  - (c) Making a report of his investigation which is intended to mislead or deceive;
  - (d) Revealing knowledge of matters that are given to him in professional confidence to other than those entitled to it.
  - (e) Making a disloyal statement either verbally or in writing regarding the Institute of Loss Adjusters or Councilor a member of the Institute;
  - (f) Refusal of a member to observe the decision of the Council properly made;
  - (g) Charging greater expenses than the actual amount reasonably and properly chargeable; and

- (h) The giving of gifts or presents to any Insurance Personnel or to any other person able to directly or indirectly influence the appointment of an Adjuster.

**PARTE:            ADDITIONAL REGULATIONS APPLICABLE TO  
MEMBERS OF THE INSTITUTE OF LOSS  
ADJUSTERS OF NIGERIA.**

- E1     It will be in order for any member to comply with a request to address any insurance or associated or other professional body, and for the member to allow to be published any paper or address so given by him. This does not apply if the paper or address introduces matters having any bearing upon the work or the conduct of the Institute unless the authority of the Council of the Institute of Loss Adjusters (hereinafter referred to as "the Council") has been Obtained.
- E2     Members, however, should not issue in their own name or on their own letterhead circulars or notes. disseminating insurance or adjusting knowledge except through the Institute who, at the discretion of the Council, can publish such notes or circulars under the member's name .
- E3     Advertising in any form by a Loss Adjuster, unless approved by the Council of the Institute of Loss Adjusters of Nigeria, is prohibited. This includes the solicitation of business verbally or by letters or circulars. This, however, does not prevent members from sending circulars announcing the commencement of a new business, the addition of a new partner, director or employees, the death or severance of the business of a partner, director or employee or any matters of an administrative nature such as changes of address or telephone number.
- E4     No member shall, unless he has obtained the consent of the Council, cooperate in any interview with the Press, except is so far as it is necessary for the proper execution of his work in which event the giving of information must be made dependent upon his name not being mentioned.

In general, letters to the Press on professional matters are best left to the Council but if a member should so write he must do so L-n his own name and from his private address, without mention of his membership or profession.

- E5 So far as lies within his power to prevent it, no member shall in his professional capacity on behalf of the Council, appear in any radio or television programme nor shall he cooperate whether by way of advice on the script or otherwise unless the approval of the Council has previously been obtained.
- E6 In the case of dual insurance it is highly undesirable that, except as hereinafter provided, there shall be two members on the same loss, the member representing the smaller interest shall explain clearly to his client (if this be necessary) that it would be in conformity with accepted practice that he should withdraw and seek his permission to retire from the case. This does not apply where there are separate items of insurance which do not overlap. The "larger interests" shall be interpreted broadly and in respect of any group of items of insurance which overlap that interest which will have to pay the largest share of the grouped items of loss shall be deemed to possess the larger interest. The intention behind this direction is th"at it is to apply to cases which cannot be separated in negotiation and so to avoid two Adjusters being concerned in the one negotiation.

## **PARTF: DISCIPLINARY PROCEDURE AND SANCTIONS**

- F 1 (1) A report against a member on the breach of or noncompliance with any of the provisions of this Code shall be forwarded to the professional body to which the member belongs and whose address is contained in the Appendix.
- (2) Within 30 days of the receipt of the complaint, the professional body shall investigate the allegation or complaint against the member and take necessary action including the application of appropriate disciplinary action.
- F2 The professional body shall have the power to:
- (a) direct that the member concerned shall make amends, rectification,

payment or take any other action as may be required in favour of an aggrieved person and the member shall comply with such a directive within a period of seven days, or

- (b) expel a member who is found guilty of serious unprofessional conduct, abuse of office or flagrant breach of this Code and recommend to the Government Supervisory Authority on Insurance that the operating licence of the member be cancelled.

F3 (1) A member against whom a disciplinary action has been taken by his Professional Body may, within two weeks, from the date of receipt of the decision, appeal to the Joint Disciplinary Body of the Insurance Industry for a review of the decision.

- (2) The Joint Disciplinary Body may advise the Professional Body to vary, rescind or affirm its decision and the Professional Body may vary or rescind the decision unless it has a strong reason to the contrary in which case its decision shall subsist and remain binding on the member concerned.

- (3) The Joint Disciplinary Body shall comprise of 3 nominees of the Nigerian Insurers Association, and 2 nominees each of the Nigeria Corporation of Insurance Brokers, Institute of Loss Adjusters of Nigeria and the Chartered Insurance Institute of Nigeria.

The body shall have the power to appoint one of its members as its Chairman. The NIA Executive Secretary shall serve as the Secretary of the Body.

F4 Where a complaint or report involves members in more than one Professional Body, such a complaint or report shall be forwarded to the Joint Disciplinary Body for necessary action in which case the Joint Disciplinary Body will apply any of the sanctions enforceable by a Professional Body.

F5 A complainant or aggrieved person shall be promptly informed by a Professional Body of the outcome of his complaint and the action taken, if any.

F6 For the purpose of enforcement of this Code, an act shall be deemed to



have been committed by an Insurance Company, and Insurance Broking or Loss Adjusting Firm if it is committed by:

- (a) the board of directors: or
- (b) the general meeting of shareholders: or
- (c) the Managing Director or Chief Executive; or
- (d) A Director, Manager, Officer, Employee or Agent in the course of his duty.

F7 Complaints against an insurance practitioner, officer, executive, employee or agent for acts or omission involving a breach of this code or professional misconduct but committed otherwise than in the course of employment, shall be referred to the Chartered Insurance Institute of Nigeria.