

ARTICLE SERIES

# UNDERSTANDING THE NEW FRAMEWORK FOR INSURANCE WEB AGGREGATORS

insurance



APRIL 2022

## INTRODUCTION

In pursuance of the powers conferred on the National Insurance Commission (the “Commission”) by the National Insurance Commission Act 1997 (the “NAICOM Act”), the Commission recently issued the Insurance Web Aggregators Operational Guidelines (the “Guidelines”).

The Guidelines are set to be the compass for supervising and monitoring web aggregators as insurance intermediaries who provide information on the products offerings of various insurers and are to be read conjunctively with other Circulars, Guidelines and Regulations that may be issued by the Commission.

## WHO IS A WEB AGGREGATOR?

The Guidelines define a web aggregator as a company registered under the Companies and Allied Matters Act (CAMA) and approved by the Commission, which maintains/owns a website and avails information pertaining to insurance products and price/features comparison of products of different insurers and offer leads to an insurer.

## LICENSING REQUIREMENTS

By the Guidelines, any insurer who intends to carry on the business of a web aggregator is required to obtain a grant of no objection from the Commission while an applicant other than an insurer is required to obtain a licence as a web aggregator from the Commission before carrying on the business of web aggregators.

Both the grant of a “no objection” approval and the licence are given upon the satisfaction of the requirements stipulated in the Guidelines. The Guidelines make it mandatory for the web aggregator to enter into a Service Level Agreement (SLA) with an insurer/broker and makes the inclusion of certain terms in the SLA mandatory. Such terms include the duties of the parties, data elements to be shared, duration of the SLA, commission and fees to be charged.

To be eligible for the grant of a licence as a web aggregator, the Guidelines provides, among other things, that such applicant must be incorporated under CAMA with the business of web aggregation as its only and main object with a minimum share capital of N5,000,000 (Five Million Naira).

In bringing its application, the applicant is required to complete an application form and pay the requisite fees as specified in the Guidelines.

## **FEES AND VALIDITY**

The fees payable for registration as a web aggregator are as follows:

1. N500, 000 (Five Hundred Thousand Naira) non-refundable application fee;
2. N2,500,000 (Two Million, Five Hundred Thousand Naira) licencing fee; and
3. N1,000,000 (One Million Naira) renewal fee.

The levy payable by the web aggregator has been pegged at 1% of the gross commission or minimum of N200,000 (Two Hundred Thousand Naira), whichever is higher, while the commission payable to the web aggregator shall not exceed 30 % of the Brokers commission as stated in Section 53 of the Insurance Act, 2003. It is also provided that the “no premium, no cover” rule of section 50(1) of the insurance Act, is the guiding principle for payment of premium under web aggregation operations which implies that a receipt of an insurance premium is a condition precedent to a valid contract of insurance.

By the Guidelines, the validity period of a licence shall be for a period of two calendar years and a renewal application shall be submitted at least 45 days prior to the expiration of the licence. It is also provided that a license issued to a web aggregator that is not submitted for renewal after expiration of the (30) days of grace, is deemed as lapsed and re-registration may only be considered after a three (3) years cool-off period.

## **OPERATING REQUIREMENTS**

During its operations, a web aggregator is required to always possess and maintain a professional indemnity insurance cover with a minimum limit of N20, 000, 000 (Twenty Million Naira) or 50% of its annual gross commission income whichever is higher.

The Guidelines also makes elaborate provisions on the code of conduct of web aggregators, touching on their relationship with clients, handling of complaints and in matters relating to advertising. The Guidelines further provides for the business obligations of web aggregators and insurers and outlines specifications on web aggregators' site specimen and display of products comparisons on the website.

Accordingly, the Guidelines puts certain restrictions on the activities of web aggregators, some of which include: display of any information pertaining to products and services of other financial or other product or service in the website, display of advertising of any sort, operation of multiple websites or a tie up with other approved/unapproved/ unlicensed entities/ websites for lead generation, operation of the website(s) of other financial or sale entity or use of other social media sites for comparison of products etc.

The Guidelines also lays down information technology infrastructural requirements for operations of a web aggregator which include standards for computer networks and internet; provisions on backup, recovery and business continuity, IT security policy and privacy, standards of identification, access control and security log.

The Guidelines also makes provisions touching on employees of web aggregators some of which include the requirement for the approval of the Commission for the appointment of a Principal Officer, the requirement that employees of web aggregators must fulfil conditions of being

fit and proper persons as adjudged by the Commission as well as complete required hours of practical training in insurance and web aggregation in the Commission's accredited training institution, etc.

The Guidelines further requires that in respect of disputes between a web aggregator and partner insurer, the provisions of the SLA in respect to arbitration must be exhausted before referring the matter to the Commission. In respect of disputes arising out of insurance transactions, an affected individual is entitled to refer the matter to the Commission. The Guidelines also puts a duty on the web aggregator and the partner insurer to put in place an appropriate complaints redress mechanism to ensure that client's issues are properly addressed.

In respect of financial reporting and disclosures, the Guidelines makes it mandatory for the web aggregator to prepare Annual Reports and submit same to the Commission in respect of each accounting year and same must be in accordance with the International Financial Reporting Standard. It also puts a duty on the web aggregator to make certain material disclosures to the Commission relating to particulars of the officers of the company and the company as well as any change thereof.



## EFFECTIVE DATE

The Guidelines became effective on 1st February 2022 and prohibits any person from functioning as a web aggregator without being licensed by the Commission. Nevertheless, a grace period of 60 days from the effective date of the Guideline was provided to enable any unlicensed web aggregator obtain the licence to operate, failing which the sanctions may be imposed by the Commission as specified under the NAICOM Act and the Insurance Act 2003.

## CONCLUSION

The hitherto largely unregulated business of insurance web aggregators has now become fully regulated by the Guidelines. Consequently, the obligations, duties and responsibilities of actors and stakeholders within this spectrum are now clearly spelt out and defined. This represents one of the much-needed regulations in insurance business operations in the light of technological evolution to insurance service delivery.

The Guidelines can be accessed [here](#)





## AUTHORS



Rebecca Ebokpo



Frances Obiagio

ÁELEX is a full-service commercial and dispute resolution firm. It is one of the largest law firms in West Africa with offices in Lagos, Port Harcourt and Abuja in Nigeria and Accra, Ghana. A profile of our firm can be viewed [here](#). You can also visit our website at [www.aelex.com](http://www.aelex.com) to learn more about our firm and its services.'

**COPYRIGHT:** All rights reserved. No part of the publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means without the prior permission in writing of ÁELEX or as expressly permitted by law.

**DISCLAIMER:** This publication is not intended to provide legal advice but to provide information on the matter covered in the publication. No reader should act on the matters covered in this publication without first seeking specific legal advice.

# CONTACT DETAILS

## LAGOS, NIGERIA

4th Floor, Marble House  
1, Kingsway Road, Falomo  
Ikoyi, Lagos

Telephone: (+ 234 1) 2793367; 2793368  
4736296, 4617321-3;  
Facsimile: (+ 234 1) 2692072; 4617092  
E-mail: [lagos@aelex.com](mailto:lagos@aelex.com)

## PORT HARCOURT, NIGERIA

2nd Floor,  
Right Wing UPDC Building  
26, Aba Road  
P.O. Box 12636, Port Harcourt  
Rivers State, Nigeria

Telephone: (+234 84) 464514, 464515  
574628, 574636  
Facsimile: (+234 84) 464516, 574628  
E-mail: [portharcourt@aelex.com](mailto:portharcourt@aelex.com)

## ABUJA, NIGERIA

4th Floor,  
Adamawa Plaza  
1st Avenue, Off Shehu Shagari Way  
Central Business Area  
FCT Abuja, Nigeria

Telephone: (+234 9) 8704187, 6723568,  
07098808416  
Facsimile: (+234 9) 5230276  
E-mail: [abuja@aelex.com](mailto:abuja@aelex.com)

## ACCRA, GHANA

Suite CCasa Maria  
28 Angola Road  
Kuku Hill, Osu  
Accra

Telephone: (+233-302) 224828, 224845-6  
Facsimile: (+233-302) 224824  
E-mail: [accra@aelex.com](mailto:accra@aelex.com)