

Market Conduct and Business Practice Guidelines for Insurance Institutions

PREAMBLE

- a. These Guidelines are issued in exercise of the powers conferred on the Sierra Leone Insurance Commission (SLICOM) under the Insurance Act 2000 and the Insurance Act 2016.
- b. These Guidelines shall form part of the extant insurance regulatory and supervisory tools and shall be read in conjunction with the provisions of the Insurance Act as well as other regulations, directives, notices and circulars that the Commission may issue from time to time.
- c. These Guidelines shall apply to all Insurance Institutions.
- d. Every insurance institution shall establish internal policies and procedures to give effect to the provisions of these Guidelines and shall form part of its internal control.
- e. All Insurance Institutions are required to formally direct their staff to comply and ensure strict compliance with these Guidelines

MARKET CONDUCT AND BUSINESS PRACTICE GUIDELINES FOR INSURANCE INSTITUTIONS

OBJECTIVES OF THE GUIDELINES

- a. The guidelines sets out the minimum standards required from Insurance institutions in their dealings with Clients, Policyholders, Shareholders and the other Stakeholders
- b. It seeks to promote greater fairness and transparency between policyholders and insurance institutions.
- c. It establishes strong market conduct among practitioners/stakeholders, ethical service to reduce mistrust that may exist between clients and insurers, and enhance mutual confidence that improves market efficiency. Conversely, weak market conduct erodes ethical behavior and is usually the major reason for the poor development of an insurance market.
- d. It also provides the Board of Directors and Management of Insurance institutions with a framework for the establishment of policies and procedures for effective claims management. This is imperative as insurers stake their reputations and financial stability on the quality and efficiency of their operations.

- e. The guidelines provide principles to ensure customers are treated fairly, both before a contract is entered into and through to the point at which all obligations under the contract are discharged

- f. The guidelines also state the responsibility of the insurance institutions in ensuring that their activities are properly coordinated and carried out in a professional manner.

- g. The guidelines also set out the general licensing and authorization requirements for insurers, intermediaries and other insurance institutions.

Market conduct and business practice guidelines for insurance institutions

1. TRADE PRACTICE AND TREATMENT OF CUSTOMERS

Unfair trade practices

Insurance institutions shall not engage in any form of unfair practice.

Generally, unfair trade practice shall include but not limited to the following:

- a. Making or causing to be made any misrepresentation concerning the benefits, advantage, conditions for a company's product(s):
- b. Providing false information or failure to make full disclosure of requested information on an application for a company's product(s):
- c. Using false or misleading information to induce the lapse, forfeiture, exchange, conversion, or surrender of an insurance policy.
- d. Obtaining money or property by means of any untrue statement of a material fact or any omission of a material fact necessary in order to make the statement made (in light of the circumstance under which it was made) not misleading:
- e. Employing any device, scheme, or artifice to defraud such as:

- i. An agreement to pay the policyholder/customer a portion of the commission on procurement of an insurance policy:
 - ii. A rebate on premium or commissions, or offer of any benefit, except those benefit specified in the policy, to induce the sale of an insurance product:
 - iii. Any offer of inducement to enter into any insurance contract, or to receive a quote, submit an application or in connection with any other solicitation for sale of insurance: or
 - iv. De-marketing of any insurance institution or any false description of the features of another company's policy to induce the replacement of that policy with another.
- f) Submitting a false financial bid for inclusion in a list for insurance placement

Fair Treatment of Customers

Insurance institutions shall ensure that they treat their customers fairly:

TRADE PRACTICE AND TREATMENT OF CUSTOMERS

Fair treatment of customers by insurance transaction shall generally, amongst others cover the following:

- a) Act competently, carefully and diligently in regard to all transactions between themselves and their customers.
- b) When providing professional advice or exercising discretion must do so in the interest of the customer and advice given must be of high quality.

- c) Take appropriate measures to ensure that its employees and agents meet high standards of ethics and integrity
- d) Develop and market products in a way that pays due regard to the interest of customers
- e) Provide customers with clear information before, during and after sale
- f) Act to reduce the risk of sale of products which are inappropriate to customers' needs.
- g) Deal with customer complaints in a fair manner
- h) Manage and meet reasonable expectation of customers.

The Board and Management shall have the ultimate responsibility for fair treatment of customers.

Fair treatment of customers shall be taken into consideration in the design of the business strategy and development of products.

All insurance institutions shall entrench a culture of fair treatment of customers

Disclosure of Information to the Customer

Insurance institution shall:

- a) Provide adequate and timely information that will enable the customer reach an informed decision
- b) Take reasonable care to ensure that the information provided to customers are accurate and in easily understandable language.
- c) Not present to customers misleading or deceptive information.
- d) Insurance institution shall give customers reasonable access to all information which is material to the contract.

The information shall include but not limited to:

- a) Address of its head office and other relevant contact details.
- b) Products; scope of cover, prices, conditions and exclusions
- c) Claims procedure (as would be shown in the relevant section)
- d) Complaints procedure
- e) The various complaint Bureaux- the Company's Customer Complaint Department, the SLIA Bureau and the SLICOM complaint Bureau.

Where Insurance institution are responsible for providing advice or exercising discretion for their customers, they must seek from the customers such information about their circumstances and objectives as may be appropriate in regard to the services requested.

Insurance Institutions shall take reasonable steps to obtain adequate information about the customer to assess his insurance needs.

An insurer shall provide accurate and clear information to intermediaries who may rely on this information in providing advice to customers.

Information obtained from customers shall be treated as confidential and shall not be disclosed to third parties except as may be required by law.

The insurance institution shall advice the customer of their duty to disclose all relevant information and ensure that the consequences of non-disclosure and inaccuracies are pointed out to the prospective client.

Insurance Institutions shall avoid influencing the prospective client and make it clear that all the answers or statements given are the latter's own responsibility. Thus clients shall always be required to carefully check details of information given in any document submitted or received in relation to the contract.

An insurance intermediary shall disclose on behalf of its client all material facts within its knowledge and give a fair presentation of the risk.

An Insurance policy, product literature, policy summary or marketing material shall be clearly worded in easily understandable language and shall

define any word likely to be unfamiliar to the policyholder or claimant or capable of misinterpretation.

Insurance Institutions shall prepare a summary of the policy document containing the terms and conditions of the policy which shall be used as a basis of discussion with the prospective policyholder. A copy of the summary of policy document shall be given to the policyholder. At a minimum such document shall also contain all exclusions or exceptions and implied conditions. All the features of a product must be clearly and fairly reflected in any policy summary and marketing material and communicated in a language which shall be easily understandable by the policyholder or claimant.

An insurance policy document shall contain, among others, the under listed information which shall form the basis of the insurance contract:

- a) Details of the company (name of the company, principal place of business, relevant contact details etc.)
- b) Characteristics of the product and/or scope of cover,
- c) The premium/price
- d) Commencement and duration of the policy
- e) Benefit (main and supplementary)
- f) Excess and deductibles
- g) Terms, conditions, exclusions and /or limitation
- h) Deferred payment periods
- i) Waiting periods
- j) Surrender value and charges (where applicable)
- k) Cancellation
- l) Applicable laws
- m) Claims procedure

- n) Complaints procedure
- o) Various complaints Bureaux - the Company, SLIA and the SLICOM Complaints Bureau
- p) Any other information which are material to the contract

In the case of life insurance and annuities, the following additional information shall be provided to the insured:

- a) Participation rights in surplus funds
- b) The basis of calculation and state of bonuses
- c) The current cash surrender value
- d) Premiums paid to date
- e) For unit-linked life insurance, a summary report on performance of the investment and the associated expenses.

Confidentiality: An insurance institution shall have policies and procedures for management of confidential information that:

- a. Safeguards against misuse or inappropriate communication.
- b. Promotes awareness of confidentiality requirement.
- c. Implements internal control mechanisms that meet the objectives of confidentiality.
- d. Deploys appropriate technology to manage confidential information.
- e. Ensure data security and assess risks associated with any major breaches
- f. Ensure that the Board and Management take confidentiality as part of the organization's culture and strategy.

In addition, an insurance agent shall:

- a) Disclose to the prospective customers the name of the insurer being represented and the type of product(s) he/she is authorized to sell and other relevant information above the principal.
- b) Take due care to avoid giving misleading information to customers.

An insurance institution shall provide the following additional requirement for insurance Sales via Internet Mobile Telecom Operations:

- a) The address of the insurer's head office and the contact details of the supervisor/manager of the head office.
- b) The contact details of the insurer, branch or intermediary, and of the supervisor/manager responsible for the supervision of the business, if different from above.
- c) The jurisdiction in which the insurer or intermediary is legally permitted to provide insurance.
- d) Procedures for the submission of claims and a description of the insurer's claims handling procedures and.
- e) Contact information of the authority or organization dealing with dispute resolution and or consumer complaints.

For proper understanding of contract relationship, insurance intermediaries shall:

- a) Ensure that the client understands his relationship with the intermediary and on whose behalf the intermediary is acting
- b) Obtain written mandate from client to represent the client to the insurer and communicate the grant of a cover to the client after effecting insurance
- c) Have specific authority of the client to develop the terms
- d) Avoid conflict of interest
- e) Identify itself, the scope of products and or services it can offer.

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The period of cover for which the quotation remains valid shall be made known to the insured if the proposed cover is not effected immediately.

An Insurance institution shall explain when and how the premium is payable and how such premium is to be collected, where another party is financing all or part of the premium. Full details shall be given to the client/insurer (as applicable) including any obligations that the client may owe to that party.

An Insurance institution shall not, either in promotion activities or presentation of sales, make inaccurate or unfair criticisms of any insurance institutions or any member of a trade association as approved by the Commission.

Pre-Sale Requirement and Advertisement

Insurance institutions shall prior to:

- a) Marketing any product, ensure that the product has been approved by the Commission
- b) Introducing a product, provide necessary support to intermediaries to ensure that they understand the product.

An insurance institution shall promote its products and services in a manner that is clear, factual, accurate, not misleading nor extravagant.

An insurance institution shall, if it subsequently becomes aware that the information provided in a promotion/advertisement is not accurate and clear or is misleading, withdraw the information and take appropriate steps to correct such misrepresentation.

In addition to the provisions of extant rules relating to advertisement, information provided in a promotion or advertisement shall:

- a) Be consistent with the reasonable expectations of majority of customers:
- b) State prominently the basis for any claimed benefits and any significant limitations: and
- c) Not conceal, diminish or obscure important statements or warnings
- d) Contain nothing which is in breach of the law nor omit anything which the law requires
- e) Not encourage or condone defiance or breach of the law
- f) Contain nothing which is likely, in the light of generally prevailing standards of decency and propriety, to cause grave or widespread offence or to cause disharmony.
- g) Not so framed as to abuse the trust of clients or exploit their lack of experience or knowledge.
- h) Be capable of substantiation, all descriptions, claims and comparison made in the cause of the promotion activities.
- i) Where appropriate, distinguish between contractual benefits which the insurance policy is bound to provide and non-contractual benefits which may be provided.
- j) An advertisement shall be true, factual, clear and unambiguous.

- k) Any statistics presented in advertisement shall be proved valid
- l) No advertisement shall use lottery or any other game of chance as promotional technique to induce public actions;
- m) An advertisement making projection of returns on investments shall explain the basis of the projection:
- n) An advertisement stating figures in foreign currencies shall indicate the Leone equivalent of the figure at the currency exchange:
- o) An advertisement stating the rate of interest shall state the rate per annum;
- p) A product advertisement shall only make offers that are adjudged feasible
- q) No advertisement shall contain religious connotation
- r) No advertisement shall disparage reputation of others
- s) No advertisement shall be comparative of named competitors:
- t) An advertisement shall produce evidence in support of testimonials and endorsement
- u) An advertisement shall contain the address of the advertiser's corporate office together with the telephone numbers, e-mail address, website location, where available

v) An advertisement shall contain the Commission's approval which shall remain valid in so far as there are no changes. Where however changes are effected on the initial approval, a fresh request for approval containing the changes shall be made to the Commission. Advertisement contents shall be subject to the prior approval of the Commission

New product Development

- a) All new products must be approved by the Commission in line with the requirement of the Insurance Act 2016
- b) An application for new product shall be accompanied by:
 - i. Specimen copies of proposal forms:
 - ii. Specimen copies of policy forms
 - iii. Specimen copies of riders/endorsements:
 - iv. Specimen copies of claims forms
 - v. Actuarial statements (Life Products)
 - vi. Letter of consent from reinsurer
 - vii. Marketing Brochure
 - viii. Risk analysis of the product
 - ix. 5 – year business plan; and

- x. Any other additional document

Sales and/or Contract Executive Requirement.

- a) An insurance institution shall explain the salient points of the contract to the insured.
- b) The insured shall be advised and be given the opportunity to read and react to the contents of the policy document before signing.
- c) The contract document (e.g. certificate, summary policy document, main policy document, etc.) shall be jointly signed or executed by the insured and the insurer.
- d) In line with the **“no premium no cover”** requirement, policy/certificate shall not be executed/issued until the premium is fully paid.
- e) Insurance institutions shall explain to the client the importance of disclosing all subsequent changes that might affect the insurance throughout the duration of the policy/contract.
- f) The list of all the coinsurers participating under the contract shall be provided to the policyholders and be advised of any subsequent changes thereafter.
- g) Insurance institutions shall draw the policyholder’s attention to any warranty imposed under the policy, major or unusual restrictions and exclusions under the policy and explain how the contract may be cancelled.

Professional Advice.

An insurance institution shall ensure that, where customers receive advice before concluding an insurance contract:

- a) Such advice is appropriate ; taking into account the customer's disclosed circumstance
- b) Such advice includes recommendations on the appropriateness of a product/policy based on the disclosed needs of the customer.
- c) Explain and document the basis of the advice
- d) Communicate in a clear and effective manner to the customer any potential conflict of interest.
- e) There is a system in place to monitor the quality of advice given by its staff or agents.

An insurance institution shall appropriately supervise its staff and agents, periodically review the quality of advice offered to customers by its agent/staff and where any deficiency is observed, take necessary remedial action.

An insurance institution shall provide continuous training programs to ensure that its staff and agents:

- a) Are abreast of market trends, economic conditions, innovations and modifications made to the products and services;
- b) Maintain appropriate level of industry knowledge including the characteristics and risks of the products and services;
- c) Know the applicable legal and regulatory requirements
- d) Understand the requirements for effective communication of information regarding the products and services;
- e) Are familiar with the documentation regarding the company's products and services.

- f) Are competent, suitable and up to date in technical and management issues as it affects their works.
- g) Are aware of legal requirements including the law of agency affecting their activities; and can only handle classes of business in which they are competent
- h) Are aware of and adhere to the standards expected of them by this guideline
- i) Understand the type of client it is dealing with the extent of the client's awareness of risk and insurance.
- j) Give advice only on those matters in which it is knowledgeable and seek or recommend other specialist for advice when necessary.
- k) With particular reference to Brokers, explain why policies are proposed and provide comparisons in terms of price cover or service.

Policy Servicing/After Sales Service

Insurance institutions shall:

- a) Service policies diligently through to the point at which all obligations under the policy have been satisfied.
- b) Disclose to the policyholder information on any change that are likely to affect the terms and conditions of the contract; and give reasonable notice before any changes take effect.
- c) Where there are changes in terms and conditions, notify the policyholder of their rights and obligations regarding such changes and obtain the policyholder's consent to another insurance provider as appropriate.
- d) Ensure fair treatment in the event of switch in between products or early cancellation of policy.

- e) Ensure that the client receives the insurer's renewal invitation at least thirty (30) days to expiry and issue subsequent reminders.
- f) Ensure that its client is aware of the expiry date of the insurance even if it chooses not to offer cover to the client.
- g) Ensure that renewal notices contain a requirement for keeping a record (including copies of letters) of all information supplied to the insurer for the purpose of renewal of the contract.

An insurer shall notify the insured of any;

- a) Changing in the name of the insurer, its legal form or address of its head office and any other offices as appropriate
- b) Acquisition by another undertaking resulting in organizational changes
- c) Portfolio transfers and their rights.

Insurance institution shall

- a) Ensure that any documents issued complies with all statutory or regulatory requirements that may be issued from time to time
- b) Shall ensure that the policy documents are issued to the insured without delay.
- c) Shall ensure that the policy document/documentation is read easily by the client.
- d) Ensure that a reply is sent promptly to all correspondence and use its best endeavors to obtain a prompt reply to all correspondence

- e) Ensure that all written terms and conditions are fair in substance and set out clearly and in plain language, client's rights and in the case of a broker, responsibilities
- f) Make available to any new insurance institution, as instructed by the client, all documentation to which the client is entitled and which is necessary for the new insurance institutions to which the client is entitled and which is necessary for the new insurance institutions to deal on behalf of the client.
- g) Not withhold documentation from its clients without their consent, unless adequate and justifiable reasons are disclosed in writing and without delay to the client. Where documentation is withheld, the client must still receive full details of the insurance contract.
- h) Where any intermediary is in possession of (and issued to the insured on behalf of insurer/reinsurer) any contract document, such document shall be properly kept and accounted for when necessary. For the purpose of accountability, intermediaries shall:
 - i. Keep and maintain a register of cancelled certificates of insurance
 - ii. Return to the insurer all cancelled certificate of insurance not later than thirty (30) days from the date of cancellation.
 - iii. Contravention of the above shall be a ground for suspension of the intermediary from doing business for a period not less than six months.

Personal information protection:

An insurance institution shall:

- a) Develop policies and procedures in respect of privacy protection in order to ensure compliance with legal provisions and industry best practice
- b) Provide necessary training to their employees at all levels of the organization in order to promote awareness of privacy protection requirements

Implement internal control mechanisms that meet the objectives of privacy protection and support the achievements of these objectives.

- c) Ensure that appropriate technology is available and in place to adequately manage the financial, medical and personal information an insurer is holding on a customer.
- d) Implement policies and procedures relating to privacy protection in order to manage risks and threats pertaining to security breaches. Any security breach shall be notified in a timely manner, to the responsible persons (Board Members, members of Management or the relevant key persons in control functions)
- e) Implement policies and procedures relating to data security in order to be able to report in timely manner security breaches to affected customers and the Commission; and meet other relevant reporting requirements.
- f) Assess the risks associated with any major breaches in security and mitigate the impacts of these on its resources, operations, environment and reputation.

- g) Determine the measures to be taken in the light of the risks occurring from security breach as part of business continuity planning.
- h) Ensure that group structures are not abused to circumvent prohibition on the sharing of personal information.

Conflict interest

In their dealings either with each other or with customers, insurers, and intermediaries may encounter conflicts of interest. Conflict of interest arises where a party has competing professional and personal interests.

Conflicts that have the potential or are likely to be perceived as having the potential to have a direct and significant effect on an insurance contract must be identified, mitigated, or managed.

An insurance institution shall establish policies and procedures which shall require the following:

Disclosure of significant benefit/interests

Training of its personnel in respect of conflict of interest

Disqualification from facilitation or participation in all or a portion of the insurance placement.

Divestiture of significant interest and/or

Severance of relationships that create actual or potential conflicts

OPERATIONS, RATES FILING, COMMISSION AND ASSOCIATION RETURNS

Operational Manuals

An insurer shall not, later than 90 (ninety) days from the commencement of this guidelines, file the following with the Commission for approval;

- a) Underwriting policy and procedure manual;
- b) New product development manual;
- c) Claims policy and procedure manual
- d) Complaints policy and procedure manual;

It shall be the responsibility of the Board of Directors and the Chief Executive Officer to ensure that these manuals are produced and filed with the Commission for approval

Any subsequent review of these manuals shall be filled with the Commission prior to the coming into effect of the amendments.

Rates filling

- a) An insurer shall submit to the Commission a list of the minimum rates applicable to all classes of business (other than compulsory insurances or tariffs) The insurer may commence usage of the rates after thirty (30) days of submission if the Commission does not object or require further clarification.
- b) An insurer is required to file any subsequent changes in the rates earlier submitted not later than one month prior to usage
- c) For the initial date of submission, the date referred in (a) above shall be 30 days from the effective date of these guidelines/regulations.

Remunerations and/or Commission and its Associated Return

It shall be illegal for any Insurance Institution to solicit, offer or allow commissions and/or rebates in the transaction of Insurance Businesses except as provided by the extant Insurance Regulations. For the avoidance of doubts, Over-Riding Commission, Business Acquisition fees and other similar fees not provided for by the Insurance Act 2016 shall not be solicited, deducted, offered or paid in any form in respect of any insurance transaction in Sierra Leone

An insurer, who grants or receives a rebate, offer, demand, pay or receive commission in any form contrary to the Insurance Act 2016 may in addition to the penalty prescribed by the Commissioner of Insurance be liable to other penalties as may be prescribed from time to time.

An insurer shall submit a quarterly return on the rebates, brokerage commission and other fees paid out or payable on all its production during the preceding quarter to the Commission, not later than the period prescribed by the Commission. The return shall be in accordance with the format as may be prescribed by the Commission.

Return or Refund Premium and its Associated Returns

For the avoidance of doubt, no insurer, broker or its agents shall charge or receive premiums in excess of the actual premium on an insurance policy that may result in refunding the excess amount paid or with the intent of returning the excess in any form, by cash otherwise to the insured, its agents or any party thereafter.

An Insurance Institution shall keep and maintain a register of return or refund premiums in hard copy, where transactions are to be entered on the

day they are made. The register shall be presented in such a manner to include:-

- a) The date of transaction;
- b) Policy number;
- c) Policy period;
- d) Name of client;
- e) Name of insurer/broker/agent;
- f) Gross premium received with date
- g) Commission paid with date;
- h) Net premium;
- i) Excess premium returned/refunded; and
- j) Reason for the return or refund premium

Similarly, a register of policies cancelled or reversed after the receipt of premium or credit note from the broker must be kept and maintained by an insurer, A Broker shall also maintain a register of cancelled businesses where the premium had earlier been received, notwithstanding whether it has been remitted to the insurer or not.

All payments for return premium which must be approved by the CEO or a Senior Manager of the Insurance Company shall be made in the name of the original insured, (or the Broker where the premium was remitted to the insurer by the Broker)

An Insurance Institution shall submit to the Commission, on a monthly basis, the report of Refunded Premiums and cancelled/reversed businesses indicated above not later than 15 days from the end of the month in the format prescribed by the Commission and a Quarterly Report in hard copy not later than the period prescribed by the Commission. The hard copy above must be signed by the Compliance Officer and the Internal Auditor of the insurer.

Where there was no incidence of returned premium in any month, the institution shall file a “Nil Return”

Any unexplained payment or where the explanation, in the opinion of the Commission, is not satisfactory, such payment shall be deemed suspicious and subject to appropriate treatment under extant laws.

Premium collections, Remittances and returns

Insurance institutions shall ensure compliance with all the provisions of the Insurance Act 2016 concerning premium collections and remittances.

In consonance with the Insurance Act 2016 there shall be no outstanding premium in the books of insurer as cover granted on credit is not recognized by the law.

In order to protect the interest of policyholders and other stakeholders from the negative consequences of the existing practice, Insurance Operators, are required to comply with the following Guidelines.

All insurance covers shall only be provided on a strict ‘*no premium no cover*’ basis. Consequently, only cover for which full payment has been received, directly by the insurer or indirectly through a duly licensed insurance broker, shall be recognizable as income in the books of the insurer. Any insurer, who grants cover without having received the full premium in advance or premium receipt notification from the relevant insurance broker, shall be liable to a penalty in the sum between 1 and 10 times the premium subject to a minimum of **Le 10,000,000.00** in respect of each cover so granted, and in addition, may be a ground for suspension of the license of the insurer.

Irrespective of the period of insurance, an insurer shall ensure that at any point in time, they have received directly or indirectly through the Insurance Broker, the full premium in advance for the cover being granted.

An insurance broker shall within 48 hours of receiving insurance premium on behalf of any insurer, notify the insurer in writing in each case, of the receipt of such insurance premium.

All such notifications shall be accompanied by the broker's credit notes acknowledging indebtedness to the insurer (or insurers in the case of co-insurance). Upon the receipt of such credit notes, the insurer shall issue cover and forward the policy documents along with the related debit notes to the insurance broker.

An insurance broker who fails to notify the insurer of any premium received on his behalf shall be liable to a penalty in the sum between 1 and 10 times the premium subject to a minimum of **Le 10,000,000.00** in each case of failure to notify.

Where premiums are paid to a Lead Insurer in the case of co-insurance, the lead insurer shall act as if it were broker as prescribed in these Guidelines. A Lead insurer who fails to notify all co-insurers of any premium received on their behalf shall be liable to a penalty in the sum between 1 and 10 times the premium subject to a minimum of **Le10,000,000.00** in each case of failure to notify.

A lead insurer who fails to remit to other co-insurers premiums received on their behalf within 30 days of receipt shall be liable to a penalty in the sum between 1 and 10 times the amount of premium not remitted subject to a minimum of **Le 10,000,000.00** for each co-insurer.

Notification of unremitted premium - An insurer shall, not later than 30 days from the end of every quarter, notify the Commission of all premiums acknowledged as having been received by brokers or lead insurers but not remitted to them on quarterly basis. Any insurer who fails to render this return shall be liable to a minimum penalty of **Le 10,000,000.00** and additional sum of **Le 1,000,000.00** for each day of default.

An insurance broker or lead insurer shall, not later than 30 days from the end of every quarter, render to the Commission returns on premiums received and unremitted to the insurers on quarterly basis. Failure to render this return shall be liable to a minimum penalty of **Le 5,000,000.00** and additional of **Le 2,000,000.00** each day of default.

Remittance of premium to reinsurer- All remittance by insurers of reinsurance premiums to reinsurers shall be in accordance with the terms of the reinsurance contract. Evidence of such remittances to reinsurers by the insurer shall be a condition for determining admissibility of reinsurance debtors in the insurer's financial statement.

Premiums for all local facultative placements shall be paid within 14 days of receipt of premium from the broker or the insured and shall not be subject to periodic declaration and reconciliation.

SLICOM Relationship Officer

An insurance institution shall appoint or have a relationship officer who shall be the Liaison Officer interfacing with SLICOM and shall be called SLICOM Relationship Officer.

The appointed Relationship Officer shall be a senior member of staff not below the rank of Assistant Manager (or its equivalent) whose duties shall include but not limited to:

- a) Ensuring that all necessary returns are filed as required these guidelines
- b) Vetting of all returns to the Commission
- c) Ensuring compliance with all statutory requirements

- d) Ensuring effective dissemination of directives and policy changes as may be contained in administrative letters, circulars, guidelines and other relevant statutory documents issued by the Commission from time to time.
- e) Giving a quarterly Report to the Commission in respect of the reports under reference.

The SLICOM Relationship officer (SRO) who shall report directly to the Managing Director or Chief Executive Officer shall be at liberty to report to the Commission any observations or conducts which are inconsistent with the statutory provisions and/or standard practice within the insurance industry.

Compliance with Anti-money Laundering and combating financing of Terrorism (AML/CFT) Requirements:

All insurance institutions are required to comply with extant laws and regulations on Anti-Money Laundering and Combating Financing of Terrorism (AML/CFT)

All Insurance Companies are also required to appoint a Compliance Officer who shall liaise directly with the Commission and the Financial Intelligence Unit (FIU) for the compliance on Anti-Money Laundering and Combating Terrorism laws and regulations.

Others Requirements

Commission on Group life

The Commission on Group Life Assurance Business shall not exceed the maximum as prescribed by the Commission.

Appointment of Insurance Agent

An insurance company shall not accept business from an agent not licensed by the Commission. A licensed Insurance Agent must be designated/dedicated to **ONLY TWO** Insurers.

Staff of Insurance Companies are not entitled to commissions. If they should have commissions then they have to obtain an Agency Licence from the Commission.

SLICOM Levy

An insurance institution shall not impose an additional charge or transfer to the clients the cost of the SLICOM Levy payable in respect of the gross premium income.

Authorization Confirmation Requirement

An insurance institution shall state clearly an Authorization Confirmation footer in its letter-headed papers, emails, brochures, pamphlets, leaflets, website and any publication thereof. The clause shall read: *Authorised and Regulated by the Sierra Leone Insurance Commission.* This requirement shall be with effect from January 2021.

Returns in respect of Aviation insurance placements by brokers

Where an aviation insurance placement and premium payment was through an Insurance Broker, it shall be the duty of the Broker to submit to the Commission, on occurrence Basis, the proposed schedule of premium remittance, not later than 72 hours from the date of the receipt of the premium from the insured.

CLAIMS MANAGEMENT

General Requirements

The Claims Management Guidelines requires each insurer to develop, document and implement claims management policies and procedures for all its lines of business.

These Guidelines take into consideration international standards and best practice and addresses the main inter-related aspects of the claims management function;

- a) Market conduct; the ways in which the insurer communicates and interacts with the consumer; and
- b) Internal controls; the means to ensure that the preceding functions work effectively.

These Guidelines and the documented claims policies and procedures of an insurer will be taken into account in assessing unreasonable delay in the settlement of claims by such insurer for purposes of the Insurance Act 2016. An insurer shall include as part of its policies and procedures, settlement timelines for claims for all types of business and shall ensure that these timelines reflect the principles of good market conduct.

Claims Procedure

Every Insurance institution shall:

- a) Ensure that claims settlement procedures are clearly defined and appropriately communicated to the insured.
- b) Set out timelines in its policy and procedure manual within which to settle all admitted claims.

- c) Have a fair and transparent claims handling and claims dispute resolution procedure in place.
- d) Maintain written documentation on its claims handling process.
- e) Inform claimants about procedures, formalities and common timeframes for claims settlement.
- f) Provide claimants with information about the status of their claims in a timely manner
- g) Ensure that Assessors and Adjusters are given independence to operate.
- h) Explain to its clients their obligation, notify claims requirement promptly and to disclose all material facts and advise subsequent developments as soon as possible
- i) Give prompt advice to the clients on any requirements concerning the claims

The insurer shall ensure that the claims settlement process is handled fairly, promptly and efficiently and in accordance with the terms of the insurance contract and company policy.

The insurer, broker or agent shall have documented internal policies and procedures for the fair, prompt and efficient handling of claims in accordance with the terms of the insurance contract and company policy.

Such policies and procedures shall be approved by the Board of Directors and reviewed and updated periodically. The insurer, broker or agent shall ensure that staff are aware of and adhere to these procedures.

Timely and accurate information shall be provided to the policyholder or claimant at all times.

Claims Notification

Notification of the claims may be made in line with the policy conditions, provided that the claimant shall use any fast means of communication to the insurer, designated contact person or department or through the intermediary by:

- a) Direct reporting

- b) Telephone call
- c) Text message
- d) Email
- e) Fax
- f) Letter
- g) Use of social site or website
- h) Any other form of technology of wide usage

Provided that where the mode of communications used lacks written evidence, the insurer shall inform the claimant of the need to follow up such communications with a letter and/or completion of the appropriate claims form.

Where claims notification (or an incident that may give rise to claims) is received by an intermediary, such notification shall immediately but not later than 2 working days be transmitted to the insurer.

When a policyholder or claimant reports a loss, the insurer, broker or agent shall make available an appropriate claims form for the class of business, with clear instructions as to how the form shall be completed. This shall be done within 2 working days of receiving notification of a claim.

When a loss is reported, the insurer, broker or agent shall advise the policyholder or claimant to co-operate in the investigation by providing the insurer with all relevant information to ensure timely processing of the transaction.

If the insurance institution requires specific documents from policyholder or claimant when a claim is filed, such as copies of official documents regarding the loss or any other relevant form of evidence, the insurer, broker or agent shall provide a list of these requirements with the claim form.

If a broker or agent is the initial contact for the policyholder, the broker or agent shall forward the completed claims form to the insurer within 2 days from the date of receipt of the completed claims form.

An Insurer shall respond promptly to notification of a claim. The insurer shall acknowledge receipt of the claim form within 2 working days.

The insurer shall indicate to the policyholder or claimant the relevant department or contact person to whom all information or enquiries must be channeled. The insurer's claims department, the broker or agent shall be easily accessible.

The insurer shall maintain a checklist for all relevant documents needed. This shall be completed and dated for all claims.

The insurer shall advise the policyholder of the consequences of submitting a false or incomplete statement (which could include criminal prosecution).

If a claim involves more than one insurer on the risk, the lead insurer or broker, where applicable, shall contact the other insurer(s) within 2 working days of the initial notification.

The insurer shall inform the policyholder or claimant if an independent adjuster will be engaged to conduct a survey and/or an assessment. Where the insurer uses claims adjusters or other intermediaries, the insurer must be satisfied as to their competence and qualifications and shall use only persons who are registered for these purposes.

The insurer shall hire the adjuster within 2 days from the date of receipt of the completed claim form accompanied by all relevant documentation. The adjuster shall submit the assessment of damage report within ten (10) working days after receiving the instructions from the insurer.

In large and complex special risk losses, a specified extra grace period might be allowed; however, the claimant shall be formally notified of this exception and evidence of concurrence obtained.

Within five (5) working days of receipt of the assessment report, the insurer shall notify the claimant as to its acceptance or rejection of the claims.

In instance where the insurer does not engage the services of an adjuster, the insurer shall conduct an investigation into the reported loss within five

(5) working days of receipt of a claim form accompanied by all relevant documentation.

An insurance intermediary shall advise the client without delay of the insurer's decision or otherwise on any claim, and give all reasonable assistance to the client in pursuing his claim provided that, the intermediary shall not take up recovery assignment on a policy contact which has not been serviced through him or shall not work as a claims consultant for a policy which has not been serviced through him.

An insurer shall not settle an insurance claims in which it did not issue the policy or participate as co-insurer in any attempt to entice a policyholder whose claims was rejected. If insurer has a genuine reason why such claims shall be paid, it shall be reported to the appropriate authorities.

Claims Processing

On receipt of a claim, the insurer shall establish a claims file which at minimum shall contain the following information.

- A) Policy number;
- B) Name of policyholder or claimant;
- C) Information on claimants;
- D) Description of the loss;
- E) Claim file number;
- F) Claim form;
- G) Checklist of all relevant documents;
- H) Progress report schedule;
- I) Date of loss or accident
- J) Opening date of the file;
- K) Initial value of the claim reserve and any subsequent changes
- L) Reporting date;
- M) Request for an adjuster's investigator,

- N) Date on which the adjuster's report is received;
- O) Electronic and/or paper copy of the adjusters' and/or investigators' reports where applicable;
- P) Date and amount of payment;
- Q) Date of denial, if applicable;
- R) Reasons for denial or reduced settlement;
- S) Name of broker or agent, if applicable;
- T) Documents recording contact with the policy holder;
- U) Documented evidence of agreements or settlements
- V) Claims Discharge Form and/or Acceptance form;
- W) Date of file closure;
- X) A record of all communications whether formal or informal; and
- Y) Any other information pertinent to the claim.

The insurer shall update the claims file and document all actions taken as part of the claims management process in order to be able to address questions that may arise concerning the handling and settlement of the claims.

If it is determined that the claim is not covered by the insurance policy or denied, the insurer shall notify the policyholder or claimant in writing stating the policy provisions conditions or exclusions on which the claim is being denied. This shall be done within a reasonable time/as quickly as possible.

The insurer shall not dissuade policyholders or claimants from obtaining the services of a Solicitor or Adjuster given that the established claims processes have been followed but processes or decision not satisfactory.

The insurer shall not deny a claim without reasonable and comprehensive investigation.

The insurer shall keep the policyholder or claimant informed of the status of the claim and shall provide explanation for any delay.

The insurer shall inform the policyholder or claimant when it decides to appoint an independent expert (for example, Loss Adjusters, Solicitors, Surveyors) and explain the reasons and role these persons play in the settlement of the claim.

The insurer shall implement a Management Reporting System to track the timeliness of claims settlement and other pertinent information.

Management shall receive and review periodic reports which at a minimum shall include:

- a) The age analysis of outstanding claims
- b) Claims reported but not yet documented or adjusted.
- c) Claims reported, adjusted but not yet accepted
- d) Claims accepted but not yet paid and
- e) Adequacy of claims reserving

Claims settlement

When an insurer makes an offer of settlement, the insurer shall disclose to the policyholder or claimant the basis used for the offer of settlement.

The insurer shall not settle a claim for less than the amount to which the policyholder or claimant would be entitled to receive under the terms of the insurance contract.

After acceptance of liability and an agreement has been reached between the insurer and the policyholder or claimant on the amount of the claims, the insurer shall cause a discharge voucher to be issued not later five (5) working days from the date of acceptance of liability.

In the case of claims settlement procedures involving other insurers, the claims shall be settled with the policyholder or claimant within the appropriate period while potential disputes with respect to subrogation between insurers are being resolved.

The insurer shall ensure that once an agreement has been reached and payment made a copy of the release signed by the policyholder or claimant shall be retained in the policyholder's or claimant's file.

Internal Controls for Claims Management

There shall be a complete record of each claims transaction which evidences adherence to this Guideline.

An insurer shall have documented internal policies and procedures for the fair, prompt and efficient handling of claims. Such policies shall be approved by the Board of Directors and reviewed at periodic intervals.

The insurer shall ensure that staff are aware of and adhere to these procedures. An officer of the insurer shall be responsible for the maintenance of the policy's manual and procedures and shall ensure that the manual is up-to-date.

Information to be detailed in the policy and procedures manual shall, at a minimum include.

- a) Clearly defined levels of authority;
- b) Claims settlement procedures, including loss estimation and investigation procedures;
- c) Procedure for rejecting claims;
- d) Dispute resolution procedures;
- e) Method for monitoring compliance with claims management processes and procedures; and
- f) Segregation of duties in the claims department
- g) Written internal policies and procedures for combating fraud associated with claims as considered appropriate for its level of exposure and vulnerabilities. These procedures will serve to minimize the incidence of fraudulent claims and the resulting rise in premium.

An insurer shall ensure that any of its staff involved in the claims handling process possess suitable qualifications and/or experience. The insurer, broker or agent shall provide training on an ongoing basis for its claims staff.

An insurer shall ensure that the internal auditor's function covers review of the claims settlement process and reserves for claims.

An insurer shall establish, implement and update a statistical database to track how long they take to settle claims as well as the trends in settlements and expenses.

The Management shall prepare periodic reports on the time taken to process claims and appropriate action taken where necessary.

The Board of Directors must receive reports on a Quarterly basis on claims management.

An insurer shall ensure that members of staff in the claims department are aware of and follow the company's internal policies and procedures on fraud and are adequately trained to recognize the early warning indicators.

An insurer shall ensure that periodic reviews are done on the claims assessment process. This shall include revisiting the valuation and assessment basis for certain types of claims on an ongoing basis and having the internal audit department conduct examinations on the process.

An insurer shall establish procedures to detect and prevent the categories of fraud which shall include but not limited to:

- a. Fraud against the insurer by policyholders
- b. Fraud by the intermediaries against the insurer and/or policyholder.
- c. Fraud against the insurer by its employee on his or her own or in collusion with parties internal or external to the insurer.

Complaints and Dispute Resolution

Each insurance institution shall establish well-documented policies, procedures and processes for complaint and dispute management to ensure, as far as possible, that such situations are resolved promptly and fairly. At a minimum, the procedures shall include:

- a) Acknowledgement of receipt of the complaint within 2 working days from the receipt of correspondence
- b) Details of how the complainants will be kept informed of the status of their complaint.

- c) Provisions for Arbitration Clause in the policy document. It shall be noted that the Arbitrator shall not be:
- i) A former employee of the insurer/intermediary
 - ii) Simultaneously perform other functions which could affect their independence; and
 - iii) Subjected to unnecessary influence or instruction from the insurers/intermediaries
- d) Information to complainants on how and when to resort to the market's dispute resolution mechanism and ultimately the Commission's Complaints Bureau as an alternative dispute resolution mechanism or litigation; and
- e) Establishment of the time for sending a final response in writing to the complainant.
- f) Keep record of each complaint received and the measures taken for its resolution

Insurance institutions shall ensure that letters of instructions, policies, renewal documents, contain the complaint handling procedures.

Insurance institutions shall accept complaints whether intimated by phone or in writing.

An Insurance institution shall ensure that complaints are dealt with expeditiously. It shall be the responsibility of the Management to ensure the management of all complaints.

REQUIREMENTS FOR FOREIGN FACULTATIVE REINSURANCE PLACEMENTS BY BROKERS

Domestication Provision

- a) In exercise of the powers conferred on the Commission by the provisions of Section (2) of the Insurance Act 2016 the following covers, Personal Accident, Motor, Workmen's Compensation, Medical and Life Insurance businesses have been domesticated. All foreign facultative placements shall be by way of reinsurance only subject to the prior approval of the Commission.
- b) In Line with Section 3 (i) of the 2016 Insurance Act, during treaty renewals/negotiations, available local reinsurance capacity must be exhausted prior to any foreign treaty placement.

General Requirements for Foreign Facultative Reinsurance

Arrangements:

- a. Foreign facultative reinsurance placement of all risks from Sierra Leone must comply with Section 3 (j) of the Insurance Act 2016 which requires prior approval of the Commission.
- b. A Reinsurance Broker that intends to arrange any facultative reinsurance of any risk abroad shall apply for Approval-in-Principle (AIP) and subsequently submit post placement Reports for issuance of Certificate for Offshore Reinsurances (COR) with the timeline required.
- c. An Insurance Broker seeking to act as Reinsurance Broker and/or intending to apply for the Commission's Approval-in-Principle (AIP) to reinsure a proportion of any risk abroad shall obtain a Letter of

Authority from the Lead Insurer, appointing the Broker as the Reinsurance Broker for the particular risk. A copy of the Letter of Authority shall be forwarded to the Commission together with the application for AIP.

- d. Where a Letter of Authority has been issued to the Reinsurance Broker, it shall be the responsibility of the Broker to ensure compliance with local content requirements as may be required by the Commission.
- e. Where a direct insurance broker intends to provide additional service as a reinsurance broker in the same insurance transaction where it had acted as a direct insurance broker, it shall take steps to control any potential conflict of interest by:
 - i) Full disclosure of the insured the potential conflict of interest to the insured
 - ii) Establishment and maintenance of a distinct reinsurance department/unit
 - ii) Refusal to act in both capacities if there is actual conflict
- f. In order to reduce undue exposure of policyholders to potential unprotected proportion of a risk as well as to provide time for review of request for Approval-in-Principle, all applications must be submitted to the Commission at least ten (10) days prior to the commencement period of insurance.
- g. There shall be no Assignment of Reinsurance Policy either by the Reinsured or through a Reinsurance Broker. The financial interest of

a third party may however, be noted in the policy by way of either a “Loss payee” or “Lien Clause” or other conventional clauses.

- h. There shall be no Direct Premium Payment Cut through Clause which allows direct payment of premium by the insured to the Reinsurer or its Agent.
- i. All Primary Policies must unambiguously state the Order Hereon to read 100% of 100% while the Reinsurance Slip must state the exact proportions intended to be ceded offshore
- j. All applications for Approval in Principle, Letter of Attestation and Certificate of Offshore Reinsurance shall be filed in compliance with the template as prescribed by the Commission. Non utilization of the template for applications would be rejected by the Commission.
- k. Incomplete submission shall be treated as non-submission and, fresh application shall be required. All applicants are required to ensure strict compliance with the procedure and documentary requirements for each category of application.
- l. All applications adjudged to have material non-compliance with the requirements of the law would be disapproved. The applicant would be duly notified.
- m. Failure to provide further clarification or documents required by the Commission within the timeline specified in the letter will result in closure of the file. All such applicants shall have to file a fresh application with all documentary requirements.
- n. Where Approval-in-Principle (AIP) has been granted by the Commission, the Broker shall, within ninety (90) days for the date of issuance of the AIP or Thirty (30) days from the date of issuance of the Letter of Attestation, whichever is earlier, submit a Post-

Placement Report and apply for Certificate for Offshore Reinsurance.

Requirement for Approval-In-Principle to Reinsurance Abroad (AIP)

All requests for Approval-in-Principle to place a specified proportion of risk abroad must be accompanied by the following;

- a) Details of the Risk: the Specimen Primary Policy.
- b) Copy of the Specimen Local Brokers SLIP (Where necessary).
- c) Copy of the provisional Foreign Reinsurance Slip.
- d) Sum insured-which shall include the combined single limit or loss limit or Estimated Maximum Loss.
- e) Detailed Premium Worksheet.
- f) Proportion of the risk to be retained in the Sierra Leone market.
- g) Proportion of the risk to be ceded abroad.
- h) Schedule of proposed participating local underwriters and the allotted proportion
- i) Evidence of having offered all other Local Insurers/Reinsurer and their responses (declinature) thereto.
- j) Details of local Broker involved (including contact e-mails, telephone and address of the CEO of the broking firm).
- k) Details of the intended foreign reinsurer(s) and placement broker(s) stating:
 - I. Name of the company(ies)
 - II. Addresses
 - III. Total Proportion of risk to be ceded offshore,

- IV. Phone numbers/email addresses of contact persons
- V. Current financial strength rating of each of the intended foreign reinsurer(s)
- VI. Intended Foreign Reinsurers' Country of Registration/License
 - l) Letter of Authority from the Lead/Ceding Insurer (where the application is filed by a Broker)
 - m) Statement of compliance with Maximum Exposure Limits (retention/deductible) with respect to percentage of Shareholders Fund.
 - n) An undertaking to remit the corresponding 1% Levy (on the Gross Premium to the Commission in respect of each transaction.
 - o) Such other requirements as may be prescribed by the Commission from time to time.

No Objection:

Subject to exhaustion of the in-country capacity, a No Objection shall be requested in the following cases:

- a) Where a risk retained 100% locally without foreign facultative reinsurance support and the Reinsurance Broker is subsequently constrained to secure additional capacity from foreign facultative reinsurers due to rejection/declinature from facility providers and/or pre-agreed local facultative reinsurers.
- b) Where AIP has been granted to the Reinsurance Broker/Lead insurer and the participating coinsurer or appointed Reinsurance Broker is constrained to secure additional capacity from foreign facultative

reinsurers, sequel to the inability of the insurer to manage its acceptance as a result of rejection/declinature from facility providers and/ or pre-agreed local facultative reinsurers.

- c) Where there is no available capacity in the local market for a particular risk and the Reinsurance Broker has been engaged by the local insurer who is obliged to secure support for 100% of the risk offshore. The Local insurer shall issue a Primary Policy in respect of the risk to the insured.
- d) Requests for “No Objection” to place an accepted proportion of a risk offshore, shall be accompanied by:
 - i. Evidence of declinature from the Reinsurance Facility providers stating the reasons for the declinature or reasons for recourse to facultative reinsurers.
 - ii. Evidence of declinature from other local insurers not currently participating in the risk.

Letter of Attestation (LOA)

All requests for letter of Attestation must be accompanied by the following:

- a) Debit note from the Foreign Broker/Reinsurer
- b) Confirmation of Receipt of Premium from the insured
- c) Signed Schedule/Slip of local underwriters
- d) For short term policies, a copy of the Renewal Endorsements must also be submitted along with the request.

- e) Such other requirements as may be prescribed by the Commission from time to time

Certificate for Offshore Reinsurance (COR)

All requests for Certificate for Offshore Reinsurance must be accompanied by the following:

- a) Final Policy or Endorsement Issued by the Local insurer not excluding the Signed Schedule of local Underwriters (Where not earlier provided at the Letter of Attestation stage)
- b) Schedule attaching to the Policy or Cover Note issued by the Reinsurers or the Foreign Brokers, which must amongst others state the Reinsurers' Order hereon and each Reinsurers' signed proportion
- c) Evidence of full Premium Collection.
- d) Evidence of Premium Remittance to Local Insurers
- e) Evidence of Premium Remittance to Foreign Reinsurers.
- f) Evidence of Payment of the 1% Levy
- g) Any other relevant information

APPOINTMENT, OPERATION, EXPANSION AND DOCUMENTATION

Appointment of Principal Officer

- a) In line with best practice and extant regulations, an Insurance institution shall submit a proposal for the appointment of a Chief Executive Officer, Director, Management staff and Heads of Departments and obtain approval prior to appointment.
- b) For Insurers and Reinsurers, the Chief Executive Officers must submit/comply with the following requirements:
 - i. Curriculum vitae and credentials of the proposed Managing Director/CEO
 - ii. A completed Personal History Statement (PHS) form
 - iii. Copy of the proposed terms of employment of the MD Designate
 - iv. Sworn declaration before a Justice of Peace/ Commissioner of Oaths
 - v. Extract of Board resolution in respect of the appointment of the proposed MD/CEO
 - vi. Evidence that the proposed MD/CEO is professionally and academically qualified
 - vii. Handover Note/Exit report of the former Managing Director/CEO to be submitted within 60 days of exit.
 - viii. Consent letter by proposed Managing Director/CEO
 - ix. The Proposed Managing Director/CEO must satisfy either of the two conditions stated in Section 19 of the Insurance Regulation as stated below

- a) Has a recognised professional qualification in insurance with not less than ten years post qualification experience in the insurance industry seven of the which must be at senior management level, or
 - b) Has a first degree or its equivalent from a recognised institution and with not less than 15 years post qualification experience ten (10) of which must be at senior management level in the Technical Department of an insurance or reinsurance company.
- x. The Proposed Managing Director/CEO pass Due Diligence Test conducted on him/her as the case may be by the Commission.

c) For Insurance and Reinsurance Brokers

- i. A completed Personal History Statement form (PHS)
- ii. Curriculum vitae and credentials of the proposed Managing Director/CEO
- iii. Evidence of post professional qualifications experience of not less than 5 years of the proposed Chief Officer.
- iv. Sworn declaration before a Justice of Peace/ Commissioner of Oaths
- v. Copy of the proposed terms of employment
- vi. Sworn affidavit that the proposed Managing Director/CEO has not been convicted of any financial misappropriation or other related offence.

- vii. Extract of Board resolution in respect of the appointment of the proposed MD/CEO
 - viii. Evidence that the proposed MD/CEO is professionally and academically qualified.
 - ix. Handover Note/Exit report of the former Managing Director/CEO within 60 days of exit.
 - x. The proposed Managing Director/CEO must pass due Diligence Test conducted on him/her as the case may be by the Commission.
- d) For other intermediaries, the Chief Executive officers must submit the following supporting documents as required:
- i. A completed Personal Statement Form (PHS)
 - ii. Curriculum Vitae and credentials of the proposed Managing Director/CEO
 - iii. Copy of the proposed terms of employment
 - iv. Sworn affidavit that the proposed Managing Director/CEO has not been convicted of any financial misappropriation or other related offence.
 - v. Extract of Board Resolution in respect of the appointment of the proposed MD/CEO
 - vi. Evidence that the proposed MD/CEO is professionally and academically qualified
 - vii. Handover Note/Exit report of the former Managing Director/CEO within 60 days of exit.
 - viii. The proposed Managing Director/CEO must pass Due Diligence Test conduct on him/her as the case may be by the Commission

e) For other Management of Insurance Institutions

- i. Board Resolution in respect of the appointment
- ii. A completed PHC form
- iii. Curriculum Vitae
- iv. Certified true copies of credentials (Academic and Professional) for Executive Directors
- v. Copy of the proposed terms of employment.
- vi. Sworn affidavit
- vii. The proposed Senior Management must pass Due Diligence Test conducted on him/her as the case may be by the Commission.

f) For Non-Executive Directors

- i. Board resolution in respect of the appointment
- ii. A completed Personal History Statement (PHS) form
- iii. Curriculum Vitae
- iv. Academic/Professional qualifications of the proposed Director
- v. The Proposed Non-Executive Director must pass Due Diligence Test conducted on him/her as the case may be by the Commission.

Heads of Department

a) In addition to such other departments as may be required to be maintained by insurers and reinsurers by any law and/or regulations for the time being in force, all insurers and reinsurers shall have and maintain the following department.

- i. Underwriting/Risk Management Department

- ii. Audit Department;
 - iii. Information Technology /Department (Where applicable)
 - iv. Actuarial Department (for life office)
 - v. Claims Department and
 - vi. Other relevant Technical Departments.
- d) In all cases, the Heads of Departments must be persons having professional qualifications and experience in the relevant fields
- c) For Technical Departments, the respective heads must submit
- i. Curriculum Vitae
 - ii. Photocopies of Credentials (Academic and Professional) for Executive Directors
 - iii. Copy of the proposed terms of employment
 - iv. Sworn affidavit that the proposed head of department has not been convicted of fraud of any other offence

Branch/Regional and/or Foreign Offices

- a) Approval by the Commission must be obtained before the establishment of any branch office
- b) For the purpose of appointment of branch managers and other branch principal officers, branch offices shall be regarded as departments
- c) For effective service delivery, a branch office shall, at minimum, have the followings:
 - i. Branch head with a minimum of five (5) years relevant work experience; Minimum of first degree/HND; Professional qualification/Technical Competence; and the proposed branch head

shall meet the requirements spelt out in Section 19 (i) (ii) of Insurance Act 2016.

- ii. There shall be other principal officers in the branch such as Accountant/Account Officer and a Technical Officer.
 - iii. Such a branch shall have relevant IT infrastructure which will enable seamless interface with the Head Office.
 - iv. Other necessary tools as may be required for the effective administration and control of the activities of the office.
- d) Any insurance institution operating or intending to operate an off-shore branch or subsidiary shall seek and obtain approval from the Commission to commence or continue business. In granting approval for offshore office, the Commission will consider the following:
- i. Source of finance for the establishment of the off-shore office
 - ii. Evidence of “No Objection” granted by the regulatory Authority of the host Country where offshore branch is to be established.
 - iii. Feasibility study report/five (5) years business plan
 - iv. Management profile of the proposed offshore branch
 - v. Quarterly and annual returns on the operations of such off-shores or subsidiaries shall be filed with the Commission

Change of Name

The following shall apply with respect to change of name:

- a) Prior to filling any application for change of name at the Corporate Affairs Commission (CAC), the insurance institution shall:
 - i. Submit to the Commission an extract of Board Resolutions as to the decision to change the name.
 - ii. Submit a search from CAC confirming the availability of name

- iii. Submit to the Commission the proposed name for 'No Objection' and
- iv. Pay the appropriate fee as may be prescribed by the Commission

b) Upon securing a new name from the CAC, the Company shall

Submit to the Commission certified copy of certificate of change of name

Publish the change of name in at least two widely read national newspapers; and

Surrender certificate earlier issued by the Commission bearing the former name(s)

Change of Ownership/Directorship:

- a) All changes in ownership of an insurance institution that will entitle any person to control (directly or indirectly) up to 5% holding of its shares must be communicated to the Commission.
- b) All changes in ownership of an insurance institution that will entitle any person to control (directly or indirectly) up to 25% holding of its shares must be cleared with the Commission before such transaction are concluded.
- c) The application for change or transfer of share of equity ownership of insurance institution shall be accompanied with the following supporting documents:
 - I. The experience of the acquiring entity in Insurance or related field
 - II. The source of fund for the acquisition
 - III. The MOU between the parties-where applicable
 - IV. Any proposed changes in the Management of the Company
 - V. Three (3) years business plan of the Company if the acquisition succeeds- where applicable

- d) For a change of any of the Senior Management of an insurance institution the following procedure must be followed:
 - I. Board resolution in respect of the change
 - II. A formal notification to the Commission in line with the Insurance Act 2016
 - III. Other provisions of this guideline must be complied with.

REGISTRATION AND DOCUMENTATION

Check list insurance & Reinsurance Registration

Stage 1: Preliminary Stage

- a) Submission of letter of intent from the Promoter(s)
- b) Request the Promoter(s) to provide the following:
 - i. Profile of the Directors/Current CV of the proposed CEO stating minimum qualification in accordance with Section 19 (f) (i) & (ii) of the Insurance Act 2016.
 - ii. A sworn Declaration of Non-Disqualification of the proposed Directors in accordance with the Insurance Act 2016 shall be submitted.
 - iii. Proposed Company name.
 - iv. Draft Memorandum and Articles of Association of the proposed Company.
 - v. Evidence of Financial Soundness of the Shareholders supported by sworn Affidavit confirming such.

- vi. Evidence of Confirmation (Clean Bill of Health) from the Primary Regulator and Approval to the Promoter/Joint venture partners by the Regulator (Where necessary)
 - vii. Holding Company structure and funding - if Company is a Part of Holding Company.
 - viii. The Class of Insurance (Whether General, Life and/or Reinsurance Insurance Business) to be transacted.
- c) Invitation Letter to the Promoters for Pre-qualification Interview

Stage 2: Application Stage

Submission of completed Registration Application Form along with the following:

- i. Certificate of Incorporation of a Limited Liability Company.
- ii. Certified True Copy of the Memorandum and Articles of Association of the Company.
- iii. Final Memorandum of Articles of Association
- iv. Particulars of Directors
- v. Allotment of Share
- vi. Situation of Registered Office
- vii. 5- Year Business Plan and Feasibility Study on the proposed Class of Business and Target market which shall contain the following as a minimum:
 - a) Background of the Company
 - b) Organization Structure of the Company
 - c) Vision, Mission and Objectives of the Company
 - d) A Description of the Proposed Geographical areas of operation

- viii. Information Technology (IT) Tools and its relevance to the business.
- ix. Underwriting and Marketing Procedures and Processes
- x. Investment, Accounting, Management information systems (MS) Reporting etc.
- xi. Complaint and Grievance Management systems and procedures
- xii. Evidence of Payment of Non-refundable Application Fee.
- xiii. Issuance of Letter of Authorization to Bank of Sierra Leone on Statutory Deposit

Stage 3: Verification Stage

- i. Evidence of Compliance with Minimum Paid-up Capital Requirements: as stated in the Insurance Act 2016.
- ii. Evidence of Statutory Deposit with the Bank of Sierra Leone.
- iii. Details and Employment/Career History of the proposed CEO, Senior Management, Secretary and Heads of Departments
- iv. Good Corporate Governance Framework for Insurance & Reinsurance Company
- v. Copy of the CEO's Appointment Letter and his Acceptance Letter
- vi. Copy of the CEO'S resignation of appointment in the former place of employment the Acceptance of same
- vii. A Declaration by the CEO/Director that the business shall be transacted in accordance with Sound Insurance Principles.
- viii. A Sworn Affidavit by each Director, Manager and Company Secretary that he/she is not disqualified under the Provisions of the Insurance Act 2016 from being a Director, Chief Executive, Manager or Company Secretary (details to be stated in the Affidavit) together with recent Passport Photographs.

- ix. Completed personal History form of Directors and other Senior Officers
- x. The class of insurance (whether General, Life or Composite) with specimen documents of the following (where applicable):
 - a) Proposal forms
 - b) Policy documents
 - c) Cover notes/Certificates
 - d) Claims forms
 - e) Table of premium rates and their basis
- xi. Evidence of adequate and valid reinsurance / retrocession arrangement of the company
- xii. Statement as to the method of distributing profit as between policyholders and shareholders in the case of life business (where Applicable)
- xiii. An Actuary statement or report as to the calculation of premium Rates and Non-forfeiture values (in case of life), terms and conditions to be offered and other related issues.
- xiv. The reinsurance business intended to be transacted and sample of Cover notes and/or contract wordings.

Stage4: Registration Stage

- I. Pre-Registration Interview
- II. Publication of Applicant to Members of Public
- III. Notification of Success or Otherwise After 21 days of Publication
- IV. Issuance of Letter of Success
- V. Evidence of Payment or Registration Fee
- VI. Issuance of Certificate of Registration

Checklist for Registration of Insurance Brokers

- a) Copy of CAC form
- b) Memo & Articles of Association
- c) Evidence of Incorporation as a limited liability Company
- d) Application form
- e) Evidence of payment of Application fee
- f) Sworn declaration by the CEO as to location of principal of business
- g) Sworn declaration by the CEO as to company's financial interest in other insurance Institutions
- h) Professional Indemnity cover
- i) CV and credentials of CEO
- j) Evidence of professional qualification or related course
- k) Evidence of qualification of the CEO
- l) Directors profile with detail of employment history for past ten years
- m) Evidence of resignation of the proposed CEO from previous employment & evidence of acceptance of the resignation
- n) Letter of offer of appointment and acceptance of offer of proposed CEO.
- o) Completed personal data form
- p) Five year Business plan
- q) Payment of Applicable Registration Fee

Checklist for Registration of Loss Adjusters

- a) CAC Forms
- b) Memo & Articles of Association
- c) Evidence of Incorporation as a Limited Liability Company

- d) Application form
- e) Evidence of payment of Application Fee
- f) Sworn declaration by the CEO as to location of principal place of business
- g) Sworn declaration by the CEO as to company's financial interest in other Insurance Institutions.
- h) Professional Indemnity Cover of not less than Le 100m
- i) Evidence of qualification of the CEO
- j) CV and Credentials of CEO
- k) Evidence of professional qualification or related course
- l) Directors profile with details of employment history for the past ten years
- m) Evidence of resignation of the proposed CEO from previous employment
- n) Letter of offer of appointment and acceptance of offer by the proposed CEO
- o) Completed personal Data Form

Checklist for Agency Registration (Fresh Licence)

- a) Duly completed Application form
- b) Receipt of payment of requisite Fee
- c) Tax Clearance
- d) Letter of Authority from Principal(s)
- e) Curriculum Vitae & Credentials of Applicant
- f) Certificate of Proficiency by a recognized institution of higher learning
- g) Telephone No/E-mail Address

Checklist for the Renewal of Brokerage Licence

- a) Duly completed Application Form
- b) Evidence (receipt) of payment of Renewal Fee
- c) Tax Clearance Certificate
- d) Professional Indemnity Policy/Renewal Endorsement
- e) Certificate of Oath from External Auditor
- f) Statutory Declaration on Oath which shall contain the following:
 - i. Company does not hold financial interest in excess of 10% in an insurance/ reinsurance company in Sierra Leones
 - ii. Company does not hold directly or indirectly financial interest in any loss adjusting company
 - iii. Sworn declaration of reasonable care to secure compliance with the Act and authenticity of any statement, information, book or any document whatsoever submitted
- g) Other Declaration which shall contain the following:
 - i. That the company kept proper records of all business transacted during the preceding year
 - ii. Company's premium income
 - iii. Company's brokerage income
 - iv. Declaration that no director is an employee of any insurer/reinsurer
 - v. Current contact details of the CEO and one Top Management Staff
 - vi. Summary of business transacted
 - vii. Evidence of payment of requisite Levy

- viii. Original copy of the expired certificate
- ix. Evidence that the CEO is qualified
- x. Payment of any other outstanding fee/penalty (if applicable)

Checklist for the Renewal of Loss Adjusters License

- a) Duly completed Application Form
- b) Receipt (Evidence) of payment of renewal fee
- c) Tax clearance Certificate
- d) Declaration of Professional Fees earned in the preceding year
- e) Sworn Declaration by the CEO as to location of principal place of business
- f) Declaration of ownership interest
- g) Evidence that the current CEO is qualified
- h) Summary of Business Transacted
- i) Evidence of payment of the requisite Levy
- j) Original copy of the Expired Certificate
- k) Sworn declaration for reasonable care to secure compliance with the Act
- l) Declaration of record
- m) Declaration of professional conduct
- n) CV & credential of the CEO (if there is any change)

Checklist for Renewal of Agency Licence

- a) Duly Completed Application Form
- b) Receipt of payment of requisite fee
- c) Tax Clearance
- d) Letter of Authority from Principal(s)

- e) Copy of Expired Licence
- f) Telephone No & E-mail Address
- g) Summary of Business Translated

ACCOUNTS AND RETURNS FOR INSURANCE INTERMEDIARIES

Filling of Annual Returns and Accounts:

a) Insurance Brokers:

- i. In compliance with the relevant section of the Act 2016 all Insurance Brokers shall file an audited statement of accounts comprising Statement of Financial Position, Statement of profit or loss and their comprehensive income, statement of changes in Equity, Statement of cash flow, Accounting policies and notes to the accounts with the Commission not later than six (6) months after the accounting year. The accounting year shall run from 1st January 31st December.
- ii. Submission of clients account as prescribed by the Commission.
- iii. Certificate on oath of external Auditors, made under the Insurance Act 2016
- iv. Late filling of annual returns shall attract a fine of Le 5,000,000.00 per day for each day of default.
- v. The filling shall be in accordance with the prescribed format.

b) Loss Adjusters:

All Loss Adjusters shall file audited statement of accounts comprising Statement of Financial Position, Statement of profit or loss and other comprehensive income, statement of changes in Equity, Statement of cash flow, Accounting policies and notes to the accounts with the Commission

not later than six (6) months after the accounting date. The accounting year shall run from 1st January to 31 December.

Late filling of annual returns shall attract a fine of Le 5,000,000.00 per day for each day of default.

c) Agents:

All Insurance Agents shall file annual statement of transaction with the Commission at the time of renewal. The statement shall comprise premium income and commissions attested to by the CEO of the appointing Insurer.

Bi Annual Returns:

All Insurance Brokers and loss adjusting shall, within (30) days from the end of each half year, file unaudited returns of their operations as at the end the half year with the Commission as follows.

a) Insurance Brokers

- i. Submission of clients account as prescribed by the Commission
- ii. Statement of business generated in the half year stating
 - a) Name of insured
 - b) Sun insured
 - c) Gross premium (Local & foreign)
 - d) Premium received from insured
 - e) Premium remitted to Insurers;
 - f) Outstanding premium; and
 - g) Commission earned

b) Loss Adjuster

Statements of claims adjusted in the half year stating:-

- i. Name insured;
- ii. Sum Insured;
- iii. Nature of claim
- iv. Class of Insurance
- v. Name of Insurer;
- vi. Adjusted amount of claim (including Nil adjustment); and
- vii. Total Adjuster's Fee

Personnel Returns:

All insurance broking firms and loss adjusting firms shall each file with the Commission the personnel status of its establishments as at the end of each year in line with the formal set out in these Regulations.

Every member of staff of insurance broking firms and loss adjusting firms, including Senior Management, must be full time employees on the firm's pay roll.

Penalties:

Late filing of returns shall attract a fine of **Le 5,000,000.00** per day for each day of default.

Failure to render return shall be a ground for cancellation of registration.

Client Accounts

In order to minimize difference arising from accounting mismatch and associated problems, and in line with the relevant section of the Insurance Act 2016 the following shall apply subject to specific requirements under the IFRS Carve-out.

a) Record of clients' Account

- i. All insurance Brokers shall keep record of clients' account as distinct from own operating records such that a separate balance sheet can be extracted from clients' account.
- ii. No insurance Broker shall be allowed to carry premium receivable and premium payable as assets and liabilities respectively in its own balance sheet.
- iii. In every Insurance Broker's balance sheet, clients' account shall be separated and reported as off-balance sheet item with details in the notes to the accounts.
- iv. Insurance Broker's records of clients' account shall contain the following details:
 - a) Cheques/cash in hand
 - b) Clients; bank balances
 - c) Premium receivable from clients
 - d) Premium payable to Reinsurer
 - e) Commission payable to insurance Brokers
 - f) Premium received awaiting remittance to insurers
 - g) Commission received awaiting remittance
 - h) Others

- v. The relationship between control accounts for above records shall be as follows;
 - a) The total of cheques/cash in hand plus Bank Balance must be equal to the total premium and commission awaiting remittance
 - b) The total premium receivable must be equal to the total premium and commission payable.
- vi. For ease of reconciliation, all Brokers are required to exchange statement of accounts with Insurers on all transactions between them on quarterly basis.
- vii. All reconciling items shall be cleared within 60 days
- viii. Only suitably qualified and competent staff be assigned to be maintenance of clients; records.
- ix. In line with the relevant Section of the Insurance Act 2016 all Insurance Brokers shall keep separate records in respect of:
 - a) Insurance business entered with insurer registered Sierra Leone
 - b) Insurance business entered into with persons outside Sierra Leone

b) Client Bank Account

- i. Clients fund shall be separated from Broker's funds
- ii. All clients' bank account name must be pre-fixed by "Clients' Account of ..." (for example the name of clients account opened by new Agenda Insurance Brokers would be "Clients' Account of New Agenda Insurance Brokers").
- iii. Every mandate for clients' accounts shall specify that the account is a client' account and therefore subject to the requirements of Insurance Act 2016 relevant Regulation and Guidelines. It shall also

state that the funds in the account can neither be used as collateral for any facility nor offset against any liability.

- iv. All Brokers shall cause their bankers to forward to the Commission certificate of compliance with the above requirement which shall contain the following:
 - a) Account Name
 - b) Account Number
 - c) Account type (Current or Term deposits) and
 - d) Mandate for operations of the account(s)
- v. The following shall be the only permissible outgoings from the clients' bank account

- a) Identifiable payments to insurers and Reinsurers
- b) Brokers' commission and
- c) Bank charges
- d) Any other payments as may be allowed by the Commission

c) Return on client Account

All Brokers shall on a bi-annual basis file with Commission statement in respect of operation of the clients' banks account which shall contain the following details:

- i. An unaudited balance sheet of clients' account,
- ii. Statement of balance in clients' bank account for each month in the quarter
- iii. Statement of movement in the clients' bank accounts detailing
 - a) Total Premium Received;

- b) Total Commission Paid;
- c) Total Premium Paid and
- d) Any other relevant information.

BUSINESS PRACTICE GUIDELINES FOR INSURANCE INSTITUTIONS

- i. Noncompliance with the requirements of this paragraph will attract sanction as provided under the law.

Insurance Levy Returns:

- a. Insurance intermediaries shall, not later than 31st March of each year, file with the Commissions a duly completed assessment forms of Insurance Regulations as applicable for the purpose of Insurance levy assessment. Assessments made pursuant to this paragraph shall be confirmed, modified or varied on presentation of audited financial statement as at 31st December of each year.
- b. Every sum payable by any Broker and loss adjuster by way of insurance levy that remained unpaid after 30th September of the year of assessment shall attract interest at the rate of 2.5% above the commercial lending rate by commercial Banks.

Audit

The tenure of an external auditor appointed in any insurance intermediary shall be for a maximum period of 5 years. The appointment of such external auditor must be communicated to the Commission. A waiting period of five (5) years before reappointment shall be applicable.

IFRS HARMONIZATION CARVE –OUT FOR INSURANCE BROKERS

Introduction

- a) The adoption of International Financial Reporting Standards (IFRS) offers the Sierra Leone Insurance Industry a unique opportunity to enhance international acceptability of its financial statements and increase its relative attractiveness to international investors. It is in the light of this that Sierra Leone Insurance Commission (SLICOM) is taking both a developmental and regulatory approach to its role in the implementation of IFRS in the industry.
- b) This document is the outcome of interactions with different stakeholders in the Sierra Leone Insurance Industry during which the need for a harmonized financial reporting framework was identified. It characterizes the reporting context for financial report practices by Sierra Leone Institutions, analyses options permitted by IFRS and documents proposed harmonized choices for the industry. It also specifies related regulatory requirements and filters that the Commission will apply in the discharge of supervisory function in the wake of IFRS.
- c) It is important to point out that the responsibility for the form and content of financial reports rests with Board of Directors of each Brokerage firm. Harmonization of accounting choices only seek to enhance the quality of information presented to users by facilitating the comparability of the financial reports issued by different Insurance brokers. It will also minimize the difference between

public and regulatory reporting requires thereby optimizing the cost of compliance.

Background Information

- a) IFRS provide a framework for general purpose financial reporting which seeks to meet the information needs of existing and potential investors, lenders and other creditors in making decisions about providing resources to the reporting entity. While acknowledging the interest of other users (including regulators) it encourage them to complement IFRS-based financial statements with other sources of information to meet their unique needs. In the light of this, it is universal practice for regulators to devise methodologies for deriving their unique information needs where the bases of recognition and measurement applied to items in general purpose financial statements do not sufficiently address their prudential concerns.
- b) While IFRS offers a significant number of benefits, it also suffers from the possible lack of homogeneity in the financial report arising from accounting treatment options it permits. In order to avoid the loss of comparability of financial statements that could arise from each reporting entities applying differing accounting treatments for same item, there is need for options adopted by reporting entities in each jurisdictions to be harmonized. This solution has particular relevance to the Insurance Industry because of the challenges many users have in comprehending the financial statements of insurance entities.

- c) The need for harmonization of IFRS options in the Sierra Leone Insurance Industry was agreed as part of the resolutions reached at one of the learning events and several meetings arranged for Insurance Brokers and the IFRS consultants by the Sierra Leone Insurance Commission to address this issue. This document which has been issued in furtherance of the position agreed with the industry on the harmonization of practices, has been previously exposed to the industry. It has considered the input and suggestion made by parties in the financial reporting supply chain that shared their opinions of some of the issues contained in the exposure draft version.
- d) It is important to note that this document does not contradict the filters issued by the Financial Reporting Council of Sierra Leone and will not impair, in any way, the confidence of External Auditors in affirming that the financial statements of Sierra Leone Insurance brokers are compliant with IFRS.

Benefits of Harmonization

In addition to minimizing the inconvenience and cost of lack of homogeneity, the Sierra Leone Insurance Industry will derive the following further benefits from the adoption of harmonized financial reporting practices.

- a) The harmonized format presented in this document will drive regulatory reporting requirements. It will facilitate the alignment of data and reporting specifications for information technology solutions applied by Insurance brokers.

- b) It will also facilitate the attainment of the highly desirable goal of developing a uniform system of accounts and standard chart of statistical codes for the Sierra Leone Insurance Industry.

Applicability of the Framework

- 1) The provisions of this framework are applicable to all insurance brokers licensed under the insurance Act 2016 in the preparation of own and consolidated financial statements.

Harmonization Carve-outs And Regulatory Requirements

- a) The harmonization carve-out specified in this document seek to limit choices from the measurement, presentation and disclosure options permitted by IFRS, without limiting the ability of each Insurance broker to give effect to the impact of its business and management models on its financial reporting practices. It also addresses certain areas which, while not being matters in which options have been expressly mentioned in IFRS, are subjects that insurance brokers could report differently on if relevant issues are not clarified and harmonized.
- b) The regulatory requirements communicate the position that the Commission will adopt in the use of data derived from IFRS-based financial statements in the calculation of prudentially significant metrics and additional disclosures will be required to provide on their implementation of IFRS.
- c) The structure of their presentation is as follows.

- i. Apart from the section on mandatory exceptions and optional exemptions (IFRS1) , all others are in order of IFRS starting with IAS1
- ii. For each issue or options considered, the permitted accounting treatments are first identified before the harmonization carve-outs are given. The regulatory requirements, where relevant, follow.

Mandatory Exception and Optional Exemptions

Filters Issued by Financial Reporting Council

a) Issues/Options

- i. In order to facilitate the transition to IFRS, IFRS1 provides for a number of options exemptions.
- ii. FRC Filters. The Financial Reporting Council has the following filters on Mandatory exceptions and optional exemptions.

b) Mandatory Exceptions- De-recognition of Financial Assets and Liabilities: The first time adopter is required to consolidate the financial statements of all the SPEs, so identified on the date of transition and the consolidation procedure shall be followed as provided in IAS however, if the SPE itself has subsequently transferred the assets and achieved the derecognition of the item concern under the previous GAAP, then the items remain derecognized on transition to IFRS.

c) Optional Exemptions:

- i. **Business combination (Option 1):** The options given to first time adopters are not to restate business combination that occurred before the transition date.
 - ii. **Fair value or revaluation as Deemed Cost (Options2):** the permitted options are
 - a) To measure an asset at Fair Value at the date of transition and elect to use a deemed cost, or
 - b) Treat a previous GAAP Revaluation of an asset as deemed cost at date of transition.
- d) On lease (Option 12):** First time adopters may use the transitional provisions in IFRIC4:
- e) Determining whether an Arrangement contains a lease** and by extension, based on the existing facts and circumstances determine whether ISA17; Lease, applies for the purpose of applying this option, only items of property, plant and equipment (PPE) are to be considered.
- f) Borrowing costs (Option15):** The effective date for the application of the transitional provisions of paragraphs 27 and 28 of **IAS23 (Borrowing Costs)** as revised in 2007, shall be the date of transition to IFRS (i.e. no retrospective application is allowed).
- g) (Harmonization carve-outs):** In addition to the items covered under the regulatory filter issued by Financial Reporting Council, the following exemptions shall be elected:
- h) Employee Benefits:** Recognition of all cumulative actuarial gains and losses at the date of transition.

i) Cumulative Translation Difference –These, for all foreign operations, are deemed to be zero at the date of transition to IFRS.

- i. **Assets and liabilities of subsidiaries, associates and joint ventures**-if a subsidiary becomes a first time adopter later than its parents, the subsidiary shall, in its financial statements, measure its assets and liabilities at the carrying amount based on the subsidiary's date of transition to IFRS.
- ii. **Compound financial instrument**- if the liability component of a compound financial instrument is no longer outstanding at the date of transition, the entity needs not separate the instruments into liability and equity components.
- iii. **Investments in subsidiaries, jointly-controlled entities and associates**- An entity shall measure its investments in subsidiary jointly controlled entity or association using Sierra Leonean GAAP carrying amount at the date of transition to IFRS as deemed cost.

j) Prudential requirements:

Presentation of Financial statements (IAS1)

Structure and content of Accounting Policies

- a) **Issues/Options:** Accounting policies are the most important elements in a principles based accounting model as it provides

the opportunities for issuers to explain the basis of the preparation of their financial statements. It is the responsibility of Board of each reporting entity to determine accounting policies. However, there is need for some harmonization in the presentation of such policies in a manner that will enhance the quality of the information they seek to communicate.

b) Harmonization carve-out:

- i) Accounting policies shall be relevant to each company's business and management model, operations and circumstances.
- ii) Accounting policies shall explain the basis of accounting for items in the financial statements and be properly sequenced. For each area covered, the

information shall be presented in the following sequence as much as relevant: classification, recognition, measurement, impairment, etc.

- iii) All reporting entities shall provide information on key assumptions, sources of estimation in the preparation of their financial statements and ensure completeness in their disclosure.

- iv) The tendency to copy and use accounting policies from template where they are not relevant shall be avoided.

c) Prudential requirements:

Title of the Financial Statement (IAS1)

a) **Issues/ Options:** IAS 1.10 gives report entities the option to use titles for financial statements other than those used in the standard.

b) **Harmonization carve-out:** The titles of the financial statements used in the insurance industry shall be as used in the standard namely:

- i. Statement of Financial Position
- ii. Statement of Profit or Loss and Other Comprehensive income
- iii. Statement of changes in Equity
- iv. Statement of cash flows
- v. Notes to the Financial Statements:

The Note providing information about the basis of preparation of the financial statement and specific accounting policies; and the notes containing sub-classifications of line items in the financial statements.

Frequency of Reporting

Issues/ Options: IAS1.36 prescribes that a reporting entity shall present a completed set of financial statement (including comparative information) at least annually.

Harmonization Carve-out. Financial statements of insurance brokers shall be prepared for at least one-year period.

Prudential requirements; Although insurance brokers are required to render quarterly returns to the Commission; they may be required to produce monthly management accounts.

Line items in Statement of Financial Position.

a) **Issues/Options: The need for harmonization of line items:** IAS 1.54 specifies items that shall be disclosed as minimum in the statement of financial position but neither prescribes description of the items nor the format and sequence of their presentation. This gives reporting entities the option to use their judgment in this area. When reporting entities aggregate items in their statements of financial position and use their own financial vocabulary to describe them, users of financial statements will find it difficult to compare. This will be more so when such difference are extended to sub-classifications. In addition to this, the compilation of industry financial statistics will not only be difficult, their value will also be limited. There is therefore a need for the items to be disclosed in the statement of financial position and the sequence of their presentation to be harmonized.

b) Harmonization Carve-out:

It is necessary to strike a balance between overburdening financial statements with excessive detail that may not assist users of financial statements and obscuring important information as a result of too much aggregation. Similarly, an entity shall not disclose information that is so aggregated that it obscures

important difference between individual transactions or associated risks.

c) Prudential requirements

There is no specific regulatory requirement on presentation as the Commission shall use the medium of quarterly and annual return to obtain additional presentation requirement.

Description of Line items in Statement of Financial Position

a) Issues/Options:

- i. There are varieties of descriptions of line items which tend to confuse users. While these items make meaning to the insurance practitioner, the users who are the object of financial statements are usually interested in terminologies that shall assist them in not only comparing results of insurance brokerage entities but those of all entities they are considering.

ii. Items are either described by the generic titles in the statement of financial position with notes showing their sub-classification in insurance terms or by their insurance titles on the face of the financial statement, and not both. A mix of generic and technical description of line items shall be avoided as much as possible.

b) **Harmonization Carve-out:** Description of line items in the statement of financial position shall, as far as possible, use generic titles and technical terms in the sub classifications which shall be given in the notes. The details of the sub-classification shall, however, reflect the requirements of IFRSs and the size, nature and function of the amounts involved. For instance, where there is an item required to be disclosed by an IFRS, such item shall, as far as material, be disclosed as a sub-classification of a line item; where it is not itself a line item. This shall make the statement of financial position more comparable and understandable.

c) **Prudential requirements:** None

Classification of current/non-current items:

a) **Issues/Option:** IAS 1.60 requires a separate classification of current and non-current assets, and current and non-current liabilities,

except where a presentation in order of liquidity provides more

reliable and more relevant information, in which case, assets and liabilities shall be presented in order of liquidity, Although SAS 16 required Presentation in order of liquidity, IFRS gives room for judgment and therefore creates a need for harmonization.

b) **Harmonization Carve-out:** All insurance brokerage firms shall present items in the financial statements in decreasing order of liquidity.

c) **Prudential requirements:** None

Disclosure of Sub-classification of Line Items:

a) **Issues/ Options:** Reporting entities have the option of disclosing sub-classification of line items either on the face of financial statements or in the notes, in a manner appropriate to their operations **(IAS1.77)**
There are two non-mutually exclusive issues

in the sub classification of line items, the basis of sub-classification and the details. The basis of sub classification shall be driven by the nature and liquidity of assets, the function of assets within the entity: and the amounts, nature and timing of liabilities **(IASA1.58)**.

- b) **Harmonization Carve-out:** Sub-classification of line items shall not be presented in the statement of financial position. Rather, they shall be disclosed in the notes.
- c) **Prudential requirements:** None

Disclosures of Elements of Equity:

- a) **Issues/Options** 1AS1.79 Permits the disclosure of certain features of capital and description of the

nature and purpose of each reserve within equity, either in the statement of financial position or the statement of financial position or the statement of changes in equity, or in the notes.

- b) **Harmonization Carve-out:** Features of capital and description of the nature and purpose of each reserve within equity, required by IAS1.79 shall be disclosed in the notes to the financial statements.

- c) **Prudential requirements:** None

Presentation of all items of income and expense recognized in a period (IAS1)

- a) **Option:** IAS 1.81 permits reporting entities to present all items of income and expense recognized in a period either in a single statement of profit or loss and other comprehensive income, or two statements: a statement displaying components of profit or loss (statement of profit or loss) and a second statement beginning with profit or loss and displaying components of other comprehensive income (statement for comprehensive income).

- b) **Harmonization Carve-out:** Only a single statement of profit or loss and other comprehensive income shall be prepared.

- c) **Prudential requirements:** None

Expense Classification: (IAS1)

a) **Issues and Options** IAS1.99 allows reporting entities a choice as to whether to classify expenses by their nature or by function. While it is acknowledged that the latter basis provides more relevant information for the users, it also highlights that it could result in arbitrariness in the allocation of expenses. In the insurance industry, the need to distinguish underwriting performance makes the classification of expenses by function inevitable.

b) **Harmonization Carve-out:** Expenses shall be classified either by nature or by function. Where the classification is by function, the nature of expenses and basis of their allocation shall be disclosed in the notes to the accounts.

c) **Prudential requirements:** None

Income tax relating to each component of other comprehensive income (IAS1):

- a) **Issue and options** IAS1. 90 permits reporting entities to present incomes tax relating to each component of other comprehensive income either on the face of statements or in the notes.
- b) **Harmonization Carve-outs.** An entity shall disclose the amount of income tax relating to each component of other comprehensive income, including reclassification adjustment in the notes.
- c) **Prudential requirements:** None

Analysis of Other Comprehensive income (IAS1)

- a) **Issues and option:** IAS 1.106A permits that the analysis of other comprehensive income by item be presented either in the statement of changes in equity or in equity or in the notes.
- b) **Harmonization Carve-outs:** The analysis of other comprehensive income by item required in IAS1 1.106 shall be presented in the statement of changes in equity.
- c) **Prudent requirements:** None

Disclosure on dividends (IAS1)

- a) **Issues and Options** IAS1.107 requires a disclosure of the amount of dividends recognized as distributions to owners during the period, and the related amount of dividends per share either in the statement of changes in equity or in the notes.
- b) **Harmonization Carve-outs:** The amount of dividends recognized as distributions to owners during the period, and the related amount of dividends per share shall be disclosed in the statement of changes in equity.
- c) **Prudential requirements:** None

Presentation of Notes:

- a) **Issues:** IAS1.116 permits an entity to present notes providing information about the basis of preparation of the financial statements and specific accounting policies as a separate section of the financial statements.

- b) **Harmonization carve-out:** The notes providing information about the basis of preparation of the financial statements and specific accounting policies shall be presented before the account (Statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows) while Notes containing the sub-classification of line items shall come after the accounts.
- c) **Prudential Filter:** None

Management Commentary

- a) **Issues:** IAS 1 notes the practice under which reporting entities include management
- b) Discussion and analysis of the financial statements in their financial reports Although the IASB has stated that such management commentary is outside the scope of IFRS and therefore failure to issue it will not disqualify financial statements for being IFRS compliant, in recognition of the value of management commentary, it has issued a pronouncement on the subject. The pronouncement recommend that commentary will typically provide the following information:
- i. The nature of the business
 - ii. Management's objectives and its strategies for meeting those objectives
 - iii. The entity most significant resources, risks, and relationships
 - iv. The results of operations and prospects
 - v. The critical performance measures and indicators that management uses to

- vi. Evaluate the entity's performance against stated objectives

Given the level of difficulty often experienced in reading the financial statements of Insurance Institutions, a well-crafted management commentary will add substantial value to the understandability and decision-usefulness of information provided in financial statements.

- c) **Harmonization Carve-out:** All financial reports issued by insurance brokerage firms shall include management commentary that incorporates all the elements listed in the pronouncement by IASB on the subject.
- d) **Prudential requirements:** All quarterly and annual statutory returns shall be accompanied by relevant management commentary.

Statement of Cash flows (IAS7)

Presentation of Cash Flows (IAS7)

- a) **Issues and Options:** IAS7 permits a number of options in the presentation of cash flow as related to the following area:
 - i. Cash flow from operating activities shall be reported by the direct or indirect method (IAS7.18)
 - ii. Cash flow from interest and dividend received and paid may be classified as operating, investing or financing activities. **(IAS7.31)**

b) Harmonization Carve-Outs

Cash flow operating activities shall be reported in line with IFRS (either direct or indirect method) However, where statement of cash flow is

prepared using the indirect method, the company shall be required to reconcile the net flow from operating activities to the direct method

The following shall be classified as cash flow from operating activities:

- a) Interest received and paid
- b) Dividends received
- c) Dividends paid shall be classified as part of financing activities

c) Prudential requirements: None

Properties, plant and Equipment (IAS 16)

Measurement after recognition

- a) **Issues and Options** IAS 16.29 gives entities option to choose between cost and revaluation models as their accounting policy.
- b) **Harmonization Carve-out:** Cost model shall be the basis for subsequent valuation of items under PPE; except for Land and Building which shall be measured using the revaluation model.
- c) **Prudential requirements:**

Depreciation Property, Plant and Equipment:

- a) **Issues and Option**
 - a) **Rates:** IAS16:62 allows a variety of depreciation methods that can be used to allocate the depreciable amount of an asset on a systematic basis over its useful life.
 - b) **Depreciable component:** IAS 16:43 provides that each component of an item of property, plant and Equipment with a cost that is

significant in relation to the total cost of the item shall be depreciated separately. There is no definition as to what constitutes a significant proportion. It also grants reporting entities the option to depreciate separately parts of an item that do not have a cost that is significant in relation to the total cost of the item. (IAS16.47)

b) Harmonization carve-outs

Rates: Straight Line method of depreciation shall be adopted (IAS 16: 62)

Depreciable Component: Each part of an item of PPE with a cost that is significant to the total cost of the item shall be depreciated separately (IAS 16: 43)

Component of an item whose cost are insignificant individually will be depreciated together as group.

Prudential requirements: None

Property, Plant and Equipment without perfected Title Documents:

- a) **Issues and Options:** A number of property, plant and equipment (as well as investment properties) are not in the name of some companies because of delays in perfecting titles after purchase.
- b) **Harmonization Carve-outs** The fact of affected property not being in the name of the reporting entity, the risk attributable and the estimated cost of perfecting its title shall be disclosed in the Note. The effort being made towards perfection of the shall also disclosed.
- c) **Prudential requirements:**

Investment Properties (IAS 40)

Measurement after recognition

- a) **Issues and Options:** IAS 40.30 gives entities option to choose between cost and fair value models as their accounting policy. With regards to fair value, there are different methodologies for determining same. It will be necessary for a uniform method to be adopted industry wide.
- b) **Harmonization Carve-outs:** Fair value model shall be the basis for subsequent valuation of investment properties, A choice of a uniform methodology will be made in consultation with the Nigerian Institute of Estate valuers and Surveyors.
- c) **Prudential requirements:**

Basis of Determination of Fair Value

- a) **Issues and Options:** IAS 40.32 gives reporting entities the option of whether or not to use an independent valuer who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment property being valued determining fair value of investment property.
- b) **Harmonization Carve-outs:** The fair value of investment property shall be determined by an independent valuer registered with the Financial Reporting council of Nigeria.
- c) **Prudential requirements:** None

The Effect of Foreign Exchange Rates (IAS21)

Presentation Currency

- a) **Options:** ISA 21.38 allows reporting entities to present their financial statements in any currency (or currencies)
- b) **Harmonization Carve-outs:** The presentation currency for insurance institution shall be the NAIRA
- c) **Prudential requirements:** None

Consolidation and separate financial statement (IAS 27)

Presentation of consolidated financial statements

Issue and Options: 1A S27.10 allow a parent consolidated financial statements under specified conditions. Issues and Options: 1A S27.10 allows a present consolidated financial statements under specified conditions.

Harmonization Carve-outs: All insurance brokerage entities with subsidiaries shall prepare consolidated financial statements.

Prudential requirements: None

Measurement After Recognition:

Issues and Options: IAS 27.38 permits an entity preparing separate financial statements to account for investments in subsidiaries, jointly controlled entities and associates and associates at either cost or in accordance with IAS 39.

Harmonization Carve-outs: When an entity prepares separate financial statements, it shall account for investments in subsidiaries, jointly

controlled entities and associates at cost and test for impairment at each reporting date

Prudential requirements: None

Interests in Joint Venture (IAS 31)

Basis of consolidation

Option: IAS 31.30 permits reporting entities with interest in a jointly controlled entity to recognize same using either the proportionate consolidation or the equity method.

Harmonization Carve-out: Insurance brokers with interest in a jointly controlled entity shall recognized in the consolidated accounts using the equity method (IAS 31.38)

Prudential requirements: None

Separate financial statements of the venture

Option: IAS 31.46 permits ventures to accounts for its interests in the joint venture either at cost or under IAS 39

Harmonization Carve-out: Insurance brokers with interest in a jointly controlled entity shall account for same in their separate financial statements at cost and test for impairment.

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C) Prudential requirements: None

Financial Institutions: Recognition and Measurement (IAS 39)

Clients Accounts:

a) Issues

- i. **Section (40)** (1) provides that an insurance broker shall establish and maintain at all times a Client's accounts into which all monies , premiums, claims and recoveries from and on behalf of clients , insurers and reinsurers shall be paid .

- ii. **Section 41(1)** provides, that where an insurance business is transacted through an insurance brokers, the insurance broker shall, not later than 30 days of collecting the

premium; remit the premium to the underwriter. All efforts must be made for all cheques in respect of premium payment to be written in the name of the Insurer.

- iii. **Section 50 (1) & (2)** of the insurance Act 2016 provides that unless premium is collected directly by an insurer or indirectly through brokers, there is no valid contract of insurance. Hence **“No Premium No Cover”** Consequently, insurance premium receivables cannot be recognized as assets unless the related premiums are deemed to have been received by the insurer through the broker. To give full effect to this, the Commission has issued a circular effective 1st October, 2019 that only makes it mandatory for Brokers to notify Insurers of premium received on their behalf, but also impose penalties on any insurer who grant cover without receiving premium or relevant notification thereof from brokers. Extant guidelines also require that brokers and insurers shall carry out quarterly reconciliation of their accounts. It is therefore to be expected that at the end of each period, Insurers will be aware of premium that are confirmed receivables from the brokers. Given that reconciliation of accounts is good accounting practices, it shall be expected that insurers will be in the position to confirm what is agreed to be due from the brokers and cedants in respect of reinsurance inwards. The major issue arising from the foregoing is how information relating to Clients accounts shall be disclosed in the financial statements of Insurance Brokers. IAS 39:19 or IFRS 9 (3.2.5) requires that if an entity retains the contractual right to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement, such assets shall be treated as a transfer that qualifies for derecognition if it meets certain conditions.

Paragraph B3.2.2 provide that such conditions occur if the entity is a Trust that:

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- a) Has no Obligation to pay the amounts to the eventual recipients unless it collects equivalent amounts from the original asset.
- b) Is prohibited by the terms of the transfer contract from selling or pledging the assets
- c) Is obligated to remit the cash without material delay and not entitled to reinvest such cash flow
- d) **Harmonization Carve-outs:**

Disclosure of Clients Accounts: Since the brokers are not required to substantially retain the risk and rewards of ownership or control of items under the clients accounts except for the right of collection and remittance to the beneficial owners (eventual recipient), Clients accounts shall be treated as an Off balance sheet item in the statement of Financial Position and the details as required in the operational Guidelines provided in the Note. In addition, a comment shall be included to the effect that such monies have not exceeded the mandatory period required for the transfer to the eventual recipients. The amount of such monies that have be transferred or paid to the eventual recipients after the year end shall be disclosed.

- a. **Impairment test:** Items under clients account shall not be subjected to any impairment test.
- b. **Prudential requirements**
- c. **Unquoted Investment**

d. **Issues:** A number of companies are carrying investment in their books which have not generated any returns for several years.

e. **Harmonization framework:**

- i. The basis of valuation of quoted investment shall be disclosed.
- ii. Where unquoted investments are valued other than on cost basis, in order to avoid delays in the confirmation of financial statements for the year, the basis of valuation of all unquoted investment shall be submitted to the Commission for review and agreement not later than 28 February, of each reporting year.

f) **Prudential requirements:**

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Financial Instruments – Presentation (IAS 32)

Presentation of Dividend

- a) **Options:** Dividend classified as an expense may be presented in the statement of comprehensive income or separate income statement either with interest on other liabilities or as a separate items (IAS 32.40)
- b) **Harmonization Carve-outs:** Dividends classified as expense (eg, preference share dividend) shall be presented in the statement of Comprehensive income as a separate items (IAS 32.40)
- c) **Prudential requirements:** None

Disclosure of Treasury shares

- a) **Options:** Treasury shares held is disclosed separately either in the statement of financial position or in the notes (IAS 32.34)
- b) **Harmonization Carve – outs:** This amount of treasury shares held shall be disclosed in the notes, in accordance with IAS 1 Presentation of Financial Statements (IAS 32.34)
- c) **Prudential requirement:** None

Earnings Per Share (IAS 33)

Earnings per share for the discontinued operation

- a) **Issues and options:** IAS 33.68 provides for an entity that reports a discontinued operation to disclose the basic and diluted amounts per share for the discontinued operation either in the statement of Comprehensive income or in the notes.
- b) **Harmonization Carve –outs:** An insurance broker that reports a discontinued operation shall disclose the basic and diluted amounts per share for the discontinued operation in the notes.
- c) **Prudential requirement:** None

Provisions, Contingent Liabilities and Contingent Assets (IAS 37)

Presentation of reimbursed/ reimbursable expense

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- a) **Option:** IAS 37 .54 provides that in the statement of comprehensive income, the expense relating to a provision may be presented net of the amount recognized for a reimbursement.
- b) **Harmonization Carve-outs:** Items of expenses shall not be offset against amounts recognized for reimbursements.

- c) **Prudential requirement:** None

Non-Current Assets Held for Sale and Discontinued Operations (IFRS 5)

Presentation of certain information on discontinued operation.

- a) **Issues and Options:** IFRS 5.33 Permits the presentation of the analysis of revenue, expenses, taxes, cash flows etc. from discontinued operations to be made either in the note to the financial statements or in the statement of comprehensive income.
- b) **Harmonization Carve-outs:** Presentation of the analysis of revenue, expenses, taxes, cash flows etc. from discontinued operations shall be made in the notes to the financial statements.
- c) **Prudential requirement:** Note

Financial Instruments: Disclosure (IFRS 7)

Disclosure of categories of financial assets and financial liabilities

- a) **Options:** IFRS 7.8 allows reporting entities to disclose the carrying amounts of each of the identified categories of financial instruments specified in IAS 39 either in the statement of financial position or in the notes
- b) **Harmonization Carves-outs:** The carrying amount of identified categories of financial instruments shall be disclosed in the notes
- c) **Prudential requirement:**

Disclosure of Specified items of Income, Expense, Gains, or Losses

- a) **Options:** IFRS 7.20 allows the disclosure of specified items of income, expense, gains or losses either in the statement of comprehensive income or in the notes:
- b) **Harmonization Carve-out:** Details of items of income, expense, gains or losses shall be specified in the note
- c) **Prudential requirement:** None

8.2.37 Information about the Nature and the Risks Arising from Financial Instruments

- a) **Options:** IFRS 7 Appendix B par. B6, permits the disclosure of information about the nature and the risks arising from financial instruments to be given either in the financial statements or incorporated by cross –reference from the financial statements to some other statements
- b) **Harmonization Carve-out:** The required disclosure shall be made in the notes to the financial statements
- c) **Prudential requirement:** Note

8.2.38 Loans or Receivables Designated as at Fair Value through Profit or Loss (IFRS 7):

- a) **Options:** IFRS 7.9 permits the amount of change in the fair value loans or receivables that are attributable to changes in the credit risk to be measured either.
 - i. As the amount of change in value that is not attributable to changes in market conditions which give rise to market risk (residual approach) or
 - ii. By using an alternative method the insurance broker believes more faithfully represents the amount of change in fair value that is attributable to changes in the credit risk of the asset
- b) **Harmonization Carve-out:** Option a (i) shall be adopted.

c) **Prudential requirement:** None

Sensitivity Analysis (IFRS 7)

- a) **Options:** Entities that manage financial risks using value at Risk (VaR) may use
- i. Such an analysis for the purpose of complying with par.40 of IFRS 7 or
 - ii. The sensitivity analysis specified in paragraph 40 of IFRS 7

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b) **Harmonization Carve-out:** Alternative only relevant to Insurance brokers using Value at Risk (VaR). Since it is model-driven, options are left open.

c) **Prudential requirements:** None

Capital Management

- a) **Issues:** IAS 1.135 requires entities subjected to externally imposed capital requirements to disclose:
- i. The nature of those requirements and how those requirements are incorporated in to the management of capital
 - ii. Whether during the period it complied with any externally imposed capital requirements to which it is subject to
 - iii. When the entity has not complied with such externally imposed capital requirements, the consequences of such non-compliance
- b) **Harmonization Carve Out:**
- i. Insurance broker shall be required to disclose information on their compliance with statutory minimum capital base on the requirement of CAMA

- ii. Insurance broker that did not comply with the above requirements shall disclose the consequences of such non-compliance and actions being taken to make good the shortfall.

c) **Prudential Requirements:** None

General Regulatory Requirement

Insurance brokers shall disclose in the financial statements that they are regulated by Sierra Leone Insurance Commission (SLICOM) and also disclose all relevant sections of the Insurance Act and Guideline issued by the Commission that have financial reporting implication, e.g. Clients account.

Report on IFRS Conversions:

Issues: All Insurance brokers are required to submit a comprehensive report of their IFRS Conversion incorporating the following:

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- a) Report of all key activities leading to the preparation of IFRS compliant financial statements. This will not be required of Companies that were religiously sending quarterly report to the extent that they have provided information required below.
 - i. **IFRS Accounting Policies** with evidence of Board approval of same
 - ii. Opening statement of Financial position including details of transition adjustments passed

- iii. **Parallel Reporting:** Information on how the comparative IFRS-compliant financial statements for the year 2020 was generated, including controls to minimize errors
- iv. **Role of Parties in the Financial Reporting Chain:** The role of the following in the conversion process:
 - a) Audit committee of the company,
 - b) Board of Directors,
 - c) Internal Auditors
 - d) External Auditors
- b) **Information Technology solution** applied to achieve IFRS compliance, including information on changes made to the pre-IFRS system Education, awareness and trainings arranged or attended by relevant persons.
- c) **Accounting and Reporting Infrastructure.**
 - a) Temporary arrangement for keeping IFRS-Based records and producing required reports, where either a decision on systems change has not been decided or planned systems has not been installed.
 - b) The broad specification of any proposed Accounting solution , including indication of the stage reached in the systems development life cycle IFRS-based chart of accounts Copy of IFRS based accounting Manual.

Human Capital Readiness: Experience shows that IFRS competence is significant in ensuring reliability of the financial reporting system. In the absence of this, the risk of material errors and misstatement is high and may lead to additional cost.

Consequently, in order to ensure each company has necessary skills, every Insurance broker is required to have at least one qualified Accountant who

is IFRS-certified by a recognized certificate issuing authority. In addition to this evidence of having equipped.

Board Management and staff with the level of IFRS awareness and competence required for the effective discharge their role in financial reporting is required. This shall be submitted latter than 31 December 2020.

Readiness of External Auditors: External auditors play a critical role in the IFRS reporting especially as they are expected to confirm that financial statements for the year ending 31 December, 2019 are IFRS compliant. In this regard, all Insurance brokers are required to send a profile of their auditors to the Commission not later than 31 December 2020. In addition to other information that such document will typically contain, the auditors shall be requested shall to furnish information on:

- a) Step they have taken to ensure that they are position to audit and confirm IFRS-based financial statements.
- b) Evidence of registration with the (ICASL) Institution of Chartered Accountants of Sierra Leone

Other issues

Compliance with Financial reporting council Act 2011

There are a number of requirements of the Financial Reporting Act of ICASL compliance with which will satisfy our supervisory interests. As the Commission expects full compliance with the Act in the financial reports issued for the year ending 31 December items have not been addressed in the document.

SLICOM IRFS Help Desk

The Sierra Leone Insurance Commission is committed to a seamless transition to IFRS in the industry. A help desk has been set up to deal with issues that insurance institutions may have on the implementation of IFRS. We encourage them to access this facility in order to prevent any delays in the finalization of their financial statements for the year 2020 within deadlines prescribed by law.

Companies wishing to access this facility shall contact the Director, Supervision.

Commissioner for Insurance

Sierra Leone

