



**NATIONAL INSURANCE COMMISSION**

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**NATIONAL PENSION COMMISSION**

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**GUIDELINES FOR LIFE INSURANCE POLICY FOR  
EMPLOYEES**

JOINTLY ISSUED BY NATIONAL INSURANCE COMMISSION AND  
NATIONAL PENSION COMMISSION

**1.0 INTRODUCTION**

- 1.1 Section 9 (3) of the Pension Reform Act 2004 (The Act) requires every employer, to which the Act applies, to maintain Life Insurance Policy in favour of the employee for a minimum of three times the annual total emolument of the employee.
- 1.2 For the purpose of establishing uniform set of rules, guidelines and standards in relation to the application of the provisions of Section 9 (3), the following minimum guidelines shall apply.

**2.0 GENERAL REQUIREMENTS**

- 2.1 The employer shall fully bear all costs in relation to procurement of this policy, and this shall be in addition to, and separate from, the contributions to be made by the employer to each employee's Retirement Savings Account, as required by the Act.
- 2.2 The Life Insurance Policy shall be effected through the purchase of a Life Policy issued by a Nigerian Registered Insurance Company, licensed and authorized to conduct Life Insurance Business by National Insurance Commission (NAICOM) under the Insurance Act 2003.
- 2.3 For ease of administration, a Consortium of eligible insurance Companies, as determined in paragraphs 3.1 and 3.2 of this

guideline, shall be constituted for the purpose of providing life insurance cover for employees of the Federal Government.

2.4 Employers in the private sector shall be at liberty to engage the service of any insurance company or group of insurance companies which satisfies the eligibility criteria in paragraphs 3.1 and 3.2 of these guidelines.

2.4 Employers shall not be allowed to self insure.

2.5 As stipulated in Section 6 (1) of the Pension Reform Act, the National Pension Commission (The Commission) shall set up a Board of Inquiry for treating any case of missing employees referred to it by employers, for insurance claim purposes.

### 3.0 ELIGIBLE INSURANCE COMPANIES

3.1 In the first year of implementation, which is 2006, the National Pension Commission shall provide a list of NAICOM licensed and registered insurance companies eligible to conduct the business of provision of life insurance cover, under the provisions of the Pension Reform Act 2004.

3.2 For subsequent years, such eligible insurance companies must have met minimum acceptable standards to be fixed by the National Pension Commission.

3.3 The Commission shall collaborate with NAICOM to facilitate the Consortium referred to in paragraph 2.3 of these guidelines from amongst the list of eligible insurance companies in 3.1 and 3.2 above.

### 4.0 POLICY COVERAGE

4.1 The policy shall provide cover to the insured against Death.

4.2 Insurance coverage shall be for twelve (12) months, from January through December, and shall be renewable at the end of each coverage year.

- 4.3 The premium payable on the policy shall be pro-rated as applicable where an employee joins the scheme in the course of the year.
- 4.4 Where an employee leaves the service of the employer before the expiration of twelve (12) months, the premium paid relating to the unexpired period, shall be returned/set aside to the credit of the employer.
- 4.5 Insurance cover is mandatory for all employees as long as they are in employment.
- 4.6 Insurers shall be expected to ensure that employers comply with the minimum insurance cover of three times the annual total emolument of each employee.
- 4.7 Notwithstanding the provisions of 4.6 above, employers that have better existing life insurance policies for their employees, in terms of benefits, shall maintain such policies.

#### 5.0 DOCUMENTATION REQUIREMENTS

- 5.1 Each employer shall obtain an insurance certificate from the insurer.
- 5.2 Such certificate shall be accompanied by a schedule which shall indicate amongst other things, the period of coverage, the number and details of staff at inception/ renewal date, their total emoluments, the benefit payable and the annual premium/date of full payment.
- 5.3 The insurance certificate shall be issued to employers by the Insurer within a month from the policy inception/renewal date.
- 5.4 Employers shall display a copy of the insurance certificate in a conspicuous place within the premises, for the information of the employees, as evidence of having taken such policies.

- 5.5 Employers shall send a copy of the insurance certificate with the schedule of benefits to the National Pension Commission, and the Pension Fund Administrators (PFAs) where the employees maintain their Retirement Savings Accounts (RSAs), not later than 31<sup>st</sup> March every year.
- 5.6 Employers shall be required to commence renewal negotiations in writing, within two (2) months to the expiration of the current insurance coverage. Such negotiation must be concluded before the last day of the current cover.
- 5.7 Full payment of the insurance premium shall be made, at the latest, on the first day of insurance cover.
- 5.8 Where an employer fails to effect full payment of premium at the stipulated time, the insurer shall report such failure to the National Pension Commission within fourteen (14) days of non receipt of premium.

## 6.0 OPERATIONAL TERMS

- 6.1 Operational terms of the policy shall address, amongst other issues the terms listed in paragraphs 6.2 to 6.6 below.
- 6.2 Free cover limit must be established between the insurer and employers. This is the limit of sum assured above which the insurer will require the affected individuals to undergo medical examinations.
- 6.3 Until satisfactory medical results are received, cover will be restricted to the free cover limit.
- 6.4 All employees shall be made to fill a non-medical form with their passport photograph attached, to ascertain identities and existence at commencement or point of entry into the scheme.
- 6.5 Procedure for filing and settlement of claims on the policy shall be clearly defined.

6.6 Employers are expected to negotiate premium rates payable on such life policies with the insurer, within the rate table stipulated by NAICOM.

#### 7.0 DEATH OF AN EMPLOYEE

7.1 Where an employee dies, the employer shall immediately commence death benefit claim on behalf of the deceased, as prescribed in the operational terms of the policy.

7.2 Employer shall notify employee's PFA and the National Pension Commission, of the employee's death stating the claim amount receivable.

7.3 Employee's PFA shall validate claim amount and where discrepancies arise, this must be resolved with the employer.

#### 8.0 MISSING EMPLOYEE

8.1 Where an employee is missing, the employer shall report this immediately to the employee's PFA, Insurer and the National Pension Commission.

8.2 The Board of Inquiry established by the National Pension Commission shall stipulate the documentary evidence required from employers to process missing person claims. This shall include the Police Report, Employee's passport photograph, newspaper publication of the missing employee, a letter from employer declaring him/her missing and any other document as may be required from time to time.

8.3 The documentary evidence required by the Board of Inquiry set up by the National Pension Commission shall be provided within fourteen (14) working days after the period of one year, from the day the employee was declared missing.

8.4 The Board of Inquiry shall, within thirty (30) working days of receipt of complete evidence required for its deliberations, communicate its findings to the employer, insurer and the National Pension Commission, for appropriate action to be taken.

## 9.0 SETTLEMENT OF CLAIMS

9.1 Claims must be settled by the Insurer within seven (7) working days of receipt of complete documentation and acceptance of liability.

9.2 Information on any discrepancies on claims or its non-settlement within the time, as specified in 9.1 above, shall be sent to the National Pension Commission by the employer and employee's PFA immediately.

9.3 Total sums due to the employee shall not be encumbered or subject to any deductions by the employer.

9.4 The total sum due to the deceased shall be paid directly to the credit of the deceased's Retirement Savings Account by the insurer.

## 10.0 REVIEW

10.1 These guidelines are subject to regular reviews.

## 11.0 ENQUIRIES

All enquiries regarding these guidelines shall be directed to the National Pension Commission.



Commissioner for Insurance  
National Insurance Commission



Director-General  
National Pension Commission

