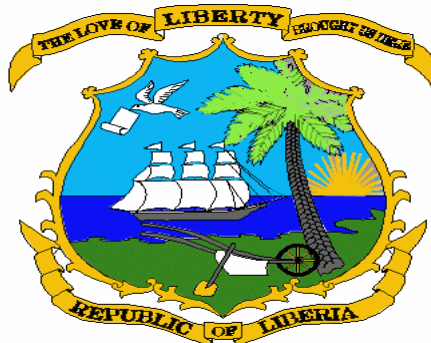


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EXTRAORDINARY

The Government of the Republic of Liberia announces that the Central Bank of Liberia (CBL), pursuant to its mandate under the New Insurance Act of 2013, specifically Section 12.1 of the Act has issued on March 23, 2016, Regulation No. CBL/RSD/INS/001/2016 herein under:

**REGULATION NO.CBL/RSD/INS/001/2016
CONCERNING OVERRIDING PRINCIPLES AND BUSINESS
CONDUCT OF INSURANCE COMPANIES**

BY ORDER OF THE PRESIDENT

**MARJON KAMARA
MINISTER OF FOREIGN AFFAIRS**

**MINISTRY OF FOREIGN AFFAIRS
MONROVIA, LIBERIA
March 23, 2016**

1.0 Introduction

Pursuant to its authority under Section 12.1 of the new Insurance Act of 2013, the Central Bank of Liberia (CBL) hereby prescribes and issues these regulations concerning overriding principles and business conduct of insurance companies as follows:

2.0 Overriding Principles

2.1 Principles to be observed by all licensed insurers.

A licensed insurer shall, at all times, conduct its insurance business in accordance with the following general principles:

1. Integrity

A licensed insurer shall conduct its business with integrity at all times.

2. Governance, Management and Control

A licensed insurer shall take reasonable care to organize and control its affairs effectively and have adequate risk management procedures and controls in place.

3. Financial Resources

A licensed insurer shall maintain adequate financial resources taking into account the nature, scale, complexity and diversity of its business and the risks that it faces.

4. Customers' Interests

A licensed insurer shall have due regard for the interests of its customers and treat them fairly. A licensed insurer shall make adequate arrangements to protect its customers' assets, when it has responsibility for them, and shall manage conflicts of interest fairly.

5. Transparency

A licensed insurer shall be transparent in its business arrangements.

6. Relationship with Authority

A licensed insurer shall deal with the Authority in an open and cooperative manner.

3.0 Overriding obligations.

3.1 A licensed insurer shall:

- (a) in carrying on its insurance business, act honestly and with due skill, care and diligence;
- (b) treat its policyholders and potential policyholders fairly at all times; and
- (c) properly and fairly address any conflict of interest with policyholders or potential policyholders.

3.2 The obligation under subsection 2.1, paragraph (b) applies before a contract of insurance is entered into, at all times during the subsistence of the contract and continues until all obligations under the contract have been satisfied.

4.0 Business conduct policies, procedures and controls.

4.1 The board of a licensed insurer shall ensure that the insurer has business conduct policies, procedures and controls in place with the objective of achieving compliance with subsection 2.1 & 2.2.

4.2 The policies, procedures and controls shall take account of the circumstances of different policyholders and potential policyholders, including whether policyholders and potential policyholders are, or would be, retail policyholders or commercial policyholders.

4.3 The business conduct policies, procedures and controls shall take into account the experience and expertise of different policyholders and potential policyholders, the information available to them and the needs that different policyholders and potential policyholders have for advice.

4.4 Without limiting this part, the business conduct policies and procedures of a licensed insurer shall cover or include the following:

- (a) the development and marketing of insurance products, with the objective that due regard is given to the interests of different types of policyholders and potential policyholders;

- (b) the provision of clear information to policyholders and potential policyholders before and after an insurance contract has been entered into;
- (c) measures aimed at reducing the risk that insurance contracts sold to policyholders are inappropriate for their needs;
- (d) the provision of high-quality advice to policyholders and potential policyholders;
- (e) procedures for dealing with customer complaints and disputes in a fair manner;
- (f) the protection of confidential information relating to policyholders and potential policyholders; and
- (g) the management of the reasonable expectations of policyholders.

5.0 Development of insurance products.

- 5.1 A licensed insurer shall, when designing and developing insurance products, take into account any guidance issued by the Authority.
- 5.2 A licensed insurer shall make and retain written records that demonstrate its compliance with subsection 4.1.

6.0 Prohibition on marketing and sale of insurance products without provision of notice to the Authority.

- 6.1 A licensed insurer shall not market or sell an insurance product unless the insurer has given the Authority no less than thirty days notice of its intention to do so.
- 6.2 This section does not apply to an insurance product that:
 - (a) has been approved by, or is covered by an approval of the Authority prior to these Regulations coming into force;
 - (b) not having required the approval of the Authority, has been marketed or sold by the licensed insurer prior to these Regulations coming into force; or
 - (c) is substantively the same as an insurance product referred to in paragraph (a) or (b).

7.0 Application for, and provision of, no objection notice.

- 7.1 A notice under subsection 5.1 shall be in the form, approved by the Authority, and contain such information as may be specified on that form, and shall be accompanied by:
- (a) a copy of the proposed insurance contract and/or policy documentation;
 - (b) an actuarial report on the proposed insurance product;
 - (c) a copy of the written record made under subsection 4.2 of this Regulation; and
 - (d) copies of the proposed marketing material, including the proposed Policy Summary produced in accordance with section 8.0 of this Regulation.
- 7.2 The fact that the Authority does not object to the marketing or sale of an insurance product by the licensed insurer shall not be taken by the licensed insurer or any policyholder, potential policyholder or other person as:
- (a) the Authority's approval of the product or any aspect of its development and design; or
 - (b) an assurance that the product complies with the requirements of the Act, the Regulations or any criteria or guidance issued by the Authority in relation to insurance products.
- 7.3 Notwithstanding the issuance of a no objection notice, a licensed insurer and its board have responsibility for all insurance products designed, developed, marketed and sold by the insurer and for ensuring that its products are appropriate and comply with the requirements of the Act, the Regulations and any criteria or guidance issued by the Authority in relation to insurance products.

8.0 General obligations concerning marketing and sale of insurance products.

- 8.1 A licensed insurer shall:
- (a) take into account the interests of different types of the policyholder and potential policyholder when marketing an insurance product;
 - (b) take reasonable steps to promote products, and to communicate information to policyholders and potential

policyholders, in a way that is clear and fair and that is not misleading; and

- (c) take reasonable care to ensure that:
 - (i) any advice that it provides to a person is appropriate, taking into account the circumstances disclosed to it by that person; and
 - (ii) a person only buys an insurance product if the person is eligible to obtain benefits under the product.

9.0 Policy Summary

- 9.1 A licensed insurer shall prepare a Policy Summary complying with this section in relation to every retail insurance contract that it markets or sells and may prepare a Policy Summary in relation to any commercial insurance contract that it markets or sells.
- 9.2 A Policy Summary shall:
 - (a) be written in plain and easy to understand language; and
 - (b) contain a summary of the cover provided by, and the key features of, the insurance contract.
- 9.3 Without limiting subsection 8.2, the Policy Summary shall contain the following information:
 - (a) the name of the insurer and the address of its principal office in Liberia;
 - (b) the type of insurance contract;
 - (c) a description of the risks insured by the contract and any significant or unusual exclusions or limitations;
 - (d) the duration of the policy;
 - (e) the policy benefits;
 - (f) whether there are any cancellation rights and, if so, a brief summary of the rights including their duration;
 - (g) contact details for notifying a claim under the policy;
 - (h) the obligations on a prospective policyholder to disclose material facts;

- (i) where appropriate, a statement that the person may need to review and update the cover periodically to ensure that it remains adequate;
 - (j) the right to complain and the method of lodging a complaint;
 - (k) a statement that the Policy Summary does not contain the full terms of the insurance contract, which are to be found in the policy document.
- 9.4 For the purposes of subsection (8.3)(c), a significant exclusion or limitation is one that:
- (a) would tend to affect the decision of prospective policyholder who would be a retail policyholder or retail policyholder generally to purchase the insurance contract; or
 - (b) is not normally found in comparable insurance contracts.
- 9.5 A Policy Summary may, but is not required to, contain the information concerning the premium specified in section 9.0, subsection 2, paragraph (a).
- 9.6 The Policy Summary shall not contain any information other than the information provided for in this section.

10.0 Provision of Policy Summary or information by the insurer where no insurance intermediary involved.

- 10.1 Where a licensed insurer deals or communicates directly with a person concerning the sale or renewal of an insurance contract, the insurer shall provide the person adequate time for the person to make an informed decision about whether to enter into, or renew, the insurance contract, with:
- (a) in the case of a retail insurance contract, the Policy Summary and the additional information specified in subsection 9.2; or
 - (b) in the case of a commercial insurance contract:
 - (i) a Policy Summary and the additional information specified in subsection 9.2; or
 - (ii) appropriate information concerning the contract.
- 10.2 Where a licensed insurer provides a person with a Policy Summary, unless included in the Policy Summary, it shall also provide that person with the following additional information:

- (a) details of the premium payable, the date when the premium is required to be paid and the consequences for non-payment of the premium; and
- (b) if an insurance contract is purchased in connection with other goods or services, details of that part of the total price payable that represents the premium and whether purchasing the contract is compulsory.

11.0 Provision of the policy document.

11.1 A licensed insurer shall provide a policyholder with a written insurance policy on commencement of the insurance contract or as soon as possible thereafter.

12.0 Retail insurance contract to provide cancellation right.

12.1 Subject to subsection 11.2, a retail insurance contract shall provide the policyholder with a right to cancel the contract without giving any reason and without any penalty within 15 days of the later of:

- (a) the date that the contract is entered into; or
- (b) the date on which the policyholder receives the policy documentation.

12.2 Subsection 11.1 does not apply to:

- (a) a general insurance policy, where the insured period is one month or less;
- (b) an insurance contract, the performance of which has been fully completed by both parties at the request of the policyholder, before the policyholder exercises the right to cancel the contract.

12.3 A retail insurance contract shall specify the procedures for effecting cancellation and provide that, on the policyholder complying with those procedures:

- (a) the contract is terminated;
- (b) the amount required to be paid by the policyholder shall be no more than the cost of the insurance cover provided, on a proportionate basis, for the period of cover.

13.0 Obligation to provide information during the life of insurance contract.

13.1 A licensed insurer shall disclose to the policyholder information on:

- (a) any contractual changes to an insurance contract, and
- (b) any relevant changes to the insurer,

during the period in which the contract is in force.

14.0 Claims handling.

14.1 A licensed insurer shall:

- (a) handle claims promptly and fairly;
- (b) provide reasonable guidance to help a policyholder make a claim and appropriate information on its progress;
- (c) must use a clear basis to reject a claim, including false disclosure, violation of policy condition(s); and(d) settle claims promptly once settlement terms are agreed.

15.0 Complaints policy and procedures.

15.1 A licensed insurer shall:

- (a) establish and maintain a complaints policy and procedures which provide for the effective consideration and proper handling of any complaints made to it and for appropriate remedial action to be taken, where appropriate; and
- (b) maintain a complaints register in which the insurer shall record any complaints received together with details of how the complaint has been, or is being, dealt with.

16.0 Serious complaints.

16.1 Subject to subsection 15.2, for the purposes of this paragraph, a "serious complaint" is a complaint that alleges:

- (a) a breach of the Act or these Regulations;
- (b) bad faith, malpractice or impropriety on the part of the licensed insurer or one of its directors, employees or agents;
- (c) the repetition or recurrence of a matter previously complained of, whether significant or otherwise; or

Regulation No. CBL/RSD/001/2016

- (d) that the complainant has suffered, or may suffer, a financial loss that is material in relation to his or her financial circumstances.
- 16.2 A complaint shall not be treated as serious if it relates to a minor clerical error.
- 16.3 A serious complaint shall be considered by a senior manager of the licensed insurer who is independent of the circumstances that gave rise to the complaint or, if this is not practicable, by a director of the licensed insurer.
- 16.4 If a serious complaint remains unsettled for longer than three months, the licensed insurer shall immediately inform the Authority and shall also advise the complainant that he or she may inform the Authority directly of the complaint.
- 16.5 Where a licensed insurer has given a substantive response in relation to a serious complaint, unless and until the insurer has received an indication from the complainant that the response is unsatisfactory, the insurer is entitled to treat the complaint as settled and resolved after the expiry of four weeks from the date of its response.
- 16.6 The first substantive reply to a serious complaint shall, unless it offers a settlement reasonably expected to be acceptable to the complainant, advise the complainant that he or she has a right to complain directly to the Authority.
- 16.7 The complaints procedure is outlined below:
- a) The complainant should write a letter giving a detailed explanation of the complaint and the name or job title and contact details of the person handling the complaint within the insurance company.
 - b) The Authority acting as an arbitrator will organize a meeting between the insurer and the complainant.
 - c) Within thirty days of receiving a complaint the Authority should send the complainant either :
 - i. A final response
 - ii. A response which explains why the Authority is not in a position to make a final response , gives reasons for the delay and indicates when it expects to be able to provide a final response.

In any case, a final response should be sent to the complainant within a reasonable period of time (normally not exceeding sixty days), taking the nature of the complaint into account.

17.0 Retention period and coverage

17.1 A licensed insurance company should record and retain details of complaints for a minimum period of two years from the date of their receipt.

17.2 The details to be recorded should include, where applicable:

- a) The complainant's name and contact details
- b) the substance of the complaint; and
- c) any correspondence between the insurer and the complainant, including how the complaint was resolved and details of any redress offered by the insurer; and
- d) whether any alleged problems, if substantiated, were rectified and how.

18.0 Access to inspection and reporting

18.1 The records should be kept in a convenient and accessible form to facilitate inspection by the Authority during regular or ad hoc examinations.

18.2 If necessary, the Authority may request a report from an insurer on the number and type of complaints received and the manner in which they have been resolved.

19.0 Cooling off Period

19.1 A policyholder within ten (10) working days after entering into a contract with a licensed insurer may revoke or terminate the contract by written notice to the institution;

19.2 The revocation or termination of the contract shall be effective if the policyholder repays in full any amount that is due to the insurer at the time of cancellation of the contract, including any administrative fee or charge, and costs which have been reasonably incurred by the insurer prior to the exercise of the cooling off right by the consumer;

19.3 The ten (10) working day period provided under paragraph 18.1 above shall be calculated from the day the policyholder signed the

contract and shall exclude Saturdays, Sundays and public holidays.

19.4 The written notice provided for in paragraph 18.1 above shall have no effect unless it:

- a) is signed by the policyholder or his or her agent acting on his or her written authority or consent;
- b) refers specifically to the insurance contract/policy that is being revoked or terminated; and
- c) is unconditional.

19.5 For purposes of this section, a licensed insurance company shall at the time when the policyholder enters into the contract:

- a) explain to the policyholder that he or she has the right to revoke or terminate the transaction within ten working days after she or he signs the contract;
- b) explain to the policyholder how and when the policyholder must exercise the cooling off right should she or he wish to do so;
- c) explain to the policyholder that the contract will no longer have any legal effect upon the expiration of 18.1;
- d) advise the policyholder of his or her liability to pay any administration fee or charge and costs which have been reasonably incurred by the licensed insurance company prior to the exercise by the policyholder of the cooling off right; and
- e) state in the contract entered into with the policyholder the date on which the policyholder's cooling off right commences and expires.

19.6. For purposes of this section, a licensed insurance company or intermediary shall include in the contract with a policyholder a clause on the right to cooling off.

20.0 Adoption of a Code of Conduct

Notwithstanding the requirements of these regulations, licensed insurance institutions, under the umbrella of the Insurance Association of Liberia (AIL), shall be required to develop and adopt a code of ethical standards and conduct to promote acceptable practices in the insurance sector and enhance confidence in the sector.

Regulation No. CBL/RSD/001/2016

BY ORDER OF THE PRESIDENT

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