

# Nigerian Insurance Industry Reform Act (NIIRA) 2025 Fact Sheet



#### **Overview**

The Nigerian Insurance Industry Reform Act (NIIRA) 2025, signed into law by President Bola Tinubu on August 5, 2025, represents a comprehensive overhaul of Nigeria's insurance sector. It repeals and consolidates several outdated laws, including the Insurance Act (2003), Marine Insurance Act (LFN 2004), Motor Vehicles (Third Party Insurance) Act (LFN 2004), National Insurance Corporation of Nigeria Act (2004), and Nigeria Reinsurance Corporation Act (LFN 2004). The Act establishes a modern regulatory framework under the National Insurance Commission (NAICOM) to enhance transparency, financial stability, consumer protection, and industry competitiveness. Its primary objectives are to protect policyholders, foster innovation, increase insurance penetration (currently below 1%), and align the sector with global standards to support Nigeria's ambition for a \$1 trillion economy by 2030.

The Act applies to all insurance and reinsurance businesses in Nigeria, with exceptions for friendly societies and foreign reinsurers dealing solely with authorized local insurers. It introduces risk-based supervision, digitization mandates, and stricter enforcement to address historical issues like low penetration, delayed claims, and insufficient capital.

#### **Key Provisions**

The NIIRA 2025 introduces several core provisions designed to modernize operations and ensure accountability. Below is a summary:

#### **Capital Requirements and Financial Stability**

- **Minimum Capital Thresholds:** Non-life insurers must maintain #25 billion, life insurers #15 billion, and reinsurers #45 billion (or higher based on risk assessments by NAICOM). Existing companies have within 12 months of the commencement of this Act to comply, while new entrants must deposit 50% of capital with the Central Bank of Nigeria.
- Capital Adequacy Ratio: Insurers must maintain a 100% capital adequacy ratio, excluding assets like goodwill or unsecured loans. While an insurer carrying on both life and non-life insurance business shall at all times maintain separate capital adequacy ratios for each of the businesses. Insurance regulation and supervision is to be carried out on a risk-based approach and the annual risk-based capital reports are due by March 31.
- **Recapitalization Mandate:** The recapitalization mandate is to ensure that companies are well-capitalised and financially sound in their day-to-day operations. The mandate aims to enhance solvency and resilience against risks, with NAICOM empowered to enforce mergers or acquisitions for non-compliant firms.

## **Licensing and Operations**

- **Licensing Categories:** Separate licenses are issued for life, non-life, and reinsurance operations; composite insurers must specialize within 5 years. Licensing prerequisites include CAC incorporation, a business plan, and NAICOM approval.
- Tougher Licensing Rules for Insurance Agents: NIIRA makes it compulsory to get a licence before working as an insurance agent by placing a fine of up to \\$500,000, jailed for six months, or both. The law also penalises insurance companies that transact with unlicensed agents, imposing a fine equal to five times the premium collected from such transactions. Furthermore, individuals who have been convicted of a crime or declared bankrupt are prohibited from being licensed as insurance agents.
- **Prohibitions:** Unlicensed operations incur fines up to #50 million for companies and #25 million for individuals, along with the risk of a two-year prison sentence. NAICOM also retains authority to suspend or revoke licenses for infractions, including misrepresentation or financial distress. These sanctions are aimed at eliminating quack operators and protecting consumers.
- **Principal Officers and Offices:** Principal officers must be pre-approved by NAICOM; insurers must maintain a principal office in Nigeria and seek approval for branches.

#### **Consumer Protection and Claims Settlement**

- **Policy Delivery and Products:** The Act imposes strict timelines for claim assessments, approvals and disbursements. Policies must be delivered within 5 working days of premium payment; new products require NAICOM approval (deemed approved after 30 days if no response). Failure to comply attracts penalties or suspension of operating licences, reinforcing accountability and customer trust. The Act enforces broader compulsory insurance schemes and introduces a policyholder protection fund known as the general reserve fund, financed by 25% of every operator's gross life premium. This ensures that consumers are compensated even when an insurer becomes insolvent.
- Claims Handling: Claims must be settled within 60 days of notification, with sanctions of #500,000 plus accrued compound interest at the prevailing bank rate for delays. Insurers are required to maintain detailed claims registers; and disputes arising out of any insurance contract shall be referred to the Federal High Court or a dedicated Insurance Tribunal.
- **Insurable Interest and Beneficiaries:** Policies require clear insurable interest and named beneficiaries; breaches do not allow repudiation unless fraudulent.
- **Protection Funds:** The Act establishes the Security and Insurance Development Fund for unpaid claims in insolvency cases and the Road Safety and Accident Victims Compensation Fund (funded by 1% of motor premiums) for victim support.

## **Compulsory Insurance**

- The Act mandates coverage for: group life assurance (minimum of 3x annual emoluments), construction projects, public buildings, government assets/employees, petroleum/gas stations, motor third-party, aviation services, imported goods, credit life for loans exceeding #10 million, and containers at ports.
- Non-compliance fines range from #50,000 to #10 million, with imprisonment options.

## **Sanctions and Regulatory Oversight**

- **Penalties:** Heavy fines for unlicensed activities, misleading ads, or anti-money laundering breaches; NAICOM reserves the right to impose administrative sanctions or suspend licenses.
- **New Institutions:** Strengthens NAICOM's powers; establishes the National Bureau for the ECOWAS Brown Card Scheme for regional motor accident claims.

  Other Reforms
- **Digitization:** The Act mandates digital processes across the entire insurance value chain, from licensing and product approvals to claims processing and regulatory filings. These processes are to be handled through NAICOM-managed digital platforms to enhance efficiency and access.
- **Regional Expansion:** The law enhances broader market participation by encouraging active participation in regional insurance frameworks, such as the ECOWAS Brown Card System. This allows insurance coverage and claims settlement to be honoured across borders within the West African region.
- **Anti-Money Laundering:** Insurers must comply with measures to combat financial crimes.



# **Reforms Compared to Previous Laws**

Reform Area	Previous Laws (Deficiencies)	NIIRA 2025 Reforms	Benefits/ Improvements
Regulatory Framework	Fragmented across multiple laws (e.g., Insurance Act 2003, Marine Insurance Act, and others), leading to complexity and inconsistent application.	Consolidates all regulations into a single, unified Act, repealing outdated statutes.	Reduces complexity, streamlines supervision, and promotes a modern, cohesive legal framework for easier compliance and enforcement.
Capital Requirements	Relied on fixed capital thresholds, which did not account for varying risk profiles, potentially undermining solvency in dynamic markets.	Shifts to risk-based capital (RBC) models, with higher minimum requirements (e.g., \(\frac{\pm}{15}\) billion for life insurance, \(\frac{\pm}{25}\) billion for non-life, \(\frac{\pm}{45}\) billion for reinsurance); requires annual RBC reports by March 31.	Promotes solvency by tailoring capital to specific risks, enhances financial stability, and attracts investment.
Digitization and Regional Integration	Lacked mandatory digitization; no explicit provisions for electronic processes or regional schemes, limiting efficiency and cross-border operations.	Introduces mandatory digitization (e.g., electronic policy delivery within 5-30 days, digital records); expands participation in regional schemes like ECOWAS Brown Card System, allowing investments in African markets.	Improves access, efficiency, and modernization; fosters regional integration, boosting competitiveness and insurance penetration across borders.

Reform Area	Previous Laws (Deficiencies)	NIIRA 2025 Reforms	Benefits/ Improvements
Consumer Rights and Protection	Gaps in handling claims delays (no strict timelines) and insolvency protection; limited policyholder safeguards, leading to disputes and low trust.	Strengthens rights with mandatory claims settlement within 60 days (with penalties like compound interest); establishes policyholder protection funds for insolvency; enhances third-party beneficiary rights and transparent disclosures.	Closes gaps in delays and protection, builds public trust, ensures timely payouts, and provides financial safeguards in insurer failures.
Compulsory Insurances	Less rigorous enforcement with lower penalties; incomplete coverage mandates (e.g., for buildings, government assets, or credit life), resulting in low compliance rates.	Enforces compulsory policies more strictly (e.g., for buildings under construction, public buildings, government assets, petroleum stations, aviation, imports, and credit life over #10 million); imposes higher penalties for non- compliance.	Boosts compliance, enhances consumer and public protection, and supports economic growth through broader risk coverage and dedicated funds (e.g., Road Safety and Accident Victims Compensation Fund).

# Impact on the Business Environment

Aspect	Positive Impacts	Potential Challenges
Financial Stability & Investment	Higher capital requirements ensure resilient insurers, attracting foreign players. Recapitalization could drive mergers, consolidating the market and unlock a massive amount of gross premiums.	Smaller firms may struggle with compliance, leading to acquisitions or exits.
Consumer Confidence & Market Penetration	Relied on fixed capital thresholds, which did not account for varying risk profiles, potentially undermining solvency in dynamic markets.	Shifts to risk-based capital (RBC) models, with higher minimum requirements (e.g., \mathbf{\pm}15 billion for life insurance, \mathbf{\pm}25 billion for non-life, \mathbf{\pm}45 billion for reinsurance); requires annual RBC reports by March 31.
Regulatory & Operational Efficiency	NAICOM's enhanced authority and risk-focused supervision will curb mismanagement, while digitization will simplify operations and regional initiatives will expand access to West African markets.	Stricter licensing and sanctions increase administrative burdens.
Innovation & Competitiveness	Encourages tech-driven models and innovation, positioning Nigeria as an African hub.	Legacy systems may slow adoption.

#### Conclusion

Overall, the Act catalyzes economic transformation by mitigating risks, attracting FDI, and enhancing sector contributions to GDP. However, successful implementation depends on NAICOM's enforcement and industry adaptation, with potential short-term disruptions offset by long-term gains in stability and inclusivity. The new Act is a strong signal that Nigeria's insurance industry must grow and improve or risk becoming irrelevant. The changes are expected to lead to mergers, stricter regulation and greater trust from the public. Smaller insurance companies that can't meet the new standards may have to merge with others or leave the industry, while stronger companies will take their place. For investors and other stakeholders, these reforms open the door to new opportunities, better returns and a more secure business environment.





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