



# **NIGERIA'S INSURANCE INDUSTRY REFORM ACT, 2025: A DEEP DIVE INTO REFORM AND ITS CHALLENGES**

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After 22 years, Nigeria’s insurance sector finally experienced a regulatory transformation as President Bola Tinubu assented to the Nigerian Insurance Industry Reform Bill (“Bill”) on 5<sup>th</sup> August 2025<sup>1</sup>. The Bill, which will now be referred to as the Nigerian Insurance Industry Reform Act (“NIIRA”), repeals the Insurance Act 2003 (“Old Act”) and other associated legislation.<sup>2</sup> The expectation is that the new regulatory environment will modernise Nigeria’s insurance industry by driving market consolidation, restore public confidence and, most critically, align the insurance sector with the Federal Government’s broader vision of achieving a \$1 trillion economy.<sup>3</sup>

This article will discuss what the NIIRA means for the future of Nigeria’s insurance industry in three aspects. It will begin by outlining the structure of the insurance sector’s development to contextualise the promises that are symptomatic of a dynamic industry. Then, succeeding sections will highlight new, key provisions, including stringent new capital requirements, mandates for digitisation, and robust consumer protection

measures, among others. We have also highlighted anticipated implementation challenges, as well as several recommendations that stakeholders should consider as we navigate this new regime.

## **NIGERIA’S INSURANCE INDUSTRY IN FOCUS**

The context of Nigeria’s insurance industry makes for a very interesting read. Recent reports from the National Insurance Commission (“NAICOM”) and the Nigerian Insurers Association (“NIA”) highlight a sector on a strong upward trajectory. In the first quarter of 2025, the industry’s total assets grew by 24.9% year-on-year (“YoY”), reaching ₦4.2 trillion, an increase from ₦3.3 trillion in the corresponding period of 2024<sup>4</sup>. This follows a similarly impressive performance in the full year 2024, where total assets increased by 46.1% to ₦3.9 trillion compared to the previous year.

Gross Premium Written (“GPW”<sup>5</sup>) has also seen a substantial surge. In Q1 2025, GPW increased by 63.4% to a record ₦769.2 billion, up from ₦470.7 billion generated in Q1 2024. Total net claims for the full year 2024 amounted to ₦622 billion, with the non-life segment accounting for ₦437 billion and the life segment for ₦185 billion<sup>6</sup>.

While these headline figures are impressive, a deeper analysis reveals a complex dynamic. The nominal growth is partially a consequence of the prevailing macroeconomic conditions. Nigeria’s

<sup>1</sup> President Tinubu Assents to Nigerian Insurance Industry Reform Bill 2025 to Drive Financial Sector Transformation: <https://statehouse.gov.ng/news/president-tinubu-assents-to-nigerian-insurance-industry-reform-bill-2025-to-drive-financial-sector-transformation/#:~:text=The%20NIIRA%20Act%202025%20ushers,achieving%20a%20%241%20trillion%20economy.>

<sup>2</sup> The NIIRA repeals and replaces not only the Insurance Act 2003 (“old Act”) but also the Marine Insurance Act, Motor Vehicles (Third Party Insurance) Act, National Insurance Corporation of Nigeria Act, and the Nigeria Reinsurance Corporation Act.

<sup>3</sup> President Tinubu Assents to Nigerian Insurance Industry Reform Bill 2025 to Drive Financial Sector Transformation: <https://statehouse.gov.ng/news/president-tinubu-assents-to-nigerian-insurance-industry-reform-bill-2025-to-drive-financial-sector-transformation/#:~:text=The%20NIIRA%20Act%202025%20ushers,achieving%20a%20%241%20trillion%20economy.>

[transformation/#:~:text=The%20NIIRA%20Act%202025%20ushers,achieving%20a%20%241%20trillion%20economy.](https://storage.naicom.website/naicom/files/Bulletin%20of%20the%20Insurance%20Market%20Performance%20-%20Q1%202025.pdf)

<sup>4</sup> NAICOM Bulletin of the Insurance Market Performance: The Research & Statistics Department | Synopsis of the Insurance Market in first quarter 2025: <https://storage.naicom.website/naicom/files/Bulletin%20of%20the%20Insurance%20Market%20Performance%20-%20Q1%202025.pdf>

<sup>5</sup> Gross Premium Written is the total amount of money an insurer collects from its customers in exchange for insurance policies.

<sup>6</sup> Gross Premium Written Performance: NAICOM Bulletin of the Insurance Market Performance: The Research & Statistics Department Synopsis of the Insurance Market in first quarter 2025: <https://storage.naicom.website/naicom/files/Bulletin%20of%20the%20Insurance%20Market%20Performance%20-%20Q1%202025.pdf>

average headline inflation rate was 31.70% in 2024<sup>7</sup>, and the Naira depreciated by 40.8% against the USD in the first two months of 2024<sup>8</sup>. This currency devaluation has a significant effect on foreign currency-denominated premiums, particularly in the Oil and Gas sector, as they are bloated upon translation into Naira. Similarly, the high-interest rate environment resulting from the Central Bank of Nigeria's contractionary policies has bolstered profitability by generating higher returns on fixed-income investments, where insurers hold large portions of their capital. For some key players, this investment income, rather than core underwriting, has been the primary driver of record profits. This suggests that a significant portion of the observed growth is fragile and sensitive to shifts in monetary policy and exchange rates, highlighting a fundamental need for structural reforms to ensure long-term, sustainable expansion.

## **NIGERIAN INSURANCE INDUSTRY REFORM ACT 2025: KEY REFORM PILLARS**



The NIIRA is the culmination of a process that saw the Senate pass the bill in December 2024 and the House of Representatives follow suit in March 2025. Stakeholders have hailed the new Act as a game-changer that will enhance the sector's contributions to the country's Gross Domestic

Product. As stated earlier, its passage aligns with the ambitious goal of achieving a \$1 trillion economy, a vision that positions a strengthened and modernised insurance industry as a crucial pillar for national economic development.

In a bid to achieve this ambitious goal, the NIIRA introduces significant improvements and changes to provide a more comprehensive legal and regulatory framework for the insurance sector in Nigeria. The key improvements are as follows:

### **1. Capital Requirements**

The NIIRA replaces the previous fixed capital requirements for insurance companies with a higher of a fixed sum or a Risk-based Capital ("RBC") determined by the NAICOM. In determining the risk-based capital, the NAICOM<sup>9</sup> will consider factors such as the capital for insurance risk, market risk, credit risk, and operational risk and apply such capital charges on assets and liabilities as it shall determine.

Under the new regime, insurance companies must maintain certain thresholds on a respective RBC to be determined by the NAICOM. What this means is that non-life insurance operators now require a minimum capital of the higher of ₦15 billion<sup>10</sup> or a respective risk-based capital amount to be determined by NAICOM, as opposed to the general insurance requirement of not less than ₦200,000.00 under the old Act. Life insurance companies must also meet the threshold of ₦10 billion<sup>11</sup> or a risk-based capital to be determined by

<sup>7</sup> National Bureau of Statistics CPI and Inflation Report for February 2024: <https://www.nigerianstat.gov.ng/elibrary/read/1241470>

<sup>8</sup> The Central Bank of Nigeria Economic Report: <https://www.cbn.gov.ng/Out/2025/RSD/November%202024%20Economic%20Report.pdf>

<sup>9</sup> Risk-based capital (RBC) is a regulatory standard that requires financial institutions, particularly insurance companies, to maintain

a minimum amount of capital based on their specific risk profile rather than a fixed, arbitrary amount.

<sup>10</sup> Section 15 NIIRA

<sup>11</sup> Section 15 NIIRA

the NAICOM, a substantial increase from the ₦150 million threshold required under the old Act. Re-insurance companies must maintain a minimum capital requirement of ₦45 billion or a risk-based capital determined by NAICOM<sup>12</sup>, a significant increase from the ₦350 million stipulated under the old Act.

The advantage of this innovation is clear. With RBC, an insurance company that invests heavily in risky assets or sells complex, volatile products will be required to hold more capital. Conversely, a company with a conservative investment strategy and a stable book of business might be allowed to hold less. This ensures that the insurance company's financial cushion is proportionate to the potential for losses, serving as an early warning system for regulators and ultimately protecting policyholders. This will create an insurance sector capable of underwriting larger and more complex risks.

The NIIRA also eliminates the concept of a "composite insurance business<sup>13</sup>" as a separate category, a type of license that allows a company to offer both life and general insurance. Insurers will now be required to hold separate licenses for these categories and meet their respective capital thresholds<sup>14</sup>. Notably, insurers registered before the commencement of the NIIRA must comply with these new capital requirements within 12 months of the

Act's commencement<sup>15</sup>, after which NAICOM will publish a list of all insurers and reinsurers that have complied with these provisions within 30 days from the expiration of the compliance period.<sup>16</sup>

## 2. **Mandatory Insurance and Consumer Protection**

A central theme is the expansion of mandatory insurance and the introduction of new consumer protection measures. All employers are now required to provide Group Life Assurance for their employees<sup>17</sup>, and new mandatory policies are introduced for public buildings, government assets, and specialised risks in the energy and aviation sectors<sup>18</sup>. Existing policies like motor vehicle third-party insurance are enhanced with higher compensation limits and a new Road Safety and Accident Victims Compensation Fund to aid victims of uninsured drivers. The Act also establishes Credit Life Insurance for loans exceeding ₦10 million<sup>19</sup>, ensuring that lenders are covered in the event of a borrower's death or permanent disability. The Act also reinforces existing mandatory insurance types. Motor Vehicle (Third Party) Insurance is enhanced, with increased minimum coverage for property damage and new compensation provisions for medical expenses and damages to public property. A major consumer protection measure is the establishment of a Road Safety and Accident Victims Compensation Fund, which will be used to compensate victims of uninsured or

<sup>12</sup> Section 15 NIIRA

<sup>13</sup> Section 9 Old Act

<sup>14</sup> Section 6 NIIRA

<sup>15</sup> Section 15 (5) NIIRA

<sup>16</sup> Failure to satisfy these provisions can lead to the cancellation of an insurer's or reinsurer's registration by the NAICOM.

<sup>17</sup> Section 68 (1) NIIRA

<sup>18</sup> All Federal Government assets and employees must be insured, with premiums being a first charge on the government's consolidated account. For the energy sector, petroleum and gas facilities, including vehicles transporting these products, must be insured against third-party losses from fire or explosion.

<sup>19</sup> Section 91 (3) NIIRA

unidentified drivers. Insurance of Imported Goods remains compulsory and must be done with a registered Nigerian insurer.

Consumer protection is significantly bolstered by new provisions that safeguard policyholder funds during an insurer's liquidation, giving policyholders priority over secured creditors. The claims settlement process is now streamlined with a reduced timeline of 60 days, and insurers face penalties with monthly compound interest for late payments<sup>20</sup>. The NIIRA also ensures greater transparency and accountability by requiring a Service Charter for licensing and imposing stricter rules on agents and brokers to ensure the prompt remittance of premiums, all of which are designed to protect the insured's funds and foster a more trustworthy insurance market.<sup>21</sup>

### 3. Digitisation and Operational Efficiency

The NIIRA introduced a modern, digitised framework for the insurance sector. For example, the Old Act mandates that policy documents be delivered to the insured no later than 60 days after the first premium payment and requires insurers and reinsurers to keep various records at their principal offices.<sup>22</sup> The NIIRA embraces technology to enhance efficiency and customer experience as it allows for the delivery of policy documents via email or other electronic means within a reduced timeframe of 5 working days, and it permits the creation of insurance certificates and cover notes in electronic form. It also formally

regulates web, internet, and electronic-based insurance, requiring a license for such operations.<sup>23</sup> Furthermore, it integrates national identification systems like the Bank Verification Number and National Identification Number.<sup>24</sup> into the verification process and provides legal clarity for maintaining records in physical or electronic form<sup>25</sup>, thereby addressing the digital and operational limitations of the Old Act.

### 4. Regional Integration

The NIIRA introduced an Economic Community of West African States ("ECOWAS") Brown Card Scheme, a key mechanism for regional motor insurance.<sup>26</sup> Unlike the Old Act, which only mentioned the scheme in its interpretation section, the NIIRA establishes a formal National Bureau with a clear mandate. This bureau is responsible for issuing Brown Cards, handling financial commitments, and settling claims from accidents involving Brown Cardholders both in Nigeria and in other participating West African countries. Most importantly, the new law makes it mandatory for all motor vehicle insurance policies issued in Nigeria to include the Brown Card. This ensures that any motorist with a valid Nigerian motor insurance policy is automatically covered for third-party liability throughout the ECOWAS sub-region<sup>27</sup>.

Local capacity for foreign insurance placements has also been extended. Although the Old Act and the NIIRA require Nigerian companies to first exhaust local capacity before placing risks

<sup>20</sup> Section 210 (4) NIIRA

<sup>21</sup> Section 5 (4) NIIRA

<sup>22</sup> Section 15 (1) Insurance Act 2003

<sup>23</sup> Section 201 (2) NIIRA

<sup>24</sup> Section 64 (3) NIIRA

<sup>25</sup> Section 19 (2) NIIRA

<sup>26</sup> Section 103 NIIRA

<sup>27</sup> Section 103 NIIRA

with foreign insurers, the NIIRA has redefined "local capacity" to include insurance and reinsurance companies within the African Sub-region.<sup>28</sup> This is a significant step that promotes intra-African collaboration and resource sharing, encouraging Nigerian insurers to look for capacity from partners in other African countries before seeking international placements.

## ANTICIPATED IMPACTS AND CHALLENGES

As is with all legislative reformations, implementing the NIIRA will have both positive and challenging impacts on the insurance industry. The section on key reform pillars has already discussed the anticipated, positive changes, and now we must consider possible challenges, with the most immediate issues potentially stemming from the drastic increase in capital requirements, the transition to a risk-based capital framework, and the implementation of new digital regulations. On one side, these reforms are expected to modernise the industry and strengthen its capacity. The other side is that they will lead to market consolidation, increased pressure on smaller insurers, and some of the other issues that have been outlined below:

### 1. Capital Requirements and Market Consolidation

The increase of the minimum capital requirements for insurance companies may lead to market consolidation, as smaller insurers may struggle to raise the necessary capital within the 12-month compliance timeline. This consolidation could reduce the number of players, but it is also intended to create a more financially stable industry with a greater

capacity to underwrite large and complex risks.

### 2. Transition to Risk-Based Capital and International Financial Reporting Standards ("IFRS") 17

A key shift under the NIIRA is the move to an RBC framework, where an insurer's capital requirements are based on its specific risk profile. This requires companies to have sophisticated financial and actuarial capabilities to accurately assess and report on risks like asset, underwriting, credit, and operational risks. Implementing these complex standards poses a challenge for firms, requiring substantial investment in skilled professionals and new systems, which could be particularly difficult for smaller insurance companies.

### 3. Digital Inclusion and Regulatory Enforcement

The NIIRA Act promotes digitisation by allowing electronic delivery of policy documents and certificates and regulating web-based insurance businesses. However, it does not address potential hurdles related to digital inclusion for all segments of the Nigerian population, especially in rural or underserved areas with limited access to digital tools and a lower level of digital literacy. The successful implementation of these reforms also hinges on the NAICOM effectively using its expanded powers to administer and enforce the new regulations. With extensive new powers to license, regulate, and penalise operators, the NAICOM must ensure its oversight is consistent, fair, and effective to maintain industry stability and consumer trust.

<sup>28</sup> Section 204 NIIRA

## CONSIDERATION FOR STAKEHOLDERS AND CONCLUSION

For larger insurers, the primary focus will be on aggressive recapitalisation, especially with the new capital thresholds. Insurers will need to pursue strategies like rights issues, bond instruments, or strategic partnerships to meet the 12-month compliance deadline. Beyond capital, they must invest heavily in upgrading their governance and risk management infrastructure to handle the new RBC framework and align with modern financial reporting standards.

Smaller insurers face a more existential challenge as the increase in capital requirements may make it unviable for many to continue operating independently. Their strategic options include considering mergers, alliances, or acquisitions with larger firms to meet the new thresholds. Proactive engagement with the NAICOM will be crucial for negotiating realistic transition timelines and building the necessary capacity to comply with the new regulations.

Brokers and intermediaries must also adapt to the new environment. The NIIRA imposes stricter accreditation and compliance requirements, including a significantly higher professional indemnity cover of not less than ₦100 million.<sup>29</sup> This requires them to enhance their professional standards and financial backing. On the other hand, the expansion of compulsory insurance mandates, such as Group Life Assurance for employees, professional indemnity for healthcare providers, and enhanced motor third-party coverage, presents a major opportunity to grow distribution volumes.

Consumers and policyholders stand to benefit from many of the new provisions. The NIIRA

reinforces consumer protection through dedicated funds, such as the Security and Insurance Development Fund and the Road Safety and Accident Victims Compensation Fund, which protect policyholders in cases of insurer insolvency or accidents with uninsured drivers. Claim settlement timelines have been reduced, and the new law mandates greater transparency. However, challenges may persist for some, particularly those in rural or credit-constrained areas who may face difficulties accessing the new digital services. It is therefore crucial for consumers to stay educated on their rights and the new policy terms to fully leverage the benefits of the reform.

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<sup>29</sup> Section 43 NIIRA

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