

Nigerian Insurance Industry Reform Act, 2025 (NIIRA): What changes for insurers, brokers, and policyholders.

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INTRODUCTION

In a move to modernize Nigeria's Insurance landscape, President Bola Ahmed Tinubu signed the Nigerian Insurance Industry Reform Act (NIIRA) 2025 into law.

The NIIRA 2025 Assented to on the 5th day of August 2025; repeals the Insurance Act, Cap. 117, Laws of the Federation of Nigeria 2004, Marine Insurance Act, Cap M2, Laws of the Federation of Nigeria 2004, Motor Vehicles (Third-Party Insurance) Act, Cap M22, Laws of the Federation of Nigeria 2004, National Insurance Corporation of Nigeria Act, Cap. N54, Laws of the Federation of Nigeria 2004 and Nigeria Reinsurance Corporation Act, Cap. N131, Laws of the Federation of Nigeria 2004, consolidating them into one statute.

Building upon and repealing the consolidated acts, this new legislation introduces several pivotal provisions designed to enhance regulation, foster financial stability, boost consumer protection, and expand the industry's reach. After about two decades, the NIIRA Act 2025 is poised to usher in a new era of innovation, transparency, and global competitiveness for Nigeria's insurance sector.

This article explores the key provisions of the new Act in comparison with the repealed Act and examines their implications for the Nigerian Insurance Industry.

KEY NEW PROVISIONS AND THEIR IMPLICATIONS TO THE INSURANCE INDUSTRY

1. Stricter Scrutiny on Foreign Insurers

While the Insurance Act 2003, generally prohibited transacting domestic business with foreign insurers unless they were registered under the Act^[1], it also stated that the Commission may grant written permission for a person to insure or reinsure with a foreign insurer; which is only applicable in exceptional cases, where the person can demonstrate that due to the unique nature of the risk involved or other exceptional circumstances the risk cannot be covered locally.^[2] The above stated prohibition on foreign placement without local licensing and its exception, although retained in the NIIRA Act 2025^[3], has a significant new layer of due diligence also introduced in the act; which is “the prohibition of any foreign insurer or its subsidiaries from operating in Nigeria if it does not have a physical presence in its country of incorporation and licensing, or if it is not affiliated with a financial services group subject to effective consolidated supervision”. It further prevents Nigerian insurers from establishing or continuing relationships with such entities.^[4]

The NIIRA 2025^[5] explicitly defines “domestic insurance or reinsurance

business” to include fire, motor, liability, life, accident, health, engineering, energy (oil, gas and power), and aviation insurance and reinsurance, plus other classes the Commission may determine. This is a more comprehensive list than the Insurance Act 2003^[6], which did not explicitly list health, engineering, energy, or aviation in its definition of domestic business.



The NIIRA 2025^[7] mandates that local capacity shall be fully utilized for all the classes of insurance stated above, before risks are insured or reinsured abroad, and this is subject to prior approval by the Commission. While the 2003 Act^[8] implied local placement first, this provision makes it an explicit pre-condition to engaging foreign entities.

^[1] Sec 72(1)

^[2] Sec 72(4)

^[3] Sec 204(1)(5)

^[4] Sec 5(6)

^[5] Sec 204(2)

^[6] Sec 72(2)

^[7] Sec 204(3)

^[8] Sec 72(4), 67(1)

Furthermore, NIIRA 2025[9] clarifies that no in-person engagement shall be required with a foreign reinsurer by the insured or reinsured, provided the insurer can demonstrate adequate reinsurance of the risk in accordance with the reinsurance program submitted to the Commission at the beginning of the year. It also states that foreign or international health insurance providers are now required to obtain prior approval from the Commission before transacting any health insurance business emanating from Nigeria. Contravention incurs a penalty “not less than the total premium involved”.[10]

Implication

This aims to ensure that foreign partners are legitimate, and subject to comprehensive regulatory oversight in their home jurisdictions, protecting the Nigerian market from dealing with non operational companies or those operating in weakly regulated environments. It demands enhanced due diligence on all foreign relationships. The mandate for local capacity utilization with prior approval before risks are insured or reinsured abroad, significantly reinforce the “Nigeria-first” policy, aiming to boost local industry growth and retention. The streamlined foreign reinsurance process reduces administrative burdens for insurers and facilitates quicker access to international risk capital.

2. Capital & Deposits

-Capital Requirement

A key area of reform under NIIRA 2025 is the overhaul of the capital adequacy framework for insurance operators. Compared to the provisions under the 2003 Act, the NIIRA 2025 introduces significantly higher capital thresholds, a risk-based approach, and more structured requirements for statutory deposits with the Central Bank of Nigeria.

In the 2003 Act[11], the minimum paid-up share capital was fixed at:

₦150 million for life insurance

₦200 million for general insurance

₦350 million for composite insurance

₦350 million for reinsurance

These fixed capital thresholds applied uniformly across all insurers, with no differentiation based on company size, risk exposure, or complexity.

The Act allowed existing insurers a grace period of nine months to comply with the capital requirement and permitted that the paid up capital may be subscribed to by the capitalisation of undistributed profits, subject to the Commission’s approval[12].

The Commission was also empowered to increase the minimum paid-up capital at its discretion[13], and to cancel the registration of any insurer failing to meet the required capital while publishing a compliance list within 30 days of the deadline[14].

[9] Sec 204(6)

[10] Sec 204(7)

[11] Sec 9(1)

[12] Sec 9(2)(a)(b)

[13] Sec 9(4)

[14] Sec 9(3)(a)(b)

In contrast, NIIRA 2025[15], introduces a dual capital standard based on either a fixed minimum amount or a risk-based capital (RBC) requirement; whichever is higher.

The statutory minimums as stated in the act are:

₦15,000,000,000 for non-life insurance or risk-based capital determined by the Commission

₦10,000,000,000 for life insurance or risk-based capital determined by the Commission

₦35,000,000,000 for reinsurance or risk-based capital determined by the Commission

The risk-based capital model is based on assessments of the capital for insurance, market, credit, and operational risks and applies such capital charges on assets and liabilities as shall be determined[16].

The Act provides that new companies may meet capital requirements through government bonds, treasury bills, cash, or cash equivalents[17], while existing insurers may meet them through[18]:

- Excess of admissible assets over liabilities, less the number of own shares held by the firm.

- Subordinated liabilities subject to approval by the Commission.

- Other financial instruments as may be prescribed by the Commission.

Insurers registered before the Act's commencement must comply within

12 months[19] and failure to meet the capital requirements will lead to cancellation of registration by the Commission and within 30 days, the Commission must publish a list of compliant insurers[20].

The Act further states that an insurer carrying on insurance business in Nigeria shall maintain the capital adequacy ratio of 100% and the Commission may prescribe a higher a capital adequacy ratio as may be determined by the Commission[21].

-Statutory Deposit

Both Acts mandate that insurers deposit a portion of their capital with the Central Bank of Nigeria, but NIIRA 2025 includes expanded rules and safeguards.

Under the Insurance Act 2003[22], insurers intending to commence operations must deposit 50% of the paid-up share capital as a statutory deposit with the CBN.

Upon registration, 80% of this deposit is refunded within 60 days and the deposit earns interest at the CBN's minimum lending rate which must be made good within 30 days if withdrawn, failing which the insurer may be suspended. Non-compliance was a ground for cancellation of registration.

Under NIIRA 2025[23], the same 50% deposit rule applies to new insurers, and 80% is refundable within 60 days after registration. Existing companies must deposit 10% of the minimum capital, aligning with the earlier Act.

[15] Sec 15(1)

[16] Sec 15(2)

[17] Sec 15(4)

[18] Sec 15(5)

[19] Sec 15(6)

[20] Sec 15(7)

[1] Sec 24(1)(2)

[22] Sec 10

[23] Sec 16

It further states that the deposit shall be invested by the CBN in treasury bills or other secure investments, with the income paid to insurers bi-annually. Additionally, the Commission may direct the CBN to invest the deposit in other Federal Government-guaranteed securities.

The deposit is immune to garnishee orders and must be restored within 60 days if withdrawn, or the insurer faces suspension, which must be published in two national newspapers. Failure to make the statutory deposit is a ground for cancellation of licence.

Implication

The capital reforms under NIIRA 2025 significantly enhance the solvency and resilience of the insurance sector by raising minimum capital and introducing a risk-based capital (RBC) regime which ties capital adequacy to insurance, market, credit, and operational risks. This aligns Nigeria with international standards and promotes tailored supervision.

These changes will likely lead to market consolidation, as smaller, undercapitalised insurers either merge or exit, leaving a stronger and a more competitive market. Public trust is expected to improve, as better-capitalised firms are more likely to honour claims and meet obligations.

The requirement that statutory deposits be invested securely by the Central Bank ensures capital preservation and biannual income to insurers, while shielding funds from legal claims.

This shifts the industry towards a more sophisticated and prudent capital management framework, requiring insurers to hold capital commensurate with their actual risk exposure.

Ultimately, the reforms incentivise better risk management, product innovation, and a more stable consumer-protective insurance sector.

3.Mandatory Specialisation of Insurance Companies

One of the innovations introduced by



the NIIRA 2025 is the mandatory specialisation of insurance companies into distinct lines of business. This marks a clear departure from the former regulatory regime under the Insurance Act 2003, which allowed for composite operations.

Under the 2003 Act, insurance was classified broadly into “life insurance business” and “general (non-life) insurance business[24]”. The law permitted composite insurance companies to operate both classes under a single licence and legal structure. This framework enabled insurers to underwrite life and non-life risks concurrently, without regulatory separation[25].

In contrast, the NIIRA 2025[26] states that the Commission shall license an insurer only in the categories specified in the Act (Life Insurance Business and Non-Life Insurance Business, with distinct classes)[27].

While the above provision does not explicitly state that insurers must choose a single line of Insurance business, a broader reading of subsequent provisions implies it.

The subsequent provision provides that “a company licensed for life insurance business may acquire shares in a company licensed for non-life insurance business; and a company licensed for non-life insurance business may acquire shares in a company licensed for life insurance business[28]. This allows cross-ownership between insurers but preserves operational distinction.

The act also states that existing composite insurance companies shall, within five years of the commencement of the NIIRA 2025, comply with the provision by operating a single line of insurance business; signaling an end to composite licensing for primary insurer.

Furthermore, the Act[29] provides that where an applicant is a reinsurer, the Commission may in its discretion issue a license for both life and non-life classes of business introducing a specific exception by permitting composite operation for reinsurers.

Implication

The introduction of mandatory specialisation may have wide-ranging effects on the Nigerian insurance landscape:

- **Regulatory Simplification:** By eliminating composite licences, NAICOM can supervise life and non-life businesses more effectively, using tailored solvency and reporting frameworks.
- **Operational Focus:** Insurers will be able to develop deeper expertise and specialised products within their chosen field, potentially enhancing service delivery.
- **Industry Restructuring:** Composite insurers will need to undertake significant internal reforms within the 5-year window, possibly creating new subsidiaries.
- **Improved Risk Governance:** Separation of life and non-life operations reduces cross-

[24] Sec 2(1)

[25] Sec 2 (6)(b)

[26] Sec 6(1)

[27] Sec 3

[28] Sec 6(2)(a)(b)

[29] Sec 6(3)

contamination of risks and facilitates clearer capital allocation.

4. Enhanced Consumer Protection through Delivery of Policy Documents and Approval of New Products

A. Delivery of Policy Documents

Under the Insurance Act 2003^[30], insurers were required to deliver the policy document within 60 days of the payment of the first premium and failure to comply attracted a fine of ₦5,000 on conviction.

In contrast, NIIRA 2025^[31] significantly tightens this obligation. Accordingly, the policy document must now be delivered on or before the commencement of the policy, thereby eliminating the 60-day window and ensuring immediate access by the insured. It also imposes harsher penalties; “an insurer that fails to deliver the document is liable to a penalty of up to 5% of the premium received, in addition to any other regulatory sanctions”.

Crucially, it introduces a strong consumer protection mechanism where an insurer cannot rely on any term, condition, or warranty to deny a claim if it failed to deliver the policy document before a loss occurred, unless the loss occurred within the permitted delivery period.

Furthermore, it expands the acceptable modes of delivery, which may be made physically or via email and other electronic means.

However, where digital delivery is used, the insurer must ensure actual receipt by the policyholder.

B. Approval of New Insurance Products

Under the Insurance Act 2003^[32], no insurer was permitted to introduce a new product without prior approval from the Commission. The Commission was required to communicate its decision within 30 days of receiving the application and failure to obtain approval attracted a fine of ₦10,000 on conviction.

NIIRA 2025^[33] retains this prior approval requirement but introduces other key reforms to improve efficiency, certainty, and regulatory responsiveness.

While the act maintains the 30-day window for feedback, it adds that this period may be adjusted by the Commission’s Service Charter. More importantly, where the Commission fails to communicate within the specified period, the product is deemed approved; a notable departure from the 2003 Act, which remained silent on regulatory silence.

In terms of enforcement, NIIRA 2025 imposes a more severe penalty; insurers who violate the above stated provisions, are now liable to ₦500,000 per day for every day the contravention continues, significantly strengthening regulatory compliance.

Implication

These reforms strengthen consumer protection by requiring insurers to deliver policy documents before the start of coverage and preventing them

[30] Sec 15

[31] Sec 17

[32] Sec 16

[33] Sec 18

from denying claims based on undisclosed terms if delivery was not made. This improves transparency, ensures customers are fully informed, and helps reduce disputes. The inclusion of email and other electronic means for delivery promotes digitalization and faster communication but also places a duty on insurers to confirm actual receipt. Non-compliance now attracts a heavier penalty up to 5% of the premium, raising the compliance burden on insurers.

The “deemed approval” for new products fosters innovation, quicker market response from the Commission, regulatory accountability and creating a more predictable business environment for insurers.

Altogether, these provisions promote accountability, customer trust, quicker claim resolution, and align the industry with international best practices, improving its credibility and growth potential.

5.Proposal Form and Disclosure Requirements

Under the Insurance Act 2003[34], where an insurer requires an insured to fill a proposal or application form, the form must be drafted to ask for all information the insurer considers material. Any information not expressly requested is deemed immaterial, protecting the applicant from being penalised for non-disclosure of facts not specifically asked.

This core approach is retained in NIIRA 2025[35], maintaining that insurers bear the burden of asking the

right questions. If they fail to do so, the applicant is not held responsible for omissions.

Both Acts also require the proposal form to be printed in easily readable letters and prominently include a notice that any insurance agent assisting in completing the form is deemed to act on behalf of the applicant not the insurer. This protects insurers from liability for errors introduced by agents during the application process.

Furthermore, both versions provide that disclosures made by the applicant to an agent are deemed disclosures to the insurer, as long as the agent acts within their authority. This ensures that applicants are not disadvantaged if an agent fails to pass on information.

However, NIIRA 2025[36] introduces a key addition: it mandates that individual applicants must submit their BVN and NIN, and corporate applicants must provide relevant CAC documentation. This reflects Nigeria’s broader push toward identity verification, financial transparency, and anti-fraud measures, embedding regulatory compliance directly into the underwriting process.

Implication

The enhancements introduced in NIIRA 2025 strengthen regulatory compliance and improve transparency in the insurance application process, with direct impacts on underwriting practices, agent accountability,

[34] Sec 54

[35] Sec 64

[36] Sec 64(4)

and fraud prevention.

Firstly, the mandatory inclusion of BVN and NIN for individuals, and CAC documentation for corporate applicants embeds identity verification and regulatory compliance into the onboarding process. This supports national KYC and anti-fraud objectives, reduces the risk of impersonation, and enhances traceability of policyholders.

Secondly, the Act reaffirms that only information expressly requested in the proposal form is deemed material. This continues to place the burden on insurers to ask the right questions and ensures applicants are not penalised for non-disclosure of unrequested facts.

Thirdly, by deeming that agents who assist in completing proposal forms act on behalf of the applicant not the insurer, this reduces the insurer's legal liability for errors or misrepresentations introduced during the application process. While this protects insurers, it may expose applicants to unfair risks particularly if agents provide misleading guidance or make mistakes. This could undermine public trust in insurance intermediaries and increase the likelihood of disputes. This provision highlights the need for stricter agent training and detailed oversight within the industry.

6. Expansion of Compulsory Insurances

While Insurance Act 2003 included

compulsory insurance for public buildings, buildings under construction, insurance of imports and motor third-party liability, the NIIRA 2025 expands this scope and introduces new mandatory insurance covers:

Insurance of Buildings Under Construction:

- **Insurance Act 2003:** stipulated that “No person shall cause to be constructed any building of more than two floors without insuring with a registered insurer his liability in respect of construction risks caused by his negligence or the negligence of his servants, agents or consultants which may result in bodily injury or loss of life or damage to property of any workman on the site or of any member of the public”. [37] The act further stated that a person who contravenes this section commits an offence and on conviction shall be liable to a fine of ₦250,000 or imprisonment for three years or both.[38]
- **This is re-enacted under the NIIRA 2025;** however, it expands the scope by requiring insurance for “any building of more than one floor” (instead of two floors in the 2003 Act) against construction risks that may result in bodily injury or loss of life to any

[37] 64(1)

[38] Sec 64 (3)

person or workman working on the site or to any member of the public[39]. The Act also clarifies that this insurance must be procured “immediately upon approval of building plan before commencing construction”[40]. Furthermore, the act increases the liability of a person who contravenes this provision to a fine of ₦5,000,000 or imprisonment to a maximum term of 12 months (seeing a reduction from 3 years under the 2003 act) or both.[41]

Insurance of Public Buildings:

- Insurance Act 2003: mandated that every public building shall be insured with a registered insurer against the hazards of collapse, fire, earthquake, storm and flood[42]. The policy was required to cover legal liabilities of an owner or occupier of premises in respect of loss of or damage to property or bodily injury or death suffered by any user of the premises and third parties[43].
- This requirement is maintained under NIIRA 2025[44]; however, the definition of “public building” is slightly modified to include a tenement house “of more than one floor hostel”, a building occupied by a tenant, lodger or licensee and any building to which members of the public have “access” for

the purpose of obtaining educational or medical services or for the purpose of recreation or transaction of business.[45]

Under the act,[46] every direct insurer on policies issued shall pay 0.25% of the net premium received quarterly into a Fire Services Maintenance Fund which shall be established, administered and disbursed by the Commission for the purpose of providing grant or equipment to institutions engaged in fire-fighting services; An insurer who defaults in making payment as required is liable to a penalty of not more than 10 times the amount payable, provided that persistence in non-compliance with the provision shall be a ground for the cancellation of registration of an insurer[47]. Furthermore, an owner or occupier of premises who contravenes the provision of this section, commits an offence and is liable on conviction to a fine of at least ₦1,000,000 or imprisonment for a term not exceeding 12 months or both[48].

Insurance of Imports:

- Insurance Act 2003: Required that insurance for goods imported into Nigeria be effected with an insurer registered under the Act[49]. It mandated that letters of credit or similar instruments issued by Nigerian banks, be on a Carriage and Freight

[39] Sec 75(1)

[40] Sec 75(2)

[41] Sec 75(3)

[42] Sec 65(1)

[43] Sec 65(3)

[44] Sec 76(1)(2)

[45] Sec 76(6)

[46] Sec 76(3)

[47] Sec 76(4)

[48] Sec 76(5)

[49] Sec 67(1)

basis only[50]. The obligation applied specifically to importers, brokers, and agents, and non-compliance attracted a penalty of ₦500,000[51].

o NIIRA 2025: Retains the requirement that insurance for imports must be placed with a Nigerian-registered insurer but expands the language to cover “goods and merchandise”[52], potentially broadening the scope of items subject to this requirement. It also extends the duty of compliance to consignees and shippers, in addition to importers, brokers, and agents. The penalty for non-compliance has been increased to ₦1,000,000 or the premium amount, whichever is higher, signaling stricter enforcement and broader accountability [53].

- **Motor Third-Party Liability Insurance:**

- o Insurance Act 2003: mandated that “No person shall use or cause or permit any other person to use a motor vehicle on a road unless a liability which he may thereby incur in respect of damage to the property of third parties is insured with an insurer registered under this Act”[54], with liability coverage of not less than ₦1,000,000[55].

- o The above stated provision is updated under NIIRA 2025; It continues to require a policy of insurance for “third-party” risks[56], but changes and specifies the minimum coverage limits. The policy now covers: [57]

- Death or bodily injury to third parties.
- Medical expenses of “third-party” accident victims not exceeding ₦100,000 for out-patient treatment and ₦250,000 for in-patient treatment or such sum as may be prescribed by the commission.
- Damage to the property of third parties not exceeding ₦3,000,000.
- It also adds compensation for damage to public property on highways, such as streetlights, traffic lights, crash barriers and sign posts[58].
- Furthermore, it introduces a mandatory requirement for insurance covering every fare paying passenger in the vehicle carrying passengers for hire or reward against death or bodily injury, with a minimum compensation of ₦2,000,000 or such higher sum as the Commission may specify in regulations for death or total permanent disability.[59]

[50] Sec 67(3)

[51] Sec 67(4)

[52] Sec 82(1)

[53] Sec 82(4)

[54] Sec 68(1)

[55] Sec 68(2)

[56] Sec 84(1)

[57] Sec 87(1)(b)

[58] Sec 87(2)

[59] Sec 84(4)(5)

New Compulsory Insurance Introductions in NIIRA 2025

The NIIRA 2025 expands the scope of compulsory insurance beyond the 2003 Act by introducing several new mandatory covers. The Insurance Act 2003 primarily listed different categories of insurance business that insurers could carry on [60]. This means that a framework existed for an insurer to offer insurance services under the 2003 act; but did not explicitly make it compulsory for specific entities or individuals to obtain these types of insurance, nor did it detail the scope of such covers or the penalties for non-compliance in the comprehensive manner seen in the NIIRA 2025.

The NIIRA 2025, on the other hand, shifts the paradigm by introducing or significantly expanding specific types of insurance as mandatory requirements, attaching legal obligations and consequences for non-compliance as follows:

- Professional Indemnity by Health Care Providers:
 - The act states that a health care provider shall maintain a professional indemnity insurance from a registered insurance company and display in its office its Certificate of

- Insurance[61]. Liability for non-compliance attracts a fine as prescribed by the Commission. [62]
- Petroleum and Gas Refilling Stations and Products in Transit:
- The act requires that all petroleum and gas refilling stations and installations shall be insured against third-party losses occasioned by accidental fire outbreak or explosion[63].
 - It further states that all vehicles transporting petroleum and gas products shall be insured against third-party losses occasioned by accidental fire outbreak or explosion[64]. A copy of the insurance certificate shall be displayed in a conspicuous location at the refilling station and non-compliance to these provisions attracts a fine of at least ₦1,000,000 or a minimum of two years imprisonment or both[65]. This provision addresses significant risks associated with the highly volatile nature of these products.

• Aviation Insurance:

- The act stipulates and makes it compulsory for various entities in the aviation sector, including a

[60] Sec 2(1)(3)

[61] Sec 80(1)(a)(b)

[62] Sec 80(2)

[63] Sec 78(1)

[64] Sec 78(2)

[65] 78(4)(5)

carrier operating air transport services to, from or within Nigeria, aerodrome operator, aviation fuel supplier, or a provider of ground handling services, traffic control services, aircraft maintenance services, or a provider of such other related or allied services, to maintain adequate insurance covering their liabilities under the Civil Aviation Act and to pay compensation for damages that may be sustained by third parties[66]. It also provides that where the provisions of the Civil Aviation Act in relation to insurance matters are inconsistent with the provisions of the NIIRA Act 2025, the NIIRA act shall prevail.[67] The act further states that any carrier, operator or other aviation service provider who does not comply with this provision commits an offence and is liable to a fine of not less than three times the value of all related premiums payable on the various classes of insurance required and any of its principal officers who is responsible is liable on conviction to imprisonment for a maximum term of 12 months or both.[68]

- **Container Usage from Nigerian Ports:**

The Act introduces a requirement for insurance coverage relating to the use of

containers for transporting goods from Nigerian ports to any destination within the country. This insurance must be obtained through an insurer that is duly registered under the Act.[69]. It further provides that no person shall be compelled to make any form of deposit in connection with the use of such containers[70]. Additionally, it places the responsibility on the importer, broker, or agent to secure appropriate insurance coverage issued by a licensed Nigerian insurer for the container, in order to protect the interests of the ship liners or owners[71]. Failure to comply with this provision constitutes an offence that attracts a fine of at least ₦1,000,000.[72]

- **Insurance of Government Assets and Employees:**

- The act stipulates that all assets and employees of the Federal Government and its agencies shall be insured against the hazards and perils of such nature as the Commission may determine.[73] This broadens compulsory insurance to include public sector assets and personnel.

Implication

The NIIRA 2025 builds a more extensive and detailed framework for compulsory insurance, reflecting an increased focus on comprehensive risk

[66] Sec 81(3)(a)(b)

[67] Sec 81(2)

[68] Sec 81 (5)

[69] Sec 203(1)

[70] Sec 203(2)

[71] Sec 203(3)

[72] Sec 203(4)

[73] Sec 77(1)

coverage and stakeholder protection across various critical sectors of the economy. This significantly broadens the market for insurance and potentially driving higher insurance penetration.

7. Formalized Group Life Assurance

The Nigerian Insurance Industry Reform Act, 2025 (NIIRA 2025) introduces significant and expanded obligations for employers regarding group life assurance policies; a notable departure from the provisions of the Insurance Act 2003. This comprehensive new framework marks a pivotal shift towards enhanced employee protection and more stringent employer accountability.

While the Insurance Act 2003 categorized “group life insurance and pension business” as a type of life insurance[74], it did not contain specific provisions mandating employers to maintain group life assurance policies for their employees, nor did it specify the level of cover or the detailed operational requirements now seen in the NIIRA 2025. The 2003 Act lacked explicit directives on employer responsibilities, beneficiary payments, or penalties for non-compliance in this specific area.

In contrast, the NIIRA 2025, establishes a robust and mandatory framework for group life assurance, placing clear duties and liabilities on employers.

The NIIRA 2025 introduces several crucial requirements that redefine the landscape of group life assurance:

- **Mandatory Coverage for Every Employee:** The Act unequivocally states that every employer shall maintain a group life assurance policy in favour of each employee for a minimum of three times the annual total emolument of the employee, and premiums must be paid by the commencement date of the cover [75].
- **Direct Payment to Beneficiaries:** In the event of an employee’s death, their entitlements under the group life assurance policy are to be paid directly to the named beneficiary[76].
- **Employer’s Trustee Role and Policy Details:** The policy must explicitly name the employer as a trustee and the employees as the life assured. It must also include specific details such as the names and addresses of the assured, their exact salary grade level, total death benefit payable, and verifiable beneficiaries by acceptable means of identification[77].
- **Introduction of Personal Identification Numbers (PINs):** A significant new administrative requirement is that every insurer providing group life cover shall generate a Personal Identification Number (PIN) for each of the scheme members under the policy and deliver it to them within two weeks of policy issuance[78].

[74] Sec 2(2)(b)

[75] Sec 68(1)

[76] Sec 68(2)

[77] Sec 68(3)(4)

[78] Sec 68(5)

- **Application to Government Entities:** The mandate is extended to include all Ministries, Departments and Agencies of the Government, ensuring that public sector employees are also covered[79].
- **Direct Employer Liability for Non-Compliance:** Employers who fail to comply with these requirements face substantial penalties. An employer without the policy is liable to a penalty of the annual total emolument of each employee[80]. Furthermore, if an employee dies without a group life cover, the employer is directly liable to pay three times the total emolument of such employee[81].
- **Commission's Regulatory Authority:** The Act empowers the Commission to make regulations for the effective implementation of this section[82].
- **Provision for Missing Employees:** The Act also makes a new provision for employees declared missing. If, after one year, a board of inquiry determines it reasonable to presume the employee is dead, the provisions for payment to beneficiaries apply[83].

Implication

The Insurance Act 2003 provided a classification for group life insurance but lacked the specific mandatory requirements, detailed scope, and direct employer liabilities that are now central to the NIIRA 2025. The 2025 Act represents a substantial legislative upgrade, significantly enhancing

employee welfare and ensuring robust enforcement mechanisms for group life assurance policies.

8.Evolution From a General Fund to Dedicated Structures

- The Insurance Act 2003 established a singular Security and Development Fund. This fund was designed with dual mandate:

- **Policyholder Protection:** To be used for the payment of claims admitted or allowed against a registered insurer that remained unpaid due to the insurer's insolvency or the cancellation of its registration[84].
- **Third-Party Compensation:** To compensate innocent individual third parties who were permanently disabled or killed by uninsured or unidentified drivers.[85]

- The NIIRA 2025 marks a significant shift from this general approach by introducing distinct, specialized funds. While the core purposes of the Insurance Act 2003 fund are addressed, they are now managed through new, more specific, and structured provisions:

a.The New Road Accident Victims Compensation Fund (NIIRA 2025)

- The NIIRA 2025 introduces the Road Accident Victims Compensation Fund, into which shall be paid 0.5% of the underwriting profit on motor insurance business[86]. This provides a clear, direct, and sustainable funding stream for road accident victims.

[79] Sec 68(6)

[80] Sec 68(8)

[81] Sec 68(9)

[82] Sec 68(10)

[83] Sec 69

[84] 78(1)(a)

[85] 78(1)(b)

[86] Sec 99

A Road Safety and Accident Victims Compensation Committee is established to oversee this fund and the committee includes representatives from the insurance industry, a medical practitioner with expertise in orthopedic and trauma medicine, the Commission, Federal Road Safety Corps, Nigerian Police Force, State Traffic Agencies, and the Federal Ministry of Finance, ensuring multi-stakeholder involvement and expertise[87].

The fund is specifically mandated to pay compensation for death or bodily injury from motor vehicle accidents caused by uninsured vehicles or unidentified drivers, and to cover hospital expenses for such victims. A portion is also allocated as grants to relevant law enforcement agencies for equipment[88]. Insurers are obligated to pay quarterly to the fund[89] and an insurer who defaults in making payment as required under this provision is liable to a penalty of a sum equal to five times the amount payable[90].

b.The Insurance Policyholders Protection Fund

The NIIRA 2025 creates an Insurance Policyholders Protection Fund into which shall be paid[91]:

- 0.25% of the gross premium income of every insurer and reinsurer; and

0.25% of the balance standing in the Security and Insurance Development Fund as at 31 December of the preceding year after meeting all Financial obligations stipulated for the

Fund by the National Insurance Commission Act. This indicates a deliberate transfer or utilization of residual assets from the repealed 2003 fund into this new, specialized structure.

Its primary objective is to resolve distress and insolvencies of licensed insurers or reinsurers and to ensure the payment of admitted claims that remain unpaid due to an insurer's insolvency or license cancellation[92]. The fund is designed to be managed and administered independently of the Commission's funds by a competent fund manager appointed by the Commission and overseen by an Insurance Policyholders Protection Fund Committee[93]. The act further states that the Fund shall be disbursed as loan and shall be repaid to the Fund by the insurer or reinsurer after its recovery from insolvency or distress or as first line charge payable by an appointed receiver or liquidator, upon cancellation of licence or certificate of registration, on the realization of assets of the insurer or reinsurer[94].

Implication

The introduction of two distinct, purpose-built funds, signifies a clear legislative intent towards greater specialization, clearer funding mechanisms, enhanced governance, and improved policyholder and "third-party" protection in the Nigerian insurance industry.

9. Automatic ECOWAS Brown Card Inclusion

The NIIRA 2025 introduces a significant enhancement regarding the ECOWAS

[87] Sec 100(1)(2)

[88] Sec 100(4)

[89] Sec 100(3)

[90] Sec 100(5)

[91] Sec 212(1)

[92] Sec 212(2)

[93] Sec 212(4)(5)

[94] Sec 212(6)

Brown Card Scheme compared to the Insurance Act 2003, fundamentally changing its application within Nigerian motor insurance policies.

The 2003 Act acknowledged the ECOWAS Brown Card Scheme primarily in the context of claim settlement procedures[95]. This provision focused on how claims involving such participants would be treated, implying a recognition of the scheme but without mandating its automatic inclusion in local Nigerian motor policies. It could be inferred that participants typically had to obtain a separate Brown Card if they intended to travel across ECOWAS borders.

On the other hand, the NIIRA 2025 provides for Automatic Inclusion by introducing a transformative provision explicitly stating that all motor vehicle insurance cover issued in Nigeria, shall carry automatic Brown Card[96]. This is a crucial shift from mere recognition to mandatory, automatic integration. This means that any motor vehicle insurance policy purchased in Nigeria now inherently includes the ECOWAS Brown Card coverage, without the need for a separate application.

Implications:

- **Enhanced Coverage and Convenience for Policyholders (Seamless Cross-Border Travel):** Nigerian motorists with valid motor insurance no longer need to worry about obtaining additional

ECOWAS Brown Card coverage when planning to drive in other West African countries. The necessary third-party liability coverage is automatically embedded in their local policy.

- This simplifies compliance with regional insurance requirements and provides a safety net for potential accidents involving third parties across ECOWAS member states, boosting confidence for inter-country travel.
- **Increased Responsibility and Scope for Nigerian Insurers (Expanded Liability):** Every Nigerian insurer underwriting motor vehicle insurance now automatically assumes the liability associated with the ECOWAS Brown Card for all their motor policies. This significantly expands their geographical risk exposure beyond Nigeria's borders to the entire ECOWAS region.
- **Promoting Regional Integration:** This simplifies cross-border motor insurance for Nigerian motorists within the ECOWAS region, promoting regional integration and providing seamless protection.

In essence, the 2025 Act moves from a system where the ECOWAS Brown Card was an option, to one where it is an integral and automatic component of every motor insurance policy issued in Nigeria. This significantly enhances consumer protection and regional mobility while possibly imposing new, expanded responsibilities on the Insurer.

[95] Sec 71(4)(b)

[96] Sec 103(8)

10. Accelerated Claims Settlement and Stiffer Penalties

While the Insurance Act 2003 set a 90 day claims settlement period and a fine of ₦500,000 for any insurer who contravenes this provision[97], the NIIRA 2025 introduces more granular timelines and more severe consequences for delays.

The NIIRA 2025 stipulates that all admitted claims shall be settled within 60 days of notification, and special risk claims must be admitted or denied within 60 days, then settled within 60 days of discharge voucher[98].

Beyond fines of ₦500,000, insurers contravening this section are liable to pay the claim amount with a monthly compound interest at the prevailing bank rate[99]. The act further states that all disputes arising out of any insurance contract shall be referred to the Federal High Court or insurance tribunal established under the National Insurance Commission Act[100].

Implication

This is a powerful mechanism to ensure prompt claims payment, directly benefiting policyholders and significantly improving the industry's reputation for responsiveness and reliability.

11. Enhanced Corporate Governance

The Insurance Act 2003 had restrictions on loans to an officer of the insurer[101].

The NIIRA 2025 further restricts loans specifically to non-executive directors[6] and, significantly prohibits any employee

from engaging in business transactions as a counterpart with the insurer or its subsidiary related to insurance funds or assets[103].

Both Acts impose penalties for unauthorized loans or financial transactions involving officers and employees. The NIIRA 2004 had a general restriction for “officers” with a penalty of double the loan amount[104]. The 2025 Act maintains a specific “double the loan amount” penalty for non-executive directors[105] but introduces a broader prohibition for all employees; making it an offence if contravened. Although no penalty is prescribed under this section, for offenses under the Act where no specific fine is provided within the section defining the offense, the general penalty clauses of the Act come into play[106]. This reinforces corporate governance and reduces conflicts of interests.

12. Duties of Insurance Agents and Insurers

The Insurance Act 2003 required insurers to maintain a register of their insurance agents, including names, addresses, and service dates[107]. Agents were permitted to collect premiums on behalf of insurers but were required to immediately remit the collected premium[108]. Failure to do so attracted tiered penalties, ranging from ₦10,000 to ₦100,000, or imprisonment depending on the number of offences, with possible disqualification from acting as an agent[109].

[97] Sec 70(1)(2)

[98] Sec 210(3)(4)(5)

[99] Sec 210(7)

[100] Sec 210(9)

[101] Sec 77(1)

[102] Sec 211(1)

[103] Sec 211(3)

[104] Sec 77(2)

[105] Sec 211(2)

[106] Sec 218(4)

[107] Sec 35(1)

[108] Sec 35(2)

[109] Sec 35(3)

Additionally, persons acting as agents without proper appointment and insurers who knowingly worked with such agents were both criminally liable and subject to refund orders[110].

However, the NIIRA 2025 also mandates that insurers maintain a register of agents with their contact details and service dates[111]. However, it introduces a stricter rule: insurance agents are no longer allowed to collect premiums on behalf of insurers at all; all premium payments must be made directly to the insurer[112]. If agents violate this rule, they face a penalty of up to 5% of the premium involved and additional ₦100,000 per day the offence continues, as well as Disqualification for 12 months from acting as an agent or employee of any insurer[113]. The Act also gives the Commission discretionary power to impose further penalties[114].

Implications

-By prohibiting insurance agents from collecting premiums, the NIIRA 2025

reduces the risk of fraud, embezzlement, or delayed remittance. This shift promotes transparency and traceability in financial transactions, ensuring that premiums reach insurers directly and faster.

-The financial penalties (5% of premium + ₦100,000/day) are steep enough to ensure seriousness.

- With stricter rules, insurance agents are under pressure to maintain professional standards.

13. Indemnity Cover Requirement For Insurance Broking Firm

The Insurance Act 2003 required a professional indemnity cover of not less than ₦10,000,000[115]. In contrast, the NIIRA 2025 increases this requirement tenfold to not less than ₦100,000,000 or 50% of its annual brokerage income for the preceding year whichever is greater[116].

This increase signifies a higher standard of financial backing and responsibility expected from insurance brokers under the newer legislation.



[110] Sec 35(4)(5)

[111] Sec 38(1)

[112] Sec 38(2)

[113] Sec 38(3)

[114] Sec 38(4)

[115] Sec 38(a)

[116] Sec 43(a)

Recommendations

To navigate the immediate and long-term compliance demands of NIIRA 2025, stakeholders should consider the following actionable steps:

- **Recapitalization Planning:** Immediately develop and finalize a clear strategy to meet the new minimum capital requirements (₦15,000,000,000 non-life, ₦10,000,000,000 life, ₦35,000,000,000 reinsurance) or the higher risk-based capital figures within the 12-month compliance period for existing insurers. This may involve assessing merger and acquisition opportunities or securing new capital injections.
- **CBN Deposit:** Ensure the 10% of the new minimum capital is deposited with the Central Bank of Nigeria for existing companies, and 50% for new companies, understanding the new rules on its investment and immunity from garnishee orders.
- **30 Days Product-Approval:** Implement a robust internal tracking system for all new product applications. Filing records should be carefully retained with clear, timestamped evidence; whether via email confirmations, e-filing portal logs, or courier delivery receipts; these will be critical if the insurer needs to rely on the “deemed approval” provision. To avoid regulatory exposure, no product should be launched until the full 30-day response window has elapsed without objection from NAICOM, unless formal written approval has been received.
- **Policy-Delivery:** Insurers must overhaul their policy delivery

workflows to ensure that all policy documents are issued on or before the commencement date of coverage. This requires a thorough review of current physical delivery process, as well as the implementation of robust systems to verify actual receipt when using electronic channels. These changes are essential to reduce legal exposure, as failure to deliver policy documents on time may invalidate certain grounds for claim denial under NIIRA 2025.

- **Group-Life PIN Issuance:** Establish and operationalize a clear workflow for generating and delivering Personal Identification Numbers (PINs) to each group life scheme member within two weeks of policy issuance.
- **Training For Agents:** Conduct mandatory, comprehensive training for all insurance agents and brokers. The mandatory requirement for BVN/NIN (individuals) and CAC documents (corporates) as material information in proposal forms should be emphasized. Reiterate the insurer’s burden to ask all material questions and clarify that disclosures made to an agent are deemed disclosures to the insurer, highlighting the critical importance of accurate information collection and relay.

Conclusion

The 2003 Act had been the primary legal framework regulating the Nigerian insurance industry for over two decades. It laid down the basic rules for licensing, capital requirements, conduct of business, and consumer protection but was considered outdated given the rapid changes in the financial services sector and the Nigerian economy.

The Nigerian Insurance Industry Reform Act, 2025, represents a comprehensive legislative overhaul aimed at modernizing the insurance sector, aligning it with international best practices, and positioning it for sustainable growth. While these new provisions may pose immediate compliance challenges, they are crucial steps towards building a more robust, transparent, and policyholder-oriented industry in Nigeria. Insurers and other stakeholders must thoroughly understand and adapt to these changes to ensure continued compliance and contribute to the industry's advancement.

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Application For Appointment As External Solicitors

**SUBMITTED BY:
MANIFIELD SOLICITORS**

**DATE:
14th OCTOBER 2025**

**SUBMITTED TO:
THE LEGAL DEPARTMENT, OPTIMUS BANK LTD**

WHY CHOOSE MANIFIELD SOLICITORS



01

Strategic Location:

With offices in Lagos and Benin City, we are well-positioned to serve clients across Nigeria.

02

Dedicated Team:

Our lawyers are committed to delivering results and upholding Optimus Bank Ltd's reputation.

03

Customized Solutions:

We tailor our legal representation strategies to align with each client's specific needs and circumstances.

04

Transparent Communication:

We maintain open and regular communication with clients, ensuring they are informed at every stage of the recovery process.