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Transforming Nigeria's Insurance Landscape:

Highlights Of Novel Provisions In The Nigerian Insurance Industry Reform Act 2025

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On 31 July 2025, President Bola Ahmed Tinubu, GCFR, assented to the Nigerian Insurance Industry Reform Act (NIIRA) 2025, following its passage by the National Assembly. The Act repeals several long-standing laws and introduces a single, modern framework for regulating insurance and reinsurance in Nigeria. It is the most comprehensive review of insurance legislation in decades, aimed at promoting financial stability, protecting policyholders, and making the industry more competitive internationally.

This reform is more than a legislative update. It represents a strategic shift towards global best practices and signals the government's determination to address challenges such as under-capitalisation, low consumer confidence, and fragmented regulation.

On 12 August 2025, NAICOM issued a circular setting out the roadmap for implementation, including capital thresholds, compliance timelines, asset admissibility rules, and sanctions, thereby providing practical guidance to operators.

Repealed Legislation

NIIRA 2025 consolidates and replaces the following statutes:

- Insurance Act, Cap. I17, Laws of the Federation of Nigeria, 2004;
- Marine Insurance Act, Cap. M3 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;
- Nigeria Reinsurance Corporation Act, Cap. N131, Laws of the Federation of Nigeria, 2004.

Consequently, NIIRA 2025 removes overlaps in the multiferous insurance legislations, addresses gaps in regulation and provides a coherent basis for the growth of the sector. It also ensures that the legal framework reflects modern realities in the insurance market, rather than relying on outdated provisions.

KEY HIGHLIGHTS

Revised Capital Requirements & Compliance Timeline

Capital thresholds for insurance operators have been raised substantially:

Type of Insurance Operator	Previous Minimum Capital	New Minimum Capital	% Increase
Life Insurance Companies	₦2 billion	₦10 billion	400%
Non-Life Insurance Companies	₦3 billion	₦15 billion	400%
Composite Companies	₦5 billion	₦25 billion	400%
Reinsurance Companies	₦10 billion	₦35 billion	250%

All insurers must now maintain a Capital Adequacy Ratio (CAR) of 100% at all times. These changes are intended to strengthen the financial resilience of operators and improve their ability to absorb market shocks. Furthermore, insurance operators are expected to take practical steps to ensure compliance with the new Minimum Capital Requirements (MCR) within the prescribed 12-month timeframe, ending 30th July 2026.

NAICOM has confirmed that operators who successfully meet the new capital requirements and undergo verification will be issued fresh licences upon payment of requisite fees. This makes recapitalisation not only a balance sheet exercise but also a re-licensing process that re-validates an operator's right to do business in Nigeria.

Asset Admissibility Rules

Assets that are encumbered, lack perfect title or are not in full possession of an insurer or reinsurer, as well as assets that exceed the prudential thresholds or fail to meet prescribed criteria are expressly prohibited and are deemed inadmissible for the purpose of meeting the MCR. Insurance operators should note that the Commission will verify all assets used and where additional verification beyond the usual standard is required, the associated cost will be borne by the operator, as expressly stated in the NAICOM circular.

Risk-Based Supervision

The Act shifts from a uniform capital model to a risk-based approach. Under this system, the National Insurance Commission (NAICOM) will assess each insurer's capital requirements based on their risk profile i.e. insurance risk, market risk, credit risk, and operational risk. Annual reports on risk-based capital levels must be filed annually with NAICOM by the 31st of March.

This approach ensures that stronger oversight is applied where risks are higher, while also allowing more flexibility for operators with lower risk exposure. It represents a move away from a “one size fits all” regulation, enabling better alignment between an insurer’s actual activities and its regulatory obligations.

Recognition of Digital Insurance

For the first time, digital platforms are formally recognised for policy issuance, premium collection, and claims processing. This legal recognition is intended to make insurance more accessible and encourage innovation in product delivery.

The change also provides a legal basis for insurers to invest more confidently in technological solutions. By legitimising online channels, the Act is expected to expand the reach of insurance services into underserved segments of the population, particularly younger, tech-savvy customers and those in remote areas.

Consumer Protection Measures

The Act strengthens policyholders’ rights, introducing clearer complaint channels, faster dispute resolution timelines, and stricter deadlines for claim settlements.

These provisions are designed to build trust in the insurance system and ensure that customers receive fair treatment. Over time, greater confidence in claims processing is expected to drive higher participation in insurance, expanding the size and depth of the market.

Regulation of Intermediaries

Insurance agents must now hold a NAICOM licence, obtained either with a Chartered Insurance Institute of Nigeria (CIIN) certificate or at least 10 years’ underwriting experience. Unlicensed operations attract penalties of up to ₦500,000, six months’ imprisonment, or both. Insurers working with unlicensed agents may be fined up to five times the premium collected from such transactions.

This shared responsibility between insurers and intermediaries reinforces the culture of compliance. It also ensures that only qualified professionals handle insurance sales and client servicing, helping to raise professional standards across the sector.

Oversight & Governance

NAICOM has also established an in-house committee to oversee, guide, and monitor the recapitalisation exercise. This ensures transparency, consistency in application, and structured engagement with the industry during the 12-month compliance window.

Tougher Sanctions for Non-Compliance

The Act increases fines and expands NAICOM's enforcement powers to deter breaches and improve governance. Companies who fail to meet the MCR compliance timeframe risk facing regulatory actions, including liquidation, merger, or other resolutions as deemed appropriate by the Commission. By strengthening sanctions, the Act aims to create a stronger deterrent against misconduct. It signals that regulatory breaches will be met with meaningful consequences, fostering a market environment that rewards compliance and punishes malpractice.

POTENTIAL IMPACT ON STAKEHOLDERS

Insurers & Reinsurers

While compliance costs will rise in the short term, the long-term expectation is a more credible and competitive market. However, it is worth noting that the Commission has expressed its intention to engage with relevant stakeholders like the Securities & Exchange Commission and the Corporate Affairs Commission to explore incentives and concessions that would ease compliance and reduce the overall cost of the recapitalization exercise.

The reform is expected to encourage consolidation, allowing smaller operators merge in order to meet the higher capital thresholds. This could lead to a leaner but more formidable industry structure.

Policyholders

The reforms promise faster claims processing, improved dispute resolution, and wider product access.

Better consumer protection measures are likely to encourage more Nigerians to take up insurance policies, broadening the pool of insured individuals and spreading risk more effectively.

Nigerian Economy

The announcement of the law was followed by the largest weekly gain in Nigerian insurance stocks in almost twenty years, signalling renewed investor interest.

A stronger insurance sector is expected to contribute more significantly to GDP growth, support long-term capital formation, and help the country move towards its $1 trillion economy target.

Immediate Compliance Priorities for Insurers and Reinsurers

- Meet New Capital Thresholds: Review capitalisation levels and maintain a 100% CAR within the prescribed 12-month timeframe.
- Adapt Digital Channels: Ensure online operations comply with the Act's provisions.
- Verify Intermediary Licensing: Suspend dealings with agents who lack a valid NAICOM licence.
- Raise Internal Awareness: Brief boards, management, and compliance teams on the Act's

Early compliance will not only help insurers avoid penalties but also position them to take advantage of emerging opportunities in the modernised regulatory framework. Being proactive in implementation could provide a competitive edge in an evolving market

CONCLUSION

The Act represents a significant turning point for Nigeria's insurance industry. Stakeholders should begin compliance planning and monitor NAICOM's operational guidelines, especially those relating to capital requirements, to avoid penalties and position themselves for the opportunities this reform will create.

Ultimately, the success of this reform will depend on how quickly and effectively stakeholders adapt to the new framework. Those who embrace the changes early stand to gain the most from the stability, trust, and growth that NIIRA 2025 is intended to bring.

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