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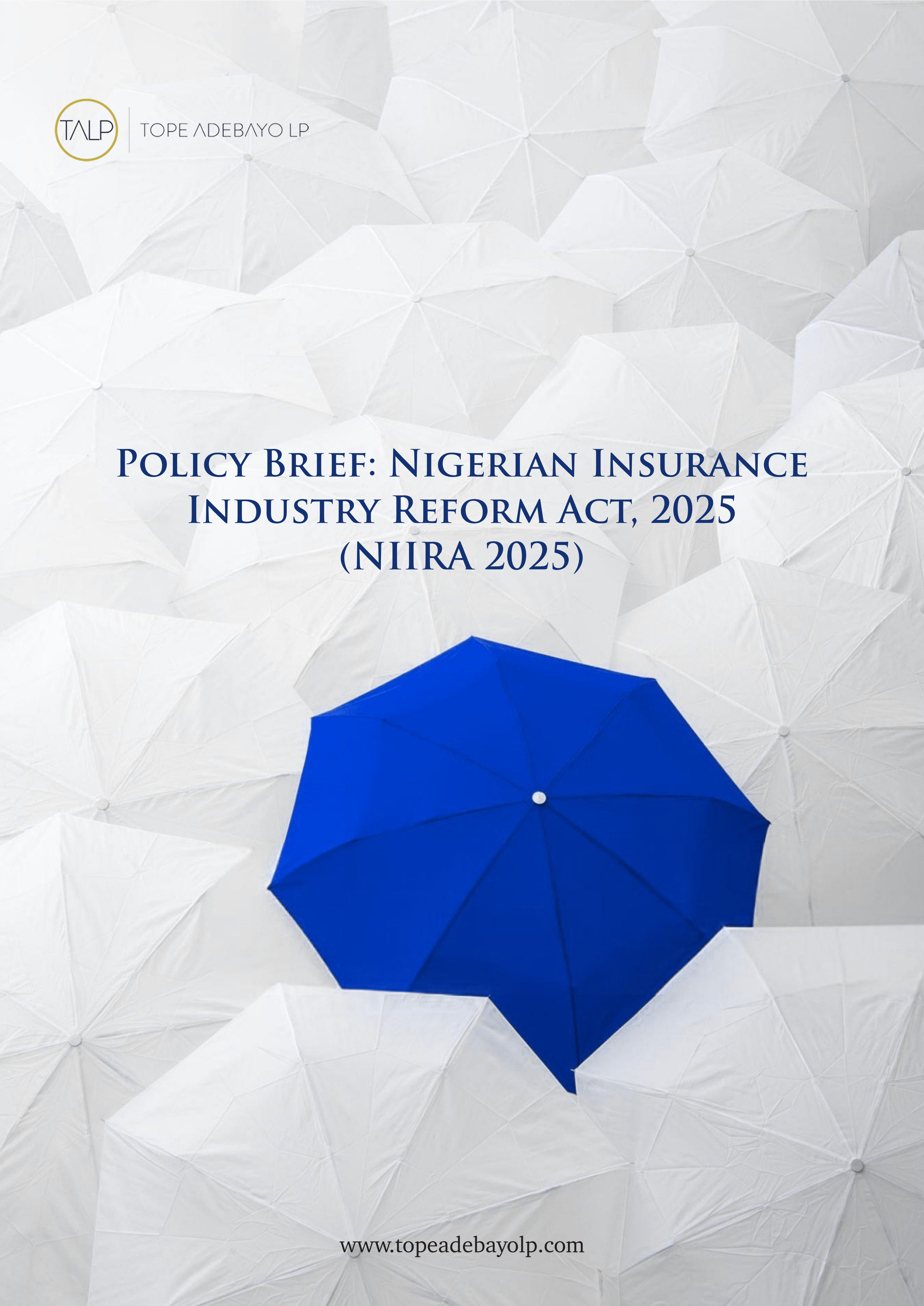
Policy Brief: Nigerian Insurance Industry Reform Act, 2025 (NIIRA 2025)



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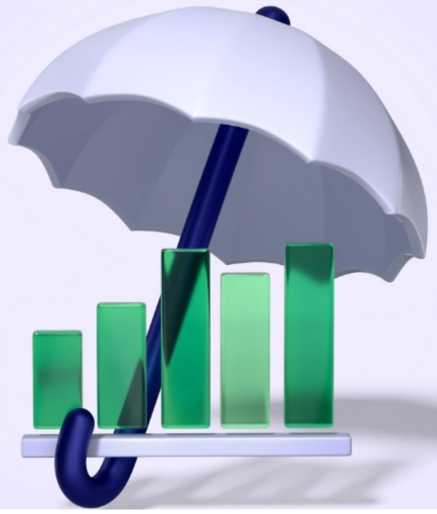
INTRODUCTION

On 5 August 2025, the President of Nigeria signed into law the Nigerian Insurance Industry Reform Act, 2025 (NIIRA 2025). This landmark legislation repeals the Insurance Act, 2003, and consolidates related provisions, ushering in a modern regulatory framework designed to strengthen financial resilience, improve market conduct, enhance governance, and protect policyholders. It aligns Nigeria's insurance sector with international best practice.



1. LICENSING AND INSURER SPECIALISATION

The New Act maintains the requirement for incorporation with the Corporate Affairs Commission ("CAC") and provides that no person may carry on insurance or reinsurance business in Nigeria without first obtaining an operating license from the National Insurance Commission (NAICOM). It further introduces a specialisation mandate: insurers may now be licensed only as either life or non-life companies. Composite insurers[1] are required to restructure within five years to comply with this mandate, while reinsurers may continue to hold composite licences. This reform is expected to strengthen supervisory clarity and foster specialised risk pools[2], in line with global practice[3].

2. ECOWAS BROWN CARD SCHEME

The New Act commits Nigeria to the ECOWAS Brown Card Insurance Scheme, a regional motor insurance initiative providing standardised cross-border coverage for accident victims, although national insurance uptake remains low[4]. Effective participation in the scheme will depend on public awareness, digital infrastructure, and the establishment of a national bureau to coordinate cross-border claims.

1 Composite Insurers are companies licensed to conduct both life and non-life insurance under one licence. This structure has been phased out in many markets to ensure clearer risk segregation and stronger supervision.

2 Just like Nigeria, Burundi took a more decisive path. Its Insurance Code expressly prohibits composite insurers; it left no room for dual licences. This meant that in 2017, the long-standing composite company UCAR had to split into two separate firms, UCAR Vie et Capitalisation for life business and UCAR Assurances Générales for non-life.

3 A different approach was taken in the United Kingdom. Under the Solvency II framework, composite insurers may still exist, but they must strictly separate their life and non-life operations, with different assets, liabilities, and technical provisions for each. The rules are so demanding that most insurers have found it easier to restructure into specialised entities rather than remain as composites.

4 Finance in Africa, 'Insurance Adoption Trends in African Countries: Penetration and Growth Insights 2025' (24 July 2025) https://financeinafrica.com/insights/insurance-adoption-trends-in-african-countries/?utm_source=chatgpt.com accessed 19 August 2025

3. FOREIGN PARTICIPATION AND MARKET PROTECTION

NIIRA 2025 bars foreign insurers or their subsidiaries that lack a physical presence in their home country or are not part of a supervised financial group from operating in Nigeria. Nigerian insurers are prohibited from transacting with such entities, ensuring that domestic insurers remain the primary conduit for Nigerian risks. In addition, any Nigerian citizen or company that arranges or underwrites insurance for Nigerian risks abroad is deemed to be "carrying on business in Nigeria" and is therefore subject to NAICOM's oversight. By bringing these activities under the regulator's supervision, the Act closes a regulatory loophole, strengthens NAICOM's ability to monitor all insurance activity affecting Nigerian risks, safeguards the domestic market, and reinforces reliance on Nigerian insurers. This approach boosts market share, enhances local underwriting capacity, and promotes the overall growth and stability of the insurance sector.[5]

4. MINIMUM CAPITAL REQUIREMENTS AND SOLVENCY STANDARDS

The 2003 Act prescribed modest capital floors and a flat 15% solvency margin. Over time, NAICOM increased thresholds through circulars. NIIRA 2025 introduces substantially higher statutory floors and a Risk-Based Capital (RBC) framework[6]. Insurers must now hold the higher of a set minimum or capital determined by NAICOM's risk assessment.

Category	2003 Act	2019 Circular	NIIRA 2025
Life Insurers	₦150m	₦8bn	₦10bn + RBC
Non-Life Insurers	₦200m	₦10bn	₦15bn + RBC
Composite Insurers	₦350m	₦18bn	Abolished
Reinsurers	₦350m	₦20bn	₦35bn + RBC
Micro insurers (2018)	₦40m–₦600m	₦40m–₦600m	No change (subject to RBC)

The new framework empowers NAICOM to adjust capital requirements based on an insurer's risk profile. Existing firms have 12 months to comply, while new entrants may satisfy requirements using cash or other liquid assets. Existing insurers may also utilise retained earnings or subordinated debt. These measures are expected to drive consolidation and capital raising within the industry.

[5] See World Bank, Insurance Regulation and Supervision in Emerging Markets (World Bank 2022) 45–46, which emphasises the importance of strong supervisory frameworks to ensure market stability, protect policyholders, and promote sustainable growth. The publication highlights the value of comprehensive regulatory approaches that cover both domestic and cross-border insurance activities, directly supporting NIIRA 2025's extension of NAICOM's oversight to Nigerians arranging insurance abroad.

[6] Nigeria has now joined a growing list of jurisdictions transitioning to risk-based capital models for insurance, aligning capital requirements with insurers' risk profiles rather than relying on uniform capital floors. Thailand was among the early adopters, introducing a hybrid model in 2011 with full enforcement from 2013. The framework requires insurers to maintain both a fixed minimum threshold and risk-based capital, holding whichever is higher. Similar approaches have since been adopted in China (2016) and Hong Kong (2024), placing Nigeria firmly within this global reform trend.

5. INVESTMENT RETURNS ON STATUTORY DEPOSITS

Previously, statutory deposits with the Central Bank of Nigeria earned interest at the minimum lending rate. Under the New Act, these deposits may now be invested in treasury bills or other CBN-approved securities, with biannual income payable to insurers. This enhances financial efficiency while preserving prudential safeguards.

6. DIGITAL POLICY DELIVERY AND MARKET MODERNISATION

NIIRA 2025 formally recognises electronic delivery of insurance policies and related documents. Policies may be delivered by email or other digital channels, provided receipt is confirmed. This reform reduces delays, improves efficiency, and supports the broader digitisation of Nigeria's financial services market[7].

7. INSURANCE INTERMEDIARIES

The New Act establishes a separate NAICOM licence for reinsurance brokers, ensuring that only specialised firms handle complex placements. Brokers are required to provide basic risk assessment information when placing business, with failure to do so potentially resulting in forfeiture of commissions. Professional indemnity requirements have been increased to N100m or 50% of the previous year's revenue, compared with N10m under the 2003 Act[8].

8. DEEMED APPROVAL OF NEW INSURANCE PRODUCTS

In line with the Business Facilitation Act 2022, NIIRA 2025 provides that new insurance products are deemed approved if NAICOM does not respond within 30 days or within the timeline specified in its Service Charter[9]. This provision is intended to streamline regulatory processes and foster product innovation.

9. CLAIMS SETTLEMENT AND POLICYHOLDER PROTECTION

The Old Act required claims to be settled within 90 days, but enforcement was weak. NIIRA 2025 shortens this to 60 days, except where liability is denied or documentation is incomplete[10]. This stricter rule builds consumer confidence and enforces accountability.

10. CONCLUSION

NIIRA 2025 is the most comprehensive insurance reform in Nigeria in over two decades. It strengthens capital and solvency requirements, modernises market conduct, digitises policy delivery, enhances consumer protection, and deepens regional integration. The reforms lay a strong foundation for sustainable growth, increased investment, and Nigeria's positioning as an emerging insurance hub in Africa. The transition will require rapid compliance, but the long-term benefits are substantial.

[7] The previous Insurance Act did not contemplate entering into insurance contracts digitally. This reform enables better access to younger, tech-savvy consumers; provides opportunities to curb fraud and reduce excuses in processing claims; allows NAICOM to monitor transactions more effectively; encourages greater insurance penetration; establishes a framework for the growth of the online insurance sector; reduces operational costs for insurers; supports sustainability and ESG initiatives; and makes the sector more attractive to investors by improving compliance with due diligence and reporting requirements.

[8] This policy addresses the risks associated with insurers being compelled to accept business regardless of their capacity to underwrite it, which can result in liabilities exceeding premiums. By ensuring that only specialised brokers handle complex placements and by strengthening risk assessment and professional indemnity requirements, the framework aligns with IFRS 17 implementation in Nigeria, which requires insurers to more accurately measure insurance contract liabilities and improve transparency in financial reporting. See IFRS Foundation, IFRS 17 Insurance Contracts (2023) https://www.ifrs.org/issued-standards/list-of-standards/ifrs-17-insurance-contracts/ accessed 19 August 2025; NAICOM, Guidelines on IFRS 17 Implementation (2022)

[9] This approach reflects the "tacit approval" or "silence is consent" principle, used in various jurisdictions to reduce bureaucratic delays and encourage innovation. See OECD, Regulatory Policy and Governance: Supporting Economic Growth and Productivity (OECD Publishing 2018) 45–46.

[10] Reducing the timeline contributes to rebuilding trust in the insurance sector and revitalising the industry. It allows NAICOM to take proactive measures to curb excesses by insurers while maintaining necessary engagement with management. Clear limits are essential to ensure accountability and protect policyholders.

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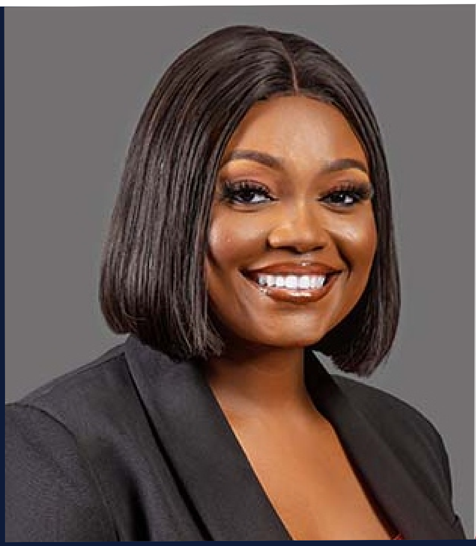

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