GREYCHAPEL
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# A NEW ERA FOR NIGERIA'S INSURANCE INDUSTRY

## INTRODUCTION

On the back of significant economic reform goals comes the enactment the Nigerian Insurance Industry Reform Act (NIIRA) 2025, replacing over two decades of legacy legislation with a single, modern legal framework. The NIIRA 2025 was signed into law by President Bola Ahmed Tinubu on August 5, 2025 and consolidates various insurance laws into a single, comprehensive framework for insurance operations in Nigeria. The reform is the first major update in over two decades, designed to steer Nigeria's insurance industry toward stability and growth.

### Key Provisions of the NIIRA

The NIIRA 2025 introduces a series of key reforms intended to enhance transparency, the Insurance Commission (NAICOM) is charged with implementing the below changes:

- **Higher Capital Requirements:** The new law mandates significantly higher capital for insurance companies. This ensures that insurers are well-capitalized and have the financial capability to meet their obligations. These capital thresholds, or higher risk-based amounts as determined by NAICOM, must be met within 12 months of the Act's commencement. This recapitalization drive aligns with international standards and is expected to strengthen insurers' stability and resilience.

- **Expanded Mandatory Insurance Coverage:** The scope of compulsory insurance has been widened, particularly for buildings under construction, public buildings, motor vehicle liability, health insurance, agricultural insurance, and construction-related covers. This means real estate developers must ensure adequate insurance coverage is in place before and during construction.

- **Zero Tolerance for Claims Delays:** The new Act imposes strict timelines for claims payment and introduces zero-tolerance for claim delay. Insurers now face severe penalties for failing to settle claims within the prescribed timeframes. This provision aims to hold insurers accountable and guarantees timely payouts.

- **Policyholder Protection Funds:** The Act establishes dedicated funds to protect policyholders in the event an insurance company becomes insolvent. These measures are designed to ensure policyholders receive prompt compensation and that their claims will be honored even if an insurance company fails.

- **Regional Participation:** Nigeria will also intensify participation in the ECOWAS "Brown Card" Scheme, ensuring Nigerian motorists have automatic third-party liability coverage when traveling across West Africa.

- **Digital Transformation and Innovation:** The Act encourages the digitalization of insurance services to increase accessibility and reduce costs. Insurers are expected to leverage technology for wider reach.

- **Stricter Regulation of Intermediaries:** All insurance agents must now be licensed by NAICOM, which requires either a Chartered Insurance Institute of Nigeria certificate or at least 10 years of underwriting experience in an underwriting firm, and a clean record free of dishonesty, fraud, or bankruptcy.

- **Sanctions for Unlicensed Insurance Business**
  Operating an insurance business without a licence now attracts severe penalties. Individuals and companies found in breach face fines of 25 million, while companies may be fined 50 million for each principal officer involved. In both cases, offenders also risk a prison term of up to two years. These stringent measures are intended to deter unlicensed operators and safeguard consumers.

## Implications for Businesses

The reforms will have practical effects on risk management and insurance arrangements for with respect to corporates and businesses that purchase insurance and even insurers' corporate partners:

- **Compliance with Mandatory Covers**
  Companies must ensure they comply with the expanded compulsory insurance

requirements, from motor fleets to public building ownership and sector-specific obligations in construction, agriculture, and healthcare.

- **Improved Claims Experience**
  Corporate insureds should expect faster claims processing and can hold their insurers accountable to the strict timelines now codified in law. In the unfortunate event that an insurer fails or becomes insolvent, the newly created Policyholder Protection Fund will serve as a safety net to ensure claims are still paid out.

- **Choosing Insurance Partners Wisely**
  With the industry entering a period of consolidation, corporate clients might see some insurers seeking additional capital or merging. Clients should verify that their insurance brokers carry the required professional indemnity coverage and are not engaging in conflicts of interest as the Act now restricts brokers from owning large stakes in insurers).

**Why these Reforms and Why Now**

By overhauling the legal framework, NIIRA 2025 modernizes the sector and aligns it with international best practices and technological innovation. The reforms support the government's broader economic goals (Nigeria is targeting a $1 trillion GDP) and recognize that a vibrant insurance sector can boost national development.

**NAICOM Guidelines for Insurtech Operations**

Complementing NIIRA 2025, NAICOM has issued comprehensive guidelines for insurtech operators, recognising the role of technology in widening insurance penetration and improving efficiency.

**Category of Insurtechs**
NAICOM's framework creates a two-tier licensing regime

- **Partnering Insurtechs:** these insurtechs work in collaboration with licensed insurers to provide marketing, distribution, customer service, policy administration, claims management, and other permitted services.

- **Standalone Insurtechs:** they operate independently as insurers, subject to capital requirements and restricted from underwriting certain high-risk classes, except for certain high-risk classes such as oil and gas, aviation, government assets, and retirement annuities.

**Capital Requirements**

- Standalone: 1.5bn per general business category or 1bn per life category or NAICOM-determined risk-based capital.

- Partnering: 10m minimum capital + professional indemnity cover of at least 100m.

**Market Conduct & Consumer Protection**

- Complaints must be acknowledged within 24 hours, resolved within 2 weeks and responded to within two working days.

- Prohibited practices include misleading marketing, AI-only claims denials without human oversight, unlicensed insurance activity, crypto transactions without approval, and data privacy breaches.

**Technology, Security & Data Governance**

- Operators must maintain a secure technology framework, comply with the Nigerian Data Protection Act 2023.

- Operators must maintain secure systems, conduct annual independent audits of lead management systems, and ensure secure transmission of client data within three days.

- Only licensed operators may partner with insurers and insurers must obtain NAICOM "No Objection" before any partnership.

**Sanctions**

Non-compliance can result in license cancellation, administrative penalties, and potential prosecution. Insurers partnering with unlicensed insurtechs also face penalties.

## CONCLUSION

Together, the NIIRA 2025 and the Insurtech Guidelines mark a decisive shift towards a better-capitalised, technology enabled, and consumer-focused insurance market. While the compliance requirements are extensive, early adaptation will allow insurers, intermediaries, and corporates to seize opportunities in a competitive environment.

*If you have questions about how these insurance reforms affect your business or need assistance in adapting to the changes, please feel free to reach out to our team. We are ready to help you navigate the requirements and make the most of the evolving insurance landscape.*




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