

## LEGISLATION UPDATE(NIIRA 2025)

### Introduction

On 5th August 2025, the President of the Federal Republic of Nigeria signed into law the Nigerian Insurance Industry Reform Act, 2025 (NIIRA). By implication, the newly enacted NIIRA 2025 repeals the Insurance Act 2003. The new NIIRA 2025 has been described by industry enthusiasts as introducing a modern regulatory framework that has the propensity to strengthen financial resilience, improve market conduct, enhance governance, protect policy holders and most notable, align Nigeria's Insurance section with International Best Practices.

NIIRA 2025 has been described as a welcome development with long awaited reforms aimed at overhauling and modernizing Nigerian Insurance Laws.

The National Insurance Commission (NAICOM) highlights the key objectives of NIIRA 2025 as;

- i) protecting policyholders and stakeholders through timely and proactive interventions;
- ii) foster discipline ethical practices and sound market conduct;
- iii) enhance insurance penetration, awareness and growth;
- iv) promote employment generation.

We highlight some noteworthy regulations contained in the new NIIRA 2025.

### 1. Consolidation Of Insurance Legislations

NIIRA 2025 in a bid to provide a unified and streamlined legal framework for the insurance industry, consolidates all the relevant insurance legislation into a single enactment by incorporating provisions from the repealed Insurance Act 2003, Marine Insurance Act, Motor Vehicles (Third Party Insurance) Act, National Insurance Corporation of Nigeria Act, and Nigerian Reinsurance Corporation Act.

### 2. Capital Recapitalization Mandate

The new act prescribes that all insurers should always maintain a capital adequacy ratio of 100%. This is in the bid to ensure that companies are well capitalized and financially sound. NIIRA 2025 has also prescribed new capital requirements for insurance operators in Nigeria.

Category of Insurance Company	Minimum capital requirement prescribed in Insurance Act 2003	Minimum capital requirement in NIIRA 2025
Life Insurance Companies	N2,000,000,000 (Two Billion Naira)	N10,000,000,000 (Ten Million Naira)

Non-Life Insurance Companies	N3,000,000,000 (Three Billion Naira)	N15,000,000,000 (Fifteen Billion Naira)
Composite Insurance Firms (firms that offer both life and non-life insurance)	N5,000,000,000 (Five Billion Naira)	N25,000,000,000 (Twenty-Five Billion Naira)
Non-Life Insurance Companies	N3,000,000,000 (Three Billion Naira)	N15,000,000,000 (Fifteen Billion Naira)

### 3. Licensing Rules For Insurance Agents

NIIRA 2025 prescribes that no one is permitted to transact insurance business in Nigeria unless licensed. Failure to secure the requisite license attracts a penalty of up to N500,000 (Five Hundred Thousand Naira), Six (6) months imprisonment or both.

Insurers that transact with unlicensed agents are liable to face a penalty of five times the amount of premium collected in unlicensed transaction. Furthermore, the act prohibits ex-convicts and bankrupt individuals from being licensed as insurance agents.

To qualify for licensing, applicants must possess a Certificate of Proficiency from the Chartered Insurance Institute of Nigeria, have at least 10 (ten) years of experience in an underwriting firm and must not have a history of dishonesty, fraud or bankruptcy.

The National Insurance Commission (NAICOM) retains the authority to approve or reject license applications and if an application is not successful, the applicants have the right to appeal to the Commission's board.

### 4. Sanctions For Unlicensed Insurance Business

If a person operates an unlicensed insurance business, such individual faces a fine of up to N25,000,000 (Twenty-Five Million Naira). For companies, the fine doubles to N50,000,000 (Fifty Million Naira) per principal officer also with the possibility of a Two (2) year prison sentence.

### 5. Digitalization

In the bid to be in tandem with international best practices, the act mandates digitalization across the insurance value chain from licensing and product approvals to claims processing and regulatory filings. The NIIRA 2025 prescribes that all processes must be handled by NAICOM managed digital platforms in the bid to enhance transparency and operational efficiency.

## 6. Regional Integration

The law encourages Nigeria's active participation in regional insurance frameworks, such as the ECOWAS Brown Card System. This allows insurance coverage and claims settlement to be honored across borders within the West African Region.

## 7. Delayed Claims

NIIRA 2025 adopts stricter timelines for claim assessments, approvals and disbursements and failure to comply attracts penalties or suspension of operating licenses, reinforcing accountability and customer trust. The old act prescribed 90 days for settlement of claims. NIIRA 2025 has prescribed 60 days except where liability is denied or documentation is incomplete.

## 8. Foreign Participation And Market Protection

The NIIRA 2025 bars foreign insurers or their subsidiaries that lack physical presence in their home country or are not part of a supervised financial group from operating in Nigeria. Registered Nigerian Insurers are prohibited from transacting with such entities in the bid to ensure that Nigerian Insurers remain the outlet for Nigerian risks.

Furthermore, 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.

## 9. Corporate Governance And Market Conduct

The act provides for enhanced corporate governance, promoting transparency and investor confidence. It targets good market conduct, fair trade, and competition, thereby supporting the development of a stable and reliable insurance market.

## Conclusion

NIIRA 2025 represents a bold turning point for the insurance sector in Nigeria. It repeals outdated legislation, raises financial bars, strengthens consumer protections, and embraces modern regulatory and technological tools.

The change also presents the possibility of challenges especially with the significantly higher capital thresholds and regulatory requirements which have the propensity to squeeze smaller operators.

In sum, NIIRA 2025 is a welcome development and if properly implemented, it can propel Nigeria's insurance sector toward greater resilience, competitiveness, and inclusion contributing meaningfully to the nation's broader economic goals