UDO UDOMA & BELO-OSAGIE

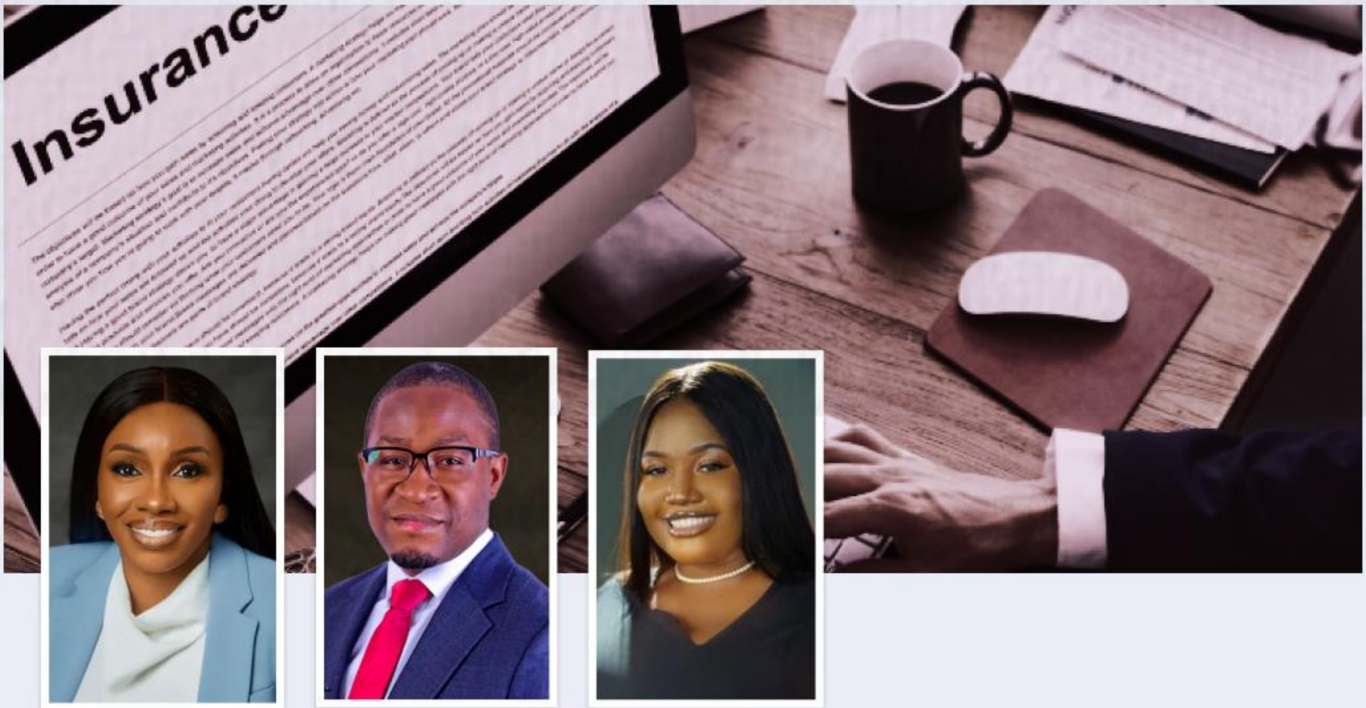
Insurance Act
August 2025

Our Explainer

5 key things to know about the Nigerian Insurance Industry Reform Act

President Bola Ahmed Tinubu signed the Nigerian Insurance Industry Reform Act (the **"Insurance Reform Act"**) 2025 into law on 31st July 2025, ushering in a new era for Nigeria's insurance sector.

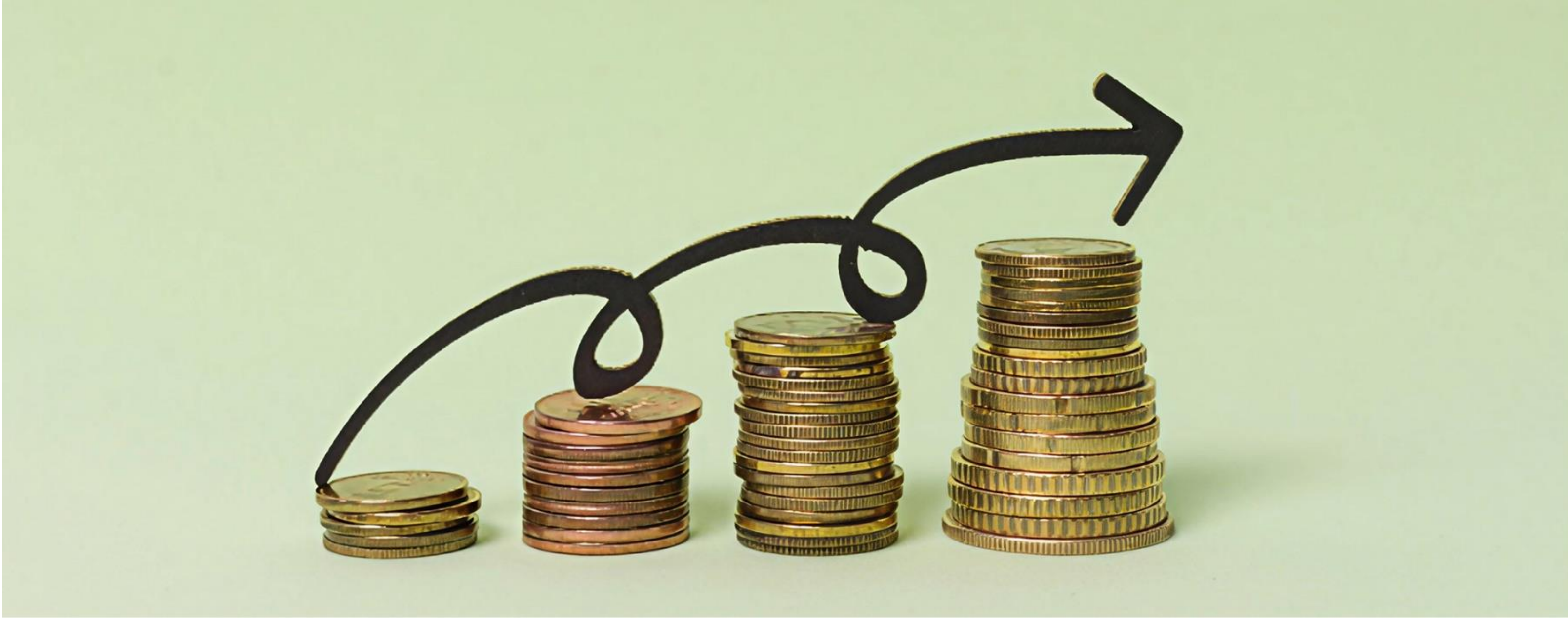
Here are key highlights of the new law that you should know.



Ozofu Ogiemudia
Deputy Managing Partner

Godson Ogheneochuko
Partner

Oluwanifemi Akeju
Trainee Associate



1. Bigger and Better Insurers

The Insurance Reform Act requires insurance companies to increase their share capital to ensure solvency and enhance their capacity to pay claims. By the notice of 12 August 2025, issued by the National Insurance Commission ('NICOM'), affected insurers must comply with the new capital requirements by 30 June 2026 at the latest.

The Insurance Reform Act stipulates minimum capital requirements of N10 billion, N15 billion, N25 billion, and N35 billion for life, non-life, composite, and reinsurance companies, respectively. The new law also introduces a risk-based capital framework for insurance and reinsurance companies in Nigeria.

As it did with the banking sector years ago, it is anticipated that smaller or less-capitalised insurance companies will pursue opportunities for mergers and acquisitions, ultimately establishing a more robust market with fewer but more reliable players.

2. Additional protection for policyholders

To safeguard the interests of policyholders, the new law stipulates strict deadlines and penalties for insurers that fail to settle legitimate claims on time. Insurers must now settle legitimate claims promptly or face penalties for any failure.

The new law also introduces a Policyholder Protection Fund to ensure that policyholders can still receive compensation even if an insurer becomes insolvent.

3. Mandatory insurance for buildings under construction

An owner or contractor who is constructing a building exceeding one floor must procure insurance to cover his / her liability for construction risks that may be caused by negligence and result in bodily injury or loss of life. Previously, only such buildings exceeding two floors were affected by the insurance requirement.

The insurance obligation kicks in immediately after receipt of building approval and before construction commences. Failure to comply could result in a fine of N5 million, 12 months' imprisonment, or both.

Public buildings must also be insured against collapse, fire, earthquake, storm, flood, and other hazards as NICOM may determine. Any building that members of the public can access to obtain educational or medical services, for recreation, or to conduct business transactions, is a public building.

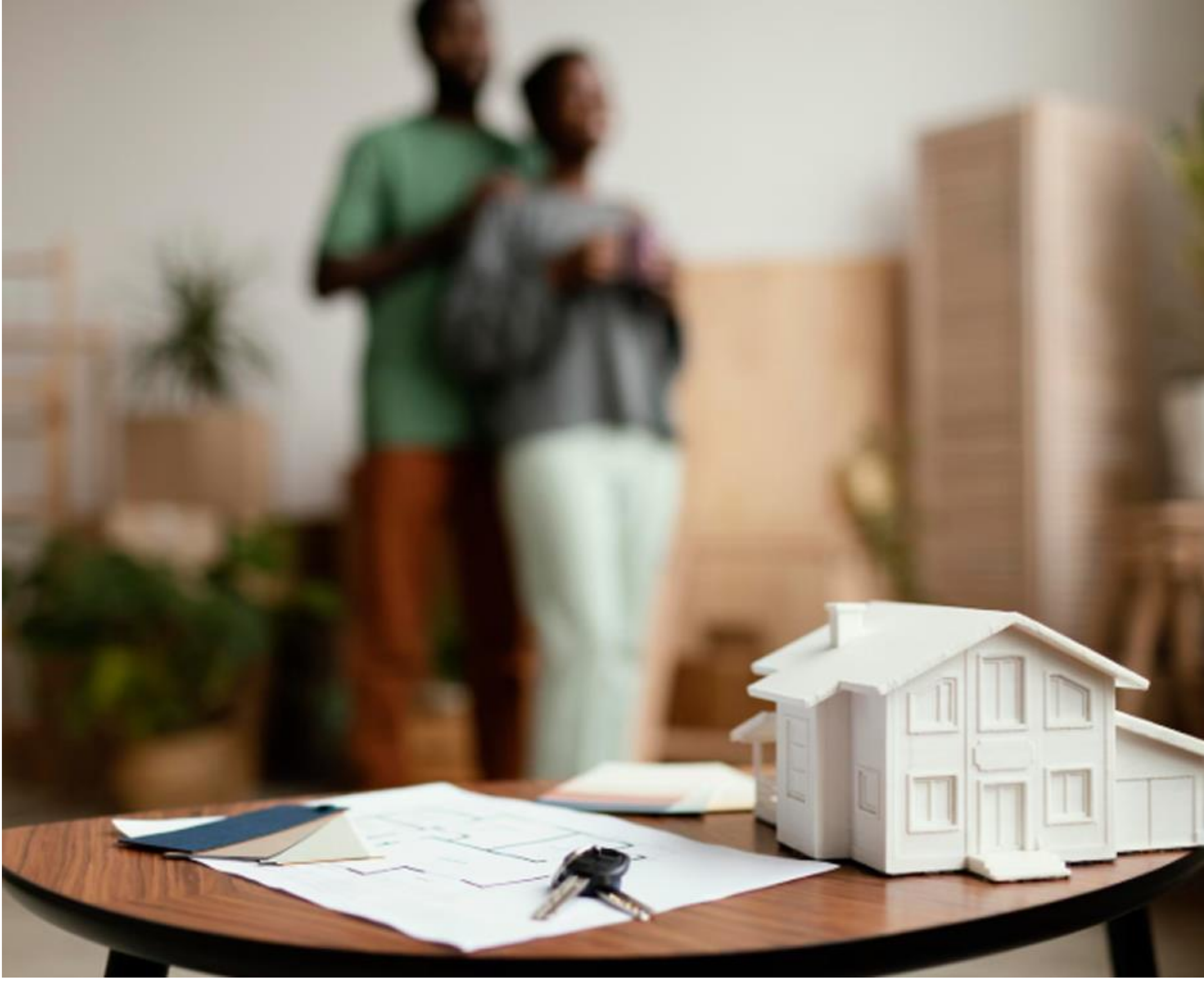
4. Police Report: General vehicle accidents vs accidents involving death or serious injuries

A police report is not mandatory for the filing of claims that do not involve death, theft or serious injuries.

The new law allows a policyholder in such cases to rely on evidence of proof of loss or damage to file a claim. The evidence may be a statement about the incident from an eyewitness and the person involved, instead of a police report. If more than one person is involved, a statement from each person would suffice if the facts presented in the statement are materially consistent.

5. Your address is important

A person who lives in Nigeria or a company registered in Nigeria that carries on insurance business anywhere in the world apart from Nigeria will still be considered an insurer doing business in Nigeria. This could trigger compliance obligations that would otherwise have been avoided.



The Insurance Reform Act is a significant turning point for Nigeria's insurance industry. The public can expect a more reliable insurance industry with faster claims settlement and a higher degree of protection.

From a commercial perspective, the expected restructuring of the insurance industry will likely attract new investments, expand insurance penetration in the country, and support growth in other sectors of the economy.

Overall, the Insurance Reform Act can catalyse a more efficient and reliable insurance industry in Nigeria.

To learn more about the Insurance Industry Reform Act and its implications, please contact our Government Relations & Public Policy and General Corporate Advisory practice teams at grpp@uubo.org and GECA@uubo.org