ODUJINRIN & ADEFULU

Nigerian Insurance Industry Reform Act 2025: What is New? Part 3

Nigerian Insurance Industry Reform Act, 2025 Part 3: Corporate Governance, Consumer Protection, and Technological Integration Reforms

On 5th August 2025, President Bola Ahmed Tinubu signed the Nigerian Insurance Industry Reform Act, 2025 (the "Act") into law. The Act establishes a contemporary and flexible regulatory framework for Nigeria's insurance sector. It introduces vital reforms that respond to recent trends and emerging risks within the industry. By consolidating several outdated insurance legislations, the Act seeks to enhance competitiveness, bolster consumer protection, and foster economic growth.

Prior to its passage into law, we had published a two-part review of the then Bill. This article is part 3 analysis of the Act's provisions pertaining to corporate governance, consumer protection, and technological advancements, as well as their potential implications for the insurance industry.

1. Corporate Governance Standards

In the dynamic landscape of the insurance industry, corporate governance plays a pivotal role in establishing a framework for ethical conduct, accountability, and transparency. Since the operations of insurance companies are closely tied to the financial well-being of millions of people, the need to implement robust governance frameworks cannot be overemphasised. Effective corporate governance standards reduce risks for insurers and ensure that decisions are made in the best interests of policy holders, shareholders, employees, and other relevant stakeholders. The Nigerian insurance industry has faced significant challenges, including a weak compliance culture, insufficient risk management, and a lack of strong corporate governance practices. These issues not only lead to financial instability but also pose a risk to the reputation of insurance businesses in the country. Addressing these concerns is crucial for fostering a more resilient and trustworthy insurance sector.[1]

Unlike the old Insurance Act 2003 ("the 2003 Act"), which failed to expressly prescribe governance standards, the revised framework contains salient provisions to bolster corporate governance practices in the insurance sector. Under the Act, insurance companies are prohibited from carrying on business in Nigeria without obtaining a license from the National Insurance Commission ("NAICOM" or "the Commission"). In order to be licensed by the Commission, an insurer or reinsurer must be incorporated as a limited liability company and must maintain the prescribed minimum capital (please see Part 2 of our series covering Capitalisation requirements). In addition, the insurance company must deposit the required statutory funds with the Central Bank of Nigeria ("CBN") and satisfy other conditions, including the submission of a business plan containing its market focus.[2] The Act also introduces steep penalties for insurance companies operating without a license and provides that the principal officers of the company shall be liable to a fine of N50,000,000.00 or to imprisonment for a term of two years.[3]

Additionally, the Act requires policy documents in respect of an insurance contract to be delivered on or before the commencement

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[1] *Ebere Nwoji, ' Insurance Commissioner Tasks Directors on Commitment, Governance, Risk Compliance' This Day Live https://www.thisdaylive.com/2024/11/21/insurance-commissioner-tasks-directors-on-commitment-governance-risk-compliance/ accessed 25 May 2025.*

[2] *Section 5(3) of the Nigerian Insurance Industry Reform Act 2025.*

[3] *Section 10(b) of the Act.*

of the policy.[4] A defaulting insurer is liable to a fine of not more than 5% of the premium received and such other penalties as may be prescribed by the Commission.[5] The Act further requires the Commission's approval before new products can be introduced into any class or category of insurance business.[6] Failure to obtain approval from the Commission attracts a fine of N500,000.00 for every day of default.[7]

The Act mandates insurers and reinsurers to keep and maintain certain records at their principal office. For insurers, such records include the Memorandum and Articles of Association, record of shareholders, minutes, register of all policies, register of claims, register of investment, register of assets, register of reinsurance ceded, cash book, current account book, register of open policies for marine insurance, and management accounts.[8] With respect to life assurance business, insurers are mandated to maintain additional records, such as register of assured under group policies, register of loans on policies, register of cash surrendered values, and register of lapsed and expired policies.[9] Failure to comply with this provision renders the insurer and principal officers liable to a minimum fine of N500,000.00 and N250,000.00, respectively.[10]

To enhance risk management and financial stability in the industry, the Act requires insurers to maintain a capital adequacy ratio of 100%, although the Commission may prescribe a higher capital adequacy ratio.[11] Additionally, the Act introduces a risk-based supervision model that allows the Commission to effectively monitor and manage risks within the insurance sector. It mandates every insurer to prepare and submit to the Commission, on or before March 31st of each year, a report of its Risk Based Capital Levels as at December 31st of the preceding year.[12] With the adoption of a risk-based approach, the Act provides the opportunity for Nigeria to develop a more inclusive and efficient insurance industry in line with global best practices.

2. Consumer Protection Measures

The Act ensures better protection for consumers by introducing salient provisions to safeguard the interests of policyholders. Under the 2003 Act, consumers were required to disclose to the insurer every material fact, which is known or deemed to be known by the consumer. This led to unfair consequences for the insured parties, particularly the risk of policies becoming void as a result of non-disclosure. The Act now allows consumers to only "take reasonable care not to make a misrepresentation" when making disclosures to the insurer.[13]

As part of efforts to enhance transparency in the industry, the Act empowers the Commission to publish a Service Charter containing details on available products, services, and the complete list of requirements to obtain the products and services.[14]

Moreover, the Act mandates insurers to settle all claims within the number of days contained in the Service Charter or as prescribed by the Commission, except in the case of denial of

[4] *Section 17(1) of the Act.*
[5] *Section 17(2) of the Act.*
[6] *Section 18(1) of the Act.*
[7] *Section 18(3) of the Act.*
[8] *Section 19(1) of the Act.*
[9] *Section 19(2) of the Act.*
[10] *Section 19(3) of the Act.*
[11] *Section 24(1) & (2) of the Act.*
[12] *Section 25(3) of the Act.*
[13] *Section 131(2) of the Act.*
[14] *Section 5(4) of the Act.*

liability.[15] In the event any claim remains unpaid, the insured may request the Commission to effect the payment from the statutory deposit of the insurer.[16] A defaulting insurer is liable to a penalty of N500,000.00 and shall pay the claim amount with a monthly compound interest at the prevailing bank rate from the date he ought to have settled the claim within 60 days from the notification date.[17] The Act further increases the penalties for making false or misleading statements that induce consumers to enter into insurance contracts from N100,000.00 to N500,000.00.[18]

The consumer protection requirements in the Act are expected to promote increased consumer confidence in insurance products and allow for a more competitive and fair insurance market.

3. Technology Integration

Technology plays a fundamental role in modernizing the insurance industry in Nigeria. With the emergence of digital platforms that streamline the insurance process, insurance companies can now provide more personalised products and efficient customer service delivery. The use of artificial intelligence and blockchain technology has significantly improved underwriting, claims processing and contract management, ensuring transparency and security in transactions.[19]

In a significant move aimed at fostering technological advancements within the insurance sector, the recent Act broadens licensing requirements to encompass technology-driven entities such as brokers and loss adjusters.[20] Additionally, it obligates insurance companies to secure the approval of the Commission prior to the launch of new insurance products or making substantial operational changes. The Act also extends licensing requirements to insurers engaged in web-based, internet, or electronic insurance businesses.[21] While NAICOM had previously released the Insurance Web Aggregators Operational Guidelines in 2022, the inclusion of this requirement in the Act establishes a statutory framework for insurers wishing to operate online, thereby promoting innovation in product delivery, automation, and enhancing customer service.

Additionally, the Act mandates insurance operators to establish a system of internal control over financial reporting and security of their assets.[22] This provision encourages insurers to adopt policies, procedures and practices, which may include information technology (IT) systems, to ensure safety of assets and accuracy of financial records and reports.

Conclusion

The Nigerian Insurance Industry Reform Act, 2025 is arriving at a crucial moment for the industry, as it aims to tackle emerging risks while aligning with global best practices.
This updated framework holds the promise of not only restoring trust and confidence among

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[15] *Section 210(1) of the Act.*
[16] *Section 210(2) of the Act.*
[17] *Section 210(7) of the Act.*
[18] *Section 209 of the Act.*
[19] *Kolawole Olaniyi, 'Leading the Digital Transformation of Nigeria's Insurance Landscape – Oludayo Odunfa' (The Guardian, 25 March 2025) <https://guardian.ng/interview/leading-the-digital-transformation-of-nigerias-insurance-landscape-oludayo-odunfa/> accessed 25 May 2025.*
[20] *Sections 39 and 48 of the Act.*
[21] *Section 201 of the Act.*
[22] *Section 206(1) of the Act.*

policyholders but also contributing to greater financial stability and economic growth. However, the Act's successful implementation hinges on active collaboration among all industry stakeholders, including regulators, insurers, and policyholders. Such cooperation is essential to cultivate a more resilient and competitive insurance market.

This article marks the third publication in the Insurance Industry Reform Act series by Odujinrin & Adefulu.

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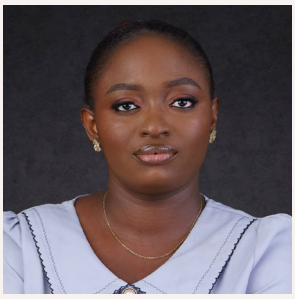

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