ODUJINRIN & ADEFULU

Nigerian Insurance Industry Reform Act 2025: What is New? Part 4

Nigerian Insurance Industry Reform Act, 2025 Part 4: Group Life Assurance, Credit Life Insurance, and Penalties for Carrying on Unlicensed Insurance Business

The newly enacted Nigerian Insurance Industry Reform Act, 2025 ("NIIRA 2025" or "the Act") provides a robust legislative framework for all insurance and reinsurance businesses operating in Nigeria. The Act enhances transparency and market stability, while also ensuring that policyholders and stakeholders are well protected.

In this fourth part of our series, we focus on three key provisions of the Act, which are: the mandatory provisions for Group Life Assurance, Credit Life Insurance, and the stricter penalties imposed for operating an unlicensed insurance business. These provisions represent a fundamental shift towards a more proactive regulatory model designed to prevent disputes, enhance consumer trust, and build a more transparent market.

1. Understanding Employer Obligations under the New Group Life Assurance

The Act introduces a mandatory and structured framework for Group Life Assurance, significantly strengthening employee protection.

Group Life Assurance is classified as a class of life assurance business.[1] All employers, including government ministries, departments, and agencies, are mandated to provide a group life insurance policy for each of their employees. This policy must offer coverage of at least three times the employee's total annual pay. To ensure the policy is valid and enforceable from the start, the employer must pay the premium on or before the start date of the cover.[2]

The Act also sets clear standards for transparency and documentation. The group life insurance policy must name the employer as the trustee and the employees as the insured persons. It must also include the names and addresses of the assured, the exact salary grade level, total death benefit payable, and names and addresses of beneficiaries[3]. Additionally, insurers are required to issue a unique Personal Identification Number (PIN) to each employee within two weeks of the policy's issuance.[4]

In cases where an employee goes missing and cannot be found for one year, a board of inquiry may declare the person deceased. This declaration triggers the payment of death benefits to the employee's beneficiaries, ensuring that their rights are protected even in uncertain circumstances.[5]

Non-compliance with these requirements attracts significant penalties. For insurers, the law imposes a minimum fine of N10,000,000.00 for failing to meet their obligations, highlighting the regulator's intent to deter non-compliance within the industry.[6] Employers who neglect to secure the mandatory group life insurance policy face a penalty equal to the total annual pay of each employee not covered.[7] This provision ensures that employers cannot cut costs at the expense of workers' welfare. Moreover, if an uninsured employee dies, the employer is directly liable to pay the deceased's beneficiaries a sum equal to three times the

[1] *Section 3(2)(b) of the Nigerian Insurance Industry Reform Act, 2025.*
[2] *Section 68(1) of the Act.*
[3] *Section 68 (4) of the Act*
[4] *Section 68(5) of the Act.*
[5] *Section 69 of the Act.*
[6] *Section 68 (7) of the Act.*
[7] *Section 68 (8) of the Act.*

employee's annual pay.[8]

Altogether, these provisions reflect the government's commitment to protecting workers and ensuring financial security for their families. Employers must take proactive steps to comply with the Act to avoid penalties, and to safeguard the welfare of their workforce.

2. Protecting Lenders through Credit Life Insurance

To protect lenders and improve the credit market, the Act requires anyone taking a loan above N10,000,000 (Ten Million Naira) to get credit life insurance. This type of insurance ensures that if the borrower dies or becomes permanently disabled, the loan will be repaid by the insurer.

Lenders are obligated to ensure borrowers have this insurance in place before providing loans in excess of N10,000,000. The Act further mandates that the cost of the credit life insurance be disclosed to the "borrower".[9]

Under this arrangement, the lender (or credit provider) owns and holds the insurance policy. If the borrower dies, the insurer is obligated to repay the outstanding loan amount to the lender.

3. Consequences of Unlicensed Insurance Operations

The NIIRA 2025 takes a bold approach to curbing unlicensed insurance activities. With a focus on protecting consumers and preserving the integrity of the industry, the Act introduces tougher penalties and clearer accountability for both individuals and companies.

Under the Act, conducting insurance business without a license is now a criminal offense. Individuals found guilty face a fine of N25,000,000 up to two years imprisonment, or both.[10] For companies, the penalty is a fine of N50,000,000 or two-years imprisonment, or both, with each principal officer held personally liable.[11]

To further tighten regulation, the Act outlines specific penalties for various categories of unlicensed insurance intermediaries. An unlicensed insurance agent may be fined up to N500,000 or sentenced to six months imprisonment, or both.[12] For insurance brokers, companies face a minimum fine of N10,000,000 while individuals may be fined up to N5,000,000 or face up to 12 months imprisonment, or both.[13]

The penalty for reinsurance brokers operating without a license is a fine of up to N1,000,000 for companies and at least N500,000 for individuals, along with possible imprisonment of up to 12 months.[14] Loss adjusters are also covered, with companies liable to a minimum fine of N500,000 and individuals to at least N250,000 or 12 months imprisonment or both.[15]

The Act does not limit the penalties to only unlicensed operators. It also penalizes licensed entities that knowingly collaborate with unlicensed parties. For example, if an

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[8] *Section 68 (9) of the Act.*

[9] *Section 91(3) of the Act. Sidenote: Section 91(3) of the Insurance Act of 2025 states that 'the cost of credit life insurance must be disclosed to the borrower.' However, it is possible that 'lender' was intended, given the context. A further review by the lawmakers may be required to ensure clarity in the intent of this clause.*

[10] *Section 10(a) of the Act.*

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

[12] *Section 37(10) of the Act.*

[13] *Section 39(8) of the Act.*

[14] *Section 40(6) of the Act.*

[15] *Section 48(4) of the Act.*

insurer transacts with an unlicensed agent, they must pay a penalty equal to five times the premium collected.[16] The National Insurance Commission can also settle offenses and recover money to compensate victims harmed by illegal transactions, without initiating court proceedings.[17] This ensures that justice is not only punitive but also restorative.

Conclusion

The Nigerian Insurance Industry Reform Act, 2025, is reshaping the insurance sector with stronger protections and stricter enforcement. It sets clear standards for Group Life and Credit Life insurance, ensuring employees and borrowers are properly covered.

With its strict penalties for unlicensed operations, the Act tackles fraud and instability, modernizes the industry, and strengthens both labor and loan markets, firmly establishing insurance as a driver of economic stability and growth.

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[16] Section 37(9) of the Act.
[17] Section 222 (3) of the Act.

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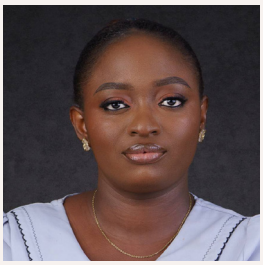

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