The Role of Law in Filling the Insurance Void in Nigeria

By

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Abstract

The Nigerian insurance sector remains one of the most underdeveloped in Africa, with penetration rates persistently below 0.5% of GDP against a global average of approximately 7%. The sector is beset by four interlocking challenges: low public awareness, deep-seated consumer trust deficits rooted in a history of disputed claims, poor market penetration particularly in rural and informal economies, and limited access to affordable dispute resolution for policyholders. This article argues that these challenges are not merely market failures but are, at their root, failures of legal architecture and regulatory governance. It examines the extent to which the current legal framework, principally the Insurance Act 2003 and the National Insurance Commission Act, has fallen short of the conditions necessary for a functional, inclusive insurance market. Also, it proposes a suite of legal interventions capable of addressing each identified challenge. Drawing on comparative analysis of the insurance regulatory frameworks of South Africa, Kenya, India, and the United Kingdom, the article argues for expanded mandatory insurance coverage, dedicated microinsurance and Takaful legislation, an insurtech distribution framework, a specialized insurance dispute resolution tribunal, a statutory Ombudsman scheme, and enhanced NAICOM supervisory powers. The article concludes that law, deployed with precision and enforced with institutional integrity, is the primary instrument through which Nigeria's insurance gap can be durably closed.

Keywords: Consumer Protection, Financial Inclusion; Insurance Law; Microinsurance; Takaful.

I. INTRODUCTION

Insurance occupies a fundamental position in any modern market economy. At its core, the industry pools and transfers risk by enabling individuals, households, and commercial enterprises to absorb adverse financial shocks without catastrophic loss, thereby facilitating consumption and sustaining productive economic activity. In addition to mobilizing long-term investible capital, it also provides indemnity against insured losses, which fosters investor confidence in commercial and industrial enterprise. Unarguably, the macroeconomic contribution of a mature insurance sector is quite evident as economies with high insurance penetration demonstrate greater resilience to economic shocks and faster recovery from periods of economic crisis.[1]

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[1] M Arena, 'Does Insurance Market Activity Promote Economic Growth? A Cross-Country Study for Industrialised and Developing Countries' [2008] 75(4) *Journal of Risk and Insurance* 921.

Despite the acknowledged importance of insurance to economic development, Nigeria presents a striking paradox. As Africa's largest economy by gross domestic product and its most populous nation, with a population exceeding 220 million, Nigeria ought, in theory, to have one of the continent's most vibrant insurance markets. The reality, however, is quite the opposite[2]. Insurance penetration in Nigeria, measured as total premium income as a percentage of GDP, has hovered persistently below 0.5%[3], compared with a global average of approximately 7% and a South African benchmark exceeding 15%[4]. This places Nigeria among the most underinsured economies in the world, a position that is fundamentally at odds with its economic size, demographic strength, and growing potential.

Existing literature on the underperformance of Nigeria's insurance sector has largely focused on demand-side factors, including low income levels, financial illiteracy, religious and cultural reservations about conventional insurance products, and the predominance of the informal economy.[5] While these factors are both relevant and significant, they offer only a partial explanation for the industry's persistent challenges.

Equally important are the systemic deficiencies in Nigeria's legal and regulatory framework, which continue to impede the sector's growth and development. The scope of compulsory insurance remains limited, the supervisory capacity of the National Insurance Commission (NAICOM) is constrained, and mechanisms for resolving insurance disputes are often expensive and inaccessible.

Similarly, the legal framework for innovative distribution models, including microinsurance, Takaful, and technology-driven insurance platforms, remains underdeveloped, while consumer protection provisions are insufficiently comprehensive to boost public confidence[6]. These shortcomings are not merely incidental regulatory gaps; they are structural weaknesses within the existing legal framework that continue to suppress insurance penetration and the development of the Nigerian insurance market.

This article argues that law is not merely one instrument among many for addressing the Nigerian insurance gap; it is rather the primary instrument. Through legislation, regulation, institutional design, and enforcement architecture, law shapes the incentive environment within which insurers and policyholders operate. When that environment fails to mandate participation, guarantee accountability, enable innovation, or assure access to justice, the insurance market will contract around an informal, low-trust equilibrium — precisely the equilibrium that characterizes Nigeria today.

The article proceeds as follows: Part II diagnoses the insurance gap in Nigeria, examining its principal dimensions and the legal and regulatory factors that sustain it. Part III critically

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[2] BusinessDay NG, "Tackling Nigeria's Low Insurance Penetration" (2015) https://archive.businessday.ng/editorial/article/tackling-nigerias-low-insurance-penetration/

[3] VIISAUS, "Insurance as a Tool for Economic Growth" (May 2026) LinkedIn Post, https://www.linkedin.com/posts/viisaus_viisausng-insurance-finance-activity-7437873219153477632-asu5

[4] Swiss Re Institute, 'World Insurance: The Recovery Gains Pace' [2022] Sigma 4/2022

[5] OR Eze and V Okoye, 'Analysis of Insurance Practices and Economic Growth in Nigeria: Using Co-integration Test and Error Correction Model' [2013] 2(1) *Global Advanced Research Journal of Management and Business Studie*s 63

[6] K Banjo and C Anyamaobi, 'Challenges and Panacea to the General Insurance Penetration in the 21st Century: A Study of Lagos State' [2022] 81 *Research Gate* 76.

assesses the existing legal and regulatory framework. Part IV draws on comparative analysis of four selected jurisdictions to identify reform lessons applicable to the Nigerian context. Part V proposes a suite of targeted legal interventions. Part VI concludes with a summary of the reform agenda.

II. THE INSURANCE GAP IN NIGERIA: NATURE, DIMENSIONS AND LEGAL CAUSES

A. Dimensions of the Gap

The concept of an 'insurance gap' encompasses the difference between the losses borne by individuals (and enterprises) in a given economy and the portion of those losses that is covered by insurance[7]. In essence, it measures the extent to which individuals, households, and enterprises remain financially exposed to risks because they are uninsured or underinsured. A persistent insurance gap indicates that a significant proportion of the population lacks adequate insurance protection, leaving them vulnerable to catastrophic financial loss.

In Nigeria's case, the gap manifests across three interrelated dimensions: penetration, awareness, and access.

The first and most apparent dimension is the low insurance penetration; Nigeria's premium-to-GDP ratio of below 0.5% compares unfavorably not only with mature markets but with peer emerging economies. South Africa's ratio exceeds 15%; Kenya's stands at approximately 3.4%[8]; while Ghana's, though modest, has grown steadily under deliberate regulatory reform[9]. By contrast, Nigeria's penetration rate has remained largely stagnant for more than a decade. While gross premium income has increased in nominal terms, the sector has failed to keep pace with broader economic growth, resulting in little or no improvement in insurance penetration.

On awareness, survey data from the Enhancing Financial Innovation and Access (EFINA) Access to Financial Services surveys consistently demonstrate that a majority of Nigerian adults have no meaningful engagement with formal insurance products. For example, many individuals who have purchased compulsory third-party motor insurance, the most widely held class of insurance in Nigeria, have only a basic understanding of the protection it affords or the procedures for making a valid claim[10].

The third dimension is limited access to insurance products and services. Historically, insurance distribution has been concentrated in Lagos and Abuja; this geographic concentration, in addition to the near-total absence of widespread digital and mobile distribution channels, has significantly constrained access for much of the population, particularly those in rural communities. This has restricted the informal sector, which accounts for over 60% of Nigerian economic activity, entirely outside the formal insurance market[11].

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[7] IAIS, Insurance Core Principles, Standards, Guidance and Assessment Methodology (2019) *ICP* 18 (Intermediaries).

[8] ibid (n4)

[9] Oxford Business Group, 'Ghana's Regulatory Reforms Seek to Expand Insurance Penetration' (2024) The Report: Ghana 2024, https://oxfordbusinessgroup.com/reports/ghana/2024-report/financial-services/lines-of-business-efforts-to-increase-penetration-include-regulatory-reforms-and-diversified-distribution-channels-overview/

[10] EFINA (n 4) 44.

[11] World Bank, 'Nigeria Financial Sector Assessment Program' (2021) 67.

B. The Legal Architecture of Underperformance

These empirical deficits do not exist in isolation. Rather, they are, to some extent, products of the existing legal and regulatory framework, which has both created and perpetuated structural barriers to insurance development in Nigeria. Notably, there are five (5) interrelated legal deficiencies which are particularly evident.

First, the scope of compulsory insurance classes under Nigerian law is narrow and inconsistently enforced. Nigerian law prescribes relatively few compulsory classes of insurance. While the repealed Motor Vehicles (Third Party Insurance) Act mandates third-party motor insurance, and the Insurance Act 2003 requires, among other things, group life assurance, insurance for public buildings under construction, and occupiers' liability insurance, the statutory framework, now incorporated in the extant NIIRA Act 2025, still leaves several critical sectors outside the compulsory insurance regime. There is, for example, no mandatory agricultural insurance despite Nigeria's prominent agrarian economy, no comprehensive health insurance obligation extending beyond much of the formal employment sector, and no requirement for residential building indemnity insurance.

Even where compulsory insurance is prescribed, enforcement remains largely ineffective. Surveys have consistently indicated that a substantial percentage of commercial vehicles operating on Nigerian roads carry fraudulent, invalid, or expired third-party insurance certificates, thereby undermining both consumer protection and the regulatory objectives of compulsory insurance[12].

Second, the National Insurance Commission (NAICOM)'s supervisory architecture suffers from chronic capacity constraints that are partly a function of its enabling statute. The NAICOM Act does not provide sufficiently robust investigative powers, nor does it guarantee the financial and operational independence from political influence that effective regulation requires, resulting in several consequences including regulatory restraint and underperformance; even insolvent insurers have been permitted to continue operating, compounding policyholder exposure[13].

The third structural deficiency is the absence of a specialized mechanism for resolving insurance disputes,[14] as policyholders seeking to challenge the repudiation of claims are generally required to institute proceedings before the Federal High Court or the State High Courts. For many, however, litigation is inherently expensive, time-consuming, and conducted in courts that lack specialized expertise in insurance law, and the effect is that access to justice is placed beyond the reach of many policyholders. At the same time, insurers are shielded from the level of accountability that an efficient and accessible dispute resolution system would otherwise promote.

The fourth structural deficiency lies in the underdeveloped legal framework for inclusive insurance distribution, particularly in relation to microinsurance, Takaful, and technology-driven insurance platforms. Although the National Insurance Commission (NAICOM) has issued the

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[12] National Insurance Commission (NAICOM), Market Development and Restructuring Initiative Report (2019) 12.

[13] A Ujunwa and NJ Modebe, 'Repositioning Insurance Industry for Operational Efficiency: The Nigerian Case' [2011] 1(3) *Journal of Applied Finance & Banking* 1, 8 (SCIENPRESS Ltd).

[14] Kola Amirekolade 'An appraisal of the jurisdictional issues and constitutional overview for the settlement of insurance claims in Nigeria' *International Journal of Civil Law and Legal Research* (2024) https://www.civillawjournal.com/

Microinsurance Guidelines (2018)[15] and operational guidelines for Takaful insurance[16], these initiatives are founded primarily on subsidiary regulatory instruments rather than dedicated primary legislation. This exposes product providers to legal uncertainty and limits the ability of the framework to evolve rapidly in response to market innovation.

The fifth deficiency relates to consumer protection. An effective insurance market depends not only on the availability of insurance policy but also on public confidence that insurers will honor legitimate claims fairly and promptly. Quite contrarily, the NIIRA 2025 provides only limited statutory safeguards for policyholders, showing some structural loopholes such as the absence of prescribed automatic penalty regime for the wrongful repudiation of valid claims, or the necessity for insurers to present policy terms in clear and enforceable language. The cumulative effect is a legal framework that offers inadequate protection to consumers, weakens trust in the insurance industry, and ultimately discourages wider participation.

III. A CRITICAL ASSESSMENT OF THE EXISTING LEGAL AND REGULATORY FRAMEWORK

The regulation of insurance business in Nigeria rests upon a legal framework that is etched on three (3) interrelated tiers following the innovative reforms of 2025. At the peak of the hierarchy sits the primary statute; the Nigerian Insurance Industry Reform Act 2025, which governs all insurance and reinsurance business in the country.[17] Followed closely lies an enabling or institutional statute, the National Insurance Commission Act 1997, which establishes the National Insurance Commission (NAICOM) as the sole regulator clothed in its legal personality and supervisory authority;[18] lastly, and supporting both are various guidelines, regulations and circulars issued by NAICOM.

A. Nigerian Insurance Industry Reform Act 2025

For over two decades, Nigeria's insurance sector operated under the Insurance Act 2003 ("the 2003 Act") until President Bola Ahmed Tinubu, on 14 August 2025, signed into law the Nigerian Insurance Industry Reform Act 2025 (NIIRA 2025), marking a breaking point moment in Nigeria's insurance regulation.

The NIIRA 2025 repeals the Insurance Act 2003 and other associated legislation, including the Marine Insurance Act, the Motor Vehicle (Third Party Insurance) Act, and the National Insurance Corporation of Nigeria Act. The new legislation consolidates fragmented insurance laws into a single, coherent regulatory framework to modernize the sector and enable it to compete more effectively in African and global insurance markets. The Act provides for the classification, licensing, capitalization, management, and winding up of insurance companies; establishes classes of compulsory insurance; and sets out the basic contractual rights and obligations of insurers and policyholders[19].

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[15] NAICOM, Microinsurance Guidelines (2018)
[16] NAICOM, Takaful (Islamic Insurance) Operational Guidelines (2013).
[17] Nigerian Insurance Industry Reform Act 2025 (Nigeria) (*NIIRA 2025*).
[18] National Insurance Commission Act 1997, Cap N53 Laws of the Federation of Nigeria 2004 (*NAICOM Act 1997*).
[19] Nigerian Insurance Industry Reform Act 2025 (Act No. 2, 2025), ss 3–9 (classification and licensing) Part II, ss 10–14 (minimum capital requirements) Part III, s 53 (actuarial valuation).

Under NIIRA 2025, a comprehensive and flexible regulatory framework is established; rather than dictating every detail, it sets minimum standards and lets NAICOM fill in the specifics through guidelines that can evolve as the market changes. Amongst others, the Act introduces mandatory insurance policies, including coverage for motor vehicles and public buildings; digital transformation measures designed to modernize insurance distribution and make products more accessible to underserved populations; financial reporting and disclosure obligations, requiring insurers to submit fully audited financial statements and introducing a 14-day statutory timeline for regulatory approval[20].

Importantly, the Act applies to all insurance business and operators in Nigeria, subject to limited exemptions. To start with, there is a provision for two broad license categories, life and non-life insurance, each subdivided into classes. On one part, the life category comprises individual life assurance, group life assurance, annuity and health insurance business, while on the other part, the non-life category comprises fire, general accident, motor vehicle, marine and aviation, energy (reclassified to cover oil, gas and power), engineering, bonds, credit guarantee and suretyship, and agricultural insurance.[21]

In a bid to strengthen supervisory authorities, NIIRA 2025 has expanded the powers of NAICOM. Significantly, the Commission may determine and vary capital requirements, approve products, license and discipline operators and intermediaries, resolve disputes and, in extreme cases, take over or assume control of an insurance institution or appoint persons to conduct its business.[22] Further, the Commission's authority has been empowered and made exclusive; the Court's interference in the activities of the Commission is restricted to only cases in which it refuses an application.

Beyond that, the Act introduces protections that the previous regime lacked. It establishes an Insurance Policyholders' Protection Fund, a statutory safety net designed to satisfy legitimate claims where an insurer defaults or becomes unable to meet its obligations.[23] Also, to strengthen claim resolution, the Act prescribes claims-settlement timelines, ensuring insurers settle admitted claims within the periods specified in the Commission's guidelines, and also buttresses disclosure and reporting duties, including the publication of annual financial statements.[24] This is particularly laudable because the major barrier to insurance acceptance in Nigeria is the widespread belief that claims will not be honored; these provisions carry a significance for the insurance gap that exceeds their apparently prudential character.

In a move to embrace global digitalization, the Act embraces the digital economy by expressly recognizing web, internet and electronic-based insurance business and requiring a license for such activity, thereby providing a statutory basis for electronic policies, digital distribution and data-driven supervision. The digital innovation accommodates InsurTech operators, web aggregators, Microinsurance and Takaful, and so extends the legal reach of the framework

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[20] AL Onyejekwe, BN Ikwuegbu and WU Obilor, 'Some Key Provisions in the Nigeria Insurance Industry Reform Act 2025' (February 2026) Babalakin & Co., https://blog.babalakinandco.com/wp-content/uploads/2026/02/

[21] Afriwise, 'Regulatory Update: The Nigerian Insurance Industry Reform Act 2025 – Navigating Compliance' (Afriwise, 18 September 2025) https://www.afriwise.com/blog/regulatory-update-the-nigerian-insurance-industry-reform-act-2025---navigating-compliance accessed 4 July 2026.

[22] ibid (n21)

[23] NIIRA 2025 (n 1), s 212.

[24] ibid, s 210.

toward the low-income, informal and faith-based segments of the population that lie within the insurance gap.

Commendably, the Act further expands the scope of compulsory insurance into sectors which has been long left unprotected, including agriculture, small and medium enterprises, public infrastructure and cyber liability, and it reinforces the compulsory group life cover for employers with three or more employees.[25]

Along with other changes, the Act recognizes regional integration by domesticating Nigeria's involvement in the Economic Community of West African States Brown Card Scheme through the establishment of the National Bureau on the ECOWAS Brown Card Scheme, a body charged with issuing brown cards and settling claims arising from cross-border motor accidents within the sub-region.[26]

To critically assess the Act against the benchmark of the International Association of Insurance Supervisors (IAIS) Insurance Core Principles (ICPs), the globally accepted standard for insurance regulation, the Act exhibits material shortcomings. The ICPs require, inter alia, that supervisors have adequate powers and independence[27], that market conduct requirements protect policyholders, ensuring accessibility of dispute resolution mechanisms,[28] and that inclusive insurance frameworks be enabled[29]. The Act either fails to meet or only partially satisfies each of these requirements.

On market conduct, the Act imposes general duties of good faith on insurers but does not translate these into specific, time-bound, enforceable obligations. While NIIRA 2025 now requires claims settlement within specified timeframes prescribed by NAICOM[30], the Act does not provide for automatic interest or penalties for non-compliance. This raises significant questions about enforcement effectiveness, as the absence of automatic interest accrual or prescribed penalties may propel policyholders to pursue individual remedies, a burden that many, particularly those in the informal sector, may lack the knowledge to undertake.

The consequence is a market conduct environment in which insurers face minimal legal cost for claims delay or wrongful repudiation, producing precisely the trust deficit that suppresses demand.

B. The National Insurance Commission Act 1997

The supervisory authority of the insurance sector is vested in NAICOM, which derives its corporate existence not from NIIRA 2025 but from the National Insurance Commission Act 1997 ("NICA"). It is important, and a common source of confusion, to note that the 1997 Act was not repealed by NIIRA 2025; essentially, what NIIRA repealed was the similarly named National Insurance Corporation of Nigeria Act, the enabling statute of the defunct state-owned insurer, which is an entirely different instrument.[31] The National Insurance Commission Act

[25] ibid, s 68(1). The obligation, previously anchored in the Pension Reform Act 2014, is now incorporated into the insurance statute.

[27] IAIS, Insurance Core Principles, Standards, Guidance and Assessment Methodology (2024) (2)

[28] IAIS, Insurance Core Principles, Standards, Guidance and Assessment Methodology (2024) (19.6)

[29] IAIS, Insurance Core Principles, Standards, Guidance and Assessment Methodology (2024) (12)

[30] Nigerian Insurance Industry Reform Act 2025, section 210.

[31] It is to be distinguished from the National Insurance Corporation of Nigeria Act Cap N54 LFN 2004, which established the defunct state insurer (NICON) and which was repealed by NIIRA 2025: see NIIRA 2025, long title.

1997 accordingly remains in force and continues to constitute the legal foundation of the regulator, operating alongside and in support of the recently reformed statute.

The NICA establishes the Commission as a body corporate and confers upon it the directive to regulate and supervise insurance business in Nigeria.[32] Clothed with various statutory functions which include, but are not limited to, the establishment of standards for the conduct of insurance business, the approval of insurance premium rates, the protection of policyholders, beneficiaries and third parties, and the provision of advice to the Federal Government on insurance matters,[33] the Commission is tasked with the responsibility of maintaining the intents of the NIIRA 2025.

C. REGULATORY GUIDELINES

Under NIIRA 2025, NAICOM issues operational guidelines, including:

i. Takaful (Islamic Insurance) Guidelines

In 2013, NAICOM issued its first Takaful Guidelines in 2013 establishing a Shariah-compliant framework. This framework was designed into three compound models: the mudarabah (profit-sharing), the wakalah (agency), and the wakalah-mudarabah, which requires every operator to maintain a Shariah Council, or Advisory Council of Experts, with a central Takaful Advisory Council at the Commission available where Shariah expertise is scarce.[34]

At its core, the guideline is a culturally attuned and religiously-centered instrument; it opens insurance to a large Muslim population historically deterred by religious objection, bridging the faith-based portion of the insurance gap. However, regardless of the intent of the Commission, Takaful acceptance has remained modest, which is evident in the smaller number of licensed operators, indicating that the guidelines alone have not unlocked the potential.[35] It goes without saying that law can remove the doctrine-based barrier and provide a compliant structure, but it cannot manufacture the awareness, distribution networks, and trust on which actual acceptance depends.

ii. The Microinsurance Guidelines, 2018

This framework is centered on microinsurance in Nigeria; the term, which has been widely described as simple, low-premium products for low-income individuals and small businesses, requires operators to be limited liability companies registered with the Corporate Affairs Commission.[36] It was established in 2018 and originally used an advanced capital structure, which is ₦40 million for a unit microinsurer, ₦100 million for a state operator, and ₦600 million

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[32] NAICOM Act 1997. The Act establishes the Commission as a body corporate with perpetual succession and vests it with the regulation and supervision of insurance business in Nigeria.

[33] National Insurance Commission, "About NAICOM (NAICOM)" https://naicom.gov.ng/about-naicom Accessed 4 July 2026.

[34] National Insurance Commission, *Operational Guidelines 2013: Takaful-Insurance Operation* (NAICOM 2013). The Guidelines permit three models — mudarabah, wakalah and a wakalah-mudarabah hybrid; and require each operator to maintain an Advisory Council of Experts. See RGA, "Takaful – The Great Potential in Nigeria" (RGA) https://www.rgare.com/knowledge-center/article/Takaful-Nigeria Accessed 4 July 2026.

[35] ibid (n 34).

[36] Guidelines for Microinsurance in Nigeria 2018; see also SPA Ajibade & Co, 'An Overview of Micro Insurance in Nigeria: A Legal Perspective' (SPA https://spaajibade.com/an-overview-of-micro-insurance-in-nigeria-a-legal-perspective Accessed 4 July 2026.

for a national operator.[37] However, following the recently upended 2026 licensing guidelines, the layered structure was removed, and the national microinsurance minimum capital has been set at ₦3 billion, roughly a fivefold increase,[38] with distribution spread through agents, cooperatives, NGOs, faith-based organizations and mobile and digital platforms.[39]

While a ₦3 billion threshold strengthens solvency and claims-paying ability, it risks eliminating the very small, community-rooted operators best placed to serve the grassroots, concentrating microinsurance among the big, urban-based investors and so, ironically deters inclusivity, the objective which the guideline is purportedly made to serve.

iii. The Guidelines for Insurtech Operations

The Insurtech Guidelines, released on 30 July 2025 and effective from 1 August 2025, are the first dedicated legal framework for technology-driven insurance operations in Nigeria, and these laudable guidelines erect a two-tier licensing structure.

The first is the partnering insurtechs, which work with licensed insurers on functions such as marketing, distribution, policy administration and claims; while the second is the standalone insurtechs, which hold independent licenses but are barred from certain sensitive industries such as oil and gas, marine and aviation, retiree life annuities and government assets.[40] Notably, a standalone operator must maintain the higher of ₦1.5 billion per category of non-life business or ₦1 billion per category of life business, or a figure set by NAICOM, under a four-year license and a three-stage registration process.[41]

Needless to say, the guidelines fill an important regulatory gap, converting a previously ungoverned space into a regulated and supervised one; the partnering tier lowers the barrier to entry by letting innovators operate under an existing license, while the standalone tier gives successful firms room to grow, thereby ensuring legal certainty that attracts serious investment, demonstrating the thoughtfulness considered while designing the tiered structure.

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[37] Modestus Anaesoronye, "Companies Shun Microinsurance Window on Capital Requirement, Cost of Governance" *Businessday* (Nigeria, 22 November 2021) https://businessday.ng/insurance/article/companies-shun-microinsurance-window-on-capital-requirement-cost-of-governance Accessed 4 July 2026.

[38] 'NAICOM Sets N3bn Minimum Capital for Microinsurance Operators' *Inspenonline* (Nigeria, 5 April 2026) https://inspenonline.com/spotlight/insurance/naicom-sets-n3bn-minimum-capital-for-microinsurance-operators Accessed 4 July 2026.

[39] 'NAICOM Sets N3bn Minimum Capital for Microinsurance Operators' *MSME Africa* (6 April 2026) https://msmeafricaonline.com/naicom-sets-n3bn-minimum-capital-for-microinsurance-operators Accessed 4 July 2026.

[40] National Insurance Commission, *Guidelines for Insurtech Operations in Nigeria* (NAICOM, July 2025), effective 1 August 2025; see also National Insurance Commission, 'Press Release: NAICOM Issues Guidelines for Insurtech Operations in Nigeria' (NAICOM, 14 August 2025)' https://naicom.gov.ng/2025/08/14/press-release-naicom-issues-guidelines-for-insurtech-operations-in-nigeria Accessed 4 July 2026.

[41] Udo Udoma & Belo-Osagie, 'Insurtech Operations in Nigeria' (UUBO, August 2025) https://uubo.org/wp-content/uploads/2025/08/Insurtech-ARTICLE.pdf Accessed 4 July 2026. A standalone insurtech must maintain the higher of ₦1.5 billion per category of non-life business or ₦1 billion per category of life business, or risk-based capital as determined by the Commission.

IV. COMPARATIVE PERSPECTIVES: LESSONS FROM SELECTED JURISDICTIONS

A. South Africa

South Africa's insurance regulatory framework underwent significant reform with the introduction of the Financial Sector Regulation Act 9 of 2017,[42] which introduced two frameworks that separated prudential supervision, exercised by the Prudential Authority housed within the South African Reserve Bank, from market-conduct supervision, exercised by the Financial Sector Conduct Authority (FSCA). Functioning within that space, the Insurance Act 18 of 2017 consolidated and replaced the prudential provisions of the Long-term and Short-term Insurance Acts of 1998 and introduced, among other things, a dedicated microinsurance licence.[43]

Particularly instructive is South Africa's Policyholder Protection Rules (PPRs) operating under section 62 of the Long-term Insurance Act and section 55 of the Short-term Insurance Act administered by the FSCA,[44] translating obligations governing claims handling, disclosure, advertising, policy documentation and complaints, a substantial distinction which is particularly absent from Nigerian instruments. For example, the microinsurance rules require a microinsurer to decide a claim within two business days of receiving the required documents,[45] thus the strength of these rules lies in their enforceability. Because violations trigger administrative sanctions, they move beyond principles and become concrete duties that insurers must meet and can be held accountable for breaching.

The lesson for Nigeria is one of specificity and enforceability, as NIIRA 2025 legislated the statutory claims-settlement timelines and an Insurance Policyholders' Protection Fund but leaves the main enforcement detail to subsidiary guidelines still to be reviewed.

B. Kenya

Building on a national microinsurance policy, Kenya has a dedicated inclusive-insurance through the Insurance (Micro-insurance) Regulations 2020, made under the Insurance Act, which prescribe simplified product standards, fair capital, the registration of microinsurers, and concrete consumer-service obligations, including the acknowledgment of complaints within seven calendar days followed by a comprehensive investigative steps.[46] Crucially, this legal framework operates alongside Kenya's mobile-money infrastructure, so that microinsurance premiums may be collected, and claims paid, through M-Pesa in small, flexible amounts aligned to the cash-flow system of blue-collar workers and smallholder farmers.[47]

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[42] Financial Sector Regulation Act 9 of 2017 (South Africa), which established the Prudential Authority and the Financial Sector Conduct Authority as the twin regulators.
[43] Insurance Act 18 of 2017 (South Africa)
[44] Policyholder Protection Rules, 2017, prescribed under section 62 of the Long-term Insurance Act 52 of 1998 and section 55 of the Short-term Insurance Act 53 of 1998, and administered by the Financial Sector Conduct Authority
[45] Policyholder Protection Rules (Short-term Insurance), 2017
[46] Insurance Act (Cap 487) Laws of Kenya; and the Insurance (Micro-insurance) Regulations, 2020 (Legal Notice No 26 of 2020), made thereunder.
[47] 'Understanding Kenya's Insurance Industry: Regulation, Products, and the Push for Greater Penetration' (Huduma Global) https://hudumaglobal.com/blog/kenya-insurance-industry-regulation-products-penetration Accessed 4 July 2026.

Nigeria's attempt to replicate this has been hampered by the absence of equivalent primary legislation. NAICOM's Microinsurance Guidelines lack the legal certainty that a dedicated statute would provide, and the absence of a framework explicitly integrating mobile money platforms as licensed insurance distribution channels will impede the reach of microinsurance products.

C. India

India's insurance policy has been much focused on grassroots inclusivity; the Country has strived to deploy statutory dictates focused on driving rural and social-sector penetration with considerable effect. The obligation is rooted in the Insurance Act 1938 itself, which requires every insurer to source a minimum portion of its business from persons in rural areas and from the socially and economically disadvantaged.[48]

These statutory duties are regulated by regulations made by the Insurance Regulatory and Development Authority of India (IRDAI); the governing instrument is now the IRDAI (Rural, Social Sector and Motor Third Party Obligations) Regulations 2024, which took effect on 1 April 2024 and superseded the earlier 2015 Regulations, reframing the obligation while also necessitating annual reporting and compliance monitoring.[49]

The Indian model demonstrates that legal mandates can direct insurance capacity toward underserved markets without wholly displacing commercial incentives, particularly where the reform is rooted in primary legislation.

D. United Kingdom

The United Kingdom's Insurance Act 2015 effected the most significant reform of English insurance contract law in over a century. For non-consumer insurance, the Act fundamentally shifted the playing field, introducing fairer rules; instead of giving insurers the upper hand when disputes arose for example, if you accidentally fail to disclose information, the law of warranties provides that the breach suspends rather than discharges insurer liability. These reforms substantially rebalanced the contractual relationship between insurer and policyholder operating on equal footing.

More recently, the Financial Conduct Authority's Consumer Duty, in force from 31 July 2023, has imposed a higher standard on all financial-services firms, insurers included, requiring them to deliver good outcomes for retail customers rather than merely to avoid prohibited conduct. The Consumer Duty marks an evolution from rule-based to outcomes-based conduct regulation, from which Nigeria's nascent market-conduct framework, presently confined to scattered guidelines, would benefit from studying.

From these four comparators, four lessons emerge for Nigeria: (i) the separation of prudential and conduct supervision enhances regulatory effectiveness; (ii) specific, enforceable market conduct rules are more effective than general good faith obligations; (iii) statutory mandates for rural and inclusive insurance coverage can drive penetration without displacing commercial

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[48] Insurance Act, 1938 (India), ss 32B and 32C (obligations of insurers to the rural and social sectors).

[49] Insurance Regulatory and Development Authority of India (Rural, Social Sector and Motor Third Party Obligations) Regulations, 2024 (India), in force 1 April 2024, superseding the IRDAI (Obligation of Insurer to Rural and Social sector) Regulations, 2015; see also the IRDAI Master Circular dated 10 May 2024.

incentives; and (iv) primary legislation, not merely guidelines, is the appropriate vehicle for microinsurance and Takaful frameworks.

V. LAW AS A REFORM INSTRUMENT: PROPOSED LEGAL INTERVENTIONS

1. Strengthening the Enforcement of Compulsory Insurance

NIIRA 2025 has already substantially expanded the scope of compulsory insurance, extending mandatory cover into agriculture, small and medium enterprises, public infrastructure and cyber risk, and emphasized compulsory group life for employers with three or more employees.[50] The deficit is therefore that of enforcement; Nigeria's persistent difficulty has been the chronic gap between the provisions of the statute and compliance.[51]

The priority reform should be a statutory enforcement regimen placing a primary duty on authorities such as motor-licensing authorities, building-permit offices, aviation and port clearances, and the tax authorities to verify insurance compliance in real time, as a condition of the relevant permit or approval, converting the existing mandates from paper obligations into enforced ones.

2. Dedicated Microinsurance Legislation

NAICOM's 2018 Microinsurance Guidelines, though now recognised within NIIRA 2025, remain subsidiary instruments of weaker force than primary legislation, generating uncertainty for market participants; and the recent Commission's January 2026 decision to raise the national microinsurance capital floor to ₦3 billion arouses tension, particularly for small, community-rooted operators best placed to serve the grassroots.[52]

Microinsurance needs its own dedicated section in NIIRA 2025 or better yet, its own standalone law. This law should create a tiered licensing system where small microinsurance operators don't have to meet the same capital requirements as big traditional insurers, a simplified policy documentation standards, and permitted mobile money and agent-based distribution.

The Kenyan and Indian practices supply exemplary templates, while Kenya's gazetted Insurance (Micro-insurance) Regulations 2020, with their concrete service standards, and India's statutory rural-and-social-sector obligations are rooted in the Insurance Act 1938.[53]

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[50] NIIRA 2025 (n 1), which expands compulsory insurance into agriculture, small and medium enterprises, public infrastructure and cyber risk, and re-anchors compulsory group life cover for employers with three or more employees in s 68(1).

[51] Ekerete Ola Gam-Ikon, 'NIIRA 2025: The Missing Pillar in Nigeria's Economic Overhaul' *TheNigeriaLawyer* (16 September 2025) <https://thenigerialawyer.com/niira-2025the-missing-pillar-in-nigerias-economic-overhaul/> accessed 4 July 2026. (noting the absence of any mandated integration between insurance verification and government permit and licensing systems).

[52] Guidelines for Microinsurance in Nigeria 2018; on the increase of the national microinsurance minimum capital to ₦3 billion, see 'NAICOM Sets N3bn Minimum Capital for Microinsurance Operators' *Inspenonline* (Nigeria, 5 April 2026) <https://inspenonline.com/spotlight/insurance/naicom-sets-n3bn-minimum-capital-for-microinsurance-operators/> accessed 4 July 2026.

[53] Insurance (Micro-insurance) Regulations 2020 (Legal Notice No 26 of 2020) (Kenya); and Insurance Act 1938 (India), ss 32B–32C, as operationalised by the IRDAI (Rural, Social Sector and Motor Third Party Obligations) Regulations 2024.

3. Statutory Recognition of Takaful

Nigeria's large Muslim population largely avoids conventional insurance because it conflicts with Islamic principles, specifically the prohibition on interest *(riba*) and restrictions on uncertainty (*Gharar*). NAICOM's Takaful Guidelines from 2013 is instrumental; however, it is merely a regulatory guidance, not law. This creates legal uncertainty: it's unclear how Shariah oversight works, the underlying *waqf* structure, and the treatment of participant surpluses.[54] A statutory *takaful* framework, whether as a dedicated enactment or a discrete Part of NIIRA 2025, would furnish the legal certainty needed to attract operators and to assure Muslim policyholders of the enforceability of their rights.

4. Coordinated Insurtech and Bancassurance Framework

Technology distribution through mobile platforms, USSD channels and digital aggregators is evidently the most accessible route to Nigeria's uninsured majority, and the legal position has advanced considerably as NIIRA 2025 gives statutory recognition to electronic and web-based insurance under the NAICOM's Guidelines for Insurtech Operations, which took effect on 1 August 2025.[55]

Two gaps nonetheless persists. First, the insurtech regime rests on subsidiary guidelines lacking primary-legislative backing. Secondly, and more fundamentally, NIIRA does not exhaustively allocate supervisory authority where insurance overlaps with banking and payments. Also, responsibility for bancassurance, for the liability of digital-platform operators for mis-selling, and for the data-protection obligations engaged by digital distribution is left unclear as between NAICOM, the Central Bank of Nigeria and the Nigeria Data Protection Commission.

A coordinated framework, developed jointly by NAICOM and the Central Bank of Nigeria and united with the Nigeria Data Protection Act 2023, should define permitted digital-distribution activities, prescribe minimum disclosure standards for digital channels, and fix platform-operator liability**.**

5. Specialized Insurance Tribunal

The repealed Insurance Act 2003 established a Complaints Bureau that proved insufficient to resolve insurance disputes effectively, and although NIIRA 2025 promises improved dispute-resolution frameworks and NAICOM operates a complaints channel, the adjudication of disputed insurance claims still falls largely to the ordinary courts, encumbered with high costs and delay.[56]

A specialized Insurance Tribunal constituted either as a division of the Federal High Court or as a stand-alone statutory tribunal with jurisdiction over insurance-contract disputes, regulatory-enforcement matters and policyholder complaints would provide technically expert and cost-accessible adjudication. Simplified pleading rules and jurisdictional thresholds would enable small policyholders to pursue claims without professional representation in appropriate cases, while a right of appeal to the Court of Appeal on points of law would preserve judicial oversight.

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[54] *Operational Guidelines 2013: Takaful-Insurance Operation* (NAICOM 2013), permitting the mudarabah, wakalah and wakalah-mudarabah models and requiring an Advisory Council of Experts.

[55] National Insurance Commission, *Guidelines for Insurtech Operations in Nigeria* (NAICOM, July 2025), effective 1 August 2025.

[56] In a Watershed, Tinubu Signs Nigerian Insurance Industry Reform Bill into Law *ThisDay* (Nigeria, 6 August 2025) https://www.thisdaylive.com/2025/08/06/in-a-watershed-tinubu-signs-nigerian-insurance-industry-reform-bill-into-law Accessed 4 July 2026.

6. Statutory Insurance Ombudsman

Complementing the Insurance Tribunal, a statutory Insurance Ombudsman which is independent of both NAICOM and the insurance industry and empowered to investigate complaints and make binding awards up to a prescribed monetary ceiling (recommended: N10 million, subject to periodic upward revision) would provide a fast, free, and accessible alternative to litigation for retail policyholders.

Binding on the insurer up to a prescribed ceiling would offer a fast and accessible alternative to litigation. A good example is the United Kingdom's Financial Ombudsman Service, established under the Financial Services and Markets Act 2000, which is operationally independent of the conduct regulator; its verdicts are binding on the firm once accepted by the complainant; most complaints are resolved informally at the investigator stage without proceeding to a formal ombudsman determination; and its current maximum award is £445,000.[57]

7. Strengthening NAICOM's Independence and Transparency

NIIRA 2025 has already substantially enlarged NAICOM's supervisory authority, conferring broader investigative and sanction powers, the power to publish non-compliant insurers, to take over or assume control of a distressed insurer, to impose graduated sanctions and to suspend or cancel licenses, and to conduct on-site and off-site examinations.[58] What the framework still lacks is not more power but the guarantees that make enforcement credible and impartial.

Two amendments to the National Insurance Commission Act 1997 would supply them. First, guaranteed operational and financial independence of the Commission from the executive, isolating supervisory decisions from political interference. Secondly, a statutory obligation of regular public disclosure (quarterly or half-yearly) of insurer-level claims-settlement ratios, complaints data, and solvency.

8. Consumer-Protection Specificity and a Remedy for Wrongful Repudiation

NIIRA 2025 already provides, in principle, for claims-settlement timelines and establishes an Insurance Policyholders' Protection Fund.[59] The reform now required is one of specificity and remedy rather than of first principle, and three measures would give the statutory promises strength.

First, precise and enforceable claims-processing timelines; for example, thirty days for straightforward claims and ninety days for complex ones, with interest accruing automatically at a prescribed rate on overdue payments.

Secondly, a statutory cause of action entitling a policyholder to damages, including reasonably foreseeable consequential loss, for the wrongful repudiation of a valid claim, without prejudice to any regulatory sanction.

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[57] Financial Services and Markets Act 2000 (UK), Part XVI and Sch 17; Financial Ombudsman Service, 'Financial Ombudsman Service Sets Ambitious Targets for Case Resolution in 2025/26' (FOS, 2025) https://www.financial-ombudsman.org.uk/news/financial-ombudsman-service-sets-ambitious-targets-case-resolution-2025-26 accessed 5 July 2026. .

[58] National Insurance Commission under NIIRA 2025 and the Corporate Governance Guidelines for Insurance and Reinsurance Companies 2021.

[59] NIIRA 2025, ss 210 (claims-settlement timelines) and 212 (Insurance Policyholders' Protection Fund).

Thirdly, a plain-language requirement for policy documentation, assessed against a statutory readability standard. On this recommendation, South Africa's Policyholder Protection Rules are instructive: they demonstrate how abstract good-faith duties may be rendered into concrete and enforceable obligations, and it is that specificity rather than further statements of principle that Nigeria's framework now needs.[60]

CONCLUSION

Nigeria's insurance gap is a legal problem masquerading as a market problem. The persistent underperformance of the sector in penetration, trust, access, and innovation, cannot be adequately explained by demand-side factors alone. It is substantially the product of a legal and regulatory architecture that fails to mandate participation, enforce accountability, enable inclusion, or guarantee redress. Until the law is reformed to perform these functions credibly, no amount of marketing expenditure or product innovation will move the sector onto a materially different trajectory.

The reform agenda proposed in this article is ambitious but tractable. Expanded compulsory insurance, microinsurance and Takaful legislation, an insurtech regulatory framework, specialised dispute resolution, a statutory Ombudsman, strengthened NAICOM powers, and specific consumer protection provisions are not exotic innovations: each draws on working models in comparable jurisdictions. The comparative evidence from South Africa, Kenya, India, and the United Kingdom demonstrates that deliberate legal reform can close insurance gaps that pure market forces have proved unable to address.

The window for reform is, arguably, more propitious than at any previous moment in Nigeria's insurance history. The enactment of the Nigerian Insurance Industry Reform Act 2025 (NIIRA 2025), with its new capital thresholds and aspirations toward a trillion-dollar economy, creates a legislative momentum that could be harnessed to pursue the broader reforms this article advocates. What is required is the political and institutional will to translate legislative ambition into the detailed, technically precise statutory and regulatory provisions that genuine market transformation demands. Law, in this domain as in others, works not through aspiration but through specificity, enforcement, and accountability.

[60] Policyholder Protection Rules 2017, made under section 62 of the Long-term Insurance Act 52 of 1998 and section 55 of the Short-term Insurance Act 53 of 1998 (South Africa).