



Key recapitalization changes introduced by the Nigeria Insurance Industry Reform Act (NIIRA) 2025

Introduction

The Nigerian Insurance Industry Reform Act (NIIRA) 2025 was formally signed into law on August 5, 2025, hereby enacting it as a binding legislative statute.

The Nigerian Insurance Industry Reform Act (NIIRA) 2025 marks a turning point for the nation’s insurance sector. Designed to strengthen regulation, protect policyholders, and build trust across the industry, the Act establishes a framework for sustainable growth while fostering innovation and competitiveness. At the heart of these reforms is the recapitalisation of insurance companies, a measure intended to reinforce financial stability and position operators to better serve the Nigerian market.

Implementation of the recapitalization provisions

The Nigerian Insurance Industry Reform Act (NIIRA) 2025 mandates all insurance and reinsurance companies to immediately commence internal preparations for compliance. These insurance companies are required to develop and submit their recapitalization plans, proactively engage with regulators, and take definitive steps to meet the newly prescribed Minimum Capital Requirements (MCR) within the stipulated 12-month compliance period.

Recapitalization: Core changes and implications

This document highlights the key recapitalization changes introduced under the recently enacted

Nigerian Insurance Industry Reform Act (NIIRA) 2025 and examines their implications for insurers, regulators, and the broader industry, particularly in relation to capital adequacy, market consolidation, and long-term sector stability.

Recapitalization: Core changes and implications

The Act introduces a strengthened capital regime, with the updated Minimum Capital Requirements (MCR) highlighted below:

| Business Type | NIIRA (MCR) | Alternative Approach (Higher of MCR or RBC) |
|---------------------------------------|-----------------------|--|
| Life insurance | NGN 10 billion | Higher of NGN 10 billion or RBC determined by NAICOM |
| Non-life insurance | NGN 15 billion | Higher of NGN 15 billion or RBC determined by NAICOM |
| Composite insurance (life + non-life) | NGN 25 billion | NAICOM will provide more update |
| Reinsurance | NGN 25 billion | Higher of NGN 35 billion or RBC determined by NAICOM |

Determining the risk-based capital

The Commission has indicated that, in determining the risk-based capital requirement, it will take into account insurance, market, credit, and operational risks, applying appropriate capital charges to both assets and liabilities. A capital charge, in this context, refers to the portion of capital that must be set aside to absorb potential losses arising from a decline in the economic value of an asset or from uncertainties in estimating liabilities due to adverse events.

Capital composition for new entrants

For newly licensed insurance companies, the Act provides that the minimum capital requirement may be satisfied through government-backed securities such as bonds and treasury bills, or through cash and cash equivalents. This framework ensures that the capital base of new entrants remains both reliable and liquid, thereby providing a secure operational foundation and reinforcing confidence in the financial stability of such institutions from the outset.

Minimum capital for existing companies

For insurers already in operation, the Act adopts a more comprehensive definition of capital. The minimum capital requirement may be satisfied through the excess of admissible assets over liabilities (excluding the company's own shares), subordinated liabilities subject to regulatory approval, or other financial instruments as may be prescribed by the Commission. This approach ensures that the capital position of existing insurers reflects their true financial strength and capacity to meet obligations, rather than relying solely on cash reserves.

Compliance period for existing insurers

Insurers registered prior to the commencement of the Act are required to comply with the new minimum capital provisions within a **12-month transition period, ending on 30 July 2026**. This provision allows sufficient time for restructuring and recapitalization efforts, while maintaining a clear deadline for full compliance.

Enforcement and public disclosure

The Act empowers the Commission to enforce compliance rigorously. Any insurer or reinsurer that fails to satisfy the minimum capital requirements applicable to its category will have its registration cancelled. Furthermore, within **30 days of the expiration of the compliance period, the Commission is mandated to publish a list of insurers that have met the requirements**, thereby promoting transparency and strengthening public confidence in the sector.

Risk-based adjustments to capital requirements

Recognising the diversity in size, complexity, and risk exposure among insurers, the Act provides the Commission with discretionary authority to impose higher capital thresholds where necessary.

Specifically, the Commission may direct an insurer to increase its minimum capital beyond the statutory requirement, or prescribe a higher amount applicable to particular categories of insurers. This risk-sensitive approach aligns capital adequacy with the unique risk profile of each operator, ensuring that the industry remains resilient under varying market conditions.

Regulatory guidance and circulars

The Commission has indicated that it will, in due course, issue comprehensive guidelines and circulars that will outline the modalities for the recapitalisation exercise. These guidelines will specify the composition of the Minimum Capital Requirement (MCR), the acceptable forms of capital, the procedures for capital verification, and the qualifying assets that may be recognised for MCR purposes, including the criteria of title, ownership, and existence. In addition, the Commission will provide a standardised template for the computation of the MCR to ensure consistency and uniformity across the industry.

Recognition of eligible assets

To eliminate ambiguity and strengthen the credibility of declared capital, the Act provides clarity on the treatment of assets. Encumbered assets, assets without perfected title or ownership, and assets not in the full possession of an insurer or reinsurer are deemed inadmissible for meeting the MCR. Similarly, assets that exceed prudential thresholds or fail to meet the prescribed criteria will not be recognised. This ensures that only sound and verifiable assets are used in determining capital adequacy.

Asset verification process

All assets presented for the purpose of satisfying the new MCR will be subject to verification by the Commission or its appointed agents. In cases where, due to the nature or circumstances of an asset, the Commission deems it necessary to conduct further verification beyond the standard process, the cost of such additional verification will be borne by the concerned insurer or reinsurer. This provision reinforces accuracy and credibility in the capital reporting process while placing the responsibility for non-standard verification on the operator.

Licensing and regulatory consequences

Once an insurer or reinsurer has fulfilled the new MCR requirements, paid the requisite fees, and obtained confirmation from the Commission, it will be issued a new licence. However, companies that fail to meet the prescribed capital requirements within the stipulated 12 months timeframe will face regulatory consequences, which may include liquidation, merger, or any other resolution action deemed appropriate by the Commission.

Collaboration with regulators and industry stakeholders

The Commission has also emphasised its commitment to engaging relevant regulators and stakeholders such as the Securities and Exchange Commission (SEC), the Corporate Affairs Commission (CAC), and the Nigerian Stock Exchange (NSE), among others. The purpose of this engagement is to explore and secure, where possible, incentives and concessions that will facilitate compliance and reduce the overall cost of the recapitalisation exercise for operators.

Commitment to transparency and industry stability

In implementing the new recapitalisation framework, the Commission has assured the industry and stakeholders that the entire process will be conducted in a transparent, fair, and value-adding manner. The objective is to enhance the financial soundness of the Nigerian insurance sector, build

public confidence in the industry, and ensure that the benefits of NIIRA 2025 are felt by the wider Nigerian society.

Oversight through a dedicated in-house committee

To ensure proper coordination and execution, the Commission has constituted an in-house committee responsible for overseeing, guiding, monitoring, and implementing the recapitalisation exercise across the insurance industry. This committee will act as the central mechanism for ensuring accountability, consistency, and effective delivery of the process.

Statutory deposit with the Central Bank of Nigeria

To further strengthen regulatory oversight and safeguard policyholders, the Act requires insurance companies to maintain statutory deposits with the Central Bank of Nigeria (CBN):

| Category | Deposit Requirement | Return/Refund | Investment of Deposit | Other Key Provisions |
|--|---|---|---|---|
| New Insurers (before commencing business) | 50% of the prescribed Minimum Capital Requirement (MCR) | Upon registration, 80% of the deposit (plus interest) is returned within 60 days. | Invested by CBN in treasury bills or other secure securities; income payable bi-annually to insurer. | Deposit not subject to garnishee; withdrawal only under provisions of the Act |
| Existing Insurers | 10% of the prescribed MCR | N/A (deposit retained as statutory requirement) | Same as above – invested in treasury bills or other CBN-approved securities; bi-annual income payout. | Failure to restore shortfall within 60 days shall constitute suspension (publicly announced), while failure to deposit shall constitute licence cancellation. |
| Commission's Role | May mandate CBN to invest deposits in secured FG-backed instruments | Communicates insurer's registration to CBN and requests refund of 80% deposit for new entrants. | Oversees compliance | Ensures statutory deposits act as additional safeguard for policyholder protection. |

This statutory deposit regime provides an additional layer of financial discipline and guarantees that insurers maintain readily available and government-secured funds to meet obligations.

Conclusion

The recapitalisation framework introduced by the Nigerian Insurance Industry Reform Act (NIIRA) 2025 is more than a regulatory adjustment; it is a strategic reset for Nigeria's insurance industry. By raising minimum capital thresholds, introducing a risk based capital framework, and mandating statutory deposits with the Central Bank, the Act ensures that only insurers with genuine financial capacity and resilience remain in operation. These reforms are designed to protect policyholders, strengthen market confidence, and align the industry with international standards.

To thrive under this new regime, insurers and reinsurers must proactively review their capital structures, reinforce balance sheets, and position

for timely compliance. Brokers and intermediaries should strengthen relationships with well capitalised insurers to protect clients and reduce counterparty risks. Regulators, in turn, must provide clarity through timely guidelines, consistent oversight, and transparent asset verification. Investors will find opportunities in recapitalisation efforts, mergers, and equity injections, as stronger players seek to expand. Policyholders ultimately stand to benefit from greater contract security and improved claims-paying ability.

While the transition may present short term challenges, the long term benefits will be significant: a stronger, more competitive, and innovative insurance sector that contributes more meaningfully to Nigeria's economic growth and delivers sustainable value to all stakeholders. Insurers are therefore encouraged to engage subject matter experts and consultants who can serve as trusted advisors throughout the recapitalisation process, providing end-to-end support and strategic guidance to ensure full and timely compliance.



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