Inclusion for All Impact Snapshot

EFInA

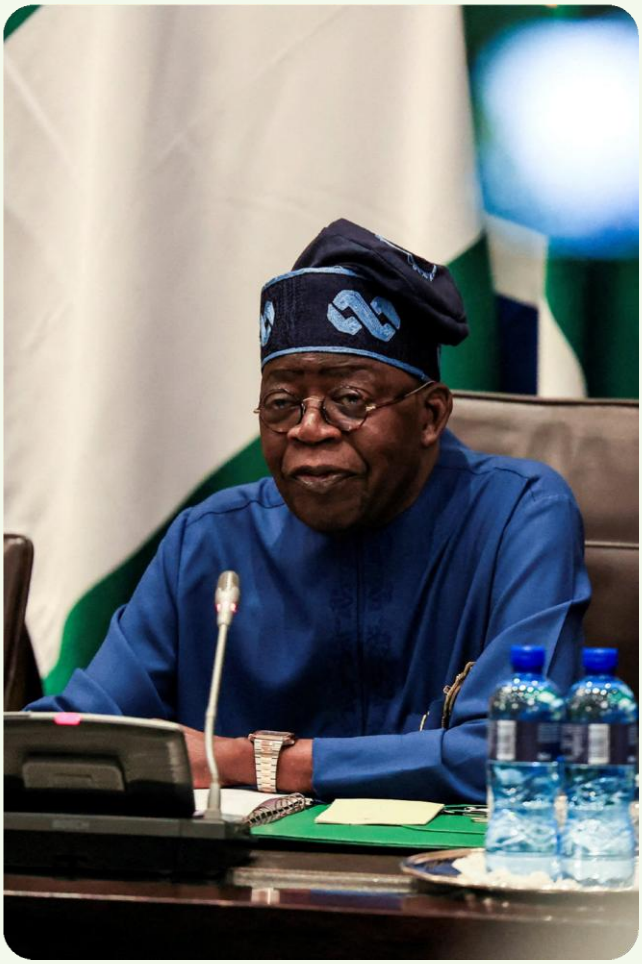
The Insurance Industry Reform Act 2025 : Implications for the Poor and Vulnerable

Background

The Context

On August 5, 2025, President Bola Ahmed Tinubu signed the Nigerian Insurance Industry Reform Act (NIIRA) 2025 into law, ushering in the most comprehensive overhaul of Nigeria's insurance sector in over two decades. The Act consolidates and replaces the Insurance Act 2003 and the NAICOM Act 1997, with the goal of strengthening solvency, embedding digital-first processes, tightening consumer protection, and ensuring stricter enforcement of compulsory insurance provisions.

With insurance penetration below 2% of GDP and only 3% of adults holding any form of cover (EFInA A2F 2023), the reform is both ambitious and overdue. It promises to stabilise the industry, rebuild consumer trust, and expand coverage to global standards. Yet the implications for poor households, rural communities, and informal workers demand scrutiny, especially with regards to some sections of the Act.



Sections of Concern under the new Act

Insurance of Public Buildings:

Section 76 mandates that every public building be insured against hazards such as collapse, fire, earthquake, storm, flood, and other risks. Subsection (6) broadens “public building” to include tenement houses of more than one floor, hostels, rental properties, and any building where the public accesses educational, medical, recreational, or business services.

On the surface, this is a progressive step to protect lives and properties; however, when viewed through the lens of the poor and vulnerable, the provision carries serious implications:

Higher Rents:

Landlords will almost certainly transfer insurance costs to tenants, worsening housing affordability for families already spending over 60% of their income on food (NBS data). This rise in housing costs further squeezes their survival margins.

Costlier Commodities:

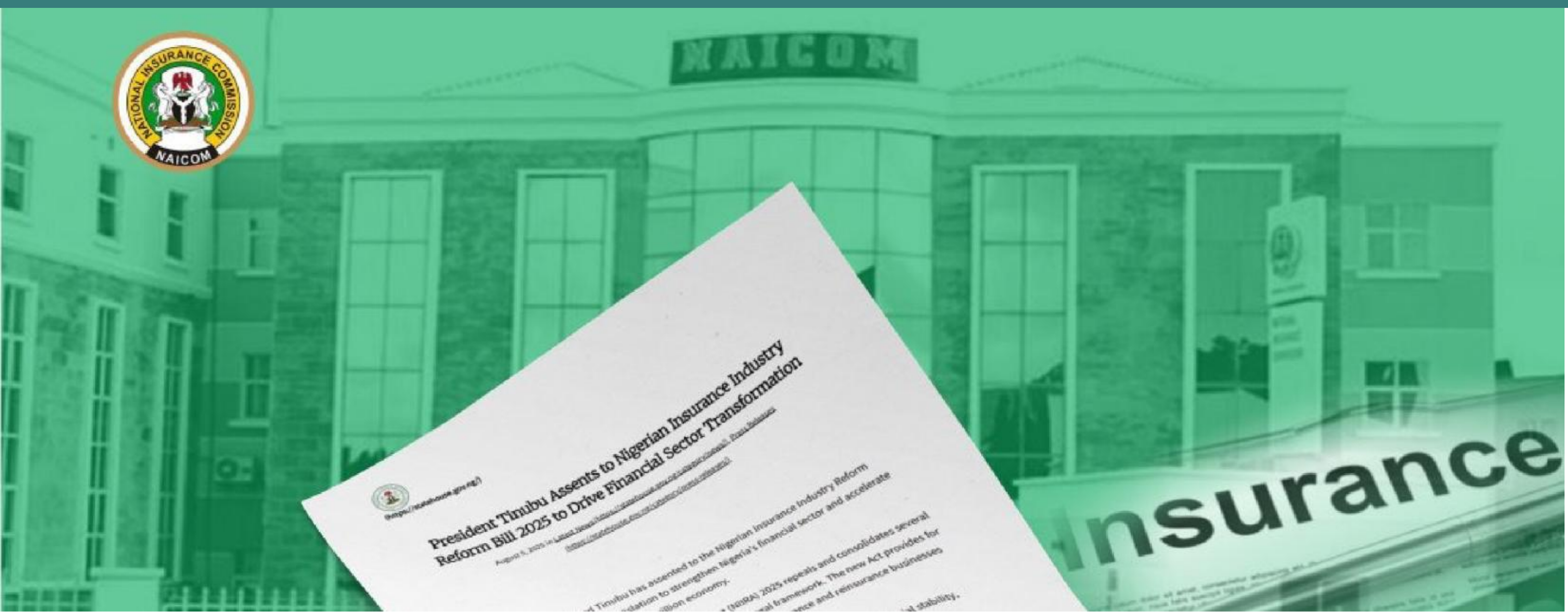
For traders operating in buildings classified as “public” in rural and peri-urban markets, the transfer of insurance costs will add to their operating costs. This may lead to higher prices for basic goods and services, creating localised inflation borne by end-consumers.

Increase in Fees and Charges:

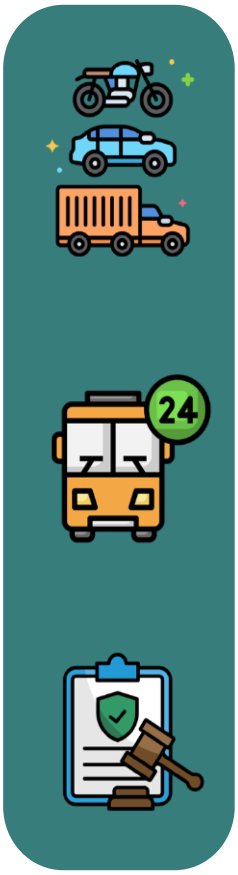
In educational and medical facilities, compulsory insurance could raise school fees and hospital charges, worsening barriers for poor households already struggling to afford these essential services.

Enforcement Risks:

In informal settlements and rural towns, where buildings often lack proper documentation, compulsory insurance may lead to punitive enforcement, with low-income residents most at risk of fines or harassment.



Passenger Insurance in Commercial Vehicles:
Part IV, subsection 84(4) requires every fare-paying passenger in a commercial vehicle to be insured by the vehicle operator against death or bodily injury. While this provision is designed to enhance protection for passengers, ensuring that victims of accidents are not left without recourse, the realities of Nigeria's largely informal transport sector raise significant concerns about its impact on the poor. These include:



Implementation Challenges:

Nigeria's transport system is dominated by run-along commercial vehicles, minibuses, keke napep (tricycles), and shared taxis, most of which are operated by small-scale drivers or unions with limited formal structure. Requiring passenger insurance creates complexities: How will premiums be calculated, collected, and verified in real-time for vehicles that pick up and drop off passengers along unstructured routes? Compliance may end up patchy, with the smallest operators

Risk of Exclusion:

Vehicle operators are likely to pass the cost onto passengers. For poor Nigerians who already spend a high share of their income on two or three shared rides every day, this will further erode disposable income, affecting their access to essential services. In rural areas, already burdened by high transport costs due to poor infrastructure, fare increases could limit access to healthcare, education, or trade.

Enforcement Risks:

If strictly enforced, many small operators may fall foul of the requirements, leading to fines, harassment, or extortion, echoing past transport levies where the poor were hit hardest. Without a transparent system, corruption may rise, and cost passed down to passengers.

What the Data says and why we should care

1. Between 2020 and 2023, insurance uptake rose only slightly from 2% to 3% (EFInA A2F 2023). Adoption remains low mainly due to trust issues: just 37% of adults fully trust insurance providers (40% in rural areas). Insurance is also seen as inaccessible: 16% of adults do not believe in it, while another 16% say they cannot afford it. Any new or forced burden, if not clearly explained, could deepen distrust and further slow adoption, even among those who can afford it.
2. In rural communities, 83.27% of residents own their homes, but 55.3% of adults in these communities earn ₦35,000 or less per month, and most households are large (57.2% have five or more people). An annual building insurance requirement without income growth would lead to increased hardship.
3. According to The Nigerian Workplace Report, 3 in 10 workers spend over 20% of their salary on transport. The National Bureau of Statistics' General Household Survey Panel 2023-2024 indicates that transportation costs are higher in rural than urban communities. Adding passenger insurance costs risks making commuting unaffordable, further squeezing household budgets and livelihoods.

Recommendations

Roll out affordable and flexible Payment Mechanisms:

Regulators should encourage the design of micro-premium products with weekly or monthly payment options, especially for tenement housing and passenger insurance, so that compliance does not require heavy upfront payments that poor households cannot afford.

Phase Enforcement with Awareness Campaigns:

Before strictly enforcing Sections 76 and 84, policymakers should implement phased rollouts, public awareness, and literacy campaigns, particularly in rural areas, to help build trust in insurance as a safety net rather than a punitive obligation.

Provide Safeguards Against Cost Transfer:

Government and regulators should implement monitoring and pricing oversight mechanisms to prevent compliance costs from being passed directly onto tenants, patients, students, or passengers, which would worsen inflation and deepen exclusion.

Support Informal Sector Compliance:

Given that much of Nigeria’s housing and transport is informal, NAICOM should, where practicable, work with unions, cooperatives, and community associations to design collective or pooled insurance schemes that reduce complexity and spread costs, while protecting both operators and end-users.

Measure inclusion outcomes:

NAICOM and Insurers should track and report impacts on low-income, rural, and vulnerable groups, not just industry capitalisation, to ensure reforms deliver protection where it is needed the most.

Conclusion

The Nigerian Insurance Industry Reform Act 2025 is a landmark reform that can potentially modernise the industry and expand coverage. Yet, without deliberate inclusion safeguards, key provisions like the compulsory insurance of public buildings and passenger insurance for commercial vehicles risk translating into higher rents, increased transport fares, and heavier financial strain for the poor and vulnerable. If poorly implemented, these measures could undermine trust in insurance and entrench exclusion.

To truly serve its purpose, the Act must be rolled out in a way that balances industry stability with pro-poor flexibility, ensuring that the reforms not only strengthen institutions but also build resilience, affordability, and trust for the Nigerians who need protection the most.

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