

**KEY REFORMS IN MOTOR VEHICLE INSURANCE
UNDER THE NIGERIAN INSURANCE INDUSTRY
REFORM ACT 2025 (NIIRA)**



INTRODUCTION

The Nigerian Insurance Industry Reform Act 2025 (“NIIRA 2025”) has introduced significant reforms to the regulation of motor vehicle insurance in Nigeria. These reforms expand insurance coverage, increase liability limits, strengthen regional insurance cooperation, and enhance policyholder protections.

Understanding these developments is essential for vehicle owners, operators, insurers and legal practitioners operating within Nigeria’s insurance and transport sector.

1. Compulsory Motor Vehicle Insurance Against Third-Party Risk

NIIRA 2025 expands the category of persons required to obtain motor vehicle insurance. The obligation is no longer limited to the registered owner of the vehicle. It now extends to **any person who has effective control¹ or operational responsibility for the vehicle.**

Anyone who operates or manages a vehicle must ensure it is insured with a valid motor vehicle insurance policy. It is an offence to drive a vehicle without insurance, and the penalties include: **(i) a fine of up to ₦250,000 (two hundred and fifty thousand Naira); (ii) up to 12 months of imprisonment; or (iii) both a fine and imprisonment.**

2. Passenger Insurance Requirement

Under the Motor Vehicle (Third Party Insurance) Act (“the repealed Act”), insurance policies were primarily designed to protect third parties.

However, NIIRA 2025 introduces a requirement for vehicles carrying passengers for **hire or reward** to insure passengers against **death or bodily injury.**



¹ Nigeria Insurance Industry Reform Act 2025, section.84 (3) defines control to include the owner, or anyone who directs, instructs, or orders a vehicle to be used on a public road.

NIIRA 2025 provides that compensation payable for **death or total permanent disability of a passenger** shall be **₦2,000,000 (two million Naira)** or such higher sum as the Insurance Commission may prescribe by regulation.²

3. Limitation Period for proceedings

Under the repealed Act³, proceedings for motor vehicle insurance offences had to be commenced within 6 (*six*) months from the date of the offence or from the date the prosecutor became aware of the offence whichever ever period is longer.

NIIRA 2025 extends this limitation period to 12 (*twelve*) months from the date of offence or from the date of discovery, whichever occurs later.⁴

This amendment provides a more realistic timeframe for enforcement actions.

4. New Exemptions

NIIRA 2025 revises the categories of motor vehicles exempted from mandatory third-party insurance.

While the repealed Act provided five categories of exemptions⁵, NIIRA 2025 recognizes two primary exemptions, namely:

- a) Motor vehicles owned or used for military purposes by the Nigerian Armed Forces;
- b) Motor vehicles owned by the government of a foreign state that has a reciprocal agreement with the Federal Republic of Nigeria, when used by diplomatic missions or officials of that State in the course of official duties.⁶

5. Policies and Certificates of Insurance Under NIIRA 2025, the previous requirement for ministerial approval of insurers has been dispensed with.

For a motor vehicle insurance policy to be valid, it must be issued by a registered insurer licensed and supervised by the National Insurance Commission (NAICOM).

Furthermore, NIIRA 2025 provides that where a law enforcement officer⁷ demands certificate of insurance from a person driving a motor vehicle on the highway or public place, the person shall produce his certificate of insurance or insurance cover note in print or electronic form.⁸

² The Nigeria Insurance Industry Reform Act 2025, section. 84(3) and (4).

³ Motor Vehicle Act, s. 4

⁴ NIIRA 2025, s. 85

⁵ The repealed Motor Vehicle Act exempted: users of government vehicles used for government work only, Private vehicles with ₦10,000 deposit at Accountant-General, Vehicles used for police work under senior officer, Persons declared exempt by Minister, and Vehicles or types declared exempt by Minister.

⁶ NIIRA 2025, s. 86

⁷ Under the repealed Act, motor insurance certificates could only be demanded by police officers. However, NIIRA 2025 introduces a blanket provision to include law enforcement officers generally.

⁸ NIIRA 2025, s. 96 (1). Under the previous Act, the physical copy of the certification must be presented to the police officer on demand. However with NIIRA 2025, an electronic presentation is acceptable.

6. Increased Liability Limits

NIIRA 2025 significantly increases the liability limits applicable to motor vehicle insurance policies. The policy must now cover:

a. Liability arising from death or bodily injury to third parties:

- For in-patients – medical expenses up to **₦100,000 (one hundred thousand Naira)**.
- For out-patients- medical expenses up to **₦250,000 (two hundred and fifty thousand Naira)**.
- **Up to ₦3,000,000 (three million Naira)** for property damage to third parties.

b. Under the repealed Act, coverage was largely limited to death and bodily injury, with limited provision for medical expenses and property damage.⁹

7. National Bureau on the ECOWAS Brown Card Scheme.

NIIRA 2025 establishes the National Bureau for the ECOWAS Brown Card Scheme. This Bureau is tasked with issuing ECOWAS Brown Cards to motor insurers in accordance with the ECOWAS Brown Card Protocol. This protocol facilitates cross-border motor insurance coverage among ECOWAS member States.

Previously, the National Insurance Corporation of Nigeria (NICON) served as the National Bureau responsible for issuing these Brown Cards in Nigeria.

8. Automatic ECOWAS Brown Card coverage

Under NIIRA 2025, every motor vehicle insurance policy issued in Nigeria automatically includes the ECOWAS Brown Card.¹⁰

This reform eliminates the need for motorists to obtain a separate ECOWAS Brown Card when travelling within ECOWAS member states.

9. Insurance Policyholders Protection Fund

NIIRA 2025 establishes an **Insurance Policyholders Protection Fund**.¹¹

Insurers and reinsurers are required to contribute 0.25% of gross premiums to this fund. The fund will be managed by an independent fund manager and an oversight committee, and the fund is intended to:¹²

- Protect policyholders where insurers become insolvent.
- Ensure payment of claims.
- Address situations involving the insolvency of licensed insurers.

10. Establishment of the Road Accident Victim Compensation Fund

NIIRA 2025 creates the **“Road Accident Victims Compensation Fund”**, into which insurers must pay 0.5% of their motor insurance profit quarterly¹³ From this fund, 65% is set aside to compensate victims of accidents caused by uninsured or unidentified drivers, and to cover hospital treatment costs up to **₦2,000,000.00 (Two million Naira)** per person (subject to review by the Commission)¹⁴.

⁹ NIIRA 2025, s. 87

¹⁰ NIIRA 2025, s. 103(8).

¹¹ NIIRA 2025, s 212(1).

¹² NIIRA 2025, s 212(4).

¹³ NIIRA 2025 s. 99

¹⁴ NIIRA 2025, s. 100 (4) (d)

If an insurer fails to pay, they face a penalty of five times the amount owed, and persistent default can lead to suspension of their licence to issue motor insurance policies by NAICOM.¹⁵

11. Provision of Steeper Enforcement Penalties

Under the repealed Act¹⁶, a contravention of the provision of the Act will accrue a **#100.00 (One hundred Naira)** fine or 6 (Six) months imprisonment (or both). And where the contravention is continued, **#200.00 (Two hundred Naira)** fine or 1 year imprisonment (or both).

However, under NIIRA, **#250,000.00 (Two hundred and fifty thousand Naira)** fine or 6 months imprisonment (or both) for the first conviction and **#500,000.00 (Five hundred thousand Naira)** fine or up to 12 (Twelve) months imprisonment (or both) for subsequent conviction.

Conclusion

The reforms introduced by NIIRA 2025 amount to a significant modernization of Nigeria's motor vehicle insurance framework. NIIRA 2025 aims to enhance consumer protection and improve regulatory oversight within the Nigerian insurance industry by expanding coverage requirements, increasing liability limits, strengthening regional cooperation among insurance providers, and establishing mechanisms to protect policyholders.

Babalakin & Co. is a Firm with a broad experience on the subject of Regulatory Compliance & Company Secretarial Services and all matters related to it. If you have any questions or would like information on the issues discussed, please contact:

¹⁵ NIIRA 2025, s. 100 (5)
¹⁶ Motor Vehicle Act, s.22



**Anene Lawrencia
Onyejekwe**

Senior Associate
alanabor@babalakinandco.com



**Benedicta Ngozi
Ikwuegbu**

Associate
bikwuegbu@babalakinandco.com



**Wisdom Udochukwu
Obilor**

Trainee Associate
wobilor@babalakinandco.com

—OFFICE LOCATIONS—

LAGOS OFFICE

1261A Adeola Hopewell Street
Victoria Island, Lagos State.
(+234)2012718700, 2718806, 2718808,
2718711, 27188004, (+234)2702802

ABUJA OFFICE

4, River Benue Street,
Off Ibrahim Babangida Boulevard,
Maitama District, Abuja.
(+234) 9-2780930, 2780933-9

PORT HARCOURT OFFICE

3, Williams Jumbo Street,
Old GRA, Port Harcourt
Rivers State.
(+234)703506876