



Modernizing Maritime Commerce in Nigeria

Key Innovations Under The
Nigerian Insurance Industry
Reform Act 2025.

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Abstract

Commercial transactions in Nigeria, particularly the importation of goods, are predominantly conducted via maritime transport. In other words, the carriage of goods by sea remains the primary mode through which trade and commercial activities are executed within the country. Given the inherently volatile nature of maritime transport, the need for adequate protection against unforeseen risks and liabilities cannot be overstated. As a result, marine insurance has become a critical component of the carriage of goods by sea.

Owing to the importance of this aspect of maritime commerce, it is imperative that marine insurance be subject to effective regulation, particularly within the Nigerian legal framework. This necessity led to the enactment of the Marine Insurance Act (MIA) in 1962, which historically governed marine insurance in Nigeria.

While the MIA was a product of its time, having been enacted in 1962, it has since become increasingly outdated considering contemporary commercial realities and

advancements in the global insurance landscape. The imperative for reform became both evident and urgent. Consequently, this need prompted the enactment of the Nigerian Insurance Industry Reform Act, 2025, ('the Reform Act' or 'NIIRA'), which represents a comprehensive and transformative legal framework aimed at modernizing Nigeria's insurance industry, with far-reaching implications for maritime commerce.

This article critically examines the key provisions of the NIIRA, highlighting the paradigm shift from the outdated MIA to the current regulatory regime. It also explores the anticipated benefits of the NIIRA for the marine insurance sector and its broader impact on maritime transactions in Nigeria.



Introduction

Marine Insurance is an important aspect of carriage of goods by sea. It helps carriers, shippers and consignees/cargo owners to protect their vessel, crew and cargo on board during voyage. To this end, protection against unforeseen circumstances becomes imperative and by extension, the law to regulate the industry.

On 5th August 2025, the Nigerian Insurance Industry Reform Act 2025 received Presidential assent, fundamentally transforming Nigeria's insurance, including marine insurance regulatory landscape. Among its most significant achievements is the comprehensive modernization of marine insurance law, which consolidates and updates the provisions previously contained in the MIA. The Reform Act integrates marine insurance under Part XIV¹ of the Reform Act, introducing revolutionary changes that align Nigerian marine insurance law with contemporary international standards while addressing the unique challenges of modern maritime commerce.

Indeed, the MIA having become increasingly outdated in the face of digital commerce, evolving international standards, and modern risk management practices. The NIIRA consolidates insurance laws in the maritime industry, provides for reformed minimum share capital and risk-based capital requirements, compulsory insurance cover for petroleum/gas tankers, third party losses, digitization, regulating foreign participation, specialised licenses, etc.

These reforms provide for a transparent regulation of the industry, making it attractive to investors and stakeholders and creating a safe space for marine transaction in Nigeria.

¹ Sections 115-199 of the Reform Act.

Overview of the Key Innovations in the Reform Act and Comparison with the MIA

1. Consolidation of Marine Insurance into a Unified Insurance Regime

The MIA has been repealed by and integrated under Part XIV of the NIIRA. This integration eliminates the standalone legislation for marine insurance, bringing it under a unified regulatory regime supervised by the National Insurance Commission (NAICOM). By this consolidation, Marine insurance is now subject to general provisions of the Reform Act, such as licensing, capital requirements, and intermediaries, unless explicitly exempted.

While this consolidation also helps to promote having a one-stop-shop law regulating the Insurance industry, it is notable that all parts of the NIIRA do not apply to marine insurance as the Reform Act provides in Section 74 thereof that the general rules on insurance contracts in Part IX, such as breach of material terms and insurable interest, do not apply to marine insurance,

preserving its specialized nature while allowing cross-application where appropriate.

2. Revolutionary Overhaul of Disclosure and Representation Framework

The most significant innovation in the Reform Act is the complete restructuring of disclosure obligations, moving from the traditional caveat emptor approach to a modern "fair presentation" framework.

Under the MIA, Section 20 required the assured to disclose "every material circumstance which is known to the assured" with limited guidance on what constitutes adequate disclosure. This led to disputes over the sufficiency of disclosure and harsh consequences for non-disclosure.

However, the Reform Act, at Sections 131-139 thereof, introduces a comprehensive new framework:





i. Fair Presentation Duty²:

This replaces simple disclosure with a requirement for "fair presentation of the risk" that must be "reasonably clear and accessible to a prudent insurer."

ii. Sophisticated Knowledge Framework³: Establishes detailed rules for what constitutes "knowledge" for individuals versus corporate entities, including specific provisions for senior management knowledge and agent attribution.

iii. Proportionate Remedies⁴:

Introduces "qualifying breach" concept with different consequences for deliberate and non-deliberate misrepresentation, moving away from the binary avoid and don't avoid approach.

This modernization brings Nigerian law in line with international best practices and provides greater certainty for both insurers and assured parties.

Any rule of law permitting a party to a contract of insurance to avoid the contract on the ground that the utmost good faith has not been observed by the other party is abolished."

3. Abolition of Traditional Good Faith Avoidance Rules

The MIA provided that marine insurance was "a contract based upon the utmost good faith," with any breach allowing for contract avoidance⁵. This entails that the contract could be repudiated or rescinded upon any breach contained in the agreement without due regard to its effect to the rights of the parties. This created uncertainty and harsh consequences for minor breaches.

Under the Reform Act, a new position⁶ is established by providing that: "Any rule of law permitting a party to a contract of insurance to avoid the contract on the ground that the utmost good faith has not been observed by the other party is abolished."

This change eliminates the draconian consequences of the traditional good faith doctrine while maintaining fairness through the new fair presentation framework. It provides greater commercial certainty and aligns with modern insurance law principles.

² Section 132 of the Reform Act.

³ Section 133-135 of the Reform Act.

⁴ Section 137 of the Reform Act.

⁵ Section 19 Marine Insurance Act 1962.

⁶ Section 138 of the Reform Act.

4. Modernized Warranty Breach Consequences

The MIA⁷ provided that a warranty breach automatically discharges the insurer from liability from the date of breach, regardless of the materiality of the breach or whether it contributed to any loss. However, the position has changed. The Reform Act⁸ provides that:

- i. The insurer is only discharged from liability for losses occurring after breach and before remedy.
- ii. Automatic discharge is eliminated where:
 - Circumstances change, making the warranty inapplicable
 - Compliance becomes unlawful
 - The insurer waives the breach
- iii. Detailed provisions specify when a breach is considered "remedied."

This represents a fundamental shift from automatic forfeiture to a more proportionate consequences framework.

5. Integration with Digital Age Requirements

The Reform Act addresses modern commerce through some new provisions:

i. Electronic Documentation⁹: The Reform Act explicitly recognises email and electronic delivery of policy documents, provided that the policy document is received by the recipient.

ii. Web Aggregators¹⁰: The Reform Act introduces comprehensive regulation of internet-based marine insurance business. The inclusion of this provision is in line with the Web Aggregators Operational Guidelines released by NAICOM in 2022, whose purpose is to ensure that information and statistics released by Web Aggregators about Insurance companies are accurate and not ill-fated.

⁷ Section 34(2) of the Marine Insurance Act 1962.

⁸ Section 147 of the Reform Act.

⁹ Section 17(4) & (5) of the Reform Act.

¹⁰ Section 201 of the Reform Act.



6. Comprehensive Know Your Customer (KYC) and Anti-Money Laundering (AML) Framework

The Reform Act¹¹ imposes an obligation on Insurance Companies to demonstrate their commitment to enforcement of KYC obligations, and against money laundering, terrorism financing, and the proliferation of weapons of mass destruction in their policies and to implement internal control measures to prevent transactions relating to the proliferation of weapons of mass destruction.

In the same breath, NAICOM is tasked with making regulations, guidelines, and policies aimed at combating money laundering, financing of terrorism, and the proliferation of weapons of mass destruction.

7. Enhanced Protection for Container-Based delivery within Nigeria

The Reform Act¹² addresses contemporary shipping practices such as Mandatory Insurance for container based delivery of goods from Nigerian ports to any

destination with Nigeria, prohibition of container deposits in favour of insurance coverage, and mandates an importer, broker or agent to effect insurance cover with a licensed insurer in Nigeria in respect of the container which will deliver goods so as to protect the interest of ship liners or owners. This directly addresses modern container shipping practices that were not contemplated under the MIA, ensuring adequate protection for contemporary maritime commerce.

8. Direct Third-Party Rights

The Reform Act introduced direct third-party rights, which allow third parties to directly claim against insurers, even where the third party is not a party to the contract¹³. Usually, a third party would have no direct recourse against an insurer where the policy was meant for their benefit, and in the case of a third-party claim, the third party would have to rely on the policyholder to pursue claims against the insurer.

¹¹ Section 202 of the Reform Act

¹² Section 203 of the Reform Act.

¹³ Section 205(2) of the Reform Act.

However, the introduction of this provision eliminates this dependency by granting third parties direct right of action against an insurer, even without being a party to the insurance contract. This conforms and creates a statutory codification of marine insurance contracts as an exception to the general rule in privity of contract. It must, however, be noted that the provision of this Section is a double-edged sword. As much as it benefits a third party who intends to make a claim against an insurer, it also empowers an insurer to claim against a third party who is not a party to the original agreement.¹⁴

9. Enhanced Claims Settlement Framework

The Reform Act¹⁵ obligates insurance companies to settle claims within the period contained in the

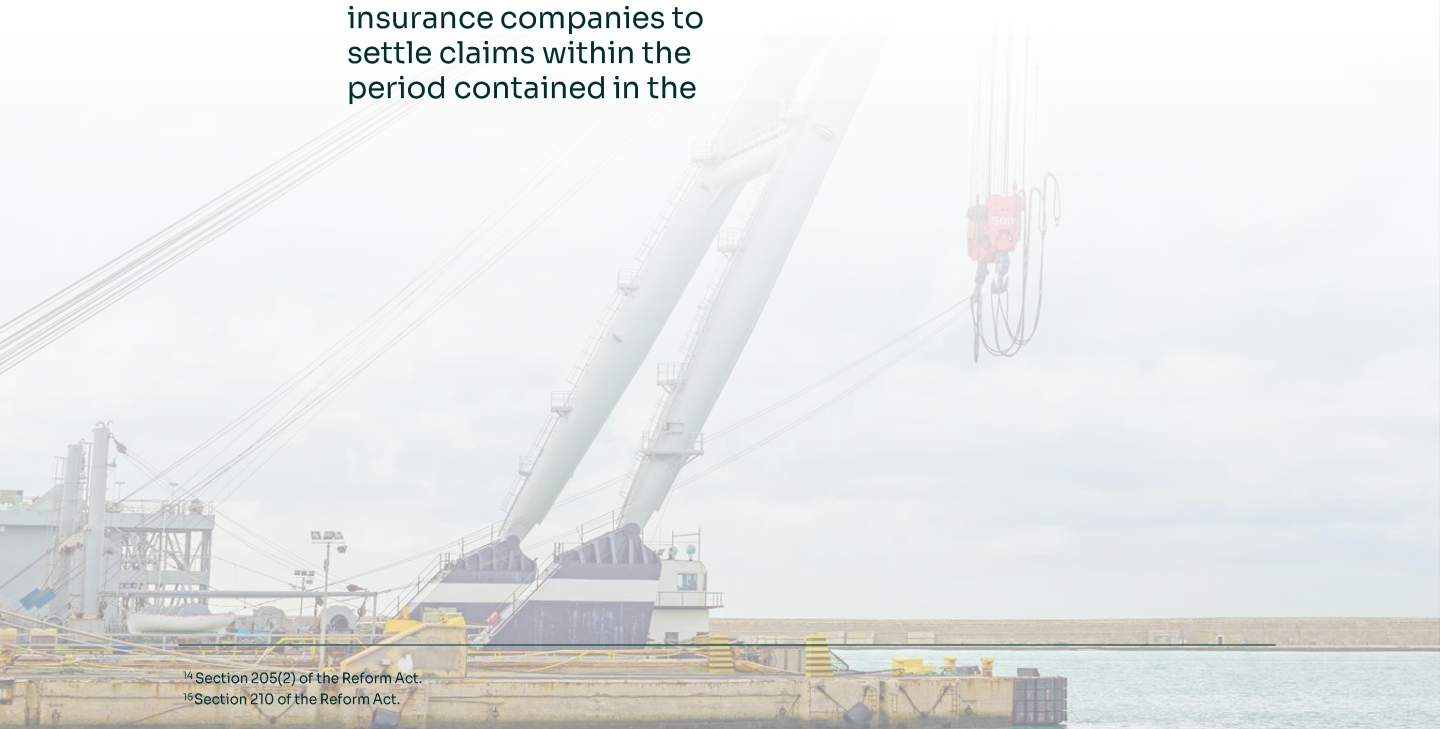
Service Charter or as prescribed by NAICOM, except where the liability is being denied. Additionally, the Act provides a 60-day timeline for the settlement of admitted claims, acceptance or denial of special risk claims, and the settlement of admitted special risks. This provides certainty and transparency for maritime commerce and enhances Nigeria's reputation for efficient claim resolution.

60-day

timeline for the settlement of admitted claims, acceptance or denial of special risk claims, and the settlement of admitted special risks.

¹⁴ Section 205(2) of the Reform Act.

¹⁵ Section 210 of the Reform Act.



Implications for Maritime Commerce in Nigeria

The innovations introduced by the Reform Act offer several strategic advantages for maritime commerce in Nigeria. These include:

1. Legal Certainty:

The abolition of the harsh good faith rules and introduction of fair presentation duties provide greater commercial predictability and encouraging maritime investment.

2. International Competitiveness:

The sophisticated disclosure framework and digital age provisions position Nigerian marine insurance law among the world's modern marine insurance territory, with potentials of attracting international maritime businesses.

3. Enhanced Consumer Protection:

Direct third-party rights, mandatory settlement timelines, and proportionate remedies create a more balanced legal environment that protects all stakeholders.

4. Regulatory Sophistication:

The integration of AML and Combating the Financing of Terrorism (CFT) requirements, corporate governance standards, and professional development obligations demonstrates Nigeria's commitment to international best practices.

5. Operational Efficiency:

The streamlined claims processes, electronic documentation provisions, and enhanced enforcement mechanisms reduce transaction costs and improve business efficiency.

6. Completeness:

The new order provides for a complete and wholesome statutory regime for insurance, including maritime insurance. And this makes it easier for stakeholders in the maritime industry to understand and assert their rights as they relate to maritime insurance, under the law.



Conclusion

The Nigerian Insurance Industry Reform Act 2025 represents a leap in the modernisation of Nigeria's marine insurance law. By fundamentally restructuring disclosure obligations, abolishing harsh traditional rules, and introducing comprehensive digital age provisions, the Reform Act positions Nigeria as a progressive maritime jurisdiction capable of supporting 21st century commerce.

For Nigeria's maritime sector, these reforms promise enhanced competitiveness, greater international confidence, and improved operational efficiency.

The success of these reforms will be measured by their practical impact on maritime commerce, but the foundations laid by the Reform Act provide every reason for optimism about Nigeria's maritime future.



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Stren & Blan Partners is a full-service commercial Law Firm that provides legal services to diverse local and multinational corporations. We have developed a clear vision for anticipating our client's business needs and surpassing their expectations, and we do this with an uncompromising commitment to Client service and legal excellence.

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