DUALE, OVIA & ALEX-ADEDIPE

Key Insurance Reforms for the Construction, Real Estate and Oil and Gas Sectors under the Nigeria Insurance Industry Reform Act 2025

REAL ESTATE AND CONSTRUCTION

The Nigeria Insurance Industry Reform Act 2025 ("**NIIRA**" or the "**Act**") is a landmark overhaul of Nigeria's insurance framework. It replaces earlier laws, embedding insurance into key stages of property development, from planning and construction to occupancy and investment, while granting regulators new enforcement powers and raising the consequences for non-compliance. The provisions of the Act are crucial not only for real estate developers, contractors, builders, tenants, and property owners, but also for the general public. In this article, we have examined some of the notable provisions in NIIRA in relation to the real estate and construction industry in Nigeria.

Compulsory Insurance for Buildings Under Construction

NIIRA requires owners, builders, contractors, and any other person commissioning the construction of a building of more than one floor to insure against construction risks that may be caused by their negligence or that of their agents, servants, consultants, or public authorities.[1] This covers death, injury, or property damage to third parties (including collapse risks).[2] Under the Insurance Act 2003 (the "**Insurance Act**"), the threshold was set at two-storey buildings. NIIRA has expanded this scope to a one-storey building. This makes insurance a mandatory cost in all construction projects of one-storey buildings and above. Therefore, parties to joint venture agreements and other agreements in relation to the construction of one-storey buildings and above must discuss and agree on who bears the burden of insurance.

The Act also introduces a definitive timeline for procuring building insurance policies. It must be obtained immediately upon approval of the building plan and before construction commences.[3] This is a significant shift from the Insurance Act, which required insurance only when the building was already under construction.

The fine for failure to obtain building insurance has increased from ₦250,000 (Two Hundred and Fifty Thousand Naira) to ₦5,000,000 (Five Million Naira), while the maximum imprisonment term has been reduced from 3 years to 12 months.[4] Thereby, deterring stakeholders from non-compliance with the requirement of building insurance.

Failure to obtain and submit a building insurance policy may preclude the relevant authorities from issuing authorisation to commence construction.

Public Buildings Insurance

1 Section 75 (1) of the Act
2 Ibid
3 Section 75 (2) of the Act
4 Section 75 (3) of the Act

Occupiers and owners of hotels, malls, office complexes, hospitals, tenement houses of more than one floor, hostels, buildings occupied by tenants, lodgers, or licensees, and any building to which the public has access for education, medical services, recreation, or business are required to insure such buildings against hazards including collapse, fire, earthquake, storm, flood, and any other hazards the National Insurance Commission ("**NAICOM**") may determine. Therefore, properties such as malls, offices, hospitals, hostels, tenements, and other public-access buildings must be insured against risks including collapse, fire, earthquake, storm, and flood.[5]

The Act expands insurance coverage to millions of commercial, multi-tenant properties and public properties, significantly improving safety and compensation landscapes.

Enforcement with Seal-Up Powers & Criminal Penalties

To ensure compliance, NIIRA empowers NAICOM to request building plan approving authorities (such as Lagos State Building Physical Planning Permits Authority) to seal up any building if there is a reasonable belief that it poses serious risks to the public and no adequate insurance has been provided.[6] This provision empowers NAICOM to enforce the provisions of building insurance in conjunction with the relevant authorities.

Insurance Payouts Directed Toward Rebuilding After Fire

Insurance proceeds from fire claims must be used to restore or rebuild the damaged property on the request of any person entitled or stakeholders interested in the insured building (the "**Claimants**").

Fire insurance compensation may be applied to other purposes, provided the Claimants furnish acceptable security for such alternative applications within 60 days after the compensation is agreed with the insurer.[7]

The Claimants may also obtain court approval to distribute the compensation among themselves.[8] The court may provide the proportions and terms for the just and equitable distribution of the compensation, having regard to their respective interests and the extent of loss suffered by each Claimant.

Insurance companies are required to comply with this compensation mechanism when settling fire-related claims on properties. This provision ensures that insurance proceeds are applied towards asset recovery, thereby safeguarding property value, protecting Claimants' interests, and promoting business continuity.

5 Section 76 of the Act
6 Section 76 (7) of the Act
7 Section 79(1)-(3) of the Act
8 Ibid

Mandatory Insurance for Government Assets

All government-owned buildings and facilities must be insured against hazards and perils as NAICOM may determine from time to time.[9] Government institutions at all levels must ensure all their real and incorporeal assets are insured. The provision expands insurance coverage by bringing additional assets into the insurance pool, ensuring the protection of government assets against risks, and promoting compliance by ensuring that government institutions set the standard through exemplary conduct.

Compulsory Insurance for Petroleum & Gas Facilities

Facilities such as petrol stations and gas plants must now be insured by their owners against third-party losses arising from accidental fire outbreaks or explosions.[10] Vehicles transporting petroleum and gas products must be insured by the owner of the product-in-transit against third-party losses arising from accidental fire outbreaks or explosions.[11] The Act clearly assigns the responsibility for insurance of product-in-transit to the owner of the product-in-transit, and any other contractual arrangement between the relevant parties may be deemed void and unenforceable. Petrol stations, gas plants, oil and gas marketers and distributors must ensure compliance with the provisions of Section 78 of the Act.

The provisions ensure that third parties, including landlords, property owners and tenants, are adequately covered against risks of explosion and fire outbreak arising from the operation of filling stations and the movement of gas and petroleum products.

Investment in Real Estate Development

The Act allows NAICOM to empower insurers to invest insurance funds in real estate development, irrespective of the provision of any other law to the contrary.[12] This will open new capital channels for developers, real estate investment trust managers, and infrastructure investments, potentially catalysing growth in real estate financing.

Superiority over the National Housing Funds Act in relation to Insurance

Where there is a conflict between the National Housing Fund (Establishment) Act 2018 and the NIIRA in relation to insurance, the provisions of the NIIRA shall prevail. This resolves legal ambiguities with respect to the investment of profits of insurance companies.

---

9 Section 77 of the Act
10 Section 78(1) of the Act
11 Section 78(2) of the Act
12 Section 27(2)(g) and Section 27 (5) of the Act

Conclusion

NIIRA significantly reshapes Nigeria’s real estate, construction and insurance landscape. With mandatory coverages, stronger enforcement, and novel investment opportunities, stakeholders must:

- Review and update development and lease agreements to clarify insurance obligations.
- Align due diligence, property development, joint ventures, construction, financing, and the entire construction value chain with the new legal mandates.
- Engage insurers early in project planning to ensure seamless compliance and avoid costly delays.

By integrating these statutory requirements into preventive and contractual measures, landlords, developers, investors and other stakeholders can mitigate legal risks, ensure safety, and boost investment confidence.

Authors

Tomiwa Ogunbanwo
Managing Associate

Abdulrasheed Badmus
Associate

Boluwatife Atunrase
Associate

This article is for general information purposes only and does not constitute legal advice. For further questions, assistance or clarifications on the abuse of dominance in the Nigeria broadcasting industry on you or your business, you may contact us at info@doa-law.com or contact any of the contributors herein listed. To request reproduction permission for any of our publications, please use our contact form which can be found on our website at www.doa-law.com.

LAGOS

Plot 1B, Block 129,
Jide Sawyerr Drive,
Lekki Phase I
Lagos State, Nigeria

ABUJA

1st Floor,
AP Plaza 100,
Adetokunbo Ademola Crescent,
Wuse 2
FCT, Nigeria

Tel.: 0700 DOALAW (0700 362529)
Email: info@doa-law.com
www.doa-law.com

DOA | DUALE, OVIA & ALEX-ADEDIPE