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ASSESSING REGULATORY EFFICACY: EVIDENCE FROM THE NIGERIAN INSURANCE INDUSTRY REFORM ACT 2025

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ABSTRACT

In response to worries about under capitalization in the insurance industry and its clear impact on public confidence and financial intermediation, the Nigerian Insurance Industry Reform Act (NIIRA) 2025 was passed into law to become the main piece of legislation governing the insurance sector and its operators in Nigeria. Although, government regulations enable businesses to ensure compliance with market standards, protect employees and customers, as well as, the general public. Unfortunately, regulatory efficacy in the Nigeria insurance sector faces serious hurdles like regulatory enforcement gaps, capacity constraints and weak legislative frameworks. This study, examined the regulatory efficacy of NIIRA 2025 and therefore offers insights into what NIIRA 2025 means for the future of Nigeria's insurance industry. It adopted purposive and virtual snowball sampling techniques and uses descriptive method to analyse data gathered through online survey from 708 consumers of insurance products in Nigeria. The findings inferred that the enforcement of NIIRA 2025 exerts positive effect on both claims processing efficiency and consumer trust development in the insurance industry of Nigeria. The study therefore recommended that that the National Insurance Commission should keep bolstering the enforcement of NIIRA 2025 by guaranteeing regular monitoring, compliance audits and suitable penalties for non-compliance.

INTRODUCTION

In response to worries about undercapitalization in the insurance industry and its clear impact on public confidence and financial intermediation, the Nigerian Insurance Industry Reform Bill was passed by the Senate in December 2024, the House of Representatives in March 2025, and received the assent of President Bola Ahmed Tinubu on 5th August 2025. Upon the Presidential assent, Nigerian Insurance Industry Reform Act (NIIRA) 2025 became the main piece of legislation governing the insurance sector and its operators in Nigeria (Onyeyiri, 2026). The National Insurance Commission (NAICOM), has cleared 43 insurance and reinsurance companies through a stringent recapitalization verification process, enforced stringent capital baselines and initiated regulatory enforcement actions against non-compliant operators (National Insurance Commission [NAICOM], 2026). This provides evidence of adequate implementation of NIIRA 2025. According to Ofodile (2026), the main goals of this new reform are to improve public trust

in the insurance industry and keep up with changing economic realities. By repealing and consolidating these regulations, lawmakers aimed to rebuild the insurance industry in a way that takes into account the unique characteristics of each insurer, fortifies Nigeria's financial sector and places the insurance sector at the forefront of Africa and the world (Balogun, 2025).

Hakizimana et al. (2023); Shu'ara (2021) contend that there is great need for government regulations which allow businesses to safeguard workers, customers and the general public, as well as, guarantee adherence to market rules. Thus, businesses must abide by rules including tax codes, labour laws, employment laws, antitrust laws and advertising regulations in order to conduct themselves morally and responsibly. The government's intervention and oversight assure worker safety, customer safety and essential tax income, even though excessive rules and changes in regulations may cause some bottlenecks for firms (Khan et al., 2024; Situmorang et al., 2024). In essence, the insurance industry is shaped by government regulations, which also encourage moral and accountable behaviour.

Regulatory efficacy is not the same as regulatory effectiveness, which solely assesses whether a law was passed. Rather, it is the degree to which a law, policy or regulatory agency fruitfully accomplishes its specified public aims (Kinyondo et al., 2021; Porto Noronha et al., 2022). Regulatory framework such as environmental protection or market fairness, affects the real world. The system must be able to accomplish its goals in an effective, efficient and sustainable manner. This capability is known as institutional capacity, and it needs to be based on skill, knowledge, education, technology, data, finances, accountability, transparency and management techniques (Zubair, 2025).

The Nigerian government and regulatory agencies are spearheading the NIIRA 2025 program, which aims to fortify the insurance sector, improve overall performance and boost its capacity to fulfill policyholder responsibilities (Balogun, 2025). Hence, the new reform is an appeal for change. Abdulahi (2026) adds that the new reform pushes insurers to develop from simple policy underwriters into erudite financial organizations driven by strategy, discipline and data. More so, Ofodile (2026) notes that as a pillar of financial security, the new framework prioritizes openness, efficiency and capital intelligence. Despite the short implementation schedule, the reform presents a once-in-a-lifetime chance to strengthen investor confidence, increase foreign involvement, and strengthen consumer protection (Banigo et al., 2026). Notwithstanding the lofty goals of the new reform, it encounters obstacles like weak legal frameworks, capacity constraints and enforcement gaps (Onyeyiri, 2026). Therefore, this study aims to conduct an empirical analysis of the regulatory efficacy of NIIRA 2025.

STATEMENT OF THE PROBLEM

The insurance industry is one of the key players in financial services sector. While consolidation and regulatory reforms have accelerated across the insurance in Nigeria, the industry has been faced with challenges such as regulatory enforcement gaps, capacity constraints and weak legislative frameworks, resulting in delayed claims processing and consumers lack of trust in insurance. Although, government regulations enable businesses to ensure compliance with market standards, protect employees and

customers, as well as, the general public. Unfortunately, regulatory efficacy in the Nigeria insurance sector faces serious hurdles. According Asaolu and Aribaba (2025), regulatory obstacles and inadequate risk management procedures expose insurance businesses to significant losses, thereby impacting their investment portfolios and returns on investment.

More so, despite the number of reforms led by the NAICOM, studies have demonstrated that inadequate capital adequacy and delayed claims management regularly impede sector performance and consumer trust (Fadun et al., 2025; Oyerinde et al., 2025). Additionally, reports frequently point to delays, a lack of transparency, poor communication and perceived unjust treatment, all of which contribute to a loss in the trust relationship between insurers and insureds across the industry. It is anticipated that the new regulatory framework will modernize Nigeria's insurance sector by promoting market consolidation, re-establishing public trust, and above all, align the insurance industry with the Federal Government's overarching goal of a thriving economy. This study is, therefore, born-out of the necessity to assess what the NIIRA 2025 means for the future of Nigeria's insurance industry.

AIM AND OBJECTIVES OF THE STUDY

The aim of this study is to examine the regulatory efficacy of the Nigeria Insurance Industry Reform Act 2025. Thus, the specific objectives of the study are to:

i. Ascertain if NIIRA 2025 has effect on claim processing efficiency.

ii. Determine whether NIIRA 2025 has effect on consumer trust development.

LITERATURE REVIEW

Key Innovations of the Nigerian Insurance Industry Reform Act 2025

The ECOWAS Brown Card Scheme's integration into Nigeria's insurance system is one of the key changes brought about by NIIRA 2025. The recognition of motor vehicle insurance coverage across ECOWAS member states is made possible by Section 103 of NIIRA 2025 (NAICOM, 2025). This is intended to facilitate cross-border travel within the sub-region and advance regional integration. Through a standardized insurance system, it also guarantees that victims of traffic accidents involving foreign drivers receive fair compensation. It is anticipated that these institutional structures will expedite the processing of claims, lower litigation expenses and raise the possibility that accident victims will obtain prompt and fair compensation. From a behavioural standpoint, customers are more likely to have trust in an insurance system that reliably provides timely pay across national borders, boosting trust in both domestic insurers and regional insurance governance.

Section 75 of the Act also increases mandatory insurance coverage in a number of areas (NAICOM, 2025). Buildings with more than one floor are now covered by insurance when they are under construction. Under

the new legislation (Section 76), public buildings throughout the Federation must retain insurance against risks including collapse, fire, earthquake, storm, flood and other dangers specified by the Commission. Among others, insurance coverage against specified dangers and perils is required for federal government assets and workers under Section 77 of the Act (NAICOM, 2025). These will encourage insurance companies to modernize their claims administration systems, enhance underwriting standards and invest in more advanced risk assessment and claims management technologies. Moreover, public trust in insurance as a successful risk management tool rather than just a legal need is greatly increased by the guarantee that financial protection is in place prior to losses.

The implementation of mandatory professional indemnity coverage for healthcare providers is another significant development. The goal is to bring Nigeria's healthcare system into compliance with international norms. Additionally, it aims to guarantee sufficient protection for patients who are harmed by medical malpractice or carelessness. Because insurers are now directly in charge of looking into and resolving qualified claims, this reform is anticipated to lessen reliance on drawn-out litigation. Patients will therefore probably believe that the healthcare system is more equitable, accountable, and financially secure. More so, Section 203 of the Act mandates insurance plans for containers used in the commercial sector to move goods from Nigerian ports to locations around the nation (NAICOM, 2025). The goal of this is to encourage more sustainable and safe business practices. It is anticipated that claims assessment processes will become quicker, more reliable and less prone to disagreements as claims become more standardized and insurers gain more expertise in managing losses related to logistics.

Also, the NIIRA 2025 enhances regulatory supervision in the insurance sector. Section 37, Section 39, Section 40 and Section 48 introduce a more structured compliance framework for insurance intermediaries such as insurance agents, insurance brokers, reinsurance brokers and loss adjusters respectively (NAICOM, 2025). This is meant to lessen exploitative practices and strengthen industry protections. It is projected that increased intermediary professionalism will lessen administrative mistakes made while issuing policies and documenting claims, which will cut down on claims disputes and processing delays. In addition, Section 17 of the Act requires that policy documentation be issued for each insurance contract on or before the start of coverage in order to resolve disputes pertaining to denial of claims (NAICOM, 2025). This change is probably going to increase openness and rebuild trust in the insurance industry.

Furthermore, premium loading and other exploitative tactics intended to artificially raise the premium expenses that insured individuals must pay are prohibited by Section 63(3). Policyholders often assess insurers not just on claims performance but also on the perceived fairness of premiums paid in relation to benefits received. Thus, pricing fairness is a significant factor in determining customer trust. Conceivably, the rise in the minimum share capital requirements for insurance companies operating in Nigeria is the most commercially important reform. This reform is intended to improve the insurance industry's long-term stability, solvency and financial resilience under Section 15 of the Act. More so, it is meant to improve policyholder protection. According to Ofodile (2026), raising the capital criteria is anticipated to have significant economic and regulatory ramifications for both current operators and potential international businesses looking to join the Nigerian insurance sector. Since financially troubled insurers frequently postpone or fail to pay claims, inadequate capitalization has historically eroded trust in Nigeria's insurance sector.

Collectively, these changes show that NIIRA 2025 takes an integrated regulatory strategy that strengthens consumer protection, improves governance, strengthens financial resilience, standardizes claims procedures and increases transparency. The Act creates complementary institutional procedures that lower claims disputes, raise financial capacity for claims settlement, improve operational efficiency, and promote insurer accountability rather than enhancing claims management through a single intervention. By enhancing views of justice, dependability, transparency and regulatory efficacy, these institutional advancements are anticipated to increase customer trust.

Historical Perspective of Insurance Regulation in Nigeria

The first attempt at establishing a regulatory framework for Nigeria's insurance sector was the Insurance Companies Act of 1961 (Osoka, 1992). The Act set minimum capital requirements for insurance businesses and provided standards for their management and supervision (Oke, 2012). It also created the office of Registrar of Insurance (Omoke, 2012). Next, the Ministry of Trade established a Department of Insurance. Post-independence, rapid economic expansion rendered the requirements of the Insurance Act of 1961 unsustainable (Isimoya, 1999). The Insurance Act of 1961 was superseded by the Insurance (Miscellaneous Provisions) Act of 1964 and the Insurance Companies Regulations of 1968.

In order to control the insurance industry in Nigeria, a number of legislation and regulations were passed in the decades that followed. These include Insurance Decree Number 59 of 1976 and the successive Regulations of 1977; Decree Number 40 of 1988; Insurance Special Supervisory Fund Decree Number 20 of 1989; Decree Number 58 of 1991 and Decree Number 62 of 1992, which was substituted by Decree Number 1, of 1997 (Uche & Chikeleze, 2001). The historic National Insurance Decree Number 1, sometimes referred to as the National Insurance Commission Act, Cap. N53 Laws of the Federation, 2004, was passed in 1997. The next important insurance legislation was the Insurance Act, 2003, compiled as Cap. Laws of the Federation 2004, I17, Volume 7 (Oke, 2012). The insurance sector has witnessed a number of further regulatory interventions and reforms since these laws were passed, all of which are meant to improve the way insurance business is handled in Nigeria.

The Nigerian Insurance Industry Bill was finally passed by the National Assembly in March 2025 in response to worries about the insurance industry's undercapitalization and its obvious impact on financial intermediation and public confidence (Ofodile, 2026; Oyedokun, 2024). Consequent upon the assent of President Bola Ahmed Tinubu to the Bill on 5th August 2025, the Nigerian Insurance Industry Reform Act of 2025 became the most recent major law governing the Nigerian insurance sector. The Act, in section 229(1), repeals and consolidates the Insurance Act 2003; the Motor Vehicles (Third Party Insurance) Act 2004; the Marine Insurance Act 2004; the Nigeria Reinsurance Corporation Act 2004; and the National Insurance Corporation of Nigeria Act 2004. Moreover, the Act is divided into fourteen (14) parts and two hundred and thirty-two (232) sections, each carrying measures targeted at renewing the insurance sector in Nigeria.

The Concept of Claims Processing Efficiency

The basic principle underlying the whole essence of the contract of insurance is the compensation of policy holder in event the risk insured against materializes (Gisca & Mariț, 2023). Hence, claims processing efficiency is an essential component of the insurance business and it is crucial to both client satisfaction and the insurer's overall financial stability. According to Machireddy (2023), claims processing efficiency is an insurer's ability to manage and resolve claims quickly, accurately and economically. It entails streamlining procedures to provide policyholders with prompt compensation while preventing needless delays and costs in the evaluation, investigation and settlement of claims. More often than not, loss scenarios frequently cause the insured public to become more aware of their insurer, as many customers do not pay much attention to their insurance coverage until they experience a loss. Oteh et al. (2026) submit that the most important interaction the insured public has with the industry is through claim, which is the lifeblood of insurance and, as such, a crucial turning point that determines a customer's overall opinion of their insurer.

More so, Fauzi and Mahendrawathi (2025) contend that claims are the pivotal point in an insurance company's customer relationship and that a company's success is frequently determined by a single factor - the customer's experience with claims. According to Rahul (2022), a claim is an insured person's request to the insurer for the payment of benefits under a policy. Nevertheless, insurers are condemned to concentrate on improving efficiency in their claims function in order to lower the cost of claims and fulfill a value-added brand promise to customers. Building on earlier assertion, Iriferi et al. (2026) aver that the key for insurers to improving client acquisition and retention is the efficiency of claims processing. It also doubles up as enterprise business intelligence for profitability and product development insights for years to come. Oteh et al. (2026) add that achieving portfolio underwriting requirements, managing risks and keeping costs under control - all depend heavily on the timeliness, accuracy and efficiency of claims processing.

Moreover, the measures of how quickly an insurer receives, assesses, processes and settles a claim is essential in insurance business. Hence, Jotikasthira et al. (2025) assert that timeliness is particularly important because delays can increase customers' financial burdens and negatively affect perceptions of insurer reliability. Claims processing accuracy is another dimension which concerns whether claims are assessed and processed correctly, consistently and in accordance with policy conditions and regulatory requirements. Thus, an efficient claims system needs to ensure errors minimization, incorrect documentation, repeated assessments and wrongful claim decisions (Alumran et al., 2026). In another similar study, Ogbeide et al. (2023) avow that claims processing efficiency captures the insurer's ability to react promptly to customers' claims-related enquiries, documentation, complaints and requests for clarification. Therefore, responsiveness is key to achieving efficiency in claims processing. A qualitative insurance service requires policyholders to understand what is happening to their claims. Consequently, insurers must be transparent such that they provide clarity, accessibility and adequacy of information throughout the claims process (Soliman, 2025).

Furthermore, Machireddy (2023) expresses that efficient claim process is the insured's guarantee that he or she will be compensated or restored to his or her pre-loss status, as long as premium is promptly paid. For insurance company, claim settlement is one of its core functions. Therefore, insurers are expected to possess the ability to conclude valid claims and provide appropriate compensation without unnecessary

administrative obstacles. Accordingly, claims processing efficiency necessitates fairness and consistency. These explain why Oladunni and Olaolu (2024) contend that claims should be evaluated and settled impartially and consistently, without arbitrary treatment of policyholders.

The Concept of Consumer Trust Development

Over the past 20 years, Nigeria's insurance industry has seen tremendous change, mostly due to increasing market accessibility, regulatory changes and economic reforms. Despite these developments, Ogbeide et al. (2022) found that less than 5% of Nigerians regularly participate in insurance plans, making the country's insurance penetration rate extremely low. Ojonimi et al. (2024) assert that consumer trust is one of the key elements driving adverse consumer behaviour in Nigeria's insurance market. According to Acikdilli and Soylu (2023), consumer trust in insurance industry is the confidence consumers place in insurance providers to behave in their best interests, deliver promised services and uphold ethical standards. However, the Nigerian insurance sector has always struggled with issues of trustworthiness, which are frequently linked to subpar service delivery, dishonest business practices and insufficient regulatory control.

The Insurance Act of 2003 sought to resolve persistent insurance problems by strengthening consumer protection laws and boosting industry openness. Nevertheless, Gbenga (2025) contends that the reforms' efficacy is still debatable, with many insured publics continuing to voice doubts about the dependability of Nigerian insurance companies. The desire of consumers to buy insurance, file claims and maintain long-term relationships with insurance providers are all influenced by their level of trust. According to Guiso (2021), the decision-making process involved in purchasing insurance is complicated and impacted by a wide range of elements, such as individual experiences, societal norms, informational signals, and most essentially trust development. Therefore, it is essential to explore how trust impact the decision-making processes of Nigerian insurance consumers, particularly in an environment where information inadequacy and claims processing biases can distort perceptions of insurance.

Afterall, Ojonimi and Safiu (2026) avow that trust plays a pivotal role in the functioning and sustainability of financial institutions and insurance providers. It affects consumer satisfaction, loyalty and the organizations' general reputation. The consumer trust in this case can be classified as interpersonal, institutional and product-specific trust. Institutional trust, according to Luo et al. (2021), is concerned with more general trust in the insurance industry as a whole, including regulatory organizations and the laws that control insurance operations. Thus, the perception that the system is just, dependable and able to safeguard the interests of consumers is reflected in institutional trust. Interpersonal trust deals with the trust between individual clients and particular insurance business representatives, whereas product-specific trust concentrates on the trust associated with certain insurance products and services. (Agyei et al., 2020; Nicolas, 2020). Thus, the creation of consumer trust depends on a number of factors, including personal connections, the perceived sincerity and competency of those interacting with clients, and assurances that the goods provided by insurers are dependable, advantageous and satisfy particular consumer demands.

A long-term financial product known as life assurance offers beneficiaries financial security in the event of the policyholder's passing. The decision by customers to buy this class of insurance is heavily influenced

by trust because of its extended duration and deferred rewards (Selin & Jung, 2025). According to Nkwor and Onuoha (2024), when claims come up, often decades after the policy's start, customers must have high trust that the insurance company will continue to be solvent and meet its contractual commitments. In addition, Turner (2022) emphasizes that consumers who mistrust insurers will see mandatory insurance as a financial burden rather than protection, and may result in high rates of fraud and policy avoidance. This highlights the importance of trust in insurance transaction experiences. Thus, a number of things can either strengthen or weaken confidence in insurance companies. Therefore, in order to preserve and increase consumer trust, insurance firms need to comprehend and effectively handle these issues.

The Trust Theory

Trust theory provides a useful theoretical basis for explaining the relationship between claims processing efficiency and consumer trust in the insurance industry. As a strategic asset (Castaldo et al., 2010) and essential component (Dietz & Gillespie, 2011; Kramer & Cook, 2010), trust is a complicated, multidisciplinary notion. Trust theory posits that people are more inclined to depend on a company when they believe it to be trustworthy, capable, predictable, open and dedicated to carrying out its responsibilities. Basically, one of the most crucial stages in the insurance industry for policyholders to assess if an insurer can be relied upon to fulfill its contractual obligations is the claims procedure. As a result, claims processing efficiency which is demonstrated by quick payment, correct claim evaluation, transparent processes, timely communication and little administrative delays can be used as a concrete measure of an insurer's capability and dependability. According to Oladunni and Olaolu (2024), policyholders are more likely to view the insurer as trustworthy and dedicated to its duties when claims are handled effectively. This increases their trust that the insurer will fulfill its obligations in the event that new claims are made.

In particular, service organizations have acknowledged increasingly that the establishment and maintenance of trusting connections with clients is a vital success factor (Bozic, 2017). Accordingly, building customer trust is thought to be a practical strategy for addressing issues related to drawing in new clients and keeping hold of current ones in fiercely competitive environments (Sun & Lin, 2010). More so, it has been demonstrated that trust leads to increased competitive advantage, sales effectiveness, customer loyalty, customer commitment, enhanced sense of value and successful co-operations (van Tonder & Petzer, 2018). Conversely, delayed, complicated and inconsistent claims processing can undermine trust because policyholders will perceive such practices as evidence of organisational incompetence, opportunism, or unwillingness to honour contractual commitments.

Moreover, Grayson and Johnson (2015) submit that client has favourable expectations and confidence that the service provider, whether it be the company or its representatives, will fulfill the exchange agreement. As a result, the client psychologically suspends related ambiguity, vulnerability and danger, making them susceptible to the service provider's actions (Möllering, 2006). Nevertheless, the risk involved differs depending on the service sector. According to Luo and Zhang (2016), the cognitive, emotive and behavioural aspects of the human experience are the sources of trust. While, Şengün and Wasti (2011) assert that affective-based trust is based on emotional ties, but cognitive-based trust is associated with rational trust decisions based on logical evaluations. Lewis and Weigert (2012) express that activation

and expression of cognitive and affective trust result in behavioural trust and, hence, behavioural risk-taking.

Luhman (2017) contends that a higher perceived risk within an industry leads to a higher impact of organisational trust on interpersonal trust, trust placed in management, organisation or legal system, which is then transferred by association to trust in individual actors. The larger the context, be it relationship history, organizational structures or organizational environment in which the service company operates also affects customer trust in the company (Fulmer, 2018; Fulmer & Dirks, 2018). Trust in the larger context can therefore enable or improve customer's trust in the service firm (Grayson et al., 2008). This theory is based on the fact that insurance being an intangible product requires great trust for the distribution of insurance products. It is however in view of this association, the researchers adopted the trust theory as the theoretical foundation of the study.

Empirical Review

Ansari (2011) examined the impact of reforms on insurance industry of Saudi Arabia. In the comparative study of the performance of insurance industry in pre and post reforms era, data were collected mainly from the annual reports of the Saudi Arabian Monetary Agency from 2005 through 2009. The results revealed positive impacts of the reforms on premium growth, enhanced regulation of the insurance industry and mass entry of new companies into the industry. Hence, the study concluded that the insurance industry in Saudi Arabia has experienced fast growth as a result of the new insurance reforms.

Barasa et al. (2018) investigated the implications of the insurance fund reforms in Kenya. Employing a health financing evaluation framework, the study found that the reforms have positive impacts on civil servants' scheme; provider reimbursement rates; stepwise quality improvement system; health insurance subsidy for the poor; monthly contribution rates and expansion of benefit package. The study concluded that though the insurance reforms in Kenya are well intentioned and there has been improvement in several areas, design attributes could compromise the extent to which they achieve their intended goal.

Kim and Koh (2022) conducted a study of two insurance reforms in the United States to access the role of health insurance coverage as a determinant of individuals' subjective well-being (SWB). Using data from the Behavioral Risk Factor Surveillance System and Panel Study of Income Dynamics, it was found that the 2006 Massachusetts reform and 2014 Affordable Care Act Medicaid expansion improved the overall life satisfaction of Massachusetts residents and low-income adults in Medicaid expansion states, respectively. The study concluded that access to health insurance plays an important role in improving SWB.

Makhloufi et al. (2015) carried out a study to determine if the health insurance reforms in Tunisia attained their intended objectives. The average treatment effects of two insurance schemes, formal-mandatory and state-subsidized insurance, on the utilization of outpatient and inpatient healthcare were estimated using propensity score matching. The results support the hypothesis that both schemes do increase the

utilization of healthcare in Tunisia. The study concluded the health insurance schemes, despite improving accessibility to healthcare services, are incapable of achieving effective coverage of the whole population for all services.

Gaps in Literature

One of the biggest regulatory changes to Nigeria's insurance sector in recent years is the implementation of NIIRA 2025. Although, currently published literature has thoroughly examined insurance sector reforms, regulatory compliance, corporate governance, solvency requirements and financial performance within the Nigerian insurance industry, there is still limited empirical evidence regarding the efficacy of NIIRA 2025 in accomplishing its intended regulatory goals. Majority of the studies that are currently available were either carried out prior to the implementation of NIIRA 2025 or concentrated on previous regulatory frameworks, such as the National Insurance Commission guidelines and the Insurance Act of 2003. Hence, their conclusions are insufficient to explain the implications of the current reform in Nigeria.

More so, prior empirical research has mostly focused on financial metrics including market penetration, profitability, premium increase, capital adequacy and operational efficiency. Examining how NIIRA 2025 implementation affects operational outcomes that directly impact policyholders, particularly the efficiency of claim processing and consumer trust development has received very little attention. It is commonly acknowledged that one of the most important factors influencing the quality of insurance services and client satisfaction is claims settlement efficiency. Nevertheless, there are few empirical studies examining whether Nigerian insurance companies are handling claims more quickly, transparently and efficiently as a result of the improved regulatory measures under NIIRA 2025.

Accordingly, in order to close these gaps, this study employs a descriptive and inferential research approach to investigate the effect of NIIRA 2025 on the growth of consumer trust, and the efficiency of claim processing. Hence, the study adds up-to-date empirical data to a comparatively unexplored field of insurance regulation by concentrating on regulatory performance within the Nigerian insurance sector after the passage of NIIRA 2025. In essence, the findings are expected to enrich the existing body of knowledge, provide practical insights for policymakers and regulators, as well as, support evidence-based improvements in the implementation of insurance sector reforms in Nigeria.

MATERIALS AND METHOD

This study employs a descriptive research design to assess regulatory efficacy of NIIRA 2025. On the basis of reviewed literature, a survey questionnaire was developed. Hence, primary data were gathered through a structured questionnaire. Considering the objectives of the study, consumer perceptions are necessary to provide unique evidence as they adequately capture consumers' experiences, attitudes and behavioural responses to the effect of the new insurance reforms. Hence, the population of the study includes all consumers of insurance products in Nigeria. According to NAICOM (2026) estimates, the population patronizing insurance companies in Nigeria currently stands at 1,380,406. The research instrument which comprised fourteen (14) items, focused on claim processing efficiency and consumer trust development in insurance business in relations to implementation of NIIRA 2025. Essentially, the questionnaire underwent

content validity testing by consulting experts in the fields of insurance to ensure the questionnaire adequately covered the constructs of interest and aligned with objectives of the study. The questionnaire also went through pre-pilot testing procedures before it was finally administered. Secondary data were collected through a comprehensive literature review of academic articles, conference proceedings, case studies and book publications, providing context and theoretical frameworks for interpreting the study's findings.

The study adopted purposive and virtual snowball sampling techniques. Purposive sampling allows drawing individuals who possess knowledge and familiarity with insurance business in Nigeria. Thus, purposive sampling was used at the initial stage to identify respondents who possess the characteristics and knowledge relevant to the study. Since target population is largely spread out, administratively invisible and difficult to locate, virtual snowball sampling was appropriate and necessary. Hence, after identifying the initial group of eligible respondents through purposive sampling, the researchers distributed Google Forms survey link to them and sought assistance to reach others who also satisfy the study's eligibility criteria. The study employed online administration design. Hence, respondents were directed to complete the survey hosted on a secure Internet website. The online survey was done via Google forms, as it is a platform that supports large numbers of participants every day. The Research Advisor (2006) calculator was employed to determine the appropriate sample size, with a 99% confidence interval and 5% (0.05) margin of error. Thus, the calculated sample size figure is 663.

After all, the data collected were analysed using descriptive statistical techniques for quantitative data with the aid of SPSS (version 27) and Excel spreadsheet. This approach was aimed at providing a comprehensive understanding of the topic under investigation, hence, enabled the formulation of evidence-based conclusions and recommendations. More importantly, ethical considerations were prioritised, ensuring informed consent, guaranteed anonymity, confidentiality and the right to withdraw from the study at any time. Additionally, Cronbach's Alpha was calculated using a sample of twenty-five responders. The items exhibit a good degree of internal consistency, based on the reliability statistics results (see Table 1) and the Alpha coefficient values for the sampled respondents. According to Daud et al. (2018); Taber (2018), an alpha coefficient of 0.60 or greater is generally considered acceptable. The Cronbach's alpha values (.726 and .741) of the construct in the study are both greater than 0.60. Hence, the items of the construct of the questionnaire are assumed to be reliable.

Table 1

Results of the Reliability Test

Variables	No of Items	Cronbach's Alpha
Claims processing efficiency	7	.726
Consumer trust development	7	.741

Source: Researchers' computation from SPSS (version 27)

RESULTS AND DISCUSSION

The questionnaire administered for the purpose of this study was divided into three sections. The first section examined respondent's profile, while the second and third section surveyed claims processing efficiency, and consumer trust development respectively. In the course of survey, a total of Seven Hundred and Eight (708) questionnaires were completely filled and valid for the analysis. The rate of questionnaires returned was high and very encouraging. The analyses and results are presented in table and charts below.

Profile of Study Respondents

Table 2 shows the gender, age, marital status, highest academic qualifications, and occupation of respondents.

Table 2
Profile of Respondents

		Frequency	**Percent (%)**
Gender	Male	474	66.9
	Female	234	33.1
Age Category	18-25 years	30	4.2
	26-35 years	161	22.7
	36-45 years	161	22.7
	46-55 years	212	29.9
	56 years^{+}	144	20.4
Marital Status	Single	182	18.1
	Married	524	73.9
	Separated	56	8.0
Academic Qualification	GCE/WASSCE	14	2.0
	NCE/OND	268	37.8
	HND/B.Sc./B.Ed.	289	40.8
	Post Graduate	137	19.3
Occupation	Self-employed	455	64.3
	Civil servant	47	6.6
	Private sector worker	149	21.0
	Retired	57	8.0
TOTAL		708	100

Source: Researchers' computation from SPSS (version 27.0)

Analysis of profile of the sampled individuals presented in Table 2 shows that more male than female respondents were surveyed, as 66.9% of the study's participants were male compared to the female counterparts who accounted for 33.1%. For age category of respondents, age group 46-55 years dominates with about 30%, closely followed by age category 26-35 years and 36-45 years with 22.7% each. While respondents aged 56 years and above accounted for 20.4%, and those in age category 18-25 years accounted for the least at 4.2%. In terms of highest academic qualifications, majority of the study respondents were HND/B.Sc./B.Ed. holders at 40.8%. This is followed by holders of OND/NCE at 37.8%. Respondents holding Post graduate degrees accounted for 19.3% of the sampled individuals, while the remaining 2% had GCE/WASSCE at the time of survey. The analysis further demonstrates that of the 708 sampled

individuals, 455 representing 64.3% are self-employed; 149 that is, 21% work in private sectors; 57 of them, representing 8% are retired; while the remaining 47 respondents, that is 6.6% are civil servant. As for the marital status of the study respondents, 524 are married accounting for an overwhelming 73.9%. The singles (182) accounted for 18.1%, while respondents with separated marital status (56) accounted for 8%. This analysis is essential as it demonstrates the status of respondents that participated in the study.

The Effect of NIIRA 2025 on Claims Processing Efficiency

A three-point Likert scale (agree, not sure, and disagree) was employed to collect data from 708 sampled insurance consumers in Nigeria with regards to claims processing efficiency arising from the enforcement of NIIRA 2025. It makes use of variables like speed of claims settlement, reduced processing delays, quality of claims assessment, easy claims documentation, communication effectiveness, dispute reduction, and overall efficiency. The result of the survey is summarized in Figures 1and 2 using charts for the analysis. The goal of this criterion is to guarantee that a sizable portion of the population finds the new reforms positively influence claims processing efficiency.

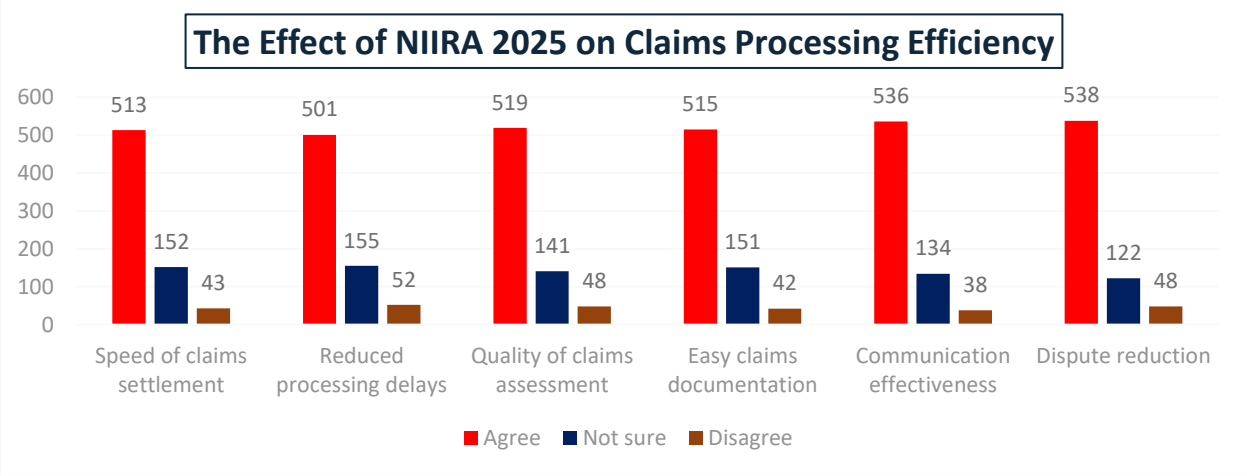


Figure 1

A Bar Chart showing Perception of Claims Processing Efficiency

Source: Researchers' computation from Microsoft Excel

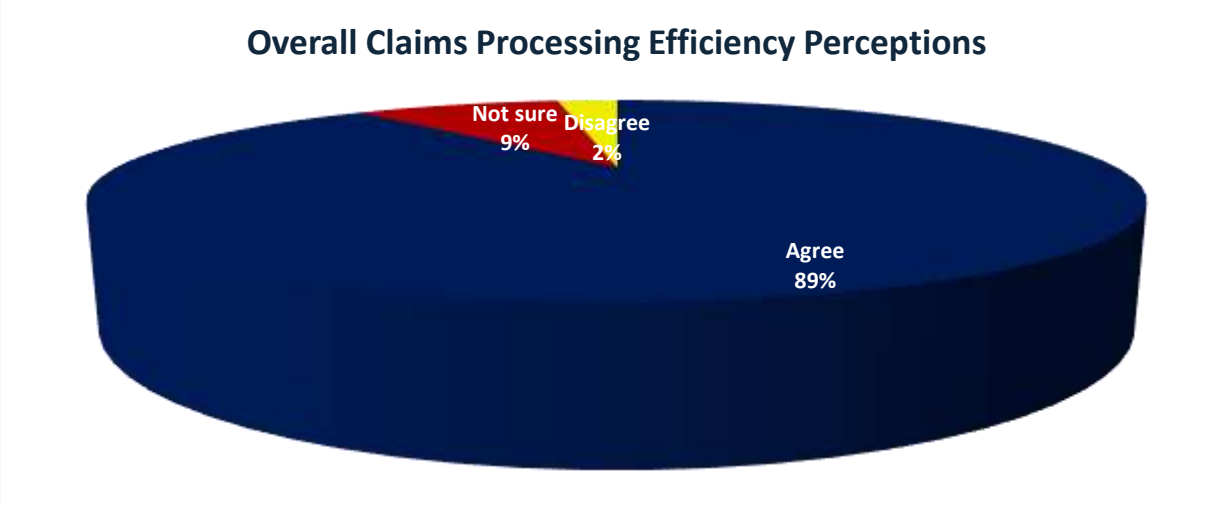


Figure 2
A Pie Chart showing Overall Claims Processing Efficiency Perceptions

Source: Researchers' computation from Microsoft Excel

A total of 708 completely filled and valid questionnaires were analysed with regards to ascertaining the effect of NIIRA 2025 implementation on claims processing efficiency. The result in Figure 1 demonstrates that although 152 respondents indicated not sure and 43 respondents disagreed, 513 respondents agreed that average time required to settle insurance claims has reduced under NIIRA 2025. While 52 sampled individuals disagreed, 155 ticked not sure and 501 respondents agreed that delays in claims settlement have reduced significantly since NIIRA 2025 came into effect. Also, 48 respondents disagreed, 141 stated not to be sure, but 519 respondents specified that quality of claims assessment has improved following NIIRA 2025 implementation. Similarly, while 42 respondents disagreed, and 151 of them ticked the not sure option, 515 sampled individuals agreed that claims documentation requirements are now clearer and easier to understand. With regards to the claim that insurance companies now communicate more effectively with claimants during claims processing, 38 respondents disagreed, 134 specified not to be sure, and 536 respondents agreed with the assertion. Moreover, 48 respondents disagreed, 122 respondents ticked the not sure option, while 538 respondents support the claim that disputes arising from claims settlement have reduced after implementing the latest insurance reforms in Nigeria.

Essentially, the results of analyses with respects to overall perceptions of the sampled consumers of insurance products in Nigeria revealed an overwhelming support for the claim that the enforcement of NIIRA 2025 has improved the efficiency of insurance claims processing in Nigeria. This is evident in Figure 2 where it clearly shows that although, 18 respondents representing 2% disagreed, and 61 respondents, that is 9% specified not sure, 629 respondents which is proportionate to 89% of the sampled individuals agreed that NIIRA 2025 has strengthened the efficiency of insurance claims processing in Nigeria. Therefore, on the basis of the study analysis, it can be inferred that the enforcement of NIIRA 2025 has exert positive effect on claims processing efficiency in the insurance industry of Nigeria. This result substantiates the findings of Iriferi et al. (2026); Oteh et al. (2026) that the key for insurers to improving client acquisition

and retention is the efficiency of claims processing which is highly influenced by the new insurance reforms in Nigeria.

The Effect of NIIRA 2025 on Consumer Trust Development

A three-point Likert scale (agree, not sure, and disagree) was employed to collect data from 708 sampled insurance consumers in Nigeria with regards to consumer trust development arising from the enforcement of NIIRA 2025. It makes use of variables like confidence in insurers, perceived transparency, consumer protection, organizational integrity, accountability, purchase intention, and overall trust. The result of the survey is summarised in Figures 3 and 4, using charts for the analysis. The goal of this criterion is to guarantee that a sizable portion of the population finds the new reforms positively influence consumer trust development.

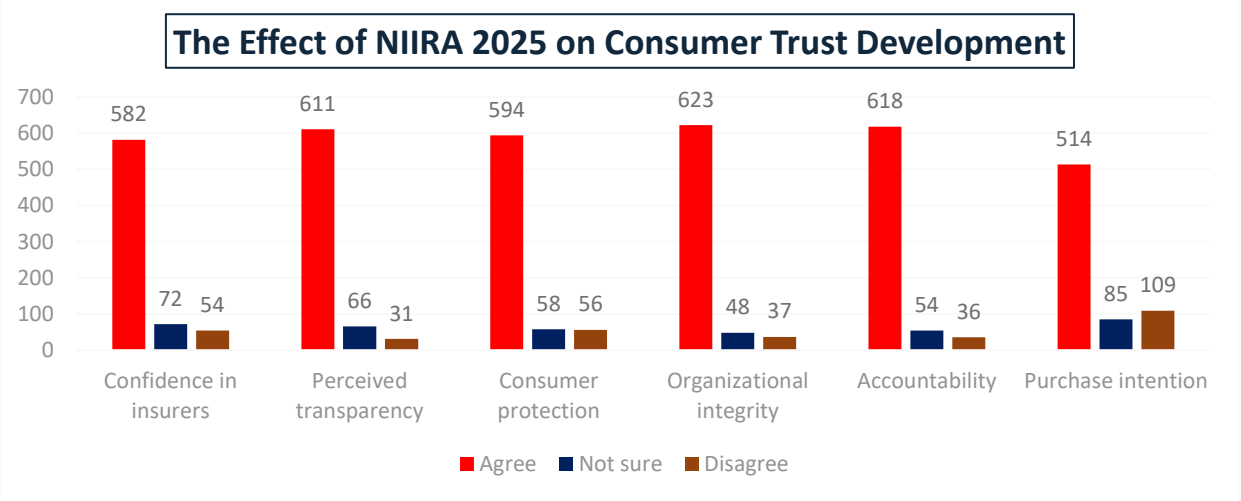


Figure 3

A Bar Chart showing Perceptions of Consumer Trust Development

Source: Researchers' computation from Microsoft Excel

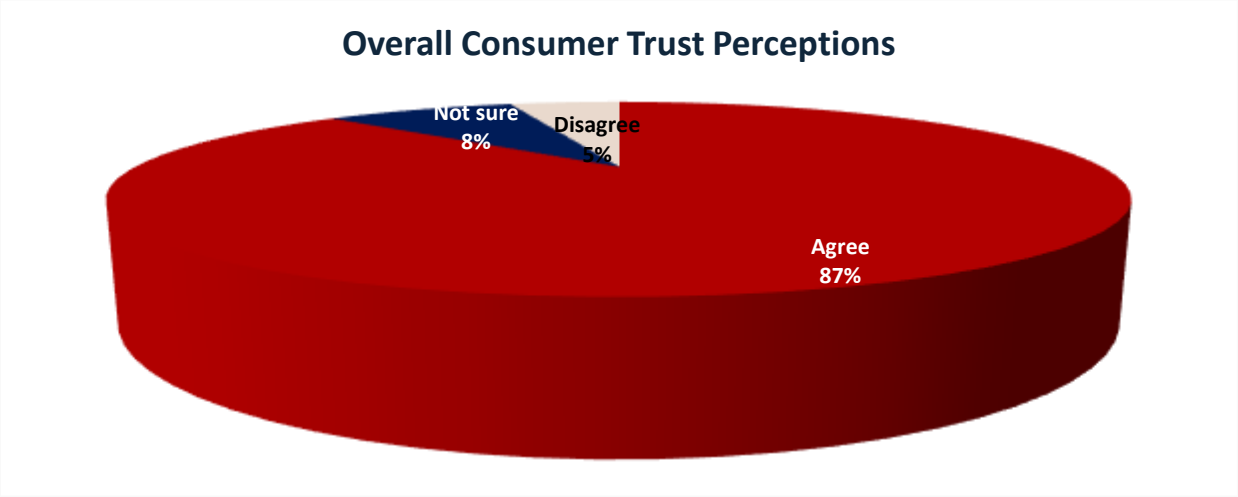


Figure 4
A Pie Chart showing Overall Consumer Trust Perceptions

Source: Researchers' computation from Microsoft Excel

A total of 708 completely filled and valid questionnaires were analysed with regards to establishing the effect of NIIRA 2025 implementation on consumer trust development. The result in Figure 3 shows that while 72 respondents indicated not sure and 54 respondents disagreed, 582 respondents agreed that confidence in insurance companies has increased following the implementation of NIIRA 2025. Although 31 sampled individuals disagreed, and 66 ticked the not sure option, 611 respondents believe that insurance companies now operate more transparently than before the enforcement of NIIRA 2025. Also, 56 respondents disagreed, 58 stated not to be sure, but 594 respondents claim to feel better protected as insurance customers under NIIRA 2025. In similar vein, while 37 respondents disagreed, and 48 of them ticked the not sure option, 623 sampled individuals agreed that NIIRA 2025 has improved customers perception of the integrity of insurance companies. With regards to the believe that insurance companies are now more accountable to policyholders, 36 respondents disagreed, 54 specified not to be sure, and 618 respondents agreed with the assertion. Moreover, 109 respondents disagreed, 85 respondents ticked the not sure option, while 514 respondents signified to be more willing to purchase insurance products as a result of NIIRA 2025 implementation.

More importantly, the results of analyses with regards to overall perceptions of the sampled consumers of insurance products in Nigeria demonstrate a vast support for the claim that the enforcement of NIIRA 2025 has strengthened public trust in Nigeria's insurance industry. This is evident in Figure 4 where it clearly shows that although, 34 respondents representing 5% disagreed, and 58 respondents, that is 8% specified not sure, 616 respondents which is proportionate to 87% of the sampled individuals agreed that NIIRA 2025 has strengthened customer trust in Nigeria's insurance industry. Therefore, result of the study analysis infer that NIIRA 2025 enforcement has exert positive influence on consumer trust development in the insurance industry of Nigeria. These findings are in tandem with the results of Banigo et al. (2026) who established that despite the short implementation schedule, the enforcement of NIIRA 2025 presents an unprecedented opportunity to strengthen customer confidence, increase foreign involvement and fortify consumer protection.

IMPLICATIONS OF FINDINGS

The findings of the study show that NIIRA 2025 is a call for change rather than just a compliance burden. It pushes insurers to develop from simple policy underwriters into complex financial organizations driven by strategy, discipline and data. In order to restore public trust in insurance as a cornerstone of financial stability, the new regulatory framework prioritizes openness, efficiency and capital intelligence. Even though the implementation schedule is tight, the new insurance reform offers an unparalleled chance to strengthen consumer confidence and improve consumer protection. Thus, early restructuring will make smaller businesses stronger, more competitive and more compliant with international solvency norms, whereas failure to adapt may result in consolidation. In general, aggressive planning and strict risk management will be essential for success under NIIRA 2025. In addition to adhering to the legislation,

those that act quickly and intelligently will influence Nigeria's insurance market going forward as major participants in a transformed, internationally competitive and economically significant sector.

CONCLUSIONS AND RECOMMENDATIONS

While employing perception-based data and descriptive statistics, this study examined regulatory efficacy of NIIRA 2025. Consequently, it investigated whether the implementation of NIIRA 2025 has influence on claims processing efficiency and consumer trust development in Nigeria's insurance industry. Hence, the study findings infer that enforcement of NIIRA 2025 has positively influenced both claims processing efficiency and consumer trust development. It deduced that implementation of NIIRA 2025 has improved the efficiency of insurance claims processing, as well as, strengthened public trust in Nigeria's insurance industry. The study, therefore, recommended that the National Insurance Commission should keep bolstering the enforcement of NIIRA 2025 by guaranteeing regular monitoring, compliance audits and suitable penalties for non-compliance. This will further strengthen public trust in the insurance sector and assist in maintaining gains related to efficiency of claims processing. In addition, in order to inform policyholders of their rights, obligations and the consumer protection rules proposed under NIIRA 2025, regulators, insurers and industry associations should step up public awareness initiatives. This is because increased awareness is probably going to boost insurance uptake and customer trust.

Limitations and Future Research

Although this study offers empirical evidence with respect to the effect of NIIRA 2025 on the efficiency of claims processing and the development of consumer trust, a number of areas need additional research. The findings of this study are limited to consumer perceptions via only descriptive statistics. Thus, the data gathered from respondents may not accurately represent the measured perspectives. Hence, future study should adopt inferential statistics and longitudinal research approaches to investigate the long-term impacts of NIIRA 2025 on the performance of insurance business in Nigeria and establish if observed improvement are maintained over time. In order to give a more thorough evaluation of NIIRA 2025, future studies should also look at other aspects of regulatory success, including market penetration, financial inclusion, insurer solvency, operational efficiency, innovation, customer satisfaction and insurance penetration.

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