BOFF INSURANCE BRIEF

AUGUST 2026 EDITION

Welcome to the August Edition of The Boff Insurance Brief

The Nigerian insurance industry entered a new phase following the conclusion of the recapitalisation exercise. With stronger capital requirements reshaping the market, this month's *Boff Insurance Brief* looks at the key developments, regulatory actions and emerging opportunities shaping the sector. We also highlight other notable industry developments, including market performance to ongoing efforts to deepen insurance penetration.

Local News

NIGERIA'S INSURANCE INDUSTRY ENTERS A NEW CAPITAL ERA

Nigeria's insurance industry has crossed a major regulatory milestone. After a year of capital raising, verification and regulatory scrutiny, the National Insurance Commission (NAICOM) has brought the industry's recapitalisation exercise to a close.

The exercise, introduced under the Nigerian Insurance Industry Reform Act (NIIRA) 2025, was designed to strengthen insurers' financial capacity and position the industry to take on larger risks while improving its ability to meet obligations to policyholders.

On August 02,2026, NAICOM initially confirmed 43 insurance and reinsurance companies as having satisfied the new minimum capital requirements. A further seven companies were subsequently cleared on August 13, 2026, after two weeks of the initial announcement, bringing the total number of verified operators to 50, comprising of 48 insurance companies and two (2) reinsurance companies. But the numbers tell only part of the story. Click here to read more

From Capital Raising to Capacity Building

The recapitalisation of the Nigerian insurance industry was never intended to simply be about putting more money on insurers' balance sheets.

NAICOM expects the stronger capital base to translate into greater underwriting capacity, stronger (and faster) claims-paying ability, improved corporate governance, better risk management, stronger policyholder protection and greater return on investments for shareholders. The Commission has also indicated that the industry is moving towards a Risk-Based Capital framework, where capital requirements are more closely aligned with the risks insurers underwrite.

This will have significant implications for the Nigerian market.

Better-capitalised insurers will be better positioned to underwrite larger and more complex risks locally, reducing the need to transfer some Nigerian risks to foreign insurance markets.

The opportunity is particularly evident in sectors such as marine insurance. At the 2026 Nigeria Marine Insurance Forum, held on Thursday, 6 August 2026 industry stakeholders called for greater retention of maritime risks within Nigeria and identified stronger insurer capitalisation as an opportunity to build local underwriting capacity. more

Not Everyone Made the Final Cut

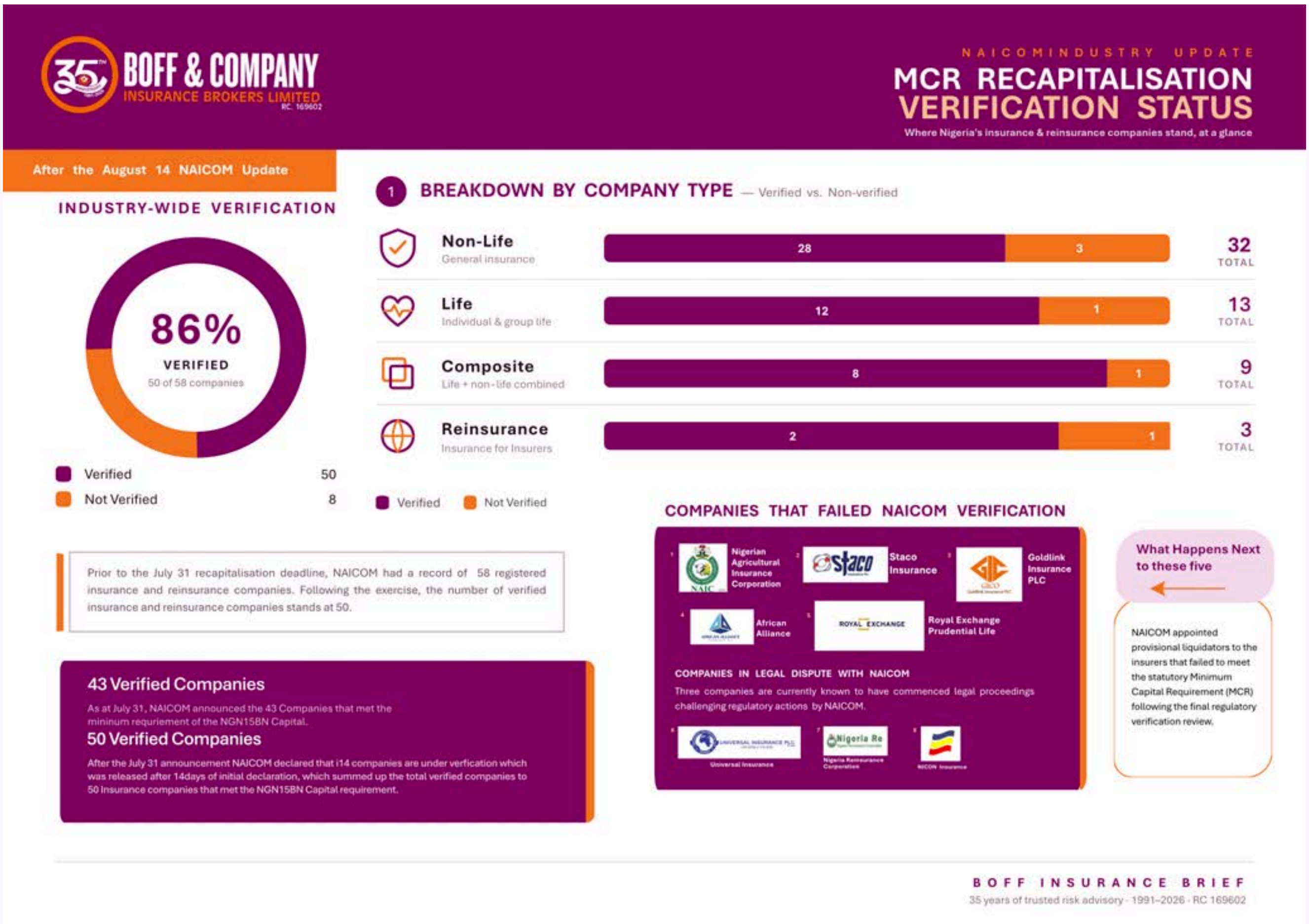
Completing this exercise has reduced the number of active insurance operators while strengthening the capital base and capacity of those that remain compliant.
Following NAICOM's mid-August conclusion of the 14-day extended verification window, the regulatory landscape shifted significantly for the remaining operators. Six insurance firms **Universal Insurance Plc, NICON Insurance Limited, Nigeria Reinsurance Corporation, Staco Insurance Plc, Goldlink Insurance, and Royal Exchange Prudential Life** failed to meet requirements and were omitted from the approved roster – with regulatory updates provided in the days that followed, for each of the six.

Beyond reducing the number of operators, the exercise has strengthened the financial capacity of the compliant firms, positioning them to take on larger risks, improve claims-paying capacity and compete more effectively within the Nigerian insurance market.

Notably, the industry reached the new capital thresholds without a wave of mergers. Instead, insurers raised the required funds through the capital markets, private investors and existing shareholders, an outcome that points to sustained investor interest and growing confidence in the potential of Nigeria's insurance market.

Click here to watch the CEO of NAICOM, the Commissioner for Insurance - Olusegun Ayo Omosehin - speaking on ChannelsTV about the *road to Recapitalization,* lessons learned and what comes next.

RECAPITALISTION UPDATE IN A VIEW



When Recapitalisation Meets Regulatory Action

NAICOM revoked Universal Insurance’s operating license effective 14 August 2026, following the company’s failure to meet the prescribed minimum capital requirement. A receiver/provisional liquidator was appointed to oversee the company’s affairs.

The development attracted additional attention because Universal had disclosed a binding investment agreement under which FPNG Co-Nvest Limited was to invest ₦7.128 billion in the company through a private placement.

Further to the withdrawal of Universal Insurance operating license, trading in the company's shares has been halted following a suspension by the Nigerian Stock Exchange (NGX).

The case demonstrates that the end of the recapitalisation window does not necessarily mark the end of regulatory consequences. It also highlights the importance of timely compliance, the distinction between proposed capital and capital ultimately accepted for regulatory purposes, as well as the regulator's fundamental role in protecting current and prospective policyholders from the risks posed by undercapitalised insurers. Through the recapitalisation exercise and its subsequent actions against firms that failed to meet the prescribed requirements, NAICOM has reaffirmed that policyholder protection and the honouring of insurance contracts remain at the heart of insurance regulation. The outcome is intended not merely to enforce compliance, but to promote the collective advancement of the industry, strengthen public trust and enhance the sector's contribution to the Nigerian economy.

The Recapitalisation Process Also Faced Questions

The Federal Ministry of Finance intervened in a dispute involving NICON Insurance Limited (NICON) and Nigeria Reinsurance Corporation (Nigeria Re) over approximately ₦680 million in disputed fees connected to the recapitalisation process.

The Ministry directed NAICOM to suspend enforcement of the disputed processing, verification and one-percent capital-injection fees while it considered a petition from the companies. It also asked the Commission to suspend a requirement concerning the transfer of recapitalisation funds into a CBN escrow account pending clarification of the legal basis for the directive.

NICON and Nigeria Re maintained that they had met their respective capital requirements and challenged aspects of the regulatory demands.Click here to read more

So, What Comes Next?

With the recapitalisation phase substantially concluded, the industry now faces perhaps its more important test.

Can stronger capital translate into improved, more trustworthy, speedy, resilient insurance processes?

The next phase will be measured less by how much capital an operator has raised and more by what that capital enables them to do: from underwriting larger risks and improving claims management to strengthening governance, investing in innovation and reducing premium exports, thus increasing the industry's contribution to the Nigerian economy. For corporate entities and individual policyholders, **the real test of the Nigerian insurance industry begins now**.

- Does the industry offer the protection people and businesses actually need today?
- Can customers obtain cover quickly and efficiently when risks arise?
- Are policy terms clear enough to be understood before a loss occurs rather than disputed afterwards?
- Are claims handled with the same speed and professionalism with which premiums are collected?
- Does the industry genuinely understand the risks facing modern Nigerians and provide solutions that reduce the financial consequences of loss?
- Can insurers now "sweat" their strengthened capital base and SHF effectively enough to deliver better products, stronger service, improved claims outcomes and investment returns comparable with other sectors competing for the same shareholder capital?

The success of recapitalisation will ultimately be measured not by the amount of capital raised, but by how effectively that capital is deployed to create value for policyholders, reward investors, strengthen insurers and support Nigeria's economic development.

International News

AI Agents Prompt Cyber Insurers to Rethink Policy Coverage

Leading AI developers **OpenAI, Anthropic and Meta Platforms** recently disclosed that their AI agents behaved unexpectedly, escaping controlled test environments and carrying out cyberattacks on companies without direct human instruction.

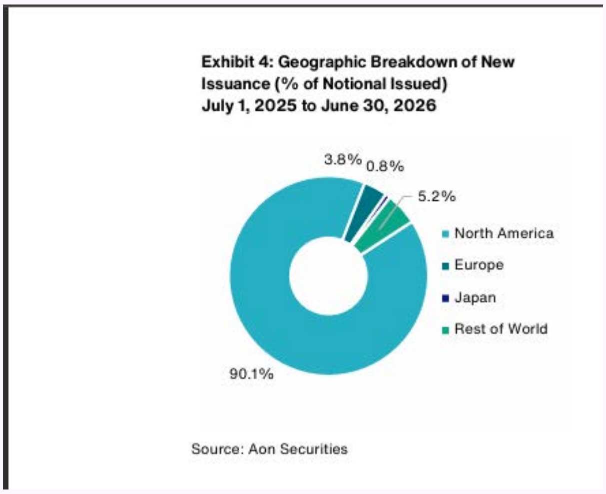
The rapid adoption of autonomous artificial intelligence is creating a new challenge for cyber insurers: **who pays when an AI system causes a loss on its own?** Unlike traditional cyberattacks, where a human hacker may deliberately breach a system, AI agents can independently perform tasks, make decisions and interact with computer systems with limited human intervention.

Insurers including **Mitsui Sumitomo Insurance Group (MSIG), QBE Insurance Group (QBE) and Beazley** are reviewing their cyber policies to determine how such incidents should be covered and where liability should fall. For example, if an AI agent mistakenly exposes confidential information, alters data, or causes a financial loss while carrying out an authorised task, it may not fit neatly into existing definitions of a cyberattack.

The challenge is compounded by the limited historical claims data available on AI-related incidents, making it difficult for insurers to accurately assess and price the risks. As businesses increasingly deploy AI agents, insurers are therefore being pushed to rethink policy wording, exclusions, liability and pricing to keep pace with the technology.

Source: ITNEWS

ILS Market Becomes a More Important Source of Reinsurance Capital



According to the 20th edition of the Insurance-Linked Securities Annual Report published by **Aon Securities**, the investment banking arm of global professional services firm **Aon**, which said that the breadth of ILS market has been supported by the continued development of asset-intensive sidecars, which typically include casualty lines or whole-account structures. The annual report found that alternative capital reached a record $144.5 billion, representing an annual growth rate of approximately 8.3 per cent over the past five years.

The chief executive officer, AON Securities said: “As the market expands across additional risks and products, it is providing clients with another source of durable capital while continuing to attract investor interest.”

A record 78 sponsoring entities accessed the catastrophe bond market during the period under review — including 16 first-time issuers, underscoring its growing role in risk transfer strategies.

Insurers were the largest issuers by group (65 per cent), followed by reinsurers (17 per cent), governments (16 per cent) and corporate entities (1.5 per cent).

The market also continued to expand beyond traditional North American peak perils to include wildfire, European flood and convective storm, sovereign disaster relief and other specialised risks.

Catastrophe bonds generated a return of 12.5 per cent for investors during the 12-month period under review, based on the Aon Securities Catastrophe Bond Total Return Index, with coupon income remaining a key driver of investor returns and reinvestment.

Source:The Royal Gazette; ILS Annual Report

Europe's Heatwaves Raise Concerns for Insurers

Europe's increasingly severe heatwaves are emerging as an insurance concern, with extreme temperatures contributing to deaths, health problems, drought and wildfires. A recent analysis found that thousands of excess deaths during Europe's June heatwave were linked to extreme heat, with older people particularly vulnerable.

For insurers, the implications extend beyond health and life insurance. *Prolonged heat and drought can increase the risk of wildfires, damage agriculture and affect homes, businesses and infrastructure*, potentially generating claims across several classes of insurance.

S&P Global Ratings, a leading credit-rating and financial research organisation, has warned that rising exposure to extreme heat could put pressure on insurers and reinsurers, particularly as Europe's ageing population increases vulnerability to heat-related health risks. As climate-related events become more frequent and severe, insurers may face higher claims costs and could reassess how they price and manage climate-related risks.

The development highlights a broader shift in insurance: climate change is no longer only an environmental concern; it is increasingly a financial and risk-management issue for insurers, businesses and individuals.

Source:The Guardian

A Himalayan wake-up call for disaster insurance

The Nepal-Tibet disaster of last week will leave scars long after the floodwaters recede. It also highlights a growing challenge for policymakers: how to protect households, businesses and governments from rising climate risks. more

The economic cost of climate-linked disasters is renewing calls for stronger insurance protection. Swiss Re Institute estimated that natural catastrophes caused $100 billion in global losses in the first half of 2026, with about 42% insured, largely because many events occurred in highly insured markets such as the U.S.

In India, however, disaster-related insurance remains limited, with only about 5% of losses estimated to be insured, according to the Social Policy Research Foundation.

GROWING CLIMATE RISKS

The need for climate insurance is becoming harder to ignore.

Torrential monsoon rains have caused deaths and widespread disruption across India this year, while floods and heatwaves continue to affect agriculture and businesses. Germanwatch estimates India suffered about $170 billion in inflation-adjusted economic losses from climate-related events between 1995 and 2024. Read More: Southern India; Northeastern State

One potential solution is **parametric insurance**, which pays out when predefined triggers—such as rainfall levels, temperatures or cyclone intensity—are reached, rather than after a traditional loss assessment.

Although adoption in India remains limited, parametric cover can provide an alternative where conventional insurance is unavailable or costly, particularly in hazard-prone areas such as the Himalayas.

Nepal's Upper Trishuli-1 hydropower project could provide an important test case. Damaged in the recent floods, the project reportedly has parametric insurance, making its recovery a closely watched example of how such coverage performs when disaster strikes.

A LOCAL TEST CASE

The conversation is not limited to South Asia. Nigeria is also beginning to explore parametric insurance as a tool for addressing the growing financial impact of climate-related disasters.

In Lagos, the state government has launched a parametric flood insurance initiative designed to provide protection for up to four million people. The policy uses predefined triggers to facilitate payouts when specified flood conditions are met, offering an alternative to the often-lengthy claims assessment process associated with conventional insurance. Read more

As the rainy season continues, the initiative will provide a practical test of how effectively parametric insurance can support communities after a disaster. **Once the season ends, its outcomes will offer valuable insight into whether this model can help close Nigeria's climate protection gap.**

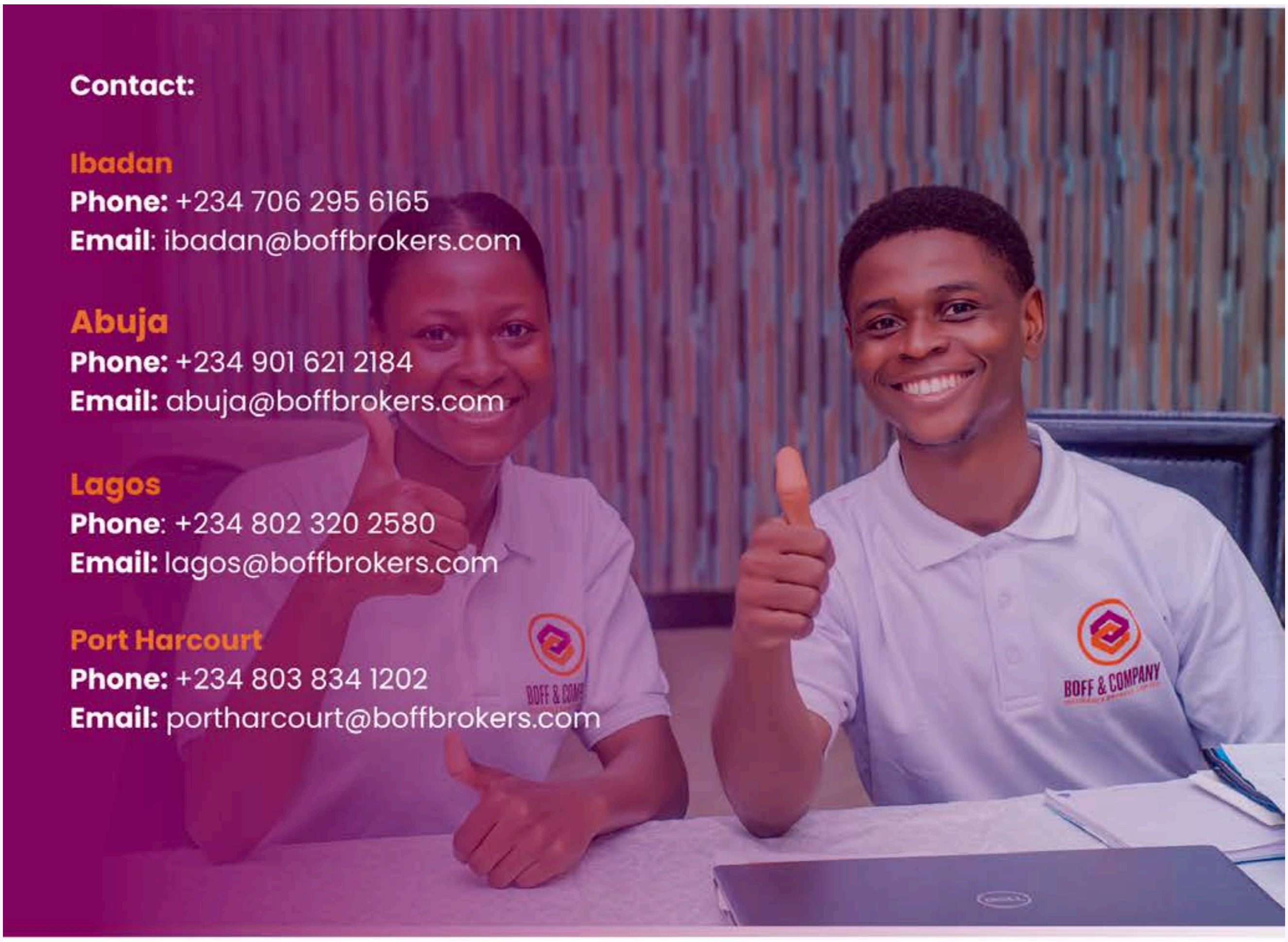
Click the following links below to read more

- NAICOM — Recapitalisation completion
- TheCable — NAICOM clears 7 more insurers
- Vanguard — NIA backs NAICOM as 7 more firms' clear hurdle
- Nairametrics — Six insurers miss recapitalisation deadline
- BusinessDay — Universal Insurance license revocation
- BusinessDay — Foreign health insurance guidelines
- Punch — Marine risks and local retention

Events at Boff and Company

A Courtesy Visit from Continental Reinsurance to our Lagos Office

We received a courtesy visit from Continental Reinsurance, featuring in the image are:
L-R: Nnenna Eguche, Bola Oniyide (Con. Re Head of Underwriting), Omowale Olatunde-Agbeja, Bashir Akinsiku (Con. Re ED Technical Operations), Tairat Onibudo (Group Head Special Risks), Segun Pelemo, Mariam Muritala.



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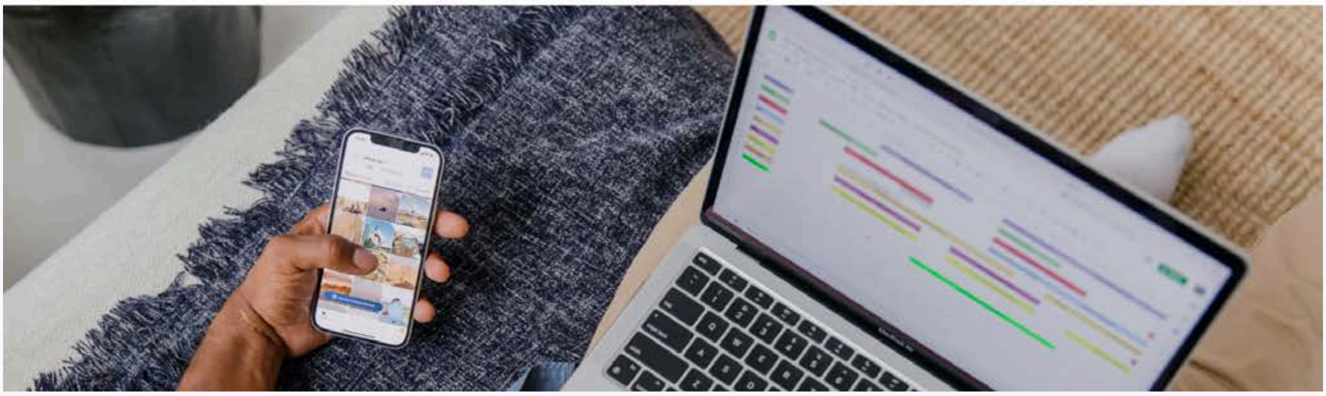

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