that most insured persons always encounter also serve as a discouraging factors for many in keying in to third party insurance policy in Nigeria. Some insurers in Nigeria take prolong periods of time to conduct investigation, verification and to process claims due in-house bureaucracy. This time wasting procedure usually discourages victims and same easily erodes public confidence in the policy.

e) ***Week penalties for breach:*** If not for the latest NIIRA, the low fine under the old legislation actually discourages people in subscribing to the policy. The reason being that, the cost of processing couple with the trouble does not commensurate with what the insurance would pay at the end of the day. However, with the latest efforts both the claim for minor and major accident could be said to be more reasonable. Also the penalties for failure to key into the policy is now substantial and reasonable enough to encourage compliance; the penalty is ***N250,000 or***

ADEBAYO ADELODUN & CO.,

6TH QUARTERLY ROUNDTABLE

TOPIC:
ENFORCEMENT OF THIRD-PARTY INSURANCE POLICY IN NIGERIA

HELD ON SATURDAY
20TH DAY OF SEPTEMBER, 2025.

Edited by:
Adebayo Adelodun, SAN, FCIArb

Published By:
Adebayo Adelodun & CO
Legal Practitioners & Notaries
13A, Offa Road, G.R.A.
Ilorin Kwara State
This publication is also available on the Chambers' website:
www.adelodunandco.com

RESOURCE PERSONS

(1) PROF SAKA OLOKOOBA

(2) MR. OLAWALE OGUNTOYINBO

(3) DR. MICHEAL A. ONABANJO

FRSC, the police and state government plays a significant role in effective third- party insurance policy enforcement. Doing this will certainly guard against duplication of efforts, inconsistent enforcement and wastage of data sharing. Unfortunately, the egocentric treatment of issues by most agencies that serve as the stakeholders in the third party insurance police is greatly affecting the effectiveness of the policy.

c) ***Low public awareness***: Significant portions of Nigerian are having poor insurance culture. In fact, until when the Nigeria police practically came out to enforce the third party insurance policy, a significant portion of the public remains unaware that the third party insurance policy is compulsory. Both the rights of accident victims as well as process to claim the benefit are also not within the knowledge of many. This ignorance is also affecting the effectiveness of the law.

d) ***String and high bureaucracy to receive claim:*** The string and bureaucratic bottleneck insurance entities authorized by the National Insurance Commission to transact Motor Insurance business in Nigeria[16]. However, it is now a common practice for most motorists to, instead of insured their vehicle with recognised insurance company by paying the actual statutory amount, prefers cheapness or reduction in premium thereby purchasing counterfeit policies and securing a certificate that offers no coverage. To check and prevent this fraudulent activity, the National Insurance Commission circulated the list of insurance companies licensed and authorized by the commission to sell or underwrite the mandatory third party motor insurance in Nigeria[17].

b) ***Weak inter-agency enforcement:*** For effective enforcement, a cooperative and solid synergy in operation is a *sinqua non*. Therefore, cooperation between NAICOM,

[16] See, National Insurance Commission Press release available at <www.naicom.gov.ng> accesses on 11th November, 2025

[17] For the detail list, see ibid. genuineness of third party insurance policy could also be verified either by typing *7292 and follow instructions or click *mycar.naicom.gov.ng* and follow instructions

TABLE OF CONTENTS

PREFACE/EDITORIAL NOTE

This publication, *Enforcement of Third-Party Insurance Policy in Nigeria*, emerged from the rich and illuminating deliberations at the 6th Adebayo Adelodun & Co. Quarterly Roundtable—an intellectual potpourri designed to deepen stakeholder engagement, stimulate policy reflection, and strengthen professional practice within Nigeria's legal and regulatory landscape. The Roundtable continues to serve as an invaluable forum where thought leaders, practitioners, regulators and academics converge to interrogate contemporary issues that shape our evolving jurisprudence and commercial environment.

The theme of this edition could not be more timely and consequential. Third-party motor insurance remains the most widely subscribed insurance product in Nigeria, mandated by statute and central

year from the date of commission of the offence, which ever period is longer.

5.0. CLOGS TO EFFECTIVE ENFORCEMENT OF THIRD- PARTY INSURANCE POLICY IN NIGERIA

The third party insurance scheme, though a noble effort to mitigate the third- party losses, unfortunately, due to some bottleneck, shortcoming and clogs, the effectiveness of the scheme is still at low ebb. Amongst the reasons that constitutes clogs in the effective enforcement of the third party insurance policy in Nigeria are; issues of fake insurance certificate, weak inter-agency enforcement, low public awareness, string and high bureaucracy to receive claim, week penalties for breach; and capacity constraints.

a) ***Issues of fake insurance certificate***: Despite the vigor and efforts put in the enforcement of the third-party insurance policy, incidence of face insurance certificate always serve as a clog to the effective claim of benefits. The third party insurance policy can be procured from or through only licensed determining the payment for injured person as out-patient or as in-patient on behalf of the insured for the use of his motor. The prescribed amount to be paid by the insurer shall not exceed N1,500.000.00 for in-patient, while that of out-patient is N500,000, to be paid directly to the hospital.

Section 88 (1)[15] states that, any liability so arising shall cease in the event the third party failed or omitted to do the needful after the happening of events giving rise to a claim under the policy. By implication, failure to do the needful as required by the Act on time after the incidence may debar the third party from getting compensation.

4.3. Legal Proceeding

To institute any legal proceeding concerning the third party insurance claim in Nigeria, section 85 (a) (b) states that such proceeding must be instituted 12 months from the date of the commission of offence (by private individual); or not exceeding 12 months from the date the prosecutor is aware or 1

[15] The Nigerian Insurance Industry Reform Act, 2025

Adebayo Adelodun & Co., Quarterly Roundtable

to the architecture of public safety, economic justice, and compensatory regime for road users. Yet, despite its long-standing legal foundation, its enforcement continues to grapple with structural, institutional and behavioural challenges. The persisting gaps—ranging from compliance deficits and regulatory inconsistencies to weak public awareness and emerging technological disruptions—raise critical questions that demand interdisciplinary attention.

Guiding this conversation were three distinguished experts whose diverse perspectives enriched both the depth and breadth of the discourse. Professor Saka Muhammed Olokooba, an eminent scholar of public law from the Faculty of Law, University of Ilorin, provided a rigorous doctrinal and analytical framing of the statutory foundations, judicial interpretations, and policy imperatives underpinning third-party insurance in Nigeria. His intervention situated the topic within the broader matrix of administrative law, regulatory governance, and the constitutional duty of the state to safeguard the welfare of its citizens.

Mr. Ogutoyinbo Olawale Ayoola, Head of Cornerstone Insurance, Ilorin branch, brought a practitioner's perspective grounded in the realities of underwriting, claims management, product design, and the operational complications that insurers face in ensuring compliance. His reflections illuminated the operational bottlenecks that impede seamless enforcement and the opportunities that modern insurance technologies offer in reducing fraud, streamlining verification, and enhancing public trust.

Complementing these was Dr. Michael Adekunle Onabanjo, Head of the North Central Zone of the National Insurance Commission (NAICOM), whose

eventuality, an accident occurred *and death or permanent disability occurred, the affected passengers are entitled to the cost of treatment/compensation to the tune of N2,000,000 or such higher sum as Commission may specify in regulations*.[11]

Going by the provision of Section 87(ii),[12]the amount of compensation as treatment for out-patient in case of accident is N100,000,00 while in-patient is N250,000, while the compensation to the damaged property of the third party would not exceed N3,000,000 or as Commission may specify in regulations[13]. When talking about public property in third party insurance policy, it includes all fixtures in our highways, i.e. Solar panel, lights, transformers etcetera. Any money paid by the insurer toward the discharge of the liability of an insured shall be recovered from the insured[14].

We should also note that, the new Insurance Act further allows for the use of reasonability test in

[11] See section 84(5) of the Nigerian Insurance Industry Reform Act, 2025
[12] The Nigerian Insurance Industry Reform Act, 2025
[13] See section 87 (iii) of the Nigerian Insurance Industry Reform Act, 2025
[14] See section 89(2) of the Nigerian Insurance Industry Reform Act, 2025

> control of such a vehicle unless ***there is in effect in relation to the use of that motor vehicle by such person or such other person as the case may be, a policy of insurance in respect of the third party risks*** in compliance with the provision of this part.

The simple implication of the above provision is that, every vehicle on the Nigerian road must by law have third party insurance. Failure to do this and still put a motor vehicle on the road attracts ***fine of at least N250,000 or imprison for maximum of 12 months or both***.[10] By this provision, the minimum fine for third party insurance offender is N250,000.00; but it can be more.

Similarly, it is also mandatory for commercial vehicles or hire vehicle to have third party insurance policy against death or bodily injury. If by any

[10] See section 84(2) of the Nigerian Insurance Industry Reform Act, 2025

regulatory insights cast a necessary spotlight on institutional mandates, national enforcement strategies, data harmonisation, supervisory innovations, and the need for a coordinated national framework for effective implementation. His contribution underscored NAICOM's evolving role in fostering a more transparent, efficient and technology-driven insurance ecosystem.

Collectively, these conversations reveal that the enforcement of third-party insurance in Nigeria is not merely a regulatory obligation but a development imperative—one intimately tied to reducing the socio-economic burdens of road accidents, promoting financial inclusion, and cultivating a culture of legal compliance. The insights contained in this publication underscore the need for continuous multi-stakeholder collaboration, robust public education, improved inter-agency synergy, and sustained reforms that reflect contemporary realities.

This publication therefore seeks not only to document the reflections shared at the Roundtable but also to distil them into an accessible, intellectually engaging and policy-relevant resource for scholars, regulators, legal practitioners, insurers, policymakers and students. It is our hope that readers will find in these pages fresh ideas, nuanced analyses, and practical recommendations that contribute meaningfully to strengthening Nigeria's third-party insurance regime.

I remain deeply grateful to all participants whose insights and contributions enriched this Roundtable. It is my steadfast commitment, through the platform of Adebayo Adelodun & Co., to continue sustaining a space for strategic dialogue, professional development and rigorous scholarly engagement. As

i. Photo of the accident; and
ii. Police report
iii. Medical reports
iv. Verified repair estimates

3. Submit the claim form to the insurance company.
4. Insurance company will assess the level of coverage amount for verification/payment.
5. The insurance company will then pay the third party.

4.2 Analysis of the Relevant Sections with Regard to the Enforcement of Third Party Insurance, Claim in Nigeria.

Section 84: (1) Insurance against third party risk. In the words of the Act[9]

> Subject to the provision of this part, a person shall not use, cause or permit any other person to use a motor vehicle or be in effective

[9] The Nigerian Insurance Industry Reform Act, 2025

certificates, reduced incidence of fake certificates and streamlined enforcement at checkpoints by FRSC and the police.

4.1 Enforcement of Third Party Insurance Policy in Nigeria

a) Jurisdiction for enforcement

To enforce third party claims in Nigeria, the courts that can entertain same in Nigeria are the Federal and State High Courts Additionally, the National Insurance Commission (NAICOM), the Federal Road Safety Corps, (FRSC) the Nigeria Police Force and various Insurance Companies Brokers are stakeholders in the third party insurance affairs in Nigeria.

b) Enforcement Procedures

The procedural steps in the enforcement of third party insurance claims are:

1. Report accident to the police and insurance company promptly
2. Provide detail evidence of such accident; attached evidence such as:

Nigeria continues to modernise its legal and economic frameworks, I am firmly convinced that conversations such as these are indispensable to building institutions that work, systems that protect, and laws that deliver justice in meaningful and measurable ways.

Adebayo Adelodun, SAN, FCIArb

Ilorin, November 2025

THE ENFORCEMENT OF THIRD PARTY INSURANCE POLICY IN NIGERIA: A BRIEF ANALYSIS

BY

PROF. S.M. OLOKOOBA*

1.0 INTRODUCTION

Since loss, danger and casualties are inevitable in the day to day activities of man, there is every tendency for man to look for ways to mitigate such risks and casualties. To combat risks, the statutory institution established to actualise this is an insurance company. An insurance Institution and or organisation are the one establish to reimburse losses. Insurance in law is a form of contractual obligation which must be executed in good faith. In the words of Yerokun[1] 'insurance is a legal contract to give protection to people who have insurance or invest in insurance business. In the case of Tabs

*** B.A. (Hons), PGDE, LL.B, LLM., Ph.D. Professor of Taxation and Fiscal Policy Regulations Law, Department of Business Law, Faculty of Law, University of Ilorin***

[1] Olusegun Y. *Insurance Law in Nigeria* (Princeton Publishing Company, 2013), For further definition, see ibid, pp. 1-11

Adebayo Adelodun & Co., Quarterly Roundtable

Insurance policy also guaranteed business and family stability.

4.0. THIRD PARTY INSURANCE POLICY IN NIGERIA: THE LEGAL FRAMEWORK

Before the enactment of the Nigerian Insurance Industry Reform Act (NIIRA) 2005, the issue of the third party insurance policy was in Section 68[8] of the Insurance Act. The Act stipulated that, all vehicles on Public Road must have 3rd party insurance coverage. Similarly, prior to NIIRA 2025, third party insurance was also governed by Motor Vehicles (Third –Party Insurance) Act) 1950 and various NAICOM regulatory guidelines. Contemporarily however, the provision on third party insurance is succinctly captured in Part X Section 84-102 of the new Nigerian Insurance Industry Reform Act (NIIRA) 2005. The new Act was enacted for Higher Capitalisation, Consumer Protection, Mandatory compliance and Consolidation of all laws relating to third party Insurance Policy in Nigeria. The integration of the Nigerian Insurance Database (NIID) enables real-time verification of insurance

[8] Nigerian insurance Act, 2003

parties are those that receive the payout; amongst them are the beneficiary (life insurance) and the Third party (the Other Persons' liabilities); he's the one who is owed damages, in an auto accident or any other event covered by the policy. For instance, in a car accident where the insured is at fault, the other driver is the third part.

3.1. REASONS FOR INSURANCE POLICY

The main reason for an insurance policy is to help reduce the financial burden caused by unforeseen events by spreading the risk across a larger group of people. In other words, protection against potential future losses or risks is the main function of insurance[7]. Going by the provision of the Insurance Act, it is a policy that provides crucial financial safety-net it also offers protection against unexpected and potentially catastrophic losses such as accident, illnesses, or property damages.

[7] Bola R G ''Insurance claim: Lack of awareness on insured right and regulatory gaps in Nigeria ' in Adebayo A. SAN ed. *Insurance claim: Lack of awareness on insured right and regulatory gaps in Nigeria*, 5th Quarterly Round Table, 21st June, 2025, p. 30.
'

Assurance v. Akwuzie (Nig.) Ltd.[2] the court held that, an insurance contract should be one of utmost good faith '*uderrimae fidei*'. This position was further affirmed in *Lucena v. Crauford.*[3] Insurance is a financial product that provides protection against financial loss or risk[4]. For insurance to be effective there must be an insurable interest[5]. However, it is very important to state from the onset that, the main gist of this paper is on the enforcement of third party insurance in Nigeria and not the entire segments of Insurance policy. What then is third party Insurance policy?

2.0. WHAT IS THIRD PARTY INSURANCE POLICY?

A third party insurance policy is a type of liability coverage that protects the insured person against claims for damage or injury they cause to another person or another person's property. Third party

[2] (1995) 4 NWLR (Pt. 388) 2.23 CA
[3] (1806) 127 E.R.858.
[4] Saliu S. 'Insurance claim: Lack of awareness on insured right and regulatory gaps in Nigeria ' in Adebayo A. SAN ed. *Insurance claim: Lack of awareness on insured right and regulatory gaps in Nigeria*, 5th Quarterly Round Table, 21st June, 2025, p. 1.
[5] *C.C.B ltd v. Nwokocha* (1998)8 NWLR 98

insurance, typically covers the financial and legal liabilities that arise if the policyholder is at fault in an accident. Talking in the Nigerian context, a third party insurance is a mandatory car insurance that protects a third party from liability caused to his car or property by another person but does not cover the liable persons' car. In Nigeria, the dominant and most commonly known form of third party insurance is motor insurance commencing with the motor vehicle (Third Party Insurance) Act, 1950 which was based on English Road Traffic Act, 1930 and which was later consolidated to English Road Traffic Act, 1960[6].

Third party insurance is the minimum legal requirement for all drivers and covers the third party in an accident, who is the other person involved, not the party paying premium. Third party insurance covers damage to another person's vehicle or property, bodily injury or death to a third party as well as the legal fees of the third party. Third party insurance is a compulsory insurance policy that covers losses against vehicle and property caused to

[6] The provisions of the Act were made part of the general traffic laws which were applicable throughout the Federation.

Adebayo Adelodun & Co., Quarterly Roundtable

the third party as well as the legal fee and medical treatment incurred in the cause of the accident.

A third party insurance in summary is mandatory minimum level vehicle insurance that protects you from liabilities for damages to another person's vehicle, property and for death or bodily injury to a third party if you are at fault in an accident. This type of insurance is 'the other persons' liabilities accidental damage that you cause on other people's car or property while driving. This type of insurance is the minimum legal requirement in Nigeria. This type of insurance excludes damage to your own vehicle and it's compulsory.

3.0. PARTIES IN INSURANCE POLICY

The main parties in an insurance policy are the Insurer which is the Insurance Company (Service Provider). This is the organisation that agrees to pay for covered losses. The organisation may at times be operating through a Licensed Insurance Broker Company which must followed the laid down code of conduct for insurance operation. The other main party is the Insured who happens to be the policy holder that pays premiums for coverage. The other

> *'no person shall use or cause or permit any other person to use a motor vehicle on a road unless a liability which he may thereby incur in respect of damage to the property of third parties is insured with an insurer….'*.

Herewith, the Nigeria Insurance Industry Reform Act (NIIRA) 2025 in Section 84 (1) gave a broader perspective, it states that;

> *'a person shall not use, cause or permit any person to use a motor vehicle or be in effective control of such a vehicle unless there is in effect in relation to the use of that motor vehicle by such person or such other person as the case may be, a policy of insurance of third-party risks in compliance with the provisions of this Part.'*

Comparatively, both Acts explicitly reaffirm the compulsory nature of the third-party motor

imprison for maximum of 12 months or both.[18]

f) ***Capacity constraints:*** When there is insufficient funding and or inadequate monitoring mechanism, the effectiveness of a policy will surely suffers. In Nigerian these capacity constraints couple with absence of modern training in traffic management for those involved in road affairs partly constitutes a great clog in the effective enforcement of the Third Party Insurance Act in Nigeria.

6.0. CONCLUSION

Third party insurance policy enforcement in Nigeria with effect from 1st February, 2025 is real and compulsory. Do it, have it and protect yourself from embarrassment and eventuality. We should however not that, section 86 (2)(3) exempt the user/driver of some categories of vehicles from direct liability in case of accident. Amongst these categories of people are those driving the Military Vehicles and the drivers of the Diplomatic vehicle. In the event a

[18] See section 84(2)

military vehicle is involved in an accident, it is not the driver, rather, the Minister of defence or such body responsible for defence matters that are liable for all third party risks. And in the case of the diplomatic vehicle, the iplomatic mission shall be liable for all third-party risks.

6.1. Recommendations

- All vehicle owners should key in to the third party insurance policy in Nigeria for the benefit of it. To achieve this, aggressive public sensitisation on the benefits of the policy should be embarked upon by the government.
- The NIID platform should also be upgraded to accommodate on the spot vehicle verification, on the spot assessment of vehicles and owner's data base, doing this will strengthen the digital verification system of the road managers as well as ease the bureaucratic bottleneck in getting claims.
- Road users should be more careful while driving on the road to reduce road accident and the insurance companies too should be

D. FROM STATUTORY GAPS TO LEGISLATIVE REFORM: A COMPARATIVE ANALYSIS OF THIRD-PARTY MOTOR INSURANCE LAWS IN NIGERIA

This layer will take a comparative approach to the various legal regimes on Third- Party Motor Insurance, while highlighting the lacunae that NIIRA has filled in.

Legislatively, provision for the compulsory possession of Third- Party Motor Insurance dates back to the Motor Vehicles (Third Party) Insurance Act 1950, in which Section 3(1) summarily provides that-No vehicle may be used on a road without third-party insurance.

Similarly, the Insurance Act 2003 in Section 68 (1) provides that:

In August 2025, the Insurance sector witnessed a significant triumph as the Nigeria Insurance Industry Reform Act 2025 was signed into law. After years of operating with rigid and weak framework laws that failed to keep pace with the country's evolving economic landscape, the industry is finally poised for transformation.

Today, NIIRA has given NAICOM the necessary bite to enforce the different compulsory insurances, as the Commissioner for Insurance attested that the Act has brought about 'a significant legislative advancement for the Nigerian insurance industry, signaling a shift from options to a legislative mandate for recapitalization to strengthen institutions and promote growth.

Adebayo Adelodun & Co., Quarterly Roundtable

ready to pay/settle claim swiftly once it is filled and verified.

- Government should intensify their effort in checking the menace of fake insurance brokers/companies by enacting a strict punishment for any insurance company found to be fake and fraudulent.
- Though the road users should always be willing to give way to the Military and Diplomatic vehicles since any accident caused by them may not be compensated easily, however, there is the need for personal liability on the part of the government drivers who may cause accident to the third party vehicle; doing this will serve as a precautionary measure for military and diplomatic vehicle drivers.
- Any affected individuals or relations (in case of death) should always take step by filling claims promptly as required by the Act so that they can be compensated appropriately.

Finally, I am grateful to the office of Adebayo Adelodun, SAN & Co for this rare opportunity to contribute to the discussion on the enforcement of thirty party insurance in Nigeria. I appreciate every one present here today. May Allah bless you all. Jazakumllah Khaera. Aamin.

inability to enforce the different compulsory insurances and effect punishment has been due to weak legislation.

B. In fact, the Commission also faced restraints from within the industry which it regulated in form of law suits, petitions, low compliance and regulatory inefficiency-due to rigid/obsolete laws. For instance, in the case of Tope Alabi Vs NAICOM &AGF (FHC/L/CS/1518/18) **-** Justice Chukwujeku Aneke of the Federal High Court (Lagos) in his judgment held that, NAICOM cannot increase the statutory minimum solvency capital policy for insurance companies without the National Assembly amending the Insurance Act and Regulation 2003. As a result NAICOM had to reverse the increase of the statutory minimum solvency capital policy for insurance companies in Nigeria.

driver in Nigeria must have before using a vehicle on public roads. It is required by law and protects members of the public (the "third parties") who may suffer injury, death, or property damage caused by the insured vehicle. It is a legal safety net as it protects the third parties'- life/ property from any form of injury, death, or damage caused by the insured vehicle. It is compulsory for all motorists, and failure to have it attracts a fine, imprisonment or both.

C. ENFORCEMENT CHALLENGES

a. However, the enforceability of the Third-party motor insurance has been flagged by some major threats which have been a clog in the wheel of its enforceability. These have taken the forms of fake policies, weak/obsolete laws, weak verification systems, poor awareness and low compliance. Business Day NG corroborates that NAICOM's

ENFORCEMENT OF THIRD-PARTY INSURANCE POLICY IN NIGERIA

BY

MR. OLAWALE OGUNTOYINBO*

1.0 INTRODUCTION

Third-party motor insurance is a legal requirement in Nigeria, designed to protect road users from financial losses arising from accidents involving insured vehicles. Despite its mandatory status, enforcement has historically been weak, leading to widespread non-compliance and financial vulnerability for victims of road accidents.

This paper explores the enforcement mechanisms of third-party insurance in Nigeria, the role of Cornerstone Insurance Plc, the involvement of legal

* The Branch Manager, Cornerstone Insurance Plc, Ilorin Branch.

practitioners, and the contributions of regulatory bodies such as NAICOM, FRSC, and the Nigeria Police Force.

2.0 LEGAL FRAMEWORK FOR ENFORCEMENT

The enforcement of third-party insurance in Nigeria is grounded in two key legislations:

- Insurance Act 2003 (Section 68): Mandates all vehicle owners to maintain third-party insurance with a minimum coverage of ₦1 million. Non-compliance attracts penalties including fines and imprisonment.

- Motor Vehicle (Third Party Insurance) Act 1950: Requires valid insurance before a vehicle can be used on public roads. It outlines penalties for defaulting drivers and empowers law enforcement agencies to prosecute offenders.

B. BACKGROUND

1. **The National Insurance Commission** (NAICOM) is a governmental agency set up in 1997 with the responsibility of ensuring the effective administration, supervision, regulation and control of insurance business in Nigeria.

2. Hence, NAICOM is mandated to protect insurance policyholders, beneficiaries and third parties to insurance contracts.

3. The Commission is guided and empowered by the NAICOM Act 1997 and the novel Nigeria Insurance Industry Reform Act (NIIRA) 2025. Resultantly, NAICOM is saddled with the responsibility of the effective administration, supervision, regulation and control of the Motor Vehicle Insurance business in Nigeria.

The Third-Party Motor Insurance is the minimum and compulsory insurance policy every vehicle owner or

ENFORCEMENT OF THIRD-PARTY INSURANCE POLICY IN NIGERIA

BY

DR. MICHAEL A. ONABANJO*

A. INTRODUCTION

The National Insurance Commission (NAICOM) is mandated to regulate and supervise Nigeria's insurance industry, including compulsory policies like Third-Party Motor Insurance. Despite its legal necessity, enforcement has long been hindered by fake policies, weak laws, and poor compliance. A turning point came in August 2025 with the enactment of the Nigeria Insurance Industry Reform Act (NIIRA), which strengthened NAICOM's legal authority and marked a new era of regulatory effectiveness and industry reform.

* Zonal Director, National Insurance Commission (NAICOM) North Central Zone

These laws provide the foundation for regulatory and enforcement actions across the country.

3.0 RECENT ENFORCEMENT INITIATIVES

In a bid to strengthen compliance, the Nigeria Police Force commenced a nationwide enforcement campaign on February 1, 2025, targeting vehicles without valid third-party insurance. This initiative is supported by:

- Federal Road Safety Corps (FRSC)

- National Insurance Commission (NAICOM)

- Vehicle Inspection Officers (VIO)

Technology-driven verification systems have been introduced to detect fake insurance certificates and validate genuine policies in real time.

4.0 ROLE OF REGULATORY BODIES

- **NAICOM:** Oversees licensing and regulation of insurance companies. It ensures that insurers like Cornerstone Insurance Plc meet claims obligations and maintain policy integrity.

- **FRSC:** Conducts roadworthiness checks and enforces insurance compliance during routine patrols and checkpoints.

- **VIO:** Performs vehicle inspections and verifies insurance documentation as part of their compliance duties.

These bodies work collaboratively to ensure that third-party insurance laws are upheld.

References

Insurance Act 2003, Section 68. Federal Republic of Nigeria.

Motor Vehicle (Third Party Insurance) Act 1950. Laws of the Federation of Nigeria.

National Insurance Commission (NAICOM). https://www.naicom.gov.ng/

Federal Road Safety Corps (FRSC). https://frsc.gov.ng/

Vehicle Inspection Officers (VIO). Lagos State Ministry of Transportation.

UNITY LIFE & FIRE INSURANCE CO. LTD v. LADEGA & ORS (1994). Nigerian Weekly Law Reports.

FRSC v. ALABI & ORS (2020). Federal High Court Judgement.

Cornerstone Insurance Plc. https://www.cornerstone.com.ng/

Nigeria Police Force. https://www.npf.gov.ng/

The enforcement of this policy in Nigeria is gaining momentum, thanks to coordinated efforts by regulators, insurers like Cornerstone Insurance Plc, and legal practitioners. However, sustained progress requires stronger systems, public engagement, and legal reforms.

Adebayo Adelodun & Co., Quarterly Roundtable

5.0 CORNERSTONE INSURANCE PLC'S CONTRIBUTION

Cornerstone Insurance Plc is a leading player in Nigeria's insurance sector. It offers third-party motor insurance policies with coverage up to ₦3 Million, exceeding the statutory minimum. The company is known for:

- Digital platforms for policy purchase and verification
- Prompt claims settlement (₦11.13 Billion paid in 2024)
- Public education on insurance benefits

Cornerstone's tech-driven approach supports enforcement by making genuine insurance accessible and verifiable.

6.0 LEGAL PRACTITIONERS AND THE JUDICIARY

Lawyers play a critical role in:

- Representing accident victims in claims disputes
- Litigating cases involving uninsured vehicles
- Interpreting insurance laws and advocating for reforms

Notable cases such as UNITY LIFE & FIRE INSURANCE CO. LTD v. LADEGA and FRSC v. ALABI have shaped the legal landscape of third-party insurance enforcement.

7.0 CHALLENGES IN ENFORCEMENT

Despite legal backing and recent efforts, enforcement of third party insurance policy in Nigeria faces several challenges. These include:

- Low public awareness of insurance requirements
- Prevalence of fake insurance certificates

Adebayo Adelodun & Co., Quarterly Roundtable

- Weak penalties and inconsistent prosecution
- Limited digital infrastructure for verification

These issues hinder the effectiveness of enforcement and expose road users to financial risks.

8.0 RECOMMENDATIONS

To improve enforcement, the following measures are proposed:

- Strengthen digital verification systems across agencies
- Launch nationwide awareness campaigns
- Increase penalties for non-compliance
- Foster collaboration between insurers, regulators, and law enforcement

9.0 CONCLUSION

Third-party insurance is a vital tool for protecting road users and promoting financial responsibility.

insurance, the duo clarify that it is unlawful to operate or permit the operation of a motor vehicle without a third-party motor insurance cover. Notwithstanding, the Insurance Act focused on the property damage of the third party, while NIIRA adopts a broader approach- providing for insurance against all third-party risks.

E. LEGAL PROVISION FOR 3RD PARTY MOTOR INSURANCE POLICY

Contemporaneously, the 1950 Act provision for compensation did not align with the present-day monetary threshold. So, the Insurance Act provided a minimum compensation of ₦1, 000, 000.00 for any third-party property damage liability (Section 68 (2)). Meanwhile, NIIRA increased the sum to a maximum of ₦3, 000,000.00 and expanded its coverage to include a minimum cover of ₦2, 000, 000.00 in the case of death or permanent disability of fare-paying passengers (Section 84 (5)) and the payment of medical expenses of third party accident victims (Section 87).

E. PENALTY PROVISIONS

Additionally, Section 68(4) of the Insurance Act 2003 prescribes a penalty for contravention or non-compliance, it states '*a person who contravenes ......this section commits an offence and is liable on conviction to a fine of N250, 000 or imprisonment for 1 year or both*'. While Section 84 (1) NIIRA takes a malleable approach '...*liable on conviction to a fine of at least N250, 000 or to a maximum term of 12 months or both*'. The introduction of the phrase *at least* takes care of the perks that comes with the rising cost of inflation in the future and will prevent incessant need to review the law anytime soon.

Overall, it must be highlighted that provisions of the former Act were narrow, as only Section 68 was

Adebayo Adelodun & Co., Quarterly Roundtable

grassroots education. The integration of digital verification systems, consistent regulatory oversight by NAICOM and inter-agency collaboration among FRSC, the Police and motor licensing authorities will be vital to restoring integrity and compliance within the system.

Ultimately, the forum concluded that third-party insurance should not be seen merely as a statutory obligation but as a moral and social contract designed to protect lives, property and public welfare. With coordinated commitment from all stakeholders, government agencies, insurers, law enforcement and citizens, the objectives of third-party insurance can be effectively realized for the safety and benefit of all Nigerian road users.

5. **Regulatory Accountability:**

NAICOM should impose strict sanctions on insurance firms and agents found complicit in issuing fake certificates. Empowering registered brokers and recognized intermediaries will reduce quackery and restore trust in the insurance system.

5.0 CONCLUSION

The 6th Adebayo Adelodun & Co. Roundtable underscored that while the *Third-Party Insurance Policy* remains one of the most important social safety mechanisms in Nigeria's transport sector, its potential is undermined by weak enforcement, public ignorance and systemic inefficiencies.

Participants collectively agreed that reform efforts must go beyond legislation to include institutional discipline, technological modernization and

Adebayo Adelodun & Co., Quarterly Roundtable

dedicated to Third party motor insurance. While the new legal regime under the NIIRA is more robust as it spans through Sections 84-102. Some of the notable provisions include;

Section 85- which borders on the Limitation of time for proceedings- it provides that to prosecute any offence under Section 84, such action must be instituted within 12 months from the date of commission of the alleged offence or not exceeding 12 months from the date on which it came to the knowledge of the prosecutor that the offence has been committed.

Section 86 (1)-(3) which provides for Exemptions – it prescribes that Motor Vehicles owned or used for military purposes (as the Minister of Defence will be held liable for third-party risks) and vehicles in use by Diplomatic Mission (where there is a reciprocal agreement with Nigeria).

Another provision is Section 99 which establishes a Road Accident Victims' Compensation Fund into which 0.5% of underwriting profit on motor insurance business, this fund is used to cater for victims of uninsured and unidentified motorists, popularly known as 'hit-and-run' cases.

Other notable sections are Section 91- which provides for the rights of the third parties against insurers.

Section 92- Duty to give information to the third parties, Section 97- duty of the owner of a motor vehicle and Section 101- which provides for general penalty of offences.

It is pertinent to note that the NIIRA 2025 has repealed the Motor Vehicles (Third Party Insurance) Act 1950 and Insurance Act 2003 amongst other Insurance laws. Section 229 (1) NIIRA 2025.

Adebayo Adelodun & Co., Quarterly Roundtable

3. **Technology and Verification:**

   A centralized, real-time digital verification platform should be adopted to validate insurance certificates instantly. This system should integrate insurance data with vehicle registration databases to promote genuine insurance companies/business, transparency and authenticity.

4. **Public Education:**

   Sustained public enlightenment campaigns through broadcast media, social networks, transport associations and community engagements are essential. Both urban and rural outreach programs should emphasize the legal, financial and social benefits of valid insurance coverage.

1. **Strengthening Enforcement:**

   The *Nigerian Insurance Industry Reform Act* 2025 and other enabling laws should be applied with renewed vigor, incorporating measurable sanctions such as fines and compensation mechanisms in favor of victims. Dedicated enforcement units should be established at both federal and state levels, with coordinated efforts between NAICOM, FRSC, and the Nigeria Police Force.

2. **Capacity Building:**

   Regular training for law enforcement, licensing and insurance personnel should be institutionalized to enhance professional competence. Targeted sensitization and enlightenment for commercial drivers, union leaders and vehicle owners should be integrated into enforcement strategies.

G. ENFORCEMENT OF THIRD PARTY MOTOR INSURANCE POLICIES IN NIGERIA

Enforcement of Third-Party Motor Insurance policies in Nigeria has historically been weak, marked with the proliferation of fake insurance certificates, poor verification process, low compliance and poor co-ordination between the Commission and law enforcement.

However, since February 2025 the tides began to change, as the Commission embarked on partnerships with the Nigerian Police and the FRSC, this initiative has lowered the cost of enforcement and increased the reach of NAICOM in ensuring compliance.

Enforcement operations were set in place, where Police, FRSC (Federal Road Safety Corps), VIO (Vehicle Inspection Officers) conduct roadside checks to ensure drivers carry valid third-party insurance. Although, this process is often plagued by corruption, forgery of insurance certificates, and selective enforcement. However, it brought about awareness and in turn a higher purchase of the third-party motor insurance.

To increase compliance, steps had been taken to include the third-party motor insurance into Vehicle Registration & Licensing Integration process, but this has been plagued with fake insurances, corruption and unhealthy market practice. Moreover, many vehicle owners lack a proper understanding of the policy's purpose and benefits, often perceiving it as a mere bureaucratic requirement/ box ticking exercise rather than a valuable financial protection tool.

In other to tackle the prevalence of fake policies, various Digital Verification Systems were set in place.

Adebayo Adelodun & Co., Quarterly Roundtable

The discussions also emphasized capacity building for law enforcement and licensing officers, noting that many lack adequate knowledge of the insurance regime and its enforcement requirements. Participants therefore recommended periodic training workshops jointly organized by NAICOM, the Nigeria Police Force, and the Federal Road Safety Commission, in collaboration with professional bodies and the private sector.

Participants reached a consensus that effective enforcement of third-party insurance in Nigeria requires a multi-layered approach combining legal reform, institutional coordination, technological innovation and sustained public sensitization.

4.0 RECOMMENDATIONS

The roundtable came to a close with the following recommendations:

Academics and legal practitioners at the forum called for a broader reform of the legal framework, recommending a regular update of the Motor Vehicles Third-Party Insurance Law and regulations to align them with international best practice and current realities. They further suggested that the penalties for default be made more stringent, with a clear system of fines, suspension from driving or criminal liability for defaulters and institutions issuing counterfeit policies.

Transport union leaders stressed the importance of continuous public enlightenment at the grassroots level. They advocated sustained engagement through radio programs, road transport unions and community-based outreach, arguing that public education remains the most effective way to bridge the knowledge gap and foster voluntary compliance.

- First was the introduction of the NIID (Nigerian Insurance Industry Database), this later became porous hence, the National Insurance Digital Verification Platform (NIDVP) was launched wherein every insurance policy is entered into the NAICOM server and a unique ID Code is generated.
- Other forms of verification have also being launched such as logging on to mycar.naicom.gov.ng or typing *7292# on your mobile phone.
- The Commission has also embarked on training of frontline officers on the identification, advantages and verification of genuine insurance via the different platforms.
- Interestingly, the introduction of NIIRA 2025 has brought about key advancements, stronger enforcement and anti-fraud measures, it makes

enforcement digital, stricter, and integrated, with higher fines and stronger victim protection, and it provides a legal foundation for a decisive push to eradicate fake third-party policies and increase compliance.

Specifically,

- Section 96(1) makes provision for a motorist to present proof of insurance, when required to so by a law enforcement officer.
- Section 96(1)(b) permits motorists to present insurance certificates digitally (via mobile phones or other devices) during traffic stops or accidents—no more need for paper certificates. Resultantly, this will promote transparency and reduce forgery, while making compliance easier for motorists.

certificates, attributing the trend to the lack of real-time verification systems and the proliferation of unlicensed agents. They urged NAICOM to strengthen oversight mechanisms, enforce compliance among operators and promote transparency through digital integration with the Federal Road Safety Commission (FRSC) and state licensing authorities.

Contributors from law enforcement, including police traffic officers and officials of the FRSC, acknowledged operational challenges in identifying authentic insurance policies at checkpoints. They emphasized the need for the deployment of digital verification platforms that would enable instant confirmation of insurance validity, thereby minimizing the use of forged documents and promoting accountability.

3.0 CONTRIBUTIONS FROM PARTICIPANTS

The Roundtable generated a rich exchange of ideas and experiences from distinguished participants drawn from the bar, academia, law enforcement agencies, the insurance industry and civil society. The discourse reflected a collective recognition that Nigeria's third-party insurance system, though legally sound, suffers from deep structural and operational weaknesses.

Participants observed that many Nigerian motorists regard insurance primarily as a procedural formality for vehicle registration rather than a legal instrument for social protection and compensation. This misconception, they agreed, stems from years of poor enlightenment, weak enforcement and minimal deterrence for non-compliance.

Representatives from the insurance industry lamented the prevalence of fake insurance

- Non-compliance to this law may lead to a fine up to ₦25, 000, as provided in Sections 96 (2) and 97,
- Meanwhile, where an accident occurs it attracts a fine of ₦50, 000-Section 96 (3)-(4).
- Also, the presentation of forged or fake certificate of insurance attracts a fine of ₦200, 000 or 1 year imprisonment or both, as provided in Section 98.
- Additionally, the Act also provides that government-owned vehicles are now required to be insured against third-party liabilities. It mandates that damage to road infrastructure be included as part of motor vehicle third-party insurance coverage.
- Furthermore, all passengers in commercial vehicles are now required to be insured. In the case of goods transportation, owners of

goods are vicariously liable for third-party liabilities, ensuring greater accountability and protection for all parties involved.

- It is pertinent to reiterate that, the new regime of third party motor insurance policy automatically includes the ECOWAS Brown Card, which extends the third-party liability coverage to other ECOWAS member states.

H. AWARENESS DRIVE

To garner awareness, the Commission has embarked on public awareness campaigns via the TV, radio, and social media to stress penalties and benefits of the third- party motor insurance. It has also embarked on strategic partnerships with transport unions (NURTW, RTEAN) and various critical stakeholders to drive the awareness campaign.

Adebayo Adelodun & Co., Quarterly Roundtable

2.0 OBJECTIVES

The objectives of the Roundtable were to:

1. Examine the current state of enforcement of third-party insurance in Nigeria.
2. Identify the gap between legal requirements and actual compliance by motorists.
3. Clarify the roles of regulators, enforcement agencies and insurers in ensuring adherence to the law.
4. Explore practical measures for improving public awareness and understanding of insurance obligations.
5. Propose actionable reforms to strengthen regulatory oversight and policy implementation.

He further drew attention to the dereliction of duty by certain motor licensing authorities and law enforcement agencies, whose laxity has inadvertently encouraged non-compliance and the proliferation of fake insurance certificates.

The Roundtable featured eminent resource persons, including Professor Saka Muhammed Olokooba, Mr. Olawale Oguntoyinbo, and Dr. Michael Onabanjo, who delivered deeply analytical and thought-provoking papers exploring the legal, institutional, and social dimensions of third-party insurance enforcement in Nigeria. Their presentations highlighted the disconnection between statutory intent and operational reality, thereby setting the tone for a robust and intellectually engaging discourse among participants.

I. RECOMMENDATION & CONCLUSION

To reinforce the enforcement of Third-Party Motor Insurance in Nigeria,

- NAICOM aims to deepen its multi-agency collaborations—particularly with the Nigeria Police Force and the Federal Road Safety Corps (FRSC)—through sustained engagement and capacity-building initiatives for frontline officers. These efforts are complemented by the implementation of stricter sanctions under the Nigeria Insurance Industry Reform Act (NIIRA) 2025, which enhances regulatory oversight and introduces more robust deterrents against non-compliance and fraud.
- In parallel, the Commission is intensifying public awareness campaigns across traditional and digital media platforms to educate motorists on their statutory obligations and the broader socio-

economic benefits of insurance. By repositioning Third-Party Motor Insurance as a vital financial protection mechanism rather than a mere administrative requirement, NAICOM seeks to foster a culture of voluntary compliance and informed participation within the motoring public.

These coordinated efforts have been significantly facilitated by the enactment of NIIRA 2025, which marks a transformative milestone in the regulation and enforcement of Third-Party Motor Insurance in Nigeria. The Act empowers NAICOM with the tools to combat fraud, enhance compliance, and protect third-party rights more effectively. While challenges such as corruption and fake policies persist, the integration of digital verification, legal reforms, and public engagement initiatives signal a promising shift toward a more transparent, accountable, and inclusive insurance ecosystem.

Thank you for listening.

HIGHLIGHTS OF THE ROUNDTABLE

1.0 INTRODUCTION

The Sixth Edition of the Adebayo Adelodun & Co. Quarterly Legal and Policy Roundtable was convened as usual by Alhaji Adebayo O. Adelodun, SAN, and centered on the topical theme: *"Enforcement of Third-Party Insurance Policy in Nigeria."*

In his opening remarks, the Convener emphasized that while the Third-Party Insurance Policy remains a mandatory requirement under Nigerian law, compliance levels among motorists and transport operators remain alarmingly low. He attributed this to a combination of poor public awareness, systemic lapses in enforcement and institutional inefficiencies within the licensing and insurance administration framework.