NATIONAL INSURANCE COMMISSION
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Circular to all Managing Directors/CEOs of Insurance Institutions in Nigeria

MANDATORY PROMPT SETTLEMENT OF CLAIMS AND ENFORCEMENT OF COMPLIANCE WITH STATUTORY THIRD-PARTY MOTOR INSURANCE

In accordance with our ongoing efforts to safeguard innocent third parties on our roads and ensure adherence to existing insurance laws and regulations, the Nigerian Police Force and the Federal Road Safety Commission have initiated a nationwide enforcement of compulsory third-party motor insurance. The primary objective of this mandate is to provide financial protection to innocent third parties in the event of an accident. Consequently, all insurance institutions are hereby directed to prioritize prompt settlement of genuine claims and ensure that policyholders receive equitable treatment.

In light of this development and pursuant to the powers vested in the Commission by extant insurance laws and regulations, all insurance institutions in Nigeria are hereby mandated to ensure strict compliance with the following directives:

1. *Prompt and Adequate Settlement of Claims*: All insurers are mandated to ensure the expeditious settlement of all claims arising from the enforcement of compulsory third-party motor insurance and other insurances. Insurers must prioritize settlement of claims and ensure that policyholders receive equitable treatment. In alignment with the Commission's mantra, "find a reason to settle claims and settle them promptly," every insurance company is required to settle all genuine claims promptly, fairly, and adequately. Where necessary, insurers are to dispense with documents that are not fundamental to the reported loss and settle genuine claims accordingly.

2. *Terms and Conditions of Compulsory Third-Party Motor Vehicle Insurance*: All insurance companies must ensure that the terms and conditions of insurance policies/certificates are in accordance with extant insurance laws, regulations, and guidelines, as well as the underlying principles. Insurers are required to issue insurance policies that are fair, appropriate, and contain approved standard terms and conditions, thereby ensuring that innocent third parties are not denied legitimate claims compensation and are compensated promptly, adequately, and fairly.

3. *Disclosure of Policy Terms and Conditions*: Insurance institutions must ensure full disclosure of the scope of coverage, policy terms, and conditions contained in every insurance policy, which must be issued in compliance with extant market conduct requirements. Furthermore, all insurance institutions are required to adequately enlighten insureds on the scope of coverage,

policy terms, and conditions of the policies issued to them to prevent disputes in the event of claims.

4. *Compliance with Premium Rates*: In order to maintain fairness and transparency and to ensure that insurance companies can fulfil the resulting claims obligations, insurance institutions are required to comply with the Commission's circular issued on 22nd of December 2022 in respect of the rates of premium for third-party motor insurance.

5. *Fraudulent Claims Reports:* To ensure that insurance policyholders' funds entrusted in insurance companies are effectively managed, insurance institutions are required by extant insurance laws to promptly report to the Commission any claims suspected to be fraudulent. Consequently, insurance companies are enjoined to strictly comply with this requirement as any insurer that fails to report a claim which it knows to be false or has reason to suspect is false shall be sanctioned.

Please be advised that the Commission will not hesitate to impose stringent regulatory sanctions against any insurance institution that fails to comply with this circular.

A. I. Adamu
Director (Innovation & Regulation)
For: Commissioner for Insurance