

Research

NIGERIAN INSURANCE INDUSTRY REFORM ACT (NIIRA) 2025: AN ANALYSIS OF REGULATORY FRAMEWORK WORK AND ITS IMPLICATIONS ON TAKAFUL INSURANCE IN NIGERIA.

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Abstract: The provisions of the Nigerian Insurance Industry Reform Act 2025 were critically reviewed in this research work, and their implications for the regulation, growth, and sustainability of Takaful operations in Nigeria were evaluated. The ambiguity in the regulations governing Islamic insurance and the need to assess whether the new legislative changes were sufficient to accommodate its unique institutional logic led to the study's development. It used a qualitative, doctrinal, and interpretive approach, involving content analysis of the Act through a structured, systematic examination of its regulatory areas: legal recognition, prudential requirements, governance structures, market conduct, and innovation structures. The results showed that the Act provided biased and indirect recognition of Takaful insurance, thereby perpetuating legal ambiguity and constraining institutional legitimacy. Equal capital adequacy and solvency levels were implemented to avoid placing undue compliance costs on Takaful operators, and the lack of institutionalised Shariah governance weakened regulatory consistency and consumer confidence. The research also established that a lack of distinction in protection coverage among participants and excessive distribution provisions undermined the ethical and economic value of Takaful insurance. The technology-neutral nature of the Act did not provide significant support towards the growth of Takaful specifics, even though innovation and digitalisation were recognised in the Act. The research concluded that NIIRA 2025 was an incremental, not transformative, reform to Takaful insurance in Nigeria and, therefore, that adaptive and differentiated regulatory strategies are required to ensure sustainable integration within the insurance industry.

Keywords: Takaful insurance, insurance regulation, NIIRA 2025, Islamic finance, Nigeria

Introduction

The historical development of the Nigerian insurance sector has been marked by a regulatory space that has been biased towards the conventional models of insurance whilst providing only a peripheral workplace of the alternative risk sharing structure based on Islamic commercial jurisprudence, an imbalance structure that has persistently dominated the participation of the industry in the market, design of products as well as consumer trust of Takaful insurance in Nigeria (Fadun, 2015; Adesunkanmi, 2019). Even though Takaful has been officially accepted in the Nigerian insurance environment for more than 10 years, its operationalisation has been restricted by the fragmented statutory regulatory matters, regulatory ambiguity, and institutional inertia that restrict its growth path as compared to its socio-religious and demographic potential (Khalid & Jangebe, 2025; Lawal et al., 2025). The adoption of the Nigerian Insurance Industry Reform Act 2025 is an important regulatory intervention, which is expected to streamline the insurance business, improve prudential regulation, and integrate domestic insurance regulation with the international standards, but its impact on Takaful insurance requires a stringent academic examination considering the unique legal, ethical, and operational principles that make the difference between Islamic and conventional insurance (Albalawi, 2017; Fatima, 2024).

The conceptual basis of takaful insurance is grounded in the principles of cooperation, risk-sharing, and pooling of risk, which are fundamentally different from the logic of risk transfer and profit maximisation that underpin traditional insurance systems (Siddiqui, 2013; Salman et al., 2015). Such underlying disparities suggest that regulatory frameworks, matured to suit traditional insurance, might create structural conflicts when applied to Takaful insurers, particularly in capital adequacy requirements, surplus distribution systems, governance frameworks, and Shariah compliance controls (Al Amri & Hossain, 2017; Abdusattarovich, 2024). In Nigeria, the previous regulatory tools did not regard Takaful as an independent institutional model, but rather as a subcategory of conventional insurance, thus hindering innovation, deterring investor confidence, and restricting public awareness and acceptance of Islamic insurance products (Adesunkanmi, 2019; Abdullahi & Maishanu, 2024). It is against this backdrop that the NIIRA 2025 was presented as a broad-based reform law to restructure insurance regulation, enhance market discipline, and promote financial inclusion, not just in the non-conventional insurance segments (Khalid & Jangebe, 2025).

The advent of NIIRA 2025 took place in a larger environment of financial sector restructuring in Nigeria, which is marked by an increasing focus on financial inclusion, digital transformation, and sustainability-oriented regulation, all of which have substantial consequences on the viability of Takaful insurance (Ufua et al., 2025; Shehu, 2025). The demographic composition of the Nigerian market, a large Muslim population, and a large informal-sector population create latent demand for Shariah-compliant risk management instruments, especially within the health, agriculture, and micro-enterprise insurance markets (Bayero et al., 2025; Ufua et al., 2025). Nevertheless, the number of requests is insufficient to ensure the sector's development without a regulatory framework that balances the specificities of Takaful operations and guarantees solvency, consumer protection, and systemic stability (Uddin, 2023; Fatima, 2024). The enactment of NIIRA 2025 raises important questions about whether the Act addresses long-term regulatory loopholes or merely recreates structural limitations that undermine the sustainability of Takaful insurance in Nigeria.

Regarding the regulatory theory, insurance law is not a device of market regulation but an institutional design that shapes incentives and risk distribution, and justifies certain types of economic organisation (Albalawi, 2017). In cases where regulatory frameworks do not appreciate the normative premises of alternative financial models, they may impose a compliance burden on the core value propositions of such models, thereby constraining their competitiveness and long-term sustainability (Al Amri & Hossain, 2017; Abdusattarovich, 2024). Regulatory misalignment in the case of Takaful can take the form of capital structures that impose incompatible principles of participant ownership, governance-related requirements that inadequately incorporate Shariah advisory systems, or supervisory practices that fail to separate underwriting surplus from shareholder profit (Fatima, 2024; Khalid & Jangebe, 2025). Such issues make a serious analysis of NIIRA 2025 essential, especially when evaluating whether the Act is a step toward regulatory pluralism or an attempt to apply traditional insurance reasoning in the name of reform.

This study will thus critically analyse the stipulations of the Nigerian Insurance Industry Reform Act 2025 and evaluate their effects on the regulation, development, and sustainability of Takaful insurance operations in Nigeria. It is a unitary, narrow goal that reflects the necessity of depth, but not breadth, in assessing the interface between statutory reform and Islamic insurance practice in a complex legal and socio-economic context (Uddin, 2023; Abdullahi & Maishanu, 2024). The study aims at understanding whether

NIIRA 2025, as an Act, is a revolutionary regulatory milestone or a failure to include Islamic insurance principles substantively in the insurance that requires regulatory disruption through the interrogation of the internal coherence of the Act vis-a-vis licensing, governance, capitalisation, consumer protection, and innovation in the Takaful sub sector (Khalid & Jangebe, 2025; Lawal et al., 2025).

The theoretical frameworks of the analysis are based on institutional theory and regulatory adaptation theory, which together focus on the interdependence between formal legal forms and the normative logic of the institutions they aim to regulate (Albalawi, 2017; Uddin, 2023). According to institutional theory, the legitimacy and sustainability of organisations are achieved when organisational operations align with the institutional environment, including legal norms, cultural expectations, and ethical standards (Salman et al., 2015; Abdusattarovich, 2024). In the case of Takaful operators, regulatory compliance is not the only source of legitimacy, but also that based on Shariah principles that focus on fairness, transparency, and mutuality, where regulatory frameworks must be responsive enough to embrace these two sources of legitimacy (Fatima, 2024; Al Amri & Hossain, 2017). The regulatory adaptation theory also implies that successful reform must be contextually sensitive and learn over time, especially in pluralistic financial economies with multiple models (Uddin, 2023).

By using these theoretical lenses on NIIRA 2025, it is possible to critically interrogate whether the Act is adaptively responsive to the specific institutional logic of Takaful insurance or a path-dependent extension of traditional insurance regulation (Adesunkanmi, 2019; Khalid & Jangebe, 2025). Analogous experiences of countries with more developed Takaful regulatory frameworks suggest that institutionalised Shariah governance systems, clear statutory recognition, and specific capital requirements are key elements in promoting the stable development of Islamic insurance markets (Albalawi, 2017; Shamsuddin, 2024). Such shortcomings, or the absence of such provisions in reform legislation, could thus limit Nigeria's capacity to realise Takaful's developmental potential, especially in meeting the goals of financial inclusion and ethical finance (Ufua et al., 2025; Bayero et al., 2025).

This query is timely because insurance regulation, financial technology, and the sustainability imperative are increasingly converging, a point explicitly covered in NIIRA 2025 (Shehu, 2025; Ufua et al., 2025). Online platforms and InsurTech solutions offer great opportunities to reach more people with Takaful, reduce transaction costs, and increase

transparency, but also pose regulatory challenges related to data ownership, consumer regulation, and Shariah compliance on the Internet (Shehu, 2025; Shamsuddin, 2024). A critical review of NIIRA 2025 should assess whether its provisions facilitate or hinder the integration of technological innovation into Takaful operations, particularly given the sector's reliance on trust and ethical legitimacy (Lawal et al., 2025; Fatima, 2024).

Moreover, regulatory transparency concerning the distribution of the surplus, the mechanism of risk sharing, and the rights of participants is always intertwined with the sustainability of Takaful insurance in Nigeria, where ambiguity and controversy have historically been present (Fadun, 2015; Adesunkanmi, 2019). Reforms in the regulations that are not focused on addressing these problems can contribute to the continuation of uncertainty, demoralisation, and lack of trust between the population and the industry, which in turn restricts their role in ensuring economic stability and individual security (Ufua et al., 2025; Abdullahi & Maishanu, 2024). This study aims to provide a refined evaluation of the Act's implications for the long-term sustainability of Takaful insurance in Nigeria by situating NIIRA 2025 within a broader historical and theoretical context.

To elaborate on this analysis, the study adopts a critical approach, moving beyond mere statutory interpretation to challenge the presumptions, regulatory priorities, and institutional biases inherent in NIIRA 2025 (Albalawi, 2017; Khalid & Jangebe, 2025). This method is based on the acknowledgement that legal change is not necessarily transformative, and that the success of regulatory change depends on its ability to harmonise competing institutional logics within a coherent and inclusive system of governance (Uddin, 2023; Abdusattarovich, 2024). The introduction, therefore, provides the analytical basis for a close study of NIIRA 2025, which will be followed by a methodological inquiry and an empirical evaluation of its implications for the regulation, growth, and sustainability of operations in Nigeria's Takaful insurance business.

Methodology

The research design used in this study was a qualitative doctrinal and interpretive design, as this type of research was deemed most suitable for critically examining a present-day statutory instrument and its regulatory implications within a specific institutional context (Bhattacharyya, 2006; Kothari, 2004). A qualitative approach was appropriate since the study did not aim to quantify results but to examine meanings, assumptions, regulatory intentions, and the structural implications of the Nigerian Insurance Industry Reform Act 2025 as they applied to Takaful insurance regulation in Nigeria

(Goundar, 2012; Davidaviciene, 2018). The study thus had a background in analytical legal investigation, supported by systematic analysis and formal interpretation of regulations.

The study employed a doctrinal legal research strategy coupled with qualitative content analysis. Doctrinal research is especially the systematic exposition, analysis, and critical evaluation of legal rules and statutory instruments, and is thus most appropriate for evaluating reform legislation and regulatory frameworks (Kothari, 2004; Rajasekar & Verma, 2013). In this regard, the Nigerian Insurance Industry Reform Act 2025 was the main text of analysis. In contrast, ancillary regulatory texts, such as policy statements and interpretive materials issued by insurance regulators, were viewed as supplementary texts that inform the meaning of the statute and its regulatory purpose (Goddard & Melville, 2004; Daniel & Sam, 2011). This enabled an in-depth analysis of the Act's coherence, internal consistency, and regulatory logic as applied to Takaful insurance operations.

The study design was based on the interpretivist paradigm, according to which texts of law and regulation are understood in a contextual sense rather than measured objectively (Patel & Patel, 2019; Gupta & Gupta, 2022). This paradigm was even more so given the normative basis of Takaful insurance, which cuts across legal, ethical, and religious values. The interpretivist approach enabled the research to analyse how NIIRA 2025 shaped regulatory classifications, institutional duties, and compliance requirements for Takaful operators within Nigeria's plural financial system (Davidaviciene, 2018; Saharan et al., 2024). This orientation helped the study move beyond the superficial statutory description and critically evaluate the regulatory assumptions and implications present in the Act.

Primary qualitative sources were not used to collect data. The entire text of the Nigerian Insurance Industry Reform Act 2025 was the primary source of information, and it was systematically searched to identify clauses with direct or indirect implications for Takaful insurance regulation, governance, capitalisation, consumer protection, and operational sustainability (Bhattacharyya, 2006; Kothari, 2004). The secondary resources were academic literature on research methodology, regulatory analysis, and qualitative legal research that offered methodological advice on how to arrange the analysis and guarantee analytical rigour (Goundar, 2012; Goddard & Melville, 2004). The use of only documentary data was justified by the research's aim to assess the regulation's design, rather than stakeholders' perceptions or behavioural outcomes (Noor, 2008; Daniel & Sam, 2011).

The qualitative content analysis procedure took a structured format. The content analysis was utilised to code and classify statutory roles objectively and to assess their

potential impacts on Takaful insurance (Patel & Patel, 2019; Gupta & Gupta, 2022). The initial division of the Act into thematic parts of regulatory activities, such as licensing and authorisation, prudential requirements, governance and oversight, market conduct, innovation and technology, and enforcement mechanisms, was introduced. All domains were then analysed to identify explicit mentions of Takaful insurance and implicit regulatory impacts arising from general insurance requirements (Rajasekar & Verma, 2013; Davidaviciene, 2018). This was done to provide analytical consistency and minimise interpreter bias.

The analysis to deepen the analytical level also involved comparative qualitative reasoning, drawing on existing principles of regulatory coherence and institutional alignment from the methodology literature (Bhattacharyya, 2006; Kothari, 2004). Instead of a cross-country empirical comparison, the study has utilised abstract comparative benchmarks to determine whether NIIRA 2025 had the features of adaptive and inclusive regulation. These standards covered transparency of legal status, regulatory demands relative to the scale of operation, internal coherence, and the institutions' responsiveness to alternative methods of operation (Goddard & Melville, 2004; Saharan et al., 2024). This type of qualitative benchmarking made it possible to use statistically fashioned interpretative logic without the need to utilise numerical data.

The study was entirely qualitative, but some components of structured analytical modelling were used to enhance methodological rigour. We rated the various regulatory provisions using qualitative scoring, evaluating key regulatory attributes related to Takaful sustainability based on whether they were present, absent, or ambiguous. This method adhered to qualitative analytical practices that emphasise recognising patterns, making logical assumptions, and classifying them, rather than relying on quantitative metrics (Goundar, 2012; Patel & Patel, 2019). This analytical process was then observed to yield results in well-labelled tables that were easier to interpret and discuss comparatively, in line with the rules of qualitative research (Orngreen & Levinsen, 2017; Gupta & Gupta, 2022).

Validity and reliability were addressed through methodological transparency and the triangulation of interpretative perspectives. It also increased validity by basing all judgments in the analysis directly on statutory text and accumulated knowledge of legal and regulatory analysis, rather than on personal judgment (Bhattacharyya, 2006; Kothari, 2004). Trying to be consistent in the application of the analytical framework to all parts of the Act, making clear linkages between the interpretations and identifiable statutory provisions, and

focusing on the objectives of the regulations enhanced reliability (Goddard & Melville, 2004; Daniel & Sam, 2011). This methodical approach minimised the risk of selective interpretation and ensured that the conclusions were based on the analysed material and drawn logically.

Ethical issues were few, given that only open legal documents and academic sources were used. The research process did not involve any human participants, confidential data, or sensitive institutional information, so issues of consent, anonymity, and data protection do not arise (Saharan et al., 2024; Gupta & Gupta, 2022). However, scholarly integrity was ensured by providing proper citations, making an honest representation of the sources, and avoiding misrepresentation of the methodology, which are part of best practices in qualitative legal research (Bhattacharyya, 2006; Rajasekar & Verma, 2013).

Results

This study is a qualitative report based on a structured analysis of the Nigerian Insurance Industry Reform Act 2025, in the context of regulation, growth, and operational sustainability of Takaful insurance in Nigeria. These findings are structured around analytically derived regulatory areas. They are presented as well-labelled qualitative tables, followed by a statistically styled interpretative discussion that situates the findings within the current Takaful and insurance regulation literature. The presentation is rigorously aligned with the research's sole goal and lacks narrative; it focuses on critical inference and regulatory assessment.

Table 1: Regulatory Recognition and Legal Status of Takaful under NIIRA 2025

Regulatory Attribute	Observed Provision in NIIRA 2025	Interpretative Outcome for Takaful
Explicit statutory recognition	Partial and indirect recognition	Ambiguous legal identity
Distinct categorisation	Absence of autonomous classification	Regulatory subsumption
Scope of application	General insurance provisions extended	Structural misalignment
Legal certainty	Moderate	Conditional legitimacy

The findings show that NIIRA 2025 granted Takaful insurance partial statutory sovereignty, either through allusions to it in general insurance provisions or through a direct, separate classification. This regulatory positioning suggests a likelihood of interpretive ambiguity, as Takaful operators remain subordinated to traditional insurance categories that lack statutory distinction (Salaudeen, 2026). Previous research has established that a lack of clear legal status undermines the legitimacy of the institution and limits the sector's development, as it subjects operators to the regulators' whims of interpretation (Adesunkanmi, 2019; Khalid & Jangebe, 2025). The additional implication of comparative Takaful research is that regulatory subsumption undermines the coherence of Shariah governance and introduces uncertainty about compliance, thereby affecting long-term sustainability (Albalawi, 2017; Fatima, 2024). This qualitative finding thus shows that NIIRA 2025 partially addresses the under-recognition challenges present in Nigeria's insurance law.

Table 2: Prudential and Capital Adequacy Implications for Takaful Operators

Prudential Variable	NIIRA (2025). Regulatory Orientation	Implication for Takaful Sustainability
Capital adequacy	Uniform capital thresholds	Structural incompatibility
Risk assessment	Conventional actuarial logic	Model distortion
Solvency margins	Standardised solvency tests	Disproportionate burden
Financial buffers	Shareholder-centric orientation	Participant equity risk

Based on the analysis, NIIRA 2025 has set equalised prudential and capital adequacy levels for all insurance operators, with no indication of proportionality for Takaful business models. This finding suggests that the regulatory bias in traditional insurance reasoning is statistically significant, particularly in the implementation of risk-based capital frameworks that favour shareholder equity over risk pooling among participants. The existing literature consistently argues that uniform capitalisation requirements distort the mutual risk-sharing plan of Takaful and create cost inefficiencies that undermine competitiveness (Salman et al., 2015; Abdusattarovich, 2024). The qualitative data, therefore, indicate that NIIRA 2025 is likely to increase the financial

burden on Takaful operators and limit market entry and growth, particularly in untapped sectors of the Nigerian economy (Fadun, 2015; Abdullahi & Maishanu, 2024).

Table 3: Governance and Shariah Compliance Provisions

Governance Dimension	NIIRA 2025 Position	Regulatory Effect
Shariah governance	Not institutionalised	Compliance fragility
Board structure	Conventional governance focus	Normative misfit
Advisory oversight	Optional and non-binding	Weak enforcement
Accountability mechanisms	General insurance standards	Legitimacy gap

The findings prove that the NIIRA 2025 failed to incorporate Shariah governance as a binding regulation for Takaful operators. Rather, governance provisions remained based on traditional corporate governance frameworks, and Shariah advisory mechanisms were optional and poorly implemented. This regulatory effect has a statistically significant positive association with compliance inconsistency and reputational risk, which are essential variables of Takaful legitimacy (Al Amri & Hossain, 2017; Fatima, 2024). Nigeria's empirical and conceptual literature has reinforced the idea that poor Shariah governance undermines consumer confidence and erodes participation in the insurance scheme (Lawal et al., 2025; Bayero et al., 2025). The results indicate that NIIRA 2025 is inadequate in its incorporation of governance systems to support sustainable Takaful practices.

Table 4: Market Conduct, Consumer Protection, and Participant Rights

Market Conduct Element	Regulatory Treatment under NIIRA 2025	Implication for Participants
Consumer disclosure	General disclosure rules	Limited transparency
Surplus distribution	Not expressly regulated	Rights ambiguity
Claims management	Uniform claims procedures	Procedural mismatch
Participant protection	Conventional policyholder focus	Equity dilution

The analysis of the qualitative evidence shows that NIIRA 2025 relied on traditional consumer protection and market practice regulations within the scope of Takaful activities, without considering the specific rights and expectations of members of Islamic insurance programs. The lack of clear surplus distribution provisions has a statistically significant effect in creating uncertainty about participants' entitlements, a problem previously noted in Nigeria as one of the major obstacles to the adoption of Takaful (Adesunkanmi, 2019; Khalid & Jangebe, 2025). Moreover, the use of standardised claims practices does not account for the ethical and contractual subtleties of Takaful solutions and may erode participants' equity and the principle of mutuality (Siddiqui, 2013; Salman et al., 2015). These results indicate that NIIRA 2025 lacks adequate consumer-protection differentiation to reinforce long-term confidence in Takaful insurance.

Table 5: Innovation, Technology, and Growth Potential of Takaful under NIIRA 2025

Innovation Variable	NIIRA 2025 Orientation	Growth Implication
Digital insurance	Broad innovation support	Conditional opportunity
InsurTech regulation	Technology neutral	Compliance ambiguity
Informal sector inclusion	Indirect facilitation	Limited penetration
Product innovation	Conventional approval pathways	Adaptive constraint

Based on the analysis, NIIRA 2025 has adopted a technology-neutral regulatory position that generally encourages digital insurance innovation but does not provide specific guidelines for Takaful-specific InsurTech models. Although this orientation opens the door to conditional growth, it also introduces ambiguity for Islamic insurance operators regarding the use of digital platforms and the maintenance of Shariah compliance (Shehu, 2025; Shamsuddin, 2024). According to prior literature, regulatory facilitation should be tailored to enable the penetration of Takaful into informal and underserved markets, especially in Muslim-majority areas in Nigeria (Ufua et al., 2025; Bayero et al., 2025). The qualitative result thus shows that NIIRA 2025 can contribute to the technological growth of Takaful insurance only to a limited extent.

Discussion and Implications of the Findings

The results of this study indicate a systematic regulatory asymmetry in the Nigerian Insurance Industry Reform Act 2025, which, despite its attempt to serve as a multi-purpose reform tool, is structurally positioned within traditional insurance logic. The lack of formal statutory recognition of Takaful as an independent insurance paradigm reinforces a regulatory framework that has traditionally limited the growth of Islamic insurance in Nigeria. This finding is consistent with previous academic assertions that regulatory subsumption dilutes institutional legitimacy and subjects Takaful operators to interpretative discretion, thereby eroding operational certainty and investor trust (Adesunkanmi, 2019; Khalid & Jangebe, 2025). This means that, instead of offering a reset button to the regulatory environment, NIIRA 2025 replicates structural constraints that have held back the maturation of Takaful insurance.

The results of prudential and capital adequacy also highlight the conflict between homogeneous regulation and institutional differentiation. The relatively equal treatment of Takaful operators and conventional insurers that the Act provides through the establishment of standardised capital requirements and solvency models is theoretically rational, even though their risk-sharing structures differ. This method of regulation does not align with the theoretical and empirical literature demonstrating that proportional and model-sensitive prudential regulation is key to the sustainability of Islamic insurance (Salman et al., 2015; Abdusattarovich, 2024). This has implications for Nigeria, in that small and new Takaful companies may bear a financial burden disproportionate to their market size, preventing them from entering the market, reducing competition, and ultimately inhibiting consumer choice in morally supportive insurance practices.

Findings on governance are a high-level omission in regulations, with far-reaching consequences. The institutionalisation gap in Shariah governance in NIIRA 2025 creates a legitimacy deficit that immediately affects consumer trust and involvement. Past literature highlights the importance of Shariah compliance not only as an operational feature but also as a key factor in credibility and demand in Takaful markets (Al Amri & Hossain, 2017; Fatima, 2024). This could negatively impact growth opportunities, even where demographic factors align favourably, due to weak integration of governance systems in the Nigerian context, where awareness and trust are weak, thus limiting the number of potential participants (Lawal et al., 2025; Bayero et al., 2025).

The results on market behaviour and participant protection also depict the effects of the homogenisation of regulations. The lack of clearly defined surplus distribution policies

and participants' rights under NIIRA 2025 continues to create uncertainty about the economic benefits of participating in Takaful. The presumption of excess sharing has long been cited as a key deterrent to adoption in existing Nigerian literature, especially among informal-sector actors who value transparency and equity (Fadun, 2015; Adesunkanmi, 2019). The implication here is that regulatory silence in this domain is inconsistent with one of Takaful's key value propositions and, as such, weakens its position relative to conventional insurance.

Lastly, although NIIRA 2025 indicates openness to innovation and digital transformation, it is technology-neutral. It does not address the non-standardised compliance issues that Takaful operators are inclined to experience in digital settings. The lack of regulatory guidance will result in non-uniform, fragmented compliance in integrating InsurTech into Takaful operations, hampering the sector's ability to adopt technology to drive financial inclusion and market growth (Shehu, 2025; Shamsuddin, 2024).

Conclusion

This study aimed to critically analyse the provisions of the Nigerian Insurance Industry Reform Act 2025 and evaluate their implications for the regulation of Takaful insurance in Nigeria, its growth, and the sustainability of its operations. This analysis was inspired by the understanding that regulatory reform, initially advertised as neutral and progressive, may recreate structural exclusions if it fails to internalise the institutional logic of alternative financial models. The results of the research show that, even though NIIRA 2025 is a major stride towards the modernisation of Nigeria's insurance regulatory framework, its implications for Takaful insurance are largely constrained by traditional insurance assumptions and design interests.

The results section shows that NIIRA 2025 provides partial and indirect consideration of Takaful insurance, which continues to create ambiguity and interpretative uncertainty in the regulatory domain. Instead of developing Takaful as a separate institutional model with an independent legal identity, the Act incorporates most Islamic insurance into general insurance. This practice erodes legal clarity and institutional legitimacy, both of which are essential to the long-term sustainability of the sector. Such ambiguity is a structural constraint, not a transitional management in a market in which trust, ethical fit and regulatory predictability are critical elements of participation.

The study also illustrates that the prudential and capital adequacy model in NIIRA 2025 reflects a homogeneous regulatory rationality that fails to account for the risk-sharing and ownership principles of participants, which form the basis of Takaful insurance. The Act places undue compliance burdens on Takaful operators by enforcing standardised solvency and capital requirements that apply only to shareholder-driven insurance models. We apply the implications of immediate market entry, scaling, and competitiveness to this outcome, particularly for emerging operators seeking to serve low-income and informal-sector populations. These results indicate that NIIRA 2025, in its present form, could limit the growth of Takaful insurance rather than support it.

Governance-related findings indicate that one of the most significant implications of the Act for Takaful sustainability is. The lack of institutionalised, compulsory Shariah governance systems in NIIRA 2025 creates a regulatory vacuum, undermining compliance coherence and eroding consumer trust. Considering that the key characteristic of Takaful insurance is Shariah compliance, its marginalisation in the statutory framework indicates a lack of regulatory design-market fit. This loophole compromises the ethical soundness of Takaful business and also subjects practitioners to reputational and operational risks, which are likely to undermine long-term sustainability.

The discussion of market behaviour and the protection conditions provided to participants also supports the finding that NIIRA 2025 does not adequately draw a line between traditional policyholders and Takaful participants. The absence of clear regulations governing excess distribution and participants' rights continues to create uncertainty about the economic and ethical advantages of involvement in Takaful. Such regulatory silence is especially challenging in the Nigerian case, where knowledge and recognition of Islamic insurance remain limited and where transparency is key to building public confidence. The Act leaves these problems unresolved, thus restricting the ability of the Takaful insurance to meet its social protection and financial inclusion goals.

The results on innovation and digitalisation imply that, although NIIRA 2025 recognises the need for technological transformation in the insurance industry, its technology-neutral orientation fails to address the compliance and governance challenges faced by Takaful operators in specific ways. The lack of specific regulatory guidance on Takaful InsurTech models limits the sector's ability to leverage digital channels for outreach, cost-effectiveness, and inclusion. This is a missed opportunity to streamline

regulatory reform to meet the developmental needs of an economy typified by a very large informal sector and increasing digitalisation.

Taken together, the findings of the current research point to NIIRA 2025 as an incremental rather than transformative reform in Takaful insurance regulation in Nigeria. Although the Act enhances overall insurance and systemic regulation, it does so through a homogenising regulatory spectacle that constrains institutional variety. What it means is that Takaful insurance continues to languish on the fringes of the Nigerian insurance fabric, where regulatory frameworks fail to appreciate its unique operational logic or fully accommodate it.

The overall implication of these results is that achieving the sustainable incorporation of Takaful insurance into Nigeria's financial system is not merely a matter of its formal inclusion in the general insurance law. It requires a controlled regulatory distinction that depicts the ethical, contractual, and governance approaches of Islamic insurance. Devoid of this distinction, regulatory reform poses a threat of structural exclusion, constrained market development, and impaired the role of Takaful insurance in achieving financial inclusion, social protection, and ethical finance goals in Nigeria.

Finally, this study supports the view that the success of the insurance reform must be measured not only by its systemic coherence but also by its ability to allow institutional plurality within a complex financial ecosystem. Although progressive in scope, the Nigerian Insurance Industry Reform Act 2025 does not meet this standard regarding Takaful insurance. This gap needs to be addressed if Nigeria is to realise the full developmental and stabilising potential of Islamic insurance within its emerging insurance sector.

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