Journal of Law, Policy and Globalization
ISSN 2224-3240 (Paper) ISSN 2224-3259 (Online)
Vol.152, 2026

The Legal Feasibility of Blockchain-Based Cryptocurrency Insurance in Nigeria

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ABSTRACT

The theft of over $2.3 billion from the Bybit exchange, the repeated collapse of stablecoins such as TerraUSD, and the loss of private keys leading to inaccessible wallets, as seen in the QuadrigaCX case, are stark reminders of the vulnerability of digital assets. These incidents underscore an urgent need for insurance mechanisms tailored to cryptocurrency risks. Yet, despite Nigeria being a leading cryptocurrency market with over 26 million digital asset users, its insurance infrastructure remains underdeveloped. This paper examines the legal feasibility of blockchain-based cryptocurrency insurance in Nigeria. Using doctrinal and comparative analysis, it evaluates whether Nigeria's legal framework, including the Insurance Act 2003, Investment and Securities Act 2025, Evidence Act 2011, and regulations from NAICOM and SEC, can accommodate such products. It also assesses the validity of smart contracts under Nigerian contract and evidence law. Comparative insights are drawn from the UK, EU, Singapore, and Kenya. The paper identifies key legal gaps: the lack of statutory recognition of digital assets as insurable property, regulatory restrictions on crypto transactions by insurtechs, uncertainty over the enforceability of smart contracts, and the absence of a bespoke blockchain-insurance framework. It concludes that while conceptually feasible, operationalising blockchain-based cryptocurrency insurance requires substantial legislative and regulatory reforms. Recommendations include amending the Insurance Act to recognise digital assets as insurable, issuing NAICOM-specific guidelines, clarifying smart contract validity by legislation, and adopting a risk-based capital framework for crypto-insurance exposures.

Keywords: Blockchain, Cryptocurrency Insurance, Insurtech, Smart Contracts.

DOI: 10.7176/JLPG/152-08

Publication date: May 28th 2026

1. INTRODUCTION

The burgeoning cryptocurrency market has been plagued by significant security failures and financial losses. Notable incidents include the $2.3 billion theft from the Bybit exchange,[1] the systemic collapse of stablecoins such as TerraUSD, and the irretrievable loss of funds due to misplaced private keys, as tragically illustrated by

[1] David Krause, 'The $1.4 Billion Bybit Hack: Cybersecurity Failures and the Risks of Cryptocurrency Deregulation' *Intenrational Journal of Cryptocurrency Research,* (2025) (5) (1). Chainalysis, 'North Korea 2025 Crypto Theft Hits $2.02B as Bybit Hack Dominates Losses' published on 19 December 2025 accessed from <https://coinpaprika.com/zh/news/north-korea-2025-crypto-theft-2-02b-bybit/> on 24 April 2026 at 8:25AM. See also Gerald Cotten, 'How a Cryptocurrency Entrepreneur Left Behind $215 Million Missing Case' accessed from <https://www.gate.com/zh-tw/post/status/19730204> on 24 April 2026 at 8:43AM; Gerald Cotten, founder and CEO of QuadrigaCX (Canada's largest cryptocurrency exchange at the time), died in December 2018. Because he held exclusive control over the exchange's cold wallet private keys, approximately CAD $215 million (US $190 million) in customer cryptocurrency assets became permanently inaccessible.

the QuadrigaCX case.[1] These events starkly expose the inherent vulnerabilities of digital asset systems and highlight a pressing global need for robust risk management frameworks, including tailored insurance mechanisms. Despite these risks, and even though Nigeria constitutes one of the world's leading cryptocurrency markets with over 26 million digital asset users, its insurance infrastructure remains critically underdeveloped.[2] This underdevelopment forms the central problem which this paper seeks to address.

The global financial landscape is undergoing a profound transformation driven by the emergence of blockchain technology and cryptocurrencies.[3] These technological innovations have not only revolutionised payment systems and investment vehicles but have also given rise to novel risk exposures that traditional insurance products are ill-equipped to address.[4] Cryptocurrency holders, exchanges, and service providers face risks including hacking, theft of private keys, operational failures, custody breaches, smart contract vulnerabilities, and extreme price volatility.[5] In response, a new category of insurance products collectively referred to as cryptocurrency insurance has emerged globally to provide coverage for these digital asset-specific risks.[6]

The global decentralised insurance market has experienced exponential growth, expanding from US$3.5 billion in 2025 to an estimated US$5.2 billion in 2026, representing a compound annual growth rate of 48.6%.[7] This growth reflects increasing recognition of the need to insure digital assets and blockchain-based financial activities. However, the legal infrastructure to support such insurance products remains jurisdictionally fragmented, with only a handful of countries having developed comprehensive regulatory frameworks for cryptocurrency insurance.

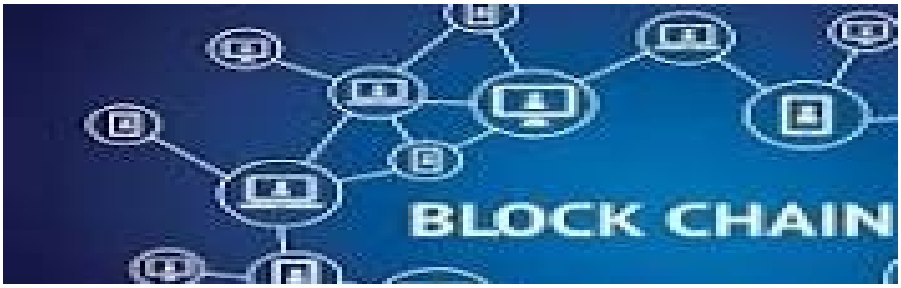
Nigeria presents a particularly compelling case study. The country ranks among the global leaders in cryptocurrency adoption, with an estimated 26.3 million Nigerians using or having used cryptocurrencies as of 2025, representing approximately 12 percent of the population.[8] Nigeria also leads the world in stablecoin adoption and ranks second globally in overall digital asset usage.[9] Economic factors, including naira depreciation, inflation hedging needs, and the demand for efficient cross-border payment mechanisms, drive this remarkable adoption rate. Yet paradoxically, the legal and regulatory framework governing insurance of digital assets remains nascent and fragmented.

Against this backdrop, this paper examines the legal feasibility of blockchain-based cryptocurrency insurance in Nigeria. The central research question is whether Nigeria's extant legal framework, comprising the Insurance Act 2003, the Investment and Securities Act 2025 and The Evidence Act 2011, as amended in 2023 and relevant regulatory instruments, can accommodate blockchain-based cryptocurrency insurance products, and if not, what legal and regulatory reforms are necessary to enable such products.

2. CONCEPTUAL CLARIFICATIONS

2.1 Blockchain Technology[10]

[1] Briola A, Vidal-Tomás D, Wang Y and Aste T, 'Anatomy of a Stablecoin's Failure: The Terra-Luna Case' accessed from <https://ar5iv.labs.arxiv.org/html/2207.13914> on 24 April 2026 at 9:05AM.
[2] Adesina O, 'Nigerians Interest in Bitcoin Remains Strong as BTC Hit 11 Months High' accessed from <https://nairametrics.com/2026/04/22/nigerians-interest-in-bitcoin-remains-strong-as-btc-hit-11-months-high/> on 24 April 2026 at 9:14AM..
[3] Bermuda Re. (n.d.). Mosaic Insurance launches Lloyd's-backed crypto coverage. Bermuda Re. Accessed from <https://www.bermudare.com> on 23 April 2026 at 9:23AM.
[4] CoinGeek 'Native Risk Collective: Linking smart contract audits to lower premiums' a from <https://www.coingeek.com> on 23 April 2026 at 9:36AM.
[5] Federal Deposit Insurance Corporation, 'Proposed rule on stablecoin reserve deposits' accessed from <https://www.fdic.gov> on 24 April 2026 at 8:23AM.
[6] National Association of Insurance Commissioners, 'Blockchain technology & insurance' accessed from <https://www.naic.org> on 24 April 2026 at 9:03AM.
[7] Decentralised Insurance Market Report 2026: Research and Markets, accessed from <www.researchandmarkets.com> on 24 April 2026 at 9:22AM.
[8] Folake Balogun, "85% of Crypto investors in Nigeria earn below N250,000' Businessday Online of 22 October 2025 accessed from <https://businessday.ng/technology/article/85-of-crypto-investors-in-nigeria-earn-below-n250000-monthly-report/> on 20 April 2026 at 4:58PM.
[9] Folake Balogun, "Nigeria Tops Global Stablecoin Adoption Rankings in 2025' Businessday Online of 20 June 2025 accessed from <https://africa.com/nigeria-tops-global-stablecoin-adoption/> accessed on 20 April 2026 at 5:08PM.
[10] Image of the Blockchain Technology curled from <https://evc.sa/en/the-concept-of-blockchain/> on 24 April 2026 at 3:58PM.



Designed by Blockchain technology is a distributed, decentralised digital ledger that records transactions across multiple computers in a network such that the recorded transactions cannot be altered retroactively without the alteration of all subsequent blocks and the consensus of the network.[1] The defining characteristics of blockchain include immutability (once data is recorded, it cannot be altered), transparency (all participants can view the ledger), decentralisation (no single entity controls the network), and cryptographic security (transactions are secured using cryptographic algorithms).[2]

Blockchains may be permissionless (public), where anyone can participate in the network and validate transactions, or permissioned (private or consortium), where access and validation rights are restricted to authorised participants.[3] In the insurance context, both permissioned and permissionless blockchains may be deployed depending on the specific use case, regulatory requirements, and risk profile.

2.2 Cryptocurrency[4]

Cryptocurrency refers to a digital or virtual currency that is secured by cryptography, operates on a blockchain or similar distributed ledger technology, and functions as a medium of exchange, store of value, or unit of account independently of central banks or traditional financial intermediaries.[5] The term encompasses a broad range of digital assets, including Bitcoin (the first and best-known cryptocurrency), Ethereum, stablecoins (cryptocurrencies pegged to fiat currencies or other assets), and various altcoins.

The legal characterisation of cryptocurrency has been a subject of considerable jurisprudential debate. For this paper, cryptocurrency is understood as a digital representation of value that can be traded, transferred, and used for payment, investment, or other financial purposes.[6] This definition is consistent with the classification adopted in Nigeria's Tax Administration Act 2025, which defines "virtual assets" to include cryptocurrencies.[7]

2.3 Cryptocurrency Insurance

[1] M Swan, *Blockchain: Blueprint for a New Economy* (O'Reilly Media 2015) 1-5.
[2] S Nakamoto, 'Bitcoin: A Peer-to-Peer Electronic Cash System' (2008) accessed from <https://bitcoin.org/bitcoin.pdf> on 28 April 2026 at 5:08PM.
[3] V Buterin, 'A Next-Generation Smart Contract and Decentralized Application Platform' (2014) accessed from <https://ethereum.org/en/whitepaper> on 28 April 2026 at 5:12PM..
[4] Curled from <https://www.trustetc.com/blog/cryptocurrency-types/> on 28 April 2026 at 4:12PM.
[5] Financial Action Task Force, *Guidance for a Risk-Based Approach to Virtual Assets and Virtual Asset Service Providers* (FATF 2019) 7-8.
[6] Ibid.
[7] Ayomide Awoyemi, Aaron Alasa, and Ajibola Asolo, 'ISA 2025 and NTAA 2025: Further Developments in the Regulatory Oversight of Virtual Assets' Aluko & Oyebode <https://www.aluko-oyebode.com/insights/digital-asset-regulation-nigeria-2025/> on 28 April 2026 at 5:20PM.

Cryptocurrency insurance is a specialised category of insurance products designed to cover risks associated with the holding, custody, transfer, and trading of cryptocurrencies and other digital assets.[1] The risks typically covered include: a) Custodial risks which include theft or loss of cryptocurrency held by custodial wallets or exchanges due to hacking, employee theft, or security breaches; b) Private key risks which covers loss of private keys, unauthorised access to private keys, or key mismanagement; c) Smart contract risks which centred around vulnerabilities, bugs, or exploits in smart contract code leading to loss of funds; d) Operational risks: which provides for system failures, technical glitches, or human errors resulting in transaction failures or loss of assets; e) Cyber risks which covers ransomware attacks, distributed denial-of-service (DDoS) attacks, and other cyber incidents affecting cryptocurrency operations; and f) Volatility risks that deals with extreme price fluctuations affecting the value of insured cryptocurrency holdings. Cryptocurrency insurance may be offered by traditional insurers, specialised crypto-insurance providers, or decentralised insurance protocols operating on blockchain networks.[2]

2.4 Blockchain-Based Insurance

Blockchain-based insurance refers to insurance products and processes that utilise blockchain technology for one or more functions, including policy issuance, premium collection, claims processing, risk assessment, and payout distribution.[3] The integration of blockchain into insurance operations can take various forms: a) insurance contracts encoded as smart contracts that automatically trigger payouts upon the occurrence of predefined events (e.g., flight delays, weather events), using oracles to verify external data;[4] b) insurance policies represented as tokens on a blockchain, which may be traded, transferred, or used as collateral in decentralised finance (DeFi) applications.

Mutual insurance models where blockchain technology is used to record policyholder contributions, distribute ownership tokens, and facilitate transparent governance.[5] Blockchain can be effective in streamlining claims documentation, verification, and settlement processes, reducing fraud and administrative costs.

In the Nigerian context, the concept of blockchain-based cryptocurrency insurance refers specifically to insurance products that both provide coverage for cryptocurrency-related risks, and utilise blockchain technology or smart contracts in their design, administration, or execution.

3. THE BLOCKCHAIN TECHNOLOGY IN INSURANCE

3.1 Global Trends and Developments

The application of blockchain technology to insurance represents one of the most significant innovations in the financial services sector since the advent of digital banking. Blockchain offers insurers the potential to address long-standing industry challenges, including fraud prevention, claims processing efficiency, data security, and customer trust.[6]

The global decentralised insurance market has grown dramatically. By 2025, the market size had reached US$3.5 billion, with projections indicating continued exponential growth.[7] This growth is driven by increasing institutional adoption of cryptocurrencies, the expansion of decentralised finance (DeFi) ecosystems, and the recognition that traditional insurance models are inadequate for digital asset risks.

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[1] Yahoo Finance 'Cryptocurrency Insurance Research Report 2025' accessed from <https://uk.finance.yahoo.com/news/cryptocurrency-insurance-research-report-2025-131500987.html> on 24 April 2026 at 10:12AM.

[2] Business Wire, 'Blockchain Deposit Insurance Corporation (BDIC) Launches First-Ever Cryptocurrency Deposit Insurance Network Targeting 500M Users by 2030' accessed from <https://www.businesswire.com/news/home/20250211534241/en/> on 28 April 2026 at 5:30PM.

[3] Yisong Chen, Chuqing Zhao, and Yifan Gao, 'Blockchain applications in health insurance: a review of applications, challenges, and prospects," *Frontiers* (2025) accessed <https://www.frontiersin.org/journals/public-health/articles/10.3389/fpubh.2025.1476072/full> on 28 April 2026 at 5:34PM.

[4] Angelo Borselli 'Smart Contracts in Insurance: A Law and Futurology Perspective' (2020) accessed from <https://www.researchgate.net/publication/337770261_Smart_Contracts_in_Insurance_A_Law_and_Futurology_Perspective > on 28 April 2026 at 5:40PM.

[5] Modestus Anaesoronye' 'Nigeria sees First Blockchain-Enabled Mutual Insurance Model," Businessday Online of 1 April 2026 accessed <https://businessday.ng/insurance/article/nigeria-sees-first-blockchain-enabled-mutual-insurance-model/> on 28 April 2026 at 11:13AM.

[6] Sumit Sagar, 'Nigeria Blockchain in Insurance Market (2025-2031)' accessed from <https://www.6wresearch.com/industry-report/nigeria-blockchain-in-insurance-market> on 28 April 2026 at 11:28AM.

[7] Krause (n 1).

Key global developments include: Blockchain Deposit Insurance Corporation (BDIC). The BDIC launched the first decentralised cryptocurrency deposit insurance network in 2025, offering institutional-grade insurance for digital asset holders.[1] The platform utilises blockchain-powered smart contracts and risk assessment algorithms to provide coverage for digital assets held on participating platforms. BDIC has outlined expansion plans across Asia-Pacific, prioritising markets with high cryptocurrency adoption rates.[2]

dClimate launched Tyche in 2025, a platform that enables investment in catastrophe reinsurance transactions through ERC-20 tokens.[3] This represents the tokenisation of traditional reinsurance products, demonstrating how blockchain can facilitate fractional ownership and secondary market trading of insurance instruments. In March 2026, Soter Insure launched Ethereum-denominated slashing insurance, developed in partnership with Galaxy Digital, providing coverage for Ethereum validators and institutional stakers against slashing risks.[4] Premiums and claims are denominated and settled in ETH, demonstrating a fully crypto-native insurance model.

In March 2026, Aon announced the first stablecoin insurance premium payment, facilitated by Coinbase and Paxos, following the passage of the GENIUS Act in the United States.[5] This represents the integration of cryptocurrency payment mechanisms into traditional insurance distribution channels.

3.1.1 Blockchain Benefits for Insurance

The incorporation of blockchain technology into insurance operations offers several potential benefits. Immutable ledger provides a tamper-proof record of insurance transactions, policy details, and claims history, reducing opportunities for fraudulent claims and policy misrepresentation.[6] Smart contracts enable automated claims processing and payout execution upon verification of predefined conditions, significantly reducing claims settlement times and administrative costs.

Policyholders can independently verify transaction records, premium payments, and claim statuses on the blockchain, enhancing trust in insurer operations.[7] Blockchain eliminates the need for manual record reconciliation across multiple parties, reducing administrative overhead and operational risk. Blockchain-based microinsurance products can reach underserved populations through mobile platforms, lowering distribution costs and enabling premium payments in small denominations.[8] Novel models such as blockchain-enabled mutual insurance allow policyholders to accumulate ownership stakes through tokenised premium contributions, transforming passive customers into active stakeholders.[9]

3.2 Emerging Risks and Challenges

Despite its promise, blockchain-based insurance faces significant challenges. Smart contracts are susceptible to coding errors, bugs, and exploitation, potentially leading to unintended payouts or loss of funds.[10] Parametric

[1] Life Insurance International, 'BDIC unveils crypto insurance platform' accessed from <https://www.lifeinsuranceinternational.com/news/bdic-unveils-crypto-insurance-platform/> on 28 April 2026 at 11:38AM; The Blockchain Deposit Insurance Corporation (BDIC) was launched in Bermuda in January 2025, with its public announcement made on 31 January 2025. As the international entity of the Palm Beach, Florida-based Blockchain Deposit Insurance Consultant Group LLC, BDIC provides digital wallet insurance for select cryptocurrencies to protect against exchange failures and cyber exploits. The corporation also announced plans for affiliate offices in Switzerland, Hong Kong/Greater China, Canada, and South America. However, it should be noted that the Bermuda Monetary Authority (BMA) issued a public warning in March 2025 stating that BDIC is not licensed to carry on regulated activities in Bermuda.

[2] Business Wire (n 20).

[3] Kenneth Araullo, 'dClimate launches Tyche to bring CAT reinsurance on-chain," *Insurance Business Magazine* accessed from <https://www.insurancebusinessmag.com/us/news/reinsurance/dclimate-launches-tyche-to-bring-cat-reinsurance-on-chain-530522.aspx> on 27 April 2026 at 5:56PM.

[4] 'Soter Insure launches Ethereum-denominated slashing insurance' accessed from <https://www.gate.com/zh/article/4980473> on 28 April 2026 at 6:00PM.

[5] 'Aon Announces First Stablecoin Insurance Premium Payment' (2026) accessed from <https://aon.mediaroom.com/2026-03-09-Aon-Announces-First-Stablecoin-Insurance-Premium-Payment> on 28 April 2026 at 6:16PM.

[6] Chen, Zhao, and Gao (n21) 4-6.

[7] Jide Ajia, "MAIDS Launches Blockchain Insurance Model in Nigeria," Punch Online News of April 6 2026 accessed from <https://www.mexc.ee/zh-TW/article/5040383> on 27 April 2026 at 6:28PM.

[8] Bankole Orimisan, 'Policyholders elevated to co-owner status under new product model' The Guardian Online of 6 April 2026 accessed from <https://guardian.ng/business-services/policyholders-elevated-to-co-owner-status-under-new-product-model/> on 22 April 2026 at ^:30PM.

[9] Ajia (n32).

[10] Sopulu Divine Chinwendu, 'Financial Technology Contracts and Transactions: Enforceability of Smart Contract in Nigeria' *Redeemer's University Law Journal* (2026) accessed from <https://runlawjournals.com/index.php/runlawj/article/view/164/>

insurance products rely on oracles to provide external data (e.g., weather data, flight status). Compromised or inaccurate Oracle data can trigger improper claims payouts.[1]

The legal status of blockchain-based insurance products remains ambiguous in many jurisdictions, creating compliance risks for insurers and policyholders alike. Cryptocurrency-denominated premiums and claims are subject to extreme price fluctuations, posing challenges for insurers' risk management. The immutability of blockchain transactions means that erroneous or fraudulent transactions may be irreversible, complicating consumer dispute resolution.[2]

4. THE NIGERIAN LEGAL FRAMEWORK

This section analyses the relevant Nigerian legal framework to assess its compatibility with blockchain-based cryptocurrency insurance. The analysis proceeds by examining three intersecting regulatory domains: insurance regulation, digital assets regulation, and contract and evidence law.

4.1 Insurance Regulatory Framework

4.1.1 Insurance Act 2003

The Nigerian Insurance Industry Reform Act 2025 is the primary legislation regulating the insurance business in Nigeria.[3] Section 1 of the Act stipulates that no person shall carry on insurance business in Nigeria except as a company registered under the Companies and Allied Matters Act and licensed by the National Insurance Commission (NAICOM).[4] The Act applies to all insurance business and insurers operating within Nigeria, subject to limited exceptions for friendly societies and certain reinsurance transactions.[5]

Several provisions of the Act present potential challenges for blockchain-based cryptocurrency insurance. The Act defines "insurance business" in traditional terms, referencing the classes of insurance listed in the First Schedule.[6] Cryptocurrency insurance does not fit neatly within the established classes. While it might be argued that cryptocurrency insurance falls within "miscellaneous insurance," the Act does not explicitly recognise digital assets as insurable subject matter.

The Act mandates specified minimum paid-up share capital for insurers, including ₦10 billion for life assurance companies, ₦15 billion for non - life insurance companies, and ₦35 billion for reinsurance companies.[7] These requirements, while designed to ensure financial stability, may pose barriers to entry for specialised cryptocurrency insurers that may not require the same level of capitalisation as traditional insurers. Section 3(7) of the Act provides that "an insurer may be authorised to transact any new category of miscellaneous insurance business if he shows evidence of adequate expertise, financial resources, and reinsurance arrangements to conduct such business."[8] This provision is potentially enabling, as it contemplates the authorisation of new insurance categories by NAICOM. However, cryptocurrency insurance has not yet been recognised as a distinct category under the Act.

Finally, even though the Act was enacted in 2025 after the adoption of blockchain technology, it does not contain provisions specifically addressing digital insurance products, smart contracts, or blockchain-based claims processing.

4.1.2 National Insurance Commission (NAICOM)

NAICOM is established under the National Insurance Commission Act as the primary regulator of the Nigerian insurance industry.[9] Its functions include licensing insurers and intermediaries, supervising insurance operations, protecting policyholder interests, and promoting insurance development. In response to technological developments, NAICOM has issued several regulatory instruments relevant to blockchain-based insurance. On

on 20 April 2026 at 1:33PM.
[1] Smart Contracts and AI-Driven ADR In Nigeria: Are we Legally Ready?" (2025) accessed from <SSRN https://papers.ssrn.com/sol3/papers.cfm?abstract_id=5162378> on 20 April 2026 at 2:01PM..
[2] Ibid.
[3] Nigerian Insurance Industry Reform Act 2025, s 1.
[4] Ibid, s 5.
[5] Ibid, s 2.
[6] Ibid, s 231.
[7] Ibid, s 15(1).
[8] Ibid, s 3(7).
[9] National Insurance Commission Act CAP N53 LFN 2004, s 1.

July 31, 2025, NAICOM released operational guidelines for insurtech[1] companies, effective August 1, 2025.[2] The guidelines apply to two categories of insurtech operators: partnering Insurtechs, which collaborate with licensed insurers, and standalone Insurtechs, which operate independently under NAICOM licences.[3]

Significantly for cryptocurrency insurance, the guidelines prohibit standalone insurtechs from engaging in certain activities without NAICOM approval. Specifically, Rule 7(d) of the guidelines lists "Crypto-based transactions as acceptance of premiums or settlement of claims in cryptocurrency without prior approval of the Commission" as a non-permissible activity.[4] Standalone insurtechs are also restricted from underwriting high-risk products, including oil and gas insurance, marine and aviation insurance, retirement life annuities, and insurance for government assets and liabilities.[5]

This restriction presents a direct legal impediment to cryptocurrency insurance. While the restriction is not absolute prior Commission approval may be obtained the absence of any publicised framework for obtaining such approval creates regulatory uncertainty. Moreover, the restriction applies only to "crypto-based transactions" in premium acceptance and claim settlement, not necessarily to coverage of cryptocurrency assets per se. However, the practical effect is to discourage innovation in cryptocurrency insurance.

National Insurance Industry Reform Agenda (NIIRA) 2025; approved in July 2025 sets out a comprehensive roadmap for insurance sector reform.[6] The agenda focuses on regulatory modernisation, digital transformation, compulsory insurance enforcement, and expanding insurance access to underserved communities.[7] Notably, NIIRA 2025 establishes a Digitisation Working Group tasked with "modernising the insurance regulatory landscape through digital platforms and innovative supervisory tools."[8] This indicates regulatory openness to technological innovation, although cryptocurrency insurance specifically is not mentioned.

NAICOM has justified capital requirements for insurtech operators as necessary to "safeguard innovation and stability."[9] While these requirements aim to ensure financial soundness, they may inadvertently stifle innovation by imposing compliance burdens disproportionate to the risk profile of cryptocurrency insurance products.

4.1.3 Gaps in the Insurance Regulation

The analysis reveals several legal gaps in Nigeria's insurance regulatory framework concerning blockchain-based cryptocurrency insurance. First, the Insurance Act 2003 does not expressly recognise digital assets or cryptocurrencies as insurable subject matter. While the Act's definition of "property" could arguably encompass digital assets, explicit statutory recognition would provide legal certainty.

Second, no regulatory guidelines exist specifically for cryptocurrency insurance products. Unlike Kenya's Insurance Regulatory Authority, which has proposed draft regulations classifying "digital asset insurance" as a

[1] InsurTech (a portmanteau of "Insurance" and "Technology") refers to the use of technological innovations designed to squeeze out savings and efficiency from the current insurance industry model.
[2] NAICOM, 'NAICOM releases new guidelines for insurtech operations in Nigeria' accessed from <https://naicom.gov.ng/2025/08/14/press-release-naicom-issues-guidelines-for-insurtech-operations-in-nigeria/> on 14 April 2026 at 6:27AM..
[3] Ibid.
[4] Oluwakemi Abimbola, 'NAICOM bars insurtech from oil, marine, crypto transactions' The Punch Online News of 30 July 2025 accessed from <https://punchng.com/naicom-bars-insurtech-from-oil-marine-crypto-transactions/> on 28 April 2026 at 6:30PM.
[5] Rosemary Iwunze, 'NAICOM restricts standalone insurtechs from transacting special risks insurance' Vanguard Online News of 30 July 2025 accessed from <https://www.vanguardngr.com/2025/07/naicom-restricts-standalone-insurtechs-from-transacting-special-risks-insurance/> on 28 April 2026 at 6:43PM.
[6] NAICOM Launches Working Groups to Drive Insurance Sector Reforms Under 2025 NIIRA accessed from <https://ekofm897.com/2025/11/05/naicom-launches-working-groups-to-drive-insurance-sector-reforms-under-niira-2025/> on 29 April 2026 at ^:36Am.
[7] Joseph Inokotong, 'NAICOM Unveils NIIRA Implementation Strategy to Drive Insurance Sector Reforms' Tribune Online News of 4 November 2025 accessed from <https://tribuneonlineng.com/naicom-unveils-niira-implementation-strategy-to-drive-insurance-sector-reforms/> on 29 July 2026 at 6:40AM.
[8] Modestus Anaesoronye, 'NAICOM sets working group to drive compulsory insurance, digitisation, inclusions for growth' *Businessday NG* of 5 November 2025 accessed from <https://businessday.ng/insurance/article/naicom-sets-working-group-to-drive-compulsory-insurance-digitisation-inclusions-for-growth/> on 29 July 2026 at 6:42AM.
[9] Oluwakemi Abimbola, 'NAICOM Defends Minimum Capital Requirement For Insurtechs' The Punch Online News accessed from <https://punchng.com/naicom-defends-minimum-capital-requirement-for-insurtechs/> on 29 July 2026 at 6:46AM.

new business subcategory,[1] NAICOM has not yet addressed this emerging product category. Third, the prohibition on accepting crypto-based premiums and settling claims, while subject to prior approval, creates uncertainty for market participants. A clear, permissive regulatory framework would better serve innovation. Fourth, the capital adequacy framework does not account for the unique risk profile of cryptocurrency insurance, including volatility, smart contract, and cyber risks.

4.2 Digital Assets Regulatory Framework

4.2.1 Investment and Securities Act 2025

The Investment and Securities Act (ISA) 2025 represents a watershed moment for digital asset regulation in Nigeria. Signed into law in March 2025, the ISA expressly recognises virtual and digital assets (including cryptocurrencies and tokens) as securities under the Securities and Exchange Commission's (SEC) purview.[2]

Key provisions of the ISA 2025 relevant to cryptocurrency insurance include: Definition of Virtual Assets under Section 3(3)(i) which empowers the SEC to regulate virtual asset service providers (VASPs), digital asset operators, and exchanges.[3] The Act explicitly includes virtual assets within the definition of a securities exchange, establishing an organised facility for transacting in securities, virtual assets, and commodities.[4]

The ISA 2025 strengthens investor protection measures and bans Ponzi/pyramid schemes. It authorises the SEC to obtain telecom and electronic data for investigations, enabling robust enforcement against fraud and market abuse.[5] The Act requires all crypto asset platforms to register and obtain SEC licences to operate. Operating outside this framework is an offence, with the SEC empowered to sanction unlicensed operators.[6] The SEC has set capital requirements for Virtual Assets Service Providers ranging from N500 million to N1 billion, which industry stakeholders have described as "outrageous and prohibitive."[7]

4.2.2 SEC Digital Assets Rules

On 16 December 2024, the SEC issued the Exposure of Amendments to the Rules on Digital Assets Issuance, Offering Platform, Exchange, and Custody. The amendments subsequently became effective on 30 June 2025.[8] These rules govern the regulation of digital assets and virtual asset services in Nigeria's capital market. The SEC's classification of digital assets as securities is comprehensive, capturing a wide range of digital and crypto assets.[9] The rules impose custodial requirements on VASPs, requiring them to maintain dedicated digital wallets for client assets.[10]

4.2.3 Central Bank of Nigeria (CBN) Regulation

The CBN's approach to cryptocurrency has evolved significantly. In February 2021, the CBN issued a directive prohibiting financial institutions from facilitating cryptocurrency transactions, citing concerns about money laundering, terrorism financing, and volatility.[11] This directive created significant regulatory uncertainty.

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[1] MEIR Team, 'Kenya: Regulator issues draft regulations to promote cryptocurrency insurance coverage' ME Insurance Review of 26 October 2025 accessed from <https://meinsurancereview.com/News/View-NewsLetter-Article/id/93334/Type/Africa> on 23 April 2026 at 6:47PM.
[2] Investments and Securities Act 2025, ss 3(3)(i), 307.
[3] Ibid., s 3(3)(i).
[4] 'Investment and Securities Act 2025 – The New Era of Securities Exchanges' Chambers and Partners accessed from <https://chambers.com/articles/investment-and-securities-act-2025-the-new-era-of-securities-exchanges> on 24 April 2026 at 1:22PM.
[5] 'Nigeria's ISA 2025: Key Takeaways from FinTechNGR's Stakeholder Engagement with the SEC' FinTech Association of Nigeria accessed from <https://fintechng.org/nigerias-isa-2025-key-takeaways-from-fintechngrs-stakeholder-engagement-with-the-sec/> on 24 April 2026 at 1:39PM.
[6] Kabiru Sadiq, 'Is Crypto Legal in Nigeria in 2026? Updated Digital Assets Rules, Real Regulator Status & What Investors Should Know before Investing in Cryptocurrency' West Africa Trade Hub of 3 December 2025 accessed from <https://westafricatradehub.com/crypto-legal-nigeria-sec-regulations-2025/> on 20 April 2026 at 2:17PM.
[7] Femi Akinyemi, 'The House of Representatives of the National Assembly task SEC on review of $685,158 capital requirement for crypto operators' accessed from <https://www.zawya.com/en/economy/africa/nigeria-reps-task-sec-on-review-of-685-158-capital-requirement-for-crypto-operators-eu5m1vjo> on 28 April 2026 at 10:42AM.
[8] AELEX, 'Overview Of The SEC's Amendments To The Rules On Digital Assets' Mondaq Online of 3 June 2025 accessed from <https://webiis08.mondaq.com/nigeria/fin-tech/1631786/> on 28 April 2026 at 10:57AM.
[9] Ibid.
[10] Akinyemi (n60).
[11] Ibid.

However, in December 2023, the CBN quietly lifted the restriction, though with limited public guidance.[1] By 2025, the CBN, in collaboration with the SEC, had developed a framework that enabled licensed exchanges to access the banking system.[2] Despite this evolution, the CBN's policy remains that cryptocurrencies are not legal tender in Nigeria, and financial institutions must refrain from engaging in crypto-related transactions.[3]

4.2.4 Nigeria Tax Administration Act 2025

The Nigeria Tax Administration Act (NTAA) 2025, signed into law on June 26, 2025, has significant implications for digital asset regulation. Section 79 of the NTAA empowers the President to designate a federal agency as the primary regulator of virtual assets.[4] The Fifth Schedule defines "virtual assets" as "a digital representation of value that can be digitally traded or transferred and used for payment, investment, or other financial purposes," specifically including cryptocurrencies, tokens, and digital collectibles.[5]

However, until such designation is made, paragraph 2 of the Fifth Schedule preserves the SEC's oversight only over "virtual assets that qualify as securities."[6] This creates a bifurcated regulatory landscape in which not all virtual assets fall under the SEC's regulatory purview; it depends not on the label but on how the asset functions.

4.2.5 Gaps in the Digital Assets Regulation

Several legal gaps affect cryptocurrency insurance. First, the regulatory classification of cryptocurrency for insurance purposes is unclear. Are cryptocurrencies "property" within the meaning of insurable interest? The ISA 2025 classifies them as securities for capital market purposes, but insurance law operates under different statutory frameworks. Second, the NTAA's bifurcated approach, which distinguishes between virtual assets that are securities and those that are not, creates classification uncertainty. Cryptocurrency insurance providers must determine which assets qualify as insurable securities and which do not. Third, while the ISA 2025 recognises digital assets, the Insurance Act 2003 does not. This statutory disconnect creates legal fragmentation.

4.3 Contract and Evidence Law Framework

4.3.1 Smart Contract Validity Under Nigerian Law

Blockchain-based cryptocurrency insurance inevitably involves smart contracts – self-executing contracts with terms written directly in code.[7] The legal validity of smart contracts under Nigerian law is therefore a threshold question. Under Nigerian contract law, a contract is legally enforceable if it satisfies the essential elements of offer, acceptance, consideration, intention to create legal relations, and capacity to contract.[8] These principles are codified in Nigerian contract law, derived from common law and the Contract Laws of various states.

Scholarly analysis indicates that smart contracts are likely to be legally binding under Nigerian law, provided they satisfy the traditional requirements for contract formation.[9] As one commentator notes "smart contracts are enforceable once they satisfy the fundamental principles of offer, acceptance, consideration, intention to create legal relations, and capacity to contract, which are governed by traditional contract law."[10]

However, challenges persist. Nigerian law does not yet explicitly recognise smart contracts as enforceable.[11] The absence of legislative recognition creates uncertainty, particularly regarding issues of contractual interpretation

[1] Sadiq (n59)..
[2] Frank Eleanya, and Emmanuel Nwosu, 'Nigeria Opens the Door to Crypto, but Still Keeps Major Exchanges Offline' accessed from <https://techcabal.com/2025/10/30/nigeria-recognises-crypto-telecom-ban-keeps-exchanges-offline/> on 28 April 2026 7:02PM.
[3] Sadiq (n59).
[4] Nigeria Tax Administration Act 2025, s 79.
[5] NTAA 2025, Fifth Schedule.
[6] ISA 2025 and NTAA 2025.
[7] Qiping Wang, Raymond, Yiu Keung Lau, Yain Whar Si, and Haoran Xie, 'Blockchain Enhanced Smart Contract for Cost Effective Insurance Claims Processing' *Journal of Global Information Management* (2023) (31) (7) 1 – 21.
[8] Grace Sunday – Ayegba, 'Legal Enforceability and Jurisdictional Challenges of Smart Contracts in Nigeria' accessed from < https://www.lawyard.org/legal-enforceability-and-jurisdictional-challenges-of-smart-contracts-in-nigeria/. on 20 April 2026 at 8:12PM.
[9] Oby Ume, 'Understanding Smart Contracts: Legal Implications, Benefits, and Challenges in Nigeria' (2025) accessed from <https://omaplex.com.ng/understanding-smart-contracts-legal-implications-benefits-and-challenges-in-nigeria/> on 22 April 2026 at 7:11PM.
[10] Wang & Other (n71).
[11] Sunday - Ayegba (n72).

(when the code may be ambiguous), mistake (when coding errors produce unintended results), and frustration (when blockchain network issues prevent execution).

4.3.2 Evidence Act 2011 (as amended 2023)

The Evidence Act 2011, as amended in 2023, provides the framework for the admissibility of electronic evidence in Nigerian courts. Section 93(1)(c) defines "electronic records" as admissible evidence, including contracts formed electronically.[1] Electronic contracts are enforceable if they meet the Evidence Act's criteria for authenticity and reliability.

The Evidence (Amendment) Act 2023 was specifically aimed at amending the Evidence Act 2011 "to be in conformity with global technological advancements in evidence taking."[2] The amendment extends to computer-generated evidence and electronic records as defined. For smart contract-based insurance, this is significant. Transactions recorded on a blockchain may be admissible as electronic evidence, provided they meet the authentication requirements of the Evidence Act. The immutable, timestamped nature of blockchain records arguably enhances evidentiary reliability compared to traditional records.

However, the Evidence Act does not specifically address blockchain-based evidence, smart contract code, or oracle data. Courts may require expert testimony to interpret blockchain records, increasing litigation costs.

4.3.3 Electronic Transactions Bill

The Nigerian National Digital Economy and E-Governance Bill 2025, which seeks to enact the United Nations Model Law on Electronic Transferable Records, aims to make electronic transactions legally valid.[3] The Bill provides that electronic records and electronic signatures have the same legal effect as paper documents and handwritten signatures.[4] If enacted, this Bill would strengthen the legal foundation for blockchain-based insurance by establishing that contracts formed and recorded electronically are legally valid. However, the Bill does not specifically address blockchain or smart contracts.

4.4 NAICOM Restrictions on Cryptocurrency Transactions

A critical legal impediment to blockchain-based cryptocurrency insurance in Nigeria is NAICOM's express restriction on cryptocurrency transactions by insurtech entities. As noted earlier, the NAICOM Insurtech Operational Guidelines 2025 list "crypto-based transactions: acceptance of premiums or settlement of claims in cryptocurrency without prior approval of the Commission" as a non-permissible activity.[5] This restriction has significant implications for blockchain-based cryptocurrency insurance products. First, cryptocurrency insurance models may require premium payments in cryptocurrency to enable automatic settlement of claims via smart contracts. The restriction on accepting cryptocurrency without prior approval may prevent such models from operating.

Second, claim settlement in cryptocurrency is integral to crypto-native insurance. The restriction on claim settlement in cryptocurrency without prior approval similarly impedes innovation. Third, while prior approval is theoretically available, NAICOM has not published any framework, criteria, or process for obtaining such approval. This lack of transparency creates regulatory uncertainty.

The restriction must be understood in context. NAICOM's approach reflects legitimate concerns about consumer protection, anti-money laundering compliance, and financial stability. Cryptocurrency transactions pose risks, including price volatility, cybersecurity threats, and potential use for illicit activities. However, an outright restriction, even one subject to prior approval, may be disproportionate compared to more nuanced approaches adopted in other jurisdictions (examined in Section 5 below).

[1] Evidence Act 2011, s 93(1)(c).
[2] Rebecca Ebokpo and Nahimat Yusuf, 'A Review of the Evidence (Amendment) Act 2023' AELEX (2023) accessed from <https://www.mondaq.com/nigeria/constitutional-administrative-law/1402784/a-review-of-the-nigerian-evidence-amendment-act-2023> on 29 April 2026 at 7:13Am..
[3] Desmond Ogba, Chijioke Okomadu, and Obinna Onyishi, 'Digital Transition and Cross-Border Confidence in Nigeria's Trade Eco-System' Templars accessed from <https://www.templars-law.com/digital-transition-and-cross-border-confidence-in-nigerias-trade-eco-system-is-nigeria-witnessing-a-new-dawn/> on 24 April 2026 at 7:15PM.
[4] Omoleye Omuriyi, 'Nigeria's new digital economy bill and e-governance explained' accessed from <https://technext24.com/2025/11/11/nigerias-new-digital-economy-bill-and-e-governance-explained/> on 28 April 2026 at 10:16PM
[5] Abimbola (n48).

4.5 Assessment of Legal Feasibility

Based on the analysis of Nigeria's legal framework, this section provides an integrated assessment of the legal feasibility of blockchain-based cryptocurrency insurance.

4.5.1 Permitted Elements

Several aspects of blockchain-based cryptocurrency insurance are compatible with Nigeria's legal framework. Smart contracts are likely enforceable under traditional contract law principles, provided they meet offer, acceptance, consideration, intention, and capacity requirements.

Blockchain records are likely admissible as electronic evidence under the Evidence Act 2011 (as amended 2023). The ISA 2025 recognises digital assets as securities, providing legal recognition of cryptocurrencies as valuable property. The Insurance Act 2003 allows for new categories of miscellaneous insurance to be authorised by NAICOM, providing a potential pathway for cryptocurrency insurance. NIIRA 2025 and NAICOM's insurtech guidelines indicate regulatory openness to digital transformation in the insurance sector.

4.5.2 Prohibited or Restricted Elements

The following elements are restricted under current law. Acceptance of premiums in cryptocurrency is restricted without prior NAICOM approval. Settlement of claims in cryptocurrency is restricted without prior NAICOM approval. Standalone insurtechs are restricted from underwriting high-risk products, though cryptocurrency insurance may not fall within the listed restricted categories.

4.5.3 Unregulated or Ambiguous Elements

Substantial ambiguity exists regarding, whether digital assets constitute "property" for insurable interest purposes under the Insurance Act 2003. Whether cryptocurrency insurance falls within "miscellaneous insurance" or requires a new statutory classification. The capital requirements applicable to cryptocurrency insurers (which may not fit traditional life/general/composite categories). The extent to which smart contracts satisfy the requirement of a "written contract" under certain insurance provisions. The regulatory classification of cryptocurrency assets for insurance purposes (securities under ISA 2025, but not necessarily under the Insurance Act).

4.5.4 Overall Feasibility Assessment

The analysis yields a mixed assessment. Blockchain-based cryptocurrency insurance is conceptually feasible under existing legal principles, smart contracts can be enforced, blockchain records are admissible as evidence, and the ISA 2025 provides legal recognition of digital assets. However, operational feasibility is significantly constrained by NAICOM's restriction on cryptocurrency transactions and the absence of a bespoke regulatory framework.

Put differently, while the legal architecture of contract and evidence law can accommodate blockchain-based insurance products, the specific regulatory restrictions on cryptocurrency transactions present a material barrier. These restrictions are not absolute; before NAICOM approval, they are theoretically available, but in practice, the lack of published approval criteria and the cautious regulatory stance create uncertainty that may deter innovation.

5. COMPARATIVE ANALYSIS

To identify best practices and potential models for Nigeria, this section examines the regulatory approaches to cryptocurrency insurance in selected jurisdictions: the United Kingdom, the European Union, Singapore, and Kenya.

5.1 United Kingdom

The United Kingdom has adopted a cautious but progressive approach to cryptocurrency insurance regulation. The Financial Conduct Authority (FCA) is the primary regulator of crypto-asset activities, with the Prudential Regulation Authority (PRA) overseeing insurance firms. In December 2025, the FCA published consultation papers outlining the proposed regulatory framework for the UK crypto-asset market.[1] The CRYPTOPRU regime establishes capital, liquidity, and risk management requirements for crypto-asset firms.[2]

[1] Sebastian J. Barling and Others, 'UK and EU H1 Digital Assets Regulatory Update' (2025) accessed from

Significantly, the FCA has clarified that cryptocurrency investments are not protected by the Financial Services Compensation Scheme (FSCS).[1] Digital assets are explicitly excluded from FSCS coverage, meaning that crypto asset firms with UK customers are not eligible for compensation in the event of firm failure.[2] However, crypto-asset firms are required to meet clear standards on transparency, consumer protection, and operational resilience, similar to traditional finance firms.[3] The UK approach distinguishes between different types of crypto-assets for prudential purposes. The PRA has indicated that insurers' crypto-asset holdings would be subject to conservative capital treatment, though specific cryptocurrency insurance guidelines remain under development.

The UK approach demonstrates that cryptocurrency insurance can operate within existing insurance regulatory frameworks with appropriate modifications. The key lesson is the importance of clear disclosure regarding coverage limits and exclusions, as well as the establishment of minimum standards for crypto-asset firms.

5.2 European Union

The European Union has established the most comprehensive regulatory framework for crypto-assets globally through the Markets in Crypto-Assets Regulation (MiCA). Fully effective since December 2024, MiCA provides an EU-wide framework regulating crypto-assets, including stablecoins (classified as asset-referenced tokens or e-money tokens).[4] MiCA Framework: MiCA harmonises rules across member states, covering the issuance, trading, and custody of crypto-assets, with strong emphasis on market integrity, AML, and investor safeguards.[5] It licenses Crypto-Asset Service Providers (CASPs) and includes a market abuse regime.

Under MiCA, issuers of asset-referenced tokens must maintain a reserve of assets that is "segregated from the issuer's own assets and invested in low-risk, liquid financial instruments."[6] While MiCA does not mandate insurance coverage for crypto-assets, it establishes prudential requirements that may indirectly affect insurance arrangements.

The European Insurance and Occupational Pensions Authority (EIOPA) has proposed a 100% capital requirement for insurers' crypto-asset holdings, regardless of balance sheet treatment or whether the exposure is direct or indirect.[7] This blanket requirement reflects conservative regulatory caution about crypto-asset volatility. The EU's MiCA provides a model for comprehensive crypto-asset regulation that Nigeria could adapt. The 100% capital requirement for insurer crypto holdings offers a prudential approach that balances innovation with financial stability.

5.3 Singapore

Singapore has positioned itself as a leading jurisdiction for digital asset innovation while maintaining robust regulatory standards. The Monetary Authority of Singapore (MAS) is the integrated regulator for financial services. Singapore finalised its stablecoin framework in August 2023, regulating single currency stablecoins pegged to the Singapore Dollar or G10 currencies.[8] The framework introduces "Stablecoin Issuance Service" as a regulated activity under the Payment Services Act. Non-bank issuers must comply with requirements for reserves, capital, redemption, and disclosures. Compliant stablecoins can be labelled "MAS-regulated stablecoins," distinguishing them from unregulated tokens.[9]

<https://www.skadden.com/insights/publications/2025/07/uk-and-eu-h1-digital-assets-regulatory-update> on 29 April 2026 at 7:19AM.

[2] Joav Pedraza, 'Navigating global crypto regulations' (2025) accessed from <https://www.braithwate.com/insights/g089t1j1gkwu7lkl54x94vgcuidnep> on 29 April 2026 at 7:21AM.

[1] 'UK Regulator does not Provide Protection for Losses' accessed from <https://blog.mexc.fm/en/uk-regulator-does-not-provide-protection-for-losses/> on 29 April 2026 at 7:33AM.

[2] 'Exploring the Regulatory Environment: UK Digital Asset Protection' (2025) accessed from <https://www.gate.com/zh/article/4973955> on 28 April 2026 at 11:21AM.

[3] Johnathan Herbst, and Simon Lovegrove, 'Financial Services Regulation 2025' Chambers and Partners (2025) accessed from <https://practiceguides.chambers.com/practice-guides/financial-services-regulation-2025> on 28 April 2026 at 10:33PM.

[4] Regulation (EU) 2023/1114 of the European Parliament and of the Council on Markets in Crypto-assets [2023] OJ L150/40.

[5] Ibid.

[6] Markets in Crypto - Assets, Art 36.

[7] European Insurance and Occupational Pensions Authority, 'EIOPA proposes one-to-one capital requirements for EU insurers' crypto asset holdings' accessed from <https://www.mnb.hu/en/pressroom/press-releases/press-releases-2025/eiopa-proposes-one-to-one-capital-requirements-for-eu-insurers-crypto-asset-holdings> on 28 April 2026 at 11:09PM..

[8] Pedraza (n82).

[9] Ibid.

Singapore does not have specific cryptocurrency insurance legislation, but permits insurers to offer such products subject to general insurance regulatory requirements. The MAS has indicated that insurers must maintain adequate capital for crypto-asset exposures and implement robust risk management frameworks. The Bermuda Monetary Authority, while not Singaporean, has provided guidance on tokenised re/insurance assets, noting that tokenisation introduces novel compliance challenges in anti-money laundering oversight and cybersecurity.[1]

The Singapore's approach demonstrates the value of regulatory clarity without over-prescription. The labelling framework for regulated stablecoins provides consumer protection while enabling innovation.

5.4 Kenya

As an African comparator, Kenya's approach to cryptocurrency insurance is particularly relevant to Nigeria, given shared regional context and economic characteristics. In October 2025, Kenya's Insurance Regulatory Authority (IRA) published draft amendments introducing insurance coverage for risks associated with cryptocurrency holdings.[2] Under the proposed rules, the IRA is classifying "digital asset insurance" as a new subcategory of business.[3] The draft regulations require licensed VASPs to maintain comprehensive cover for consumer assets, including theft, private key loss, operational failures, and cyber risk, from a Kenyan-licensed insurer or an approved foreign provider.[4]

Kenya's Capital Markets Authority requires licensed firms to meet strict capital and insurance requirements, and VASPs to maintain professional indemnity coverage of not less than Sh500,000.[5]

Industry stakeholders have identified challenges, including the difficulty of actuarial modeling for volatile assets, moral hazard and fraud risks in the absence of robust KYC/AML systems, and the risk that capital requirements may price smaller firms out.[6] Kenya's proactive approach to developing bespoke regulations for digital asset insurance before the market has matured provides a model that Nigeria could emulate. The classification of "digital asset insurance" as a distinct business subcategory offers regulatory clarity without stifling innovation. The Kenyan experience also highlights the importance of calibrating capital requirements to avoid excluding smaller market participants.

5.5 Comparative Insights and Lessons for Nigeria

First, regulatory clarity is essential for market development. Jurisdictions that have provided clear frameworks for cryptocurrency insurance, whether through bespoke regulations (Kenya), comprehensive crypto-asset regulation (EU), or integrated frameworks (Singapore), have facilitated market growth. Second, risk-based capital requirements are preferable to blanket prohibitions. While EIOPA's proposed 100% capital requirement is conservative, it provides a transparent rule that insurers can plan for. Nigeria's current approach, with restrictions subject to unspecified prior approval, creates uncertainty.

Third, consumer protection must be balanced with innovation. The UK's clear disclosure that deposit insurance schemes do not cover crypto-assets protects consumers while enabling informed decision-making. Fourth, regional comparators offer relevant models. Kenya's draft digital asset insurance regulations demonstrate that African jurisdictions can develop appropriate frameworks without waiting for global consensus.

6. RECOMMENDATIONS

6.1 Legislative Reforms

[1] Kenneth Araullo, 'Bermuda Regulator Charts Course for Tokenized Re/Insurance Assets' *Insurance Business Magazine* (2025) accessed from <https://www.insurancebusinessmag.com/us/news/technology/bermuda-regulator-charts-course-for-tokenized-reinsurance-assets-531432.aspx> on 28 April 2026 at 11:33PM.
[2] MEIR Team (n54).
[3] Ibid.
[4] Kepha Muiruri, 'New Rule Caps Virtual Asset Providers Capital at Sh50m," Business Daily Africa Online News of 17 December 2025 accessed from <https://www.businessdailyafrica.com/bd/economy/new-rule-caps-virtual-asset-providers-capital-at-sh50m-4870598> on 29 April 2026 at 6:36AM.
[5] 'PwC Report: Africa's Crypto Regulation Landscape Evolves' published on 23 January 2026 accessed from <https://www.linkedin.com/posts/pwczambia_pwc-cryptoregulation-africa-blockchain-activity-7298135216303648769-4kLp/> on 29 Apri; 2026 at 7:37AM.
[6] Emmanuel Nwosu, 'Kenya's crypto rules risk pricing out smaller firms, says VAAK' TechCabal published on 27 March 2026 accessed from <https://techcabal.com/2026/03/27/kenyas-crypto-rules-risk-pricing-out-smaller-firms-says-vaak/> on 29 April 2026 at &:41AM.

6.1.1 Amendment of the Insurance Act 2003. The Insurance Act 2003 should be amended to recognise digital assets as insurable subject matter explicitly. Specifically, the definition of "property" in the Act should be expanded to include digital assets and cryptocurrencies. Additionally, a new class of insurance, "digital asset insurance," should be added to the First Schedule to provide a statutory basis for cryptocurrency insurance products.

The amendment should also address capital requirements. Given the unique risk profile of digital assets, a separate capital adequacy framework for digital asset insurance should be established, possibly with lower initial capital requirements for specialised cryptocurrency insurers while maintaining prudential safeguards.

6.1.2 Enactment of the National Digital Economy and E-Governance Bill. The National Digital Economy and E-Governance Bill 2025 should be expedited. The Bill's provisions making electronic transactions legally valid would strengthen the legal foundation for blockchain-based insurance. However, the Bill should be amended to specifically address smart contracts, clarifying that contracts executed on blockchain platforms using smart contracts have the same legal effect as traditional written contracts.

6.1.3 Harmonisation of Digital Assets Definitions. The ISA 2025 and the NTAA 2025 adopt different approaches to virtual asset classification. Parliament should harmonise these definitions to provide a unified legal framework. A single, comprehensive definition of "digital assets" applicable across all financial services legislation would reduce regulatory fragmentation.

6.2 Regulatory Reforms

6.2.1 NAICOM Guidelines for Cryptocurrency Insurance. NAICOM should issue specific guidelines for cryptocurrency insurance products. These guidelines should a) Classify "digital asset insurance" as a distinct business category, following the Kenyan model; b) Establish licensing requirements for cryptocurrency insurers, including fit-and-proper criteria for directors and key personnel; c) Set risk-based capital requirements that appropriately reflect cryptocurrency volatility while not being prohibitive; d) Mandate robust cybersecurity and risk management frameworks; e) Require clear disclosure to policyholders regarding coverage limits, exclusions, and the fact that cryptocurrency investments are not covered by the Nigeria Deposit Insurance Corporation (NDIC) or other government guarantee schemes.

6.2.2 Revision of NAICOM Insurtech Guidelines. The restriction on crypto-based premium acceptance and claim settlement should be replaced with a permissive framework subject to conditions. Rather than requiring prior approval for all crypto transactions, NAICOM should establish clear criteria under which such transactions are permitted, including: a) Minimum cybersecurity standards for handling cryptocurrency; b) Requirements for segregated custody of client cryptocurrency assets; c) AML/CFT compliance procedures for cryptocurrency transactions; d) Consumer disclosure requirements regarding volatility risks; e) Capital requirements for cryptocurrency exposure.

6.2.3 SEC-NAICOM Joint Framework. Given the intersecting regulatory mandates of the SEC (digital assets as securities) and NAICOM (insurance regulation), a joint framework should be developed to coordinate regulation of cryptocurrency insurance. This framework should address: a) Classification of cryptocurrency assets for insurance purposes; b) Reporting and information-sharing between regulators; c) Consistent consumer protection standards across the insurance and capital markets.

6.2.4 CBN Policy Clarification. The CBN should issue a clear policy statement regarding cryptocurrency transactions by regulated financial institutions for insurance purposes. Specifically, the CBN should clarify that licensed cryptocurrency insurers may maintain bank accounts for operational purposes and that banks may process premium payments and claim settlements in cryptocurrency where NAICOM has approved such transactions.

7. CONCLUSION

This research paper has examined the legal feasibility of blockchain-based cryptocurrency insurance in Nigeria through a doctrinal analysis of the extant legal framework, a comparative analysis of selected jurisdictions, and the development of targeted recommendations. The central finding is that blockchain-based cryptocurrency insurance is conceptually feasible but operationally constrained under Nigeria's current legal framework. The conceptual feasibility derives from the adaptability of Nigerian contract law to smart contracts, the admissibility of blockchain records as electronic evidence under the Evidence Act 2011, the statutory recognition of digital assets under the ISA 2025, and the potential authorisation of new insurance classes under the Insurance Act 2003.

However, operational feasibility is significantly constrained by NAICOM's restriction on cryptocurrency premium acceptance and claim settlement, the absence of a bespoke regulatory framework for cryptocurrency insurance, and the statutory fragmentation between digital assets regulation and insurance regulation. The comparative analysis demonstrates that several jurisdictions - notably the EU with its MiCA framework, Kenya with its draft digital asset insurance regulations, and Singapore with its stablecoin framework - have developed regulatory approaches that balance innovation with consumer protection, and Nigeria can draw from these models while tailoring reforms to local circumstances. The recommendations proposed in this paper - including amendment of the Insurance Act 2003, enactment of the National Digital Economy and E-Governance Bill, issuance of specific NAICOM guidelines for cryptocurrency insurance, revision of the insurtech guidelines to permit crypto transactions subject to conditions, establishment of a joint SEC-NAICOM framework, a regulatory sandbox for cryptocurrency insurance,

The urgency of these reforms is underscored by Nigeria's position as a global leader in cryptocurrency adoption; with an estimated 26.3 million Nigerians using or having used cryptocurrencies, the demand for insurance protection for digital assets is substantial and growing. Without legal and regulatory frameworks that accommodate cryptocurrency insurance, Nigerian cryptocurrency users will continue to bear uninsured risks, potentially suffering significant financial losses that a well-designed insurance framework could mitigate.