
PRESENTATION TO ULS MEMBERS DURING CLE VIRTUAL TRAINING

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Senior Legal Officer - Regulation & Drafting
Insurance Regulatory Authority of Uganda
1. Evolution of the Insurance Regulatory framework
2. Key aspects of The Insurance Act 2017
3. Highlights of The 2020 Insurance Regulations
4. Insurance Laws and Regulations in the pipeline
5. Conclusion
The Insurance Legal & Regulatory Framework

1978 Insurance Decree
The Act provides for compulsory insurance against third party risks in respect of the use of vehicles.

4 April 1996 Insurance Act Cap 213
(1996 Insurance Statute)
The Act commenced to amend/ consolidate regulation of insurance business.

15 Sept 2000 Workers Compensation
Provided for compensation of workers for injuries and diseases incurred while in the course of their employment.

22 March 2002 Marine Insurance Act
An Act to make provision in Uganda in relation to Marine Insurance.

14 August 2020 7 Regulations Gazetted

23 May 2017 Insurance Act 2017
President assented in May. Act Commenced on 30th March 2018 based on S.I No.9 of 2018.

2 Sept 2011 Insurance Amendment Act
(2011 Insurance Amendment) Rebranded Commission to IRA, provided for micro insurance, bancassurance, HMO’s & HIO’s, handling of complaints etc.

Ongoing
Mandatory Vehicle Insurance Bill
National Health Insurance Scheme
Regulations on intermediaries, microinsurance, policyholders compensation fund, Oil & Gas, Takaful

14 August 2020 7 Regulations Gazetted

23 May 2017 Insurance Act 2017

2 Sept 2011 Insurance Amendment Act
(2011 Insurance Amendment) Rebranded Commission to IRA, provided for micro insurance, bancassurance, HMO’s & HIO’s, handling of complaints etc.
Rationale for Insurance Regulation

Basis for Insurance Regulation

The need to *prevent insurance market failures* due to severe asymmetric information problems or principal-agent conflicts and Market conduct issues are the rationale for insurance sector regulation.

The key consideration for an insurance regulatory framework include:

(a) supporting financial *growth* and public confidence in the sector
(b) guaranteeing a level playing field without distorting *competition* amongst players; and
(c) most importantly *protection of policyholders* / prospectives

This rationale is reflected in the Insurance Act 2017 (Section 11) as follows:

S.11 (1) Objectives of the Authority.

(a) promote, facilitate and maintain a sound, efficient, fair, transparent & *stable insurance sector*;
(b) promote and *uphold public confidence* in the insurance sector;
(c) *protect interests of policy holders* or customers of other licensees;
(d) regulate and *supervise licensees on a risk-sensitive basis*;
(e) promote *effective competition* in the interests of consumers, and for the growth of the sector.
## Key aspects of The Insurance Act 2017

### Rationale for overhaul of the Insurance Act Cap. 213

- ✔ To provide a framework legislation
- ✔ To meet International Standards (IAIS - International Association of Insurance Supervisors, ICPs- Insurance Core Principles)
- ✔ To empower Authority to effectively set standards and implement and enforce the Act
- ✔ To streamline the Act in line with Financial Action Task Force (FATF) requirements.
- ✔ Harmonization of the insurance Laws with EA Countries
- ✔ To embed best practice for Risk Based Supervision
- ✔ To make provisions for Micro-insurance, Takaful, corporate governance principles & practices etc.

### Salient Features of The Insurance Act 2017

- ➢ Reform of the Board of the Insurance Regulatory Authority. new representatives from CMA, URBRA. (S.14, S.18)
- ➢ Modification of the licensing procedure to provide for perpetual licensing (S.44(2), 46, 45,)
- ➢ Strengthening of Risk Management and Internal Controls measures – control functions (S.58,59,60,61,62)
- ➢ Premiums and other monies to be paid to insurer directly save for a few exceptions. (Cash & Carry S.90)
- ➢ Improvement on the provision of supervisory review and reporting – 10 year record keeping rule (S. 106(2), S.110,)
- ➢ Transition from compliance to risk based supervision (S.37)
- ➢ Ombudsman to handle disputes to be established S.136
- ➢ Introduction of preventative and corrective measures and provisions on winding up and exit from the market. (S.85 (5), S.122, S.118, s.130)
Insurance Regulations Repeal & Replacement

1996 Insurance Statute

- Insurance Act Cap. 213

Insurance Insurance Amendment Act 2011

- The Insurance (Amendment of Insurers and Reinsurers Minimum Paid-up Capital) Regulations, 2013, S.I 22 of 2013

Insurance Act No.6 of 2017

- Insurance (Bancassurance) Regulations, No. 40 of 2017
- Insurance (Appeals Tribunal) Regulations 2019

Repealed

- Insurance (Intermediaries) Regulations
- Insurance (Microinsurance) Regulations
- Insurance (Oil and Gas) Regulations
- Insurance (Takaful) Regulations
- Insurance (Policyholders Compensation Fund) Regulations

In force

- Insurance (Appeals Tribunal) Regulations 2019

In the making

In exercise of the powers conferred upon the Minister by section 1 of the Insurance Act, 2017, this instrument is made this 21st day of March, 2018.

1. Title.
This Instrument may be cited as the Insurance Act, 2017 (Commencement) Instrument, 2018.

The 30th day of March, 2018 is appointed as the date on which the Insurance Act, 2017, Act 6 of 2017 shall come into force.

MATIA KASAJA, (MP)
Minister of Finance, Planning and Economic Development.

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<thead>
<tr>
<th>REG</th>
<th>PROVISION</th>
<th>OBSERVATION / COMMENT</th>
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<tbody>
<tr>
<td>R.2</td>
<td>These Regulations apply to licensed insurers, reinsurers and HMOs.</td>
<td>The 2002 Regulations applied to both underwriters and intermediaries while these regulations apply to underwriters only.</td>
</tr>
<tr>
<td>R.5</td>
<td>Introduces meaning of “independent director” as a non-executive director.</td>
<td>Independence based on criteria like no contractual relationship, no receipt of remuneration, no family ties, not a supplier etc.</td>
</tr>
<tr>
<td>R.8</td>
<td>Classification of insurance business</td>
<td>Schedule has been added and the classification made more detailed to supplement S.6 of the Act.</td>
</tr>
<tr>
<td>R.11</td>
<td>Provision for perpetual license</td>
<td>Previous licenses for underwriters had an expiry date, (annual) new ones to be issued are open ended.</td>
</tr>
<tr>
<td>R.14</td>
<td>Composition of board of licensed insurer, reinsurer and HMO</td>
<td>Introduces aspects of a minimum of five directors, half of whom shall be resident in Uganda and majority non-executive including the chairman.</td>
</tr>
<tr>
<td>R.16</td>
<td>Board committees</td>
<td>Specifies them include audit; risk management; remuneration; and investment. The previous Regulations were silent on the governance structures.</td>
</tr>
<tr>
<td>R.18</td>
<td>Principal officer to be the CEO</td>
<td>Qualifications for CEO revised to include Bachelors Degree, Insurance Qualifications and at least 8 years’ experience.</td>
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<td>R.21</td>
<td>Provisions for Combined control functions</td>
<td>Can combine any function save for an actuarial function and the internal audit function. These cannot be combined with each other or with any other control function.</td>
</tr>
<tr>
<td>R.33</td>
<td>Requirements for outsourcing of activities provided including approval of the Authority.</td>
<td>Consideration given i.e. reasonableness of charges, fees and costs, activities to be undertaken, capacity and ability of the service provider and the risks associated with outsourcing.</td>
</tr>
<tr>
<td>R.51</td>
<td>Key features statement to be provided to client</td>
<td>Provides for what the Key Features Statement should contain (i.e. policy benefits, duration etc.), must be signed by client and must be provided in good time.</td>
</tr>
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<td>R.47</td>
<td>Application for approval of text or format of policy of insurance product</td>
<td>Authority to approve policy within 45 days after receipt of the complete application. Where no response given with 45 days product as taken as approved – Derived from S.65(3) of Act.</td>
</tr>
<tr>
<td>R.49</td>
<td>Cancellation of insurance contracts during cooling-off period</td>
<td>Every insurance contract to provide the policyholder with right to cancel contract without giving any reason and without the payment of any penalty within 30 days.</td>
</tr>
<tr>
<td>R.58</td>
<td>Training obligations placed on insurer</td>
<td>Insurer to arrange regular training to insurance agent related to the product distribution, fair treatment of consumers etc.</td>
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<tr>
<td>R.2</td>
<td>Interpretation of terms – fronting, etc.</td>
<td>Where insurer cedes more than ninety-five percent of the risk</td>
</tr>
<tr>
<td>R.47</td>
<td>Meaning of qualifying foreign reinsurer</td>
<td>Provide for financial strength rating of reinsurers based on A+, B+, C+ A.M. Best Company, Standard &amp; Poors etc. Most recent rating to be used.</td>
</tr>
<tr>
<td>R.49</td>
<td>Reinsurance strategy, plan and procedures and internal controls</td>
<td>Licensed insurer, reinsurer and HMO shall establish and maintain written reinsurance procedures, develop and implement a reinsurance plan etc.</td>
</tr>
<tr>
<td>R.51</td>
<td>Limit on risks that may be retained by licensed insurer, reinsurer or HMO</td>
<td>Insurer, reinsurer or HMO not to reinsure any single risk that comprises more than ten per cent of shareholders’ funds.</td>
</tr>
<tr>
<td>R.58</td>
<td>Fronting and similar arrangements</td>
<td>Fronting arrangement cannot be undertaken without the prior written approval of the Authority.</td>
</tr>
<tr>
<td>R.14</td>
<td>Penalty for breach of mandatory reinsurance placements</td>
<td>Penalty for breach of mandatory reinsurance placements to Uganda Re, Africa Re etc. is not more than UGX.10M</td>
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- Use of index insurance in Uganda is on the rise—agriculture insurance. It is effective for insuring low-income farmers and households against weather and other natural disaster risk. Advantages are reduced transaction costs and fast payment of claims.

- Fundamental characteristics are:
  - The obligation to make payment to the policyholder is triggered by pre-agreed index.
  - Once payment triggered, amount of payment is determined by value of index - unlike traditional indemnity insurance, no assessment of individual loss

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<td>R.3</td>
<td>Meaning of “index insurance contract”</td>
<td>One where obligation to make payment to policyholder triggered by pre-agreed index and amount of payment determined by value of index not assessment of actual loss. It does not include life insurance contracts or annuities; investment linked contracts etc.</td>
</tr>
<tr>
<td>R.4</td>
<td>Meaning of “insurable interest”</td>
<td>Person deemed to have insurable interest when at time contract entered into, there is reasonable prospects that the insured person will be adversely affected by insured risk and the risk shall be material and have adverse impact</td>
</tr>
<tr>
<td>R.10</td>
<td>Criteria for developing index insurance contracts</td>
<td>Provide at least one fall-back methodology</td>
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### Interpretation – platform only provider, loyalty product etc.

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<td>R.3</td>
<td>Platform-only provider is a mobile network operator who provides a licensee with access to its mobile platform for the distribution of an insurance product and does not undertake any insurance business or enter into a group insurance contract as a master policyholder.</td>
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<td>“loyalty product” is where premium payable to a licensee under that product is paid by the mobile network operator as an absorbed cost of its business,</td>
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<th>R.7</th>
<th>Approval to sale or market insurance products by mobile insurance</th>
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<td>Only by licensees - insurer, HMO or micro insurance and brokers as approved by IRA.</td>
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<th>R.11</th>
<th>Permitted types of mobile insurance arrangements</th>
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<tr>
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<td>individual product distributed through:</td>
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<td>• the mobile network of a participating mobile network operator as a platform-only provider;</td>
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<td></td>
<td>• the mobile insurance product is an individual product and the participating mobile network operator is a licensed insurance agent;</td>
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<tr>
<td></td>
<td>• the mobile insurance product is a group insurance product and the participating mobile network operator is the master policyholder.</td>
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<tr>
<td>R.13</td>
<td>Mobile insurance arrangement to be governed by service level agreement.</td>
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<tr>
<td>R.15</td>
<td>Design criteria for mobile insurance contract</td>
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<tr>
<td>R.18</td>
<td>Payment of premiums</td>
</tr>
<tr>
<td>R.20</td>
<td>Payment of claims under a mobile insurance contract</td>
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<td>R.4</td>
<td>Functions of the College</td>
<td>To design curricula, in consultation with other relevant bodies, for the courses offered at the College; to train, examine and award insurance qualifications and other insurance accolades; to register, develop, and conduct insurance training; to approve continuing professional development; undertake insurance related research; promote professionalism;</td>
</tr>
<tr>
<td>R.5</td>
<td>The Board of college</td>
<td>Board of college to consist of the following: chairperson; a representative of the Ministry responsible for education; a representative of the Ministry of Finance a representative of the Ministry of Justice a representative of the Authority; a person representing the public who shall be the vice chairperson; the principal of the College, who shall have no right to vote.</td>
</tr>
<tr>
<td>R.16</td>
<td>College to be answerable to Authority</td>
<td>The College shall, in the performance of its functions, be answerable to the Authority.</td>
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### Insurance Training College Regulations

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<tr>
<td>R.17</td>
<td>Funds of College</td>
<td>The funds of the College shall consist of and include the Insurance Training Levy.</td>
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<td>For purposes of section 141(3) of the Act, the rate of the insurance training levy shall be 0.5 percent of gross direct premium written by persons licensed under the Act.</td>
</tr>
<tr>
<td>R.24</td>
<td>Membership of College</td>
<td>In accordance with section 140(8) of the Act, every person licensed under the Act shall be a member of the College. A person ceases to be a member of the College where the person no longer holds a valid licence issued under the Act.</td>
</tr>
<tr>
<td>R.31</td>
<td>Transfer of students.</td>
<td>All persons who, before the commencement of the Act, were admitted as students of the Insurance Institute of Uganda shall, on commencement of the Act, continue as students of the College.</td>
</tr>
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**THE INSURANCE (FEES) REGULATIONS, 2020**

1. This Regulations determines the appropriate fees to be paid to the Authority as listed in the schedule. i.e. application fees, compliance fees etc.
2. It elaborates on annual contribution and the terms for its payment to the Authority.

**THE INSURANCE (CAPITAL ADEQUACY AND PRUDENTIAL REQUIREMENTS) REGULATIONS, 2020**

These regulations basically reflect the shift from the Compliance Based to Risk Based Capital mode of supervision.

The Capital Adequacy and Prudential Requirements include the minimum paid up capital, capital adequacy and solvency ratios, segregated funds and investments and Remedial Measures and Enforcement mechanisms.
Insurance Laws in the pipeline

Mandatory Vehicle Insurance Bill
Aimed at making insurance mandatory for all vehicles on the road (including gov’t), increase in coverage to property damage, increase in compensation amounts etc.

Health Insurance Scheme Bill
To make provision of medical insurance for all citizens, mandatory contributions, accreditation of medical service providers, and ailments covered by the scheme etc.

Workers Compensation Act
Statue currently under review for amendment. Proposed that compensation amounts be increased, provision for other injuries in schedule.
Insurance Regulations in the pipeline

**Insurance (Intermediaries) Regulations**
Provide for Regulation of intermediaries on areas like Minimum Capital, licensing, market conduct, training etc.

**Insurance (Oil and Gas) Regulations**
Provide for insurance of upstream and midstream oil business, recognition of insurance consortium, etc.

**Insurance (Microinsurance) Regulations**
Provide for Regulation of MIOs on areas like Minimum Capital, licensing and aspects like categorization and approval of micro insurance products.

**Insurance (Takaful) Regulations**
Provide for insurance based on sharia principles i.e. sharing of profits etc.

**Insurance (Policyholders Compensation Fund) Regulations**
Provide for establishment of board to oversee fund and a fund for compensation of claims arising from policyholders of an insolvent insurer.
Concluding remarks

There a lot of regulatory changes in the insurance sector given the dynamism of the industry. We have put in place guidelines on conduct of insurance business during COVID-19 pandemic etc. other on Fintechs are under development. We intend to generate guidance notes on the Regulations. Keep track of all these developments by visiting IRA website and social media pages.

THANK YOU