

## CHAPTER 213

### THE INSURANCE ACT.

#### Arrangement of Sections.

#### Section

##### PART I—PRELIMINARY.

1. Application.
2. Interpretation.
3. Use of the word “insurance” and persons to carry on insurance business.
4. Insurers to be bodies corporate.
5. Classification of insurance business.
6. Minimum capital requirements.
7. Security deposits.
8. Use of the security deposit.
9. Formation of mutual insurance companies.
10. Capital requirements of mutual insurance companies.
11. Board of directors of an insurance company.
12. Disqualification of an officer of an insurance company.
13. Head office and branches.

##### PART II—THE UGANDA INSURANCE COMMISSION.

14. Establishment of the commission.
15. Objects and functions of the commission.
16. Minister to give directions.
17. Composition of the commission.
18. Provision relating to the chairperson.
19. Meetings of the commission.
20. Committees of the commission.

##### *Staff of the commission.*

21. The commissioner for insurance.
22. Secretary to the commission.
23. Other staff.

*Financial provisions of the commission.*

24. Funds of the commission.
25. Credit facilities and borrowing powers of the commission.
26. Accounts and audit of the commission.
27. Annual reports by the commission.

PART III—LICENSING OF INSURANCE AND REINSURANCE COMPANIES.

28. Licensing of insurance and reinsurance companies.
29. Application for a licence.
30. Factors to be considered in an application.
31. Processing of applications.
32. Granting of a licence.
33. Suspension and revocation of a licence.

PART IV—CONDUCT AND OPERATION OF INSURANCE.

34. Credit on premiums.
35. Approval of policy format forms, etc.
36. Alteration of approved premium rates without approval.
37. Commission payable to licensed intermediaries.
38. Modification of memorandum and articles of association.
39. Records to be kept in English.
40. Prohibition of misleading advertisements.
41. Institutions not to insist on a particular insurer.
42. Restriction on loans to officers and directors.
43. Prohibition of loans to associate companies.
44. Margin of solvency.
45. Statement by insurer.
46. Separation of insurance funds.
47. Insurance reserves.
48. Investments.
49. Accounts, etc. to be furnished to the commission.
50. Amendment of accounts.
51. Auditing of accounts and auditors.
52. Information to be furnished by an insurer.
53. Statement and exhibit of life policies.
54. Appointment of actuary by an insurer.
55. Actuarial investigation and report.

56. Commission to inspect insurer. PART

V—REINSURANCE BUSINESS.

- 57. Reinsurance.
- 58. Modification in insurer's net retention.
- 59. Annual reinsurance report.
- 60. Prohibition of contracts with certain reinsurance companies.
- 61. Modifications where terms not favourable.
- 62. Negotiations not to be in personal capacity.
- 63. Foreign reinsurance representatives.
- 64. Mandatory offer to place reinsurance with international organisations.

PART VI—AMALGAMATIONS AND TRANSFERS.

- 65. Amalgamation and transfer of insurance business.
- 66. Application for amalgamation or transfer.
- 67. Notice of amalgamation or transfer.
- 68. Conditions for approval of transfer.
- 69. Decision of the commission on amalgamation or transfer.
- 70. Effect of approval of amalgamation or transfer.

PART VII—INSOLVENCY AND WINDING UP.

- 71. Winding up.

PART VIII—INTERMEDIARIES, RISK MANAGERS, LOSS ASSESSORS, LOSS ADJUSTERS, INSURANCE SURVEYORS AND CLAIMS SETTLING AGENTS.

- 72. Brokers, agents, etc. to be licensed.
- 73. Brokers to be bodies corporate.
- 74. Application and qualifications for a licence.
- 75. Disqualifications.
- 76. Licence and renewal of a licence.
- 77. Processing and granting of a licence.
- 78. Revocation or suspension of an intermediary's licence, etc.
- 79. Insurance broker's and loss adjuster's paid-up capital.
- 80. Persons not to act as agents.
- 81. Agents and brokers not to engage in loss adjusting, etc.
- 82. Intermediaries to deal with licensed companies.

83. Annual reports and financial statements.
84. Submission of statements to insurers.
85. Records to be kept.
86. Advertisement.
87. Payment of premium.
88. Insurance agent's commission.
89. Loans to agents.
90. Portfolio transfer.
91. Death of an agent.
92. Direct relationship with an insurer.

PART IX—MISCELLANEOUS.

93. Adjustment of losses occurring in contravention of the Act.
94. Insurers and brokers to join associations.
95. Display of a licence.
96. Insurable interest policies.
97. Offences and penalties.
98. Power to make regulations.

**Schedule**

*Schedule*            Meetings and seal of the commission.

## CHAPTER 213

### THE INSURANCE ACT.

*Commencement:* 4 April, 1996.

**An Act to amend and consolidate the law relating to insurance and to regulate the business of insurance, and for purposes incidental thereto and connected therewith.**

#### PART I—PRELIMINARY.

##### **1. Application.**

This Act shall apply to all insurance and reinsurance companies, insurance and reinsurance broking companies, insurance and reinsurance brokers and agents, loss adjusters and assessors, risk inspectors and representatives of foreign companies engaged in such activities.

##### **2. Interpretation.**

In this Act, unless the context otherwise requires—

- (a) “central bank” means the Bank of Uganda established under the Bank of Uganda Act;
- (b) “commission” means the Uganda Insurance Commission established under Part II of this Act;
- (c) “foreign company” means a company not being a local company;
- (d) “insurance” includes assurance and reinsurance;
- (e) “insurance agent” means a person appointed and authorised by an insurer to solicit applications for insurance or negotiate for insurance coverage on behalf of the insurer and to perform other functions that may be assigned to him or her by the insurer, and who in consideration for his or her services receives commission from the insurer;
- (f) “insurance broker” means a person— (i) not being an agent; and (ii) acting as an independent contractor for commission or other remuneration, who solicits or negotiates insurance business on behalf of an insured or prospective insured other than himself or herself;
- (g) “insurer” includes reinsurer;

- (h) “intermediary” means a person who invites other persons to make offers or proposals or to take other steps with a view to entering into a contract of insurance with an insurer, but does not include a person who merely publishes an invitation to the order of another person;
- (i) “local company” means a company registered or incorporated under the Companies Act in which the majority shares and actual controlling interest are held by citizens of Uganda;
- (j) “loss adjuster” means a person registered under this Act to undertake professional loss adjusting business for or on behalf of an insurer, an insured or any other person;
- (k) “Minister” means the Minister responsible for finance;
- (l) “mutual insurance company” means a company of which by its constitution only policyholders are members of the company and which has no share capital;
- (m) “reinsurance business” means a business of undertaking liability to pay money to insurers or reinsurers in respect of contractual liabilities in respect of insurance business incurred by insurers or reinsurers and includes retrocession;
- (n) “reinsurer” means a person who carries on reinsurance business and includes a retrocessionaire;
- (o) “retrocession” means the reinsurance of reinsurance business accepted by a reinsurer;
- (p) “retrocessionaire” means a person reinsuring a reinsurer.

### **3. Use of the word “insurance” and persons to carry on insurance business.**

(1) No person, other than a person licensed to operate under this Act, shall use the word “insurance”, “assurance” or “reinsurance” or any derivations in English or any other language as part of his or her business name.

(2) No person, other than a person licensed as an insurer under this Act, shall issue any insurance policy on—

- (a) persons who at the time of effecting a contract are residents of Uganda;
- (b) goods or assets situated in Uganda;
- (c) ships, aircraft or other vehicles registered in Uganda; and
- (d) goods imported from other countries except personal effects and donations.

#### **4. Insurers to be bodies corporate.**

No person shall carry on insurance business in Uganda except—

- (a) a company incorporated under the Companies Act;
- (b) an insurance corporation established by law;
- (c) a cooperative insurance society registered under the Cooperative Societies Act; or
- (d) a mutual insurance company.

#### **5. Classification of insurance business.**

For purposes of this Act, insurance business shall comprise—

- (a) life insurance;
- (b) non-life insurance consisting of the following classes— (i) fire insurance; (ii) burglary insurance; (iii) personal accident insurance; (iv) employers liability insurance; (v) public liability insurance; (vi) marine hull insurance; (vii) marine cargo insurance; (viii) aviation insurance; (ix) motor vehicle insurance; (x) crops, fishing and livestock insurance; (xi) bonds; (xii) contractors all risks insurance; (xiii) machinery breakdown and installation and boiler explosion insurance; (xiv) any insurance other than specified above;
- (c) reinsurance business in respect of any of the foregoing classes.

#### **6. Minimum capital requirements.**

(1) No local company shall be licensed as an insurer or if licensed shall have its licence renewed unless it has a paid-up capital of not less than—

- (a) two hundred million shillings, in the case of a life or non-life insurance business;
- (b) five hundred million shillings, in the case of a reinsurance business.

(2) No foreign company shall be licensed as an insurer or if licensed have its licence renewed unless it has a paid-up capital of not less than—

- (a) one billion shillings in the case of a life or non-life insurance business;
- (b) two-and-a-half billion shillings in the case of a reinsurance business.

(3) The paid-up capital of an insurer as described in subsections (1) and (2) above may—

- (a) be invested in such assets in Uganda as the central bank shall approve;
- (b) consist solely of ordinary shares each of which has the same value.

(4) Every insurer shall transfer from its profits each year, before any dividend is declared and after provision has been made for taxation, a sum of 5 percent of the profits, to be paid-up capital of the insurer to facilitate capital base growth.

(5) The Minister may, on the recommendation of the commission and by statutory instrument, amend the minimum paid-up capital or security deposit requirements under such terms and conditions as he or she may determine.

## **7. Security deposits.**

(1) Every insurer shall establish and maintain at the central bank a security deposit of at least 10 percent of the prescribed paid-up capital of the company.

(2) The deposit made under this section shall be considered part of the assets in respect of the capital of the insurer.

(3) The deposits made under subsection (1) shall be invested by the central bank in short-term investments and securities approved by the central bank, and the central bank shall issue a certificate of such investment to every insurer who has deposited money with the central bank in accordance with this section.

(4) All income accruing from a deposit made under this section shall

be payable to the insurer making the deposit.

#### **8. Use of the security deposit.**

The security deposit made under section 7 shall be available to the insurer in the following circumstances—

- (a) where an insurer suffers a substantial loss arising from liability to claimants and the loss is such that it cannot be met from its available resources, the commission may, after ascertaining the nature of the claim and upon application made by the insurer, approve the withdrawal from the security deposit of the insurer of an amount of not more than 10 percent of the security deposit; and any amount withdrawn shall be replaced by the insurer not later than ninety days after the date of the withdrawal;
- (b) in the event of closure or winding up of the insurance business, the security deposit shall first be utilised for the discharge of any liabilities arising out of policies transacted by the insurer which are undischarged at the time of closure or winding up of the insurance business.

#### **9. Formation of mutual insurance companies.**

(1) Any twenty-five persons but not more than three hundred may, by subscribing their names to a memorandum of association, form a mutual insurance company.

- (2) The memorandum of association shall state—
  - (a) the insurance business or any class of the insurance business which is to be carried on;
  - (b) the name of the company, including the expression “mutual insurance company” in that name;
  - (c) the location of the principal office of the company;
  - (d) the limitation of liability of its members;
  - (e) the amount of guarantee capital;
  - (f) the rights of the contributors towards the guarantee capital;
  - (g) the methods of clearing the guarantee capital;
  - (h) the particulars of the governing body of the company;
  - (i) the method of distributing surplus;
  - (j) the articles and rules governing the company.
- (3) Where a person desires to become a member of a mutual

insurance company, he or she shall enter into the instrument of subscription for members, the subject matter and the amount of insurance desired; and he or she shall affix his or her signature to the instrument.

(4) An application for licensing a mutual insurance company under this Act shall be made within a period that may be prescribed by the commission.

#### **10. Capital requirement of mutual insurance companies.**

(1) Sections 6 and 7 shall not apply to a mutual insurance company.

(2) The capital requirement of a mutual insurance company shall be the assets of the company and a surplus of not less than 15 percent of its assets over its liabilities or such other percentage that may be determined by the commission.

#### **11. Board of directors of an insurance company.**

(1) Every insurer shall furnish the commission with the names and addresses of its board of directors, senior executive and technical personnel.

(2) An insurer shall, within fourteen days after the event, notify the commission, in writing, of any change in the board of directors, senior executive and technical personnel.

#### **12. Disqualification of an officer of an insurance company.**

(1) No person shall, without the express authority of the commission, act or continue to act as an officer or be directly or indirectly involved in the management of an insurance company—

- (a) who has been an officer of, or directly responsible for the mismanagement of an insurance company, insurance brokerage company, financial institution, security brokerage company or any other investment concern;
- (b) who has been convicted by a court of competent jurisdiction or tribunal of any offence involving fraud or dishonesty;
- (c) who has been adjudged or declared bankrupt by a court of competent jurisdiction or who compounds with his or her creditors.

(2) No person holding 5 percent or more of the proprietary interests in any one insurance company shall serve as a management person or a principal officer of an intermediary licensed under this Act.

(3) No person holding 5 percent or more of the proprietary interest of any insurance company shall own more than 50 percent of the equity share of an intermediary licensed under this Act.

### **13. Head office and branches.**

(1) An insurer shall maintain a head office in Uganda and shall notify the commission of the location and address of the head office, in writing.

(2) No insurer shall open a new branch or agency or close down or change the location of its branch or agency without the approval, in writing, of the commission.

## **PART II—THE UGANDA INSURANCE COMMISSION.**

### **14. Establishment of the commission.**

(1) There is established a Uganda Insurance Commission which shall be a body corporate with perpetual succession and a common seal and may sue or be sued in its corporate name.

(2) The application of the seal shall be as is provided in the Schedule to this Act.

(3) The commission may for and in connection with its functions and objects hold, manage and dispose of any property, whether movable or immovable, and may enter into any contract or other transaction as may be expedient.

### **15. Objects and functions of the commission.**

(1) The object of the commission is to ensure the effective administration, supervision, regulation and control of the business of insurance in Uganda.

- (2) The functions of the commission shall be to—
- (a) establish standards for the conduct of insurance and reinsurance

- business;
- (b) license all persons involved in or connected with insurance business, including insurance and reinsurance companies, insurance and reinsurance intermediaries, loss adjusters and assessors, risk inspectors and valuers;
- (c) approve texts of policies proposal forms;
- (d) approve minimum rates of insurance premiums and maximum commissions in respect of all classes of insurance;
- (e) safeguard the rights of insurance policyholders and insurance beneficiaries to any insurance contract;
- (f) provide a bureau to which complaints may be submitted by members of the public;
- (g) advise the Government on adequate insurance protection and security for national assets and national properties;
- (h) promote a sound and efficient insurance market in the country;
- (i) supervise and control transactions between insurers and reinsurers; (j) ensure strict compliance with this Act and regulations made under it and any other law relating to insurance; and (k) undertake other functions as the Minister may designate.

#### **16. Minister to give directions.**

The Minister may give directions of a general nature to the commission on matters of policy, and the commission shall give effect to the directions.

#### **17. Composition of the commission.**

- (1) The commission shall consist of persons appointed by the Minister as follows—
  - (a) a chairperson, who shall not be a director, employee or shareholder of any insurer, intermediary, loss assessor or loss adjuster;
  - (b) a deputy chairperson who shall have the qualifications under paragraph (a);
  - (c) the commissioner for insurance;
  - (d) a representative of the central bank;
  - (e) two representatives of the Uganda Insurers Association;
  - (f) a representative of the Uganda Association of Insurance Brokers;
  - (g) one other person.

(2) A member of the commission other than the commissioner for insurance may hold office for a period of three years and shall be eligible for reappointment.

(3) A member of the commission may resign his or her office in writing addressed to the Minister and may be removed from office by the Minister for inability to perform the functions of his or her office.

(4) If a member of the commission dies, resigns or otherwise vacates office before the expiry of the term for which he or she was appointed, the Minister may appoint another person in his or her office; and the person appointed shall hold office for the unexpired period of the term of office of the person in whose place he or she is appointed, and he or she shall be eligible for reappointment.

(5) Members of the commission shall be paid allowances that the Minister may determine.

#### **18. Provision relating to the chairperson.**

If the chairperson or deputy chairperson becomes a director, employee or shareholder of an insurer, intermediary, loss assessor or loss adjuster, he or she shall inform the Minister of the fact within fifteen days of the event; and he or she shall cease to be the chairperson or deputy chairperson on the expiry of the fifteen days.

#### **19. Meetings of the commission.**

Meetings of the commission shall be conducted as is provided in the Schedule to this Act.

#### **20. Committees of the commission.**

(1) The commission may, for the discharge of its functions, appoint committees that may be necessary, consisting of members or nonmembers of the commission or both, and may assign to any of the committees any functions as the commission may determine.

(2) The commission shall appoint a member of the commission to be chairperson of any of the committees under section (1).

(3) Members of the committees established under section (1) shall be paid allowances that the commission may determine.

*Staff of the commission.*

**21. The commissioner for insurance.**

(1) There shall be a commissioner for insurance who shall be appointed by the Minister on the recommendation of the commission on terms and conditions that the commission may determine.

(2) The commissioner for insurance shall—

- (a) be a person with qualifications of considerable knowledge, experience and competence in the insurance business and general administration; and
- (b) not be a director, employee or shareholder of any insurer, intermediary, loss assessor or loss adjuster.

(3) The commissioner for insurance shall be the chief executive officer of the commission and shall be responsible to the commission.

(4) Subject to this Act and the general supervision and control of the commission, the commissioner for insurance shall be responsible for the day-to-day operations of the commission and for the administration, organisation and control of the staff of the commission.

(5) The commissioner for insurance shall, from time to time, in writing, keep the commission and the Minister informed of the progress of insurance business in Uganda and of the operations of the commission.

**22. Secretary to the commission.**

(1) There shall be a secretary to the commission who shall be appointed by the commission on terms and conditions that the commission may determine.

(2) Section 21(2)(b) shall apply to the secretary.

(3) In addition to any other functions that may be conferred upon the secretary by the commission or commissioner for insurance, the secretary shall—

- (a) take the minutes of the meetings of the commission and its committees; and
- (b) keep the records of all the activities of the commission and its committees.

(4) In the performance of his or her functions, the secretary shall be responsible to the commissioner for insurance.

### **23. Other staff.**

The commission may have other officers and staff as it may, in consultation with the Minister, determine.

#### *Financial provisions of the commission.*

### **24. Funds of the commission.**

- (1) The funds of the commission shall include—
  - (a) licence fees payable by insurers and intermediaries, loss assessors and loss adjusters;
  - (b) grants from the Government or other sources;
  - (c) monies accruing to the commission by way of revenue;
  - (d) loans granted to the commission;
  - (e) donations;
  - (f) such other monies, including fines, that may accrue to the commission in the discharge of its functions.

(2) Every licensed insurer, reinsurer, insurance or reinsurance intermediary and insurance loss assessor or adjuster shall pay to the commission an annual contribution of a sum that shall be decided by the commission in consultation with the Uganda Insurers Association, the Uganda Association of Insurance Brokers and the association representing loss assessors and adjusters.

(3) The financial year of the commission shall be the same as the financial year of the central bank.

- (4) The commission is exempted from payment of corporation tax.

**25. Credit facilities and borrowing powers of the commission.**

The commission may—

- (a) on the guarantee of the Government, obtain credit facilities from financial institutions that the central bank may approve;
- (b) with the approval of the central bank, borrow funds required for carrying out its functions.

**26. Accounts and audit of the commission.**

(1) The commission shall keep proper books of account of all its income and expenditure and proper records in relation to them.

(2) The accounts and records of the commission kept under subsection (1) shall be in a form prescribed by the central bank.

(3) The accounts of the commission shall be audited by the Auditor General or an auditor appointed by him or her to act on his or her behalf.

**27. Annual reports by the commission.**

The commission shall, not later than four months after the expiration of each financial year, submit to the Minister an annual report on the activities of the commission during that financial year, including the audited accounts and the related auditor's certificate.

PART III—LICENSING OF INSURANCE AND REINSURANCE COMPANIES.

**28. Licensing of insurance and reinsurance companies.**

(1) No person shall transact insurance or reinsurance business in Uganda without a valid licence granted for that purpose.

(2) Notwithstanding subsection (1), the commission may authorise the effecting of insurance with a foreign insurer in exceptional circumstances.

(3) No person shall be granted a licence unless his or her principal object is the transacting of insurance or reinsurance business.

(4) No person shall be granted a licence unless the provisions of sections 6 and 7 and the qualification of the directors are fulfilled.

(5) The qualification of the directors shall be as may be prescribed by the commission.

## **29. Application for a licence.**

(1) A person proposing to transact insurance business shall apply to the commission, in a prescribed form, for a licence, which application shall be considered by the commission.

(2) The application referred to under subsection (1) shall contain the following information—

- (a) the name and address of— (i) the proposed company; (ii) the directors; (iii) the shareholders;
- (b) the nationality and occupation of the directors;
- (c) the nationality and shareholding of the shareholders;
- (d) the proposed location of the company's offices;
- (e) the estimated number of employees;
- (f) the technical expertise, qualifications, experience, nationality and other relevant information of the proposed management and key staff;
- (g) the capital structure and earnings prospects of the insurance company;
- (h) business plans, financial plans and earnings forecasts for at least three years; (i) any other information relating to the viability of the insurance company or other matters as the applicant considers relevant to his or her application; (j) documentary evidence that a sum equivalent to 20 percent of the security deposit to which section 7 refers has been deposited in a commercial bank; (k) specimens of the proposal forms, policies, contracts, receipts and any other documents to be used in connection with the insurance operations; (l) the premium rates and rating scales; (m) the proposed scale of maximum commissions to insurance intermediaries; (n) details of the proposed reinsurance protection and the company's net retention in each class of business;

- (0) any other document or information that the commission may require.

(3) An application under subsection (1) shall be accompanied by the memorandum and articles of association, the constitution or rules and a certificate of incorporation of the insurance company where applicable.

(4) Where an application under subsection (1) does not provide all the relevant information or if clarification is necessary, the applicant may be called upon to provide the information or clarification to complete the application.

### **30. Factors to be considered in an application.**

The commission shall when considering an application for a licence satisfy itself as to—

- (a) the financial status and antecedents of the applicant;
- (b) the competence and integrity of the proposed management and administration;
- (c) the adequacy of the applicant's capital structure, earning prospects, business plans, financial plans, reinsurance and retention proposals;
- (d) whether the public interest would be served by granting a licence.

### **31. Processing of applications.**

(1) The commission shall, within four months after receipt of a complete application, investigate and prepare a detailed report in respect of each application.

(2) The commission shall, for the purpose of considering and making a report on an application under subsection (1), appoint a committee of not less than three members of the commission which committee shall report its recommendations to the commission in writing.

### **32. Granting of a licence.**

- (1) The commission may—
  - (a) if it is satisfied that the applicant complies with the provisions of this Act, grant a licence to the applicant, on the payment of the prescribed fee;

- (b) refuse to grant a licence and give reasons in writing for its decision.
- (2) An insurance licence issued under subsection (1)—
  - (a) shall remain in force for one calendar year;
  - (b) may be renewed on application and payment of the prescribed fee; and
  - (c) shall automatically lapse where the company is wound up.
- (3) The commission shall communicate its decision under subsection (1) to the applicant within six months from receipt of a complete application.
- (4) The applicant may appeal to the Minister within thirty days from the receipt of the communication of the commission, if aggrieved by the decision of the commission; and the Minister shall make a decision within thirty days from the date of the appeal.

### **33. Suspension and revocation of a licence.**

- (1) The commission may at any time suspend or revoke the licence of an insurer where it considers that—
  - (a) it is in the public interest or it is required for protecting policyholders' interests;
  - (b) the business of the insurer is not being conducted in accordance with sound insurance principles, practices and ethics as prescribed by the Uganda Insurers Association and filed with the commission;
  - (c) the relevant minimum capital and security deposit requirements specified in Part I have not been complied with by the insurer;
  - (d) the minimum margin of solvency has not been maintained;
  - (e) the relevant reserve requirements have not been complied with;
  - (f) the insurer has not commenced insurance business within one hundred and eighty days of first obtaining a licence to operate;
  - (g) the insurer has made a false statement to the commission which statement is material to his or her licensing and which he or she knows or might have known to be false;
  - (h) a judgment arising out of any insurance liability obtained in any court in Uganda against an insurer remains unsatisfied without good reason for more than ninety days from the date of final judgment;
  - (i) the insurer has ceased to qualify as an insurer under this Act;

(j) the insurer repeatedly acts in an illegal way or ignores the requirements of the commission.

(2) The commission shall, before the suspension or revocation of any licence, give written notice to the insurer requiring the insurer to remedy any breach, and where the breach cannot be remedied, to show cause to the satisfaction of the commission why the licence should not be suspended or revoked.

(3) Where the licence is suspended or revoked, the commission shall give notice to the insurer in a prescribed form.

(4) The commission shall give reasons for its decision under subsection (1).

(5) An insurer may within thirty days from the receipt of the communication of the commission of the suspension or revocation of his or her licence, appeal to the Minister; and the Minister shall make a decision within thirty days from the date of the appeal.

(6) Except for purposes of winding up its business, no insurer whose licence has been revoked shall carry on insurance business in Uganda.

(7) An insurer shall not take on any new insurance business or renew any existing policy—

- (a) where there is an appeal against a revocation of a licence, until the appeal is decided in favour of the insurer; or
- (b) in case of suspension of a licence, until the suspension is over.

(8) The commission shall publish in the Gazette and a newspaper widely read by the people in the area where the affected insurer has an office, any revocation or suspension of a licence of an insurer as soon as is practicable.

#### PART IV—CONDUCT AND OPERATION OF INSURANCE.

### **34. Credit on premiums.**

(1) An insurer shall not allow credit on the premium payable for more than thirty days except for business emanating from a broker licensed under this Act.

(2) Where the insured fails to pay the premium within the period provided under subsection (1), the policy shall be avoidable and the insurer shall be entitled to recover the expenses incurred.

**35. Approval of policy format forms, etc.**

(1) An insurer shall not issue any policy of insurance unless—

- (a) the text or format of the policy;
- (b) the proposal forms; or
- (c) the premium rates, rating scales and commission rates, have been approved by the commission as suitable for the purpose of the insurance business it is meant for.

(2) No alteration of any text or format of the policy, premium rates, rating scale, commission scale, proposal form or other document approved under subsection (1) shall be made without the prior approval of the commission.

**36. Alteration of approved premium rates without approval.**

(1) Where an insurer lowers the approved premium rates in respect of non-life insurance business without the authority of the commission, the commission may order the cancellation of the policy issued under the altered premium rates, and a pro-rata refund of the premium in respect of the unexpired period of the risk shall be paid to the insured.

(2) Where an insurer lowers the approved premium rates in respect of life insurance without the authority of the commission, the commission may order the insurer—

- (a) to refund any excess premium charged as a result of the alteration; or
- (b) to pay any amount undercharged as a result of the alteration.

**37. Commission payable to licensed intermediaries.**

No insurer shall pay any commission or remuneration to any intermediary who is not licensed under this Act.

### **38. Modification of memorandum and articles of association.**

(1) Any insurance, reinsurance, insurance broking or reinsurance broking company shall not make any modification in its memorandum or articles of association or other document under which the company was established without the approval of the commission.

(2) A company referred to under subsection (1) shall forward a notice of intention to make modifications at least twenty-one days before the date on which the modification is intended to be made, stating the nature of modification to be made; and if no response is made by the commission within the twenty-one days of the notice, the company may effect the modification.

### **39. Records to be kept in English.**

(1) An insurer shall keep records of its business transacted in and outside Uganda as may be prescribed by regulations.

(2) Books of account, registers, reports, premium rates, prospectuses, policies, proposal forms, claims, certificates and other forms and documents concerning insurance and reinsurance operations or of insurance and reinsurance broking shall be in English.

### **40. Prohibition of misleading advertisements.**

Any person who—

- (a) by advertisement, statement, promise or forecast which he or she knows to be misleading, false or deceptive;
- (b) by dishonest concealment of facts; or
- (c) by reckless making of an advertisement, statement, promise or forecast which is misleading, false or deceptive,

concludes or offers to enter into a contract, transaction or arrangement with an insurer or intermediary relating to insurance business commits an offence and is liable to a fine not exceeding one million shillings.

### **41. Institutions not to insist on a particular insurer.**

An institution falling under the Financial Institutions Act shall not oblige any person transacting business with it to deal with a particular intermediary for an insurance policy or to insure with a particular insurer in connection with

the business being transacted.

**42. Restriction on loans to officers and directors.**

(1) No insurer shall give a loan to an officer or director of the insurer except—

- (a) a loan on a life policy limited to the policy's surrender value; or
- (b) a loan forming part of the terms and conditions of service of that officer or director, repayable within three years.

(2) An insurer who grants or an officer or director who receives a loan contrary to subsection (1) commits an offence and is liable to a fine double the amount of the loan given.

**43. Prohibition of loans to associate companies.**

An insurer, a reinsurer, an insurance broker or a reinsurance broker shall not grant a loan, directly or indirectly, to a company in which the directors or officers and employees of that insurer, reinsurer, insurance broker or reinsurance broker hold more than one-third of the shares of that company.

**44. Margin of solvency.**

(1) The solvency margin of an insurer shall be—

- (a) in the case of an insurer carrying on life insurance, the liabilities of the insurer shall not exceed the amount of the life insurance fund of the insurer;
- (b) in the case of non-life insurance business or reinsurance, the admitted assets of the insurer shall exceed its admitted liabilities by a minimum of 15 percent of the premium income, net of reinsurance cessions.

(2) The commission may, by regulations, prescribe the method for calculating assets and liabilities of an insurer for purposes of this section.

**45. Statement by insurer.**

No insurer may publish a statement or issue a document on which is printed—

- (a) the authorised capital of the insurer unless the statement shows, in addition, the amount of the capital which has been subscribed

and the amount paid up; or (b) the subscribed capital of the insurer unless the statement shows, in addition, the amount of the capital paid up.

**46. Separation of insurance funds.**

(1) Where an insurer carries on life insurance business together with any other class of insurance business, the insurer shall keep a separate account of all receipts in respect of each insurance business; and each insurance business shall be carried out in separate insurance funds.

(2) Each insurance fund shall represent the liabilities in respect of all policies of that particular business.

(3) The investments of the life fund shall be kept separate from the investments of the non-life insurance fund of the insurer.

(4) The insurance fund of each particular business—

(a) shall be absolutely for the security of the policyholders of that insurance business and shall be held by the insurer as if that insurer is not carrying on any business other than that insurance business;

(b) shall not be applied for any liability arising out of any contract which is not applicable to that particular insurance business; and

(c) shall not be applied for any purpose other than the insurance business of the fund.

**47. Insurance reserves.**

(1) An insurer shall establish and maintain in respect of each class of insurance business the following reserves—

(a) reserves for unexpired risks;

(b) reserves for outstanding claims;

(c) contingency reserves to cover fluctuations in securities and variations in statistical estimates.

(2) An insurer shall maintain with respect to non-life insurance business, the following reserves—

(a) reserves for unexpired risks, amounting to not less than 40 percent of the total net premiums or such other amount as the commission may decide;

- (b) reserves for outstanding claims, a sum equal to the total estimated amount of all outstanding reported claims together with an additional amount of not less than 15 percent of the total amount of outstanding reported claims, in respect of claims incurred but not reported at the end of the last preceding year; and
  - (c) a contingency reserve, which shall not be less than 2 percent of the gross premium income or 15 percent of the net profits, whichever is the greater, or such other amount as the commission may decide; and that reserve shall accumulate until it reaches the minimum paid-up capital or 50 percent of the net premiums, whichever is the greater.
- (3) An insurer shall maintain with respect to life insurance business the following reserves—
- (a) a general reserve fund which shall be credited with an amount equal to the net liabilities on policies in force at the time of the actuarial valuation; and
  - (b) a contingency reserve which shall be credited annually with an amount equal to 1 percent of the premiums.
- (4) For purposes of this section, “net premiums” means gross premiums less reinsurance premiums.

#### **48. Investments.**

- (1) An insurer shall at all times in respect of insurance business transacted in Uganda invest and hold invested in Uganda assets equivalent to not less than the amount of funds in the insurance business as shown in the balance sheet.
- (2) Subject to any other provision of this Act, the investment of funds referred to under subsection (1) shall be made up as follows—
- (a) in respect of the life insurance fund—
    - (i) 30 percent in Government securities;
    - (ii) 70 percent in such other investments as shall be approved by the commission;
  - (b) in respect of the non-life fund—
    - (i) 20 percent in Government securities; and
    - (ii) 80 percent in such other investments as shall be approved by the commission.

(3) The commission may, in consultation with the central bank, vary the percentages of the insurance fund to be invested under this section.

**49. Accounts, etc. to be furnished to the commission.**

(1) An insurer shall within one hundred and twenty days after the end of each financial year prepare and furnish to the commission in the prescribed form—

- (a) a certificate as to the solvency of the insurer, signed in the case of a life insurer by an actuary or other person authorised by the commission;
- (b) a balance sheet and profit and loss account duly audited by an auditor approved by the commission, showing the financial position of the insurance business at the close of that year;
- (c) a statement of the life insurance business carried on by the insurer in Uganda in that year;
- (d) a certified copy of the revenue account in respect of any non-life insurance business carried on by the insurer in that year;
- (e) copies of the board and management reports on the affairs of the insurer for the financial year as submitted to the policyholders or shareholders of the insurer duly signed and certified;
- (f) an analysis of the investments, deposits and expenses of management separately for life and non-life business; and
- (g) such other documents and information relating to the relevant accounts and balance sheet as the commission may require.

(2) An insurer shall each year furnish the commission with all essential information regarding its capitalisation, its reserves, the classes of insurance business it carries on and such other information as the commission may require.

**50. Amendment of accounts.**

(1) Where in the opinion of the commission an account or balance sheet furnished by an insurer under section 49 does not show a true and fair view of its affairs or is not prepared as prescribed, the commission may, by notice in writing, call upon the insurer to amend the account or balance sheet or to furnish a correct account or balance sheet, as the case may be.

(2) Where an insurer fails to comply with a notice referred to under subsection (1) to the satisfaction of the commission, the commission may

either amend the account or balance sheet, giving the insurer particulars of the amendment, or it may reject the balance sheet.

(3) An account or balance sheet amended by an insurer or the commission shall be treated as if it had been originally submitted in its amended form.

(4) Where the commission amends an account or balance sheet under this section, the insurer may appeal to the Minister if dissatisfied with the amendment.

(5) An appeal under subsection (4) shall be lodged within thirty days after receipt by the insurer of the amended account or balance sheet.

(6) The Minister shall make his or her decision within thirty days from the date of the appeal.

#### **51. Auditing of accounts and auditors.**

(1) The accounts of every insurer shall be audited annually by an auditor approved by the commission.

(2) Where the Auditor General audits the accounts, the commission's approval shall not be required.

(3) The auditor shall not be an employee, manager, director or shareholder of the insurer.

(4) The auditor shall satisfy himself or herself that the accounts of the insurer have been properly prepared in accordance with the books and records of the insurer.

(5) The auditor shall certify whether—

- (a) he or she has obtained adequate information from the books and records of the insurer;
- (b) the accounts of the insurer are in accordance with the information given to him or her by the insurer for the purposes of the audit;
- (c) the accounts and balance sheet are in accordance with the provisions of this Act; and
- (d) the balance sheet and profit and loss account of the insurer give

a true and fair view of the insurer's financial position and profit or loss.

- (6) The financial year of every insurer shall be the calendar year.

**52. Information to be furnished by an insurer.**

(1) An insurer shall prepare and cause to be submitted to the commission an audited balance sheet within four months after the end of its financial year.

(2) An insurer shall exhibit throughout the year, in a conspicuous place in each of its offices and branches, a copy of its last audited balance sheet with the full and correct names of all persons who are directors of the insurance company; and a copy of the balance sheet shall be published in a local newspaper of general circulation.

**53. Statement and exhibit of life policies.**

Every insurer shall, at the expiration of each year of business, prepare in the prescribed form with reference to that year—

- (a) in respect of the life insurance business carried on by him or her in Uganda a statement and an exhibit of the policies; and
- (b) an exhibit of the life policies issued by him or her which refer to risks emanating from outside Uganda.

**54. Appointment of actuary by an insurer.**

(1) Every insurer shall, within one month or such other longer period, not exceeding six months, as the commission may determine, of beginning to carry on long-term business, appoint an actuary as actuary to the insurance business.

(2) Whenever an appointment under subsection (1) comes to an end, the insurer shall, within fourteen days, give a written notice to the commission stating the fact.

(3) The insurer shall, within three months after the appointment comes to an end, appoint another actuary and shall give a written notice to the commission stating the name, qualifications and experience of the new appointee.

## **55. Actuarial investigation and report.**

(1) Every insurer shall, in respect of the life insurance business carried on by him or her, cause an investigation referring to three years or such other shorter period of time as may be prescribed to be made by an actuary into the financial condition of the life insurance business carried on by him or her, including a valuation of his or her liabilities in respect to the life insurance business, and shall cause a report of that actuary to be made in the prescribed form.

(2) Whenever an insurer wishes to distribute profits, he or she shall cause an investigation to be made by an actuary into the financial condition of the life insurance business carried on by him or her, including a valuation of his or her liabilities, and shall act in accordance with the recommendations of the actuary.

(3) The insurer shall send a copy of the report submitted to him or her under subsection (1) to the commission.

## **56. Commission to inspect insurer.**

(1) The commission shall inspect the affairs of every insurer at least once in three years.

(2) The commission may, at any time before the expiry of three years, inspect the affairs of an insurer if it has reason to believe—

- (a) that the interests of the policyholders, shareholders or members of the public could be prejudiced;
- (b) that the insurer is unable to meet his or her obligations under the Act;
- (c) that the insurer has not complied with the provisions of this Act.

(3) The commission may appoint competent persons to carry out the inspection on its behalf.

(4) An inspector under this section may question any officer of the insurer under oath.

(5) The insurer shall cooperate with the inspector by providing him or her full access to books, records, files and other documents which are

relevant to the inspection, and any person who fails to cooperate with an inspector commits an offence.

(6) The commission shall inform the insurer of the conclusions reached following the inspection and may require the insurer to comply, within a period it may specify, with any directive it may issue to remedy defects disclosed by the inspection.

#### PART V—REINSURANCE BUSINESS.

##### **57. Reinsurance.**

(1) An insurer can reinsure part of the risks he or she has accepted either under a reinsurance contract or facultatively.

(2) Reinsurance contracts shall contain the minimum stipulations as determined by the commission.

(3) In the case of reinsurance arranged through a reinsurance intermediary, the contract shall not contain any stipulation which prohibits any direct relationship between the insurer and the reinsurer.

##### **58. Modification in insurer's net retention.**

(1) An insurer shall inform the commission within thirty days of any modification in the amount of its net retention in all classes of business which it undertakes.

(2) Where the commission considers the retention submitted under subsection (1) not to be in accordance with the financial standing of the insurer, it may request an explanation of the technical or other reasons for establishing these retentions; and on the basis of the explanation the commission may order the adjustment of the net retention.

##### **59. Annual reinsurance report.**

An insurer and a reinsurance company licensed under this Act shall within one hundred and twenty days submit to the commission in a prescribed form—

- (a) details of the reinsurance or retrocession contracts;
- (b) details of the reinsurers or retrocessionaires with whom they

maintain business relations in respect of risks falling within the scope of this Act.

**60. Prohibition of contracts with certain reinsurance companies.**

The commission may—

- (a) after receiving reliable information that a reinsurance company—
  - (i) cannot meet the reinsurance claims;
  - (ii) has doubtful integrity in its business dealings; or
- (b) for any other reasonable cause,

prohibit insurance companies and reinsurance companies under this Act from entering into insurance contracts with that company.

**61. Modifications where terms not favourable.**

The commission may after the scrutiny of a reinsurance document direct an insurer, in writing—

- (a) to make modifications in its terms and conditions of the contract as it may specify, at the time of the renewal of a reinsurance contract;
- (b) not to renew the contract,

if the terms and conditions of the contract are not favourable to the insurer or are not in the interest of the economy of Uganda or the insurance industry or are not in the public interest.

**62. Negotiations not to be in personal capacity.**

No insurance agent, director, administrator, employee or shareholder of an insurance broking company shall negotiate or intervene in the placement of reinsurance in his or her personal capacity.

**63. Foreign reinsurance representatives.**

(1) A foreign reinsurance company may, with the authority of the commission, appoint a reinsurance broker or reinsurance company licensed under this Act to be its representative in Uganda for purposes of accepting reinsurance business on its behalf.

(2) The commission may on granting authority under subsection (1) attach such conditions as it may deem necessary.

(3) Where authority of the commission is granted under this section, the foreign reinsurance company shall establish and maintain at the central bank a security deposit of ten million shillings.

**64. Mandatory offer to place reinsurance with international organisation.**

(1) An insurer or reinsurer licensed under this Act shall offer to place with—

- (a) the African Reinsurance Corporation (Africa-Re), a minimum of 5 percent of its reinsurance cessions, under article 27 of the Agreement that established Africa-Re; and
- (b) the Preferential Trade Area Reinsurance Company (ZEP-RE) a minimum of 10 percent of its reinsurance cessions, under articles 20 and 21 of the Agreement that established ZEP-RE.

(2) The provisions of subsection (1) shall not affect the right of Africa-Re or ZEP-RE to accept or decline all or any part of the minimum reinsurance cessions offered to be placed by any insurer or reinsurer.

(3) An insurer or reinsurer who fails to comply with subsection (1) commits an offence and is liable to a fine to be prescribed by the commission in consultation with the central bank.

(4) Subject to the relevant agreements respectively, the commission may vary the minimum reinsurance cessions under subsection (1).

PART VI—AMALGAMATIONS AND TRANSFERS.

**65. Amalgamation and transfer of insurance business.**

- (1) No insurer may—
  - (a) amalgamate non-life insurance with the business of another insurer; or
  - (b) transfer or accept any transfer of non-life insurance to or from another insurer,

unless the amalgamation or transfer is approved by the commission.

(2) No life insurance business may be amalgamated with or transferred to the life insurance business of another insurer except with the permission of the commission.

(3) Non-life insurance business may be amalgamated with non-life insurance business.

**66. Application for amalgamation or transfer.**

(1) Where two or more insurers one of which is licensed under this Act intend to amalgamate or transfer insurance business of any class from one to another—

(a) both insurers wishing to amalgamate, jointly; or  
(b) the insurer wishing to transfer business to another insurer, shall apply to the commission for approval of the amalgamation or transfer, as the case may be.

(2) An application under subsection (1) shall be accompanied by—  
(a) the document under which the proposed amalgamation or transfer is to take effect;  
(b) the audited accounts and balance sheets of each insurer intending to amalgamate or effect a transfer; and  
(c) any other report or document on which the proposed amalgamation or transfer is based.

(3) Where the amalgamation or transfer is in respect of life insurance business, in addition to the requirements under subsection (2), the application shall be accompanied by a report of the likely effect of the amalgamation or transfer to the policyholders, prepared by an actuary approved by the commission.

**67. Notice of amalgamation or transfer.**

(1) The parties intending to amalgamate or effect a transfer shall before the application under section 66—

(a) publish a notice of the proposed amalgamation or transfer in the Gazette and at least one English language newspaper published in Uganda;  
(b) send a notice of the application to all policyholders and claimants of the parties;  
(c) make available for inspection at the principal offices of the parties a statement detailing the particulars of the amalgamation or transfer, including, in the case of life insurance business, the actuarial report under section 66(3) for at least thirty days.

(2) The notice referred to under subsection (1) shall invite any person who has reasonable ground to believe that he or she would be adversely affected by the amalgamation or transfer to make written representation to the commission, stating reasons, within thirty days from the last day of publication.

**68. Conditions for approval of transfer.**

(1) The commission shall not approve an application for a transfer of life insurance business unless the transaction involves the transfer of assets relating to the life insurance business proposed to be transferred in accordance with this section.

(2) If the transfer covers all life insurance business of the transferor, all assets representing the statutory fund maintained by the transferor shall be transferred.

(3) If the transfer applies to a part of the life insurance business of the transferor, the approved proportion of the assets representing the statutory fund maintained by the transferor shall be transferred.

**69. Decision of the commission on amalgamation or transfer.**

(1) The commission may, after considering the documents required under section 66, approve or refuse the proposal for amalgamation or transfer subject to terms and conditions it may consider necessary.

(2) The commission shall make its decision under subsection (1) within six months from the date of publication; and if no communication is received by the parties within that period, the parties shall effect the amalgamation or transfer.

(3) After a decision is made under subsection (1), the commission shall—

- (a) publish its decision in the Gazette and in one English language newspaper published in Uganda; and
- (b) send a copy of its decision to the parties to the amalgamation or transfer and any person who made a representation under section 67.

(4) Where the commission refuses an amalgamation or transfer, it shall, in writing, give reasons for the refusal to the parties.

(5) A person aggrieved by a decision under this section may appeal to the Minister within thirty days from the date on which the notice of the decision is received by him or her, and the Minister shall make his or her decision within thirty days from the date of the appeal.

(6) For purposes of subsection (5), notice shall be deemed to have been received within seven days from—

- (a) the date of the notice to the aggrieved person; or
- (b) the date of the publication of the notice in the Gazette and the newspaper,

whichever is the later.

#### **70. Effect of approval of amalgamation or transfer.**

(1) Subject to subsection (2), an instrument giving effect to an amalgamation or transfer approved by the commission shall be effective in law—

- (a) to transfer to the amalgamated insurer or transferee all the transferor's rights and obligations under the policies included in the instruments; or
- (b) if the instrument so provides, to secure the continuation by or against the amalgamated insurer or the transferee of any legal proceedings by or against either party to the amalgamation or against the transferor which relate to those rights or obligations,

notwithstanding the absence of any agreement or consent which would otherwise be necessary for it to be effective in law for those purposes.

(2) Except where the commission directs otherwise, a policyholder whose policy is part of the approved amalgamation or transfer shall not be bound by the instrument approving the amalgamation or transfer unless he or she has been given written notice of its execution by either of the insurers involved.

(3) Where an amalgamation or transfer has been approved, the amalgamated insurer or the transferee insurer shall, within ten days from the date of completion of the amalgamation or transfer, deposit with the commission certified copies of—

- (a) statements of the respective assets and liabilities; and

- (b) the documents under which the amalgamation or transfer was effected.

PART VII—INSOLVENCY AND WINDING UP.

**71. Winding up.**

(1) Notwithstanding anything contained in the Companies Act to the contrary, an insurer carrying on life insurance business shall not be wound up voluntarily except for the purposes of effecting an amalgamation or transfer.

(2) The commission may petition the court for winding up of the business of an insurer where—

- (a) the insurer is carrying on insurance business without being licensed under this Act;
- (b) the insurer has not complied with the prescribed paid-up capital and security deposit requirements under Part I of this Act, or where the margin of solvency of the insurer is less than that specified under Part IV of this Act; or
- (c) in the absence of an appeal or dismissal of an appeal under section 33(5), revocation of a licence takes place.

(3) The court may, after considering the petition referred to under subsection (2), order the winding up of the insurer if it is of the opinion that there are sufficient grounds for so doing.

(4) Except where it is otherwise provided under this Act, the winding up procedure provided under the Companies Act shall apply.

PART VIII—INTERMEDIARIES, RISK MANAGERS, LOSS ASSESSORS, LOSS ADJUSTERS, INSURANCE SURVEYORS AND CLAIMS SETTLING AGENTS.

**72. Brokers, agents, etc. to be licensed.**

(1) No person shall carry on the business of an insurance or reinsurance broker, an insurance agent, a risk manager, a loss assessor, a loss adjuster, an insurance surveyor or a claims settling agent unless he or she is licensed for that business by the commission.

(2) An administrator, manager, auditor or employee of an insurance

company shall not act as the broker, agent, risk manager, loss assessor or adjuster, surveyor or claims settling agent of that company.

(3) No person shall use the name of insurance broker or agent, risk manager, loss assessor or adjuster, insurance surveyor or claims settling agent unless he or she is licensed to carry on that business under subsection (1).

**73. Brokers to be bodies corporate.**

No person other than a company incorporated under the Companies Act shall carry on business as an insurance broker.

**74. Application and qualifications for a licence.**

(1) An application for a licence under section 72 or renewal of a licence shall be in a form prescribed by the commission.

(2) The qualifications for obtaining a licence under section 72 shall be prescribed by the commission.

**75. Disqualifications.**

The commission shall not grant a licence or renew a licence for a broker, agent, risk manager, loss assessor, loss adjuster, insurance surveyor or claims settling agent if the applicant—

- (a) has been found to be of unsound mind by a court of competent jurisdiction;
- (b) has ever been convicted of an offence relating to fraud or dishonesty;
- (c) has at any time within the five years preceding the date of his or her application become bankrupt, applied to take the benefit of the law for the relief of bankrupt or insolvent debtors, compounded with his or her creditors or made an assignment of his or her remuneration for their benefit;
- (d) being a broker is a director of an insurer.

**76. Licence and renewal of a licence.**

- (1) Where the commission is satisfied that—
  - (a) the financial standing of the applicant is sound;

- (b) the knowledge, skill and experience of the principal officer are adequate;
- (c) in the case of a broker, the professional indemnity policy of insurance is satisfactory;
- (d) the applicant is not disqualified under this Act;
- (e) the applicant is and is likely to continue to be able to comply with the provisions of this Act and the regulations and directions made or issued under this Act as are applicable to the applicant;
- (f) the prescribed fee has been paid,

the commission may, subject to terms and conditions that it considers necessary, issue a licence to or renew a licence of an applicant under this Part of the Act.

(2) A licence shall be issued for a calendar year and may be renewed for one calendar year on each renewal.

#### **77. Processing and granting of a licence.**

Sections 31 and 32 shall apply to an insurance or reinsurance broker, agent, risk manager, loss assessor, loss adjuster, insurance surveyor or claims settling agent.

#### **78. Revocation or suspension of an intermediary's licence, etc.**

- (1) The commission—
  - (a) may revoke or suspend a licence of any insurance or reinsurance broker, risk manager, loss assessor, loss adjuster, insurance surveyor or claims settling agent on any ground on which it could have refused to grant the licence;
  - (b) shall cancel the licence of any broking company or adjuster who fails to satisfy the paid-up capital and security deposit requirements under section 79.
- (2) The commission may impose fines, suspend a licence or revoke a licence of any intermediary, depending on the gravity of the offence where—
  - (a) there is breach of professional etiquette;
  - (b) discounts are given which are not provided for under the authorised premium rates;
  - (c) the whole or part of the intermediary's commission is offered to an insured;

- (d) terms and conditions are offered which are not included in the policies and endorsements;
- (e) quotations are given in the intermediary's own name without the authority of the insurers;
- (f) monies received in payment of a premium are used for an intermediary's own benefit or the benefit of third parties, or have not been paid to the insurer in accordance with this Act;
- (g) the intermediary ceases to carry on business;
- (h) the prescribed fees payable to the commission remain unpaid;
- (i) the intermediary is adjudged to be bankrupt by a court.

(3) Before revoking or suspending any licence, the commission shall give notice in writing to the person concerned stating the reasons for the proposed revocation or suspension and shall afford the person an opportunity to be heard.

(4) Before invoking the provisions of subsection (2), the commission shall have given written warning for a period to be specified by regulations made under this Act.

(5) A person aggrieved by suspension of a licence under this section may appeal to the Minister within thirty days from the time he or she gets information of revocation, and the Minister shall make his or her decision within thirty days from the date of the appeal.

(6) Where in the interest of the policyholders circumstances warrant immediate action, the commission may revoke or suspend a licence without giving any notice to the person concerned.

(7) Notice of the revocation of the licence shall be advertised by the commission in the Gazette and an English language daily newspaper widely read by people where the affected intermediary has an office.

#### **79. Insurance broker's and loss adjuster's paid-up capital.**

(1) No insurance broking company shall carry on the business of insurance broking unless it maintains at all times while carrying on that business a prescribed paid-up capital of not less than ten million shillings of which two million five hundred thousand shillings shall be deposited with the central bank as a security deposit.

(2) No loss adjuster shall carry on the business of loss adjuster unless the adjuster maintains at all times while carrying on that business a professional indemnity policy of not less than five million shillings.

(3) The Minister may on the advice of the commission by statutory instrument amend the prescribed paid-up capital, the security deposit or the professional indemnity policy provided under this section.

**80. Persons not to act as agents.**

No person shall act as an insurance agent who—

- (a) is a civil servant or municipal employee;
- (b) is an administrator, manager, director, auditor or employee of any—
  - (i) insurance or reinsurance company; (ii) reinsurance broking company; or (iii) any institution regulated by the Financial Institutions Act;
- (c) is a risk inspector, insurance loss adjuster or insurance valuer;
- (d) in the opinion of the commission, lacks the minimum knowledge, skill or experience in the insurance business or whose financial stand does not measure to the requirements.

**81. Agents and brokers not to engage in loss adjusting, etc.**

(1) An insurance agent shall not engage in the business of reinsurance, insurance broking, risk inspection, loss adjusting or be a director in any company engaged in the above businesses.

(2) An insurance broker shall not engage in the business of risk inspection or loss adjusting or be a director in any company engaged in any of the above business.

**82. Intermediaries to deal with licensed companies.**

No insurance intermediary shall place insurance business with an insurance company which is not licensed under this Act.

**83. Annual reports and financial statements.**

(1) Each insurance broking company shall prepare and submit to the commission, within three months from the end of each financial year in a

prescribed form, annual reports containing—

- (a) prescribed particulars relating to all financial transactions undertaken by it during that year;
- (b) a certified true copy of its financial statements, an auditor's certificate and any reports presented to shareholders;
- (c) details of commission scales and incentive plans, bonuses or other incentives; and
- (d) a statement detailing premiums which remain unpaid by the insured for more than sixty days from the date of inception of cover.

(2) Each insurance adjusting company shall prepare and submit to the commission, within three months from the end of each financial year, in a prescribed form, annual reports containing—

- (a) prescribed particulars relating to all financial transactions undertaken by it during that year;
- (b) a certified true copy of its financial statements, an auditor's certificate and any reports presented to shareholders; and
- (c) any other information that the commission may require.

#### **84. Submission of statements to insurers.**

Where the commission raises no objection to the financial statement, individual agents and insurance broking companies shall send copies of the statements to all licensed insurers with whom they have business relationships within ninety days of their presentation.

#### **85. Records to be kept.**

(1) Every insurance agent, insurance or reinsurance broker, risk manager, loss assessor, loss adjuster, insurance surveyor or claims settling agent shall keep records of all insurance transactions undertaken.

(2) Records kept under subsection (1) shall contain particulars of the names and addresses of the insured persons and the insurer, the nature of coverages, premiums collected and any other particulars that may be prescribed by the commission.

#### **86. Advertisement.**

Section 40 shall apply to a company under this Part of the Act in relation to

advertisements.

**87. Payment of premium.**

(1) An insurance broker shall pay to insurers all premiums collected on their behalf within thirty days from receipt of the premiums.

(2) Where a premium is received in full, a broker shall not make partial payment unless the insurance contract specifically provides.

**88. Insurance agent's commission.**

(1) Insurance intermediaries shall be remunerated by insurers solely by way of commission and other approved incentive or bonus schemes paid in accordance with the commission scales and plans approved by the commission.

(2) Any form of incentive or bonus schemes offered by insurers to insurance agents must have the prior approval of the commission.

**89. Loans to agents.**

No insurance intermediary shall at any time have loans outstanding to insurance companies in excess of an aggregate of five hundred thousand shillings without the prior approval of the commission.

**90. Portfolio transfer.**

(1) An insurance intermediary may transfer his or her portfolio to another intermediary, provided that prior approval is obtained from the commission.

(2) The commission shall not approve a transfer unless it is satisfied that the transferor has settled all financial obligations with all insurance companies with which there are dealings, prior to the transfer.

(3) A portfolio shall be transferred in its entirety unless the commission directs otherwise.

(4) Where a transfer is approved, the parties to the transfer shall inform all the policyholders and the insurers with which they place business

of the transaction.

(5) Where a transfer or sale is effected without the approval of the commission, the commission shall revoke the licence of a transferee or seller of a portfolio, and that person shall be prohibited from obtaining another licence for five years from the date of sale or transfer.

**91. Death of an agent.**

(1) On the death of an insurance agent, the licence automatically lapses.

(2) Where at the death of the agent, the contract entered into by the agent is a long-term contract, the estate of a deceased agent shall continue to receive commission.

**92. Direct relationship with an insurer.**

The appointment of an insurance agent by a person does not preclude that person from having direct communication with the insurance company or vice versa.

PART IX—MISCELLANEOUS.

**93. Adjustment of losses occurring in contravention of the Act.**

No person shall carry on adjustments of losses occurring under insurance contracts issued in contravention of this Act.

**94. Insurers and brokers to join associations.**

(1) Every licensed insurer shall be a member of the professional association and shall subscribe to and conform with the association's code of conduct.

(2) Every licensed broker shall be a member of the professional association and shall subscribe to and conform with the association's code of conduct.

(3) An insurer or broker who refuses, neglects or fails to join the association or defaults in his or her obligation may be suspended by the

commission from transacting insurance business for a period of not less than one year; and if the refusal, neglect, failure or default continues after the suspension, it shall constitute a ground for revocation of a licence.

**95. Display of a licence.**

(1) A person licensed under this Act shall display his or her licence prominently at the principal place of business in a part to which the public can have access and shall display a copy of the licence in each branch of the business in Uganda.

(2) A person who contravenes this section commits an offence and is liable on conviction to a fine of fifty thousand shillings.

**96. Insurable interest policies.**

(1) No policy of insurance shall be issued to any person on the life of any person where that person has no insurable interest in the life or event.

(2) For purposes of subsection (1), an insurable interest shall be deemed to be had by—

- (a) a parent of a minor or the guardian of a minor on the life of a minor;
- (b) a husband, on the life of his wife;
- (c) a wife, on the life of her husband;
- (d) any person on the life of another upon whom he or she is wholly or in part dependent for support or education;
- (e) a company or other person, on the life of an officer or employee of the company or that other person;
- (f) a person who has a pecuniary interest in the duration of the life of another person, in the life of that person to the extent only of that pecuniary interest at the outset.

**97. Offences and penalties.**

(1) A person who carries on or is privy to the carrying on of any business under this Act under a company established contrary to this Act commits an offence and is liable on conviction to a fine of not less than two million shillings and not more than ten million shillings or to imprisonment for a term of not less than three months and not more than six months or to both the fine and imprisonment.

(2) In addition to the punishment provided under subsection (1), a licence of a person convicted under that subsection shall be cancelled, and that person shall be disqualified from acquiring a licence for two years and thereafter shall not be issued a licence without the approval of the Minister.

(3) A person who, being a manager or officer of a company licensed under this Act—

- (a) fails to take any reasonable steps to secure compliance with the requirements of this Act;
- (b) makes any statement or gives any information which is false, in answer for information required under any provisions of this Act;
- (c) is privy to the furnishing of any false information under this Act, commits an offence and is liable on conviction to a fine of not less than two hundred and fifty thousand shillings and not more than three million shillings or to a term of imprisonment not exceeding two months or to both the fine and the imprisonment.

(4) An insurance or reinsurance company which fails to comply with an order issued by the Minister or the commission under this Act or contravenes any provision of this Act commits an offence and is liable to—

- (a) a public or private admonition;
- (b) a fine of not more than two million shillings;
- (c) suspension or revocation of the licence.

(5) An insurance intermediary which fails to comply with an order issued by the Minister or the commission under this Act or contravenes any provision of this Act commits an offence and is liable to—

- (a) a private or public admonition;
- (b) a fine of not more than one hundred thousand shillings;
- (c) suspension or revocation of the licence.

(6) Where an officer of a company under this Act authorises the contravention of or contravenes any provision of this Act, he or she shall be personally liable to the penalty specified in relation to the contravention.

## **98. Power to make regulations.**

The commission may in consultation with the Minister make regulations—

- (a) providing for the procedure and formalities for the grant, suspension and revocation of licences granted under this Act;

- (b) relating to capital for companies licensed under this Act;
- (c) relating to reserve funds, security deposits and investments;
- (d) providing for the qualifications of directors, management and key staff of a company licensed under this Act;
- (e) providing for the form and content of financial and other reporting requirements for companies licensed under this Act;
- (f) prescribing the method of calculation of assets and liabilities of an insurer;
- (g) providing for the handling of appeals allowed under this Act;
- (h) generally for giving effect to the provisions of this Act.

*Schedule.*

s. 14, 19.

**Meetings and seal of the commission.**

1. The commission shall meet for the discharge of its functions as often as business requires, and in any case the commission shall meet at least once in each month; and the chairperson shall convene a meeting whenever at least three members of the commission request in writing for a meeting.
2. The chairperson or deputy chairperson shall preside at all meetings of the commission; in the absence of both, the members shall elect one of the members to preside.
3. A quorum at any meeting of the commission shall be four.
4. A decision on a question proposed at any meeting of the commission shall be determined by a simple majority of the members present and voting; and in the case of equality of votes, the person presiding shall have a casting vote.
5. The commission shall cause to be kept minutes of all the proceedings of its meetings.
6. The commission may invite any number of persons to act as a consultant or adviser at any of its meetings.
7. A member of the commission who has any personal interest in any

transaction or matter before the commission shall disclose the nature of his or her interest to the commission and shall be disqualified from taking part in the deliberations of the commission with respect to that transaction or matter if it is a contract and in any other case, if the commission decides that the nature of the interest might prejudice the consideration of the matter.

8. Subject to this Act and regulations made under it, the commission may regulate its own procedure.
9. The common seal of the commission shall be in a form determined by the commission.
10. The application of the seal on any document shall be authenticated by the signature of the commissioner for insurance and the secretary to the commission; and in the absence of the commissioner, the deputy commissioner for insurance shall sign in his or her place, and the person performing the function of the secretary shall sign in the absence of the secretary.
11. The signature of the commissioner for insurance and the secretary shall be independent of the signing by any other person who may sign the document as a witness.
12. A document purporting to be an instrument issued by the commission and sealed by the common seal of the commission, authenticated in the manner provided in this Schedule, shall be received in evidence and deemed to be such an instrument without further proof unless the contrary is shown.

**History:** Statute 7/1996.

#### **Cross References**

Bank of Uganda Act, Cap. 51.  
Companies Act, Cap. 110. Cooperative  
Societies Act, Cap. 112. Financial  
Institutions Act, Cap. 54.