

CHAPTER 191

THE INSURANCE

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CHAPTER 191

THE INSURANCE ACT

Commencement: 30 March, 2018

An Act to provide for the regulation of insurance business; to provide for the Insurance Regulatory Authority of Uganda as the body responsible for the regulation of insurance business and for related matters.

PART I—PRELIMINARY

1. Interpretation

In this Act, unless the context otherwise requires—

“actuary” means a person who is a member or a fellow of a professional institute, faculty, society or association of actuaries, and recognised by the Authority;

“Africa-Re” means the African Re-insurance Corporation established under the Agreement Establishing the African Re-insurance Corporation;

“Authority” means the Insurance Regulatory Authority of Uganda provided for in this Act;

“bancassurance authorisation” means an authorisation to undertake bancassurance;

“Board” means the Board of the Authority referred to in section 13;

“Chief Executive Officer” means the Chief Executive Officer of the Authority referred to in section 20;

“commercial bank” has the meaning assigned to it in the Financial Institutions Act;

“control”, in relation to a licensee, has the meaning specified in the Regulations made under this Act;

“constituting documents” means—

- (a) in the case of a company, its memorandum and articles of association; and
- (b) in the case of any other entity, such document or documents that constitute and govern the entity;

“control function” means—

- (a) in relation to an insurer, a function specified in section 60(1);
- (b) in relation to a health membership organisation, a function specified in section 60(2);
- (c) in relation to an insurance intermediary, a function specified in section 84(6);

“currency point” has the value assigned to it in Schedule 1 to this

Act; “customer” means—

- (a) in the case of an insurer, a policy holder of the insurer or a beneficiary under an insurance contract entered into by the insurer, as insurer;
- (b) in the case of a health membership organisation, a member of the health membership organisation;
- (c) in the case of a financial institution undertaking bancassurance, a person to whom the financial institution provides, agrees to provide or has provided a service for which bancassurance authorisation is required;
- (d) in the case of an insurance intermediary, a person to whom the insurance intermediary provides, agrees to provide or has provided a service for which an insurance intermediary licence is required;

“direct insurance business” means the business of undertaking liability as insurer under direct insurance contracts;

“direct insurance contract” means an insurance contract that is not a re-insurance contract;

“director” means a member of the governing body of a body corporate;

“distribution” has the meaning specified in section 56;

“Domestic Supervisory Authority” means an Authority in Uganda which performs functions corresponding or similar to those performed by the Authority or regulates or supervises any type of financial service;

“financial institution” has the meaning assigned to it in the Financial Institutions Act;

“financial statement”, in relation to a licensee that is a body corporate, means—

- (a) a statement of the financial position of the licensee as at the last date of the financial year;
- (b) a statement of the financial performance of the licensee in relation to the financial year;

- (c) a statement of cash flows for the licensee in relation to the financial year;
- (d) any statement relating to the prospects for the business of the licensee;

“fit and proper person” means a fit and proper person determined in accordance with the criteria specified in Schedule 2 to this Act;

“foreign insurer” means a foreign re-insurer that is incorporated and licensed as a re-insurer under the laws of a country other than Uganda except Africa Re and PTA-Re;

“foreign re-insurer” means a foreign insurer whose primary business is the business of entering into re-insurance contracts, as re-insurer;

“foreign supervisory authority” means an authority in a jurisdiction outside Uganda which performs functions corresponding or similar to those performed by the Authority or regulates or supervises any type of financial service;

“former licensee” means a person who has at any time been a licensee but has ceased to be so;

“group in relation to a group of which a licensed insurer is a member”

means a number of companies that do business in different markets under common administrative or financial control, whose members are linked by relations of interpersonal trust on the basis of similar personal ethnic or commercial background;

“health benefit plan” means a contract satisfying the criteria prescribed by the Minister by regulations;

“Health Membership Organisation” or “HMO” means an organisation engaged in the business of undertaking liability in respect of funding health care, by way of membership;

“insurance agent” means a person appointed and authorised by an insurer

to solicit for applications for insurance or negotiate insurance coverage on behalf of the insurer or to perform other functions of an insurance nature that may be assigned to him or her by the insurer, and who in consideration for his or her services receives commission or other remuneration from the insurer;

“insurance broker” means a person, not being an insurance agent, who acting as an independent contractor for a commission or remuneration

- (a) negotiates or arranges insurance contracts on behalf of an insurer or prospective insured, other than himself or herself; or

- (b) advises an insured or prospective insured on his or her insurance needs and requirements;
- “insurance business” means the business of undertaking liability as an insurer or a re-insurer under an insurance contract;
- “insurance contract” means a contract under which one party, known as the insurer, in exchange for a premium, agrees with another party, known as the policy holder, to make a payment, or provide a benefit to the policy holder or another person on the occurrence of a specified uncertain event which, if it occurs, will be adverse to the interests of the policy holder or to the interests of the person who will receive the payment or benefit;
- “insurance intermediary” means an insurance agent, an insurance broker, a risk adviser, a loss assessor, a third party administrator, or a re-insurance broker;
- “insurance training levy” means the levy specified in section 140;
- “international financial reporting standards” means the standards issued by the International Accounting Standards Board;
- “key person in a control function” means an individual appointed to undertake, or have responsibility for, and oversight of, a control function;
- “licence” means a licence under this Act and includes a bancassurance authorisation;
- “licensed insurer” means a person who holds an insurer’s licence issued under section 34(1)(a);
- “licensee” means a person who holds any licence issued under this Act;
- “life insurance business” means insurance business of a class specified as life insurance business under this Act;
- “life insurer” means an insurer whose licence authorises the insurer to carry on life insurance business;
- “loss assessor” means a person licensed under this Act to undertake the business of assessing and investigating losses on behalf of an insurer or insured;
- “micro insurance” means insurance for the protection of low-income people against specific perils in exchange for regular premium payments proportionate to the likelihood and cost of risk involved;
- “micro insurance agent” means a person holding a micro insurance agent licence;
- “micro insurance organisation” means a person holding a micro insurance organisation licence;
- “Minister” means the Minister responsible for finance;

- “mutual insurer” means a company which by its constitution only policy holders are members of the company and which has no share capital;
- “national re-insurance company” means the company approved by the Authority as a national re-insurance company of which more than fifty-one percent of the shares of the company are owned by licensees incorporated in Uganda or the decisions of the company are arrived at by the majority who are licensees incorporated in Uganda;
- “non-life insurance business” means insurance business of a class prescribed as non-life insurance business;
- “non-life insurer” means an insurer whose licence authorises the insurer to carry on non-life insurance business;
- “policy holder” in relation to an insurance contract or a health benefit plan, means the person who entered into the insurance contract or health benefit plan with the insurer or HMO, if the rights of that person under the contract have been assigned or transferred, the person who has those rights;
- “premium” means the consideration for entering into an insurance contract;
- “Re-insurance broker” is a specialist intermediary involved in the placing of re-insurance;
- “re-insurance business” means the business of undertaking liability as a re-insurer under re-insurance contracts;
- “re-insurance contract” means an insurance contract under which one insurer, called the re-insurer, indemnifies, or otherwise compensates, another insurer, called the cedant, against losses on one or more contracts of insurance entered into by the cedant;
- “re-insurer” means a person holding a re-insurers licence;
- “risk adviser” means a person who, by way of business, assesses and advises on insurable risks;
- “Secretary” means the Secretary to the Authority appointed under this Act;
- “segregated life fund” means a fund established under section 52;
- “Senior Manager”, in relation to a licensee, means an individual appointed by the licensee who—
- (a) acts as the Chief Executive Officer of the licensee or occupies an equivalent position under a different name;
 - (b) holds a position that requires the individual to be answerable to the directors of the licensee;

- (c) has responsibilities that include direct involvement in the licensee's management or decision making process at a senior level; or
 - (d) holds such other position or undertakes such other function and duties as may be prescribed by the Authority;
- “significant owner” means a person who exercises control over a body corporate within the meaning of regulations made under this Act;
- “statutory manager” means a person appointed under section 124(1) by the Authority as management take over to look after the interests of the policy holder by managing the business assets and affairs of the insurer, taking into custody any of its assets and any of its subsidiary's assets;
- “takaful insurance” means insurance conducted in accordance with *Sharia'h* principles;
- “third party administrator” means a person who provides services to HMO or a licensed insurer in relation to the administration of health benefit plans or health insurance policies;
- “Tribunal” means the Insurance Appeals Tribunal provided for under this Act;
- “valid licence” means a licence that authorises the type of activity or business being carried on by the holder of the licence for the particular time period;
- “ZEP-RE” means ZEP-RE (PTA Re-insurance Company) established under an Agreement of the Heads of State and Governments of the COMESA Region on 21st November, 1990.

2. Meaning of “bancassurance”

(1) Subject to subsection (3), bancassurance is an arrangement between a financial institution and an insurer or HMO under which the financial institution distributes to its customers, through its distribution channels, an insurance product of the insurer or HMO.

(2) Without limiting the general effect of subsection (1), bancassurance includes an arrangement under which—

- (a) a financial institution acts as an agent for the insurer or HMO; or
- (b) a financial institution enters into a group or master insurance contract, as policy holder, with the intention that the customers of the financial institution, or a class of them, obtain insurance cover under the contract.

(3) An insurance contract entered into by a financial institution as a policy holder where the sole purpose of the policy is to provide benefits to employees of the financial institution, whether or not the employees are required to contribute towards the cost of the contract shall not be taken as bancassurance.

(4) For the purposes of bancassurance, “financial institution” means a company classified as a bank under Schedule 2 to the Financial Institutions Act and licensed as a bank by the Bank of Uganda and includes a commercial bank, merchant bank, mortgage bank and post office savings bank; or a company licensed by the Bank of Uganda as a microfinance deposit-taking institution under the Microfinance Deposit-Taking Institutions Act.

3. Meaning of “unauthorised business”

Subject to any exemption granted in accordance with this Act, a person carries on unauthorised business where the person carries on any business or activity for which a licence is required without a valid licence issued by the Authority.

4. Meaning of “insolvent”

(1) An insurer or HMO is insolvent where the insurer or HMO does not meet the minimum solvency capital requirements prescribed by regulations.

(2) An insurance intermediary is insolvent if the value of its liabilities exceeds the value of its assets or is unable to pay its debts as they fall due for payment.

5. Classification of insurance business

For the purposes of this Act, insurance business comprises life insurance business and non-life insurance business.

6. Insurers to be bodies corporate

(1) A person shall not carry on insurance business in Uganda except a company incorporated under the Companies Act, an insurance corporation

established by law, a cooperative insurance society registered under the Cooperative Societies Act or a mutual insurer.

- (2) Subsection (1) does not apply to a—
 - (a) foreign re-insurer that enters into a re-insurance contract with a licensed insurer or a retrocession agreement with a licensed re-insurer; or
 - (b) foreign insurer that carries on insurance business in accordance with an exemption granted by the Authority under section 33(4).

7. Formation of mutual insurers

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

- (2) The memorandum of association of a mutual insurer 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 insurer, 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 insurer under this Act shall be made within a period prescribed by the Authority.

8. Use of word “insurance” and persons to carry on insurance business

(1) Subject to subsection (2) and to any exemptions specified in the Regulations, a person shall not, except with the prior written approval of the Authority, use the words “insurance”, “assurance” or “re-insurance” or any derivations in English or any other language as part of his or her business name other than a licensee, provided that the name does not suggest that the licensee carries on any licensable business other than the business that it is authorised by its licence to carry on.

(2) A person shall not issue any insurance policy, other than a person licensed under this Act, on—

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

(3) All local risks and persons, including imports, shall be insured by insurance companies licensed to carry out business in Uganda.

(4) Regulations made by the Minister may prescribe other words or phrases to which subsection (1) applies.

(5) A person who contravenes this section is liable to a fine not exceeding one thousand currency points.

PART II—INSURANCE REGULATORY AUTHORITY OF UGANDA*Insurance Regulatory Authority of Uganda***9. Insurance Regulatory Authority of Uganda**

(1) The Insurance Regulatory Authority of Uganda in existence at the commencement of this Act is continued in existence in accordance with this Act.

(2) The Authority is a body corporate with perpetual succession and a common seal and may for the purposes of discharging its functions under this Act—

- (a) acquire, hold or dispose of movable and immovable
- (b) property; sue and be sued in its corporate name;
- (c) do all acts and things that a body corporate may lawfully do.

(3) The common seal of the Authority shall be in a form determined by the Board.

(4) The common seal of the Authority shall be applied in accordance with Schedule 3 to this Act.

10. Objective of Authority

(1) The objective of the Authority is—

- (a) to promote and facilitate the maintenance of a sound, efficient, fair, transparent and stable insurance sector;
- (b) to promote and uphold public confidence in the insurance sector;
- (c) to protect the interests of persons who are, or who may become, policy holders of insurers or customers of other licensees;
- (d) to regulate and supervise licensees on a risk-sensitive basis; and
- (e) to promote effective competition in the insurance sector in the interests of consumers, the growth and development of the insurance sector and the development of an inclusive insurance sector.

(2) In considering the measures to be taken to protect persons who are, or who may become, policy holders of insurers or customers of other licensees, the Authority shall have regard to—

- (a) the differing degrees of experience and expertise that different policy holders and customers may have in relation to insurance products and the insurance sector;
- (b) the need that policy holders and customers may have for advice and accurate information; and
- (c) the general principle that policy holders and customers should take responsibility for their informed decisions.

(3) In seeking to promote the development of an inclusive insurance sector in Uganda, the Authority shall have regard to the need to ensure that

the regulation and supervision of relevant providers, products and services is proportionate.

11. Functions of Authority

- (1) For the attainment of its objectives, the functions of the Authority are—
- (a) to regulate, supervise, monitor and control the insurance sector;
 - (b) to establish standards for the conduct of business in the insurance sector and to issue such guidance as it considers appropriate;
 - (c) to control entry to and exit from the insurance sector through the issuance, variation or revocation of licences in accordance with this Act;
 - (d) to take appropriate action against persons carrying on unauthorised business;
 - (e) to supervise licensees on an individual basis and, where appropriate, on a group wide and cross border basis;
 - (f) to monitor compliance with, or investigate conduct that constitutes or may constitute a contravention of this Act;
 - (g) to take action in relation to licensees that are insolvent or likely to become insolvent;
 - (h) to monitor the operation of the insurance sector and to conduct inquiries and investigations into any matter relating to the insurance sector or participants in the insurance sector;
 - (i) to keep under review the effectiveness of this Act and regulations and, where appropriate, initiate and make proposals to the Minister concerning this Act and other legislation relevant to the insurance sector;
 - (j) to receive and resolve insurance related complaints;
 - (k) to receive complaints from members of the public on the conduct of a person licensed under this Act and arbitrate and grant restitution to the complainant, as may be possible;
 - (l) to cooperate with, and provide assistance, in accordance with the law, to local and foreign supervisory authorities and law enforcement authorities;
 - (m) to perform such other duties, which in the opinion of the Authority, are necessary or expedient for the discharge of its functions under this Act;
 - (n) to advise the Government on adequate insurance protection and security for national assets and national properties; and

- (o) to promote awareness of, and undertake public education concerning, the insurance sector.
- (2) In undertaking its functions, the Authority shall have regard to—
 - (a) the need to implement international standards and best practice in relation to the regulation and supervision of the insurance sector; and
 - (b) effective risk management by insurers and other licensees.
- (3) Subject to this Act, the Authority shall be independent and shall not, in the performance of its duties, be subject to the direction or control of any person or authority.

12. Power to cooperate with other authorities

- (1) The Authority may, on the written request of any domestic or foreign supervisory authority, or domestic law enforcement authority—
 - (a) undertake on-site inspections or obtain information or documents; or
 - (b) appoint one or more competent persons to investigate any matter that requires investigation.
- (2) The Authority may, in deciding whether to exercise the power conferred on it by this section, take into account—
 - (a) a domestic and in the case of a foreign supervisory authority, whether reciprocal assistance would be given to the Authority in the country or territory of the foreign supervisory authority;
 - (b) the nature and seriousness of the matter to which the request for assistance relates and whether the assistance can be obtained by other means;
 - (c) the relevance of the information or documentation to the inquiry to which the request relates;
 - (d) whether it is otherwise appropriate, in the interests of customers or prospective customers of a licensee and the public interest, to provide the assistance sought; and
 - (e) such other matters as the Authority considers relevant.
- (3) For the purposes of subsection (2)(a), the Authority may require the domestic or foreign supervisory authority making the request to give a

written undertaking, in such form as the Authority may require, to provide reciprocal assistance to the Authority.

(4) A decision by the Authority shall be made only where the Authority—

- (a) has received satisfactory assurances from the domestic or foreign supervisory authority that any information and documentation provided to it will not be used in any criminal proceedings against the person providing it, other than proceedings for an offence of perjury or any equivalent offence;
- (b) the domestic or foreign supervisory authority undertakes to make such contribution towards the cost of exercising its powers as the Authority considers appropriate; and
- (c) is satisfied that the domestic or foreign supervisory authority is subject to adequate legal restrictions on further disclosure of the information and documents and that it will not, without the written permission of the Authority—
 - (i) disclose information or documents provided to it to any person other than an officer or employee of the Authority engaged in the exercise of any of its supervisory functions; or
 - (ii) take any action on information or documents provided to it.

(d) The Authority reserves the right not to provide the information requested.

(6) The Authority may share information with other supervisors and also inform them before taking any action that might reasonably be considered to affect group entities under their supervision and where prior notification is not possible, the Authority shall inform the relevant supervisors as soon as possible after taking action.

Board of Authority

13. Board of Authority

(1) The Authority shall have a Board, which shall be the governing body of the Authority.

(2) The Board shall comprise of—

- (a) a Chairperson;
- (b) a representative of the Ministry responsible for finance, who shall be at the rank of Commissioner or above;
- (c) a representative of the Governor of the Bank of Uganda;
- (d) a representative of the Insurance Training College;
- (e) a representative of the Ministry responsible for health;
- (f) two persons representing the public, one of whom shall be the deputy chairperson;
- (g) the Chief Executive Officer of the Capital Markets Authority;
- (h) the Chief Executive Officer of the Uganda Retirements Benefits Regulatory Authority; and
- (i) the Chief Executive Officer, who shall have no right to vote.

(3) The Chairperson and the persons referred to in subsection (2)(f) shall be appointed by the Minister from among persons who have knowledge, experience and skills in insurance, banking, finance and actuarial science.

(4) The Minister shall, when appointing the members of the Board, ensure that there is a balance of skills and gender.

14. Disqualification from appointment as member of Board

A person shall not be appointed to the Board who—

- (a) has been convicted of an offence other than a traffic offence under this Act or of an offence involving dishonesty or fraud by a competent court in Uganda or elsewhere;
- (b) has been adjudged bankrupt under any law in force in Uganda and has not been discharged;
- (c) has been convicted of an offence and sentenced to imprisonment for a term of six months or more without the option of a fine by a competent court in Uganda or elsewhere;
- (d) is a member of Parliament, a Minister or a member of a local government council;
- (e) is a public officer, except those stated under section 13(2)(b), (c), (g), (h) and (i);
- (f) is a director or employee of a licensee or who has a financial interest in a licensee, including a shareholder of a licensee; or
- (g) is disqualified from acting as a director of a company under the Companies Act.

15. Tenure of office of members of Board

(1) A member of the Board shall hold office for three years and is eligible for re-appointment for one further term.

(2) The members of the Board shall hold office on terms and conditions specified in their instruments of appointment.

(3) A member of the Board may, at any time, resign from his or her office in writing addressed to the Minister, giving notice of not less than one month.

(4) The Minister may, at any time suspend or remove a member of the Board only—

- (a) for inability to perform the functions of his or her office arising from infirmity of body or mind;
- (b) for misbehaviour or misconduct;
- (c) for incompetence;
- (d) for absence, without prior permission of the Chairperson, or without reasonable cause to the satisfaction of the Minister, from more than four consecutive meetings of the Board;
- (e) for bankruptcy;
- (f) for conviction of a criminal offence, in Uganda or elsewhere, in respect of which the maximum penalty exceeds six months imprisonment without the option of a fine;
- (g) where information relating to the conduct of a member, which could have precluded his or her appointment if it had been made available to the Minister, is brought to the attention of the Minister; or
- (h) where any of the grounds for disqualification under section 14 become applicable to a member subsequent to his or her appointment.

(5) If a member of the Board is or becomes aware that any of the grounds for suspension or removal specified in subsection (4)(e), (f), (g) or (h) apply to him or her, the member shall, within fifteen days, give written notice to the Minister and the Chairperson or, if the member is the Chairperson, the Deputy Chairperson.

(6) Where it appears to the Minister that there is cause to remove a member under subsection (4), the Minister shall notify the member concerned in writing and shall give the member an opportunity to submit his or her explanation to the Minister and to be heard in person or represented by his or her lawyer.

(7) Where a member dies or is removed from office under this section, the Minister shall appoint another person qualified, in accordance with the appointment provisions of this Act, to replace the member and the member appointed shall hold office for the remainder of the term of the previous member.

(8) The Minister shall publicly disclose the reasons for the disqualification of any member of the Board.

16. Remuneration of members of Board

The Chairperson and members of the Board shall be paid such remuneration determined by the Minister and specified in their instruments of appointment.

17. Functions of Board

(1) The Board shall be responsible for the general direction and supervision of the Authority.

(2) Without limiting the general effect of subsection (1), the Board shall—

- (a) advise the Government on policy matters concerning insurance generally, and assist in the coordination and implementation of the Government policy relating to insurance;
- (b) oversee the operations and management of the Authority;
- (c) ensure that the Authority establishes and maintains—
 - (i) an appropriate governance framework; and
 - (ii) adequate procedures and controls, including an internal audit function and rules governing the disclosure of interests by employees, consultants, experts, advisers and agents of the Authority;
- (d) provide guidance to the Chief Executive Officer and staff of the Authority;

- (e) establish and approve rules and procedures for appointment, promotion, termination, discipline and terms and conditions of service of the staff of the Authority;
- (f) review and approve strategic, business and operating plans, budgets, reports and audited financial statements of the Authority; and
- (g) perform any other function conferred by this Act or which may be necessary for the proper implementation of this Act.

18. Meetings of Board and related matters

Schedule 3 to this Act has effect in relation to meetings of the Board and other matters provided for in that Schedule.

19. Committees of Board

- (1) The Board may appoint committees—
 - (a) to inquire into and advise the Board on any matter concerning the functions of the Authority as the Board may refer to the committee; and
 - (b) to exercise such powers or perform such functions of the Authority as the Board may delegate or refer to the committee.
- (2) A committee appointed under subsection (1) shall consist of a chairperson and other persons, whether members of the Board or not, as the Board may determine.
- (3) The Board may require a committee appointed under this section to act jointly or in cooperation with any other committee.
- (4) The members of a committee appointed under this section may be paid such allowances as the Board may, with the written approval of the Minister, determine.
- (5) Subject to any direction given by the Board, a committee appointed under this section may regulate its own procedure.

PART III—STAFF OF AUTHORITY

*Chief Executive Officer***20. Chief Executive Officer**

(1) The Authority shall have a Chief Executive Officer who shall be appointed by the Minister on the recommendation of the Board, on terms and conditions specified in his or her instrument of appointment.

(2) The Chief Executive Officer shall be a person of high moral character and proven integrity, with relevant professional qualifications and experience relating to the functions of the Authority.

(3) The Chief Executive Officer shall hold office for five years and is eligible for re-appointment for one further term.

- (4) The Chief Executive Officer shall cease to hold office if—
- (a) he or she resigns;
 - (b) he or she is declared bankrupt or has made an arrangement with his or her creditors;
 - (c) he or she is convicted of a criminal offence in Uganda or elsewhere, in respect of which the maximum penalty exceeds six months imprisonment without the option of a fine;
 - (d) he or she is removed from office by the Minister, on recommendation of the Board, for incompetence, inability to perform the functions of his or her office arising from infirmity of body or mind; or
 - (e) he or she is removed from office by the Minister for misbehaviour, misconduct or incompetence.

(5) Where it appears to the Minister that there is cause to remove the Chief Executive Officer under subsection (4), the Minister shall notify the Chief Executive Officer in writing and shall give the Chief Executive Officer an opportunity to submit his or her explanation to the Minister and to be heard in person or represented by his or her lawyer.

21. Functions of Chief Executive Officer

(1) The Chief Executive Officer is responsible for the day-to-day operations and administration of the Authority and shall be the Accounting Officer of the Authority.

(2) Subject to this Act and to the general supervision and control of the Board, the Chief Executive Officer is responsible for—

- (a) the implementation of the policies and programmes of the Authority and reporting on them to the Board;
- (b) the proper management of the funds and property of the Authority;
- (c) the organisation and control of the staff of the Authority;
- (d) the development of an operating plan to guide the Authority in achieving its objectives;
- (e) the development of an economic, efficient and cost effective internal management structure;
- (f) proposing and implementing the strategic plan, business plan and annual plan of the Authority;
- (g) ensuring that the policies of the Authority are implemented and that the agreed objectives, targets and service standards are met;
- (h) providing advice as required on all matters within the responsibility of the Authority; and
- (i) performing any other duty necessary for the implementation of this Act as may be assigned to him or her by the Board.

(3) The Chief Executive Officer is answerable to the Board.

Secretary to Authority

22. Secretary

(1) There shall be a secretary to the Authority who shall be appointed by the Board, on terms and conditions specified in his or her instrument of appointment.

- (2) The Secretary to the Authority shall be responsible for—
- (a) arranging the business at meetings of the Board;
 - (b) taking the minutes of the meetings of the Board; and
 - (c) keeping the records of the decisions and other policy records of the Board.

(3) In the performance of his or her functions, the Secretary is answerable to the Chief Executive Officer.

(4) The Secretary to the Authority shall possess the relevant professional qualifications and experience relating to the functions of the Authority.

Other officers of Authority

23. Other officers and staff of Authority

(1) The Board may appoint such officers and staff of the Authority as may be necessary for the proper and efficient performance of the functions of the Authority.

(2) The employees appointed under this section shall hold office on terms and conditions determined by the Board and specified in their instruments of appointment.

(3) The Board shall regulate the manner of appointment, terms and conditions of service and the discipline of the staff appointed under this section.

PART IV—FINANCIAL AND OTHER MATTERS

24. Funds and sources of revenue of Authority

(1) The funds and sources of revenue of the Authority shall consist of

- (a) money appropriated by Parliament for the purposes of the Authority;
- (b) grants, gifts or donations from the Government or other sources made with the approval of the Minister;
- (c) money accruing to the Authority by way of revenue;
- (d) licence fees and charges payable by licensees under this Act;
- (e) annual compliance fee; and
- (f) any other money, including fines imposed by the Authority for contravention or non-compliance with this Act.

(2) Every licensee shall pay to the Authority an annual contribution of a sum determined by the Authority, by regulations, after consulting with the Uganda Insurers Association, the Uganda Association of Insurance Brokers, the Uganda Association of Engineers, Valuers and Loss Assessors, Insurance Agents Association and HMOs.

(3) All money under subsection (1)(d), (e) and (f) received by the Authority shall be retained by the Authority and used in accordance with the provisions of section 27(3) of the Public Finance Management Act.

25. Duty to operate on sound financial principles

In the performance of its functions under this Act, the Board shall have due regard to sound financial principles.

26. Power to open and operate bank accounts

The Authority may, with the authority of the Accountant General, open and maintain such other accounts as are necessary for the performance of the functions of the Authority.

27. Borrowing powers

Subject to Article 159 of the Constitution, the Board may, with the approval of Parliament, borrow money as may be required for meeting its obligations or for the discharge of the functions of the Authority under this Act.

28. Estimates of income and expenditure

(1) The Chief Executive Officer shall, within three months before the end of each financial year, cause to be prepared and submitted to the Board for its approval, estimates of the income and expenditure of the Authority for the next financial year.

(2) The Board shall, within two months of receipt of the estimates referred to in subsection (1), cause to be submitted to the Minister for his or her approval, the estimates of income and expenditure as approved by the Board.

29. Financial year

The financial year of the Authority shall be the period of twelve months commencing on the 1st day of July and ending on the 30th day of June of the following year.

30. Accounts and audit

(1) The Authority shall keep proper books of accounts and all records relating to the transactions and affairs of the Authority.

(2) The Auditor General or an auditor appointed by the Auditor General shall, in each financial year, audit the accounts of the Authority.

(3) The Auditor General shall submit the audited accounts of the Authority to Parliament in accordance with the Public Finance Management Act.

31. Publication of accounts by Authority

The Authority shall publish its audited financial statements at least annually in a Uganda newspaper with nation wide circulation.

**PART V—LICENSING OF INSURERS, HMOS AND MICRO
INSURANCE ORGANISATIONS**

32. Application of Part

(1) This Part applies to insurers, HMOs and micro insurance organisations, unless otherwise stated.

(2) The Authority may, due to the nature of micro insurance organisations and the circumstances, modify the provisions of this Part to better apply to micro insurance organisations.

33. Licensing required to conduct insurance business

(1) Subject to subsection (4), a person shall not carry on, or purport to carry on, insurance business, re-insurance business or the business of a HMO in Uganda without a valid licence issued by the Authority.

(2) A foreign insurer shall not occupy or operate an office in Uganda without the prior written approval of the Authority.

(3) Notwithstanding subsections (1) and (2), the Authority may authorise the effecting of insurance with a foreign insurer in exceptional circumstances.

(4) Subsection (1) does not apply to---

- (a) a foreign re-insurer that enters into a re-insurance contract with a licensed insurer or a retrocession agreement with a licensed re-insurer; or
- (b) a foreign insurer that carries on insurance business in accordance with an exemption granted by the Authority.

(5) A person shall not be granted a licence unless the person satisfies the conditions for the grant of a licence prescribed by this Act.

(6) A person who carries on, or purports to carry on, insurance business, re-insurance business or business as a HMO in contravention of this Act is liable to a fine not exceeding one thousand currency points.

(7) A foreign insurer that contravenes subsection (2) commits an offence and is liable, on conviction, to a fine not exceeding five thousand currency points.

34. Categories of insurance business licences

(1) The Authority may issue the following insurance business licences under this Act—

- (a) an insurer's licence which authorises the holder to carry on direct insurance business or re-insurance business with other licensed insurers;
- (b) a re-insurer's licence which authorises the holder to carry on re-insurance business;
- (c) HMO licence which authorises the holder to provide health benefit plans to persons resident in Uganda only; and
- (d) a micro insurance licence which authorises the holder to carry on micro insurance business only.

(2) The Minister may, by statutory instrument, on the recommendation of the Authority, prescribe other categories of insurance business licences.

35. Licensing of HMOs

(1) A person proposing to carry on business as a HMOs shall apply to the Authority, in a prescribed form, for a licence, which application shall be considered by the Authority.

(2) Licensed HMOs shall be regulated in accordance with regulations made under this Act, in consultation with the Minister responsible for health and other stakeholders.

Minimum capital requirements and security deposit

36. Minimum capital requirements

(1) A licensed insurer and HMO shall have and maintain paid-up capital of not less than the amount prescribed by regulations.

(2) Every share in an insurer or HMO shall be fully paid for in cash unless the Authority otherwise approves in writing.

(3) Notwithstanding subsection (1), HMO, a micro insurance organisation shall have a paid-up capital as may be prescribed by the Minister, by regulations.

(4) This section does not apply to a mutual insurer.

37. Security deposit

(1) Every insurer shall hold an account maintained by the insurer with a commercial bank approved by the Authority of a sum equal to ten percent of the paid-up capital of the insurer.

(2) The security 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 insurer in Government securities or any other investment as may be approved by the Authority.

(4) All income accruing from a security deposit made under this section shall be payable to the insurer making the deposit.

(5) This section does not apply to a mutual insurer.

38. Use of security deposit

(1) The security deposit of an insurer or HMO shall be applied in the following priority—

- (a) to pay insurance claims;
- (b) to satisfy the costs of, or associated with any remedial measures or enforcement powers exercised by the Authority in relation to the insurer, or the running-off and winding up of the business of the insurer or the liquidation of the insurer;
- (c) in the event that the insurer is liquidated, to pay to the liquidator of the insurer for the purposes of the winding up;
- (d) to make a payment or transfer to the insurer in accordance with this Act.

(2) An insurer or HMO that holds a security deposit—

- (a) shall deal with the funds deposited in accordance with the written directions of the Authority; and
- (b) shall not release the security deposit and the interest accrued from the deposit, except with the written permission of the Authority.

(3) Where an insurer ceases to carry on insurance business, it may apply to the Authority for approval for the withdrawal of the security deposit and the Authority may authorise the release of the deposit if it is satisfied that the insurance business has been fully wound up and the insurer has no outstanding liabilities under any insurance contracts.

39. Capital requirements of mutual insurers

The capital requirements of a mutual insurance company shall be prescribed in regulations made under this Act.

*Application for licence***40. Application for licence**

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

(2) 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.

41. Factors to be considered in application

The Authority 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 capital structure, earning prospects, business plans, financial plans, re-insurance and retention proposals of the applicant;
- (d) whether the public interest would be served by granting a licence;
- (e) the governance framework of the applicant;
- (f) proposed re-insurance and retrocession arrangements; and
- (g) such other matters as the Authority may consider appropriate.

42. Processing of applications

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

(2) The Authority 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 Authority which committee shall report its recommendations to the Authority in writing.

43. Granting of licence

- (1) The Authority 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) shall remain in force until suspended, varied or revoked.
- (3) The Authority shall communicate its decision under subsection (1) to the applicant within sixty days from receipt of a complete application.
- (4) The applicant may appeal to the Tribunal within thirty days from the receipt of the communication of the Authority, if aggrieved by the decision of the Authority and the Tribunal shall make a decision within thirty days from the date of the appeal.

44. Variation, suspension and revocation of licence

- (1) The Authority may at any time vary, suspend or revoke the licence of an insurer or HMO to carry out business under this Act where—
 - (a) it is in the public interest or it is required for protecting the interests of the policy holders;
 - (b) the business of the insurer is not being conducted in accordance with sound insurance principles and practices;
 - (c) the relevant minimum prescribed paid-up capital or security deposit requirements have not been complied with by the insurer;
 - (d) the insurer is not in compliance with the capital adequacy requirements prescribed in regulations;
 - (e) the insurer has not commenced insurance business within one hundred eighty days of obtaining a licence to operate;
 - (f) the insurer has made a false statement to the Authority which statement is material to his or her licensing and which he or she knows or might have known to be false;
 - (g) 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;

- (h) the insurer has ceased to qualify as an insurer under this Act;
- (i) the insurer repeatedly acts in an illegal way or ignores the requirements of the Authority;
- (j) the insurer has refused or failed to abide by the decision of the Authority, to settle a claim or complaint in accordance with this Act.

(2) The Authority shall, before the variation, 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 Authority why the licence should not be suspended or revoked.

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

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

(5) An insurer may within thirty days from the receipt of the communication of the Authority of the variation, suspension or revocation of his or her licence, appeal to the Tribunal.

(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 Authority shall publish in the *Gazette* and a newspaper widely read by the people in the area where the registered office of the affected insurer is located, any variation, revocation or suspension of the licence of the insurer or any re-instatement or re-licensing of the affected insurer as soon as is practicable.

(9) The provisions of this Act continue to apply to an insurer, despite the suspension or revocation of its licence.

Other provisions relating to licensing

45. Provisions relating to licences

(1) Subject to subsection (4), the Authority shall not issue an insurer's licence that authorises the holder to carry on both life insurance and non-life insurance business.

(2) A re-insurer's licence shall not be granted to a mutual insurer.

(3) A micro insurance organisation licence may authorise the holder to carry on both life insurance and non-life insurance business.

(4) A licence may be issued subject to such conditions as the Authority considers appropriate.

PART VI—PRUDENTIAL REGULATION OF INSURERS, HMOS
AND MICRO INSURANCE ORGANISATIONS

46. Application

(1) This Part applies to insurers, HMOs and micro insurance organisations unless otherwise stated.

(2) The Authority may, due to the nature of micro insurance organisations and the circumstances, modify the provisions of this Part to better apply to such organisations.

47. Capital adequacy and other prudential requirements

- (1) Every insurer shall maintain—
 - (a) its capital resources at a level adequate to support its insurance business, taking into account the nature, scale and complexity of that business and its risk profile;
 - (b) adequate procedures and controls to monitor and assess its capital resources and capital on an ongoing basis.

(2) For the purposes of this section, capital resources has the meaning specified in the regulations made under subsection (3).

(3) The Authority shall, by regulations, determine the capital adequacy and other prudential requirements for insurers.

48. Technical provisions

An insurer and HMO shall establish and maintain the technical provisions prescribed in regulations made by the Authority under section 47(3).

49. Investments

An insurer or a HMO shall comply with such requirements concerning investments as are specified in regulations made by the Authority.

50. Maintenance of financial soundness

Every insurer, HMO and micro insurance organisation shall, at all times—

- (a) maintain its business in a financially sound condition so as to meet its liabilities;
- (b) maintain its capital resources at a level adequate to support its licensed business, taking into account the nature, scale and complexity of that business and its risk profile; and
- (c) conduct its licensed business in accordance with sound insurance principles.

51. No reduction in share capital of insurer or HMO

An insurer or HMO shall not reduce its paid-up share capital, or cause or permit its paid-up share capital to be reduced, without the prior written consent of the Authority and any resolution passed in contravention of this section is void and of no effect.

52. Segregated funds

(1) A life insurer shall establish and maintain segregated funds as required by the regulations.

(2) For the purposes of subsection (1), “segregated fund” has the meaning specified in regulations made under subsection (1).

(3) An insurer that contravenes subsection (1) is liable to a fine not exceeding one thousand currency points.

53. Restrictions on loans to officers and directors

(1) An insurer or HMO shall not, without the prior written approval of the Authority, offer a loan to an officer or director of the insurer except—

- (a) a loan on a life policy limited to the surrender value of the policy, where the right to borrow the same amount is also provided to the policy holders of that class; or
- (b) a loan forming part of the terms and conditions of service of that officer or director, repayable within three years.

(2) Notwithstanding subsection (1), the total aggregate of the loans offer to an officer or director of an insurer or HMO shall not exceed ten percent of the paid-up capital of the insurer or HMO.

(3) An insurer or HMO that offers a loan to an officer or director contrary to subsection (1) or (2) commits an offence and is liable to a fine double the amount of the loan given.

(4) This section does not apply to a distribution permitted under this Act.

54. Prohibition of loans to associate companies

An insurer, a re-insurer, an insurance broker or a re-insurance broker shall not grant a loan, directly or indirectly, to a company in which the directors or officers and employees of that insurer, re-insurer, insurance broker or re—insurance broker except as permitted by the regulations.

55. Other prohibitions applicable to insurers and HMOs

(1) An insurer or HMO shall not, except in accordance with regulations made under this Act or the prior written approval of the Authority—

- (a) acquire or deal in its own shares or lend money or make advances on the security of its own shares;

- (b) grant credit on premiums;
- (c) grant unsecured credit to any person;
- (d) enter into a guarantee or provide a security in connection with a loan by another person to a related party.

(2) This section does not apply to a distribution permitted under this Act.

56. Distributions

(1) An insurer or a HMO shall not make a distribution to any of its shareholders unless, immediately after the distribution, the insurer or HMO complies with the capital adequacy requirements prescribed by the Authority in the regulations made under section 47(3) and all other prudential requirements applicable to the insurer or HMO.

(2) A “distribution”, in relation to a distribution by an insurer or HMO to a member, means—

- (a) the direct or indirect transfer of an asset, other than its own shares, to or for the benefit of the shareholder; or
- (b) the incurring of a debt to or for the benefit of a shareholder in relation to shares held by the shareholder and whether by means of the purchase of an asset, the purchase, redemption or other acquisition of shares, a transfer of indebtedness or otherwise, and includes a dividend.

(3) An insurer or HMO that contravenes subsection (1) shall recover, from its shareholders the dividends paid to them and be liable to a fine not exceeding one thousand currency points.

Governance and management

57. Governance framework

(1) Every insurer and HMO shall establish and maintain an appropriate governance and management framework.

(2) Every insurer and HMO shall establish and maintain such strategies, policies, procedures and controls appropriate for the nature, scale

and complexity of its business and its risk profile and ensure that they are regularly reviewed and updated.

- (3) The governance and management framework shall provide for—
 - (a) the apportionment of roles between shareholders, directors, senior management and key persons in control functions;
 - (b) the separation of the oversight function from management responsibilities; and
 - (c) the adequate monitoring of and control of the business and affairs of the insurer or HMO by the directors and senior management.

- (4) The insurer or HMO shall routinely review the suitability of the board members, senior management, key persons in control functions and significant owners.

58. Board of Directors of insurer or HMO

- (1) Every insurer or HMO shall furnish the Authority with the names and addresses of its Board of Directors, senior executives and technical personnel.

- (2) A member of the Board of Directors of an insurer or HMO shall—
 - (a) be a fit and proper person as prescribed in Schedule 2 to this Act;
 - (b) not at the same time serve as a member of the Board of Directors of another insurer or HMO of an insurance brokerage company in Uganda without the prior written approval of the Authority; and
 - (c) have sufficient time and commitment to undertake his or her duties diligently.

- (3) Every insurer or HMO shall ensure that the Board of Directors is adequately resourced and that the Board of Directors has sufficient powers—

- (a) to obtain, in a timely manner, such information as the Board of Directors requires to undertake its functions; and
- (b) to assess senior management, key persons in control functions and other relevant persons.

- (4) The Board of Directors of an insurer or HMO is responsible for the business and affairs of the insurer or HMO and for ensuring its effective organisation.

59. Senior management

(1) Every member of the senior management of an insurer or HMO shall meet the fit and proper criteria prescribed in Schedule 2 to this Act.

(2) The senior management of an insurer or HMO shall be responsible for the day-to-day operations of the insurer or HMO and provide the Board of Directors with timely and accurate information with recommendations for its review and approval.

60. Control functions

(1) Every insurer shall establish and maintain the following control functions—

- (a) a risk management function;
- (b) a compliance function;
- (c) an actuarial function;
- (d) an internal audit function;
- (e) such other control functions as may be specified in regulations made under this Act; and
- (f) such other functions as the insurer may consider appropriate for the nature, scale and complexity of its insurance business.

(2) Every HMO shall establish and maintain the following control functions—

- (a) the risk management function;
- (b) the actuarial function;
- (c) the compliance function; and
- (d) the internal audit function.

(3) Every insurer and HMO shall—

- (a) ensure that each control function is provided with the authority, independence and resources required to enable it to operate effectively; and
- (b) appoint an individual to—
 - (i) undertake the responsibilities of each control function; or
 - (ii) where the responsibilities of the control function are to be undertaken by more than one employee or to be outsourced, have overall responsibility for, and oversight of, the control function.

61. Risk management

- (1) Every insurer or HMO shall establish and maintain—
 - (a) a clearly defined strategy and policies for the effective management of all significant risks to which the insurer or HMO is or may be exposed; and
 - (b) procedures and controls that are sufficient to ensure that the risk management strategy and policies are effectively implemented.

- (2) The risk management strategy and policies shall—
 - (a) be appropriate for the nature, scale and complexity of the licensed business;
 - (b) specify how risks are to be identified, monitored, managed and reported on in a timely manner;
 - (c) take into account the probability, potential impact and the time duration of risk;
 - (d) provide for the effective identification and management of insurance risk, credit risk, liquidity risk, market risk, operational risk, reputational risk and such other risks as the Authority may, by regulations, determine.

Premiums and other related matters

62. Payment of premium

(1) Subject to subsection (2), the insured shall pay in full the premiums payable under the insurance contract on or before the date of inception of the policy or renewal of the policy.

(2) The Authority may by regulations provide for the payment of premiums in any other manner.

63. Approval of premium and commission rates

(1) An insurer or HMO shall not issue any policy of insurance if the premium rates and commission rates contravene any regulations made by the Authority under subsection (2).

(2) The Authority may prescribe minimum premium or maximum commission rates for any class or type of insurance business.

64. Approval of policy format forms and other matters

(1) Subject to subsection (2), an insurer or HMO shall not issue the text or format of the policy or the proposal form unless such have been approved by the Authority as suitable for the purpose of the insurance business it is meant for.

(2) Subject to subsection (3), where the Authority approves the text or format of a policy or proposal form under subsection (1), an insurer or HMO shall not make any amendment to the policy or proposal form without the prior written approval of the Authority.

(3) Where the Authority does not approve or reject the text or format of a policy or proposal form, or an amendment in the text or format within the prescribed period, the insurer shall treat the text or format of the policy or the proposal form or amendment as approved.

65. Alteration of approved premium rates without approval

(1) Where an insurer lowers the approved premium rates without the approval of the Authority, the Authority 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 without the approval of the Authority, the Authority may require the company to offer adequate refund to the insured.

PART VII—RE-INSURANCE BUSINESS**66. Re-insurance arrangements**

(1) A licensed direct insurer, HMO and a micro insurance organisation shall have such arrangements as it considers appropriate for the re-insurance of risks under insurance contracts that it has entered into in the course of its business as an insurer or a micro insurance organisation.

(2) A licensed direct insurer, HMO and a micro insurance organisation shall not, without the prior written authorisation of the Authority under subsection (3), enter into a re-insurance contract, as cedant, other than—

- (a) with a licensed re-insurer;
- (b) with a qualifying foreign re-insurer; or
- (c) in accordance with such arrangements, as may be specified in the regulations.

(3) The Authority may, on the application of a licensed direct insurer, HMO or a micro insurance organisation, authorise the insurer, HMO or micro insurance organisation to enter into a re-insurance contract, as cedant, with—

- (a) a foreign direct insurer; or
- (b) a foreign re-insurer that is not a qualifying foreign re-insurer.

(4) The regulations may specify requirements in relation to the re-insurance arrangements of licensed direct insurers, HMO and micro insurance organisations and the retrocession arrangements of licensed re—insurers, including by—

- (a) requiring—
 - (i) licensed direct insurers, HMO and micro insurance organisations to provide the Authority with prior written notice of their re-insurance arrangements;
 - (ii) licensed re-insurers to provide the Authority with prior written notice of their retrocession arrangements; and
 - (iii) the approval of the Authority with respect to certain specified re-insurance or retrocession contracts or arrangements;
- (b) imposing restrictions on the re-insurance or retrocession of risks with foreign insurers; and
- (c) specifying requirements in relation to the re-insurance arrangements of licensed direct insurers and micro insurance organisations and the retrocession arrangements of licensed re—insurers.

67. Modification or cancellation in net retention of insurer

(1) An insurer or HMO shall inform the Authority within five working days of any modification or cancellation in the amount of its net retention in all classes of business which it undertakes.

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

68. Annual re-insurance returns

An insurer and a re-insurance company licensed under this Act shall within ninety days from the end of the calendar year submit to the Authority in a prescribed form, details of the re-insurance or retrocession returns and details of the re-insurers or retrocessionaires with whom they maintain business relations in respect of risks falling within the scope of this Act.

69. Prohibition of contracts with certain re-insurance companies

The Authority may—

- (a) after receiving reliable information that a re-insurance company—
 - (i) cannot meet the re-insurance claims;
 - (ii) has doubtful integrity in its business dealings; or
 - (b) for any other reasonable cause,
- prohibit insurance companies and re-insurance companies under this Act from entering into re-insurance contracts with that company.

70. Modifications where terms of re-insurance document not favourable

The Authority, may after the scrutiny of a proposed re-insurance contract, direct an insurer, in writing—

- (a) not to enter into or renew the contract unless specified modifications are made to the terms and conditions of the 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.

71. Negotiations not to be in personal capacity

An insurance agent, director, administrator, employee or shareholder of an insurance company shall not negotiate or intervene in the placement of re—insurance in his or her personal capacity.

72. Foreign re-insurers' representatives

(1) A foreign re-insurer may, with the approval of the Authority, appoint a re-insurance broker or re-insurer licensed under this Act to be its representative in Uganda for purposes of accepting re-insurance business on its behalf.

(2) The Authority may on granting the approval under subsection (1) attach such conditions as it may deem necessary.

(3) Where approval of the Authority is granted under this section, the foreign re-insurer shall establish and maintain at the Bank of Uganda a security deposit equivalent to five hundred currency points.

73. Mandatory re-insurance placements with international and national organisations

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

- (a) the African Re-insurance Corporation (Africa-Re), a minimum of five percent of its re-insurance cessions, under article 27 of the Agreement that established Africa-Re;
- (b) the Preferential Trade Area Re-insurance Company (ZEP-RE) a minimum of ten percent of its re-insurance cessions, under articles 20 and 21 of the Agreement that established ZEP-RE;
- (c) Uganda-Re, a minimum of fifteen percent of its re-insurance of its treaty and facultative cessions.

(2) The provisions of subsection (1) shall not affect the right of Africa-Re, ZEP-RE or the re-insurance company incorporated under subsection (1) (c), to accept or decline all or any part of the minimum re-insurance cessions offered or placed by any insurer or re-insurer.

(3) An insurer or re-insurer who fails to comply with subsection (1) is liable to a fine to be prescribed in regulations.

(4) Subject to the relevant agreements respectively, the Authority may vary the minimum re-insurance cessions under subsection (1).

(5) The shareholding of the national re-insurance company and any changes to the shareholding shall be approved by the Authority.

(6) An insurer shall first place re-insurance business with an organisation or company mentioned in subsection (1) or an insurance company licensed under the Act, to the maximum extent possible, before placement of the business outside Uganda.

PART VIII—AMALGAMATIONS AND TRANSFERS

74. Restrictions on amalgamations and transfers

(1) An insurer or HMO shall not, without the prior written approval of the Authority—

- (a) transfer its insurance business, or any part of its insurance business, to another insurer;
- (b) accept a transfer of the insurance business of another insurer, or any part of that business; or
- (c) amalgamate its insurance business, or any part of its insurance business, with the business of another insurer.

(2) A transaction contrary to subsection (1) is void where the transaction has the effect of—

- (a) amalgamating the business, or part of the business, of the insurer with the business of another insurer; or
- (b) transferring a part of the business of the insurer to another insurer.

(3) An insurer that contravenes subsection (1) commits an offence and is liable to a fine not exceeding one thousand currency points.

75. Application for amalgamation or transfer

(1) Where two or more insurers 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 Authority 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 policy holders, prepared by an actuary approved by the Authority.

76. Notice of amalgamation or transfer

- (1) The parties intending to amalgamate or effect a transfer shall before making the application
 - (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 policy holders 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 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 Authority stating reasons, within thirty days from the last day of publication.

77. Conditions for approval of transfer of life insurance

- (1) The Authority 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) Where the transfer covers all life insurance business of the transferor, all assets representing the life fund maintained by the transferor shall be transferred.

(3) Where 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.

78. Decision of Authority on amalgamation or transfer

(1) The Authority may, after considering an application for amalgamation or transfer, approve or refuse the proposal for amalgamation or transfer subject to terms and conditions it may consider necessary.

(2) The Authority 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 Authority 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.

(4) Where the Authority 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 Tribunal within thirty days from the date on which the notice of the decision is received by the Tribunal, and the Tribunal shall make the decision within thirty days from the date of the appeal.

(6) For the 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.

79. Effect of approval of amalgamation or transfer

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

- (a) to transfer to the amalgamated insurer or transferee all the rights and obligations of the transferor 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 Authority directs otherwise, a policy holder 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 Authority certified copies of—

- (a) statements of the respective assets and liabilities; and
- (b) the documents under which the amalgamation or transfer was effected.

80. Application of provisions on amalgamation and transfer to HMOs

This Part, with the necessary modifications, applies to amalgamations and transfers of HMOs, insurance brokers and re-insurance brokers.

PART IX—SPECIAL PROVISIONS ON INSURANCE
INTERMEDIARIES AND BANCASSURANCE

Unlicensed insurance intermediary business

81. Prohibition on unlicensed insurance intermediary business

(1) Subject to subsection (3), a person shall not carry on, or purport to carry on, business as an insurance intermediary unless the person holds a valid insurance intermediary licence issued by the Authority.

(2) Without limiting the application of subsection (1)—

(a) a person is considered to carry on business as an insurance intermediary if, by way of business, the person offers to act as an insurance intermediary for a person in Uganda directly or indirectly;

(b) a person purports to carry on business as an insurance intermediary if that person uses any name, style, designation, description, title or trademark that represents or implies that the person is an insurance intermediary.

(3) Subsection (1) does not apply to—

(a) a foreign re-insurance broker that acts for, or in relation to, contracts involving a re-insurer; or

(b) a person authorised to carry out bancassurance under this Act who acts as the insurance agent of an insurer.

(4) The Authority may, by regulations, grant an exemption to a person incorporated outside Uganda to provide any insurance intermediary services where the Authority is satisfied that those services cannot be obtained in Uganda or cannot be obtained on equivalent terms.

(5) A foreign insurance intermediary shall not occupy or operate an office in Uganda without the prior written approval of the Authority.

(6) A person who carries on or purports to carry on business as an insurance intermediary contrary to subsection (1) is liable to a fine not exceeding two thousand currency points.

(7) A foreign insurance intermediary that contravenes this section is liable to a fine not exceeding ten thousand currency points.

Categories of intermediary licences and application for a licence

82. Insurance intermediary licences

(1) A licence to carry on business as an insurance intermediary may be issued by the Authority in one of the following categories—

- (a) an insurance brokers licence, which authorises the holder to carry on business as an insurance broker;
- (b) a re-insurance brokers licence, which authorises the holder to carry on business as a re-insurance broker;
- (c) an insurance agents licence, which authorises the holder to act as an insurance agent;
- (d) a micro insurance agents licence, which authorises the holder to act as an insurance agent in respect of micro insurance contracts only;
- (e) an insurance risk advisers licence, which authorises the holder to carry on business as an insurance risk adviser;
- (f) a loss assessors licence, which authorises the holder to carry on business as a loss assessor;
- (g) a loss adjustors licence, which authorises the holder to carry on the business of loss adjustor.

(2) For the avoidance of doubt, an insurance brokers licence and a re-insurance brokers licence authorise the holder to assess and advise on insurable risks, without the need to obtain an insurance risk advisers licence.

(3) A person shall not use the name of insurance broker or agent, risk manager, loss assessor or adjuster, insurance surveyor or claims settling agent or any other name of a category of insurance intermediary unless he or she is licensed to carry on that business.

83. Insurance broker and re-insurance broker to be bodies corporate

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

84. Application and qualifications for insurance intermediary licence

(1) An application for an insurance intermediary licence or renewal of a licence shall be in a form prescribed by the Authority.

(2) The qualifications for obtaining an intermediary licence shall be prescribed by the Authority.

(3) The Authority shall not grant a licence or renew an insurance intermediary's licence if the applicant is not a fit and proper person within the meaning of Schedule 2 to this Act.

(4) Where the Authority 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 Authority may, subject to terms and conditions that it considers necessary, issue a licence to, or renew a licence of, an applicant.

(5) A licence shall be issued for two years and may be renewed for two years on each renewal.

(6) Every insurance intermediary shall establish and maintain a risk management function and a compliance function.

85. Processing and granting of licence

Sections 40, 41, 42, 43 and 44 shall, with the necessary modifications, apply to insurance intermediaries.

86. Restrictions applicable to insurance intermediaries

- (1) The following persons do not qualify to be insurance agents—
 - (a) public officers or employees of local governments;
 - (b) administrators, managers, directors, auditors or employees of insurers or re-insurers, or insurance brokers or re-insurance brokers, risk advisers or loss assessors; or
 - (c) a person who is not fit and proper.

(2) An insurance agent shall not act for two or more insurers transacting the same class of insurance business without the written approval of the Authority.

(3) An insurance agent shall not act as agent for a re-insurer or undertake any activity that constitutes the business of an insurance broker, a risk adviser or a loss assessor.

(4) For the avoidance of doubt, an insurance agent may act for one insurer transacting life business and one insurer transacting non-life business but not for two or more insurers transacting the same class of business.

(5) An insurance broker and a re-insurance broker shall not undertake any activity that constitutes the business of a loss assessor.

(6) A person holding any interest in an insurer shall not be a substantial shareholder of an insurance intermediary unless permitted by the Authority in writing.

87. Application of sections 57, 58 and 59

Sections 57, 58 and 59 shall, with the necessary modifications, apply to an insurance intermediary which is not a natural person.

88. Paid-up capital and professional indemnity for insurance broker or re-insurance broker

(1) Every insurance broker or re-insurance broker shall not carry on the business of insurance broking unless it maintains at all times while carrying on that business, a paid-up capital as stipulated in the regulations

and shall furnish the Authority with proof of registration of the Authority's lien on the deposit.

(2) The deposits made under subsection (1) shall be considered part of the assets in respect of the capital of the insurance broker or re-insurance broker.

(3) The deposits made under subsection (1) shall be invested by the insurance broker or re-insurance broker in Government securities or in any other investments as may be approved by the Authority, and on which the Authority shall have a lien.

(4) The security deposits made under subsection (1) shall be available to the insurance broker or re-insurance broker in accordance with section 38 with the necessary modifications.

(5) Any income that may accrue from the security deposit shall be payable to the insurance broking company that makes the security deposit.

(6) Every insurance intermediary, except an insurance agent, shall not carry on the business unless the insurance intermediary maintains at all times while carrying on that business a professional indemnity policy of not less than the equivalent of one hundred million shillings.

(7) The paid-up capital, the security deposit or the professional indemnity policy provided under this section may, by regulations, be amended.

89. Premiums and other money to be paid to insurer or HMOs directly

(1) An insurance broker or insurance agent shall not accept a cheque or other payable order from a policy holder or prospective policy holder in respect of premiums or other money, paid for or on account of an insurer or HMO in connection with an insurance contract or a proposed insurance contract unless the cheque or payable order is made payable to the insurer or HMO.

(2) An insurance broker or insurance agent shall not request or authorise the electronic transfer of money into any of its accounts, including a client account, if that money is paid for or on account of an insurer in connection with an insurance contract or a proposed insurance contract.

(3) An insurance broker or an insurance agent who receives any premiums whether in full or instalments or other money in cash, shall immediately but not later than the next working day from the date of receipt, without any deductions of commissions or otherwise remit the premiums or money in cash to the insurer.

(4) Any cash premiums or other money received by an insurance broker or insurance agent shall not be treated, for any purposes as assets or property of the insurance broker or insurance agent.

(5) The insurance broker or insurance agent who does not immediately remit the premium or other money shall be liable to pay the premium or other money due and interest on the premium or other money to the insurer and a penalty to the Authority at rates determined by the Authority.

(6) An insurance agent or insurance broker shall deal with any premiums or other money received under this section in accordance with instructions of the insurer.

(7) An insurance broker or agent who contravenes this section is liable to a fine of not less than five hundred currency points.

90. Loans to agents

An insurance agent shall not, without the prior approval of the Authority, have at any time, a loan outstanding to an insurer, which is in the excess of an aggregate of one hundred currency points.

91. Portfolio transfer

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

(2) The Authority shall not approve a transfer unless it is satisfied that the transferor has settled all financial obligations with all insurers with which there are dealings, prior to the transfer and has provided the Authority with all the information the Authority may require.

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

(4) Where a transfer is approved, the parties to the transfer shall inform all the policy holders and the insurers with which they place business of the transaction.

(5) Where a transfer or sale is effected without the approval of the Authority, the Authority may suspend or 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 in case of revocation.

92. Direct relationship with insurer

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

93. Loss adjustors and loss assessors

(1) A loss adjustor or loss assessor shall not accept the receipt of and shall not handle any money representing premiums or any other money payable to an insurer or to a policy holder under an insurance contract or prospective insurance contract.

(2) A loss adjustor or loss assessor that contravenes this section is liable to a fine not exceeding five hundred currency points.

94. Variation, revocation or suspension of licence of intermediary

- (1) The Authority—
 - (a) may vary, revoke or suspend a licence of an intermediary on any ground on which it could have refused to grant the licence;
 - (b) shall vary, suspend or revoke the licence of an intermediary that fails to satisfy the paid-up capital and security deposit requirements.

(2) The Authority may impose fines, vary, 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 commission of the intermediary 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) money 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 Authority remain unpaid;
- (i) the intermediary is adjudged to be bankrupt by a court of competent jurisdiction.

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

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

(5) A person aggrieved by any decision made under this section, may within thirty days from the receipt of the communication of the decision from the Authority, appeal to the Tribunal.

(6) Where in the interest of the policy holders, circumstances warrant immediate action, the Authority may vary, 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 Authority in the *Gazette* and an English language daily newspaper widely read by people where the affected intermediary has an office.

*Bancassurance***95. Prohibition on unauthorised bancassurance**

(1) A financial institution shall not carry on bancassurance without bancassurance authorisation issued under this Act.

(2) A financial institution that carries on bancassurance contrary to subsection (1), is liable to a default fine not exceeding ten thousand currency points.

96. Application for bancassurance authorisation

An application by a financial institution for bancassurance authorisation or renewal of bancassurance authorisation shall be in a form prescribed by the Authority.

97. Revocation of authorisation to undertake bancassurance

- (1) Subject to subsection (2), the Authority—
- (a) shall revoke an authorisation to undertake bancassurance if—
 - (i) the financial institution ceases to hold a licence under the Financial Institutions Act; or
 - (ii) the Bank of Uganda requests the Authority to revoke the authorisation; and
 - (b) shall revoke an authorisation to undertake bancassurance if the financial institution—
 - (i) has applied to the Authority in writing for the revocation of its authorisation; or
 - (ii) contravenes, or has contravened, the conduct of business requirements applicable to it in this Act or any regulations made under this Act.

(c) The Authority shall, before revoking an authorisation under subsection (1)(b)(ii), give the financial institution written notice of its intention to revoke the authorisation, stating the grounds upon which it intends to revoke the authorisation.

(3) The Authority may, in exceptional circumstances where it considers the interests of the policy holders to be at risk, revoke the authorisation without notice.

(4) The Authority shall provide written reasons for the revocation of an authorisation under this section.

PART X—SIGNIFICANT CHANGES IN CONTROL AND
MANAGEMENT AND CONSTITUTING INSTRUMENTS

98. Application of Part

(1) Except as otherwise provided, and subject to subsections (2) and (3), this Part applies to all licensees.

(2) Micro insurance organisations and insurance agents may, by statutory instrument, be exempted from the application of this Part.

(3) This Part does not apply to insurance agents that are individuals or financial institutions that have been granted bancassurance authorisation.

99. Changes in control of licensee

(1) A person shall not become a significant owner of a licensee, except with the prior written approval of the Authority.

(2) A person who is a significant owner of a licensee shall not, except with the prior written approval of the Authority—

- (a) significantly increase or reduce the person's control over the licensee; or
- (b) cease to be a substantial shareholder of the licensee.

(3) For the purposes of subsection (2)(a), regulations made under this Act shall specify the circumstances under which an increase or reduction in a person's control is significant.

(4) A licensee shall not cause, permit or acquiesce in any dealing with its shares that would result in a person contravening subsection (1) or (2).

(5) A person who contravenes this section is liable to a fine not exceeding five hundred currency points.

100. Powers of Authority concerning significant owners

- (1) The Authority may issue a directive under subsection (3) to—
 - (a) a person who becomes a significant owner in, or acquires increased control over a licensee without obtaining the prior written approval of the Authority; or
 - (b) a person who is a significant owner of a licensee if the Authority has reasonable grounds for believing that—
 - (i) the person does not satisfy its fit and proper criteria; or
 - (ii) by virtue of the person's significant ownership in, or control over the licensee, any of the factors specified in subsection (2) apply.
- (c) The factors referred to in subsection (1)(b)(ii) are that the licensee's ownership structure—
 - (a) is not appropriate having regard to the nature, scale and complexity of its licensed business;
 - (b) adversely affects its financial soundness or the ability of the Authority to supervise it; or
 - (c) is prejudicial to its customers.
- (3) If any of the circumstances specified in subsection (1) apply, the Authority may issue a directive to the person—
 - (a) requiring the person to dispose of the person's interest in the licensee, in whole or in part, within such time period as is specified in the notice; or
 - (b) prohibiting the person from exercising any rights, including voting rights, attached to the interest.
- (4) Where the Authority issues a directive under subsection (3)(a) to a person, it may direct that during the period before the person's interest is disposed of, the person is prohibited from exercising any rights, including voting rights and the rights to receive a distribution, attached to the interest.
- (5) Sections 105, 107 and 110 apply in relation to any disposal to be made in compliance with a directive issued under subsection (1).

(6) A person who, without reasonable excuse, fails to comply with the requirements of a directive issued under this section commits an offence and is liable, on conviction, to a fine not exceeding one thousand currency points.

101. Authority to regulate significant owners

The Authority may make regulations for the better regulation of significant owners of licensees.

102. Changes in directors, senior management and key persons in control functions

(1) A licensee shall not appoint a director, senior manager or key person in a control function who is not fit and proper and without obtaining the prior written approval of the Authority.

(2) A licensee shall, within ten working days, after a senior manager or key person in a control function takes up office or ceases to hold office with, or be employed by, or act for, the licensee, notify the Authority.

(3) The notice under subsection (2) shall include a statement of the reasons for the director, senior manager or key person in a control function ceasing to hold office with, be employed by or act for the licensee.

103. Powers of Authority concerning management and key persons in control functions

(1) Where the Authority has reasonable grounds to believe that a person specified in subsection (2) does not satisfy the fit and proper criteria, the Authority shall, by written notice direct the licensee to—

- (a) remove that person and replace the person with another person acceptable to the Authority;
- (b) ensure that the person ceases to undertake certain specified functions in relation to the licensee;
- (c) take such remedial action in relation to that person as the Authority specifies;
- (d) a person undertaking any function for a licensee specified by regulations for the purpose of this section.

- (2) The following persons are specified for the purposes of subsection (1)—
- (a) a director of a licensee;
 - (b) a senior manager of a licensee;
 - (c) a key person in a control function of a licensee; and
 - (d) a person undertaking any function for a licensee specified by the Minister, by regulations for the purpose of this section.
- (3) A notice issued under subsection (1)—
- (a) shall state whether the specified requirements have immediate effect or state the time period within which they shall be complied with;
 - (b) may include directions consequential upon, or ancillary to, the requirements specified in the notice; and
 - (c) may direct that, in the case of a person who it has removed, the person should not be re-appointed, or accept re-appointment, to the same position, or to any specified position, within the insurance industry, at any time, or a period specified by the Authority, or until conditions specified by the Authority have been met.
- (4) Subsection (1) has effect notwithstanding any agreement, contract of employment, written law or rule of law or any provision in the licensee's constituting documents relating to the person.
- (5) Where a licensee becomes aware of any information that is reasonably material to the Authority's fit and proper assessment of the person concerned, the licensee shall notify the Authority as soon as is reasonably practicable.
- (6) A licensee that contravenes subsection (5) commits an offence and is liable to a fine not exceeding five hundred currency points.

104. Information to be furnished by insurer or HMO

- (1) An insurer or HMO shall prepare and cause to be submitted to the Authority an audited balance sheet within three months after the end of its financial year.

(2) An insurer or HMO shall exhibit throughout the year, in a conspicuous place in each of its offices and branches, and shall publish in a local newspaper of wide circulation within four months after the end of its financial year the following—

- (a) a copy of the auditor's report;
- (b) a statement of financial position clearly indicating the names and signatories of the directors;
- (c) a statement of comprehensive income;
- (d) the companies own statement of comprehensive income and financial position before consolidating its performance with other sister companies;
- (e) solvency ratios, claims ratios and management expense ratios for the current and previous year.

PART XI—FINANCIAL RECORDS AND STATEMENTS, FINANCIAL REPORTING, AUDIT AND ACTUARIAL REQUIREMENTS

105. Maintenance of financial records

(1) Every licensee shall keep, at its principal office in Uganda, records sufficient—

- (a) to show and explain its transactions;
- (b) to enable its financial position to be determined with reasonable accuracy, at any time;
- (c) to enable it to prepare financial statements and make returns as it may be required to prepare and make under this Act; and
- (d) where applicable, to enable its financial statements to be audited in accordance with this Act.

(2) A licensee shall retain the records required to be kept under this section for a period of at least ten years after the end of the financial year to which they relate.

(3) Subsection (2) applies to a former licensee.

(4) A licensee that contravenes subsection (1) or (2) or a former licensee that contravenes subsection (3) is liable to a fine not exceeding one thousand currency points.

106. Preparation of financial statements

(1) This section applies to an insurer, an insurance broker, a re-insurance broker, HMO, loss adjustor, risk adviser, and a loss assessor.

(2) The financial year of every licensee is the period of twelve months beginning on the 1st day of January in each year and ending on the 31st day of December in the same year.

(3) A licensee shall prepare financial statements for each financial year in accordance with the international financial reporting standards as adopted by the Institute of Certified Public Accountants in Uganda.

107. Auditing of accounts and auditors

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

(2) Where the Auditor General audits the accounts, the approval of the Authority shall not be required.

(3) The auditor shall

- (a) not be an employee, manager, director or shareholder of the licensee;
- (b) maintain a professional indemnity policy, as may be determined by the Authority;
- (c) be an accounting firm or practicing accountant licensed by the Institute of Certified Public Accountants of Uganda;
- (d) audit the accounts of the licensee in an independent and impartial manner;
- (e) ensure that an audit is conducted in accordance with international standards on auditing as adopted by the Institute of Certified Public Accountants of Uganda.

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

- (5) The auditor shall certify whether—
 - (a) he or she has obtained adequate information from the books and records of the licensee;
 - (b) the accounts of the licensee are in accordance with the information given to him or her by the licensee for the purposes of the audit;
 - (c) the financial statements are in accordance with the provisions of this Act; and
 - (d) the financial statements of the licensee give a true and fair view of the licensee's financial position and profit or loss.

(6) A person shall not act as the auditor of a licensee for a continuous period of more than four years and after that period that auditor is not eligible for appointment as auditor in any of the proceeding four years.

108. Audit and audit report

(1) A licensee to which section 106 applies shall make arrangements as are necessary to enable its auditor to audit its financial statements in accordance with this Act including—

- (a) giving the auditor a right of access at all reasonable times to its financial records and to all relevant documents and records; and
- (b) providing the auditor with the information and explanations that is required by the auditor for the purposes of the audit.

(2) An auditor shall carry out sufficient investigation to enable the auditor to form an opinion on the financial statements, and prepare an audit report, in compliance with this Act.

(3) The auditor is entitled to require from a director or an employee of the licensee, information and explanations as the auditor thinks necessary for the performance of the duties of the auditor.

(4) Upon completion of the audit of the financial statements of a licensee, the auditor shall provide a management letter and an audit report to the licensee.

*Financial statements***109. Financial statements**

(1) Every licensee shall prepare and submit to the Authority, within three months from the end of each financial year, in the prescribed form, annual reports containing—

- (a) the prescribed particulars relating to all financial transactions undertaken by the licensee during that year including, where applicable, a directors certificate and financial condition report;
- (b) a certified true copy of its financial statements, an auditor's certificate and any reports presented to shareholders;
- (c) returns that shall be in the prescribed form in the regulations;
- (d) the auditor's report;
- (e) any report on the affairs of the licensee made to its shareholders in respect of the financial year;
- (f) details of commission scales and incentive plans, bonuses or other incentives;
- (g) a statement detailing premiums which remain unpaid by the insured; and
- (h) any other information that the Authority may require as may be specified in the regulations.

(2) A licensee shall, in respect of and within such periods as may be specified in regulations made under this Act, submit to the Authority—

- (a) periodic financial statements, that may be unaudited;
- (b) a return in the form approved by the Authority, if any; and
- (c) such other information and documentation as may be specified in the regulations.

(3) Every intermediary to which section 106 applies shall, in accordance with international financial reporting standards adopted by the Institute of Certified Public Accountants of Uganda, keep proper books and submit to the Authority such annual and periodic returns and documents as the Authority may, by regulations, require to be submitted to it within the time period specified in the regulations.

(4) Where the Authority considers that financial statements or documents submitted by a licensee under this section are inaccurate or

incomplete or that they are not prepared in accordance with accounting standards, the Authority may reject the financial statements or documents.

(5) Where the Authority rejects financial statements or documents under subsection (4), the Authority shall issue appropriate directives to the licensee to rectify the inaccuracy or incompleteness and resubmit the financial statements or documents, and if the licensee does not comply with the directive, the Authority may amend the financial statements or documents at the cost of the licensee.

110. Group financial statements

(1) Where a licensee is a member of a group of companies, the Authority may require the licensee to submit group financial statements.

(2) The Authority may require that the group financial statements are audited by the auditor of the licensee or by an auditor authorised by the Institute of Certified Public Accountants of Uganda and approved by the Authority in writing.

111. Powers of Authority in relation to financial statements and other reports

(1) The Authority may at any time direct a licensee to supply the Authority with a report, prepared by its auditor or such other person as may be nominated by the Authority, on such matters as the Authority may determine.

(2) A report prepared under subsection (1) shall be at the cost of the licensee.

(3) Where the Authority is of the opinion that the auditor of a licensee has failed to fulfil his or her obligations under this Act or no longer meets the criteria for which he or she was approved as an auditor, the Authority may revoke the appointment of the auditor.

(4) Before the Authority revokes the appointment of an auditor under subsection (3), the Authority shall, in writing, give the auditor the grounds upon which the revocation is to be made and require the auditor to make written representations on those grounds.

(5) Where a licensee fails to appoint an auditor in accordance with this Act, the Authority may appoint a qualified person to act as the auditor of the licensee.

(6) An auditor appointed under subsection (5) is considered, for the purposes of this Act, to have been appointed by the licensee and the licensee shall be responsible for the costs and remuneration of the auditor.

Appointed actuary

112. Appointment of actuary by insurer and HMO

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

(2) An insurer and HMO shall not appoint a person as actuary under subsection (1) unless the person is a qualified actuary, and has consented in writing to the appointment and the Authority has given its prior written approval to the person's appointment.

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

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

(5) An insurer or HMO that contravenes subsections (1), (2), (3) and (4) is liable to a fine not exceeding one thousand currency points.

(6) The Authority may, by regulations, exempt specified types and descriptions of micro insurance organisations and non-life direct insurers from the requirement to have an actuary.

113. Actuarial investigation and actuarial report

- (1) A licensed insurer or HMO shall—
 - (a) ensure that its appointed actuary undertakes an actuarial review of its business and, if required by the regulations or the Authority, a group actuarial review, in respect of each financial year; and
 - (b) take all reasonable steps to ensure that the appointed actuary prepares a written actuarial report complying with the regulations within sufficient time for the insurer or HMO to submit the actuarial report to the Authority.
- (2) A licensed insurer or HMO shall ensure that the appointed actuary has access to all documents and records that the actuary requires to carry out an actuarial investigation and to prepare the report.
- (3) The appointed actuary is entitled to require from a director or an employee of the insurer or HMO such information and explanations as the appointed actuary thinks necessary for the performance of the duties of an actuary.
- (4) A licensed insurer or HMO that contravenes subsection (1) commits an offence and is liable to a fine of not exceeding one thousand currency points.

PART XII—INSPECTIONS, ACCESS TO INFORMATION AND
ENQUIRIES

114. Authority to inspect licensees

- (1) The Authority shall inspect the affairs of every licensee at least once in three years.
- (2) The Authority may, at any time, for the purpose of performing its function under subsection (1)—
 - (a) inspect the premises and the business, including the procedures and controls, of a licensee or a subsidiary or holding company of a licensee;
 - (b) inspect any premises or business of a person to whom a licensee has outsourced any functions or activities;

- (c) inspect the assets, including cash, belonging to or in the possession of or control of a licensee or any of its subsidiaries or holding companies;
- (d) examine and make copies of documents belonging to or in the possession or control of a licensee, any of its subsidiaries or holding companies; or
- (e) seek information and explanations from the officers, employees, agents and representatives of a licensee or any of its subsidiaries or holding companies.

(3) The Authority may, at any time before the expiry of three years, inspect the affairs of a licensee—

- (a) if it has reason to believe that
 - (i) the interests of the policy holders, shareholders or members of the public could be prejudiced;
 - (ii) the licensee is unable to meet his or her obligations under the Act;
 - (iii) the licensee has not complied with the provisions of this Act; or
 - (iv) the licensee is not complying with anti-money laundering and combating financing of terrorism laws; and
- (b) for any other reason.

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

(5) The person appointed to inspect under this section may question any officer of the licensee under oath.

(6) The licensee shall cooperate with the person appointed to inspect under this section 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 commits an offence.

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

(8) The Authority shall give reasonable notice to the licensee or other person of its intention to exercise its powers under this section except that where it appears to the Authority that the circumstances so justify, the Authority may exercise its powers without giving notice of its intention to do so.

(9) The Authority shall provide a licensee with a written report summarising the outcomes of every inspection that it undertakes.

(10) A person who prevents the Authority or an inspector from performing the duties under this section commits an offence and is liable to a fine not exceeding one thousand currency points.

115. Notice to provide information or produce documents

(1) Where reasonably required by the Authority for the performance of its functions under this Act or any other written law, the Authority may, by notice in writing given to a person specified in subsection (2), require the person to—

- (a) provide specified information or information of a specified description; or
- (b) produce specified documents or documents of a specified description.

(2) A notice under subsection (1)—

- (a) may be issued to—
 - (i) a licensee;
 - (ii) a former licensee;
 - (iii) a person the Authority reasonably believes to be carrying on, or to have at any time carried on, unauthorised business;
 - (iv) a related party in relation to a person specified in subparagraph (i), (ii) or (iii); or
 - (v) to any person who the Authority reasonably believes is in possession of the information or documents; and
- (b) shall specify the place where and the period within which the information or documents shall be provided or produced.

(3) The Authority may require—

- (a) any information or documents provided or produced under this section to be—

- (i) provided or produced in such form as the Authority may specify; and
- (ii) verified or authenticated in such manner as the Authority may reasonably specify;
- (b) that the information to be provided to, or the documents be produced to a person specified in the notice; and
- (c) that the person to whom the notice is issued, or a person who is or has been a director, auditor or actuary provides such explanations relating to the information or documents as the Authority may reasonably require.

(4) The Authority may take copies or extracts of any document produced under this section.

(5) Where a person claims a lien on a document, its production under this section is without prejudice to that lien.

(6) A person who, without reasonable excuse, fails to comply with a notice issued under this section commits an offence and is liable, on conviction, to a fine not exceeding one thousand five hundred currency points.

PART XIII—REMEDIAL MEASURES AND ENFORCEMENT

116. Application of this Part to financial institutions holding bancassurance authorisation

Except as expressly provided, this Part does not apply to a financial institution holding a bancassurance authorisation.

117. Recovery plans

The Authority may require a licensee to prepare a recovery plan if the Authority has reasonable grounds to believe that one or more of the following applies—

- (a) the licensee has breached or is likely to breach solvency control levels specified in regulations made under section 47(3);
- (b) the business of the licensee has not been, or is not being conducted in a prudent manner or in accordance with sound insurance principles;

- (c) the licensee is carrying on or is likely to carry on its licensed business in a manner detrimental to the interests of its policy holders or prospective policy holders or, in the case of HMO, its members or prospective members, or the public interest; or
- (d) the licensee has failed or is failing to comply with any requirement of this Act or any condition of its licence.

118. Recovery plan to be approved by Authority

(1) A licensee shall, within such period as the Authority may require the licensee, provide a recovery plan to the Authority.

(2) The Authority shall, after receiving the recovery plan, inform the licensee whether the Authority is satisfied with the recovery plan or the recovery plan no longer meets the purpose or requirements upon which it was approved.

(3) Where the Authority is not satisfied with the recovery plan, the Authority may require the licensee to amend the recovery plan and to resubmit the plan to the Authority for approval within a period specified by the Authority.

(4) A licensee may amend its recovery plan only with the written approval of the Authority.

(5) Where, at any time, the Authority is no longer satisfied that the recovery plan meets the purpose or requirements upon which it was approved, the Authority may, by written notice, require the licensee to amend the plan in the manner specified by the Authority and to resubmit the plan to the Authority for approval within a reasonable time that the Authority may specify.

119. Licensee to comply with recovery plan

Every licensee shall, after the recovery plan has been approved by the Authority, comply with the plan.

*Directives***120. Directives to licensees**

- (1) Where the Authority—
 - (a) has reasonable grounds to believe that—
 - (i) the licensee has departed substantially from the most recent business plan submitted to the Authority;
 - (ii) the governance structure of the licensee is no longer appropriate having regard to the nature, scale and complexity of its business and the risks to which it is exposed;
 - (iii) one of the grounds specified in section 117 applies to the licensee; or
 - (b) whether as a result of inspection or otherwise, has identified a matter that, in its opinion, represents a supervisory risk,the Authority may issue a directive for the better carrying into effect the provisions of this Act.

(2) A licensee that fails to comply with a directive issued under this section is liable to a fine not exceeding one thousand currency points.

121. Directives by Authority to persons carrying on unauthorised business

(1) The Authority shall issue a written directive to a person carrying on, or that has carried on, unauthorised business requiring the person to cease carrying on the unauthorised business concerned or to take such action as the Authority considers necessary to protect the property of, or in the custody, possession or control of, the person or the interests of persons with whom the person has carried on the unauthorised business.

(2) A person who fails to comply with a directive issued under subsection (1) is liable to a fine not exceeding one thousand currency points.

122. Appointment of investigator

(1) The Authority may appoint one or more competent persons as an investigator to conduct an investigation on its behalf—

- (a) with respect to a licensee, if it considers that there are grounds for the Authority to—
 - (i) require a recovery plan;
 - (ii) issue a directive;
 - (iii) apply to the court for a protection order; or
 - (iv) appoint an investigator in the interests of the customers or creditors or potential customers or creditors of the licensee or in the public interest; and
 - (b) with respect to any person, if it appears to the Authority that the person is carrying on, or has carried on, unauthorised business.
- (2) The matters investigated by an investigator appointed under subsection (1) may include—
- (a) the nature, conduct or financial condition of the person's business;
 - (b) a particular aspect of the person's business;
 - (c) the ownership or control of the person being investigated;
 - (d) in the case of a licensee, whether there are grounds for taking any of the actions specified in subsection (1)(a)(i), (ii), (iii) and (iv); or
 - (e) whether the person is carrying on, or has carried on, unauthorised business.
- (3) The Authority may give directions to the investigator concerning any one or more of the following
- (a) the scope of the investigation;
 - (b) the period for the conduct of the investigation;
 - (c) the conduct of the investigation; or
 - (d) the manner in which the investigator shall report to the Authority.
- (4) Where an investigator is appointed with respect to a former licensee, an investigation under subsection (2) shall—
- (a) in the case of paragraphs (a) and (b), extend only to the person's business carried on at any time when the person was a licensee; and
 - (b) in the case of paragraph (c), extend only to the ownership or control of the person at any time when the person was a licensee.
- (5) An investigator shall submit a report of his or her investigation to the Authority and a copy shall be provided to the licensee or HMO that was the subject of investigation.

- (6) The Regulations may provide for the—
 - (a) notice to be given to a person to be investigated under this section;
 - (b) conduct of an investigation;
 - (c) powers of an investigator appointed under this section; and
 - (d) payment of remuneration to the investigator.

(7) A person who fails to provide all assistance reasonably required by an investigator appointed under this section commits an offence and is liable, on conviction, to a fine not exceeding one thousand currency points.

123. Powers of investigator

(1) Subject to subsection (2) and to any direction under section 122(3), an investigator appointed under this section has—

- (a) the power to require the person under investigation or any person connected with the person under investigation to attend before the investigator to answer questions; and
- (b) the powers of the Authority to require the provision of information or documents.

(2) The investigator may only exercise the powers under subsection (1) to the extent that the investigator considers it necessary for the purposes of the investigation.

(3) An investigator appointed under section 122 may, if the investigator considers it necessary for the purposes of the investigation, on giving written notice to the person concerned, also investigate the business of any person who is, or at any relevant time has been—

- (a) a member of the group of which the person under investigation is a part; or
- (b) a partnership of which the person under investigation is a member.

Management take over

124. Management take over

(1) The Authority may, on any ground specified in subsection (2), appoint a person to be known as a statutory manager to manage, control and direct the business and affairs of a licensee and to take custody of its assets.

(2) The following grounds are specified for the purposes of subsection (1)—

- (a) the licence of the licensee has been revoked under this Act;
- (b) in the opinion of the Authority—
 - (i) in the case of an insurer, the insurer has breached or is likely to breach a solvency control level specified in regulations made under section 47(3);
 - (ii) the licensee is conducting business in a manner contrary to this Act;
 - (iii) the continuation by the licensee of its activities is detrimental to the interests of its customers; and
 - (iv) the licensee is engaged in or is knowingly facilitating criminal activities.

(c) The statutory manager of a licensee shall have the power to—

- (a) continue or discontinue any of its operations as a licensee notwithstanding the revocation of its licence;
- (b) employ necessary staff;
- (c) execute any instrument in the name of the licensee;
- (d) initiate, defend and conduct in its name any action or proceeding to which the licensee may be a party;
- (e) appoint an advisory board;
- (f) revoke a licence;
- (g) sell or otherwise dispose of any of the property of the licensee and any subsidiaries and holding companies; or
- (h) do any other act which is necessary to enable the statutory manager to execute his or her obligations under this section or section 125.

(4) The statutory manager may, after his or her appointment, appoint an auditor to perform such functions as the statutory manager may consider appropriate.

(5) The Authority shall upon appointing a statutory manager of a licensee, immediately inform the public.

(6) Upon appointment of a statutory manager, the Board of Directors of the licensee shall stand suspended.

(7) A statutory manager shall have the functions of the Board of Directors of the licensee, including the Board's powers of delegation and use of the seal.

(8) A statutory manager shall, upon assuming the management, control and conduct of the affairs and business of a licensee, discharge his or her duties with diligence with due regard to the interests of the licensee, its policy holders and other creditors.

(9) A statutory manager shall hold office on such terms and conditions as may be prescribed in the instrument of appointment, and in any case, at the cost of the licensee.

(10) The Authority shall oversee and give general direction to the statutory manager in the performance of his or her duties under this Part.

125. Duties of statutory manager

(1) Where a licensee complies with the prudential requirements set out in this Act within the period specified in this Part, the Authority shall request the shareholders of the licensee, subject to the provisions on appointment of the Board of Directors, to appoint an interim Board of Directors, charged with the management and control of the licensee.

(2) The interim Board of Directors appointed under this section shall hold office on such terms and conditions as may be prescribed in the instrument of appointment, and in any case, at the cost of the licensee.

(3) Where, within six months of its appointment, the Authority is of the opinion that the interim Board of Directors is managing the licensee in accordance with prudential requirements, the Authority shall request the shareholders of the licensee, subject to the provisions on appointment of Board of Directors, to confirm the appointment of each eligible individual director.

- (4) The duties of a statutory manager shall include—
- (a) tracing and preserving all the property and assets of the licensee;
 - (b) recovering debts and other sums of money due and owing to the licensee;

- (c) evaluating the capital structure and management of the licensee and recommending to the Authority any restructuring or reorganisation which he or she considers necessary and which, subject to the provisions of any other written law, may be implemented by him or her on behalf of the licensee;
- (d) entering into contracts in the ordinary course of the business of the licensee including raising of funds by borrowing on such terms as he or she may consider reasonable;
- (e) obtaining from any officers or employees of the licensee any documents, records, accounts, statements or information relating to its business;
- (f) issuing a new balance sheet and profit and loss accounts;
- (g) making reports to the Authority on the discharge of his or her duties under this Act; and
- (h) any other duties that may be assigned to him or her by the Authority.

(5) For the purposes of discharging his or her functions under this section, the statutory manager may declare a moratorium on the payment by the licensee of its liabilities to depositors and other creditors.

- (6) The declaration of a moratorium shall—
 - (a) be applied equally and without discrimination to all classes of creditors;
 - (b) limit the maximum rate of interest which shall accrue on deposits and other debts payable by the institution during the period of the moratorium to the minimum rate as may be prescribed by the Authority notice for the purposes of this section except that this paragraph shall not be construed so to impose an obligation on the licensee to pay interest or interest at a higher rate to any depositor or creditor than would otherwise have been the case;
 - (c) suspend the running of time for the purposes of any law of limitation in respect of any claim by any depositor or creditor of the institution; or
 - (d) cease to apply upon the termination of the manager's appointment in which case the rights and obligations of the licensees, its policy holders and creditors shall, except to the extent provided in paragraphs (b) and (c), be the same as if there had been no declaration under this subsection.

(7) A statutory manager may for the purposes of exercising his duties under this Act require any person who has at any time been an officer or director of the licensee to provide the statutory manager with information relating to business of the financial institution.

(8) Any person who wilfully fails, refuses or neglects to provide any information requested under subsection (4) commits an offence and is liable, on conviction, to a fine not exceeding two hundred fifty currency points or to imprisonment for a term not exceeding two years, or both.

126. Removal and termination of statutory manager

(1) The Authority may remove a statutory manager for failure to perform his or her duties or for another good cause and appoint another suitably qualified and experienced person to act as statutory manager in place of the statutory manager removed.

(2) The Authority may, by written notice, terminate the appointment of the statutory manager and the statutory management process if it is of the opinion that—

- (a) the purpose of the statutory management has been achieved or cannot be achieved; or
- (b) the licensee should be wound up under Part XIV of this Act.

(3) On the termination of the statutory management, unless proceedings for the winding up of the licensee under Part XIV of this Act are commenced, the management of the licensee reverts in the Board of Directors.

127. Application for and grant of protection order

(1) The Authority may apply to the court for an order under this section with respect to a licensee or a person that is carrying on, or has carried on, unauthorised business.

(2) Before the Authority applies for a protection order in respect of a licensee or a person carrying on unauthorised business, the Authority must be of the opinion that the order is necessary to protect or preserve the business or property of the person with respect to whom the application is made, or the

interests of the person's customers, prospective customers, creditors or the public.

PART XIV—WINDING UP OF LICENSEES AND OTHER MATTERS

128. Winding up

Notwithstanding anything contained in the Companies Act to the contrary, an insurer carrying on life insurance business shall not be wound up voluntarily without the prior written approval of the Authority except for the purposes of effecting an amalgamation or transfer.

129. Powers to wind up licensee

- (1) The Authority is the only body authorised to wind up a licensee.
- (2) A winding up petition relating to a licensee shall be referred to the Authority which shall decide whether to handle the petition or give permission for the petitioner to proceed with the court process.
- (3) The winding up procedures for licensees shall be prescribed by regulations.

130. Winding up by Authority

- (1) The Authority may wind up the business of a licensee where—
 - (a) the licensee is carrying on insurance business without being licensed under this Act;
 - (b) the licensee has not complied with the prescribed paid-up capital or security deposit requirements under this Act, or where the margin of solvency of the licensee is less than that specified under this Act;
 - (c) in the absence of an appeal or dismissal of an appeal, revocation of a licence takes place;
 - (d) the licensee is not able to meet its obligations to a policy holder under an insurance contract; or
 - (e) the Authority believes it is just and equitable and in the interests of the policy holders to wind up the licensee.

(2) Notwithstanding the provisions of the Companies Act and the Insolvency Act, in the winding up of an insurer or HMO, insurance claims shall have priority and the assets of the company, shall first be applied in satisfying the company's liabilities under insurance contracts after payment of the properly incurred costs and expenses of the winding up.

PART XV—GENERAL

131. Requirement to consult

(1) Before making, amending or replacing any regulation or issuing any guidance, the Authority shall—

- (a) provide persons that the Authority considers will be substantially affected with a copy of the proposed—
 - (i) regulations or guidance;
 - (ii) amendments to the regulations or guidance; or
 - (iii) replacement regulations or guidance;
- (b) give those persons a reasonable opportunity to make written representations to the Authority; and
- (c) consider any written representations that the Authority receives.

(2) The Authority may comply with its obligations under—

- (a) subsection (1)(a), by publishing the relevant documents on its internet site; and
- (b) subsection (1), in respect of a person by consulting with any professional or trade association of which the person is a member and considering representations by that association.

(3) The Authority may provide a response to any written representations that it receives.

132. Insurable interest policies

(1) A policy of insurance shall not 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.

133. Protection of information from disclosure

A member of the Board, staff of the Authority or any person performing a function or duty under this Act, who receives information in the discharge of his or her functions under this Act, shall treat the information which comes to the knowledge of the person as confidential and shall not disclose the information unless required by law.

134. Ombudsman to handle complaints and disputes

(1) There is established an Ombudsman to arbitrate complaints and disputes concerning licensees and the general public.

- (2) The Minister may, by regulations, prescribe
 - (a) the procedures for the arbitration by the Ombudsman of complaints and disputes concerning licensees referred to the Authority;
 - (b) the nature of complaints and disputes subject to arbitration; and
 - (c) the fees payable in respect of arbitration.

(3) Until the establishment of the Ombudsman, the Authority shall perform the functions of the Ombudsman.

135. Insurance Appeals Tribunal

(1) The Insurance Appeals Tribunal established before the commencement of this Act is continued in existence under this Act.

(2) The Tribunal shall consist of five persons with professional qualifications and experience relating to the functions of the Authority, one of whom shall be an advocate.

(3) At least two of the members of the Tribunal shall be women.

(4) The Minister shall appoint one of the members to be the Chairperson of the Tribunal.

(5) The Tribunal shall conduct its business on an *ad hoc* basis.

(6) Expenses of the administration of the Tribunal shall be borne the Authority or as shall be determined in the regulations.

136. Tribunal to review decisions of Authority

(1) A person aggrieved by any decision of the Authority may, within one month from the date the decision is communicated by the Authority, appeal to the Tribunal against the decision.

(2) The Tribunal shall not decide any matter brought before it without giving the appellant an opportunity to be heard.

(3) The Tribunal may uphold, reverse, revoke or vary a decision of the Authority or remit the matter back to the Authority for reconsideration, with or without guidance.

(4) A decision of the Tribunal shall be in writing and shall be communicated within ninety days after an appeal is made to the Tribunal.

(5) A party aggrieved by the decision of the Tribunal, may within thirty days of the date of communication of the decision of the Tribunal, lodge a notice of appeal with the High Court.

(6) The Authority shall bear the expenses of the administration of the Tribunal.

(7) The Minister may, by statutory instrument, make regulations prescribing matters to enable the effective operation of the Tribunal.

(8) The regulations made under subsection (7) shall be laid before Parliament.

137. Policy Holders' Compensation Fund

(1) The Policy Holders' Compensation Fund in existence at the commencement of this Act, is continued in existence under this Act.

(2) The function of the Policy Holders' Compensation Fund is to build a reserve fund that can be used to provide a level of compensation, but not necessarily full compensation, to eligible unpaid claimants under policies issued by licensees that enter into liquidation under the Insolvency Act.

(3) The Policy Holders' Compensation Fund shall be managed by a board of trustees.

(4) The members of the Board of Trustees shall be appointed by the Minister and the composition and the terms and conditions of service of the Board of Trustees shall be prescribed by regulations.

(5) The money of the Policy Holders' Compensation Fund shall consist of—

- (a) a premium levied on licensees, after consultation with licensees on recommendation of the Authority;
- (b) loans, grants, gifts, donations; and
- (c) money from any other source, approved by the Minister in writing.

138. Regulations on Policy Holders' Compensation Fund

The manner of governing the Policy Holders' Compensation Fund, the entitlement to payments from the Fund and payments out of the Fund shall be prescribed by regulations.

Insurance Training College

139. Establishment of Insurance Training College

(1) There is established an Insurance Training College responsible for insurance training in Uganda.

(2) For the purposes of subsection (1), the Insurance Institute of Uganda existing immediately before the commencement of this Act, shall be transformed into the Insurance Training College.

(3) The Minister, on the recommendation of the Authority, shall appoint the Board of the College.

(4) The College shall receive and administer the Insurance Training levy specified in section 140.

(5) The insurance training levy shall be applied by the College to fund insurance training for licensees and for the certification of training programmes for licensees provided by the College or other body specified by the Minister, by statutory instrument.

(6) The College shall, within ninety days of the end of the financial year, file with the Authority, its audited accounts for the preceding year.

(7) The accounts of the College shall be audited in accordance with the Public Finance Management Act.

(8) Every person licensed under this Act shall be a member of the Insurance Training College.

(9) The Minister may, on the recommendation of the Authority, by statutory instrument, make regulations prescribing—

- (a) the governance requirements for the College;
- (b) the procedures for safeguarding the assets of the College;
- (c) the manner of preparation, auditing and submission to the Authority of financial statements; and
- (d) such other matters as the Minister considers appropriate.

140. Insurance training levy

(1) Every insurer and HMO, shall remit to the College, a levy on the gross direct premium written by licensees.

(2) The levy shall be charged on the policy holders and collected by licensees.

(3) The levy shall be at a rate prescribed by the Authority, by regulations.

(4) The insurance training levy shall be applied by the College to fund insurance training, examination, certification and registration of licensees.

141. 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 any other person relating to insurance business commits an offence and is liable to a fine not exceeding five hundred currency points.

142. Annual and other reports

(1) The Authority shall, not later than six months after the end of each financial year, make and submit to the Minister, a report on the activities of the Authority during that financial year.

(2) The Authority shall submit to the Minister, together with the report referred to in subsection (1), the audited financial statements of the Authority, and the auditor's report on those statements.

(3) The Board shall also submit to the Minister, such other reports on its activities or on any other matter as the Minister may, require.

(4) Any report made under this section shall be published by the Authority in a manner determined by the Authority.

143. Service of notices on Authority

Any notice or other document required to be served on the Authority may be served by delivery at the office of the Chief Executive Officer and obtaining evidence of receipt.

144. Protection from liability

(1) A member of the Board shall not be personally liable in respect of any act or omission done in good faith in the performance of his or her functions under this Act.

(2) An officer, a member of staff, any person acting on behalf of the Authority or any person performing his or her functions under this Act shall not be personally liable in respect of any act or omission done in good faith in the performance of his or her functions under this Act.

145. Offences and penalties

(1) Any 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 is liable, on conviction, to a fine of not less than one hundred currency points and not more than five hundred currency points or to imprisonment for a term of not less than three months and not more than six months, or both.

(2) In the alternative 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 five years and thereafter shall not be issued a licence without the approval of the Minister.

(3) Any 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,
- is liable to a fine of not less than one hundred fifty currency points.

(4) An insurance or re-insurance company which fails to comply with an order issued by the Minister or the Authority 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 twenty-five currency points;
- (c) suspension or revocation of the licence.

(5) An insurance intermediary which fails to comply with an order issued by the Minister or the Authority 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 twenty-five currency points;
- (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.

(7) An insurer shall not pay any commission or remuneration to any intermediary who is not licensed under this Act and an insurer who violates this section is liable to a fine of twenty percent of the premium received or the fine imposed under subsection (4)(b), whichever is higher.

146. Display of licence

(1) A licensee 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) Any person who contravenes this section is liable to a fine not exceeding fifty currency points.

147. Publication of details relating to licensees

The Authority shall publish, in an appropriate manner and form, the details of licensees and the scope of the licences granted under this Act.

148. Consultation of foreign supervisors in relation to applicants for licence

The Authority shall not grant a licence to an applicant for a licence established outside Uganda, unless the Authority consults the supervisor of the applicant in the country where the applicant is established.

149. Compliance with anti-money laundering and combating of terrorism financing

Every licensee shall comply with the provisions of the Anti-Money Laundering Act and the laws relating to combating financing of terrorism.

150. Regulations

The Minister shall, by statutory instrument, in consultation with the Authority, make regulations for better carrying into effect the provisions of this Act.

151. Power to amend Schedules

The Minister may, by statutory instrument, with the approval of Cabinet, amend the Schedules to this Act.

SCHEDULES

Schedule 1

Sections 1, 151

Currency Point

A currency point is equivalent to twenty thousand shillings.

Schedule 2

Sections 1, 58(2), 59(1), 84(3), 151

Criteria for Determining Whether Person is Fit and Proper Person to Manage, Control, Become Director, Substantial Shareholder or Senior Manager or Licensee

1. In order to determine, for the purposes of this Act, the professional and moral suitability of persons proposed to manage or control a licensee, to become a substantial shareholder, or director, the Authority, shall have regard to the following qualities, insofar as they are reasonably determinable, in respect of the person concerned—
 - (a) his or her general probity;
 - (b) his or her competence and soundness of judgment for the fulfilment of the responsibilities of the office in question;
 - (c) the diligence with which the person concerned is fulfilling or likely to fulfil those responsibilities; and
 - (d) whether the interests of policy holders or prospective policy holders of the licensee are, or are likely to be in any way threatened by his or her holding that position.

2. For the purposes of and without prejudice to the general effect of paragraph 1, the Authority may have regard to the previous conduct and activities of the person concerned in business or financial matters and, in particular, to any evidence that the person—
 - (a) has been convicted of the offence of fraud or any other offence of which dishonesty or violence is an element;
 - (b) has contravened any law designed for the protection of members of the public against financial loss due to the dishonesty or incompetence of, or malpractice by, persons engaged in the provision of banking, insurance, investment or other financial services or the management of companies or against financial loss due to the conduct of a discharged or undischarged bankrupt;
 - (c) was a director of a licensee that has been liquidated or is under liquidation or management of the Authority or under receivership;
 - (d) has taken part in any business practice that in the opinion of the Authority, was deceitful or oppressive, fraudulent, prejudicial or otherwise improper whether unlawful or not, or which otherwise reflect discredit on his or her method of conducting business;
 - (e) has engaged or taken part in or been associated with any other business practices or otherwise conducted himself or herself in

- such manner as to cause doubt on his or her competence and soundness of judgment; and
- (f) has defaulted on a loan or a company in which he or she is a director has defaulted on a loan.
3. The Authority may request any person to furnish such additional information as may be necessary in determining the professional or moral suitability of that person.

Schedule 3

Sections 9(4),18, 151

Meetings of Board and Related Matters

1. Meetings of Board

(1) The Board shall meet for the discharge of its functions as often as business requires, and in any case the Board shall meet at least once in every three months; and the Chairperson shall convene a meeting whenever at least three members of the Board request in writing for a meeting.

(2) The Chairperson or Deputy Chairperson shall preside at all meetings of the Board and; in the absence of both, the members shall elect one of the members to preside.

2. Quorum

The quorum at any meeting of the Board is four members.

3. Decision

A decision on a question proposed at any meeting of the Board shall be determined by consensus, and where there is no consensus, the decision shall be by a simple majority of the members present and voting; and in the case of an equality of votes, the person presiding shall have a casting vote in addition to his or her deliberative vote.

4. Minutes of proceedings

The Board shall cause to be kept, minutes of all the proceedings of the meetings of the Board.

5. Power to co-opt

The Board may invite any number of persons to act as consultants or advisers at any of the meetings of the Board.

6. Disclosure of interest

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

7. Board to regulate own procedure

Subject to this Act and regulations made under it, the Board may regulate its own procedure.

8. Seal of Authority

(1) The application of the seal of the Authority on any document shall be authenticated by the signature of the Chief Executive Officer and the Secretary to the Authority; and, in the absence of the Chief Executive Officer, the person acting shall sign in his or her place, and the person performing the functions of the Secretary shall sign in the absence of the Secretary.

(2) The signature of the Chief Executive Officer and the Secretary to the Authority shall be independent of the signing by any other person who may sign the document as a witness.

(3) A document purporting to be an instrument issued by the Board and sealed by the common seal of the Authority, 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: Act 6/2017; S.I. 9/2018

Cross References

Constitution

Anti-Money Laundering Act, Cap. 118

Companies Act, Cap. 106

Cooperative Societies Act, Cap. 107

Financial Institutions Act, Cap. 57

Insolvency Act, Cap. 108

Microfinance Deposit-Taking Institutions Act, Cap. 58

Public Finance Management Act, Cap. 171
