

**BILLS
SUPPLEMENT No. 7**

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BILLS SUPPLEMENT

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CALL NO.....

Bill No. 11

Insurance Bill

2016

THE INSURANCE BILL, 2016

MEMORANDUM

1. Policy and principles of the Bill.

The policy behind the Bill is to repeal the Insurance Act, Cap. 213; to amend and replace the law relating to insurance; to provide for the regulation of insurance business; to continue in existence the Insurance Regulatory Authority of Uganda as the body responsible for the regulation of insurance business; and to provide for related purposes.

2. Defects in the existing law.

At present, the current law on insurance in Uganda is contained in the Insurance Act, Cap. 213, which came into force in 1996.

In 2011, Parliament amended Cap. 213 to deal certain insurance matters that were urgent at the time including redesignating the Insurance Commission as the Insurance Regulatory Authority of Uganda with the object of ensuring the effective administration, supervision, regulation and control of the insurance industry in Uganda.

At the time of the amendment of Cap. 213, the International Association of Insurance Supervisors (IAIS)'s Insurance Core Principles (ICP) had not yet come into force. These ICP which are adhered to by 240 countries, are now the bench mark for all insurance business in the world and Uganda is obliged to give effect to them in order to compete on the world stage.

In addition, Cap. 213 does not incorporate the Recommendations of the Financial Action Task Force (FATF) including recommendations relating to anti-money laundering and countering financing of terrorism.

Uganda's compliance with the ICP and FATF recommendations gives the investors comfort, the bankers willingness to lend and leads the reinsurers to reduce their rates. On the whole Uganda becomes comes a more acceptable destination for investors.

3. Remedies proposed in the Bill.

The intention of the Bill therefore is to amend, replace and reform the law relating to insurance by incorporating the International Association of Insurance Supervisors (IAIS)'s Insurance Core Principles (ICP), the Recommendations of the Financial Action Task Force (FATF) including providing for anti-money laundering and countering financing of terrorism and for related purposes.

Provisions of the Bill.

The Bill comprises fifteen Parts

PART I of the Bill deals with preliminary matters and these include definition of key words used in the Bill.

PART II of the Bill relates to the establishment of the Insurance Regulatory Authority of Uganda by providing for the composition of the Authority, functions of the Authority, Board of the Authority since currently, the Authority has no Board like other statutory bodies. In effect, there is no governing body for the Authority which means that there are governance issues. The Board shall be responsible for the general direction and supervision of the Authority.

PART III of the Bill deals with the staff of the Authority including the Chief Executive Officer, Secretary to the Authority and other officers and staff of the Authority.

PART IV of the Bill relates to financial provisions, where clause 25 of the Bill, provides that the funds and sources of revenue of the Authority shall consist of—

- (i) money appropriated by Parliament for the purposes of the Authority;
- (ii) grants, gifts or donations from the Government or other sources made with the approval of the Minister and the Minister responsible for finance;
- (iii) revenue earned from activities of the Authority under the Act;
- (iv) annual contributions, fees, charges and fines recovered by the Authority; and
- (v) any other funds received by the Authority in the performance of its functions.

The Part also provides for other related matters like the duty to operate on sound financial principles, power to open and operate bank accounts, borrowing powers, and estimates, financial year of Authority and Accounts and audit.

PART V of the Bill relates to licensing of insurers and health membership organizations. The Bill provides for licensing procedures in accordance with Insurance Core Principles and also provides for licensing requirements for new players such as banks engaging in insurance business.

PART VI of the Bill deals with the Prudential Regulation of Insurers, HMOs and micro insurance organisations. In particular the Part deals with the maintenance of financial soundness condition of the Insurer or HMOs, the share capital of the insurer or HMOs, the requirement to make security deposit, issues relating to risk management, mandatory reinsurance placements with international and national organisations, unlicensed intermediaries and prohibition on entering into insurance contract without premium.

PART VII of the Bill provides for reinsurance Business.

PART VIII of the Bill provides for amalgamations and transfers. Clause 75 of the Bill restricts amalgamations and transfers that an insurer shall not, without the prior written approval of the Authority—

- (a) transfer its insurance business, or any part of its insurance business, to another person;
- (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 person.

PART VIII of the Bill relates to licensing and regulation of insurance intermediaries and authorisation of bancassurance. Specifically the Part deals with prohibition on unlicensed insurance intermediaries, prohibition on unauthorised bancassurance, insurance intermediary licences.

PART IX of the Bill contains special provisions on insurance intermediaries and bancassurance. According to this Part, an insurance or reinsurance broker or an insurance agent shall not accept a cheque or other payable order from a policy holder or prospective policy holder in respect of a premium, or other monies, paid for or on account of an insurer in connection with an insurance contract or a proposed insurance contract unless the cheque or payable order is made payable to the insurer and that an insurance or reinsurance broker that receives cash from, or on behalf of, a policyholder or prospective policyholder for or on account of an insurer shall—

- (a) immediately notify the insurer in writing that it has received the monies on the insurer's behalf;
- (b) pay the cash without any deductions, whether for commission or otherwise, to the insurer, or into a bank account maintained by the insurer, on the same working day or, if this is not practicable, on the following working day.

Part X of the Bill provides for the regulation of significant changes in control, management and constitutional instruments of licensees. For instance this Part deals with changes in control, the application for approval of change in control, the Authority's powers concerning significant owners, changes in directors, senior management and key persons in control functions.

Part XI of the Bill provides for financial records and statements, financial reporting, audit and actuarial requirements. For instance the Part provides for the preparation of financial statements, appointment of auditor, audit and audit report, submission of financial statements and other documents to the Authority, group financial statements, powers of Authority in relation to financial statements and reports, appointed actuary, actuarial investigation and financial condition report, reporting obligations of auditors and appointed actuaries and regulations concerning financial statements and audit.

PART XII of the Bill provides for inspections, access to information and enquiries by providing for the on-site inspections, duties of licensees and their directors or senior managers.

PART XIII of the Bill relates to remedial measures and enforcement by providing for the recovery plans that the Authority may give an insurer or an HMO.

PART XIV of the Bill deals with winding up of insurers, HMOs, insurance intermediaries.

PART XIV of the Bill provides for the general matters with specific provisions relating to insurance Appeals Tribunal, Policyholders' Compensation Fund, establishment of training college and other matters.

FRED JACHAN OMACH, (MP),
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Economic Development (General Duties).*

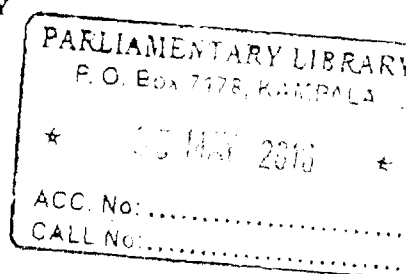
THE INSURANCE BILL, 2016

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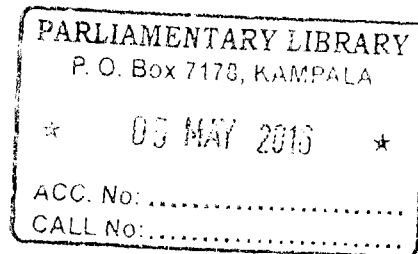
*Clause***PART XV — GENERAL PROVISIONS**

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SCHEDULES



A Bill for an Act

ENTITLED

THE INSURANCE ACT, 2016

An Act to repeal the Insurance Act, Cap. 213; to amend and replace the law relating to insurance; to provide for the regulation of insurance business; to continue in existence the Insurance Regulatory Authority of Uganda as the body responsible for the regulation of insurance business; and to provide for related purposes.

BE IT ENACTED by Parliament as follows:

PART I—PRELIMINARY

1. Commencement.

This Act shall come into force on such date as the Minister may, by statutory instrument appoint; but the Minister may appoint different dates for different provisions of this Act.

2. Interpretation.

In this Act, unless the context otherwise requires—

“actuary” means a person who is a member, an associate or a fellow of a professional institute, faculty, society or association of actuaries, recognised as such by the Authority and who is authorised by that institute, faculty, society or association to certify actuarial valuations of life insurance business and includes an internal actuary or external actuary;

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

“Authority” means the Insurance Regulatory Authority of Uganda continued in existence by this Act;

“bancassurance authorisation” means an authorisation to undertake bancassurance;

“Board” means the Board of the Authority;

“Chief Executive Officer” means the Chief Executive Officer of the Authority;

“commercial bank” has the meaning assigned to it in the Financial Institutions Act, 2004;

“control function” means—

- (a) in relation to an insurer, a function specified in section 6(1);
- (b) in relation to a health membership organisation, a function specified in section 6(2);
- (c) in relation to an insurance intermediary, a function specified in section 9(2);

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

“customer” means —

- (a) in the case of an insurer, a policyholder 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 reinsurance contract;

“director” means a director of the governing body of a licensee that is a body corporate;

“distribution” has the meaning specified in section 42;

“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;

“foreign insurer” means an insurer that is incorporated outside Uganda;

“foreign reinsurer” means a foreign insurer whose primary business is the business of entering into reinsurance contracts, as reinsurer;

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

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

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

“insurance broker” means a person, not being an insurance agent, who acts as an independent contractor for commission or remuneration, or who solicits or negotiates insurance business on behalf of an insured or prospective insured other than himself or herself;

“insurance business” means the business of undertaking liability as an insurer or a reinsurer 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 a person a person who invites other persons to make offers or proposals or take other steps with a view to entering into an insurance contract with an insurer and includes an insurance agent, an insurance broker, a risk advisor, a loss assessor, a third party administrator but does not include a person who merely publishes an invitation to the order of another person;

“insurance training levy” means the levy specified in section 129;

“insurer” means a person who carries on insurance business and includes a direct insurer, a reinsurer or a micro insurance organisation;

“internal actuary” in relation to an insurer, means an actuary who is an employee of the insurer;

- “international financial reporting standards” means the standards issued, from time to time, 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;
- “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 microinsurance 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 policyholders are members of the company and which has no share capital;

“national reinsurance company” means a company approved by the Authority as a national reinsurance company and of more than fifty one percent of the shares of the company are owned by insurers incorporated in Uganda or the decisions of the company are arrived by the majority who are insurers incorporated in Uganda;

“non-life insurance business” means insurance business of a class specified as non-life insurance business;

“non-life insurer” means an insurer whose licence authorises the insurer to carry on non-life insurance business;

“policyholder” 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;

“premium” means the consideration for entering into an insurance contract;

“reinsurance business” means the business of undertaking liability as a reinsurer under reinsurance contracts;

“reinsurance contract” means an insurance contract under which one insurer, called the reinsurer, indemnifies, or otherwise compensates, another insurer, called the cedant, against losses on one or more contracts of insurance entered into by the cedant;

“reinsurer” means a person holding a reinsurers licence;

“repealed Act” means the Insurance Act, Cap. 213

“risk advisor” 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 56;

“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

“substantial shareholder” means any person who holds more than five percent of the shares of a licensee or exercises control over the decisions of the licensee;

“takaful insurance” means insurance conducted in accordance with Sharia’h principles;

“Tribunal” means the Insurance Appeals Tribunal established under the repealed Act and continued in existence in accordance with this Act;

“ZEP-RE” means ZEP-RE (PTA Reinsurance Company) established under an Agreement of the Heads of State and Governments of the COMESA Region on 21st November 1990.

3. Meaning of “bancassurance”.

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

(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
- (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 policyholder 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. Meaning of “unauthorised business”.

For the purposes of this Act, a person carries on unauthorised business where the person carries on any activity or business without a valid licence issued by the Authority in accordance with this Act.

5. Meaning of “insolvent”.

(1) An insurer or HMO is insolvent where the insurer or HMO does not meet the minimum solvency capital requirements specified in respect of the insurer or HMO by this Act.

(2) An insurance intermediary is insolvent if the value of its liabilities exceeds the value of its assets.

6. Classification of insurance business.

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

7. Insurers to be bodies corporate.

A person shall not carry on insurance business in Uganda except a company incorporated under the Companies Act, 2012, an insurance corporation established by law, a cooperative insurance society registered under the Cooperative Societies Act or a mutual insurer.

8. 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.

(2) 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.

(3) An application for licensing a mutual insurer under this Act shall be made within a period that may be prescribed by the Authority.

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

(1) A person shall not use the word “insurance”, “assurance” or “reinsurance” or any derivations in English or any other language as part of his or her business name other than a person licensed under this Act,

(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 other vehicles registered in Uganda; and
- (d) goods imported from other countries except personal effects and donations

PART II—THE INSURANCE REGULATORY AUTHORITY OF UGANDA

Insurance Regulatory Authority of Uganda

10. Continuance of the Insurance Regulatory Authority of Uganda.

(1) The Insurance Regulatory Authority of Uganda established under the repealed 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 property;
- (b) 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.

11. Objectives of the Authority.

(1) The objectives of the Authority are—

- (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;
- (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 require the insurer to 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 needs 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.

12. Functions of the 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 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, make proposals to the Minister concerning this Act and other legislation relevant to the insurance sector;
 - (g) to receive and resolve complaints from policy holders and prospective policy holders and customers and prospective customers of other licensees;
 - (h) 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;
 - (g) to advise Government on adequate insurance protection and security for national assets and national properties;
 - (h) to promote awareness of, and undertake public education concerning, the insurance sector;
 - (i) to co-operate with, and provide assistance, in accordance with the law, to foreign supervisory authorities and law enforcement authorities;
 - (j) 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.
- (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;
- (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.

13. Power to cooperate with other authorities.

(1) The Authority may, on the written request of any person—

- (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) 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 enquiry 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.

*Board of the Authority***14. Board of the 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 Institute of Uganda;
- (e) a representative of the ministry responsible for health; and
- (f) two persons representing the public, one of whom shall be the deputy chairperson; and
- (g) 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 appropriate knowledge and skills in insurance matters to assist the Authority to achieve its objectives and perform its functions.

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

15. Disqualification from appointment as member of the Board.

A person shall not be appointed to the Board who—

- (a) has been convicted of an 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 a term of imprisonment for six months or more without the option of a fine by a competent court in Uganda or elsewhere; or
- (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 14(2)(b)(c) and (e);
- (f) is a director or employee of a licensee or who has a financial interest in a licensee, including a shareholder of a licensee;
- (g) is disqualified from acting as a director of a company under the Companies Act, 2012.

16. Tenure of office of members of the Board.

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

(2) The chairperson and 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 his or her office by letter 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 or insolvency;
- (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; or
- (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.

(5) 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.

(6) 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.

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

17. Remuneration of members of the Board.

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

18. Functions of the Board.

(1) The Board is 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 co-ordination 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, advisors 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;
- (g) perform any other function conferred by this Act or which may be necessary for the proper implementation of this Act.

19. Meetings of the Board and related matters.

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

20. Committees of the 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;
- (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 co-operation 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 THE AUTHORITY.

*Chief Executive Officer***21. 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 reappointment 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 insolvent 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.

22. Functions of the 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 Authority's responsibility; 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 the Authority

23. Secretary to the Authority.

(1) There shall be a secretary to the Authority who shall be appointed by the Board on terms and conditions specified in the 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;
- (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 the Authority

24. Other officers and staff of the 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 PROVISIONS

25. Funds and sources of revenue of the 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) monies 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 monies, 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 monies under subsection (1)(d), (e) and (f) received by the Authority shall be retained by the Authority and used to offset the costs of administration and other expenditure approved by the Minister.

(4) All revenue earned from activities of the Authority, annual contributions, fees, charges, civil default fines collected by the Authority.

(5) The Authority is exempt from the payment of corporation tax.

26. Duty to operate on sound financial principles.

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

27. Power to open and operate bank accounts.

The Board 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

28. 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.

29. 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.

30. Financial year of Authority.

The financial year of the Authority shall be same as the financial year of Government.

31. 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, 2015.

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

32. Application of this 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) A person shall not transact insurance business, reinsurance business or business of a HMO in Uganda without a valid licence granted for that purpose.

(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) A person shall not be granted a licence unless his or her principal object is the transacting of insurance business or reinsurance business.

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

(6) A person commits an offence who carries on, or purports to carry on, insurance business, reinsurance business or business as a HMO in contravention of this Act and is liable, on conviction, to a fine not exceeding one hundred and twenty currency points or imprisonment not exceeding five years or both.

34. Categories of insurance business licences.

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

- (a) an insurers licence which authorises the holder to carry on direct insurance business or reinsurance business with other insurers;
- (b) a reinsurers licence which authorises the holder to carry on reinsurance business;
- (c) a 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, on the recommendation of the Authority, by statutory instrument, prescribe other categories of insurance business licences.

35. Licensing of health insurance organisations and health membership organisations.

(1) A person proposing to transact business as a health insurance organisation or a health membership organisation shall be licensed as such by the Authority.

(2) Health insurance organisations and health membership organisations 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 person shall not be licensed as an insurer unless it has a paid-up capital of not less than—

- (a) three billion shillings, in the case of a life insurance business;
- (b) four billion shillings, in the case of non-life insurance business;
- (c) ten billion shillings, in the case of reinsurance business;
- (d) five hundred million shillings, in the case HMOs.

(2) The paid-up capital of an insurer as described in subsection (1) may—

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

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

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

(5) Notwithstanding subsection (1), a health insurance organisation, HMO, a micro insurance organisation or an insurance company set up for the purposes of regional cooperation shall have a paid up capital as may be prescribed by the Minister, by regulations.

(6) 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 financial institution 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 the security deposit.

(1) The security deposit of an insurer 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 that holds a security deposit—

- (a) shall deal with the funds deposited in accordance with the written directions of the Authority; and
- (a) shall not release 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 requirement of a mutual insurance company shall be the assets of the company and a surplus of not less than fifteen percent of its assets over its liabilities or such other percentage that may be determined by the Authority.

40. Minister may amend capital requirements and security deposit.

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

*Application for a licence***41. Application for a licence.**

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

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

- (a) the name and address of—
 - (i) the proposed company;
 - (ii) the directors;
 - (iii) the shareholders;
- (b) the nationality and occupation of the directors;
- (c) the nationality and shareholding of the shareholders;
- (d) the proposed location of the company's offices;
- (e) the estimated number of employees;
- (f) the technical expertise, qualifications, experience, nationality and other relevant information of the proposed management and key staff;
- (g) the capital structure and earnings prospects of the insurance company;
- (h) business plans, financial plans and earnings forecasts for at least three years certified by an auditor approved by the Authority;
- (i) any other information relating to the viability of the insurance company or other matters as the applicant considers relevant to his or her application;

- (j) documentary evidence that a sum equivalent to 20 percent of the security deposit to which section 7 refers has been deposited in a commercial bank;
- (k) specimens of the proposal forms, policies, contracts, receipts and any other documents to be used in connection with the insurance operations;
- (l) the premium rates and rating scales;
- (m) the proposed scale of maximum commissions to insurance intermediaries;
- (n) details of the proposed reinsurance protection and the company's net retention in each class of business;
- (o) any other document or information that the Authority may require.

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

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

42. Factors to be considered in an 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 applicant's capital structure, earning prospects, business plans, financial plans, reinsurance and retention proposals;
- (d) whether the public interest would be served by granting a licence;
- (e) the governance framework of the applicant;
- (f) proposed reinsurance and retrocession arrangements.

43. 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.

44. Granting of a 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)—

- (a) shall remain in force until suspended, varied or revoked;
- (b) shall automatically lapse where the company is wound up.

(3) The Authority shall communicate its decision under subsection (1) to the applicant within ninety 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.

45. Variation, suspension and revocation of a licence.

(1) The Authority may at any time vary, suspend or revoke the licence of an insurer where it considers that—

- (a) it is in the public interest or it is required for protecting policy holders' interests;
- (b) the business of the insurer is not being conducted in accordance with sound insurance principles, practices and ethics as prescribed by the Uganda Insurers Association and filed with the Authority;
- (c) the relevant minimum prescribed paid up capital or security deposit requirements have not been complied with by the insurer or that the net assets of the insurer are below the minimum prescribed paid up capital;
- (d) the minimum margin of solvency has not been maintained;
- (e) the relevant reserve requirements have not been complied with;
- (f) the insurer has not commenced insurance business within one hundred and eighty days of obtaining a licence to operate;
- (g) 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;

- (h) a judgment arising out of any insurance liability obtained in any court in Uganda against an insurer remains unsatisfied without good reason for more than ninety days from the date of final judgment;
- (i) the insurer has ceased to qualify as an insurer under this Act;
- (j) the insurer repeatedly acts in an illegal way or ignores the requirements of the Authority;
- (k) 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 reinstatement or relicensing of the affected insurer as soon as is practicable.

Other provisions relating to licensing

46. 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 reinsurer'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**

47. 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.

48. Capital adequacy 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” means the difference between assets and liabilities on the basis of their recognition and valuation for solvency purposes and includes issued or paid up shares, share premiums, retained earnings and other reserves which have the ability to absorb losses of an insurer at a time of financial stress.

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

49. Insurance reserves.

Every insurer and HMO shall establish and maintain in respect of each class of insurance business the reserves for unearned premiums and reserves for outstanding claims.

50. Investments.

(1) An insurer shall at all times in respect of insurance business transacted in Uganda invest and hold invested in Uganda assets equivalent to not less than the amount of funds in the insurance business as shown in the balance sheet.

(2) Subject to any other provision of this Act, the investment of funds referred to under subsection (1) shall be made up as follows—

(a) in respect of the life insurance fund—

- (i) 30 percent in Government securities;

- (ii) 70 percent in such other investments as shall be approved by the Authority;

(b) in respect of the non-life fund—

- (i) 20 percent in Government securities; and
- (ii) 80 percent in such other investments as shall be approved by the Authority.

(3) The Authority may, by regulations, vary the percentages of the insurance fund to be invested under this section.

51. 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 paid-up capital and other capital 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

52. No reduction in share capital of insurer or HMO.

Every insurer and HMO shall not to reduce its share capital, or cause or permit its share capital to be reduced, and any resolution passed in contravention of this section is void and of no effect.

53. Segregated funds.

(1) A life insurer shall establish and maintain segregated funds as the Minister may, by regulations, require.

(2) For the purposes of subsection (1), a “segregated fund” means an investment vehicle that combines the growth potential of a mutual fund with the security of a life insurance policy.

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

54. Restrictions on loans to officers and directors.

(1) An insurer shall not give a loan to an officer or director of the insurer except—

- (a) a loan on a life policy limited to the policy’s surrender value, where the right to borrow the same amount is also provided to the other 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 loan given to a director of an insurer shall not exceed ten percent of the paid up capital of the insurer.

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

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

55. Prohibition of loans to associate companies.

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

56. Other prohibitions applicable to insurers.

(1) An insurer and HMO shall not, except in accordance with regulations made under this Act—

- (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.

57. Distributions.

(1) An insurer and HMO shall not make a distribution to any of its shareholders except with the prior written approval of the Authority.

(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 an HMO that contravenes subsection (1) commits an offence and is liable to a fine double the value of the distribution made in contravention of this section.

*Governance and Management***58. 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.

59. Board of directors of insurer.

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

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

(3) A member of the board of directors of an insurer shall—

- (a) be a fit and proper person;

- (b) not at the same time serve as a member of the board of directors of another insurer or of an insurance brokerage company in Uganda; and
- (c) have sufficient time and commitment to undertake his or her duties diligently.

(4) Every insurer 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.

60. Senior management.

(1) Every member of the senior management of an insurer or a HMO shall meet the fit and proper criteria prescribed in Schedule 3.

(2) The senior management of an insurer 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.

61. 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.

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

- (a) a risk management function;
- (b) actuarial function;
- (c) a compliance function.

(3) An 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 undertake the responsibilities of each control function; or
- (c) 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.

62. Risk management.

(1) Every insurer and 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, investment risk, operational risk reputational risk.

Premiums and other related matters

63. Premium to be paid at inception or renewal.

(1) Subject to subsection (3), the insured shall pay in full the premium payable under the insurance contract on the date of inception of the policy or renewal of the policy.

(2) An insurance contract is considered to incept when the insurance risk commences.

(3) Notwithstanding subsections (1) and (2), the Authority may, by regulations, provide for the payment of premium in any other manner and the point at which insurance risk commences.

(4) Where the insured does not pay the full premium under subsection (1), the policy shall be voidable and the insurer shall be entitled to recover the expenses incurred.

(5) In the case where an insurer allows credit on the premium, the insurer shall be liable to pay any claims that may arise from the policy.

64. Approval of premium and commission rates.

(1) An insurer or HMO shall not issue any policy of insurance unless the premium rates, rating scales and commission rates, have been approved by the Authority as suitable for the purpose of the insurance business it is meant for.

(2) For the purposes of subsection (1), the Authority shall prescribe minimum premium and maximum commission rates for all classes of insurance business.

(3) An alteration of any text or format of the policy, premium rates, rating scale, commission scale, proposal form or other document approved under subsection (1) shall not be made without the prior approval of the Authority.

65. 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) Where the Authority does not approve text or format of the policy or the proposal form within the prescribed period, the insurer shall treat the text or format of the policy or the proposal form as approved.

66. Alteration of approved premium rates without approval.

(1) Where an insurer lowers the approved premium rates in respect of non-life insurance business without the authority of the 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 in respect of life insurance without the authority of the Authority, the Authority may order the insurer—

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

PART VII—REINSURANCE BUSINESS

67. Reinsurance.

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

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

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

68. Modification in insurer's net retention.

(1) An insurer shall inform the Authority within thirty days of any modification 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, 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.

69. Annual reinsurance report.

An insurer and a reinsurance company licensed under this Act shall within ninety days, submit to the Authority in a prescribed form, details of the reinsurance or retrocession contracts and details of the reinsurers or retrocessionaires with whom they maintain business relations in respect of risks falling within the scope of this Act.

70. Prohibition of contracts with certain reinsurance companies.

The Authority may—

- (a) after receiving reliable information that a reinsurance company—

- (i) cannot meet the reinsurance claims;
- (ii) has doubtful integrity in its business dealings; or
- (b) for any other reasonable cause,

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

71. Modifications where terms of reinsurance document not favourable.

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

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

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

72. Negotiations not to be in personal capacity.

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

73. Foreign reinsurance representatives.

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

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

(3) Where authority of the Authority is granted under this section, the foreign reinsurance company shall establish and maintain at the central bank a security deposit equivalent to five hundred currency points.

74. Mandatory reinsurance placements with international and national organisations.

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

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

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

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

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

(5) The shareholding of the reinsurance company and any changes to the shareholding shall be approved by the Authority.

(6) An insurer shall first place reinsurance 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

75. Restrictions on amalgamations and transfers.

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

76. Application for amalgamation or transfer.

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

- (a) both insurers wishing to amalgamate, jointly; or
- (b) the insurer wishing to transfer business to another insurer,

shall apply to the 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 policyholders, prepared by an actuary approved by the Authority.

77. Notice of amalgamation or transfer.

(1) The parties intending to amalgamate or effect a transfer shall before the 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 policyholders and claimants of the parties;

- (c) make available for inspection at the principal offices of the parties a statement detailing the particulars of the amalgamation or transfer, including, in the case of life insurance business, the actuarial report 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.

78. 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.

79. Decision of the 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 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.

80. 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 transferor's rights and obligations under the policies included in the instruments; or

- (b) if the instrument so provides, to secure the continuation by or against the amalgamated insurer or the transferee of any legal proceedings by or against either party to the amalgamation or against the transferor which relate to those rights or obligations,

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

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

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

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

81. 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 reinsurance brokers.

PART IX—SPECIAL PROVISIONS ON INSURANCE INTERMEDIARIES AND BANCASSURANCE

Unlicensed insurance intermediary business

82. 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) For the purposes of subsections (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 reinsurance broker that acts for, or in relation to, contracts involving a reinsurer; 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***83. 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 reinsurance brokers licence, which authorises the holder to carry on business as a reinsurance 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 advisors licence, which authorises the holder to carry on business as an insurance risk advisor;
- (f) a loss assessors licence, which authorises the holder to carry on business as a loss assessor;
- (g) a loss adjustors licence, which authorizes the holder to carry on the business of loss adjustor;
- (h) third party administrator licence, which authorises the holder to provide services to a HMO or an insurer in relation to the administration of health benefit plans or health insurance policies.

(2) For the avoidance of doubt, an insurance brokers licence and a reinsurance brokers licence authorises the holder to assess and advise on insurable risks, without the need to obtain an insurance risk advisors 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.

84. Insurance brokers to be bodies corporate.

No person other than a company incorporated under the Companies Act, 2012 shall carry on business as an insurance broker.

85. 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 a licence an insurance intermediary licence if the applicant—

- (a) has been found to be of unsound mind by a court of competent jurisdiction, in the case of a natural person;
- (b) has ever been convicted of an offence relating to fraud or dishonesty;
- (c) has at any time within the five years preceding the date of his or her application become insolvent or bankrupt, applied to take the benefit of the law for the relief of bankrupt or insolvent debtors, compounded with his or her creditors or made an assignment of his or her remuneration for their benefit;
- (d) being a broker is a director of an insurer;
- (e) is not fit and proper.

- (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.

86. Processing and granting of a licence.

Sections 41, 42, 43, 44 and 45 shall, with the necessary modifications, apply to insurance intermediaries.

87. 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 reinsurers, or insurance brokers or reinsurance brokers, risk advisors 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 reinsurer or undertake any activity that constitutes the business of an insurance broker, a risk advisor or a loss assessor.

(4) For 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 reinsurance 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.

88. Application of sections 59 and 60.

Sections 59 and 60 shall, with the necessary modifications, apply to an insurance intermediary which is not a natural person.

89. Paid-up capital and professional indemnity for certain insurance intermediaries.

(1) Every insurance broker and reinsurance 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 of not less the seventy five million shilling of which eighteen million seven hundred fifty thousand shillings shall be deposited as security 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 reinsurance broker.

(3) The deposits made under subsection (1) shall be invested by the insurance broker or reinsurance broker in Government securities or in any other investments as may be approved by 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 reinsurance 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.

90. Remuneration of insurance intermediaries.

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

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

(3) Subsections (1) and (2) do not apply where an intermediary or agent agrees to be paid or is paid remuneration directly by its client in relation to services provided and is not paid any form of remuneration or benefit by the insurer in relation to those services.

91. Premiums and other monies to be paid to insurer 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 monies, paid for or on account of an insurer in connection with an insurance contract or a proposed insurance contract unless the cheque or payable order is made payable to the insurer.

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

(3) An insurance broker or insurance agent who receives any premiums or other monies in cash shall immediately remit the cash or other monies to the insurer.

(4) Any cash premiums or other monies 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 monies shall be liable to pay the premium or other monies due and interest on the premium or other monies to the insurer and a penalty to the Authority, at rates to be determined by the Authority.

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

(7) An insurance broker or agent who contravenes this section, commits an offence and shall on conviction be liable to fine of not less than five hundred currency points.

92. 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.

93. 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 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 policyholders and the insurers with which they place business of the transaction.

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

94. Direct relationship with an 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.

95. Loss adjustors and loss assessors.

(1) A loss adjustor or loss assessor shall not accept the receipt of and shall not handle any monies representing premiums or any other monies payable to an insurer or to a policyholder 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 thousand currency points.

96. Variation, revocation or suspension of an intermediary's licence.

(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 cancel the licence of an intermediary that fails to satisfy the paid-up capital and security deposit requirements.

(2) The Authority may impose fines, suspend a licence or revoke a licence of any intermediary, depending on the gravity of the offence where—

- (a) there is breach of professional etiquette;
- (b) discounts are given which are not provided for under the authorised premium rates;
- (c) the whole or part of the intermediary's commission is offered to an insured;
- (d) terms and conditions are offered which are not included in the policies and endorsements;
- (e) quotations are given in the intermediary's own name without the authority of the insurers;
- (f) monies received in payment of a premium are used for an intermediary's own benefit or the benefit of third parties, or have not been paid to the insurer in accordance with this Act;

- (g) the intermediary ceases to carry on business;
- (h) the prescribed fees payable to the Authority remain unpaid;
- (i) the intermediary is adjudged to be bankrupt by a court.

(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 have given 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 policyholders 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

97. 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.

98. 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.

99. 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, 2004; or
- (ii) the central bank 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.

(2) The Authority shall, before revoking an authorisation under subsection (1)(b)(ii), give the financial institution written notice of its intention to revoke the licence, 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 policyholders 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 CONSTITUTIONAL INSTRUMENTS

100. Application of this Part.

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

(2) The Minister, may by statutory instrument, exempt from the application of this Part-micro insurance organisations and insurance agents.

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

101. Changes in control of licensee.

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

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

(a) increase or reduce the person's shareholding over the licensee; or

(b) cease to be a substantial shareholder of the licensee.

(3) 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).

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

102. Authority to regulate substantial shareholders.

The Authority may make regulations for the better regulation of substantial shareholders of licensees.

103. 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 fifteen 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.

104. Authority's powers concerning management and key persons in control functions.

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

- (a) direct the removal of that person and to 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; or
- (c) take such remedial action in relation to that person as the Authority specifies.

(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 reappointed, or accept reappointment, 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.

(3) 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.

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 default civil fine not exceeding one thousand currency points.

106. Preparation of financial statements.

(1) This section applies to an insurer an insurance broker, a reinsurance broker, HMO, loss adjustor and 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 and any other financial reporting standards prescribed by regulations under this Act.

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 Authority's approval shall not be required.

(3) The auditor shall—

- (a) not be an employee, manager, director or shareholder of the insurer;
- (b) maintain a professional indemnity policy, as may be determined by the Authority;
- (c) be a member of the Institute of Certified Public Accountants of Uganda; and
- (d) audit the accounts of the insurer in an independent and impartial manner.

(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 insurer.

(5) The auditor shall certify whether-

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

(6) A person shall not act as the auditor of an insurer 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 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 a prescribed form, annual reports containing -

- (a) prescribed particulars relating to all financial transactions undertaken by it during that year including, where applicable, a directors certificate, financial condition report;

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

(2) Every intermediary shall, in accordance with international financial reporting standards adopted by the Institute of Certified Public Accountants of Uganda, keep proper books of accounts for all the income and expenditure of the intermediary.

(3) 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.

(4) Where the Authority rejects financial statements or documents under subsection (3), 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. Margin of solvency

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

- (a) in the case of an insurer carrying on life insurance, the liabilities of the insurer shall not exceed the amount of the life insurance fund of the insurer;
- (b) in the case of non-life insurance business or reinsurance, the admitted assets of the insurer shall exceed the greater of—
 - (i) the admitted liabilities of an insurer by a minimum of fifteen percent of the premium income, net of reinsurance sessions; or
 - (ii) such sum as may be prescribed by the Authority, in consultation with the Minister.

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

111. 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 another auditor approved by the Authority in writing.

112. 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 auditor's costs and remuneration.

Appointed actuary

113. Appointment of actuary by an 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.

114. Actuarial investigation and report.

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

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

(3) The insurer shall within one hundred and twenty days after the end of a financial year, send a copy of the report submitted to him or her under subsection (1), to the Authority.

Reporting obligations for auditors and actuaries

115. Reporting obligations of auditors and actuaries.

(1) Notwithstanding anything to the contrary in any other written law, the auditor of a licensee shall report immediately to the Authority, any information relating to the affairs of the licensee that the auditor has obtained in the course of acting as its auditor which, in the opinion of the auditor, suggests that—

- (a) in the case of an insurer, the licensee is not in compliance with its paid up capital and security deposit requirements or is in material breach of any prudential requirements specified in this Act; or
- (b) in the case of an insurance or reinsurance broker, a risk advisor or loss assessor, the insurance or reinsurance broker or loss assessor is in breach of, or likely to breach of the paid-up capital requirements.

(2) Notwithstanding anything to the contrary in any other written law, the appointed actuary shall report immediately to the Authority, any information relating to the affairs of the insurer that the actuary has obtained which, in the opinion of the actuary, suggests that—

- (a) the insurer is not in compliance with its paid up capital and security deposit requirements or is in material breach of any prudential requirements prescribed under this Act; or
- (b) the insurer has exposures that jeopardise its long term financial viability or stability.

(3) Where the appointment of an auditor or actuary is terminated, or where the actuary or auditor resigns, the auditor or actuary whose appointment has been terminated, or who has resigned, shall immediately inform the Authority of the termination of the appointment, or the resignation, and disclose to the Authority the circumstances that gave rise to the termination or resignation and disclose any other relevant information, if any.

(4) The Authority may require an auditor or actuary to discuss any audit or actuarial investigation that he or she has conducted or commenced, or to provide additional information regarding the audit or actuarial investigation to the Authority.

(5) Subject to subsection (6), the auditor of a licensee or the actuary of an insurer shall, before reporting to the Authority under this section, take reasonable steps to inform the licensee or insurer of his or her intention to make the report and the nature of the report.

(6) An auditor or actuary is not required to inform the licensee or insurer of his or her intention to make a report under this section if the auditor or actuary is of the opinion that giving the licensee or insurer notice may be detrimental to the interests of its customers.

(7) An auditor or former auditor or an actuary or former actuary who fails to comply with this section commits an offence and liable, on conviction, to a fine not exceeding forty eight currency points or imprisonment not exceeding two years or both.

PART XII—INSPECTIONS, ACCESS TO INFORMATION AND ENQUIRIES

116. Authority to inspect licensees.

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

(2) Without prejudice to subsection (1), the Authority may—

- (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 an insurer if it has reason to believe—

- (a) that the interests of the policyholders, shareholders or members of the public could be prejudiced;
- (b) that the insurer is unable to meet his or her obligations under the Act;
- (c) that the insurer has not complied with the provisions of this Act;
- (d) that the insurer is not complying with anti-money laundering and combatting of terrorism financial laws.

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

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

(6) The insurer shall cooperate with the inspector by providing him or her full access to books, records, files and other documents which are relevant to the inspection, and any person who fails to cooperate with an inspector commits an offence.

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

(8) The Authority shall give reasonable notice to a 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 five hundred currency points.

PART XIII—REMEDIAL MEASURES AND ENFORCEMENT

117. 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.

118. 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 a solvency margin specified in this Act;
- (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 policyholders or prospective policyholders or, in the case of a 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.

119. Recovery plan to be approved by the Authority.

(1) A licensee shall, within thirty days after being required to provide a recovery plan, give a copy of the 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.

(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, 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.

120. Licensee to comply with recovery plan.

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

*Directives***121. 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; or
- (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 exposed; 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 imposing a prohibition, restriction, limitation or condition on the licensee or its business.

(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.

122. 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.

Management take-over

123. Management takeover.

- (1) The Authority may take over management of a licensee if—
 - (a) it is conducting its business in a manner contrary to this Act;
 - (b) the continuation of its activities is detrimental to the interests of policyholders;
 - (c) it refuses to submit itself to inspection by the Authority as required by this Act;

- (d) its licence has been revoked under this Act; or
- (e) it is engaged in or is knowingly facilitating criminal activities.

(2) The Authority shall, on taking over management of a licensee, have exclusive powers of management and control of the affairs of the licensee.

(3) The powers referred to in subsection (1) of this section shall include power to—

- (a) continue or discontinue any of its operations as a licensee notwithstanding the revocation of its licence;
- (b) stop or limit the payment of its obligations;
- (c) employ any necessary staff;
- (d) execute any instrument in the name of the licensee;
- (e) initiate, defend and conduct in its name any action or proceeding to which the licensee may be a party;
- (f) reorganize or wind up the licensee in accordance with this Act;
- (g) appoint a person to be known as a statutory manager to manage, control and direct the affairs of the licensee;
- (h) assume or reject any executory contracts;
- (i) cancel any leases or tenancy agreements entered into by the licensee as lessee or tenant;
- (j) appoint an advisory board of directors;
- (k) close the licensee;
- (l) sell the licensee; or

- (m) do any other act which is necessary to enable the Authority execute its obligations under this section.

(4) The Authority shall as soon as possible after taking over management of a licensee, appoint an auditor at the cost of the licensee to make an inventory of the assets and liabilities of the licensee and submit a report to the Authority or perform any other action the Authority considers appropriate.

(5) The Authority shall upon taking over management of a licensee immediately inform the public.

(6) The Authority shall exercise statutory management over a licensee for the minimum time necessary to bring the licensee into compliance with prudential standards.

(7) Where the licensee does not comply with prudential standards within six months after its being placed under statutory management, the Authority shall close the licensee and wind up the licensee.

(8) Upon appointment of a statutory manager, the board of directors of the licensee shall stand suspended.

(9) A statutory manager appointed under paragraph (g) of subsection (2) of this section shall have the functions of the members of the board of directors collectively and individually, including the board's powers of delegation and use of the seal until such a time as the Authority shall appoint an advisory board.

(10) A statutory manager shall, upon assuming the management, control and conduct of the affairs and business of an institution, discharge his or her duties with diligence and, in particular, with due regard to the interests of the licensee, its policyholders and other creditors.

(11) 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.

124. Duties of a 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 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 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 reorganization 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 policyholders 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) of this section commits an offence and is liable on conviction to a fine not exceeding two hundred and fifty currency points or imprisonment not exceeding two years or both.

125. Removal of statutory manager.

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.

126. 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 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

127. Winding up.

Notwithstanding anything contained in the Companies Act, 2012 to the contrary, an insurer carrying on life insurance business shall not be wound up voluntarily except for the purposes of effecting an amalgamation or transfer.

128. Powers to wind up a 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.

129. Winding up by the 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 policyholder under an insurance contract; or

- (e) the Authority believes it is just and equitable and in the interests of the policyholders to wind up the licensee.

PART XV—GENERAL PROVISIONS

130. 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.

131. 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.

132. Ombudsman to handle complaints and disputes.

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

(2) The Minister may, after consultation with the Authority, by statutory instrument, prescribe—

- (a) the procedures for the mediation by the Ombudsman of complaints and disputes concerning licensees referred to the Authority;
- (b) the nature of complaints and disputes subject to mediation;
- (c) the fees payable in respect of mediation.

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

133. Insurance Appeals Tribunal.

(1) The Insurance Appeals Tribunal established under the repealed Act is continued in existence in accordance with this Act.

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

(3) At least one of the members of the Tribunal shall be a woman.

(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.

134. Tribunal to review decisions of the 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 90 days after an appeal is made to the Tribunal.

(5) A party aggrieved by the decision of the Tribunal, may within 30 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.

135. Policyholders' Compensation Fund.

(1) The Policyholders' Compensation Fund established under the repealed Act is continued in existence in accordance with this Act.

(2) The function of the Policyholders' 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, 2011.

(3) The Policyholders' 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 trustee shall be prescribed by the Minister, by regulations.

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

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

136. Regulations on Policyholders' Compensation Fund.

The Minister shall, by regulations, prescribe the manner of governing the Policyholders' Compensation Fund, the entitlement to payments from the Fund and payments out of the Fund.

Insurance Training College

137. 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 Uganda Insurance Institute 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 137.

(5) The insurance training levy shall be applied by the College to fund insurance training for licensees and for the certification of training programs 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, 2015.

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

- (a) the governance requirements for the College ;
- (b) the procedures for the safeguarding of 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.

138. 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 policyholders and collected by licensees.

(3) The levy shall be at a rate prescribed by the Authority, in consultation with the Minister.

139. 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 one hundred currency points.

140. 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, from time to time, require.

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

141. Service of notices on the Authority.

Any notice or other document required to be served on the Authority may be served by—

- (a) delivery to the Chief Executive Officer or any authorised employee;
- (b) delivery at the office of the Chief Executive Officer and obtaining evidence of receipt; or

- (c) courier delivery to the Chief Executive Officer.

142. 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.

143. Offences and penalties.

(1) A person who carries on or is privy to the carrying on of any business under this Act under a company established contrary to this Act commits an offence and is liable on conviction to a fine of not less than 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 to both the fine and imprisonment.

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

- (a) fails to take any reasonable steps to secure compliance with the requirements of this Act;
- (b) makes any statement or gives any information which is false, in answer for information required under any provisions of this Act;

- (c) is privy to the furnishing of any false information under this Act,

commits an offence and is liable on conviction to a fine of not less than one hundred and fifty currency points.

(4) An insurance or reinsurance 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 section (4) (b), whichever is higher.

144. Display of a 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) A person who contravenes this section commits an offence and is liable on conviction to a fine equivalent to fifteen currency points.

145. 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.

146. Consultation of foreign supervisors in relation to applicants for a 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.

147. Compliance with antimoney laundering and combatting of financing terrorism requirements.

(1) Every licensee shall comply with the provisions of the Anti-Money Laundering Act, 2013 relating to the financing of terrorism and combatting of terrorism financing.

(2) The Authority shall, in consultation with the Financial Intelligence Authority, issue directives requiring all licences to comply with financing of terrorism and combatting of terrorism financing

148. Regulations.

(1) The Minister may, on the recommendation of the Board, by statutory instrument, make regulations for better carrying into effect the provisions of this Act.

(2) Without prejudice to subsection (1), the Minister may make regulations—

- (a) providing for the licensing, regulation and supervision of takaful insurance providers, takaful insurance brokers and takaful insurance agents and the general conduct of takaful insurance;
- (b) prescribing the fees and charges payable by licensees and by applicants for licences;
- (c) prescribing the circumstances under which the licence of a licensee may be varied, suspended or revoked;
- (d) prescribing additional prudential requirements in respect of insurers and HMOs;
- (e) providing for the mode and time of payment of contributions, fees and charges payable to the Authority;
- (f) providing for any matter concerning the charging and payment of contributions, levies, fees and charges to the Authority;
- (h) prescribing restrictions that may be imposed on insurance business;
- (i) setting the strategies, policies, procedures and controls to be established and maintained by licensees including anti-money laundering controls, internal controls, the assessment and management of risk and compliance;
- (j) providing for the regulation of index insurance contracts;
- (k) setting the policies and procedures to be maintained by licensees in relation to the prevention, detection, reporting and remedying of insurance fraud and financial crime;

- (l) prescribing the requirements relating to business conduct including requirements relating to the disclosure by licensees of information to their customers and the public;
- (m) prescribing the information to be provided and returns to be submitted to the Authority by licensees;
- (n) prescribing the various classes of insurance business;
- (o) prescribing the principles and rules of corporate governance to be adhered to by licensees;
- (p) providing the procedure for making and resolving complaints made against licensees;
- (q) providing for the valuation of different types of risks to which insurers are exposed;
- (r) prescribing the requirements in relation to the valuation of assets and liabilities;
- (s) regulating the outsourcing of services by licensees;
- (t) providing for the maintenance of reserves by insurers and other matters relating to reserves;
- (s) prescribing the form of the director's certificate;
- (t) prescribing other kinds of risks and the effective management of such risks;
- (u) prescribing the requirements and restrictions relating to investments;
- (v) providing for the performance of control functions of licensees and the activities and responsibilities of key persons in control functions, auditors and actuaries;

- (w) providing for the better implementation of recovery plans;
- (x) providing for the manner of the preparation of and requirements relating to, business plans;
- (y) providing for the supervision by the Authority of insurance groups and non-insurance groups; and
- (z) prescribing the requirements relating to group insurance contracts.

149. Amendment of Schedules.

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

150. Repeal and saving.

- (1) The Insurance Act, Cap. 213 is repealed.

(2) Notwithstanding subsection (1), any statutory instrument made under the Insurance Act, Cap. 213 and is in force immediately before the commencement of this Act, shall remain in force until revoked under this Act.

151. Transfer of assets and liabilities.

All assets, rights and liabilities relating to insurance services to which the Insurance Regulatory Authority of Uganda was entitled to or subject to, before the commencement of this Act, shall vest in the Authority.

152. Transfer of service contracts.

Employees of Insurance Regulatory Authority of Uganda immediately before the commencement of this Act whose services are transferred to the Authority shall transfer to the Authority on similar or better terms than those enjoyed by those employees before the transfer.

153. Pension fund and retired and redundant employees.

(1) All former employees of the Insurance Regulatory Authority of Uganda who at the commencement of this Act are receiving retirement benefits and pensions from the Insurance Regulatory Authority of Uganda shall continue to be paid by the Authority.

(2) All employees of Insurance Regulatory Authority of Uganda who become redundant as a result of the implementation of section 139 shall be paid the calculated and ascertained retirement benefits and pension due to them under the repealed Act.

154. Agreements and licences by the Insurance Regulatory Authority of Uganda.

All valid—

- (a) licences issued by Insurance Regulatory Authority of Uganda before the commencement of this Act; and
- (b) agreements entered into by the Insurance Regulatory Authority of Uganda before the commencement of this Act,

shall remain valid and only be modified by the Authority within one year from the time the Authority commences operations to the extent that any provisions of the agreements or licences are inconsistent with this Act.

155. Pending court proceedings or orders of court.

(1) Any pending court proceedings, court actions, judgments or court orders which were enforceable by or against Insurance Regulatory Authority of Uganda immediately before the commencement of this Act, and are connected with the assets vested in the Authority or the functions of the Authority, shall be enforceable by or against the Authority as they would have been enforced by or against the the Insurance Regulatory Authority of Uganda, immediately before the commencement of this Act.

(2) Any pending court proceedings, judgment or order against Insurance Regulatory Authority of Uganda arising out of matters connected with Insurance Regulatory Authority of Uganda, shall continue against the Authority until they are disposed of or satisfied.

Bill No. 11

Insurance Bill

2016

SCHEDULES

SCHEDULE 1

Section 2

CURRENCY POINT

A currency point is equivalent to twenty thousand shillings

SCHEDULE 2*Section 2*

**CRITERIA FOR DETERMINING WHETHER A PERSON IS A FIT
AND PROPER PERSON TO MANAGE, CONTROL, BECOME A
DIRECTOR, SUBSTANTIAL SHAREHOLDER IN A LICENSEE,
SENIOR MANAGER IN A 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, in so far 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 judgement 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 policyholders or prospective policyholders 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 judgement;
 - (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*Section 19***MEETINGS AND SEAL OF THE AUTHORITY**

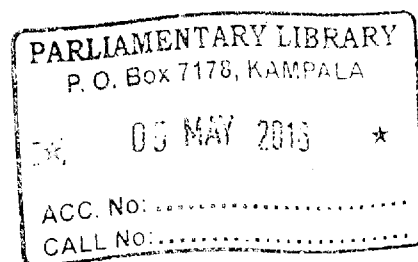
1. The Board shall meet for the discharge of its functions as often as business requires, and in any case the Board shall meet at least once in every three months; and the Chairperson shall convene a meeting whenever at least three members of the Board request in writing for a meeting.
2. The Chairperson 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.
3. A quorum at any meeting of the Board shall be four members.
4. 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.
5. The Board shall cause to be kept, minutes of all the proceedings of its meetings.
6. The Board may invite any number of persons to act as consultants or advisers at any of its meetings.
7. 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.

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

9. The application of the seal 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.

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

11. A document purporting to be an instrument issued by the Board and sealed by the common seal of the Board, 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.



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Cross References

Companies Act, 2012

Financial Institutions Act, 2004

Public Finance Management Act, 2015