



Insurance Regulatory Authority of Uganda

Plot5, Kyadondo Road, Nakasero. Legacy Towers, Block B, 2nd Floor.

Telephone: 0312-266364/ 0414-346712 / 041-4253564

P.O Box 22855 Kampala - Uganda

E-mail: ira@ira.go.ug

Fax: 256 414 349260

<http://www.ira.go.ug>

**THE INSURANCE REGULATORY AUTHORITY OF UGANDA INTERIM MICRO
INSURANCE GUIDELINES, 2016.**

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THE INSURANCE REGULATORY AUTHORITY OF UGANDA INTERIM MICRO INSURANCE GUIDELINES 2016.

PART I – PRELIMINARY

I. CITATION AND COMMENCEMENT

These Guidelines shall be cited as the Insurance Regulatory Authority of Uganda Interim Micro insurance Guidelines, 2016.

II. APPLICATION

These Guidelines shall in the interim apply to micro-insurance Organizations, micro-insurance Agents / Sales persons, Insurers and to all other persons engaged in micro insurance business and such other related activities.

III. INTERPRETATION

In these Guidelines, unless the context otherwise requires –

“Authority” means the Insurance Regulatory Authority of Uganda;

“bundled micro insurance product” means a single insurance policy that covers two or more separate classes of non-life insurance business; or an insurance product that comprises two or more micro insurance policies that are sold together as a single insurance product but shall not include an insurance product bundled with a non-insurance product.

“micro insurance agent / sales persons” means a licensed insurance agent whose licence is restricted to acting as an insurance agent in respect of micro insurance policies;

“micro insurance business” means the business of undertaking liability under a micro insurance policy;

“micro insurance organization” means a licensed entity, the licence of which is restricted to carrying on micro insurance business;

“micro-insurance policy” means an insurance policy where the sum insured /assured does not exceed UGX 10 million and has been specially approved by the Authority as such and qualifies for VAT exemption.

“micro-insurance product” includes general micro-insurance product or life micro-insurance product, proposal form and all marketing materials in respect to them.

“M.I.O” means Microinsurance Organization

IV. OBJECTIVES

The objectives of these Guidelines are to:

- a) To promote market development of the micro insurance market by encouraging the participation of other persons in the market to generate sustainable and innovative products that meet the needs of the consumers at a lower level.
- b) Provide a basis upon which the Authority will regulate the business of micro insurance and to initiate and facilitate the transition to formalized micro insurance provision when the New Insurance Law and Micro Insurance Regulations are enacted.
- c) Ensure an adequate consumer protection framework for policyholders.

PART II - GUIDELINES

1. Obligations of Microinsurance Organizations and other parties.

- 1.1. All parties to whom these Guidelines apply shall abide by the Insurance Act, as amended.
- 1.2. Microinsurance Organizations (M.I.O's) shall employ professionally qualified staff and uphold business and professional ethical standards and discipline as expected in their various professions.
- 1.3. The M.I.O's must abide by all the Laws of Uganda which include but are not limited to remittance of PAYE, NSSF, Withholding Tax and Income Tax, ensuring that all non-citizens have valid work permits, etc.
- 1.4. The M.I.O shall enter into a Memorandum of Understanding with the Authority.

2. Licensing Requirements of Microinsurance Organizations

- 2.1. An M.I.O shall only offer services for which they are licensed by the Authority.
- 2.2. An entity intending to provide services as an M.I.O shall make an application to Authority which must fulfill the following requirements:
 - a) A duly completed application form containing the following information:
 - i. The name of the applicant.
 - ii. Postal address of the Head office.
 - iii. Telephone numbers, email.

- iv. Physical address.
- v. Share capital (i) Authorized and (ii) Paid-up capital.
- vi. Insurance business intended to be transacted for.
- vii. Names and addresses of Bankers.
- viii. Name and address of External auditors.
- ix. Names, nationality and address of the directors of the applicant.

2.3. The applicant shall in addition provide to the Authority the following:

- a) A certificate of incorporation, certified true copy of the Articles and Memorandum of Association, or any other document by which the M.I.O is constituted (for first time applicants) or any resolution or similar document that alters or affects the initially submitted Articles and Memorandum of Association for an M.I.O applying for renewal.
- b) Evidence of an established bank account (Premium Collection Account) under the applicants direct control where every amount received as premium paid is deposited and shall be distinct from other accounts;
- c) Detailed and signed curriculum Vitae of the individuals who are responsible for the conduct of affairs of the applicant including the M.I.O directors, A Chief Executive Officer, An Accountant and senior management who must have filled and completed the fit and proper questionnaire, the following notwithstanding:
 - i. Expatriate staff or non Ugandan nationals must have a valid work permit.
 - ii. At least 50% of the Board of Directors to be resident in Uganda;
 - iii. A Chief Executive Officer/Principal Officer who must have a recognized degree and at least qualify as an Associate of the Insurance Institute of Uganda or have a minimum of 5 years demonstrated experience in Insurance.
 - iv. A fulltime accountant who should possess a business related degree and at least level 11CPA and three years of working experience.
- d) A list of the shareholders, and details regarding their shareholding, nationality and contact details in the M.I.O
- e) A list of the M.I.O agents together with their signed agency contracts, recent passport photos and evidence of membership to the Insurance Institute of Uganda. First time applicants will in addition avail duly updated signed curriculum Vitae for new applicants.

- f) Annual accounts duly audited by an Auditor approved by the Authority to be submitted within three months from the end of the calendar year.
- g) Management Accounts to be submitted within thirty (30) days from the end of each quarter.
- h) At least a three (3) year business plan duly approved by the M.I.O board and endorsed by the External Auditor including the following;
 - i. A projection of Statements of Financial Position.
 - ii. Projection of Statements of comprehensive Income.
 - iii. Statements of Cash flows.
 - iv. Detailed enrolment projections for projected volumes of business.
 - v. Premium rate schedules certified by an Actuary.
 - vi. A statement as to sources of capital including working capital.
- i) Evidence of an internal grievance procedure regarding investigations and resolution of covered person's complaints and grievances.
- j) Evidence of membership to the Insurance Institute of Uganda.
- k) Evidence of membership to Uganda Insures Association of Uganda.
- l) Evidence of payment of all monies due to Authority. i.e. fines, interest etc by the time of submission of the license application.
- m) The Company's policy on assessment of risk duly approved by the Board of Directors;
- n) A specimen copy of the Master policy together with the benefit package to be issued to the public which shall be approved by Authority.
- o) For Limited Liability Companies, a certified copy of the M.I.O annual returns registered with the Uganda Registration Services Bureau that must have been filed within a one year period from the date of submission of application to Authority.
- p) Reinsurance arrangements as may be recommended by the Authority.
- q) The Authority reserves the right to require provision of any other document and information.
- r) The licence granted to an applicant shall be annual and expires on the 30th of December of the year of issue.

3. Licensing of Micro-Insurance Agents / sales persons

- 3.1. A person shall not act as a micro-insurance agent / sales person unless licensed by the Authority as such or as an ordinary agent.
- 3.2. An application for a licence to act as a micro-insurance agent / sales person shall be made by an individual permanently resident in Uganda.
- 3.3. An application for a micro-insurance agent / sales person license shall be in the form available at the Authority or can be downloaded at <http://www.ira.go.ug> and shall be accompanied by evidence of payment of license fees and such other documentation as may be specified on the form together with documentary proof of residence in Uganda; and proof of successful completion of a micro insurance training course recognized by the Authority.
- 3.4. The licence granted to an applicant shall be annual and expires on the 31st of December of the year of issue.

4. Micro Insurance Product Approval

- 4.1. No micro insurance product shall be launched or sold without the approval of the Authority.
- 4.2. All micro insurance products shall be clearly/ visibly labeled as such.
- 4.3. The Authority in considering an application for a micro insurance product approval shall consider the following aspects in allowing or declining the application;
 - i. Nature of the product
 - ii. Cover type
 - iii. Sum insured / assured
 - iv. Maximum contract term
 - v. Waiting periods
 - vi. Exclusions
 - vii. Grace period
 - viii. Policy documentation
 - ix. Premium basis
 - x. Micro insurance actuary premium sign-off
 - xi. Any other aspect the Authority deems fit.
- 4.4. The Authority may at any one time revoke its approval if it considers that the product no longer satisfies the criteria of micro insurance.

5. Micro insurance policy administration

- 5.1. An M.I.O shall issue the policyholder a receipt, as soon as a premium payment has been made.
- 5.2. A new policyholder must receive confirmation of his status as a policyholder within 7 working days of signing up for the policy together with Key Information concerning the product in a simple language.

6. Payment of Commissions to micro insurance agents / sales persons

- 6.1. A micro-insurance agent / sales person shall be entitled to a commission for services rendered as guided by the Authority.
- 6.2. Where the agency relationship is terminated for any reason, no future commission shall be payable.

7. Claims settlement under a micro insurance policy

- 7.1. The settlement of claims under a micro insurance policy shall be in full observance of the Insurance Claims Guidelines issued by the Authority.
- 7.2. The M.I.O shall offer reasonable guidance to help a policyholder make a claim and appropriate information on its progress shall be given.
- 7.3. The M.I.O shall not unreasonably reject a claim by terminating or avoiding a micro insurance policy.

8. Complaint resolution

- 8.1. The M.I.O shall promptly determine and dispose complaints from policyholders.
- 8.2. Every M.I.O shall on a quarterly basis report to the Authority on the resolution of complaints from micro-insurance policy-holders.

9. Maintenance and Retention Of Records

All licensed M.I.O's shall at all time;

- 9.1. Maintain a register of all the individuals covered under the group and individual policies including premiums, period of cover, product plan, and the claims reported;
- 9.2. Keep records of its operations for at least 10 years. The records include data transferred or shared with all service providers for all claims and policy information ensuring appropriate confidentiality.

10. Fees, Levies and Contributions

- 10.1. All licensed M.I.O's shall:
 - i. Pay a license fee of UGX 500,000/=.
 - ii. Pay an Annual contribution as required by the Authority.
 - iii. Pay a training levy of 0.5% payable quarterly to the Insurance Institute of Uganda.

11. Minimum Capital and On-Going Capital Adequacy Requirements

- 11.1. All M.I.O's shall at all time maintain business in a financial sound condition.
- 11.2. No company or firm shall be licensed as an M.I.O or if licensed shall have its license renewed unless it has maintained the following requirements relating to capital and solvency:

Capital Requirement	Amount
Minimum Paid-up Capital	Ushs. 100,000,000/=(maintained at all times)
Security Deposit (SD)	50% of 100,000,000/= Ushs 50,000,000/=
Working Capital	30%of 100,000,000/= Ushs 30,000,000/=
Solvency Margin	The Higher of either (c) 15% of NWP or (d) 50 million

SDs should be invested in Government securities, Treasury Bills, Government Bonds etc.

11.3. The capital to be invested as follows:-

Asset category	Minimum	maximum
Fixed Deposit	70%	100%
Government Bonds	-	30%
Equities	-	10%
Real estate	-	10%
Others (This includes furniture, fitting, medical equipment and others as approved by the Authority)	-	10%

12. Procedure for acquisition of a License

- 12.1.** For first time applicants, a company or firm may file an application for licensing upon payment of a registration fee of UGX. 500,000/=
- 12.2.** After payment of the registration fee, the applicant i.e. the M.I.O fills in an application form available at the Authority or can be downloaded at <http://www.ira.go.ug> for an operating licence. The applicant should submit a fully filled in form together with other documents as required under these guidelines.
- 12.3.** On submission of the application, a non refundable license processing fee of UGX.500,000/= will be paid to the Authority.
- 12.4.** If the form is satisfactorily filled and all the required enclosures received, the application is submitted to the Authority for consideration.
- 12.5.** The Authority may, in the process of considering the application, require other documents or information in addition.

13. Maintaining Existing Obligations

All licensed M.I.O's shall:

- 13.1.** Immediately notify the Authority in the event there is any change regarding any requirement they previously satisfied for the grant of a license as specified under Sections 2 and 11 of these guidelines.
- 13.2.** Seek the Authority's approval before effecting transfer of any part of its business or change in ownership.

- 13.3. Not voluntarily wind up the business except for purposes of effecting an amalgamation or transfer without approval of the Authority.
- 13.4. The Authority may wind up the M.I.O on grounds of insolvency, failure to comply with these guidelines and failure to provide the requested services.
- 13.5. Display a license in a conspicuous place of its office and certified copies at their branches, failure of which will make them liable to disciplinary action or a penalty.

14. Offences and Penalties

- 14.1. The Authority will in cases of the M.I.O's non-compliance with these guidelines:
- (i) Privately admonish the M.I.O or
 - (ii) Publicly admonish the M.I.O, or
 - (iii) Impose a penalty of not more than 10,000,000, or
 - (iv) Suspend or revoke the M.I.Os license.
- 14.2. The M.I.O will whenever dissatisfied with Authority's decision appeal to the Appeals Tribunal within one month of receiving the decision.

15. Inspection of Microinsurance Organizations

- 15.1. The Authority shall have the powers to inspect M.I.O's and can co-opt other persons including other regulators to do so.
- 15.2. An inspection report may be issued to the M.I.O.

16. Reporting Requirements

- 16.1. The M.I.O shall provide periodic reports to the Authority as and when required.

17. Future development of the regulatory framework

These Guidelines are an interim measure for enabling the licensing and regulation of the M.I.O'S. The Authority in conjunction with other stakeholders will create a comprehensive regulatory framework over time through the necessary legal and regulatory changes.